CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES COMPOSING THE CAF GROUP (CONSOLIDATED)

2021 FIRST HALF-YEAR REPORT

JULY 2021

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CONSOLIDATED INTERIM DIRECTORS' REPORT

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

1 – CAF GROUP BUSINESS MODEL AND OUTLOOK

CAF is a multinational group with over 100 years' experience offering its customers high value-added integrated transport systems and sustainable mobility at the forefront of technology.

Multi-activity and multi-plant in nature and a benchmark in the railway sector, the Group offers its customers one of the broadest and most flexible product ranges on the market, from integral transport systems to rolling stock (railway and bus), components, infrastructure, signalling and services (maintenance, refurbishment and financing). All this value offer is available on the corporate website.

- In railway rolling stock, which has traditionally been its core business, the Group offers a wide range of products, from high-speed trains to regional and commuter trains (diesel and electric), metros, trams and light rail transit (LRV), and locomotives, among others.
- In buses, the Group offers a wide range of zero-emission battery and hydrogen buses. It was one of the leading companies operating in the European market in 2020 (Solaris received the Global e-Mobility Leader award for its contribution to the development of zero-emission transport worldwide) and continues to lead the sector as we move through 2021. Low-emission and traditional combustion buses complete its product range, although their weighting within Solaris' business is steadily decreasing, reflecting the prevailing market trend.
- In a bid to expand its value proposition in sustainable mobility and contribute to decarbonisation, CAF is acquiring significant positions in hydrogen solutions, such as:
  - Railway: Europe has chosen the CAF-led consortium to develop a hydrogen train prototype.
  - The CAF Group has joined the European Clean Hydrogen Alliance.

The Group serves a remarkably diverse base of customers around the world: from municipalities and regional or national public or private administrations, to other railway manufacturers and private companies that operate or maintain railway systems, and even complex corporate structures supported by their own financing arms.

The Group has a strong presence in the international market, focusing heavily on Europe, with production plants in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico and Brazil. It also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. All this information can be found in its corporate website. This close relationship with customers allows the Group to produce more efficiently and provide an excellent range of assistance and maintenance services.

The Management Model, personalised attention and ongoing improvement guide the Group to meet its customers' needs and expectations, and make each delivery into a recommendation for future business; this was evidenced by the more than 200 projects and orders awarded in over 50 countries in recent years, which have translated into a significant backlog and repeat business from our customers.

Experience in global sustainable mobility

The Group aims to recover the levels of profitable growth prior to the COVID-19 pandemic and improve its sustainability rating, albeit with a certain degree of uncertainty as to how the pandemic will pan out.

The main reasons supporting these expectations are as follows:

- Expected recovery of the railway transport and urban mobility transport sectors. This outlook has been ratified by the UNIFE 2020 World Rail Market Study in the case of railways.
- Continuous development of urban e-mobility, in which CAF Group is well positioned with its combined offering (railway and bus).
- Inherent sustainability of railway transport in general.
- Firm commitment by the authorities to sustainable mobility, through the impetus of the European Green Deal, as part of the European Restructuring Plan, in which the Group aims to maximise its participation.
- CAF Group's positive rating from, and relationship with, all its stakeholders.
- Systematic, recurring application of expense containment programmes, as well as cost and inventory reduction.
- Roll-out of the Corporate Management Model as a tool for unlocking synergies and improving Environmental, Sustainability and Governance (ESG) indicators, following the principles and commitments stated in our Sustainability Policy (both the 2020 Sustainability Report and the ESG Equity Story of the CAF Group describe the objectives and progress made along these lines. The 2020 Sustainability Report is available on the CAF Group's website).

Further, CAF Group aims to extend its offering of solutions and consolidate its position as a benchmark in the most important geographical areas with regard to collective mobility, through actions to make mobility systems across the world more sustainable, effective and safe. These actions will include:

- Making progress in integrated digitalisation and cybersecurity for our processes, products and services.
- Continuing investments in the technological development of sustainable mobility solutions such as hydrogen, energy accumulation, eco-design, etc., in which the Group is a leader. Examples include Solaris' positioning in the electric city bus market in Europe, the high number of references for catenary-free tram systems supplied by the railway business, or the wealth of know-how and real experience amassed in the development and supply of hydrogen-powered vehicles.
- Consolidating our value proposal for customers through commercial and technical development plans for our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, and CAF Engineering & Modernizations, among others) in order to diversify our integrated mobility offering.
- Consolidating international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.

In short, in an increasingly competitive market, the ongoing pursuit of solutions adapted to our customers' needs that increase their satisfaction is part of the Company's DNA, and forms part of the culture shared by all the individuals who belong to the CAF Group, thereby providing a balanced response to the needs of our stakeholders.

Highlights in the realm of **sustainability** during the first half of 2021 include the following:

- Announcement of the appointment of the Group's new Chief Executive Officer, with the consequent separation of powers between the Chairman and Chief Executive Officer as of 1 September 2021.
- Announcement that CAF was chosen as preferred bidder for the supply of the world's biggest railway contract developed with battery-powered technology (VRR Germany).
- Publication of Solaris' first Sustainability Report (available at www.caf.net).
- Materiality matrix updated and the first ESG Equity Story defined; the latter describing what sustainability means to the CAF Group and making visible the company's objectives in this field. This information will be published during the third quarter of 2021 in the new Sustainability section at www.caf.net.
- "Silver" performance level (maximum achievable) attained under the international quality standard IRIS (ISO TS 22163) for the Rolling Stock business.
- "Silver" performance level attained under the Ecovadis sustainability platform for the CAF Group (CAF SA has "Gold" level).
- Following the end of the first half of the year, the "CAF Startup Station" was set up to support outstanding startups that have relevant and innovative solutions to offer in both the railway and bus industries.

The Group also announced the following **awards** of contracts and business by segment and strategic market:

- Railway:
  - In Germany, the world's second largest market after China, with an annual contract volume exceeding EUR 5,000 million, highlights included the agreement signed with operator Ruhrbahn GmbH for the supply of LRVs, as well as the order for additional trams for Freiburg. Meanwhile, CAF was chosen by German transport authorities ZV VRR and NWL for the supply and 30-year maintenance of battery-powered trains, a project which is, to date, the most mature in the world when it comes to this type of technology. In July, the client confirmed the definitive award of this project to CAF.
  - In France, the world's third largest market, with an annual contract volume of over EUR 2,500 million, highlights included the supply of 146 commuter trains for the Paris RER B line in consortium with Bombardier.
  - In Sweden, highlights included the supply of regional trains to AB Transitio, thus ratifying the synergies of cross-selling opportunities arising from the acquisition of EuroMaint.
- Buses:
  - In Spain, Europe's fifth largest urban bus market, we would highlight the macro-contract for the city of Madrid, which has chosen Solaris to supply 250 buses powered by compressed natural gas, once again evidencing the synergies of cross-selling opportunities arising from the acquisition of Solaris.

2 – BUSINESS PERFORMANCE AND RESULTS

Main indicators (*)

Amounts in millions of euros	2021 First six months	2020 First six months	Change (%)
Orders-			
Backlog (**)	9,400	8,807	7%
Backlog / Sales ratio (**)	3.4	3.2	6%
Order Intake	2,004	599	236%
Book-to-bill ratio	1.42	0.54	163%
Profit and cash flow-			
Revenue	1,411	1,117	26%
Adjusted EBITDA	120	73	64%
Adjusted EBITDA margin	8.5%	6.5%	-
Consolidated profit or loss for the period	42	(35)	-
Cash flows	39	(17)	-
Working capital expenditure (**)	70	52	35%
Capital and liquidity management- (**)			
Net financial debt	301	311	(3%)
Equity attributable to the Parent	689	633	9%
Available liquidity	1,072	1,115	(4%)
Net financial debt / Adjusted EBITDA – 12 months ratio	1.21	1.54	(21%)
Market capitalisation	1,219	1,346	(9%)

(*) Section 10 – Alternative Performance Measures of the consolidated interim Directors' Report explains the reconciliations of those indicators that have not been directly retrieved from the condensed consolidated interim financial statements.

(**) The comparative figures given under "Backlog", "Backlog / Sales ratio", "Working capital expenditure" and in the "Capital and liquidity management" section relate to 31.12.20.

- The backlog continues to ensure the normal course of the Group's business activities, at levels close to its all-time high. The Order intake indicator for the first half of the year does not include the award by German transport authorities ZV VRR and NWL for the supply and 30-year maintenance of battery-powered trains.
- Neither the condensed consolidated interim financial statements nor the Group's performance and cash flow indicators show any significant impact on the Group's earnings as a result of the pandemic in the first half of 2021, as explained in Note 2-i of the accompanying condensed consolidated interim financial statements. The main impact on the Group's earnings and cash-flow indicators for the first half of 2020 came from the inefficiencies caused by the drop in activity amid COVID-19 and by the incremental costs incurred. It is important to consider these impacts when comparing the information for different periods.
- In terms of cash flow generation, control over both working capital and the Group's investments has enabled it to maintain its net financial debt at similar levels to the previous year.

3 – RAILWAY SEGMENT

SALES ACTIVITY

The first half of 2021 started and ended strongly in the two main European rail markets, namely France and Germany.

At the beginning of the year, the consortium participated by CAF was awarded the contract to manufacture 146 trains, put out to tender by the RATP, to provide service on the north-south axis (RER-B) of the Paris commuter network, operated jointly by the RATP and the SNCF.

In late June, the German authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe), which are responsible for transport in the North Rhine-Westphalia region, the most populated region in Germany and whose capital is Düsseldorf, picked CAF as preferred bidder for the manufacture of more than 60 electric train units and their maintenance for 30 years. This contract is unique because it concerns battery-powered trains that also run on catenary tracks and absorb energy from the catenary by means of a pantograph, much like a conventional unit. The award of this contract was formalised in early July, making it the world's largest contract to date for this type of technology.

Aside from the two contracts mentioned above, and still in Germany, a new contract was signed with operator Ruhrbahn GmbH for the supply of 51 LRVs to run on the tram network serving the cities of Essen and Mülheim and connecting them with each other.

Moving northwards, to Sweden more precisely, public company AB Transitio has once again entrusted our company with the manufacture of 28 new train units, exercising one of the options under the existing framework agreement between the two companies. These units purchased by AB Transitio will be leased to the regional administrations of Jönköping County, Kalmar County, Kronoberg and Blekinge. It is a fine example of forward-looking collaboration between administrations, since the plan to electrify the Kustpilen line, on which the new units will run, together with the Krösatågen line, has precipitated the decision to acquire bimodal battery-powered units.

In Freiburg, local operator VAG Freiburg has once again placed its trust in our company by exercising an option to extend the supply contract for the trams already in operation, bringing the total fleet to 25 units.

A similar story has unfolded in neighbouring Belgium, where operator De Lijn has decided to expand its CAF tram fleet to 106 units. These latest acquisitions will run in the city of Antwerp and are novel in the sense that they are bi-directional tram units.

In our antipodes, Transport for New South Wales has decided to increase its initial order to 16 units to serve Sydney's Inner West Light Rail line.

Closing out the chapter on railway rolling stock, in neighbouring Portugal, CARRIS —the operator of the Lisbon tramway service— has placed an order for 15 new units to renew the rolling stock serving line 15 (Carreira 15), which runs parallel to the mouth of the Tagus River and connects the main monumental areas of tourist interest of the Portuguese capital, including Praça do Comércio, Belém and the Jerónimos Monastery, as well as the city's main transport hubs.

Turning to railway maintenance, highlights included the signing of maintenance contracts with RENFE for the metric gauge fleet and the new units for line C9 of the Madrid commuter train network. EuroMaint also made a significant contribution to the backlog in the first half of the year, most notably the contract for the maintenance of the units running on the Krosatag line with Swedish operator SJ, and the refurbishment of sleepers for the same operator. Sales of spare parts and components also performed well, contributing more than 7% of the total order intake for the maintenance segment in the first six months of 2021.

Last but not least, CAF Signalling was awarded a contract to implement its latest electronic interlocking technology along the 153 km section between Çerkezköy and Kapikule, belonging to the line that connects Halkaki station in Istanbul with the Turkish-Bulgarian border at Kapikule, in addition to the installation of a CTC for the line.

INDUSTRIAL ACTIVITY

Industrial activity in the first half of 2021 focused on a total of 19 projects involving almost the entire range of CAF's manufacturing processes. Each of these projects is at a different stage of maturity, though several have already completed the manufacturing phase. For example, in Budapest nine trams have now been delivered to complete the total batch of 21 made up of five modules; in the Dutch city of Utrecht, the last three trams have now been delivered to complete the total order of 22; in Vitoria-Gasteiz in Spain and Freiburg in Germany the last seven and three trams have been delivered, respectively; and in Barcelona the metro unit has been delivered to complete the contract for 4 S/6000 type trains.

Among the projects initiated in previous years and that are still in the manufacturing phase, highlights include the delivery of 12 three-car trains and a further 12 four-car trains, under the extended contract for Dutch client Nederlandse Spoorwegen; as well as the six two-car trains and one additional four-car train for the West Midlands region (United Kingdom); the five metro units for the city of Brussels; and five trains under the 23-train contract signed with the Naples Metro.

This group of contracts in the intermediate manufacturing phase also includes 20 tram units for the city of Amsterdam, 17 trams out of a total of 48 for Belgian operator De Lijn, as well as three LRVs for the city of Schönbuchbahn and seven LRVs out of a total of 30 for Manila.

Elsewhere, the first units have been manufactured under other projects, such as the contract for the supply of 20 trams for the city of Liège, with the first two trams having now left the factory; the first five trams for the city of Birmingham; the first eight additional cars for Northern Ireland operator NIR; the first train for the Amsterdam Metro; and the first two units for the project signed with Wales and Borders.

The most important products manufactured in the first six months of 2021 were as follows:

	No. of cars
Long-distance Amtrak cars	9
Additional medium-distance cars – NIR	8
Medium-distance DMU West Midlands (2-car units)	12
Medium-distance DMU West Midlands (4-car units)	4
Medium-distance DMU Wales and Borders (2-car units)	4
Commuter trains for NS (4-car units)	48
Commuter trains for NS (3-car units)	36
Brussels Metro	30
Naples Metro	30
Amsterdam Metro	3
Barcelona Metro S/6000	5
LRV for Schönbuchbahn	9
LRV for Manila	56
Trams for Budapest (5-module units)	45
Trams for Freiburg	21
Trams for Amsterdam	100
Trams for Utrecht	21
Trams for De Lijn	85
Trams for Vitoria-Gasteiz	7
Trams for Liège	14
Trams for Birmingham	25
TOTAL	**572**

BOGIES	
With mechanic-welded chassis	668

WHEEL SETS AND COMPONENTS UNITS – (MiiRA)-

Assembled axles (power car + push-pull car)	2,612
Loose axle bodies	4,948
Monoblock wheels	25,170
Elastic wheels	1,818
Gear boxes	1,069
Tyres	524

R&D+i ACTIVITY

In relation to CAF and CAF I+D, the CAF Group's Innovation Plan for 2021-2022 was approved in the early months of the year. This plan includes a total of 81 projects, 56 under the corporate R&D Plan and 25 distributed among the Product Development Plans of the various businesses.

The aforementioned projects obtained financial support for R&D activities from the following entities:

- Provincial Government of Guipuzcoa.
- Basque Autonomous Community Government.
- Ministry of Economic Affairs and Digital Transformation.
- Ministry of Industry, Trade and Tourism.
- Ministry of Science and Innovation.
- European Commission.

The 2021-2022 Innovation Plan launched and to be implemented this year fosters projects involving CAF, CAF R&D and various subsidiaries, continuing the close levels of collaboration achieved with technology centres and universities.

The projects included in the 2021-2022 Innovation Plan encompassed the following fields:

- Specific rolling stock products.
- Digital Train, which comprises projects to gather and process operational data for use in product and maintenance enhancements.
- BigData technologies, advanced modelling, digital twin and artificial intelligence.
- Energy management and eco-design, which include projects related to the reduction and optimisation of consumption on trains and in the global system, and alternative propulsion systems such as those based on battery energy storage and hydrogen fuel.
- Signalling (on-board and fixed).
- Traction.
- Autonomous vehicle.
- Virtual validation and certification.
- Specific products and developments using basic rolling stock technologies, traction, wheel sets and axles, gear boxes, control and communications, maintenance, etc.

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

The CAF Group participates in strategic projects both individually and jointly at state level and as part of the European Union's Horizon 2020 framework programme. Notable projects here include:

- SHIFT2RAIL. As a founding member of the Shift2Rail JU (Joint Undertaking), which promotes railway R&D within the framework of the Horizon 2020 programme, CAF is involved in various technology development projects (PIVOT 2, IMPACT2, CONNECTA 2, CONNECTA 3, PINTA 3, X2RAIL 3, X2RAIL 5, FINE 2, IN2TEMPO, FR8RAIL 2, FR8RAIL 4, IMPACT 2, LINX4RAIL, TAURO and FORZDM) that will run until 2023.
- CLUG, a project promoted by the infrastructure managers that aims to demonstrate an autonomous train positioning system up to a SIL4 safety level through sensors such as GNSSs, IMUs, Tachometers and digital maps.
- iRel40, a project promoted 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.
- REALTIME, which is part of CAF's strategic digitalisation initiative and 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 the train operations data and in a cybersecure way.
- 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 featuring of 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) and involving the design and manufacture of a prototype based on an existing RENFE three-car commuter unit, specifically the CIVIA series. 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.

4 – BUS SEGMENT – SOLARIS

In the first half of 2021, Solaris delivered a total of 743 buses and trolleybuses. Sales in the period were up 50% on the same period in 2020 (494 units in the first half of 2020), a considerable achievement considering the fact that the company still had to contend with the COVID-19 pandemic during the period across most of its markets.

In the first half of 2021, Solaris maintained its position as a leading European manufacturer of electric buses. Alternative driveline vehicles made up 36% of the total number of vehicles sold by Solaris in the first six months of 2021. The majority of vehicles sold were delivered to customers in Poland, Italy, Estonia, Israel, Germany, Romania, Czech Republic, Spain and Switzerland.

It should be noted that buses with alternative drivelines, in particular hybrids and electric buses, play a very important role within Solaris' sales and product structure. In the first half of 2021, 36% of all contracts undertaken by the firm involved the supply of low-emission or zero-emission vehicles.

A total of 196 electric buses were delivered during the period, with the recipients including operators in Barcelona, Milan, Krakow, Craiova and Offenbach Am Nain. As for diesel-electric hybrid buses, deliveries were made to several cities in Romania, to Glogow in Poland and to cities in northern Spain, while hydrogen-powered electric buses (Solaris Urbino 12) were delivered to Cologne, Wuppertal and Bolzano.

In terms of order intake, Solaris closed several important contracts in the European bus markets in the first half of 2021. The most important orders are as follows:

- The Polish manufacturer was chosen to deliver 250 Solaris Urbino 12 buses powered by compressed natural gas (CNG) for Empresa Municipal de Transportes de Madrid (EMT). Deliveries to the operator are due to start in late 2021 and will be completed in 2023. This is the first contract Solaris has secured in the Spanish capital. Empresa Municipal de Transportes de Madrid (EMT) is the largest public transport operator in Spain and the second largest in Europe. The operator has set an ambitious target of having all-electric, hybrid and CNG buses on the streets of Madrid by 2023. The plan envisions the replacement of all its diesel vehicles with CNG buses. That is why, earlier this year, EMT launched a major tender for the supply of up to 520 12-metre CNG-fuelled vehicles, of which 250 will be delivered by Solaris.
- Another significant contract won by Solaris in the Spanish market is the delivery of 30 hybrid Solaris Urbino 12 buses to the Metropolitan Area of Barcelona. In the first half of 2021, urban operator Transports Metropolitans de Barcelona (TMB) named Solaris as the successful bidder for the supply of 30 environmentally-friendly hybrid buses, which must be delivered by end of 2021.
- In March 2021, Solaris received an order for 123 e-buses and 11 trolleybuses in Romania. Seven Romanian towns and cities have benefited from a tender for 131 modern, emission-free electric buses. From this group, Solaris has been awarded an order to deliver 123 12-metre vehicles to six locations: the towns and cities of Iași, Sibiu, Sighetu Marmației, Suceava, Târgu Mureș and Pitești. While the specific delivery schedules vary by location, all orders should be completed by the end of 2022.
- Also in same month of March, Solaris signed a contract with public transport operator Dopravní Podnik in Ostrava (DPO) for the supply of 24 Urbino 12 electric buses and the charging infrastructure to go with them. The vehicles ordered by DPO are the first Solaris electric buses to be seen on Czech streets. Deliveries are scheduled for completion in 2022. Ostrava residents are well acquainted with Solaris vehicles. The Czech city has already received more than 400 of them. Environmentally friendly buses running on compressed natural gas (CNG) and zero-emission trolleybuses account for the large majority of these vehicles. The 12-metre Solaris Urbino electric buses will soon be joining this existing fleet of vehicles.
- It is also worth noting that Solaris has signed three framework agreements for the exclusive supply of up to 162 buses to be used throughout Austria. Operator Österreichische Postbus AG has chosen Solaris as a potential supplier of emission-free and conventionally driven vehicles. According to the framework agreements concluded, up to 40 hydrogen buses and 122 diesel vehicles of different lengths will be supplied over the 2021-2023 horizon.
- Consip, owned by the Italian Ministry of Economy and Finance (MEF), also announced that Solaris had been shortlisted for a contract for the delivery of up to 550 intercity buses across Italy. Under this agreement, the public transport companies (Trasporti Pubblici Locali, or TPL) may place orders for vehicles directly or issue a call for tenders targeting the chosen suppliers. The framework agreements signed by the company govern the delivery of up to 300 Solaris InterUrbino 12 and up to 250 Solaris Urbino 12 LE buses to various locations in Italy. The vehicles will be ordered by TPL and awarded through accelerated and abbreviated tenders over the next two years.
- Last but not least, COTRAL, the Italian company operating commuter and intercity transport services in Rome, once again placed an order in the first half of 2021, this time for 80 InterUrbino buses. This marks another major purchase by the operator, for whom this particular model of vehicle has been manufactured continuously at the Bolechowo plant since 2016. Solaris has been further consolidating its already strong position in Italy, where it is also a leading supplier of electric buses.

As a European leader in the e-mobility bus public transport sector, Solaris plays an important role in accelerating initiatives to promote and deploy hydrogen as the "fuel of the future". Notably, Solaris joined the European Clean Hydrogen Alliance in early 2021. This initiative, led by the European Commission, aims to expand the production and deployment of hydrogen as a fuel to be produced through low-emission technologies and renewable energy sources by 2030. The European Clean Hydrogen Alliance is just one of many steps being taken by the European Union to strengthen its position as a world leader in the production and deployment of hydrogen in industry and the energy grid. It is also part of a wider series of actions aimed at supporting the EU's goal of achieving carbon neutrality by 2050. As part of the European Clean Hydrogen Alliance, Solaris has been invited to take part in a round table on mobility. In partnership with other organisations that champion the widespread deployment of hydrogen as an energy source, the manufacturer will seek to develop optimal solutions to support the EU's energy transition towards a climate-neutral economy.

Solaris also joined a European consortium to standardise fuel cell modules for heavy-duty vehicle applications. The initiative is known as the "StasHH mission". It is essentially a consortium of 25 leading organisations in the hydrogen sector who have come together to define, develop and test the first European standard for fuel cell modules for heavy-duty applications. This standard for fuel cell modules may well be a game-changer for the fuel cell industry by making the market more competitive and enabling competition, cost reduction and mass production.

It is worth noting that the Solaris Urbino 15 LE electric bus model won the "Sustainability Award 2021" presented by German magazine Busplaner. This is the first award for the Solaris electric intercity bus model that was launched at the end of last year. The electric Urbino 15 LE is the first electric bus manufactured by Solaris that is designed for both urban and intercity routes. This heralds a major step towards zero-emission transport and was a key factor influencing the panel's decision to award Solaris the prize. This bus is an excellent environmentally friendly alternative to the diesel models currently prevalent in the intercity vehicle segment.

Last but by no means least, Solaris has released its first Sustainability Report. Solaris' 2020 Sustainability Report is the first company publication to provide such a comprehensive overview of the company's activities in the ESG field. The report illustrates Solaris' commitment and shows that its activities do not stop at its factory gates and that all decisions taken, all projects implemented or all of its final products have a tremendous impact on the world around it. The report contains a complete description of the organisation's impact on the economy, the environment and communities. The aim of the report is to show the current position of Solaris as an organisation, employer and business partner. The report also places the company's activities in a broader context, though above all else it should drive a number of new ESG initiatives and projects down the line.

The report contains many examples of Solaris' activities that reflect its commitment to being a responsible partner to customers and suppliers alike, as well as an excellent employer, a socially responsible company and a good neighbour to local communities. Sustainable supply chain, innovative and energy-efficient production solutions to drive CO2 reduction at the company, along with charitable activities and educational programmes are just a handful of the challenges that the company mentions in the report. Much space is also devoted to zero-emission modes of transport, which stems from Solaris' conviction that modern cities with accessible, flexible and comfortable public transport can play a key role in the sustainable development of the world.

5 – INVESTMENTS

Capital expenditure by the CAF Group in the first six months of 2021 amounted to EUR 5,267 thousand. Notable investments during the period were as follows:

When it comes to MiiRA wheelset activity, the refurbishment and updating of the wheel forge furnace floor is now under way, an investment that must be made periodically. Meanwhile, the painting area is being modernised through the acquisition of a new axle painting machine and also by automating the wheel painting process, all with the aim of improving the quality and reducing the cost of the process.

Elsewhere, the process of transforming the production model continues at the train manufacturing area, affecting all manufacturing phases. Highlights here include the acquisition of new equipment such as sanding robots, paint mixers, electrical sub-unit stamping machines, as well as a new three-dimensional measuring machine for bogie frames. A further highlight was the investment made at the Zaragoza plant to modernise the facilities and equipment of the central warehouse where the Urbos platform trams are manufactured, and also to optimise the layout and improve the shunting process.

Outside Spain, highlights include the process of expanding and modernising the plant located in the French town of Bagneres de Bigorre, which this year will focus on remodelling the warehouse. The facilities and equipment will be upgraded to improve storage capabilities and enable better management of materials and equipment as part of the plant's production process; all this is to cope with the increase in the volume of projects that the CAF Group plans to carry out in France over the coming years.

Lastly, in the buses segment, Solaris is undertaking a major investment plan at its Bolechowo and Sroda Wielkopolska plants in Poland in a bid to modernise and increase the production capacity of its facilities. This comes in response to the subsidiary's extensive backlog and growth forecasts, mainly in the field of low-emission vehicles such as electric and hydrogen bus models. A further highlight is the expansion of the logistics area at the Bolechowo factory, with the start-up of a new warehouse that will ultimately improve the plant's logistics process. Charging infrastructure will also be installed to meet the subsidiary's current product mix, which has seen a significant increase in the production of electric buses, and to optimise the high-power vehicle testing process.

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 might prevent the achievement of its objectives. With the commitment to addressing 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 the utmost level of guarantees to shareholders;
- Protecting the CAF Group's results and reputation;
- Defend the interests of its stakeholders; and
- Ensuring business stability and financial strength in a sustained way over time.

To do so, the General Risk Management and Control Policy is implemented throughout the entire CAF Group by means of an Integrated Risk Management and Control System. This system constitutes a series of rules, processes, procedures, controls and IT 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, by setting, inter alia, the level of risk the Group considers to be acceptable.
2. Identification of the various risk types, in line with the main risks detailed in the Policy, faced by the Group.
3. Analysis of the risks identified and what they entail for the CAF Group as a whole.
   - Corporate Risks – Risks affecting the Group as a whole.
   - Business Risks – Risks specifically affecting each of the businesses/projects, which vary in accordance with the particularities in each case.
4. Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5. The measures envisaged to address the identified risks.
6. Regular monitoring and control of current and potential risks through the use of information and internal control systems.

The Integrated Risk Management System adopted by the CAF Group detailed above is aligned with international standards as regards the use of an effective methodology for the comprehensive analysis and management of risks and the Three Lines of Defence Model in relation to the allocation of responsibilities in the risk management and control area.

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: these are risks arising from the uncertainty that macroeconomic and geopolitical conditions represent, in addition to characteristics inherent to the industry and markets in which the Group operates and the strategic planning and technological decisions adopted.
- 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 fluctuations 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 fluctuations in exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of assets and liabilities denominated in foreign currency.
    - Commodity price risk: risk arising from changes in prices and market variables relating to commodities required in the businesses' supply chain.

- Credit risk: this risk relates to doubtful debts, insolvency proceedings or bankruptcy or possible default on payment of quantifiable monetary obligations by counterparties to which the Group has actually granted net credit that is yet to be settled or collected.
- Liquidity and financing risk: in relation to liabilities, it is the risk tied to the impossibility of performing transactions or breach of obligations arising from operating or financing activities due to a lack of funds or access to financial markets, either because of a drop in the Parent's credit rating or other reasons. 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.

• Legal Risks: arising from the preparation and performance of various types of agreements and obligations (commercial, administrative, intellectual and industrial 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 the Group's activities, products, systems and processes that have an economic and reputational impact arising from human/technological errors, insufficiently robust internal processes, or the involvement 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.).

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 environment or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and controlling the system.

The specific businesses and activities will continue to be monitored and controlled throughout 2021 so as to ensure: i) the health and safety of workers; ii) contractual compliance with clients and other third parties; and iii) the Group's financial health. These activities and other information regarding COVID-19 at the CAF Group are explained in the notes to the condensed consolidated financial statements for the six months ended 30 June 2021.

7 – HUMAN RESOURCES

The changes in the consolidated Group’s workforce in the first six months of 2021 were as follows:

	Total headcount	Average headcount
30.06.2020	13,053	13,099
30.06.2021	13,092	13,006

8 – ENVIRONMENTAL ACTIVITY

The CAF Group is aware of the impact that industrial development has on the environment and, accordingly, its general corporate policy includes an environmental policy that establishes environmental protection as a corporate mission, together with ensuring that the systems, equipment and rolling stock material manufactured comply with the highest standards, not only in terms of safety and efficiency but also in terms of respect for the environment.

The efforts in the area of environment are geared towards adopting the necessary and economically viable measures to control and, where required, to minimise important areas of environmental concern, such as emissions into the atmosphere, waste generation and energy consumption. The aim is to preserve natural resources, in line with the environmental advantages afforded by the manufacture of means of rail transport, which are viewed favourably due to their reduced environmental impact.

The main purpose of the Group's Environmental Policy, which was drawn up in 2020, is to establish the general environmental principles and criteria to be applied at CAF and to convey to our stakeholders the environmental commitments enshrined in the Sustainability Policy.

In 2021, Environmental Management System certification has been obtained for the manufacturing plants of CAF Mexico and CAF USA, with more than 65% of the Group's workforce now covered by an Environmental Management System implemented and certified in accordance with ISO 14001:2015. This extends to the organisational structure, planning of environmental protection activities, responsibilities, environmental targets and resources to develop, review and keep the environmental policy up to date. The most recent audit to renew the certification for this system was successfully carried out in December 2020.

Meanwhile, the main manufacturing centre of the Buses segment (Solaris in Poland) has an Environmental Management System in place implemented and certified under ISO 14001:2015, as do a number of other group companies, including CAF TE and CAF Signalling, and various maintenance facilities.

In 2020, the Group joined the United Nations Global Compact for Sustainable Development by 2030, thus undertaking to take action to mitigate the causes of global warming and adapt to climate change and adopting measures that contribute to environmental sustainability. To succeed in this endeavour, it has developed a sustainability initiative aligned with the UN Sustainable Development Goals (SDGs). With the aim of defining strategies against climate change that focus on reducing CO2 emissions and promoting renewable energies, the CAF Group's Management Plan now includes the strategic initiative of "Zero net emissions", whose primary objective is to reduce the greenhouse gas emissions generated by the Group's activities. To achieve this goal, a project has been launched to calculate the organisation's carbon footprint in order to set appropriate net emissions reduction targets and devise a strategy for reducing them by the end of 2021.

On this path towards reducing its greenhouse gas emissions, one of the challenges that CAF has already set in motion and indeed achieved is a 40% reduction in CO2 emissions at its Beasain, Irun and Zaragoza manufacturing plants. These facilities have met this target by consuming electricity generated by renewable sources (with 100% guarantee of origin).

Meanwhile, with the aim of offering more efficient means of transport that are environmentally friendly yet still competitive in an increasingly demanding market when it comes to environmental concerns, CAF is currently in the process of implementing its Product Sustainability Function, which integrates eco-design methodologies into the engineering processes to optimise and control the environmental impacts of our products throughout their lifecycle.

The CAF Group integrates the following methodologies and tools into its design processes to evaluate and select the best product solutions and compositions:

- Recyclability measurement pursuant to ISO 22628, for enhanced selection of materials.
- Life cycle assessment under ISO 14040, for environmental assessment of the product at each stage of its lifecycle.

With the new EPD for the Lund Tramway released in the first half of 2021, there are now seven EPDs for CAF Group projects verified and published by the International EPD System (http://www.environdec.com). Aside from the EPDs just mentioned, a simplified Life Cycle Analysis has been carried out for the products of Norkse Tog and the recyclability and recoverability of the products of Ferrocarrils de la Generalitat de Catalunya have been calculated.

9 – EVENTS AFTER THE REPORTING PERIOD

At 30 June 2021, the Group had a firm backlog of EUR 9,400 million.

In July 2021, German authorities ZV VRR and NWL —responsible for transport in the North Rhine-Westphalia region— awarded the CAF Group a contract to manufacture more than 60 electric train units and to maintain them over 30 years.

10 – ALTERNATIVE PERFORMANCE MEASURES

The CAF Group's financial information contains not only figures and metrics drawn up in accordance with applicable accounting standards, but also other indicators known as Alternative Performance Measures (APMs). APMs are essentially figures adjusted from those presented in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS). They should therefore be read in conjunction with the financial reporting measures and not in isolation.

APMs are important to those who rely on the financial information because they are the measures used by the CAF Group's management to assess its financial performance, cash flows or financial position in making financial, operational or strategic decisions for the Group.

The following APMs have been used as part of the financial information of the CAF Group:

Backlog: this represents the volume of firm orders that will be recognised in the future under "Revenue" in the condensed consolidated interim statement of profit or loss. An order is considered firm only where obligations between the CAF Group and the customer arise. For sales of trains, buses and services, obligations are deemed to arise when the parties sign the contract. The amount includes only the contractual options already exercised by the customer, less the estimated amount of contractual penalties.

Backlog / Sales ratio: obtained by dividing the Backlog for the current period by "Revenue" as stated in the consolidated statement of profit or loss for the previous year. This ratio gives an indication of future turnover.

	Millions of euros	
	30.06.21	**31.12.20**
Backlog – current period	9,400	8,807
Revenue for the period (*)	2,762	2,762
Backlog/Sales ratio	**3.4**	**3.2**

(*) Revenue at 30 June 2021 refers to the figure for the financial year 2020.

Order intake: this includes firm orders received in the first six months and potential modifications to orders from prior periods. This measure does not include the backlog acquired through business combinations in the year.

	Millions of euros		
	30.06.21	**30.06.20**	**31.12.20**
+ Backlog at end of period	9,400	8,928	8,807
- Backlog at beginning of period	(8,807)	(9,446)	(9,446)
+ Revenue	1,411	1,117	2,762
Order Intake	**2,004**	**599**	**2,123**

Book-to-bill ratio: obtained by dividing "Order intake for the year" by "Revenue" as shown on the consolidated statement of profit or loss for the period. This ratio gives an indication of the volume of future "Revenue".

	Millions of euros		
	30.06.21	**30.06.20**	**31.12.20**
Order intake for the year	2,004	599	2,123
Revenue	1,411	1,117	2,762
Book-to-bill ratio	**1.42**	**0.54**	**0.77**

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): calculated by eliminating from "EBIT" the amounts shown under the headings "D&A" and "Impairment and gains or losses on disposals of non-current assets", as well as headings reflecting exceptional items or significant events that are not expected to occur in the coming years, such as those arising from litigation outside normal business operations, restructurings, costs of company acquisitions, etc.

	Millions of euros	
	30.06.21	**30.06.20**
EBIT	74	28
Depreciation and amortisation charge	46	45
Impairment and gains or losses on disposals of non-current assets	-	-
EBITDA	**120**	**73**
Other adjustments	-	-
Adjusted EBITDA	**120**	**73**

Adjusted EBITDA – 12 months: calculated as the sum of monthly Adjusted EBITDA for the last 12 months. The figure at 30.06.21 relates to the period running from 1 July of the previous year to 30 June of the current year.

	Millions of euros	
	30.06.21	**31.12.20**
- Adjusted EBITDA – 30.06.20	(73)	-
+ Adjusted EBITDA – 31.12.20	201	201
+ Adjusted EBITDA – 30.06.21	120	-
Adjusted EBITDA – 12 months	**248**	**201**

Adjusted EBITDA margin: obtained by dividing "Adjusted EBITDA" by "Revenue" as shown on the consolidated statement of profit or loss for the period. This indicator provides useful information about the Group's operating profitability.

	Millions of euros	
	30.06.21	**30.06.20**
Adjusted EBITDA	120	73
Revenue	1,411	1,117
Adjusted EBITDA Margin	8.5%	6.5%

Net Financial Debt: this is obtained by taking into consideration the items making up the calculation of this indicator, which are disclosed in Note 10-c to the condensed consolidated interim financial statements.

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.

	Millions of euros	
	30.06.21	**30.06.20**
+ Net financial debt at the beginning of the period	311	434
- Net financial debt at the end of the period	(301)	(451)
+ Dividends paid to shareholders in the period	29	-
Cash flows	**39**	**(17)**

The CAF Group has adjusted the calculation of the Cash flow indicator because it believes that the new calculation method is more representative of the Group's cash generation capacity.

Investment in current assets: calculated as the difference between current assets and current liabilities. Current assets and current liabilities exclude all items that are classified as Net financial debt, such as Cash and cash equivalents. This measure is used by CAF Group management when managing and making decisions related to the cash conversion cycle of the business, as effective working capital management enables an optimal level of investment in working capital so as not to jeopardise the company's solvency and ability to honour its short-term payment obligations. The following table provides a breakdown:

	Millions of euros	
	30.06.21	31.12.20
+ Inventories	519	482
+ Trade and other receivables	1,597	1,537
+ Current hedging derivatives (assets)	21	15
+ Other current assets	12	10
- Current provisions	(307)	(270)
- Current hedging derivatives (liabilities)	(39)	(20)
- Trade and other payables	(1,729)	(1,702)
- Other current liabilities	(8)	(5)
+ Deferred amounts payable to the tax authorities (Note 19)	4	5
Investment in current assets	**70**	**52**

Net financial debt/Adjusted EBITDA – 12 months: obtained by dividing "Net financial debt" by Adjusted EBITDA for the last 12 months. This ratio gives an indication of the Group's ability to meet its Net financial debt with the cash flows generated by its ordinary activities.

	Millions of euros	
	30.06.21	31.12.20
Net financial debt	301	311
Adjusted EBITDA – 12 months	248	201
Net financial debt / Adjusted EBITDA – 12 month ratio	**1.21**	**1.54**

Available liquidity: represents the amount of available Cash and cash equivalents plus the amount of undrawn credit facilities. It shows the Group's ability to honour its obligations from the normal course of its business. The following table provides a breakdown:

	Millions of euros	
	30.06.21	31.12.20
Current financial assets – Current financial investments (Note 7)	129	101
Cash and cash equivalents	568	574
Credit facilities and other undrawn financial balances (Note 11)	375	440
Available liquidity	**1,072**	**1,115**

Stock market capitalisation: means the total value of the shares of the Controlling Entity issued on the stock exchange at the end of the period, calculated as the product of the number of shares issued by their quoted price on that date.

	30.06.21	31.12.20
Number of shares issued (in millions of shares)	34.28	34.28
Last share price	35.55	39.25
Market capitalisation (millions of euros)	1,219	1,346

11 – CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

Condensed consolidated balance sheets as at 30 June 2021 and 31 December 2020 (Notes 1 & 2) (Thousands of Euros)

Assets	Note	30.06.21	31.12.20 (*)	Equity and liabilities	Note	30.06.21	31.12.20 (*)
Non-current assets:				**Equity:**	10		
Intangible assets	5	**316,230**	**323,993**	**Shareholders' equity-**			
Property, plant and equipment	6	**394,187**	**403,617**	Registered share capital		10,319	10,319
Investments accounted for using the equity method	7	**11,611**	**7,370**	Share premium		11,863	11,863
Non-current financial assets	7	**439,854**	**429,068**	Revaluation reserve		39,119	39,119
Non-current hedging derivatives	16	**44,932**	**41,736**	Other accumulated reserves and profit for the period attributable to the Parent		835,884	796,774
Deferred tax assets	19	**147,821**	**147,148**			**897,185**	**858,075**
Other non-current assets	14	**6,741**	**6,592**				
Total non-current assets		**1,361,376**	**1,359,524**	**Valuation adjustments-**			
				Hedges	10 & 16	(10,206)	(13,575)
				Translation differences		(198,095)	(211,531)
						(208,301)	**(225,106)**
				Equity attributable to the Parent		**688,884**	**632,969**
				Non-controlling interests		**11,927**	**11,234**
				Total equity		**700,811**	**644,203**
				Non-current liabilities:			
				Non-current provisions	2-d & 12	**47,750**	**46,497**
				Non-current financial liabilities-	11		
				Bank borrowings and debt instruments or other marketable securities		772,023	808,849
				Other financial liabilities		78,992	78,615
						851,015	**887,464**
				Deferred tax liabilities	19	**135,576**	**134,233**
				Non-current hedging derivatives	16	**45,107**	**42,547**
				Other non-current liabilities	14	**86,769**	**93,914**
				Total non-current liabilities		**1,166,217**	**1,204,655**
				Current liabilities:			
				Current provisions	12	**307,137**	**269,946**
Current assets:				**Current financial liabilities-**	11		
Inventories	8	**518,540**	**481,669**	Bank borrowings and debt instruments or other marketable securities		222,168	170,760
Trade and other receivables-				Other financial liabilities		37,633	62,512
Trade receivables for sales and services	9	1,411,249	1,357,136			**259,801**	**233,272**
Other receivables	19	174,865	170,794	**Trade and other payables-**			
Current tax assets		11,374	8,774	Payable to suppliers		694,943	710,496
		1,597,488	**1,536,704**	Other payables	9, 11 & 19	1,018,417	976,801
Current financial assets	7	**131,474**	**102,000**	Current tax liabilities		15,371	15,044
Current hedging derivatives	16	**21,250**	**15,589**			**1,728,731**	**1,702,341**
Other current assets	14	**12,385**	**9,737**				
Cash and cash equivalents	10	**567,675**	**573,928**	**Current hedging derivatives**	16	**39,340**	**20,071**
				Other current liabilities	14	**8,151**	**4,663**
Total current assets		**2,848,812**	**2,719,627**	**Total current liabilities**		**2,343,160**	**2,230,293**
Total assets		**4,210,188**	**4,079,151**	**Total equity and liabilities**		**4,210,188**	**4,079,151**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated balance sheet as at 30 June 2021.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

Condensed consolidated statements of profit or loss for the six-month periods ended 30 June 2021 and 2020 (Notes 1 & 2)

(Thousands of Euros)

	Note	(Debit) Credit	
		30.06.21	**30.06.20 (*)**
Continuing operations:			
Revenue	17	1,411,324	1,116,898
+/- Changes in inventories of finished goods and work in progress		96,199	109,789
In-house work on non-current assets		309	3,748
Procurements		(836,328)	(655,581)
Other operating income		7,862	6,921
Staff costs	11, 12 & 18	(366,042)	(344,364)
Other operating expenses	2-d & 12	(193,950)	(164,813)
Depreciation and amortisation charge	5 & 6	(44,919)	(44,835)
Impairment and gains or losses on disposals of non-current assets	6	(246)	(192)
Other results		248	-
Profit/(loss) from operations		**74,457**	**27,571**
Finance income	7	4,369	2,851
Finance costs	11	(19,380)	(23,719)
Changes in fair value of financial instruments		10	(40)
Exchange differences		1,669	(27,901)
Financial profit/(loss)		**(13,332)**	**(48,809)**
Result of companies accounted for using the equity method		(446)	(866)
Profit/(loss) before tax		**60,679**	**(22,104)**
Income tax	19	(18,992)	(13,433)
Profit/(loss) for the period from continuing operations		**41,687**	**(35,537)**
Profit/(loss) for the period from discontinued operations		-	-
Consolidated profit/(loss) for the period		**41,687**	**(35,537)**
Attributable to:			
The Parent		40,818	(35,432)
Non-controlling interests		869	(105)
Earnings/(loss) per share (in euros)			
Basic		1.19	(1.03)
Diluted		1.19	(1.03)

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2021.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

Condensed consolidated statements of comprehensive income for the six-month periods ended 30 June 2021 and 2020 (Notes 1 & 2)

(Thousands of Euros)

	Note	30.06.21	30.06.20 (*)
A) Consolidated profit/(loss) for the period:		**41,687**	**(35,537)**
B) Other comprehensive income – Items not reclassified to profit or loss:		**(1,708)**	**1,541**
Arising from actuarial gains and losses	11	(63)	97
Equity instruments through other comprehensive income	7	(1,575)	1,444
Other income and expenses taken directly to equity		(70)	-
C) Items that may be reclassified subsequently to profit or loss:		**16,844**	**(67,373)**
Cash flow hedges:		**119**	**(253)**
Revaluation gains/losses	10	55	(361)
Amounts transferred to profit or loss		64	108
Translation differences:		**13,430**	**(62,589)**
Revaluation gains/losses	10	13,430	(62,589)
Share of other comprehensive income recognised for investments in joint ventures and associates:		**3,324**	**(4,591)**
Revaluation gains/losses-			
Cash flow hedges	10	3,119	(4,798)
Translation differences	10	45	47
		3,164	(4,751)
Amounts transferred to profit or loss-			
Cash flow hedges		160	160
		160	160
Tax effect		**(29)**	**60**
Total comprehensive income (A+B+C)		**56,823**	**(101,369)**
Attributable to:			
The Parent		55,915	(100,958)
Non-controlling interests		908	(411)

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2021.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

Condensed consolidated statements of changes in equity for the six-month periods ended 30 June 2021 and 2020 (Notes 1 & 2) (Thousands of Euros)

	Equity attributable to the Parent							
	Shareholders' Equity							
	Share capital	Share premium	Reserve for unrealised fair value gains and loses	Other accumulated reserves and profit/(loss) for the period attributable to the Parent	Hedges	Translation differences	Non-controlling interests	Total Equity
Balances at 31 December 2019 (*)	**10,319**	**11,863**	**39,119**	**817,680**	**(11,062)**	**(134,682)**	**12,130**	**745,367**
Total comprehensive income	**-**	**-**	**-**	**(33,891)**	**(4,831)**	**(62,236)**	**(411)**	**(101,369)**
Transactions with shareholders or owners	**-**	**-**	**-**	**(28,331)**	**-**	**-**	**(533)**	**(28,864)**
Dividends payable (Note 4)	-	-	-	(28,864)	-	-	-	(28,864)
Transactions with non-controlling shareholders (Note 3)	-	-	-	533	-	-	(533)	-
Other changes in equity	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	-	-	-	-	-
Balances at 30 June 2020	**10,319**	**11,863**	**39,119**	**755,458**	**(15,893)**	**(196,918)**	**11,186**	**615,134**
Balances at 31 December 2020 (*)	**10,319**	**11,863**	**39,119**	**796,774**	**(13,575)**	**(211,531)**	**11,234**	**644,203**
Total comprehensive income	**-**	**-**	**-**	**39,110**	**3,369**	**13,436**	**908**	**56,823**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**-**	**-**	**(215)**	**(215)**
Dividends payable (Note 4)	-	-	-	-	-	-	(215)	(215)
Transactions with non-controlling shareholders (Note 3)	-	-	-	-	-	-	-	-
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between equity items	-	-	-	-	-	-	-	-
Balances at 30 June 2021	**10,319**	**11,863**	**39,119**	**835,884**	**(10,206)**	**(198,095)**	**11,927**	**700,811**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

Condensed consolidated statements of cash flows for the six-month periods ended 30 June 2021 and 2020 (Notes 1 & 2)

(Thousands of Euros)

	Note	30.06.21	30.06.20 (*)
Cash flows from operating activities:			
Profit before tax from continuing and discontinued operations		60,679	(22,104)
Adjustments for-			
Depreciation and amortisation charge	5 & 6	44,919	44,835
Other adjustments to profit or loss (net)		13,395	19,589
Changes in working capital-		(28,652)	(9,594)
Other cash flows from operating activities-			
Income tax recovered/(paid)		(24,553)	(25,480)
Other amounts received/(paid) relating to operating activities		(1,010)	(801)
Cash flows from operating activities (I)		**64,778**	**6,445**
Cash flows from investing activities:			
Payments due to investment-			
Group companies, associates and business units		-	(1)
Property, plant and equipment, intangible assets and investment property	5 & 6	(13,437)	(21,812)
Other financial assets, net	7	(30,783)	(7,552)
Proceeds from disposal-			
Group companies, associates and business units	7	190	477
Property, plant and equipment, intangible assets and investment property	5 & 6	182	92
Other financial assets	7	10,281	11,192
Other cash flows from investing activities			
Interest received		3,065	2,199
Cash flows from investing activities (II)		**(30,502)**	**(15,405)**
Cash flows from financing activities:			
Proceeds/(payments) relating to equity instruments-			
Acquisitions of shares of external partners		-	(1,125)
Proceeds/(payments) relating to financial liability instruments-	11		
Issue		239,314	401,805
Repayment		(240,191)	(218,190)
Dividends and returns on other equity instruments paid	11	(29,086)	-
Other cash flows from financing activities-	11		
Interest paid		(18,351)	(27,895)
Cash flows from financing activities (III)		**(48,314)**	**154,595**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		**7,785**	**(10,343)**
Net increase in cash and cash equivalents (I+II+III+IV)		**(6,253)**	**135,292**
Cash and cash equivalents at beginning of period		573,928	538,983
Cash and cash equivalents at end of period		**567,675**	**674,275**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2021.

12 – NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

Notes to the Condensed Consolidated Financial Statements for the six-month period ended 30 June 2021

1. DESCRIPTION AND ACTIVITIES OF THE PARENT

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") was incorporated in 1917 for an indefinite period in San Sebastián (Guipuzcoa) and has its registered office at calle Jose Miguel Iturrioz 26, Beasain (Guipuzcoa) (Spain).

The Parent's object is described in Article 2 of its Bylaws.

The Parent currently engages mainly in the manufacture of rolling stock materials.

The Parent, as part of its business activities, holds majority ownership interests in other companies (Note 3).

The CAF Group's consolidated financial statements for 2020 were approved by the shareholders at the Annual General Meeting of CAF on June 5, 2021.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a) Basis of presentation

The CAF Group's consolidated financial statements for 2020 were prepared by the Parent's directors in accordance with International Financial Reporting Standards as adopted by the European Union, and the bases of consolidation, accounting policies and measurement bases described in Note 3 to those consolidated financial statements were applied in order to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2020 and its consolidated results, the changes in consolidated equity and its consolidated cash flows for the year then ended.

These condensed consolidated interim financial statements are presented in accordance with IAS 34 – Interim Financial Reporting, and were authorised for issue by the Parent's directors on 29 July 2021 pursuant to Article 12 of Royal Decree 1362/2007. This condensed consolidated interim financial information was prepared on the basis of the accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. and the other companies composing the Group, and includes all the adjustments and reclassifications required to unify the accounting and presentation policies applied by all the Group companies (in all cases, local legislation) with those applied by Construcciones y Auxiliar de Ferrocarriles, S.A. for the purposes of the consolidated financial statements.

In accordance with IAS 34, the interim financial information is prepared for the sole purpose of updating the information contained in the latest consolidated financial statements prepared by the Group. The interim information focuses on the new activities, events and circumstances to have occurred during the six-month period and does not repeat the information previously published in the consolidated financial statements for financial year 2020. Therefore, for a proper understanding of the information included in these condensed consolidated interim financial statements, they should be read in conjunction with the Group's consolidated financial statements for 2020.

The accounting policies and methods used in preparing these condensed consolidated interim financial statements are the same as those used in the consolidated financial statements for 2020, except for the standards and interpretations which came into force in the first half of 2021 and are detailed below.

b) Entry into force of new accounting standards

In the first half of 2021, various amendments and/or interpretations of IFRS 4 – Insurance contracts came into force, as did various amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in relation to the ongoing reform of benchmark interest rates. These amendments did not have a significant impact on the preparation of the condensed consolidated interim financial statements.

c) Use of estimates

The consolidated results and the determination of consolidated equity are sensitive to the accounting principles and policies, measurement bases and estimates used by the Parent's directors in preparing the condensed consolidated interim financial statements. The main accounting principles and policies and measurement bases used are indicated in Note 3 to the consolidated financial statements for 2020.

In the condensed consolidated interim financial statements estimates were occasionally made by the senior executives of the Parent and of the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

1. The income tax expense which, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average tax rate envisaged by the Group for the full financial year;

2. The assessment of possible impairment losses on certain assets (Notes 5, 6, 7, 8 & 9);

3. The assumptions used in the actuarial calculation of pension and other obligations to employees (Note 11-b);

4. The useful life of the property, plant and equipment and intangible assets (Notes 5 & 6);

5. The fair value of certain financial assets and intangible assets (Notes 5 & 7);

6. The calculation of provisions and penalties that reduce the selling price (Note 2-d);

7. The assessment of the probability of having future taxable profits against which unused recognised tax assets can be utilised;

8. Changes in estimated costs in the budgets for construction projects performed and percentage of completion.

Although the aforementioned estimates were made on the basis of the best information available at the reporting date on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at the end of 2021 or in coming years. Changes in accounting estimates would be applied, if required, prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the corresponding consolidated statement of profit or loss.

In the six-month period ended 30 June 2021 there were no significant changes in estimates with respect to those made at 2020 year-end.

d) Contingent assets and liabilities

Note 26 to the Group's consolidated financial statements for the year ended 31 December 2020 discloses information on the contingent assets and liabilities at that date, as well as in the Notes 9 & 12 on the attached condensed consolidated financial statements for the six-month period ended 30 June 2021.

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 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 consolidated statement of profit or loss and a credit to "Non-current provisions" in the accompanying condensed consolidated balance sheet (Note 12). The amount of the fine was increased by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody (SELIC) and EUR 345 thousand was recognised in the first half of 2021 with a charge to "Finance costs" in the accompanying condensed consolidated interim statement of profit or loss (EUR 559 thousand in the first half of 2020).

The subsidiary rejects CADE's assessment of the facts when imposing the aforementioned penalty and contends that, with respect to the facts under investigation, it has always acted in strict compliance with the applicable law. At the date of authorisation for issue of these condensed consolidated financial statements, the administrative sanction imposed has been appealed before the competent Brazilian courts, which have stayed the effectiveness of the sanction until a court ruling is delivered. 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 EUR 148 thousand. At the present date, the decision on an extraordinary appeal to unblock the account is currently being awaited.

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. As a result of CADE's investigations, an administrative proceeding was also initiated by the Court of Auditors, in response to which the subsidiary presented its preliminary defence during the first half of 2016. Following a finding by the Court of Auditors that no irregularity had been proven, a request was filed to close these proceedings. Lastly, and also as a result of CADE's investigations, the State Audit Court of São Paulo admitted an administrative proceeding in relation to which the subsidiary filed initial allegations 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 accompanying condensed consolidated interim financial statements of the Group should the outcome be unfavourable and, therefore, no liabilities have been recognised in this connection in those accounts.

The CAF Group's Brazilian subsidiary is also part of a consortium in Brazil set up to perform a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's role in the consortium is essentially to supply the rolling stock and signalling equipment. There are currently various administrative proceedings and lawsuits under way in relation to this project, in which the authorities have to decide upon, among other issues, the potential termination of the contract, whether damages, fines and penalties should be paid, and whether both the consortium and the client were in breach of contract, mainly in relation to the civil engineering work. Both the consortium and the CAF Group's subsidiary in Brazil are contesting these proceedings in court. In relation to the potential breach of the 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. However, most of the breaches of contract have been levelled against other members of the consortium so if the court hearing the action delivers a decision against the Consortium, CAF could seek redress for any ensuing losses from those responsible within the consortium. At 30 June 2021, the amount, past-due by more than 180 days, recognised under "Trade Receivables for Sales and Services" in relation to this contract, net of advances received, amounted to EUR 9.5 million (31 December 2020: EUR 8.9 million), without taking into account the impairment losses or the provisions recognised, which cover the entire amount.

At 30 June 2021, the Group was involved in litigation with a customer as a result of a project in which mutually submitted claims were made due to delays in achieving the contractual milestones signed by the consortium to which CAF belongs. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent's directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At 2019 year-end, a report justifying the delays was issued by an independent expert and no decision had yet been handed down in this proceeding at the date of authorisation for issue of these condensed consolidated interim financial statements.

On 27 August 2018, the Spanish National Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia, or CNMC) instituted sanctioning proceedings against a number of companies in relation to alleged anti-competitive practices, including CAF Signalling, S.L.U. Construcciones y Auxiliar de Ferrocarriles, S.A. was included in the action as jointly and severally liable due to its status as parent company. The Statement of Facts was notified on 15 September 2020 and the Proposed Ruling was notified on 5 April 2021. The proceedings remain open at the date of authorisation for issue of the condensed consolidated interim financial statements as we await the CNMC's final decision, which is expected to be delivered in the latter half of 2021. This decision may then be appealed through contentious-administrative proceedings before the National High Court (Audiencia Nacional).

e) Comparative information

The information relating to 2020 contained in these condensed consolidated interim financial statements is presented solely for comparison purposes with the information relating to the six-month period ended 30 June 2021.

To provide a more reliable comparison between the condensed consolidated interim financial statements of both years, the impacts of COVID-19 on the Group's activity in 2020 should be considered (Note 2-i).

f) Seasonality of the Group's transactions

Bus segment sales are mostly recognised in the second half of the year. This seasonality occurs because most bus deliveries are made during this period, as per the dates contractually agreed upon with the clients, particularly in certain key markets such as Germany, Poland, Spain and Romania. However, the Group expects to reduce this seasonal effect on sales with business growth through diversification of the markets at which the bus sales are targeted. The bus business unit's sales in the 12 months up to and including June 2021 amounted to EUR 853,206 thousand (EUR 614,669 thousand in the 12-month period to June 2020) (Note 17).

In view of the rest of the business activities in which the Group companies engage, as well as the stage of completion method of accounting, the rest of the Group's transactions are not cyclical or seasonal in nature. Therefore, no specific disclosures in this connection are included in these notes to the condensed consolidated financial statements for the six-month period ended 30 June 2021.

g) Materiality

In determining the disclosures to be made in these notes to the condensed consolidated financial statements on the various line items in the condensed consolidated financial statements or on other matters, in accordance with IAS 34 the Group took into consideration materiality with respect to the condensed consolidated interim financial statements.

h) Events after the reporting period

At 30 June 2021, the Group had a firm backlog of EUR 9,400 million.

In July 2021, German authorities ZV VRR and NWL, responsible for transport in the North Rhine-Westphalia region, awarded the CAF Group a contract to manufacture more than 60 electric train units and to maintain them over 30 years.

i) COVID-19

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

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

On 16 March 2020, CAF decided to halt train manufacturing activity at its plants located in Spain to the extent that compliance with the minimum health and safety conditions established in the workplace could not be guaranteed. On 20 April 2020, activity resumed at the production plants in Spain, prioritising compliance with health and safety conditions for people. Organisational measures were promptly deployed to arrange all workers into more homogeneous groups in order to prevent overcrowding in different areas of the factory. An agreement was also reached to make up for the days of stoppage. At 30 June 2021, that was a total of 21,000 hours to be recovered, equivalent to EUR 907 thousand, as recognised under “Trade and other receivables – Other receivables” in the accompanying condensed consolidated balance sheet (172,128 hours to be recovered at 30 June 2020, equivalent to EUR 7,675 thousand).

Bus production has continued at the Group’s various production plants, and the difficulties encountered in 2020 in delivering buses in regions heavily impacted by the COVID-19 pandemic have since eased.

In terms of services, COVID-19 has had a direct effect on operators and the transportation services they offer to the public and, consequently, on maintenance requirements and the guarantees provided. The impact has been different in each country, both due to the measures adopted by the respective operators and to the differing level of contractual risk exposure in the face of situations of this nature. Following the Group’s guidelines, working practices and protocols were adapted at all Group centres around the world. At 30 June 2021, there were 11 employees placed on furlough at the maintenance area due to the reduction in the scope of the maintenance contracts (64 people at 31 December 2020, peaking at 615 people in May 2020).

Teleworking arrangements have continued, insofar as possible, since the date of the stoppage of manufacturing activities, although following the publication of the “back to work” plan in June 2021, the plan has been to increase the presence of teleworkers over the coming months. In 2020, these actions, together with the other steps taken by the Group to respond to the pandemic, led to a reduction in activity at most train production plants and, to a lesser extent, at the services area, coupled with additional costs in seeking to cushion the impact of the pandemic. These effects, as well as the inefficiencies and incremental costs incurred by the Group in 2020, were recognised under operating income in the consolidated statement of profit or loss for 2020. Also in 2020 there were significant fluctuations in the exchange rates of the currencies of the main countries where the Group operates, with a significant impact on both earnings and translation differences. At 30 June 2021, the condensed consolidated statement of profit or loss does not show any significant impacts due to the COVID-19 pandemic or any significant exchange rate fluctuations. In this regard, the Group’s foreign currency exposure is similar to the level reported at the end of 2020.

Despite the new conditions to have arisen post-COVID-19, there have been no terminations of contracts with customers and no significant lawsuits or disputes with customer or suppliers. Moreover, the Group has continued to identify opportunities and submit bids within the market.

The Parent’s directors believe that the swift deployment of the contingency plan, with personalised pandemic management, has enabled the CAF Group to significantly mitigate the impacts of the pandemic. The prospects for recovery of the rail transport and urban mobility sectors, the ongoing development of urban electromobility and the inherent sustainability of rail transport, among other factors, make it more likely that not that we will see a return to pre-pandemic levels of profitable growth and improve our sustainability ratings.

3. CHANGES IN THE COMPOSITION OF THE GROUP

Note 2-f to the consolidated financial statements for the year ended 31 December 2020 provides relevant information on the Group companies that had been consolidated at that date and on those accounted for using the equity method.

During the first six months of 2021, the companies Solaris Netherlands, B.V. and Solaris Belgium, SRL were incorporated, in which subsidiary company Solaris Bus & Coach, sp. z.o.o. holds a 100% stake. Meanwhile, the CAF Group now holds a 49% stake in Purple Line Transit Operators LLC following the shareholding restructuring process, compared to the 20% stake it held at 31 December 2020. This interest is held through subsidiary company CAF USA, Inc.

4. DIVIDENDS PAYABLE BY THE PARENT

On 5 June 2021, the General Meeting of Shareholders of the Parent resolved to distribute the profit for 2020 against voluntary reserves, and no dividend pay-out was approved.

Approved dividends paid out by the Parent in January 2021 against 2019 earnings are shown below, all relating to ordinary shares. The Group recognised the amounts (net of the corresponding withholding tax) with a credit to “Current financial liabilities – Other financial liabilities” in the condensed consolidated balance sheet as at 30 June 2020.

	30.06.20		
	% of Par Value	**Euros per Share**	**Amount (Thousands of Euros)**
Total dividends payable (Note 11)	280%	0.842	28,864

5. INTANGIBLE ASSETS

Changes in the six-month period ended 30 June 2021 in the intangible asset accounts and in the related accumulated amortisation were as follows:

	Thousands of Euros					
	Development expenditure	Commercial relationships and customer portfolio	Patents, licenses and trademarks	Computer software and other	Goodwill	Total
Balance at 31/12/20						
Cost	185,930	45,450	108,368	62,573	103,339	505,660
Accumulated depreciation	(112,365)	(7,753)	(12,457)	(31,926)	-	(164,501)
Impairment losses	(17,146)	-	-	(20)	-	(17,166)
Net balance at 31.12.20	**56,419**	**37,697**	**95,911**	**30,627**	**103,339**	**323,993**
Cost-						
Translation differences	167	532	974	86	925	2,684
Additions	3,245	-	-	2,773	-	6,018
Disposals	(3,298)	-	-	(8)	-	(3,306)
Transfers	-	-	-	14	-	14
Cost at 30.06.21	**186,044**	**45,982**	**109,342**	**65,438**	**104,264**	**511,070**
Accumulated amortisation-						
Translation differences	(55)	(159)	(116)	(63)	-	(393)
Additions or charge for the year	(8,396)	(1,390)	(2,711)	(3,614)	-	(16,111)
Disposals	3,298	-	-	8	-	3,306
Transfers	(356)	-	-	28	-	(328)
Accumulated amortisation at 30.06.21	**(117,874)**	**(9,302)**	**(15,284)**	**(35,567)**	**-**	**(178,027)**
Impairment losses-						
Allowances/Reversals/Transfers	356	-	-	-	-	356
Translation differences	(3)	-	-	-	-	(3)
Impairment losses at 30.06.21	**(16,793)**	**-**	**-**	**(20)**	**-**	**(16,813)**
Net balance at 30.06.21	**51,377**	**36,680**	**94,058**	**29,851**	**104,264**	**316,230**

The additions in the first half of 2021 recognised as “Development expenditure” relate to the costs incurred in projects to develop new products and projects, as the Group considered that there were no reasonable doubts regarding the economic and commercial returns thereon. Additionally, the Group initiated in 2019 the process of implementing the new ERP. At 30 June 2021, the Group had investment commitments of EUR 27,109 thousand (31 December 2020: EUR 29,396 thousand), mainly for the new IT system, which is expected to go live in 2023.

In the first six months of 2021 and 2020 there was no impairment of, or substantial changes in, the return estimates and assumptions regarding the development projects on which impairment had been recognised in prior years.

6. PROPERTY, PLANT AND EQUIPMENT

a) Changes in the period

The changes in the first half of 2021 are the following:

	Thousands of Euros					
	Opening balance at 31.12.20	Additions / Depreciation and amortisation charge / Allowances	Transfers	Disposals or reductions	Translation differences	End balance at 30.06.21
Cost						
Property, plant and equipment	813,124	5,267	576	(1,062)	6,073	823,978
Rights of use	88,798	13,696	21	(7,833)	485	95,167
Accumulated depreciation						
Property, plant and equipment	(454,323)	(19,147)	(141)	889	(2,421)	(475,143)
Rights of use	(33,711)	(9,661)	(21)	4,110	(217)	(39,500)
Impairment losses						
Property, plant and equipment	(10,271)	(28)	-	-	(16)	(10,315)
Net	**403,617**	**(9,873)**	**435**	**(3,896)**	**3,904**	**394,187**
Property, plant and equipment	348,530	(13,908)	435	(173)	3,636	338,520
Rights of use	55,087	4,035	-	(3,723)	268	55,667

The main additions in the first half of 2021 largely involved investments in relation to the process of transforming the production model currently under way at the CAF Group's manufacturing plants in Spain, as well as investments at the plants in France and Poland to develop the railway and bus projects, respectively, that the Group is carrying out in those countries.

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 30 June 2021, the net amount of the grants received not yet allocated to profit or loss totalled EUR 2,453 thousand (31 December 2020: EUR 2,577 thousand). A total of EUR 99 thousand was taken to profit or loss in the six months ended 30 June 2021 (EUR 86 thousand in the six months ended 30 June 2020).

b) Property, plant and equipment purchase commitments

At 30 June 2021 and 31 December 2020, the Group had firm capital expenditure commitments amounting to some EUR 4,686 thousand and EUR 2,542 thousand, relating mainly to the fitting out of certain facilities and the purchase of machinery, mainly in Spain, Poland and France.

7. FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Investments accounted for using the equity method

The detail of "Investments Accounted for Using the Equity Method" in the accompanying condensed consolidated interim financial statements is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Consorcio Traza, S.A.	-	-
Arabia One for Clean Energy Investments PSC	1,569	1,514
Orbital Sistemas Aeroespaciales, S.L.	5,676	5,501
Momentum Trains Holding Pty Ltd (Note 16)	(5,226)	(8,199)
CFIR Light Rail Ltd	(1,828)	(284)
Ferrocarril Interurbano, S.A. de C.V.	3,165	816
J-NET O & M Ltd	960	-
Oher investments	241	(177)
TOTAL	**4,557**	**(829)**
Recognised under assets	11,611	7,370
Recognised under liabilities (Note 12)	(7,054)	(8,199)

During the first half of 2021, the loans granted and the invoices issued as advances to Ferrocarril Interurbano, S.A. de C.V. by the companies that make up the Consortium and hold a stake in that company were capitalised. Following this capitalisation, the percentages of participation of each consortium member have been maintained, while the participation in the CAF Group has increased by EUR 2,391 thousand.

b) Non-current financial assets

The detail of "Non-Current Financial Assets" in the accompanying condensed consolidated interim financial statements is as follows:

	Thousands of Euros			
	30.06.21		31.12.20	
	% of ownership	Balance	% of ownership	Balance
Equity instruments-				
Alquiler de Trenes, A.I.E.	5%	1,631	5%	3,150
Ferromovil 3000, S.L.	10%	11,933	10%	11,562
Plan Azul 07, S.L.	5.20%	3,890	5.20%	3,571
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	4,880	15%	5,590
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	522	3%	558
Other		45		46
Total equity instruments -		**23,652**		**25,228**
Other financial assets -				
Amortised cost -				
Guarantees and other financial assets		12,613		11,934
Loans to employees		3,545		3,753
Non-current tax receivables		29,985		28,244
Non-current trade receivables and loans		347,866		338,104
Loans to associates		31,577		30,605
		425,586		**412,640**
Provisions-				
Provisions for tax receivables		(6,937)		(6,462)
Impairment losses		(2,447)		(2,338)
		(9,384)		**(8,800)**
Total other financial assets		**416,202**		**403,840**
Total		**439,854**		**429,068**

Alquiler de Trenes, A.I.E. distributed a dividend of EUR 1,519 thousand in the first half of 2021 following the early termination agreement reached with the customer, leading to a reduction in the fair value of that company for the same amount.

Guarantees and other financial assets

At 30 June 2021, the guarantee relating to the increase in borrowings taken by subsidiary Ctrens Companhia Manutençao, S.A. (Note 11) amounted to EUR 9,328 thousand (31 December 2020: EUR 8,432 thousand).

Non-current tax receivables

At 30 June 2021, the Group had a total of EUR 29,985 thousand recognised under "Non-current financial assets" in respect of receivables from foreign public authorities for value added tax equivalent (31 December 2020: EUR 28,244 thousand), with translation differences generating an increase of EUR 2,189 thousand in the first half of 2021 (decrease of EUR 10,742 thousand in the first half of 2020).

At 30 June 2021 and 31 December 2020, the Group had recognised a provision of EUR 6,937 thousand and EUR 6,462 thousand, respectively, to adjust the nominal value of these receivables to their recoverable amount.

Non-current trade receivables and loans

In 2010, the Group signed concession contracts in Brazil and Mexico, the terms of which are described in Note 9-c of the consolidated financial statements for 2020. These concessions are recognised under IFRIC 12 – Service Concession Arrangements, as the relevant conditions have been met and, in accordance with this standard the various activities and services provided (construction, operation/maintenance and financing) have been duly separated.

Consequently, the Group recognised a total of EUR 320,310 thousand under "Non-current financial assets – Financial assets at amortised cost – Non-current trade receivables" (31 December 2020: EUR 313,887 thousand) and EUR 96,398 thousand under "Current assets – Other receivables" (31 December 2020: EUR 89,559 thousand) in relation to construction activities and services performed to date, net of billings made.

Under both contracts the future cash flows from payments are determined and guaranteed in full from the date the contracts are signed. The only potentially variable amount in the payments relates solely to any possible penalties relating to the technical performance of the rolling stock material made available to the customer. This aspect has been taken into account when determining the cash flows to be received. There is no demand risk for the CAF Group in these contracts, since the financial flows to be received are unrelated to passenger numbers.

On 3 May 2021, there was an interruption in the operation of Line 12 of the Mexico City Metro in which the Group operates one of the aforementioned concessions, following the collapse of a section of this line for which the CAF Group was not liable. At the date of authorisation for issue of these condensed consolidated interim financial statements, the Mexican authorities are in the process of investigating the events that occurred. The parties are working towards different alternatives for its reopening and are in negotiations with the Group to reach an agreement on the economic effects of the temporary line closure.

In 2021 and 2020, long-term collection schedules were established with customers in the Buses segment, and an amount of EUR 23,730 thousand was recognised in this connection under this heading in the accompanying condensed consolidated balance sheet (31 December 2020: EUR 21,544 thousand). These loans accrue interest at market rates and are amortised over a period of between two and 10 years.

The changes in the first six months of 2021 and 2020 in the balance of the impairment losses on the Group's assets, including non-current tax receivables and expected credit losses under IFRS 9, which form part of the balance of "Non-current financial assets", were as follows:

	Thousands of Euros	
	30.06.21	30.06.20
Balance at the beginning of the period	**(8,800)**	**(12,271)**
Translation differences	(636)	3,056
Net impairment losses recognised with a charge to "Impairment and gains or losses on disposals of non-current assets"	33	-
Net impairment losses recognised with a charge to "Other operating expenses"	7	(387)
Current reclassifications	12	-
Balance at end of period	**(9,384)**	**(9,602)**

c) Current financial assets

The detail of "Current Financial Assets" in the accompanying condensed consolidated interim financial statements is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Current financial assets	**129,387**	**101,636**
At amortised cost	43,207	40,539
At fair value through profit or loss	86,180	61,097
Other financial assets	**2,087**	**364**
At amortised cost	2,087	364
Total	**131,474**	**102,000**

8. INVENTORIES

The detail of "Inventories" at 30 June 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Raw materials and other supplies, work in progress and finished and semi-finished goods	447,956	406,795
Advances to suppliers	70,584	74,874
Total	**518,540**	**481,669**

At 30 June 2021, the Group had posted an impairment provision of EUR 36,056 thousand (31 December 2020: EUR 34,448 thousand).

9. TRADE AND OTHER RECEIVABLES

The detail, by customers billed and contract assets, of "Trade and Other Receivables" is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Contract assets	903,536	813,859
Customers billed	528,058	563,063
Write-downs	(20,345)	(19,786)
Total	**1,411,249**	**1,357,136**

"Customer billed" includes retentions at 30 June 2021 amounting to EUR 7,447 thousand (31 December 2020: EUR 6,611 thousand). At 30 June 2021, provisions for contractual liability reducing "Customers billed" amounted to EUR 78,570 thousand (31 December 2020: EUR 76,746 thousand). Similarly, provisions for contractual liability reducing "Contract assets and liabilities" amounted to EUR 39,432 thousand at 30 June 2021 (31 December 2020: EUR 56,992 thousand).

At 30 June 2021, The Group had recognised a total of EUR 41,465 thousand corresponding to billed and unbilled balances receivable under contracts already performed that had yet to be collected after securing arbitration awards favourable to the Group and with subsequent favourable judgments (31 December 2020: EUR 39,764 thousand). At 30 June 2021, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to its recoverability.

At 30 June 2021 and 31 December 2020, the balances billed included EUR 58,601 thousand in relation to the agreement signed in previous years with Metro de Caracas, the balance of which is past due and relates to work performed and billed to the customer, net of contractual provisions, and the collection of which is considered to be covered by the insurance policy currently in force, as described in Note 12 of the Group's consolidated financial statements for 2020.

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. The terms and conditions of the credit insurance set a six-month period for payment of the requested compensation once the insurer has received all the required documentation in relation to the claim.

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales and non-recourse factoring of trade receivables. At 30 June 2021, the unmatured receivables settled by the Group through the aforementioned "non-recourse factoring" transactions amounted to EUR 172,877 thousand (31 December 2020: EUR 89,180 thousand).

Contract assets and liabilities

The detail of contract assets and liabilities is as follows:

	Thousands of Euros	
	30.06.21	**31.12.20**
Current contract assets	903,536	813,859
Current contract liabilities	(804,880)	(807,549)
Non-current contract liabilities (Note 14)	(66,097)	(65,394)
Net	**32,559**	**(59,084)**

10. EQUITY

a) Issued capital

At both 30 June 2021 and 31 December 2020, the share capital of the Parent was represented by 34,280,750 shares, each with a par value of EUR 0.301, represented by book entries, all fully subscribed for and paid up and all listed on the stock exchange.

The Annual General Meeting held on 10 June 2017 resolved to empower the Parent's Board of Directors, with express powers of delegation, for a period of five (5) years from that date, to issue debt instruments and fixed-income or other securities (including warrants) convertible into shares of the Parent 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 rendered null and void the resolution previously adopted at the Annual General Meeting of the Company held on 7 June 2014. As at the date of authorisation for issue of these condensed consolidated interim financial statements, no convertible securities have been issued since that resolution.

In addition, the Annual General Meeting held on 13 June 2020 vested powers in the Board of Directors to acquire treasury shares for a period of five years running from that date. This authorisation rendered null and void the powers previously granted to the directors at the Annual General Meeting held on 13 June 2015. As at the date of authorisation for issue of these condensed consolidated interim financial statements, no treasury shares have been issued since that resolution.

Finally, the Annual General Meeting held on 5 June 2021 authorised the Board of Directors to increase the share capital on one or more occasions, for a period of five years from that date and subject to an upper limit of half of the share capital at the time of the authorisation, including the power to disapply pre-emptive subscription rights, if the interests of the company so require and without such exclusion exceeding twenty per cent of the share capital at the time of the authorisation. This authorisation superseded and rendered null and void the powers previously granted to the directors at the Annual General Meeting held on 2 June 2018. As at the date of authorisation for issue of these condensed consolidated interim financial statements, no capital increases had been carried out since that resolution.

b) Other comprehensive income

Hedges

The changes in "Cash Flow Hedges" in the first six months of 2021 and 2020 were as follows:

	Thousands of Euros	
	30.06.21	**30.06.20**
Balance at the beginning of the period	**(13,575)**	**(11,062)**
Income and expense recognised in equity	3,174	(5,159)
Transfers to profit or loss	224	268
Tax effect	(29)	60
Balance at the end of the period	**(10,206)**	**(15,893)**

Translation differences

The changes in "Translation Differences" in the first six months of 2021 and 2020 were as follows:

	Thousands of Euros	
	30.06.21	30.06.20
Balance at the beginning of the period	**(211,531)**	**(134,682)**
Net change in the period	13,436	(62,236)
Balance at the end of the period	**(198,095)**	**(196,918)**

The currencies with highest fluctuations in translation differences in the first six months of 2021 were the Brazilian real, the pound sterling and the Polish zloty.

c) Capital management

The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital to ensure a sound financial position. This policy allows the Group to create value for shareholders by accessing the financial markets at a competitive cost in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the Group's business activities.

The directors of the CAF Group consider that the fact that the leverage ratio with recourse to the Parent is minimal is a good indicator that the objectives set are being achieved. At 30 June 2021 and 31 December 2020, a substantial portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (Note 7) and Solaris' operations. Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of Euros	
	30.06.21	31.12.20
Net financial debt:		
Payment deferrals with public entities (Note 19)	3,493	5,229
Interest-bearing refundable advances (Note 11)	9,572	10,021
Bank borrowings – Non-current liabilities	772,023	808,849
Bank borrowings and debt instruments – Current liabilities	222,168	170,760
Financial assets - Non-current assets (Note 7)	(9,328)	(8,432)
Current financial assets (Note 7)	(129,387)	(101,636)
Cash and cash equivalents	(567,675)	(573,928)
	300,866	**310,863**
Equity:		
Attributable to the Parent	688,884	632,969
Non-controlling interests	11,927	11,234
	700,811	**644,203**

11. FINANCIAL LIABILITIES

a) Bank borrowings and debt instruments or other marketable securities

The detail of "Bank borrowings and debt instruments or other marketable securities" in the accompanying consolidated balance sheet is as follows:

	Nominal currency	Thousands of Euros					
		30.06.21			31.12.20		
		Non-current	Current	Total	Non-current	Current	Total
Loans and credit accounts-							
Ctrens - BNDES	BRL	68,410	15,274	83,684	70,604	13,698	84,302
Provetren - Banking syndicate	USD	28,138	22,317	50,455	38,076	18,898	56,974
Parent (CAF, S.A.)	EUR	519,978	97,843	617,821	600,630	29,532	630,162
CAF Investment Projects, S.A.U.	EUR	19,917	-	19,917	19,901	-	19,901
Solaris Group	PLN/EUR	135,573	57,397	192,970	79,053	85,251	164,304
Actren Mantenimiento Ferroviario, S.A.	EUR	-	-	-	-	8,979	8,979
Other Group companies	EUR	7	2,524	2,531	585	2,359	2,944
		772,023	195,355	967,378	808,849	158,717	967,566
Debt instruments or other marketable securities-							
Commercial Paper issues	EUR	-	25,000	25,000	-	10,000	10,000
Accrued interest payable		-	1,813	1,813	-	2,043	2,043
Total		**772,023**	**222,168**	**994,191**	**808,849**	**170,760**	**979,609**

The change in "Bank Borrowings and Debt Instruments or other Marketable Securities" in the first six months of 2021 was as follows:

	Thousands of Euros
Balance at 31 December 2020	**977,566**
Cash flows	
New drawdowns	231,123
Maturity payments	(225,137)
	5,986
Other changes	
Translation differences	9,442
Amortised cost adjustments and other	(616)
	8,826
Balance at 30 June 2021	**992,378**

Group company Solaris Bus & Coach, sp. z.o.o. increased the amount of credit facilities in the first half of 2021 from PLN 250 million (EUR 55 million) to PLN 305 million (EUR 67 million), of which PLN 292 million (EUR 65 million) had been drawn down as at 30 June 2021. Meanwhile, the amount of debt under discounted commercial paper dropped to PLN 197 million (EUR 44 million) as at 30 June 2021, compared to PLN 340 million (EUR 75 million) as at 31 December 2020. In addition, the Company continues to hold loan debt amounting to PLN 344 million (EUR 76 million). The other companies belonging to the Solaris Group have a combined debt of EUR 8 million euros under drawn credit facilities.

Meanwhile, and in relation to the financing agreement signed by Group company Ctrens – Companhia de Manutençao, S.A. (Ctrens) with BNDES, in a similar manner to the agreement reached with CPTM to extend the payment period, in June 2020 Ctrens requested the COVID-19 debt standstill offered by BNDES, which was accepted in July 2020. This had the effect of suspending repayment of the debt and interest payments over the period running from July through to December 2020. As agreed by the parties in January 2021, payments were resumed under normal conditions, with no change to the final maturity date.

On 19 December 2019, the Parent announced a 12-month extension of a short-term commercial paper issuance programme ("Euro-Commercial Paper Programme"), raising the maximum aggregate nominal balance to EUR 250 million from the initial maximum aggregate nominal balance of EUR 200 million (the "Programme"). The Programme was listed on the Irish Stock Exchange but was not subsequently renewed in December 2020. Issues made under this programme in 2020, totalling EUR 10 million and maturing in 2021, have been fully repaid at maturity.

To replace the Programme registered on the Irish Stock Exchange, the Parent, as per the approval granted by its Board of Directors on 17 December 2020, arranged the Commercial Paper Programme CAF 2020, for an aggregate maximum nominal balance of EUR 250 million. This programme was listed on the Spanish Alternative Fixed Income Market ("MARF") on 21 December 2020. The Programme allows the Parent, under the terms and conditions set out in the Information Memorandum and for a period of 12 months, to issue commercial paper maturing within 730 days, which will be listed on the MARF. Of this total limit, EUR 25 million was outstanding at 30 June 2021.

The main terms and conditions of the other loans are detailed in Note 16 to the consolidated financial statements for 2020.

At 30 June 2021 the Group's companies have undrawn credit facilities amounting to EUR 374,769 thousand (31 December 2020: 439,746 thousand) with a maturity of less than one year.

b) Other financial liabilities

The detail of "Non-Current Financial Liabilities - Other Financial Liabilities" and "Current Financial Liabilities - Other Financial Liabilities" in the condensed consolidated interim balance sheet as at 30 June 2021 and the consolidated balance sheet as at 31 December 2020 is as follows:

Current and Non-Current Financial Liabilities – Other Financial Liabilities	Thousands of Euros					
	30.06.21			31.12.20		
	Non-Current	Current	Total	Non-Current	Current	Total
Interest-bearing refundable advances	7,699	1,873	9,572	8,097	1,924	10,021
Interest-free refundable advances	22,921	9,455	32,376	23,361	9,187	32,548
Employee benefit obligations	2,875	-	2,875	2,847	-	2,847
Share purchase liabilities	4,384	3,804	8,188	4,184	3,804	7,988
Dividend payable	-	-	-	-	25,616	25,616
Payable to non-current asset suppliers	-	2,140	2,140	-	3,976	3,976
Lease liabilities	40,046	17,784	57,830	39,114	17,882	56,996
Other	1,067	2,577	3,644	1,012	123	1,135
	78,992	**37,633**	**116,625**	**78,615**	**62,512**	**141,127**

Refundable advances

Various Research and Development programmes have led to the award of certain grants to conduct research and development projects to the Group. This aid is recognised on the date it is 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, generally interest-free, which usually have an initial grace period of three years and are repaid over a period exceeding 10 years.

Grants must be refunded together with the related interest if the R&D investments envisaged under the projects are not ultimately made.

Employee benefit obligations

At 30 June 2021, "Non-current financial liabilities – Other financial liabilities" and "Trade and other payables – Other payables" in the accompanying condensed consolidated balance sheet included EUR 2,875 thousand and EUR 3,949 thousand, respectively (31 December 2020: EUR 2,847 thousand and EUR 2,649 thousand, respectively), relating to the present value estimated by the Parent's directors of the future payments to be made to those employees with whom hand-over contracts had been signed as at June 2021. In this connection, the Group recognised an amount of EUR 2,700 thousand with a charge to "Staff Costs" in the accompanying condensed consolidated statement of profit or loss in the first six months of 2021 (charge of EUR 873 thousand in the first six months of 2020).

In relation to the outsourced obligations assumed with certain employees, as detailed in Note 15 to the consolidated financial statements for 2020, future modifications thereto and the accrual of amounts for services rendered are recognised against profit or loss for the related year. Accordingly, in the six-month periods ended 30 June 2021 and 2020 an expense of EUR 2,122 thousand and EUR 1,645 thousand, respectively, was recognised under "Staff costs".

Share purchase liabilities

This heading includes, as described in Note 15 of the consolidated financial statements for 2020, the amounts payable for the cross call and put options on the remaining share capital of the company BWB Holdings Limited (26% of the remaining share capital), as well as put options granted to the minority shareholders of Lander Simulation and Training Solutions, S.A. (23.87% of the remaining share capital). The price of these transactions is variable, depending on certain financial metrics of both companies at the exercise date of the options.

The put options granted to non-controlling interests for the remaining capital of Lander Simulation and Training Solutions, S.A. are exercisable through to 2021 and the exit option price is to be calculated by an independent expert.

12. PROVISIONS AND CONTINGENT LIABILITIES

a) Breakdown

The detail of provisions and contingent liabilities in the condensed consolidated balance sheet is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Non-current provisions for contingent liabilities and commitments	47,750	46,497
Current provisions	307,137	269,946
Total	**354,887**	**316,443**

b) Non-current provisions for contingent liabilities and commitments

The breakdown by item of the heading "Non-current provisions" in the condensed consolidated balance sheet as at 30 June 2021 and the consolidated balance sheet as at 31 December 2020 is as follows:

Non-current provisions	Thousands of Euros	
	30.06.21	31.12.20
Provisions for litigation	30,179	27,618
Investments accounted for using the equity method (Note 7)	7,054	8,199
Provision for long-term remuneration to staff and other	10,517	10,680
Total	**47,750**	**46,497**

Following the administrative decision delivered in July 2019 arising from the investigation initiated in 2013 into the involvement of various railway manufacturers in possible anti-competitive practices described in Note 2-d, the Group had a provision of EUR 30.2 million posted at 30 June 2021 (31 December 2020: EUR 27.6 million). In the first half of 2021, as a consequence of the appreciation of the Brazilian real, the effect of the translation differences led to an increase in the provision of approximately EUR 2,214 thousand (reduction of approximately EUR 10,510 thousand in the first half of 2020 due to the depreciation of the Brazilian real).

Also, the Group recognised employment-related provisions under "Non-current provisions" as a consequence of the existence of a present obligation arising from past events, upon maturity of which, and in order to settle, the Group expects an outflow of resources. The amount reflects the best estimate made to date by the directors of the Parent, and it is stated at present value where the effect of discounting is significant.

c) Current provisions

"Current provisions" in the accompanying condensed consolidated balance sheet includes the provisions recognised by the Group to cover mainly warranty expenses, contractual support services and other matters arising from its business activities. The consolidated companies posted a charge of EUR 35,493 thousand to "Other operating expenses" in the accompanying condensed consolidated statement of profit or loss for the first six months of 2021 (first six months of 2020: EUR 2,191 thousand credited there), relating to the difference between the provisions required in this connection at 30 June 2021 and the provisions recognised at the end of the previous year. The expenses incurred in the first six months of 2021 and 2020 in connection with the provision of contractual warranty services (approximately EUR 40,546 thousand and EUR 38,351 thousand, respectively) were recognised under "Procurements" and "Staff costs" in the accompanying condensed consolidated statements of profit or loss for the first six months of 2021 and 2020.

Changes in current and non-current provisions in 2021 and 2020 were as follows (in thousands of euros):

	Non-current provisions	Current provisions				
		Contractual liability	Warranty and support services	Lawsuits	Other provisions	Total current provisions
Balance at 31.12.19	**47,789**	**52,927**	**170,634**	**1,944**	**11,873**	**237,378**
Net charge for the period	4,151	23,569	115,945	2,486	2,807	144,807
Amounts used charged to profit or loss	(1,518)	(29,954)	(69,466)	(394)	(3,577)	(103,391)
Translation differences	(11,615)	(1,028)	(7,524)	(77)	(1,214)	(9,843)
Transfers	7,690	(363)	1,311	(21)	68	995
Balance at 31.12.20	**46,497**	**45,151**	**210,900**	**3,938**	**9,957**	**269,946**
Net charge for the period	1,079	2,461	76,031	(913)	1,313	78,892
Amounts used charged to profit or loss	(1,010)	(428)	(40,546)	(988)	(1,437)	(43,399)
Translation differences	2,335	295	1,348	4	146	1,793
Transfers	(1,151)	2,871	(2,917)	-	(49)	(95)
Balance at 30.06.21	**47,750**	**50,350**	**244,816**	**2,041**	**9,930**	**307,137**

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.

13. RELATED PARTIES

The Group's "related parties" are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the Parent's "key management personnel" (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control.

The transactions performed by the Group with its related parties (significant shareholders, Board members and executives of the Parent and other related parties) in the first six months of 2021 and 2020 are disclosed below. The terms and conditions of the transactions with related parties are equivalent to those in transactions performed on an arm's length basis and the corresponding payments in kind were charged.

Expenses and Income	Thousands of Euros 30.06.21			
	Significant Shareholders	Group Employees, Companies or Entities	Other Related Parties	Total
Expenses:				
Purchases of goods and services	-	-	388	388
	-	**-**	**388**	**388**
Income:				
Revenues	-	-	87,227	87,227
Finance income	-	-	1,143	1,143
	-	**-**	**88,370**	**88,370**

Expenses and Income	Thousands of Euros 30.06.20			
	Significant Shareholders	Group Employees, Companies or Entities	Other Related Parties	Total
Expenses:				
Purchases of goods and services	-	-	387	387
	-	**-**	**387**	**387**
Income:				
Revenues	-	-	101,846	101,846
Finance income	-	-	1,066	1,066
	-	**-**	**102,912**	**102,912**

Sales to "Other related parties" in the first six months of 2021 and 2020 were made mainly to Momentum Trains Holding Pty Ltd, CFIR Light Rail Ltd, Ferrocarriles Suburbanos, S.A.P.I. de C.V., Plan Metro S.A. and Ferrocarril Interurbano S.A. de C.V., all companies in which the CAF Group holds non-controlling ownership interests along with other shareholders.

The Group's main balances with investees that had not been fully consolidated at 30 June 2021 and 31 December 2020 were as follows:

	30.06.21	31.12.20
Balances receivable:		
Trade and other receivables	129,517	104,378
Loans and credits granted	33,457	30,323
Balances payable:		
Payable to suppliers and trade payables	133,980	54,058

14. OTHER CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The detail of the Group's "Other non-current assets" and "Other current assets" at 30 June 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Assets for the right of return	6,741	6,592
Other non-current assets	**6,741**	**6,592**
Prepayments	12,385	9,737
Other current assets	**12,385**	**9,737**

The detail of the Group's "Other non-current liabilities" and "other current liabilities" at 30 June 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	30.06.21	31.12.20
Non-current contract liabilities	66,097	65,394
Advances received on operating leases	13,271	19,587
Refund liabilities	7,401	8,933
Other non-current liabilities	**86,769**	**93,914**
Advances received on operating leases	6,548	2,711
Unearned income	1,028	1,484
Refund liabilities	575	468
Other current liabilities	**8,151**	**4,663**

As explained in Note 21 to the consolidated financial statements for 2020 certain bus sale contracts included customer return options. If it is determined that the contract is an operating lease, the billings received in advance are recognised under "Advances Received on Operating Leases". If, on the other hand, it is concluded that the contract is a sale with a right of return, the value of the asset to be repurchased by the Parent is recognised under "Assets for the Right of Return" and the amount expected to be paid to recover the asset is recognised under "Refund Liabilities".

15. REMUNERATION AND OTHER BENEFITS OF THE PARENT'S DIRECTORS AND SENIOR MANAGERS

In the first six months of 2021 and 2020, the Parent recognised approximately EUR 956 thousand and approximately EUR 872 thousand, respectively, in relation to remuneration, attendance fees and life insurance coverage earned by the members of its Board of Directors, whereas the directors of the subsidiaries did not earn any amounts in this connection. At 30 June 2021 and 31 December 2020, the Boards of Directors of the Parent and of the subsidiaries had not granted any advances, guarantees or loans to their current or former directors.

Remuneration of the Parent's Senior Executives, per the binding definition of "Senior Executives" in the Corporate Governance Report, amounted to EUR 781 thousand and EUR 1,327 thousand in the first six months of 2021 and 2020, respectively.

In the first six months of 2021 and 2020, there were no other transactions with executives outside the normal course of business.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The CAF Group 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 and interest rates (as explained in Note 17 to the consolidated financial statements for 2020). The CAF Group 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, certain fully consolidated companies and certain companies accounted for using the equity method have arranged interest rate hedges.

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the condensed consolidated balance sheet as at 30 June 2021 and the consolidated balance sheet as at 31 December 2020 is as follows:

Measurement	Thousands of Euros			
	Fair value		Cash flow	
	30.06.21	31.12.20	30.06.21	31.12.20
Hedges-				
USD currency forwards	(7,852)	4,246	-	-
GBP currency forwards	(2,084)	(3,219)	-	-
MXP currency forwards	(1,961)	(974)	-	-
BRL currency forwards	(2,294)	(1,183)	-	-
EUR currency forwards	(780)	(380)	-	-
SEK currency forwards	(5,128)	(4,690)	-	-
SAR currency forwards	233	1,903	(3)	-
JPY currency forwards	2,721	2,953	-	(281)
AUD currency forwards	(2,177)	(4,643)	(4)	-
Currency forwards in other currencies	1,047	802	529	843
Forward rate agreements	-	-	(512)	(670)
Value at end of period (*)	**(18,275)**	**(5,185)**	**10**	**(108)**

(*) Before considering the related tax effect.

At 30 June 2021 and 31 December 2020, associate company S.E.M. Los Tranvías de Zaragoza, S.A. had arranged various financial swaps related to the nominal value of its financial debts, which were designated as cash flow hedging instruments for interest rate risk. The negative valuation pertaining to the Group amounted to EUR 3,842 thousand at 30 June 2021, net of the tax effect (31 December 2020: EUR 4,002 thousand). Meanwhile, associate company Momentum Trains Holding Pty Ltd had an interest rate swap in effect that was designated as a cash flow hedging instrument. The negative valuation of this instrument pertaining to the Group amounted to EUR 6,372 thousand at 30 June 2021 (31 December 2020: EUR 9,491 thousand). These amounts were recognised with a charge to “Equity – Other comprehensive income – Hedging transactions” in the accompanying condensed consolidated balance sheet. The hedging instruments mature in the same period in which the cash flows are expected to occur.

In October 2018 the Parent entered into another interest rate swap with an initial nominal amount of EUR 25 million expiring on 31 July 2023.

The maturities of the interest rate and cash flow hedges are as follows:

Maturity (in Currency)	30.06.21		
	2021	2022	2023 and subsequent years
Euribor swap (EUR)	-	-	25,000,000

The detail of the periods of expiry of the foreign currency hedges is as follows:

Maturity (in Currency)	30.06.2021		
	2021	2022	2023 and subsequent years
Sales hedges-			
Fair value hedges			
USD currency forwards (*)	264,628,216	37,986,631	195,772
GBP currency forwards	151,277,662	178,814,432	63,657,877
EUR currency forwards	3,000,000	224,206	-
BRL currency forwards	100,955,824	-	-
SEK currency forwards	1,091,618,070	304,985,664	2,070,816,850
AUD currency forwards	86,661,704	321,944,840	381,508,110
TWD currency forwards	720,378,671	460,378,671	-
SAR currency forwards	78,535,012	-	-
MXP currency forwards	919,014,121	47,652,342	-
CAD currency forwards	2,056,000	-	-
TRY currency forwards	893,961	1,124,550	-
JPY currency forwards	9,777,518,022	3,989,392,603	-
HKD currency forwards	-	92,696,630	-
HUF currency forwards	2,960,846,434	-	-
ILS currency forwards	9,993,358	20,000,000	17,285,006
INR currency forwards	-	3,838,712	-
RON currency forwards	153,587,082	-	-
Sales hedges-			
Cash flow hedges			
SAR currency forwards	2,000,000	-	-
TRY currency forwards	6,776,778	-	-
Purchase hedges-			
Fair value hedges			
USD currency forwards	21,114,599	17,728,971	-
EUR currency forwards	1,978,519	7,978,640	-
MXP currency forwards	159,684,508	-	-
JPY currency forwards	1,424,210,386	-	-
GBP currency forwards	127,899,372	3,867,293	-
AUD currency forwards	6,383,855	2,500,000	35,839,010
NOK currency forwards	31,000,000	74,800,000	100,000,000
COP currency forwards	-	11,594,882,212	-
Purchase hedges-			
Cash flow hedges			
COP currency forwards	-	28,387,470,244	-
ILS currency forwards	21,798,566	20,000,000	-
AUD currency forwards	1,000,000	-	-
TRY currency forwards	5,793,395	-	-

(*) Includes the partial hedge of the net investment in CAF USA, Inc. and in Provetren, S.A. de C.V. amounting to USD 22,300 thousand and USD 178,616 thousand, respectively.

Maturity (in Currency)	30.06.2020		
	2020	2021	2022 and subsequent years
Sales hedges-			
Fair value hedges			
USD currency forwards (*)	292,271,416	80,225,902	1,817,804
GBP currency forwards	123,007,251	79,152,971	243,824,030
EUR currency forwards	159,470	159,470	-
BRL currency forwards	35,380,618	-	-
SEK currency forwards	756,390,044	-	243,404,831
AUD currency forwards	19,598,036	46,119,243	650,949,596
TWD currency forwards	77,422,500	-	-
SAR currency forwards	81,853,950	-	-
MXP currency forwards	1,119,941,022	28,223,313	-
TRY currency forwards	1,540,950	-	-
JPY currency forwards	6,123,888,547	7,665,242,078	-
NZD currency forwards	2,802,807	-	-
HUF currency forwards	251,891,000	-	-
ILS currency forwards	4,900,000	-	-
Purchase hedges-			
Fair value hedges			
USD currency forwards	11,121,513	22,710,764	23,306,699
EUR currency forwards	5,292,832	-	-
BRL currency forwards	6,439,468	-	-
MXP currency forwards	775,395,404	-	-
JPY currency forwards	173,108,444	867,724,176	-
GBP currency forwards	43,088,390	128,106,592	899,259
AUD currency forwards	-	7,324,559	30,578,510
Purchase hedges-			
Cash flow hedges			
COP currency forwards	-	-	48,000,000,000
JPY currency forwards	-	2,013,128,218	-

(*) Includes the partial hedge of the net investment in CAF USA, Inc. and in Provetren, S.A. de C.V. amounting to USD 22,300 thousand and USD 191,424 thousand, respectively.

In the first half of 2021, the ineffective portion of the hedging transactions charged to profit or loss of the condensed consolidated financial statements for the first half of 2021 amounted to EUR 566 thousand in gains (EUR 145 thousand in the first six months of 2020), largely as a result of changes in the estimated amounts of the hedged items.

The reconciliation of the remeasurement at the end of each period to the carrying amounts recognised in the consolidated balance sheet is as follows (in thousands of euros):

	30.06.21	31.12.20
Non-current assets	44,932	41,736
Current assets	21,250	15,589
Non-current liabilities	(45,107)	(42,547)
Current liabilities	(39,340)	(20,071)
Balance sheet net total	**(18,265)**	**(5,293)**
Fair value	(18,275)	(5,185)
Cash flow	10	(108)
Total derivatives	**(18,265)**	**(5,293)**

17. SEGMENT INFORMATION

The criteria applied by the Parent to define its operating segments are disclosed in Note 6 to the consolidated financial statements for the year ended 31 December 2020. There were no changes in the basis of segmentation used.

The detail of revenue, by geographical area, at 30 June 2021 and 2020 is as follows:

Revenue by Geographical Area	Thousands of Euros	
	30.06.21	30.06.20
National area	140,412	145,014
International area		
a) European Union		
Euro Area	579,879	353,941
Non-Euro Area	219,057	225,154
b) Other	471,976	392,789
Total	**1,411,324**	**1,116,898**

The breakdown of sales, by product group and type of service provided, is as follows (in thousands of euros):

	30.06.21	30.06.20
High speed, regional and commuter	285,067	192,191
Metros	116,202	92,718
Trams and light metros	225,989	212,289
Bogies, refitting and other	4,362	10,196
Trains	**631,620**	**507,394**
Services	**282,246**	**251,570**
Buses	**356,016**	**228,108**
Integrated Systems, Equipment and Other (*)	**141,442**	**129,826**
Total	**1,411,324**	**1,116,898**

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

The reconciliation of profit (loss) by segment to consolidated profit at 30 June 2021 and 2020 is as follows:

	Thousands of Euros				
	30.06.2021				
	Rolling stock	Buses	General	Inter-segments	Total
External sales	1,055,308	356,016	-	-	1,411,324
Inter-segment sales	431	-	-	(431)	-
Total Sales	**1,055,739**	**356,016**	**-**	**(431)**	**1,411,324**
Adjusted EBITDA	**89,722**	**29,900**	**-**	**-**	**119,622**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(33,101)	(12,064)	-	-	(45,165)
Profit/(loss) from operations	**56,621**	**17,836**	**-**	-	**74,457**
Profit/(loss) before tax	**56,032**	**11,863**	**(7,216)**	**-**	**60,679**
Income tax					(18,992)
Profit/(loss) for the year from continuing operations					**41,687**

	Thousands of Euros				
	30.06.2020				
	Rolling stock	Buses	General	Inter-segments	Total
External sales	888,790	228,108	-	-	1,116,898
Inter-segment sales	1,437	-	-	(1,437)	-
Total Sales	**890,227**	**228,108**	**-**	**(1,437)**	**1,116,898**
Adjusted EBITDA	**59,051**	**13,547**	**-**	**-**	**72,598**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(33,432)	(11,595)	-	-	(45,027)
Profit/(loss) from operations	**25,619**	**1,952**	**-**	**-**	**27,571**
Profit/(loss) before tax	**(8,877)**	**(4,109)**	**(9,118)**	**-**	**(22,104)**
Income tax					(13,433)
Profit/(loss) for the year from continuing operations					**(35,537)**

18. AVERAGE HEADCOUNT

The average headcount during the six-month periods ended 30 June 2021 and 2020 was as follows:

	Number of Employees	
	30.06.21	30.06.20
Men	11,002	11,180
Women	2,004	1,919
Total	**13,006**	**13,099**

19. TAX POSITION

The Group calculated the provision for income tax at 30 June 2021 in accordance with the applicable tax legislation. However, 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.

In relation to the tax assets recognised, the Group's directors apply a recognition policy based on an assessment of backlog.

At 30 June 2021, the Group recognised EUR 70,521 thousand under "Trade and Other Receivables - Other Receivables" in the condensed consolidated balance sheet in relation to balances receivable from public authorities for tax settlements, mainly for VAT (EUR 74,682 thousand at 31 December 2020). Also, the Group recognised EUR 79,653 thousand under "Trade and Other Payables - Other Payables" in the accompanying condensed consolidated balance sheet, mainly in relation to employee personal income tax withholdings, employer social security costs and VAT (EUR 63,831 thousand at 31 December 2020). Lastly, "Trade and other payables – Other payables” in the accompanying condensed consolidated balance sheet includes payables to foreign public entities for deferred taxes amounting to EUR 3,493 thousand (31 December 2020: EUR 5,229 thousand).

20. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.