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

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

HALF-YEAR 2023 REPORT

JULY 2023

Index

CONSOLIDATED INTERIM DIRECTORS' REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

1 CAF GROUP BUSINESS MODEL AND OUTLOOK

2023 began with the ambition of commencing the deployment of CAF's 2026 Strategic Plan, published in December 2022. A plan that focuses its ambition on expanding as a provider of integrated rail and bus mobility solutions, maximising, at the same time, its digital proposal.

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

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

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

    - In the field of buses, CAF, through Solaris, has been a pioneer in the development of new products and currently has the most complete range of low- and zero-emission solutions while, at the same time, presents a unique positioning in electromobility, due to its leadership position in zero-emission buses, its unique real experience in electromobility, its strong zero-emission technology proposal (electric and hydrogen) and for having all the advantages of conventional technologies but without its own internal combustion engine production activities that condition our decisive transition towards electromobility. All in all, Solaris, and thus CAF, is ahead of its European competitors in terms of portfolios, actual experience and market share.

    In both cases CAF serves the most diverse range of customers worldwide: from municipalities and regional or national public or private administrations, to other railway manufacturers and private companies operating or maintaining systems, or even transport authorities that require consortium structures accompanied by entities with a financial profile.

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

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

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

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

- Having a highly-qualified human team, aligned with the project and with a shared culture, highlighting that more than 2,500 of the nearly 5,600 university graduates, are engineering professionals in innovation, product and project development.

- Being sustainable, presenting sustainability ratios above the sector average, with a "low risk" rating according to the Sustainalytics agency or the "Platinum" medal awarded by Ecovadis.

- Being solvent and having a proven financial capacity, with a controlled financial Net Financial Debt / EBITDA ratio.

- All this, in a context of a high level of satisfaction and repeatability of its customers, which demonstrates the high level of trust of the authorities and administrations from all over the world in CAF, and which gives CAF high visibility of the business for the coming years, having a portfolio worth more than EUR 13,000 million.

As already announced at the end of last year, the aforementioned new Strategic Plan shows the following top-level objectives by 2026:

- To grow above the market and to obtain total sales close to EUR 4,800 million
- To place the Operating Result in 2026 at around EUR 300 million
- To distribute dividends in progression with the results
- To maintain our financial stability, with a balanced Net Financial Debt / EBITDA ratio
- To reduce scope 1 and 2 emissions by up to 30%, and up to 40% in scope 3, compared to 2019, with the ultimate goal of becoming a net zero emissions company by 2045

For this year, 2023, CAF aspires to a progressive recovery of profitability (i) navigating the continued disruptive situation of the supply of components and (ii) verifying the recovery of Solaris, impacted by the execution of the portfolio with margins eroded by the current context.

The objectives defined for 2023 are:

- Book-to-bill ≥ 1, emphasising selective hiring
- Sales exceeding 10-15% growth compared to 2022
- A dividend in line with the evolution of results
- Stable net financial debt
- Improvement of the rating of ESG ratios in terms of sustainability

In this regard, the first half of 2023 contributed to strengthen the foundations of its future strategy, despite of some conditions marked by instability, either in the financial field with persistently rising inflation, in the industrial field with a supply chain that has not yet recovered pre-pandemic levels or a turbulent geopolitical environment due to the invasion of Ukraine.

Despite this, among the main milestones attained to date within each of the four strategic axes, the following stand out:

1. Commercial focus:
    - In the railway area,
        - the renewed confidence of existing customers that choose to:
            - extend existing contracts, such as 31 trams in Budapest (Hungary), 32 medium-distance trains of Renfe or 18 trains for New Aquitaine (France) and Dakar (Senegal), the latter reinforcing the rationale of the recent acquisition of Alstom assets such as the Coradia Polyvalent and Talent 3 platforms.
            - award new contracts such as the 29 Renfe commuter trains.
        - new maintenance contracts such as the 35 units of the 8500 series for CPTM (Brazil).
    - With regard to the bus sector, the Company signed a contract for approximately 600 units, highlighting the contract for 100 hybrid buses for Sardinia (Italy) and the 87 hydrogen buses in various German regions.
2. Operational efficiency:

    As part of its Strategic Plan, CAF plans to improve efficiency in production, engineering and purchasing, and complement the current footprint with new industrial capacities that accompany the commercial focus with the strategic geographies described in the Plan, while capturing cost efficiencies.

    Within the battery of measures associated with the aforementioned improvement, it is worth highlighting the preparation and implementation of the detailed plan to ensure the capacity and competitiveness of the operations to execute the current portfolio in terms of time, cost and quality.

    Likewise, the improvement of the efficiency of production processes is also being promoted through the implementation programme for the new Digital Operating Model (SOM), which focuses on improving profitability within the services area.

    Without forgetting many other initiatives within the technological field whose ultimate goal is to improve the competitiveness of the product throughout its entire life cycle. The most noteworthy examples include virtual validation and the digital twin as transversal tools for all the Group's businesses in their different phases, such as design, validation, approval and maintenance.

3. Innovation:

- Decarbonisation and zero emissions:

    - Making progress in the implementation of alternative propulsion methods (electric and hydrogen)

    - Hydrogen train prototype: the FCH2RAIL project has reached an important milestone by obtaining authorisation to circulate in tests on the General Interest Railway Network (RFIG), and for having completed the first of the planned routes, with the arrival of the unit at Canfranc station, in the Aragonese Pyrenees, which continued with routes implanted in other areas of the Spanish geography and which, later, will be extended to neighbouring Portugal.

- Autonomous and automatic mobility:

    - Autonomous tram:

        - The design has been completed and manufacturing has begun on the two Oslo tram units for the remote driving tests, scheduled to commence in December 2023.

    - Mainline remote and autonomous driving:

        - Within the framework of the collaboration with the Dutch operator NS to carry out mainline remote driving and autonomous driving tests, a fleet train retrofit was executed and the documentation was delivered to the Netherlands National Safety Authority (ILT) to obtain permission to begin track tests. The ATO version is available for the start of the ATO testing campaign on ERTMS, with the initial remote control tests having been executed.

    - ERTMS Trackside:

        - The ISA / AsBo / NoBo certification has been obtained for the Baseline 3 Release 2 version of CAF Signalling's ETCS level 2 Trackside (RBC) solution, in accordance with the Interoperability Technical Specification (ETI) in force.

    - CBTC:

        - Offices have been inaugurated for Mass Transit signalling activities in Amorebieta.

4. Sustainability:

    During the first half of 2023, CAF continued to make progress in its strategic commitments related to sustainability, defined in the ESG Equity Story and recently updated, together with the launch of the 2026 Strategic Plan. Thus, the first half of the year was marked by the implementation of numerous initiatives to respond to these commitments, highlighting the work being carried out to strengthen the non-financial information reporting system. For more information, see section 7 "Environmental, social and governance aspects" of this report.

The full document for the 2023-2026 Strategic Plan is available on CAF's corporate website (www.caf.net/en).

2 BUSINESS PERFORMANCE AND RESULTS

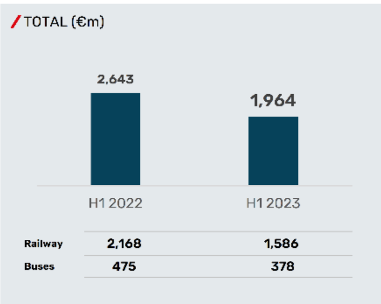
Main indicators (*)

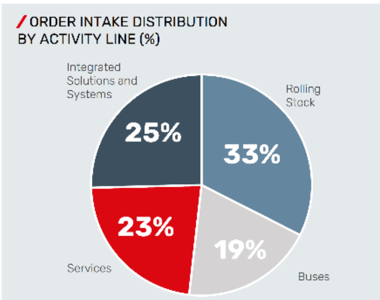
Figures in millions of euros	2023 First six months	2022 First six months	Change (%)
Order intake			
Order intake in the period	1,964	2,643	-26%
Order intake / Revenue ratio (Book-to-bill)	1.0	1.7	-42%
Backlog (**)	13,337	13,250	1%
Backlog / Revenue ratio (**)	4.0	4.0	1%
Profit and cash flow			
Revenue	1,877	1,530	23%
Profit/(Loss) from operations (EBIT)	85	67	27%
EBIT margin	4.5%	4.4%	2%
Consolidated profit/(loss) for the period attributable to the Parent	34	31	11%
Working capital expenditure (**)	(56)	(195)	-71%
CAPEX	29	22	32%
Cash flow	(31)	(13)	135%
Capital management and liquidity (**)			
Net Financial Debt	309	278	11%
Net Financial Debt / 12-month adjusted EBITDA ratio	1.2	1.2	-2%
Available liquidity	885	978	-9%
Equity attributable to the Parent	807	776	4%
Stock market capitalisation	1,054	908	16%

(*) Section 9 Alternative Performance Measures explains and adds the reconciliations of those indicators that have not been directly extracted from the interim condensed consolidated financial statements.
(**) Comparative figures under "Backlog", "Backlog/Revenue ratio", "Working capital expenditure" and in the "Capital management and liquidity" section relate to 31/12/22.

ORDER INTAKE

CAF took out contracts totalling EUR 1,964 million. This figure was obtained in a period of low intensity in sector awards, supported by medium-sized projects. The Book-to-bill ratio is 1. The breakdown of contracting by business line and geographical area is as follows:

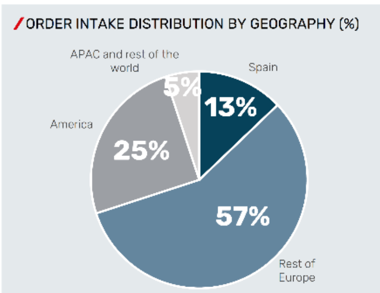




The all-time order intake record in 2022 constitute a **high comparative base.**

Order intake as of 30/06/2023 **does not include** contracts awarded and announced, but not yet signed, **for a value exceeding €400m.**

High volume of opportunities in the pipeline with expected award between 2023 and 2024.



High order intake volume supported by medium-sized projects, in a period of low intensity of sectoral tendering activity.

Interesting order intake **profile**:

- **Continuous implementation of contract extensions** by our customers, especially in the rolling stock and service activities
- **Btb>1.5 for Services and Integrated Solutions and Systems business**, with the ensuing increase of the backlog medium-term visibility
- **Order intake from high priority geographies** such as Spain, France, Germany and the UK.
- **Zero emissions:** high rate of zero-emission orders in the Bus segment, while all new orders are zero-emission for the Railway segment

Selective business strategy, in line with the company's strategic objectives

Higher-volume railway opportunities expected for the financial years 2023 and 2024 are **still in the pipeline**, including a high volume of tenders that may be awarded this year for the Bus segment

BACKLOG

The foregoing increased the portfolio by EUR 87 million with respect to 31 December 2022, obtaining a record level of EUR 13,337 million, and therefore consolidating above EUR 13,000 million. This favourable evolution continues the positive trajectory of recent years, which confirms the good moment the sector is experiencing and the Group's sound positioning.

This high level of portfolio provides high visibility regarding future sales. Likewise, it is characterised by its broad diversification, both geographically and by business.

Backlog grows and consolidates above €13bn as a result of order intake outpacing revenue with double-digit growth

Btb=1

Abatement of the Solaris backlog due to high deliveries in the period

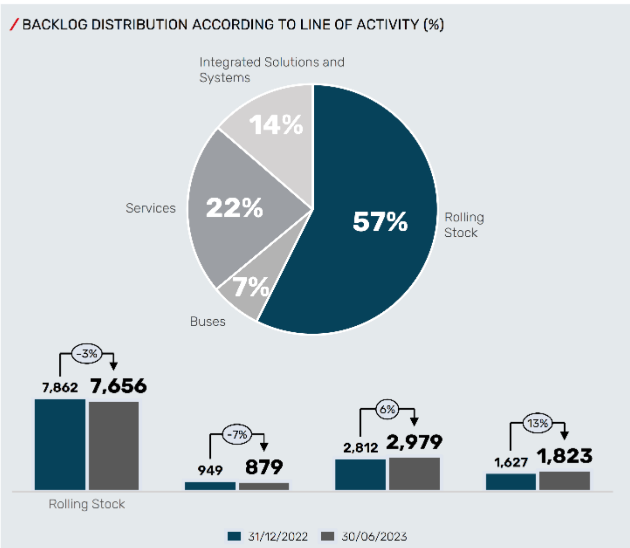
Backlog mix **in line with the objectives of the Strategic Pla**.

This backlog **does not include** the following contract awards, that are awaiting signature:

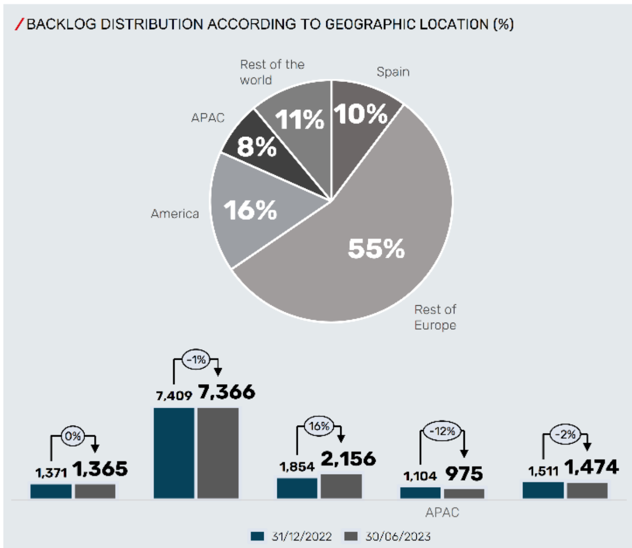
- Comprehensive maintenance of 17 Medium-Distance electric trains of the base contract for Renfe for a period of 15 years (Spain)
- Contract to extend the supply of Medium-Distance trains for Renfe (Spain)
- Supply of electric buses to Cagliari (Italy)
- Supply of trains and ERTMS level 1 signalling to Euskotren (Spain)
- Supply of hydrogen buses for Duisburg (Germany)

The total value of these awards is more than **€400m.**

[1] This includes full year 2022 revenue from the acquired perimeter in France and Germany (€216m).
[2] Ratio at 30/06/2023 calculated based on 2022 revenue.



- **The weight of the Services, and Integrated Solutions and Systems backlog augmented** as a result of high order intake within the period (Btb>1.5).
- **Rolling Stock,** the core business of the railway segment, **continues to account for the bulk of the backlog.**



- **65% of the Group's backlog** pertains to **Europe.**
- Several orders in the area of Services and Integrated Solutions and Systems in countries such as Mexico and Brazil **raised the weight of the Americas in the backlog.**

RESULTS

CAF has obtained record sales and has begun to recover profitability, in line with the forecasts at the beginning of the year.

(EUR million)	H1 2022	H1 2023	Var. H1 2023/H1 2022
REVENUE	**1,530**	**1,877**	**+23%**
OPERATING RESULT	**67**	**85**	**+27%**
% EBIT Margin	**4.4%**	**4.5%**	**-**
Financial result	(21)	(29)	+42%
Finance income	4	6	+41%
Finance costs	(25)	(35)	+40%
Exchange rate differences	4	(2)	-153%
Other financial costs/income	(4)	1	-141%
Result of companies accounted for using the equity method	3	5	+105%
PROFIT (LOSS) BEFORE TAX	**48**	**61**	**+25%**
Income tax	(16)	(25)	+53%
Net profit (loss) after tax	32	36	11%
Non-controlling interests	1.7	1.6	-4%
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY	**31**	**34**	**+12%**

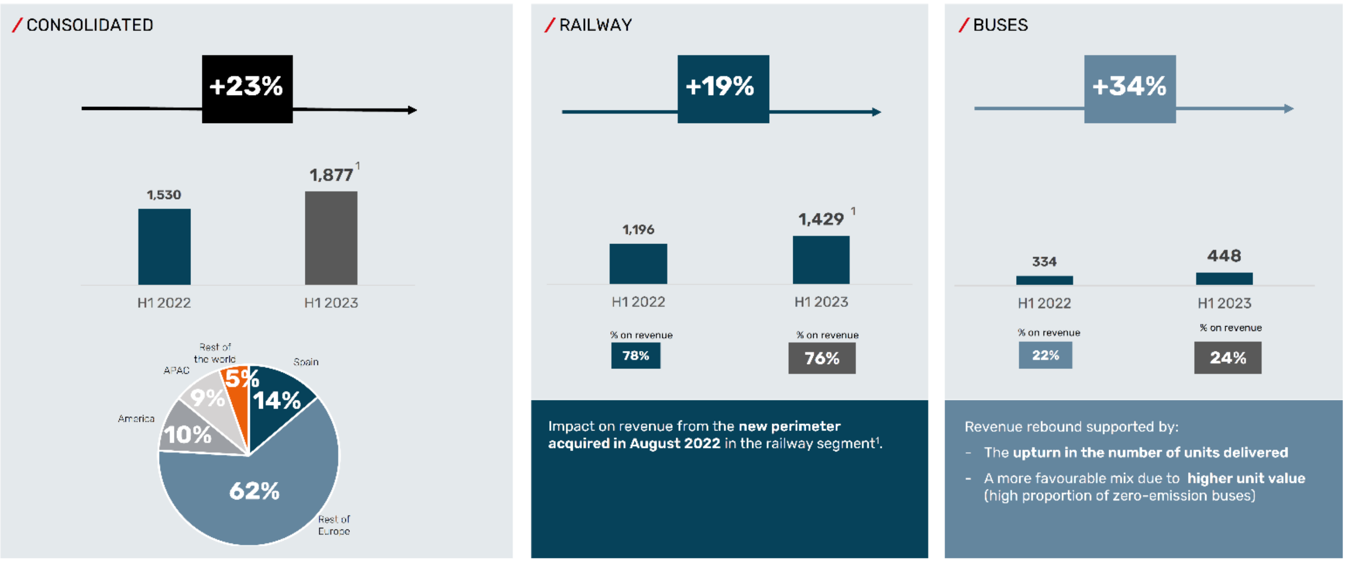
All-time high revenue in the first half of the year, supported by high backlog and inorganic contribution

Positive growth in operating result, which outpaced revenue

The **rate increase** which increases financial costs, and **exchange rate differences** have a negative impact on the financial result

Sales

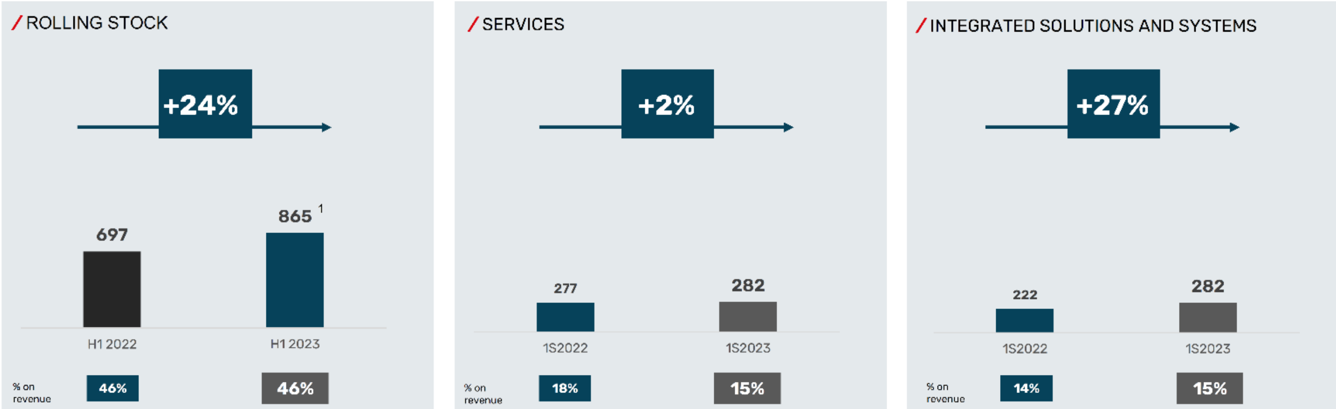
The Group's revenue is at its maximum level. Both segments obtained highly significant year-on-year growth:



[1] This figure includes €106m from the new perimeter acquired in August/2022. This impact excluded, consolidated organic and railway revenue would have grown by 16% and 11%, respectively

Railway segment sales

All lines of activity increased earnings with respect to the previous year:



More than 30 manufacturing projects of regional and suburban trains, metros, trams and LRVs, under implementation.

The projects with the highest contribution to revenue were: suburban trains for RATP (France), regional trains for SNCF (France), regional trains for Myanmar, metro units for Docklands Rail (UK), and trams for Oslo (Norway) and Jerusalem (Israel).

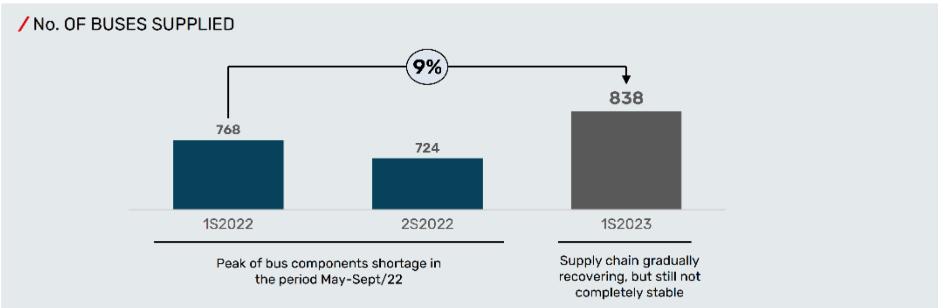
Positive performance of all service lines (vehicle maintenance, spare parts supply and equipment, and digital services).

Significant growth in line with the rise of **integrated projects**, as well as the step-up of **MiiRA components deliveries**.

[1] This figure is comprehensive of €106m from the new perimeter acquired in the year. Not considering this effect, organic revenue would have grown by 9%.

Bus Segment Sales

The number of buses delivered by Solaris rose by 9% with respect to last year, favoured by a more reliable supply chain, but which was not fully normalised.



The slight improvement in the component supply chain has allowed for a **reduction by more than 100, compared to December 2022, in the number of buses stuck in the production process** while waiting for the missing components.

Nevertheless, **complete stability of the supply chain remains to be seen.**

Solaris continues to be the historical leader in supplying zero-emissions buses.

MIX OF BUSES DELIVERED AND IN BACKLOG

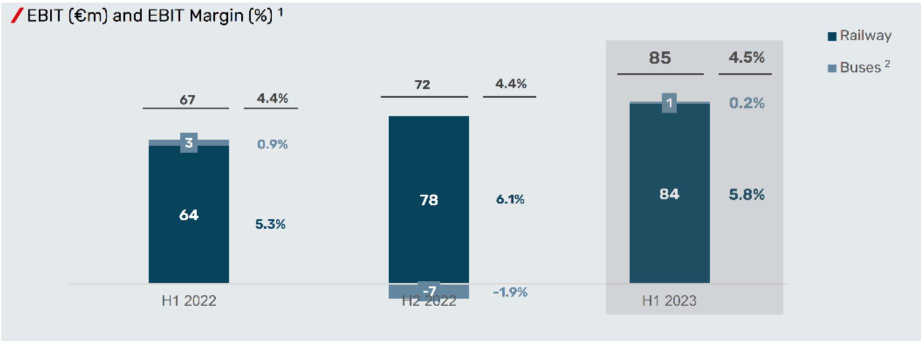
	H1 2022 (delivered)	H1 2023 (delivered)	30/06/2023 (backlog)	
% **electric** buses (electric and hydrogen)	17%	53%	51%	Zero Emissions
% **trolleybuses**	4%	14%	22%	
% **hybrid** buses	26%	14%	16%	Low emissions
TOTAL % **emobility** buses (zero and low emissions)	47%	81%	89%	

Most deliveries are zero-emission units within the period, **the production of which has been affected by the context.**

The **high proportion of zero-emission buses in the backlog foreshadows the** performance mix of in the coming months.

EBIT

The Group's EBIT stood at EUR 85 million, up 27% with respect to the previous year, despite a complex economic climate.



RAILWAY

Operating profit is 32% up year-on-year, which improves profitability, in turn driven by business expansion and the positive integration of assets acquired in France and Germany

Stability on inflation impact (materials, wages and energy) during the first half of the year, **although turbulence persists**

BUSES

In a context of continuing inefficiencies in the supply chain, **positive EBIT recovery after the negative H2 2022 fallout**, supported by greater operating efficiency based on increased volume

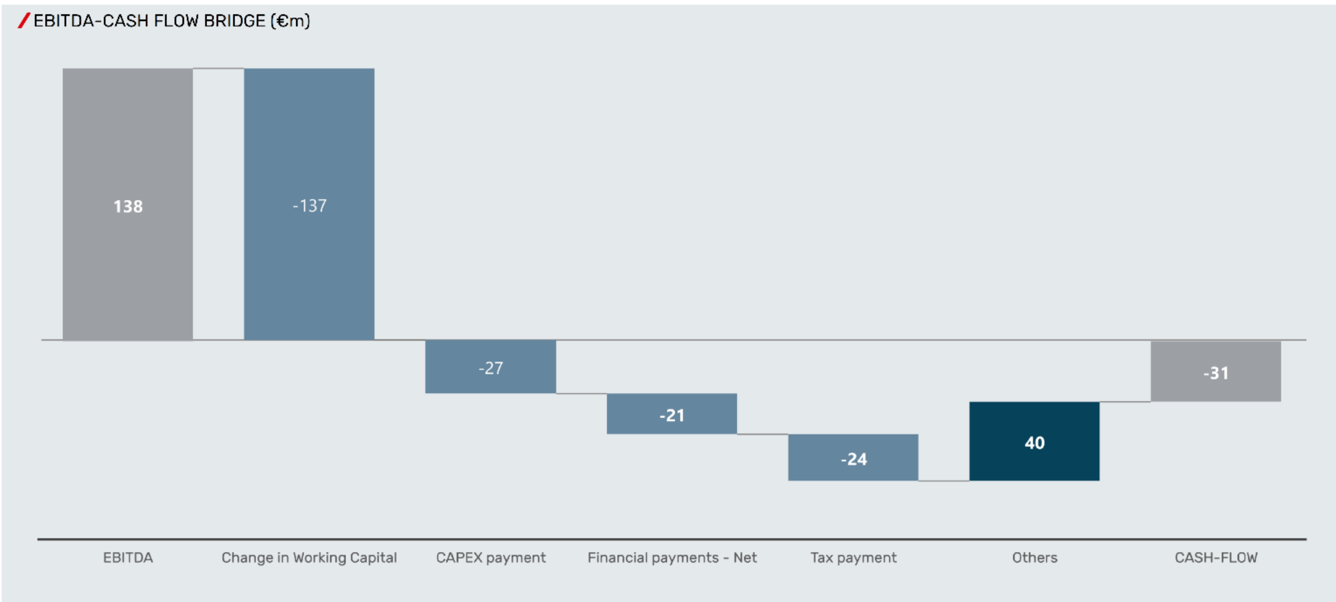
Gradual improvement in expected profitability of the backlog, concurrently with the phased dispatch of units from projects impacted by the inflationary context in the last two years

[1] Profitability metrics consistent with the Strategic Plan 2026 and with the market regulator's recommendations.

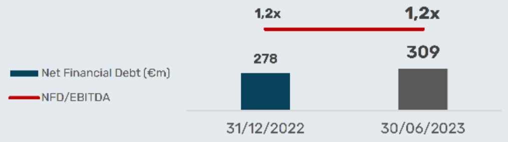
[2] The Bus EBIT covers the amortisation of the acquisition of Solaris by the CAF Group (c.€6m/year).

CASH FLOW AND BALANCE SHEET

Cash flow for the period was EUR -31 million. Thus, in a complex macroeconomic context, Net Financial Debt remained at EUR 309 million and the Net Financial Debt/EBITDA ratio was 1.2 times. The Net Financial Position continues to be robust, providing good support to the 2026 Strategic Plan.



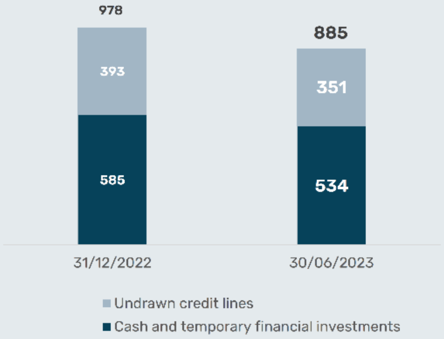
/ NET FINANCIAL DEBT (€m)



	31/12/2022	30/06/2023
Gross Financial Debt	874	855
Treasury and Financial Investments	596	546
Net Financial Debt	**278**	**309**

GROSS DEBT CONTINUES TO DECLINE AMID RISING RATES

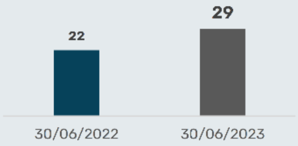
/ LIQUIDITY (€m)



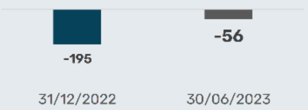
The balance sheet remains under control. There was an increase in Net Working Capital, already foreseen, following the project execution phase.

(EUR million)	31/12/2022	30/06/2023
Fixed assets[1]	1,424	1,384
Working Capital	(195)	(56)
Net Assets	**1,229**	**1,329**
Equity	788	818
Net Financial Debt	278	309
Other assets and liabilities[2]	162	202
Equity and Net Liabilities	**1,229**	**1,329**

/ CAPEX (TANGIBLE + INTANGIBLE) (€m)



/ NET WORKING CAPITAL (€m)



Change in net working capital attributable to:

- ʌ Strong performance in the railway segment, which has surpassed turnover from ongoing projects and new contracts signed
- v Significant reduction of Solaris' working capital associated with increased deliveries and their subsequent billing and collections in the period

[1] This includes Tangible assets, Intangible assets, Equity-accounted investments, Other non-current assets and Other non-current financial assets excluding items that are included in the calculation of Net Financial Debt.
[2] Includes Long Term Liabilities excluding the items included in the Net Financial Debt plus other assets and liabilities that are not included in Working Capital, less those derived from non-current hedging derivatives on assets and deferred tax assets.

3 RAILWAY SEGMENT

COMMERCIAL ACTIVITY

The first half of this year, unlike past years, has established the national market as the reference one, with Renfe being the driving force of contracting.

With respect to the commuter service, CAF was awarded a contract to manufacture and supply 29 four-carriage electric trains with traction capacity in non-electrified areas or without catenary voltage. They are baptised in the sector as BEMU – Battery Electrical Multiple Units.

At the end of the semester, exercising the option to extend the contract signed last year to manufacture 28 electrical units for the medium-distance service, Renfe awarded us 32 additional units combining three- and five-carriage trains. Like the units referred to in the previous paragraph, they are BEMU units. As a result, the number of trains of the national reference operator amounted to 89 units, capable of providing a service in an environmentally-friendly manner without catenary voltage.

These awards, together with those of previous years, demonstrate Renfe's confidence in CAF, entrusting us with a large part of the renewal of its train fleet, and with the inclusion of more technologically-efficient and environmentally-friendly units, converting our company into the undisputed leading provider of zero-emission trains to Renfe without catenary voltage.

This circumstance is reaffirmed by the leadership that both companies develop in the FCH2RAIL project, which has succeeded in placing the first unit with hydrogen propulsion on the market.

Also with technology that allows circulation in non-electrified sections, the Andalusia Autonomous Community Government formalised the contract to manufacture six units for the Alcalá de Guadaíra tramway. This contract also includes maintenance work on the units for a two-year period, as well as the supply of rolling stock spare parts for the units.

In France, which can be considered to be part of the Spanish market, based on our production capacity in said territory following the inclusion of the Reichshoffen plant, CAF has formalised contracts to manufacture 18 additional regional trains of the Coradia Polyvalent platform, 11 trains for the New Aquitaine Region, in the south of France, and another 7 units destined for Senegal, specifically, for the Agency for the Promotion of Investments and Major Works (APIX), answerable to the country's Ministry of Transport. Both projects will be carried out in a consortium, with CAF being tasked with the design and manufacture of the trains, each consisting of four carriages. These contracts allow the CAF Group to maintain a backlog in France of around EUR 1,800 million. Likewise, they consolidate the industrial load plan for French plants and reinforce CAF's position as a benchmark company and long-term partner of local, regional and national public authorities for the development of public transport in France.

Another important milestone of the semester took place in Budapest, where the operator BKK (Budapesti Közlekedési Központ), responsible for transport management in the Hungarian capital, formalised the extension of its fleet of trams manufactured by CAF to 124 units. The latest extension includes both five-module and nine-module units –one of the longest in the world. All of them are low-floor vehicles, which facilitates access to people with reduced mobility, wheelchairs and prams and pushchairs, and they are designed to circulate with a service speed of 50 km/h. It should be noted that the Hungarian capital was one of the first cities to implement this means of urban transport. In fact, it currently has an extensive network of nearly 40 tram lines, some of which carry the highest volume of passengers per year in all of Europe. This is why it is important for the city to once again place its trust in the CAF Group, since it must not be forgotten that in addition to the aforementioned trams, a large number of Solaris trolleybuses currently operate in the Hungarian capital.

Continuing to provide options for our customers, the extension of the DLR (Docklands Light Railway) service managed by TfL – Transport for London- was completed, which will increase the units manufactured by CAF to 43 for the most demanded light rail service in the United Kingdom. The unit testing phase is developing optimally, to present trains from 2024 on. We are confident that the reception of this new fleet will contribute to DLR's success.

In the final part of the semester, Ente Autonomo Volturno, the company in charge of the Naples regional railway and metropolitan public transport service, decided to increase the number of metros that it had contracted with our company to 10, together with their corresponding rolling stock spare parts and the integrated maintenance of vehicles extended for a three-year period. These trains are expected to operate on the Piscinola/Scampia – Aversa line and, also in the future, on the line that will run from Piscinola to Miano, Secondigliano and Di Vittorio, with an interconnection with Line 1 of the Naples underground network.

Without leaving Italy and for the city of Palermo, the joint venture formed by the Italian company Sis Scpa and CAF has been awarded the project to build the new lines A, B and C of the Palermo tramway and the supply of the units that will provide a service in these sections. The scope of our company includes the manufacture and commissioning of nine trams that will operate in the aforementioned sections of the city's tram network.

INDUSTRIAL ACTIVITY

With a total of 434 cars manufactured, the first half of 2023 leaves some outstanding figures in terms of industrial activity. This number of cars, together with the more than 34,000 wheels and more than 500 bogies manufactured, together with other railway components, destined for more than 20 countries around the world, makes this period one of the best in recent years.

There are several projects whose manufacturing activities were completed during this semester. Among these was the contract for 26 LRVs (Light Rail Vehicles) with the US state of Maryland, of which the last unit was manufactured, as well as the last 5 train units in composition comprising 3 cars, which complete the 88 contracted by the Dutch operator Nederlandse Spoorwegen, the 2 trains with which the order of 4 units for Euskotren was completed, as well as the last 3 trams of the 4 contracted by the city of Sydney and the last 2 trams of the 4 contracted for the city of Malaga.

In addition to these projects, others have commenced their first deliveries or have continued with their manufacture at the Group's different production plants, such as the project for the Brussels metro, of which 2 trains have been delivered, 3 metro units of the 30 contracted by the city of Amsterdam, 8 trains for the Docklands Light Railway operator in the city of London, 20 DMU (Diesel Multiple Unit) trains in composition comprising 2 and 3 carriages for the British operator Wales & Borders, 15 trams out of the 87 contracted by the city of Oslo, 11 trams for Antwerp out of the 40 included in the contract signed with this city, 7 trams for the city of Birmingham, 14 additional trams to those delivered in the previous year, destined for the city of Jerusalem, 6 additional regional units of the 36 included in the contract for the SNCF and 4 trains destined for the city of Paris.

As for other more recent projects, the first units have already been manufactured, such as the first train destined for the New South Wales region of Australia and the first 4 trams of the 15 contracted by the city of Lisbon.

A mention should also be made of the projects that are already in the initial phases of manufacturing and which will begin their first deliveries in the coming months, such as the trains contracted by the French operator SNCF, the trams for the city of Freiburg or the trams for the city of Saragossa.

The most important products manufactured in the first six months of 2023 were as follows:

	No. cars
Medium-distance DMU Wales and Borders (2-car unit)	24
Medium-distance DMU Wales and Borders (3-car unit)	24
Medium-distance DMU for New South Wales	6
Regiolis medium distance for SNCF	6
Medium distance CDG Express for Hello Paris	4
Commuter trains for NS (3-car unit)	12
Commuter trains for NS (4-car unit)	4
Commuter trains for EUSKOTREN	8
Brussels metro	12
Amsterdam Metro	9
Docklands metro	40
LRV for Maryland	5
Trams for Antwerp	55
Trams for Birmingham	35
Tram for Oslo	75
Tram for Jerusalem	70
Tram for Sydney	15
Tram for Malaga	10
Trams for Lisbon	20
TOTAL	**434**

BOGIES	
With mechanic-welded chassis	538

WHEEL SETS AND COMPONENT UNIT – MiiRA	
Assembled axles (power car + push-pull car)	1,966
Loose axle bodies	5,111
Monoblock wheels	34,296
Elastic wheels	2,002
Gear units	1,367
Bandages	936

R&D&i ACTIVITY

As regards CAF and CAF I+D, during the first months of the year, the 2023-2024 CAF Group Innovation Plan was approved, which includes the Innovation projects for the following businesses: Rolling Stock, Rail Services, Solaris, CAF P&A, CAF Signalling, CAF T&E, MiiRA and CETEST.

In the 2023-2024 Innovation Plan now under way to be implemented this year, a tighter collaboration across different business lines and also with different technology centres and universities has been fostered. The Plan comprises initiatives under the following four pillars:

Zero emissions
- Alternative propulsion systems such as those based on energy storage in batteries or the use of Hydrogen as fuel
- Reduction of energy consumption through propulsion based on Silicon Carbide and on-board systems for energy optimisation and management
- Reduction of other emissions such as EMC and Noise

Autonomous and automatic mobility
- Remote driving on trams.
- Development of CBTC for automatic underground systems
- Automation of mainline systems and ERTMS evolution
- Enabling technologies such as 5G and secure positioning

Digitisation and competitiveness
- Projects aimed at reducing costs or deadlines
- Implementation of cybersecurity and Digital Platform
- Digital Twin Technologies and Artificial Intelligence
- Open innovation projects through CAF StartupStation

Portfolio extension
- Both in transport systems, rail vehicles, components and services

All of them combine the implementation of projects aimed at the assimilation of technologies with the development of products based on those technologies.

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

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

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

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

- **SHIFT2RAIL**, as a founding member of the Shift2Rail JU (Joint Undertaking), set up to promote railway R&D under the Horizon 2020 programme, CAF is participating in various technology development projects that will run until 2023.

- **iRel40**, a project championed by the European electronics industry with the general aim of making reliability a differentiating factor for electronic components and systems manufactured in Europe, with CAF's particular objective being to apply it to its electronic systems developed in-house.

- **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 of Europe.

- **FCHRAIL,** a project within the framework of FCH JU (Fuel Cells and Hydrogen Joint Undertaking), involving the design and manufacture of a prototype based on an existing RENFE three-carriage commuter unit. In this project, a new electric generation system will be installed, based on the hybridisation of energy from hydrogen cells and batteries, making it one of the first railway demonstrators of a bimode vehicle with a hydrogen cell. This prototype is being tested on the road since mid-2022.

- **EURAIL**. In 2022, CAF formalised its participation as a founding member in the EU RAIL initiative. This programme promotes R&D in the railway sector in Europe with a contribution of over EUR 1,200 million. In this regard, it is involved in five large projects that were signed in 2022, whose operations commenced in 2023.

- **CLUG 2.0**, a project driven by the main European infrastructure managers, aims to demonstrate an autonomous train localisation system involving a SIL4 level of safety that does away with the need for signalling infrastructure.

- **QUANTINER**, a project encompassed within the digitisation initiative, aims to investigate quantum computing technology to bring its use closer to the digital railway environment.

- **H2PLAN,** a project encompassed within the Complementary Renewable Energy and Hydrogen Plans of the Ministry of Science and Innovation, consisting of two Elkartek projects of the 2021 Programme: H2BASQUE (Technologies to boost the hydrogen economy in the Basque Country: Green hydrogen generation) and ERABILH2 (Advanced solutions for the integration and optimal operation of H2-based devices in final applications: mobility and industrial use

- **ERABIL+,** a project included within the zero-emissions initiative, which shares the objectives of the H2PLAN project and also favours collaboration and guarantees the competitiveness and excellence of the agents of the Basque Research Network, around technologies for the use of hydrogen in industry and mobility applications, adapted to the needs of the Basque industrial fabric and which can be easily transferred.

- **RAIL SPACE,** a project that responds to CAF's strategy of researching, studying and training in fundamental digital disciplines for the mobility sector to bring closer open, interoperable and cybersecure Data Spaces as a transformative lever to modernise the railway sector

- **MODCA,** a project that will address the technological field of materials and the manufacturing process to reduce as much as possible the duration of the fatigue test in the approval of the conical rubber/metal primary suspensions of the bogies. The objective pursued is to reduce the usual duration of the test from one month to at least one week and preferably a couple of test days.

- **SILICON BURMUIN,** a project comprising a total of 10 agents from the Basque Network that will focus on the use of knowledge in neuroscience existing in the Basque Country to generate a disruptive Neuomorphic IP due to the current compromised situation of production following the scarcity of microelectronic components and systems.

- **VIRTREN,** a project that seeks to investigate calculation methodologies and simulation tools in two fundamental areas of knowledge, such as fluid mechanics and acoustics and vibrations, aimed at meeting the challenges of the train of the future: comfortable, sustainable and digital. The VIRTREN project will serve to advance towards the virtualisation of trains (Digital Twin) in the areas of knowledge of Fluids, Noise and Vibrations.

- **TCRINI2**, a project made up of a total of eight agents of the Basque Network, aims to develop technologies that allow maintenance work to be optimised. The developments carried out within this project will take advantage of current developments in areas such as artificial intelligence, Big data, Digital Twins, cloud computing, etc., to apply them to the field of maintenance of critical elements of railway and road infrastructure.

- **AUTOTRAM,**a project encompassed within the autonomous vehicle initiative, mainlyaims to develop methodologies and tools for 3D modelling and simulation that allow the validation of new safe absolute positioning systems and train the industry in the virtual validation of the autonomous tram.

Additionally, in the engineering area it is immersed in more than 60 vehicle manufacturing and rehabilitation projects. Among the projects contracted in 2023 and 2022, the following engineering projects stand out:

- Projects based on consolidated platforms: the Tel Aviv, Budapest, Seville, Saragossa and Alcalá de Guadaira tramway systems, regional trains for VRR (Germany), units for SJ (Sweden) and Coradia Polyvalent units for Aquitaine (France) and Senegal.

- Double deck train units for NS (the Netherlands)

- LRVs for Germany (Hannover and Bonn)

- LRVs for Boston (United States)

- Units for RENFE (medium distance and commuter trains)

- Trams for France (Marseille and Montpellier)

- Trains for Etihad (United Arab Emirates)

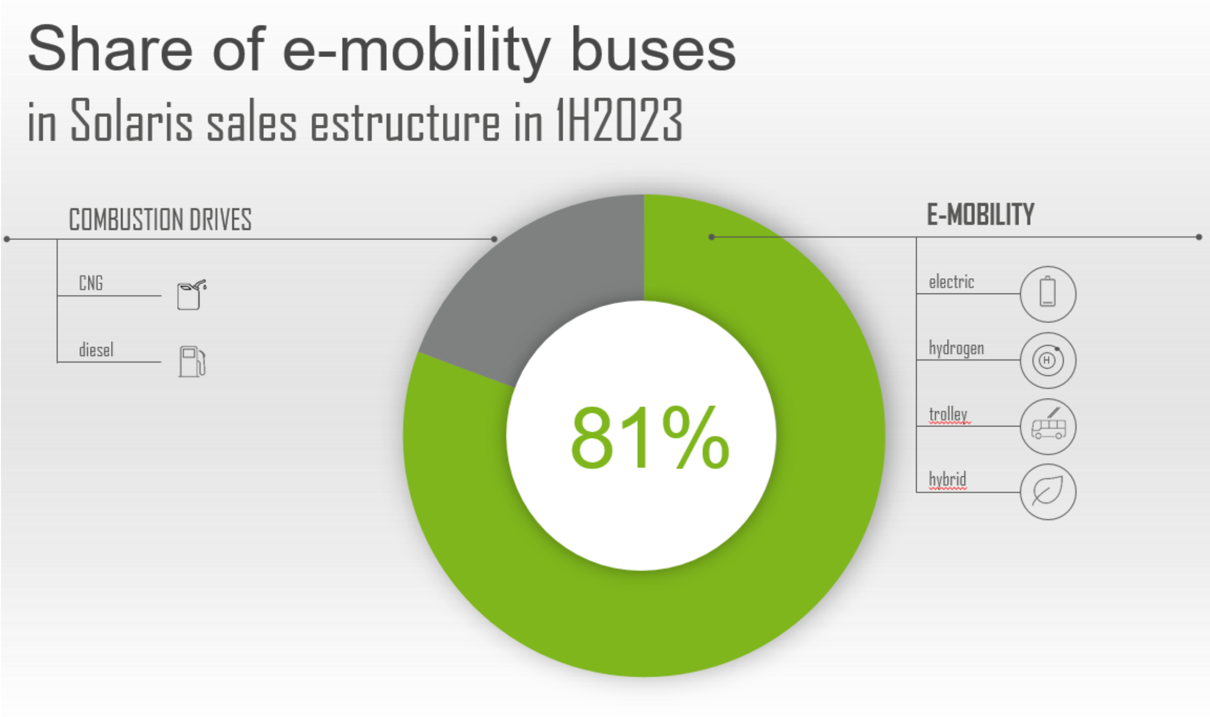
- Athens Underground Refurbishment and Canberra Tram System

4 BUS SEGMENT- SOLARIS

In first half of the year 2023, Solaris delivered in total 838 units. Comparing to the same period in 2022 it means growth of sold units over 9%.

In the reporting period, compared to the first half of 2022, the company significantly increased its revenues, which increased by as much as 34% and amounted to over EUR 448 million. The increase in revenues was possible mainly due to a change in the composition of delivered units, in which in the first 6 months of this year, zero- and low-emission (e-mobility) vehicles with the highest value accounted for as much as 81%. Thus, in the first half of 2023, Solaris confirmed its position as the leader of the European e-mobility market. The percentage in the sales mix over 80% of e-mobility vehicles means an increase in this area compared to the first half of 2022, by as much as 35%.

In the first 6 months, the company implemented a recovery plan related to high inflation and disruptions in supply chains. The sales level achieved from January to the end of June 2023 and the number of contracted orders allow us to state that the actions taken bring clear, positive effects and improvement of the company's financial condition. In addition, production resources have been adapted to optimize costs and generate sustainable profits.



In the first half of 2023, Solaris sold the most vehicles to carriers from Spain, Norway, Poland, Italy, Germany and Hungary. Of these, the largest recipients of electric and hydrogen buses in the reporting period were operators from Oslo, Milan, Madrid, Cologne Krakow, Grudziadz and Aalborg. In total, in the first half of 2023, the company delivered 557 zero-emission buses (electric, hydrogen and trolley).

Among the largest contracts that the company has executed in the reporting period, one can point out the order from Unibuss Olso for the supply of 183 articulated electric buses, 50 electric buses of Solaris Urbino 12 electric to ATM Milan, or 59 electric buses to EMT in Madrid. Likewise, the first delivery in the history of Solaris of electric vehicles in Serbia stands out: in June 2023, 10 units of Solaris electric buses hit the streets of Novi Sad. Along with the zero-emission vehicles, has been additionally supplied modern infrastructure for fast and overnight charging. It is also worth pointing out the high level in the mix sales of trolleybuses, delivered, among others, to customers from Romania, Hungary, Germany, the Czech Republic, Italy, Slovakia, including the first units of Solaris Trollino 24 bi-articulated vehicles intended for end customers in Bratislava and Prague.

In addition, in the reporting period, the company obtained significant orders with implementation at the end of 2023, 2024 and 2025, among which it is worth mentioning:

- The municipal operator Hamburger Hochbahn has ordered 5 Solaris Urbino 12 hydrogen buses. These zero-emission vehicles will roll out onto the streets of Hamburg as early as the second quarter of 2024. The dynamic development of the hydrogen economy in Europe has become increasingly visible and the public transport sector is no exception. The potential of hydrogen as an alternative fuel has led to an ever growing number of orders from operators for buses equipped with that type of drive. Aspiring to achieve the required climate neutrality, and having observed the positive experiences of operators already deploying these solutions, Europe's towns and cities are increasingly opting to modernise their fleets with hydrogen-powered vehicles. Hamburg is just one example of this.

- The German carrier Stadtwerke Aschaffenburg Verkehrs GmbH has opted for 12 hydrogen buses to be manufactured by Solaris. 10 Urbino 12-metre hydrogen and 2 Urbino 18-metre hydrogen units will make their way to one of the bigger towns in the Lower Franconia region. This is Solaris's first ever order for the 18-metre hydrogen-powered buses that were launched in autumn last year. The vehicles will roll out onto the streets of this German city as soon as 2024.

- Güstrow-based carrier Rebus Regionalbus Rostock in Germany, has ordered 52 Solaris Urbino hydrogen buses. Including five articulated models. This is so far the largest Solaris' single order for vehicles powered by hydrogen fuel cell. The contract is to be completed by the end of 2024. According to the regional government, public transportation in Rostock County is to be based on hydrogen mobility in the coming years.

- Solaris will deliver 100 Urbino 12 hybrid buses to Cagliari, the Sardinian capital, to Sardinia's largest public transport company ARST S.p.A.. The contract is part of a framework agreement signed in 2021 with joint-stock company Consip owned by the Italian Ministry of Economy and Finance (MEF). Under that agreement, public transport companies (TPL, Italian: Trasporti Pubblici Locali) are allowed to order vehicles directly or make a call for tender targeting chosen suppliers. The Italian island already has dozens of the manufacturer's vehicles on the road. The hybrid buses will be delivered to Cagliari and enter service in 2024.

- In April, operator Rheintal Busverkehr GmbH and manufacturer Solaris Bus & Coach signed a contract for the purchase of 16 Urbino 9 LE electric buses. The vehicles are low-volume models that can be approved in both Class I and Class II. The order will be carried out in two rounds: 11 of the new e-buses will be delivered in 2024 and a further five will be supplied in 2025. The low-entry 9-metre vehicles will serve passenger traffic in the Lustenau area, located in the Rhine valley in western Austria. Rheintal Busverkehr GmbH is already well acquainted with a similar-length, conventionally powered model - as it has 20 Urbino 8.9 LE buses in its fleet.

- In April, Solaris Bus & Coach and the municipal carrier PKM in the city of Gliwice in Poland, signed a contract for the purchase of 17 articulated buses with a mild-hybrid drive. The deliveries of the Solaris Urbino 18 mild-hybrid buses are slated for December this year. The purchase of these environmentally friendly buses is a result of the strategy of the carrier in Gliwice to gradually renew its fleet. Urbino buses with a mild-hybrid drive have been part of the manufacturer's offering since 2020 and enjoy great popularity among its clients. So far, Solaris has delivered 75 vehicles of this type to different towns and cities including, among others, 16 Urbino units to Glonn (Germany), 29 to Łódź (Poland), 6 to Piotrków Trybunalski (Poland), and 4 buses to Vienna (Austria).

In the second half of 2023, the company announces the launch of a new solution in the field of electric buses. At Busworld in Brussels in October, Solaris will present a new version of an articulated electric bus with all batteries on the roof. Thanks to the new drive architecture, the vehicle will have even longer ranges on a single charge, while at the same time having a large passenger capacity. This will be another solution created for both existing and potential customers of the company.

In the ESG area, in the first half of 2023, Solaris began implementing a new tool aimed at conducting independent LCA analysis of the product, which is increasingly expected by buyers of public transport vehicles. This tool will also improve the environmental performance of Solaris vehicles and is a response to the growing market demand for sustainable mobility solutions.

5 INVESTMENTS

The CAF Group's capital expenditure during the first half of 2023 amounted to EUR 14 million. The most salient investments were as follows:

In the MiiRA wheel set activity, the most significant investment being addressed is the implementation of a new wheel heat treatment facility, equipped with the most modern technology for the wheel manufacturing process, and which incorporates automatic handling throughout along the entire line. This investment, which commenced at the beginning of 2022 and whose implementation is expected to be completed by the end of this year, will offer a large number of advantages, both from a technical point of view, thanks to the uniformity of the heating process and the temperature control of the treatment, and with respect to achieving a greater cost efficiency of the process itself.

Furthermore, with regard to train manufacturing, encompassed within the current plan to execute the backlog, of note was the improvement of the welding process through the automation of the production lines, the robotisation of the corundum activity at the Saragossa plant and the new stamping and simulation machines in the test area, all to optimise execution times and achieve maximum efficiency. With regard to the vehicle finishing area, it is worth highlighting the completion this year of the extension of the kitting area and its new equipment at the Beasain plant, an area that provides assembly kits for the production areas of boxes, pipes, painting and finishings. This investment came about as a result of the expected increase in projects to be implemented at the plant.

In the Services business, we must mention the commencement of investment in warehouses and workshops in Germany, related to the activity to be carried out in the coming years within the framework of the supply and maintenance project over 33 years involving BEMU units for VVR and NWL. In these first months of 2023, the purchase of the land in Gelsenkirchen began, together with the first activities related with the planning and commencement of the construction of the facilities.

In relation to the factories located abroad, of note were the investments being carried out at the Huehuetoca (Mexico) and Newport (United Kingdom) plants, which began in both cases in the middle of last year. As regards the plant in Mexico, its production capacity is being extended through the implementation of new equipment, mainly in the testing and painting areas, thus adapting the facilities to the manufacture of new vehicle platforms. In the case of the plant located in the United Kingdom, a commitment is being made to the industrialisation and extension of new production lines to affront projects for the Urbos tramway platform, and to ensure the adequacy of the plant in terms of electrification to meet the requirements and needs of the next scheduled projects. Likewise, attention should be drawn to the upgrading of the facilities, together with everything related to the transfer and standardisation of industrial processes at the French factory of Reichshoffen, acquired in the middle of last year, to optimally adapt it to the manufacture of different projects currently being implemented by the CAF Group within its backlog for France.

Lastly, within the bus business, of note were the investments been made by Solaris at its Bolechowo and Środa Wielkopolska plants in Poland. Worthy of mention was the construction of a new warehouse for the production of gas-powered vehicles, to effectively deal with the increase in hydrogen bus manufacturing needs, together with compliance with the specific demands of this type of vehicle with regard to the required safety conditions. We must also highlight the new central depot for after-sales activities at the Bolechowo plant, adjacent to the current production facilities. Once complete, the new depot will be fitted with the latest technology for this kind of activity with a capacity for up to 10 buses, together with an office area for business management processes.

Moreover, the investments made in intangible assets in the first half of 2023 amounted to EUR 15 million. Of this amount, the most significant figure related to the implementation of the new ERP being carried out by the Group, the completion of which is expected to be consolidated this year. In the same vein, the measures established in the corporate cybersecurity policy continue to be deployed through the improvement of technical measures and their extension to international headquarters and subsidiaries. Lastly, we would like to highlight the investments aimed at developing the map of vehicle applications in line with the current challenges of the business, mainly with regard to the offer management tool, the integration of the different engineering offices, the management of structures set up in 3D and the development of corporate tools related to the management of scorecards, including headquarters, product lines and operational processes.

6 MAIN RISKS AND UNCERTAINTIES

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

With the commitment to address this matter, the CAF Group's Board of Directors establishes the mechanisms and basic principles to appropriately control and manage risks through the General Risk Management and Control Policy. This policy, which is aligned with the Group's mission, vision and values, expresses its commitment to provide 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;
- Defending 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 the Group faces 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 social 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.).

With respect to the economic environment, an improvement has been observed in the price trend and it is expected that the impacts derived from the crisis in the supply chain will begin to be reduced. However, the complex scenario of the war in Ukraine has not yet ended and the supply chain continues to be part of the business focus. To this end, problems that have not yet been resolved will continue to be monitored, such as the shortage of electronic components. One of the main actions carried out has been the signing of framework contracts with key equipment and supply providers, ensuring price formulas in the medium term. Actions still continue to be performed to alleviate the increase in prices and component shortages. Some of the main measures implemented were as follows: (i) technical modifications; (ii) supply of alternative providers; and (iii) advance deliveries and safety stock.

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 contingencies managed in the realm of Compliance are part of the overall risks supervised within the system. A description of the significant topics can be found in the interim condensed consolidated financial statements.

7 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASPECTS

During the first half of 2023, CAF continued to make progress in its strategic commitments related to sustainability, defined in the ESG Equity Story and recently updated, together with the launch of the 2026 Strategic Plan. Thus, the first half of the year was marked by the implementation of numerous initiatives to respond to these commitments, highlighting the work being carried out to strengthen the non-financial information reporting system.

In this area, anticipating new regulatory developments, CAF is carrying out a comparative analysis against the European Sustainability Reporting Standards (ESRS[1]). Likewise, following market trends that seek to match and give consistency to economic-financial and sustainability information, it continues to strengthen the internal control and governance system to ensure accurate, complete, auditable and quality information.

The most significant milestones that occurred during the first half are detailed below:

- Definition of the purpose and update of the mission, vision and values, in which sustainability continues to be a crosscutting backbone element for the success of the Company's strategy. The information is available on the corporate website (www.caf.net).

- Inclusion of CAF in ASCOM, one of the main associations in the area of Compliance in Spain. This milestone shows the Company's firm commitment to best practices in terms of Business Ethics and Regulatory Compliance, and also aims to promote the internal culture of Compliance.

- Significant advances in terms of decarbonisation and zero-emission technology, as well as in the autonomous and automatic vehicle initiative, described in section 1 "CAF Group business model and outlook".

- Furthermore, confirming its commitment to the fight against climate change, the Group has submitted the emission reduction objectives in scopes 1, 2 and 3 for validation by SBTi.

- Likewise, CAF, together with the rest of the partners of the sectoral initiative Railsponsible[2], has signed the *"Railsponsible Climate Pledge*", whereby CAF undertakes to lead the decarbonisation of the railway supply chain, establishing decarbonisation strategies and emission reduction targets aligned with the best international practices.

- Lastly, CAF makes public its commitment to respond to the CDP Forest questionnaire in 2024 through this report. The Company will inform the market about its commitment to protect biodiversity and combat deforestation through this questionnaire assessment.

Regarding the monitoring of the commitment to material matters during the first half, the Sustainability Scorecard is attached below[3], showing the positive performance of the most significant ESG indicators:

---

[1]*European Sustainability Reporting Standards* (ESRS) applying to the Group's sustainability information for 2024.

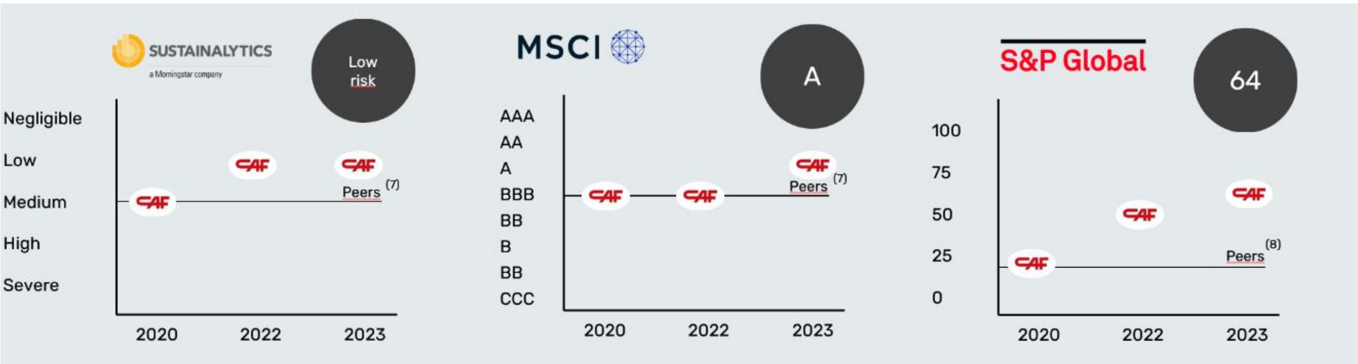
[2] Railsponsible is a sectoral initiative in which the main operators and manufacturers in the sector, including the CAF Group, work on the implementation of sustainable practices and the exchange of best practices throughout the railway industry value chain.

[3]Subject to the inclusion of new indicators as a result of ongoing initiatives. The composition of the 2023 Sustainability Scorecard, as well as its results, will be published in February 2024, together with the Statement of Non-Financial Information.

Dimension[4]	KPI	Real FY22	Target FY23	Real 1S23[5]	Measurement[6]
E	Scope 1&2 emissions reduction with respect to 2019	30.0%	↔ 16.8*%	Annual indicator	
E	Scope 3 emissions reduction (product use) with respect to 2019	14.8%	↑ 25.2*%	Annual indicator	
E	EU taxonomy alignment (business volume)	76%	↑ 78%	Annual indicator	
E	CDP assessment	B	↔ B	Annual indicator	
S	Number of Human Rights non-compliance cases	0	↔ 0	0	
S	Frequency rate	15.2	↓ 14.7	14.3	
S	Customer satisfaction rating	7.8	↑ >=7.8	Annual indicator	
S	Organisational Health Index	6.6	↑ >=6.6	Annual indicator	
G	Fines for significant breaches of applicable legislation and regulations	0	↔ 0	0	
G	Suppliers assessed ESG out of the total Risk Mapping to be assessed	77.7%	↑ 80%	Annual indicator	
ESG	Sustainalytics sustainability assessment	Low risk	↔ Low risk	Low risk	
ESG	MSCI Sustainability Assessment	BBB	↑ A	A	
ESG	S&P Sustainability Assessment	56	↑ >=64	64	
ESG	Ecovadis Sustainability Assessment	75	↔ 75	Annual indicator	

*Objectives sent to SBTi for validation.

In this regard, the improvement obtained in the sustainability performance assessment by various rating agencies is noteworthy, in line with the prospects announced in the publication of 2022 results:



In terms of employment, it should be noted that during the first half of 2023, the changes in the Group's workforce were positive, increasing in average terms by 10%[9], representing a year-on-year average increase of 1,363 employees:

	Total headcount	Average headcount
30/06/2022	13,432	13,287
30/06/2023	14,793	14,650

In conclusion, CAF constitutes a sustainable investment, and reiterates compliance with its environmental, social and governance prospects.

[4] E (Environmental), S (Social) and G (Governance).
[5] Includes results to 30/06/2023 for those indicators for which information is available on the date of publication of this Report.
[6] Green: meets target. Amber: does not meet target, but improves FY22 result. Red: misses target and worsens FY22 result.
[7] Railway sector average (Alstom; Stadler; Talgo; CAF).
[8] Industry Average "IEQ Machinery and Electrical Equipment": 20.
[9] Mainly due to the inclusion of CAF Reichshoffen on 01/08/2022.

8 EVENTS AFTER THE REPORTING PERIOD

At 30 June 2023, the Group had a firm backlog of approximately EUR 13,337 million.

9 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 for financial information users because they are used by the CAF Group's management to assess its financial performance, cash flows or financial position when taking financial, operational or strategic decisions at the Group.

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

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		
	30/06/23	**30/06/22**	**31/12/22**
+ Backlog at end of period	13,337	10,753	13,250
- Backlog at beginning of period	(13,250)	(9,640)	(9,640)
+ Revenue	1,877	1,530	3,165
- New inclusions in the consolidation scope	-	-	(570)
Order intake	**1,964**	**2,643**	**6,205**

Order intake / Revenue ratio (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		
	30/06/23	**30/06/22**	**31/12/22**
Order intake for the period	1,964	2,643	6,205
Revenue	1,877	1,530	3,165
Order intake / Revenue ratio (Book-to-bill)	**1.0**	**1.7**	**2.0**

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

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

	Millions of euros	
	30/06/23	**31/12/22**
Backlog – current period	**13,337**	**13,250**
Revenue for the period (*)	3,165	3,165
Revenue - New inclusion (**)	138	138
Revenue	3,303	3,303
Backlog / Revenue ratio	**4.0**	**4.0**

(*) Revenue at 30 June 2023 refers to the figures for 2022.
(**) Corresponds to the revenue for 2022 from the period before joining the Group.

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): the EBITDA indicator is calculated by deducting from “Profit / (Loss) from operations” the amounts recognised under “Depreciation and amortisation charge” and “Impairment and gains or losses on disposals of non-current assets”. EBITDA is adjusted to reflect significant non-recurring items or events that are not expected to occur in the coming years, such as litigation arising outside the normal course of business, restructurings or company acquisition costs, etc.

	Millions of euros	
	30/06/23	30/06/22
Profit/(Loss) from operations	85	67
Depreciation and amortisation charge	53	44
Impairment and gains or losses on disposals of non-current assets	0	(3)
EBITDA	**138**	**108**
Other adjustments	-	-
Adjusted EBITDA	**138**	**108**

<u>Adjusted EBITDA – 12 months</u>: calculated as the sum of the monthly EBITDA over the last 12 months. The figure at 30/06/23 relates to the period running from 1 July of the previous year to 30 June of the current year.

	Millions of euros	
	30/06/23	31/12/22
- Adjusted EBITDA at 30/06/22	(108)	-
+ Adjusted EBITDA at 31/12/22	232	232
+ Adjusted EBITDA at 30/06/23	138	-
Adjusted EBITDA – 12 months	**262**	**232**

<u>Adjusted EBITDA margin:</u> ratio obtained dividing the "Adjusted EBITDA" by "Revenue" as shown in the consolidated profit or loss statement for the period. This indicator provides useful information about the Group's operating profitability.

	Millions of euros	
	30/06/23	30/06/22
Adjusted EBITDA	138	108
Revenue	1,877	1,530
Adjusted EBITDA Margin	**7.3%**	**7.0%**

<u>Net margin:</u> obtained by dividing "Consolidated profit/(loss) for the year attributable to the Parent" by "Revenue" in the consolidated profit or loss statement for the period.

	Millions of euros	
	30/06/23	30/06/22
Consolidated profit/(loss) for the period attributable to the Parent	34	31
Revenue	1,877	1,530
Net margin	**1.8%**	**2.0%**

<u>Working capital expenditure:</u> calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items that are classified as Net Financial Debt, Fixed assets and Other assets and liabilities. 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	
	30/06/23	31/12/22
+ Other non-current assets	5	5
+ Inventories	496	586
+ Trade and other receivables	2,408	2,135
- Other receivables - Concessions (Notes 7-b and 9)	(124)	(126)
- Current tax assets	(13)	(16)
+ Other current assets	16	14
- Other non-current liabilities	(107)	(105)
- Current provisions	(332)	(326)
- Trade and other payables	(2,411)	(2,374)
+ Current tax liabilities	10	15
- Other current liabilities	(4)	(3)
Working capital expenditure	**(56)**	**(195)**

<u>Fixed assets:</u> it is calculated by subtracting from Total non-current assets the fixed asset items that are part of the calculation of the "Net Financial Debt" indicator, non-current hedging derivatives of assets, deferred tax assets, non-current assets for refund rights and assets for rights of use, as well as current liabilities for fixed asset suppliers. It also includes "Other receivables" related to concessions and financial assets at amortised cost as part of current assets.

	Millions of euros	
	30/06/23	31/12/22
Total Non-current assets	1,534	1,540
- Financial assets - Non-current assets (Note 7-b)	(12)	(11)
- Non-current hedging derivatives – Non-current assets	(27)	(12)
- Deferred tax assets	(156)	(151)
- Non-current assets for the right of return	(5)	(5)
- Right-of-use assets (Note 6)	(85)	(87)
+ Other receivables - Concessions (current assets) (Notes 7-b and 9)	124	126
- Payable to non-current asset suppliers (Note 11-b)	(2)	(2)
+ Other current financial assets at amortised cost (Note 7-c)	13	26
Fixed assets	**1,384**	**1,424**

Other assets and liabilities: it is obtained from the consideration of the following non-current assets and liabilities and current assets and liabilities:

	Millions of euros	
	30/06/23	31/12/22
+ Right-of-use assets (Note 6)	85	87
+ Non-current hedging derivatives - Non-current assets	27	12
+ Deferred tax assets	156	151
+ Current hedging derivatives - Current assets	16	29
+ Current tax assets	13	16
- Total non-current liabilities	(1,031)	(1,076)
+ Bank borrowings and debt instruments or other marketable securities	503	590
+ Non-current interest-bearing refundable advances (Note 10-d)	5	5
+ Other non-current liabilities	107	105
- Current financial liabilities - Other financial liabilities	(73)	(36)
+ Payable to non-current asset suppliers (Note 11-b)	2	2
+ Current interest-bearing refundable advances (Note 10-d)	1	1
- Current hedging derivatives - Current liabilities	(3)	(33)
- Current tax liabilities	(10)	(15)
Total Other assets and liabilities	**(202)**	**(162)**

CAPEX: calculated as the sum of additions in the period to "Other intangible assets" and "Property, plant and equipment", excluding rights of use, which are detailed in Notes 5 and 6 to the consolidated financial statements.

	Millions of euros	
	30/06/23	30/06/22
Additions to Other intangible assets	15	14
Additions to Property, plant and equipment	14	8
CAPEX	**29**	**22**

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	
	30/06/23	30/06/22
+ Net Financial Debt at the beginning of the period	278	278
- Net Financial Debt at the end of the period	(309)	(305)
+ Dividends paid to shareholders in the period	-	14
Cash flow	**(31)**	**(13)**

Net Financial Debt: obtained by taking into account the non-current assets and liabilities and current assets and liabilities detailed below:

	Millions of euros	
	30/06/23	31/12/22
+ Interest-bearing refundable advances (Note 11)	6	6
+ Bank borrowings - Non-current liabilities (Note 11)	503	590
+ Bank borrowings and debt instruments – Current liabilities (Note 11)	346	278
- Financial assets - Non-current assets (Note 7-b)	(12)	(11)
- Current financial assets (Note 7-c)	(106)	(112)
- Cash and cash equivalents	(428)	(473)
Net Financial Debt	**309**	**278**

Net financial debt/Adjusted EBITDA – 12 months: ratio obtained 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	
	30/06/23	31/12/22
Net Financial Debt	309	278
Adjusted EBITDA – 12 months	262	232
Net Financial Debt / Adjusted EBITDA – 12 months	**1.2**	**1.2**

Gross Financial Debt: the sum of the liability items that make up the calculation of "Net Financial Debt".

	Millions of euros	
	30/06/23	31/12/22
Net Financial Debt	309	278
+ Financial assets - Non-current assets	12	11
+ Current financial assets	106	112
+ Cash and cash equivalents	428	473
Gross Financial Debt	**855**	**874**

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	
	30/06/23	31/12/22
Current financial assets – Current financial investments (Note 7)	106	112
Cash and cash equivalents	428	473
Credit facilities and other undrawn financial balances	351	393
Available liquidity	**885**	**978**

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

	30/06/23	31/12/22
Number of shares issued (in millions of shares)	34.28	34.28
Quoted price at close	30.75	26.50
Stock market capitalisation (millions of euros)	**1,054**	**908**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR

THE SIX-MONTH PERIOD ENDED ON

30 JUNE 2023

10 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Construcciones y Auxiliar de Ferrocarriles, S.A.and Subsidiaries composing the CAF Group
Condensed Consolidated Balance Sheets at 30 June 2023 and 31 December 2022 (Thousands of Euros)

Assets	Note	30/06/23	31/12/22 (*)
Non-current assets:			
Intangible assets	**5**	**443,711**	**442,909**
Property, plant and equipment	**6**	**481,613**	**483,208**
Investments accounted for using the equity method	**7**	**41,278**	**33,116**
Non-current financial assets	**7**	**379,204**	**413,198**
Non-current hedging derivatives	**17**	**27,068**	**12,455**
Deferred tax assets	**20**	**156,113**	**150,662**
Other non-current assets	**15**	**4,945**	**4,689**
Total Non-current assets		**1,533,932**	**1,540,237**
Current assets:			
Inventories	**8**	**495,602**	**585,551**
Trade and other receivables			
Trade receivables for sales and services	9	2,188,821	1,903,938
Other receivables	9	206,155	214,610
Current tax assets		13,426	16,083
Total Trade and other receivables		**2,408,402**	**2,134,631**
Current financial assets	**7**	**119,860**	**137,982**
Current hedging derivatives	**17**	**15,503**	**28,510**
Other current assets	**15**	**16,449**	**13,874**
Cash and cash equivalents	**10**	**428,278**	**473,344**
Total Current assets		**3,484,094**	**3,373,892**
Total Assets		**5,018,026**	**4,914,129**

Equity and liabilities	Note	30/06/23	31/12/22 (*)
Equity:	**10**		
Shareholders' equity			
Registered share capital		10,319	10,319
Share Premium		11,863	11,863
Other accumulated reserves and profit for the year attributable to the Parent		935,474	930,787
Interim dividend		-	-
Treasury shares and equity investments		(1,202)	(1,292)
Total Equity		**956,454**	**951,677**
Valuation adjustments			
Hedges	10 and 17	15,528	12,544
Translation differences		(165,405)	(188,302)
Total Valuation Adjustments		**(149,877)**	**(175,758)**
Equity attributable to the Parent		**806,577**	**775,919**
Non-controlling interests		**11,217**	**12,406**
Total Equity		**817,794**	**788,325**
Non-current liabilities:			
Non-current provisions	**2-d and 12**	**132,696**	**117,741**
Non-current financial liabilities	**11**		
Bank borrowings and debt instruments or other marketable securities		503,505	589,703
Other financial liabilities		90,182	89,324
Total Non-current financial liabilities		**593,687**	**679,027**
Deferred tax liabilities	**20**	**171,333**	**161,881**
Non-current hedging derivatives	**17**	**26,941**	**12,494**
Other non-current liabilities	**15**	**106,619**	**104,531**
Total Non-current liabilities		**1,031,276**	**1,075,674**
Current liabilities:			
Current provisions	**12**	**332,125**	**326,187**
Current financial liabilities	**11**		
Bank borrowings and debt instruments or other marketable securities		345,864	278,339
Other financial liabilities		72,690	36,351
Total Current financial liabilities		**418,554**	**314,690**
Trade and other payables			
Suppliers		948,918	988,730
Other payables	13	1,451,638	1,369,948
Current tax liabilities		10,117	15,053
Total Trade and other payables		**2,410,673**	**2,373,731**
Current hedging derivatives	**17**	**3,276**	**32,617**
Other current liabilities	**15**	**4,328**	**2,905**
Total Current liabilities		**3,168,956**	**3,050,130**
Total Equity and liabilities		**5,018,026**	**4,914,129**

(*) Presented for comparison purposes only (Note 2-e).
The accompanying Notes 1 to 21 are an integral part of the condensed consolidated balance sheet at 30 June 2023.

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

Condensed consolidated profit and loss statements for the six-month periods ended 30 June 2023 and 2022

(Thousands of Euros)

		(Debit) Credit	
	Note	**30/06/23**	**30/06/22 (*)**
Continuing operations:			
Revenue	18	1,876,688	1,530,036
+/- Change in inventories of finished goods and work in progress		(34,364)	(15,339)
In-house work on non-current assets		2,041	918
Procurements		(1,017,765)	(823,642)
Other operating income		13,583	11,017
Staff costs	12 and 13	(468,225)	(399,450)
Other operating expenses	2-d and 12	(234,196)	(195,939)
Depreciation and amortisation charge	5 and 6	(52,803)	(43,687)
Impairment and gains or losses on disposals of non-current assets	5 and 6	(358)	2,597
Profit/(Loss) from operations		**84,601**	**66,511**
Finance income	7	6,217	4,409
Finance costs	11	(34,936)	(25,040)
Changes in fair value of financial instruments		1,487	(3,605)
Exchange differences		(1,940)	3,649
Impairment and gains or losses on disposals of financial instruments		5	-
Financial profit/(loss)		**(29,167)**	**(20,587)**
Result of companies accounted for using the equity method	7	5,199	2,530
Profit/(Loss) before tax		**60,633**	**48,454**
Income tax	20	(24,626)	(16,090)
Profit/(Loss) for the year from continuing operations		**36,007**	**32,364**
Profit/Loss for the period from discontinued operations		-	-
Consolidated Profit/(Loss) for the period		**36,007**	**32,364**
Attributable to:			
The Parent company		34,409	30,704
Non-controlling interests		1,598	1,660
Earnings per share (in euros)			
Basic		1.01	0.90
Diluted		1.01	0.90

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

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated profit or loss statement for the six-month period ended 30 June 2023.

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 2023 and 2022

(Thousands of Euros)

	Note	30/06/23	30/06/22 (*)
A) Consolidated profit/(loss) for the year		**36,007**	**32,364**
B) Other comprehensive income – Items not reclassified to profit or loss:		**(259)**	**(975)**
Arising from actuarial gains and losses	11	(31)	-
Equity instruments at fair value through other comprehensive income	7	(228)	(975)
Other income and expenses taken directly to equity		-	-
C) Items that may be reclassified subsequently to profit or loss:		**26,216**	**29,463**
Cash flow hedges:		**(378)**	**(1,482)**
Revaluation gains/losses		(109)	(1,608)
Amounts transferred to profit or loss	10	(269)	126
Translation differences:		**23,707**	**19,691**
Revaluation gains/losses	10	23,707	19,691
Share of other comprehensive income recognised for investments in joint ventures and associates:		**2,963**	**10,898**
Revaluation gains/losses			
Cash flow hedges	10	4,216	9,180
Translation differences	10	(475)	479
		3,741	9,659
Amounts transferred to profit or loss			
Cash flow hedges	10	(778)	1,239
		(778)	1,239
Tax effect		**(76)**	**356**
Total comprehensive income (A+B+C)		**61,964**	**60,852**
Attributable to:			
The Parent		60,031	59,322
Non-controlling interests		1,933	1,530

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

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated statement of recognised income and expense for the six-month period ended 30 June 2023.

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 2023 and 2022 (Thousands of Euros)

	Equity attributable to the Parent								
	Shareholders’ equity								
	Share capital	Share Premium	Other accumulated reserves and profit for the year attributable to the Parent	Treasury shares and equity investments	Interim dividend	Hedges	Translation differences	Non-controlling interests	Total equity
Balances at 31 December 2021 (*)	**10,319**	**11,863**	**919,051**	-	**(13,712)**	**2,508**	**(203,367)**	**13,798**	**740,460**
Total comprehensive income	**-**	**-**	**29,728**	**-**	**-**	**9,294**	**20,300**	**1,530**	**60,852**
Transactions with shareholders or owners	**-**	**-**	**(34,302)**	**(1,468)**	**13,712**	**-**	**-**	**(35)**	**(22,093)**
Dividends payable (Note 4)	-	-	(34,281)	-	13,712	-	-	(35)	(20,604)
Transactions in own shares (net)	-	-	(21)	(1,468)	-	-	-	-	(1,489)
Balances at 30 June 2022 (*)	**10,319**	**11,863**	**914,477**	**(1,468)**	**-**	**11,802**	**(183,067)**	**15,293**	**779,219**
Balances at 31 December 2022 (*)	**10,319**	**11,863**	**930,787**	**(1,292)**	**-**	**12,544**	**(188,302)**	**12,406**	**788,325**
Total comprehensive income	**-**	**-**	**34,150**	**-**	**-**	**2,984**	**22,897**	**1,933**	**61,964**
Transactions with shareholders or owners	**-**	**-**	**(29,463)**	**90**	**-**	**-**	**-**	**(3,122)**	**(32,495)**
Dividends payable (Note 4)	-	-	(29,481)	-	-	-	-	(3,122)	(32,603)
Transactions in own shares (net)	-	-	18	90	-	-	-	-	108
Balances at 30 June 2023	**10,319**	**11,863**	**935,474**	**(1,202)**	**-**	**15,528**	**(165,405)**	**11,217**	**817,794**

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

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2023.

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 2023 and 2022

(Thousands of Euros)

	Note	30/06/23	30/06/22 (*)
Cash flows from operating activities:			
Profit/(Loss) before tax		60,633	48,454
Adjustments for			
Depreciation and amortisation expense	5 and 6	52,803	43,687
Other adjustments to profit or loss (net)		23,499	35,516
Changes in working capital		(137,042)	(62,762)
Other cash flows from operating activities			
Income tax recovered / (paid)		(23,569)	(32,984)
Other amounts received / (paid) relating to operating activities		(8,952)	109
Cash flows from operating activities (I)		**(32,628)**	**32,020**
Cash flows from investing activities:			
Payments due to investment			
Group companies, associates and business units		-	(272)
Property, plant and equipment, intangible assets and investment property	5 and 6	(27,200)	(25,395)
Other financial assets, net	7	(14,098)	(3,723)
Proceeds from disposal			
Group companies, associates and business units	7	-	350
Property, plant and equipment, intangible assets and investment property	5 and 6	100	4,147
Other financial assets	7	87,528	12,060
Dividends received		508	-
Interest received		3,433	2,613
Cash flows from investing activities (II)		**50,271**	**(10,220)**
Cash flows from financing activities:			
Proceeds/(payments) relating to equity instruments			
(Acquisition) / Disposal		108	(1,489)
Proceeds/(Payments) relating to financial liability instruments	11		
Issue		229,938	335,164
Repayment		(271,689)	(398,565)
Dividend payments and returns on other equity instruments paid	11	-	(13,748)
Other cash flows from financing activities	11		
Interest paid		(24,893)	(18,040)
Cash flows from financing activities (III)		**(66,536)**	**(96,678)**
Effect of exchange rate fluctuations (IV)		**3,827**	**7,928**
Increase/(decrease) in cash and cash equivalents (I+II+III+IV)		**(45,066)**	**(66,950)**
Cash and cash equivalents at beginning of the period		473,344	551,372
Cash and cash equivalents at end of the period		**428,278**	**484,422**

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

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated statements of cash flow for the six-month period ended 30 June 2023.

11 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 June2023

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 (Gipuzkoa). Its registered office is located at calle Jose Miguel Iturrioz 26, Beasain (Gipuzkoa) (Spain).

The Parent did not change its name during the first half of the year.

The corporate purpose is described in Article 2 of its Bylaws, which are available on the website of the Parent (www.caf.net).

The Group's core business is currently the sale of rail and bus mobility solutions, and its main centre of activity is Beasain (Gipuzkoa), Spain.

The Parent, Construcciones y Auxiliar de Ferrocarriles, S.A., as part of its business activities, holds majority ownership interests in other companies (Note 3).

The CAF Group's 2022 consolidated financial statements were approved by the shareholders at the Annual General Meeting of CAF held on 10 June 2023.

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

a) Basis of presentation

The CAF Group's consolidated financial statements for 2022 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 these consolidated financial statements were applied in order to present fairly the Group's consolidated equity and consolidated financial position at 31 December 2022 and its consolidated results, changes in consolidated equity and its consolidated cash flows for the year then ended.

These interim condensed consolidated financial statements are presented in accordance with IAS 34 Interim Financial Reporting, and were authorised for issue by the Parent's directors on 28 July 2023, pursuant to Article 12 of Royal Decree 1362/2007. This interim condensed consolidated 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 the provisions of IAS 34, the interim financial information is prepared solely with the intention of updating the content of the latest consolidated financial statements prepared by the Group, emphasising new activities, events and circumstances that occurred during the semester and not duplicating the information previously published in the consolidated financial statements for the year 2022. Therefore, for a proper understanding of the information included in these interim condensed consolidated financial statements, they must be read together with the Group's consolidated financial statements for 2022.

The accounting policies and methods used in preparing these interim condensed consolidated financial statements are the same as those used in the consolidated financial statements for 2022, except for the standards and interpretations which came into force in the first half of 2023, which are detailed below.

b) Entry into force of new accounting standards

During the first half-year of 2023, IFRS 17 relating to insurance contracts entered into force, together with various amendments and/or interpretations of IAS 8 relating to the definition of accounting estimates, amendments to IAS 1 regarding the presentation of financial statements and changes in accounting policies and amendments to IAS 12 related to deferred taxes. These amendments did not have a significant impact on the preparation of the interim condensed consolidated 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 interim condensed consolidated financial statements. The main accounting principles and policies and measurement bases used are indicated in Note 3 to the consolidated financial statements for 2022.

In the interim condensed consolidated 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 and 9);

3. The assumptions used in the actuarial calculation of pension and other obligations to employees (Note 12);

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

5. The fair value of certain financial assets (Note 7);

6. The calculation of provisions and penalties that reduce the sales price (Notes 2-d, 9 and 12);

7. The assessment of the probability of having future taxable profits against which unused recognised tax assets can be utilised (Note 20);

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 2023 or in subsequent 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 2023, there were no significant changes in estimates made at year-end 2022.

d) Contingent assets and liabilities

Notes 20 and 26 to the Group's consolidated financial statements for the year ended 31 December 2022 disclose information on the contingent assets and liabilities at that date, as well as in Note 12 to the accompanying interim condensed consolidated financial statements at 30 June 2023.

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. In July 2019, the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 (equivalent to EUR 31,647 thousand at 30 June 2023), and advised the competent authorities not to grant the subsidiary certain tax benefits for a five-year period. The Group posted a provision for this amount in 2019 with a charge to "Other operating expenses" in the consolidated profit and loss statement and a credit to "Non-current provisions" in the accompanying consolidated balance sheet (Note 12). The amount of the fine was updated by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody (SELIC) and EUR 2,448 thousand was recognised in the first half of 2023, with a charge to "Finance costs" in the accompanying interim condensed consolidated profit and loss statement (EUR 1,867 thousand in 2022). At the date of authorisation for issue of these interim condensed consolidated financial statements, the subsidiary has appealed CADE's decision in court.

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

Also, as a result of the investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated court proceedings, in relation to, the Group has already presented its corresponding defences. CADE's investigations also prompted the Court of Auditors to open administrative proceedings, in response to which the subsidiary presented its preliminary defence in the first half of 2016. Following a finding by the Court of Auditors that no irregular conduct had been proven as a result of the sentence imposed by CADE, in 2022 the Court of Auditors decided to continue with the proceedings and, to date, the subsidiary has submitted its statements to the Court of Auditors. Lastly, also as a result of the investigations conducted by CADE, the Brazilian Administrative Council of Economic Defence, processed an administrative procedure in relation to which the subsidiary filed initial claims during the second half of 2018.

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

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

In addition, the CAF Group subsidiary in Brazil is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. Whatever the case may be, should the court find against the Consortium for breach of contract, since the breaches are mainly attributable to other members of the Consortium, CAF could claim the potential losses from such members (see Note 9). Furthermore, in one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary is continuing to defend its interests in these proceedings. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the second half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 18,218 thousand at 30 June 2023) (the subsidiary holds a 36.8% stake in the Consortium which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.7 million), and a prohibition on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts ordered the precautionary suspension of the effectiveness of the fine imposed.

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

The Group's legal advisors consider that an unfavourable outcome for the CAF Group is unlikely and that the lawsuit will not materially affect its financial statements for the years in which the amounts are ultimately paid, if at all. Therefore, no provision was recognised in this respect at 30 June 2023.

e) Comparative information

The information contained in these interim condensed consolidated financial statements 2022 is presented solely for comparison purposes with the information relating to the six-month period ended 30 June 2023.

f) Seasonality of the Group's transactions

In view of the business activities in which the Group companies engage, as well as the stage of completion method of accounting, 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 interim condensed consolidated financial statements for the six-month period ended 30 June 2023.

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 interim condensed consolidated financial statements.

h) Events after the reporting period

At 30 June 2023, the Group had a firm backlog of EUR 13,337 million.

i) Climate change

CAF aspires to lead the transition towards sustainable mobility, which is why the challenge of decarbonisation constitutes one of the main axes of its strategy. Thus, reinforcing its commitment to sustainable and long-term development, the Group consolidated sustainability as one of the four axes of its 2026 Strategic Plan (available at www.caf.net). Likewise, the decarbonisation of its products is one of the main milestones of the 'Innovation' strategic axis.

The Company's strategic commitment to decarbonisation and the energy transition is reflected in its inclusion in the SBTi (*Science Based Targets Initiative*) and the *Race to Zero,* international alignment initiatives in the fight against climate change and the Paris Agreement. Likewise, CAF has made public its ambition to obtain zero net carbon emissions (*Net Zero*) for 2045.

To respond to these commitments and to promote climate strategies focused on reducing Greenhouse Gas (GHG) emissions and promoting renewable energies, during the first half of the year, the Group carried out various activities, the most notable of which were as follows:

- Submission for validation by SBTi of the short- and long-term reduction objectives.

- Recalculation and verification of the Group's 2022 carbon footprint and the 2019 base year to reflect the inclusion of CAF Reichshoffen, thus maintaining full coverage of the emissions generated by the Group's activities over which it has operational control. In calculating the footprint, the guidelines and approach of the GHG Protocol, IPCC and the requirements of the ISO 14064:2018 standard were adopted.

- Extension of the scope of the consumption of 100% renewable electricity with guarantee of origin, to the centres of all legal entities based in Spain, except Trenasa, which will enter in 2024.

- In the area of managing risks and opportunities derived from climate change, work has been performed to establish the framework implemented in 2022, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and update the risk and opportunity analysis to respond to the changing context of the CAF Group.

To respond to the instigation of measures to mitigate the risks and opportunities of climate change, work was performed to implement the corporate framework for the Management of Risks and Opportunities derived from the emerging risk of Climate Change. In doing so, the organisation has drawn on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), as well as other guidelines/supplements related to non-financial reporting of the European Commission.

Following the analysis of the most significant risks and opportunities arising from climate change, no significant impact on the consolidated financial statements is expected.

For more information on the Company's involvement in the area of climate change and other issues related with sustainability, see section 7 Environmental, social and governance aspects.

j) Ukraine and macroeconomic situation

The Ukraine-Russia conflict adds a further element of uncertainty to the markets in which the Group operates, affecting various aspects such as the execution of long-term contracts and their monitoring, possible embargoes or sanctions on companies operating in those markets or possible additional disruptions along the supply chain.

The Group has no assets in Russia and Ukraine and there was no turnover in these countries in the first half of 2023.

Moreover, the increase in both inflation and interest rates was considered in the assumptions used, which are updated at least annually in the following cases: i) preparation of recoverability tests for non-financial assets, including goodwill, as well as the discount rates applied and the sensitivity analyses performed (Notes 5 and 6); ii) the updating of the value of actuarial obligations (Note 12); iii) the updating of budgets of contracts with customers, having reviewed and updated the cost of wages and raw materials (Note 9); and iv) the valuation of financial assets (Note 7).

3.- CHANGES IN THE COMPOSITION OF THE GROUP

Note 2-f to the consolidated financial statements for the year ended 31 December 2022 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 2023, the following companies were formed: CAF Signalling México, S.A. de C.V., CAF Canada, Galilee Rail Ltd and CAF Greece Single Member, S.A. Likewise, Openaco Trading Co. Ltd. was liquidated.

4.- DIVIDENDS PAYABLE BY THE PARENT

The dividends payable by the Parent in July 2023 and in July 2022, which relate in both cases to approved dividends out of the profit for 2022 and 2021, respectively, are shown below. They all correspond to ordinary shares. The Parent recognised these amounts with a credit to “Current financial liabilities – Other financial liabilities” in the condensed balance sheets at 30 June 2023 and 30 June 2022, respectively:

	30/06/23			30/06/22		
	% of Par Value	Euros per share	Amount (Thousands of Euros)	% of Par Value	Euros per share	Amount (Thousands of Euros)
Total dividends payable	286%	0.86	29,481	200%	0.60	20,569

5.- INTANGIBLE ASSETS

Changes in the six-month period ended 30 June 2023 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 31/12/22						
Cost	169,037	87,499	106,078	92,314	187,470	642,398
Accumulated amortisation	(123,136)	(16,775)	(22,705)	(36,471)	-	(199,087)
Impairment losses	(402)	-	-	-	-	(402)
Net balance at 31/12/22	**45,499**	**70,724**	**83,373**	**55,843**	**187,470**	**442,909**
IFRS 3 - Business Combinations (*)-						
Cost	-	(9,200)	26,522	-	(20,629)	(3,307)
Accumulated amortisation	-	1,381	(1,381)	-	-	-
Net 31/12/22 - Adjusted	**45,499**	**62,905**	**108,514**	**55,843**	**166,841**	**439,602**
Cost-						
Translation differences	1,406	(99)	5,638	344	4,274	11,563
Additions	3,015	-	-	12,225	-	15,240
Disposals	(3,188)	-	-	(4)	-	(3,192)
Transfers	(25)	-	-	(289)	-	(314)
Cost at 30/06/23	**170,245**	**78,200**	**138,238**	**104,590**	**171,115**	**662,388**
Accumulated amortisation-						
Translation differences	(778)	(206)	(1,322)	(245)	-	(2,551)
Additions or charge for the year	(8,332)	(2,853)	(4,321)	(4,507)	-	(20,013)
Disposals	3,188	-	-	4	-	3,192
Transfers	25	-	-	289	-	314
Accumulated amortisation at 30/06/23	**(129,033)**	**(18,453)**	**(29,729)**	**(40,930)**	**-**	**(218,145)**
Impairment losses-						
Allowances/Reversals/Transfers	(130)	-	-	-	-	(130)
Impairment losses at 30/06/23	**(532)**	**-**	**-**	**-**	**-**	**(532)**
Net balance at 30/06/23	**40,680**	**59,747**	**108,509**	**63,660**	**171,115**	**443,711**

(*) On 1 August 2022, the Group acquired the Reischoffen plant in the Alsace region, and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. In the first half of 2023, the provisional values recorded at the end of the previous year have been reviewed.

The additions in the first half of 2023, 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, in 2019, the Group began to implement a new ERP. At 30 June 2023, the Group had investment commitments amounting to EUR 24,277 thousand, mainly for the new computer system, which is scheduled to start up in 2023.

In the first six months of 2023 and 2022, there was no significant 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 2023 were as follows:

	Thousands of Euros					
	Opening balance at 31/12/22	Additions / Depreciation and Amortisation / Allowances	Transfers	Disposals or reductions	Translation differences	End balance at 30/06/23
Cost						
Property, plant and equipment	860,505	14,287	(731)	(2,008)	9,474	881,527
Rights of use	149,264	13,058	-	(10,736)	(607)	150,979
Accumulated amortisation						
Property, plant and equipment	(455,547)	(20,491)	1,333	1,131	(3,106)	(476,680)
Rights of use	(62,114)	(12,299)	-	7,511	1,170	(65,732)
Impairment losses						
Property, plant and equipment	(8,900)	-	-	435	(16)	(8,481)
Net balance	**483,208**	**(5,445)**	**602**	**(3,667)**	**6,915**	**481,613**
Property, plant and equipment	396,058	(6,204)	602	(442)	6,352	396,366
Rights of use	87,150	759	-	(3,225)	563	85,247

The additions in the first half of 2023, correspond mainly to the automation and modernisation of the wheel business facilities and the expansion and improvement of various areas related to manufacturing and finishing, investments that are included within the current plan for the execution of the CAF Group's large backlog. Abroad, we must mention the implementation of new equipment at the Huehuetoca (Mexico) and Newport (UK) plants to expand their production capacity and adapt them to the manufacture of new vehicle platforms. Likewise, of note was the updating of the facilities and the standardisation of the industrial processes at the French factory of Reichshoffen. Lastly, in the bus business, Solaris is building a new warehouse for the production of gas vehicles, to deal with the increase in the number of orders for hydrogen units, as well as the implementation of a new central warehouse for the after-sales activity, with the latest advances to perform this activity.

b) Property, plant and equipment purchase commitments

At 30 June 2023 and 31 December 2022, the Group had firm capital expenditure commitments amounting to approximately EUR 7,635 thousand and EUR 12,977 thousand, respectively, relating mainly to the fitting out of certain facilities and the purchase of machinery located in Spain, Poland and Mexico.

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 interim condensed consolidated financial statements is as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Associates:		
Arabia One for Clean Energy Investments PSC.	1,973	1,984
Great River City Light Rail Pty Ltd	262	246
Plan Metro, S.A.	-	-
Consorcio Traza, S.A.	-	-
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	-	-
Joint ventures:		
Ferrocarril Interurbano S.A. de C.V.	4,392	3,819
Momentum Trains Holding Pty Ltd	9,627	8,903
CFIR Light Rail Ltd	4,993	3,530
LAVI Light Rail O&M Ltd.	18,728	13,386
Oher investments	1,303	1,248
TOTAL	**41,278**	**33,116**
Registered under assets	41,278	33,116
Recognised under liabilities (Note 12)	-	-

The changes in the periods ended 30 June 2023 and 2022 in "Investments accounted for using the equity method" in the accompanying condensed consolidated balance sheet were as follows:

	Thousands of Euros	
	30/06/23	30/06/22
Opening balance	**33,116**	**14,649**
Amounts (charged)/credited to profit or loss	5,199	2,530
Hedges (Note 17)	3,438	10,495
Additions	-	1,740
Translation differences	(475)	403
Closing balance	**41,278**	**29,817**
Registered under assets	41,278	29,817
Recognised in liabilities (Notes 2-d and 12)	-	-

b) Non-current financial assets

The detail of "Non-current financial assets" in the accompanying interim condensed consolidated financial statements is as follows:

	Thousands of Euros			
	30/06/23		31/12/22	
	% of Ownership	Balance	% of Ownership	Balance
Equity instruments-				
Ferromovil 3000, S.L.	10%	13,790	10%	13,713
Plan Azul 07, S.L.		-	5.20%	313
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	3,793	15%	3,793
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	521	3%	513
Leo Express Global, A.S.	5%	792	5%	841
Other		121		121
Total Equity instruments –		**19,768**		**20,045**
Other financial assets -				
Amortised cost -				
Guarantees and other financial assets		15,591		14,449
Loans to employees		2,968		2,986
Non-current tax receivables		21,365		20,682
Non-current trade receivables and loans		293,600		329,540
Loans to associates		36,153		34,842
		369,677		**402,499**
Provisions-				
Provisions for tax receivables		(8,089)		(7,452)
Impairment losses		(2,152)		(1,894)
		(10,241)		**(9,346)**
Total other financial assets		**359,436**		**393,153**
Total		**379,204**		**413,198**

Guarantees and other financial assets

The breakdown of this heading at 30 June 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Guarantees and other financial assets	2,988	3,277
Non-current deposits	12,603	11,172
Total guarantees and other financial assets	**15,591**	**14,449**
Non-current deposits	12,603	11,172
Impairment of non-current deposits	(114)	(129)
Total non-current deposits (Note 10-d)	**12,489**	**11,043**

At 30 June 2023, non-current deposits corresponded mainly to the guarantee linked to the increase in the financial debt of the subsidiary Ctrens Companhia Manutençao, S.A. (Note 11) amounted to EUR 12,427 thousand (EUR 11,032 thousand at 31 December 2022).

Non-current tax receivables

At 30 June 2023, the Group had recognised an amount of EUR 21,365 thousand under "Non-current financial assets" for accounts receivable from public authorities for tax equivalent to value added tax (EUR 20,682 thousand at 31 December 2022).

At 30 June 2023 and 31 December 2022, the Group had posted a provision of EUR 8,089 thousand and EUR 7,452 thousand, respectively, to adjust the nominal value of these receivables to their recoverable amount.

Non-current trade receivables and loans

The breakdown of this heading at 30 June 2023 and 31 December 2022 was as follows (in thousands of Euros):

	30/06/23	31/12/22
Concessions – Financial assets	287,106	304,889
Non-current trade receivables (Buses)	4,404	17,836
Non-current grants receivable	-	4,548
Other non-current trade receivables and loans	2,090	2,267
Total	**293,600**	**329,540**

In 2010, the Group signed two concession contracts in Brazil and Mexico, the conditions of which are described in Note 9-b.2 to the consolidated financial statements for 2022. These concessions are accounted for in accordance with IFRIC 12- Service Concession Arrangements, since the related requirements have been met, and, pursuant to IFRIC 12, the various services provided (construction, operation/maintenance and financing) were separated.

Consequently, the Group recognised EUR 287,106 thousand and EUR 124,219 thousand, respectively, under “Non-current financial assets – Financial assets at amortised cost – Non-current trade receivables” and “Current financial assets – Other receivables", relating to the construction and provision of services to date, net of the billings made (EUR 304,889 thousand and EUR 125,786 thousand at 31 December 2022).

In the case of both contracts the future cash flows from the lease payments are determined and guaranteed in full from the date on which 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, where the Group, through a subsidiary, provides maintenance services for the trains in operation there. The service interruption was caused by the collapse of an overhead section of the line for reasons not attributable to the CAF Group. At the date of authorisation for issue of these interim condensed consolidated financial statements, the Mexican authorities had completed their investigation into the events that took place, identifying the builder of the civil works as the party responsible for the collapse. To date, a large part of the repair work on the line had been completed and its partial reopening took place on 15 January 2023. The Contract provided for a possible suspension, which the parties accepted by signing a Suspension Agreement for the effects of the contract. This agreement stated that the base consideration must continue to be paid, while the payment of variable consideration by the metro would be temporarily suspended, until the passenger transport service was fully or partially resumed. Once the line had been opened, the payment of the variable consideration was also resumed.

In 2023 and 2022, long-term collection schedules were arranged with customers in the Buses segment. These loans accrue interest at market rates and are amortised over a period of between two and 10 years. On 30 June 2023, receivables that had been recognised at long term were sold at their nominal value for EUR 13,432 thousand.

The changes in the first six months of 2023 and 2022, in the balance of the impairment loss allowances on the Group’s assets, including non-current tax receivables and expected losses under IFRS 9, which form part of the balance of “Non-current financial assets”, were as follows:

	Thousands of Euros	
	30/06/23	30/06/22
Balance at the beginning of the period	**(9,346)**	**(9,849)**
Translation differences	(624)	(1,521)
Net impairment losses recognised with a charge to “Impairment and gains or losses on disposals of non-current assets”	(124)	892
Net impairment losses recognised with a charge to “Other operating expenses”	(158)	265
Current reclassifications	11	12
Balance at end of period	**(10,241)**	**(10,201)**

c) Current financial assets

The detail of “Current financial assets” in the accompanying interim condensed consolidated financial statements is as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Current financial assets (Note 10-d)	**106,024**	**112,022**
At amortised cost	20,658	21,120
At fair value through profit or loss	85,366	90,902
Other financial assets	**13,836**	**25,960**
At amortised cost	13,836	25,960
Total	**119,860**	**137,982**

8.- INVENTORIES

The detail of “Inventories” at 30 June 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Trains, traction equipment, civil engineering, signalling	18,587	57,434
Spare parts, components and other	244,363	208,900
Rolling stock	**262,950**	**266,334**
Buses	**232,652**	**319,217**
Total	**495,602**	**585,551**

At 30 June 2023, the Group had posted an impairment allowance of EUR 44,709 thousand (EUR 41,470 thousand at 31 December 2022).

9.- TRADE AND OTHER RECEIVABLES

The breakdown of “Trade receivables for sales and services” at 30 June 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Customers	2,208,511	1,925,803
Write-downs	(19,690)	(21,865)
Total	**2,188,821**	**1,903,938**

The breakdown of this heading, by trade receivables and contract assets, is as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Contract assets	1,587,287	1,315,785
Customers billed	621,224	610,018
Write-downs	(19,690)	(21,865)
Total	**2,188,821**	**1,903,938**

Contract assets and liabilities

The aggregate balance and changes in contract assets and liabilities in the first half of 2023 and 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Current contract assets	1,587,287	1,315,785
Current contract liabilities (Note 13)	(1,185,211)	(1,128,780)
Non-current contract liabilities (Note 15)	(94,795)	(91,374)
Net balance	**307,281**	**95,631**

	Thousands of Euros	
	30/06/23	30/06/22
Balance at the beginning of the period	**95,631**	**192,119**
Changes in measure of progress	1,091,553	1,005,848
Billings	(885,797)	(858,418)
Penalties applied	6,842	6,556
Translation differences	(694)	4,075
Reclassifications and other	(254)	(333)
Balance at the end of the period	**307,281**	**349,847**

Of the “Current contract liabilities” existing at 31 December 2022, in the first half of 2023, EUR 412,396 thousand (EUR 442,866 thousand in the first half of 2022) were recognised as revenue. Moreover, no significant revenue was recognised for performance obligations fulfilled in prior periods.

The Group also recognised EUR 287,690 thousand under “Trade and other payables – Suppliers” in the accompanying condensed consolidated balance sheet as costs for the provision of services related to train construction contracts, such expenses having accrued based on the degree of completion (31 December 2022: EUR 288,756 thousand).

The provisions for third-party liabilities reducing contract assets and liabilities amounted to EUR 49,416 thousand at 30 June 2023 (31 December 2022: EUR 53,558 thousand).

Customers billed

“Customers billed" included withholdings on collections at 30 June 2023, amounting to EUR 9,195 thousand (31 December 2022: EUR 11,460 thousand).

At 31 December 2022, the invoiced balances included EUR 14,882 thousand, in relation to the contract signed in previous years with Caracas underground, which was collected in the first half of 2023.

The past due balances recognised under "Trade and other receivables" at 30 June 2023 and at 31 December 2022, in addition to the past-due balances with Metro de Caracas are as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Past due > 90 days	22,334	33,374
Past due > 180 days	161,512	147,541
Total	**183,846**	**180,915**

Balances over 180 days past due include:

- At 30 June 2023, the Group had recognised EUR 28,651 thousand, corresponding to billed and unbilled balances receivable under two contracts already performed that had yet to be collected, after securing arbitration awards favourable to the Group and with subsequent favourable judgments (EUR 51,320 thousand at 31 December 2022). During the first half of 2023, the Group had collected the amount corresponding to one of the contracts after obtaining favourable rulings. At 30 June 2023, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to its recoverability.
- At 30 June 2023, the Group had recognised EUR 39,425 thousand (EUR 40,811 thousand at 31 December 2022), relating to billed and unbilled balances pending collection in respect of a dispute with a customer for a project in which there are cross claims regarding delays in meeting the contractual milestones signed by the consortium to which CAF belongs. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent's directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At the date of authorisation for issue of these interim condensed consolidated financial statements, two expert reports analysing the alleged delays have been issued as part of the legal proceedings ongoing and the parties are currently awaiting a decision by the court.
- At 30 June 2023, the amount past-due by more than 180 days recognised under “Trade receivables for sales and services” in relation to a contract for the construction and supply of fleet in Brazil, net of advances received, amounted to EUR 10.7 million (EUR 14.3 million at 31 December 2022), without including the impairment losses or the provisions recognised, which cover the entire amount (Note 2-d).

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. The unmatured receivables settled by the Group through the aforementioned “non-recourse factoring” transactions amounted to EUR 163,164 thousand at 30 June 2023(EUR 148,242 thousand at 31 December 2022).

Other receivables

The breakdown of the heading "Other receivables" was as follows at 30 June 2023 and 31 December 2022:

	Thousands of Euros	
	30/06/23	31/12/22
Concessions (Note 7-b)	124,219	125,786
Other taxes receivable		
VAT	64,772	68,439
Grants	7,148	8,599
Other	4,954	4,215
Employee receivables	1,019	861
Sundry accounts receivable	4,043	6,710
Total	**206,155**	**214,610**

10.- EQUITY

a) Issued capital

At both 30 June 2023 and 31 December 2022, the Parent's share capital was represented by 34,280,750 fully subscribed and paid up shares, each with a par value of EUR 0.301, all represented in book entry form and all listed on the stock exchange.

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, subject to an upper limit of half of the share capital at the time of the authorisation, including the power to exclude pre-emptive subscription rights, if the interests of the Parent 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 interim condensed consolidated financial statements, no capital increases had been carried out since that resolution.

Lastly, the Annual General Meeting held on 11 June 2022 resolved to vest powers in the Parent's Board of Directors, with express powers of delegation, for a term of five (5) years running from that date, to issue debt instruments and fixed income or other securities (including warrants) convertible into shares of the 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 replaces that adopted at the Parent's General Shareholders' Meeting held on 10 June 2017. At the date of authorisation for issue of these interim condensed consolidated financial statements, no convertible securities had been issued since that resolution.

b) Treasury shares and Earnings per share

The Annual General Meeting held on 13 June 2020 vested powers in the Parent's Board of Directors to acquire treasury shares for a period of five years running from that date. Said authorisation cancelled that granted by a resolution of the Ordinary General Shareholders' Meeting, held on 13 June 2015. Within the framework of said delegation, the Parent's Board of Directors authorised the execution of a liquidity contract, whose formalisation was notified to the market via an Other Relevant Information notice to the CNMV, dated 26 April 2022, and which was renewed on 5 April 2023. In accordance with the established in current regulations, on a quarterly basis, the Parent reports the details of the operations carried out under the aforementioned contract to the CNMV.

During the six-month period ended 30 June 2023 and 2022, various transactions involving own shares were carried out on the continuous market. The breakdown of transactions with own shares held by the Group is as follows:

2023

	No. of shares	Nominal value (Thousands of Euros)	Average purchase price (euros)	Total cost (Thousands of Euros)
Treasury shares at 30 June 2023	43,232	13	27.80	1,202

2022

	No. of shares	Nominal value (Thousands of Euros)	Average purchase price (euros)	Total cost (Thousands of Euros)
Treasury shares at 30 June 2022	50,618	15	29.00	1,468

The following table shows changes in treasury shares in the first six months of 2023 and 2022:

	No. of shares
Treasury shares at 1 January 2022	-
+ Purchases	176,232
- Sales	(125,614)
Treasury shares at 30 June 2022	**50,618**
Treasury shares at 1 January 2023	46,947
+ Purchases	373,269
- Sales	(376,984)
Treasury shares at 30 June 2023	43,232

The par value of the own shares acquired directly or indirectly by CAF must not exceed 10% of the share capital during the six-month period ended 30 June 2023 and 2022.

Basic earnings per share are obtained by dividing consolidated profit for the period attributable to the Parent by the weighted average number of ordinary shares in circulation, excluding the average number of treasury shares held during the period. As the Group has no potentially dilutive ordinary shares, there is no difference between basic and diluted earnings per share. Basic earnings per share are calculated as follows:

	30/06/23	30/06/22
Consolidated profit/(loss) for the period attributable to the Parent (thousands of Euros)	34,409	30,704
Average number of shares issued (in thousands of shares)	34,233	34,271
Earnings per share (in euros)	**1.01**	**0.90**

c) Valuation adjustments

Hedges

The changes in this heading in the first six months of 2023 and 2022 were as follow:

	Thousands of Euros	
	30/06/23	30/06/22
Balance at the beginning of the period	**12,544**	**2,508**
Income and expense recognised in equity	4,107	7,573
Transfers to profit or loss	(1,047)	1,365
Tax effect	(76)	356
Balance at the end of the period	**15,528**	**11,802**

Translation differences

The changes in this heading in the first six months of 2023 and 2022 were as follows:

	Thousands of Euros	
	30/06/23	30/06/22
Balance at the beginning of the period	**(188,302)**	**(203,367)**
Net change in the period	22,897	20,300
Balance at the end of the period	**(165,405)**	**(183,067)**

The currencies with the highest fluctuations in the first six months of 2023 are the Brazilian real, the Mexican peso, the Polish zloty and the Swedish krona.

d) Capital management

The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring 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 level of the leverage ratio with recourse and the credit rating are in line with the profile of its businesses are indicators that the objectives set are being attained.

The CAF Group regularly assesses the appropriateness of its liability structure, and takes into consideration the projected cash flows, the maturity profile of its debt, the foreseeable evolution of its working capital and other future liquidity needs.

At 30 June 2023 and 31 December 2022, a portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (Note 7) and Solaris' operations. (Note 11). Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of Euros	
	30/06/23	31/12/22
Net financial debt:		
Interest-bearing refundable advances (Note 11)	5,971	6,342
Bank borrowings - Non-current liabilities (Note 11)	503,505	589,703
Bank borrowings and debt instruments - Current liabilities (Note 11)	345,864	278,339
Gross Financial Debt	**855,340**	**874,384**
Financial assets - Non-current assets (Note 7-b)	(12,489)	(11,043)
Current financial assets (Note 7-c)	(106,024)	(112,022)
Cash and cash equivalents	(428,278)	(473,344)
Net Financial Debt	**308,549**	**277,975**
Equity:		
Attributable to the Parent	806,577	775,919
Non-controlling interests	11,217	12,406
	817,794	**788,325**

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					
		30/06/23			31/12/22		
		Non-current	Current	Total	Non-current	Current	Total
Loans and credit accounts							
Ctrens - BNDES	BRL	40,049	19,734	59,783	46,562	17,667	64,229
Provetren – Banking syndicate	USD	-	-	-	-	15,751	15,751
Parent company (CAF, S.A.)	EUR	447,337	98,261	545,598	508,745	29,454	538,199
CAF Investment Projects, S.A.U.	EUR	14,005	5,000	19,005	16,486	3,500	19,986
Solaris Group	PLN/EUR	2,114	162,605	164,719	17,639	178,772	196,411
Other Group companies	EUR	-	326	326	271	114	385
		503,505	285,926	789,431	589,703	245,258	834,961
Debt instruments or other marketable securities:							
Commercial paper issue	EUR	-	58,700	58,700	-	31,900	31,900
Accrued interest payable		-	1,238	1,238	-	1,181	1,181
Total		**503,505**	**345,864**	**849,369**	**589,703**	**278,339**	**868,042**

The main terms and conditions of the loans are disclosed in Note 16 to the consolidated financial statements for 2022.

At 30 June 2023, Solaris's debt, subject to a series of financial covenants, was recognised in the short term due to failure to meet the established conditions, although its maturity is still set for December 2024. The subsidiary is working with the borrowing entities to obtain the necessary waivers to regularise the default situation.

At 30 June 2023, the Group's companies had undrawn credit facilities amounting to EUR 351,462 thousand (EUR 392,852 thousand at 31 December 2022).

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 balance sheet at 30 June 2023 and the consolidated balance sheet at 31 December 2022 was as follows:

Current and non-current financial liabilities – Other financial liabilities	Thousands of Euros					
	30/06/23			31/12/22		
	Non-current	Current	Total	Non-current	Current	Total
Repayable interest-bearing advances	4,575	1,396	5,971	4,886	1,456	6,342
Non-interest-bearing repayable advances	18,461	7,948	26,409	16,968	4,738	21,706
Share purchase liabilities	176	5,525	5,701	187	5,390	5,577
Payable to non-current asset suppliers (Note 6)	-	1,747	1,747	-	1,959	1,959
Lease liabilities	66,878	21,196	88,074	67,216	22,512	89,728
Dividend payable	-	32,604	32,604	-	-	-
Other liabilities	92	2,274	2,366	67	296	363
Total	**90,182**	**72,690**	**162,872**	**89,324**	**36,351**	**125,675**

Refundable advances

Various research and development programmes have led to the award of certain grants to conduct research and development projects for 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, which usually have an initial grace period of three years and are repaid in a period of over 10 years.

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

Share purchase liabilities

This heading includes, as detailed in Note 15 to the consolidated financial statements for the year 2022, the amount expected to be paid for the cross purchase and sale options on the remaining capital of the company BWB Holdings Limited (26% of the remaining capital). The strike price of this transaction is variable, depending on the certain financial parameters of the Company on the date on which the options are exercised.

The changes in “Bank borrowings and debt instruments or other marketable securities” and “Other financial liabilities” during the first half of 2023 and 2022 were as follows:

2023

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	Other financial liabilities	Total
Balance at 31 December 2022	**868,042**	**125,675**	**993,717**
Cash flows from financing activities			
New drawdowns	217,340	12,598	229,938
Maturity payments	(251,498)	(20,191)	(271,689)
	(34,158)	(7,593)	(41,751)
Other changes (without cash flows)			
Translation differences	13,402	138	13,540
Dividends accrued, new leases, other	2,083	44,652	46,735
	15,485	44,790	60,275
Balance at 30 June 2023	**849,369**	**162,872**	**1,012,241**

2022

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	Other financial liabilities	Total
Balance at 31 December 2021	**958,272**	**125,313**	**1,083,585**
Cash flows from financing activities			
New drawdowns	334,801	363	335,164
Maturity payments	(384,849)	(13,716)	(398,565)
Dividend payments	-	(12,374)	(12,374)
Other payments	-	(1,069)	(1,069)
	(50,048)	(26,796)	(76,844)
Other changes (without cash flows)			
Translation differences	12,643	(900)	11,743
Dividends accrued, new leases, other	(19)	28,861	28,842
	12,624	27,961	40,585
Balance at 30 June 2022	**920,848**	**126,478**	**1,047,326**

12.- PROVISIONS AND CONTINGENT LIABILITIES

The breakdown, by item, of the headings "Non-current provisions" and "Current provisions" in the condensed consolidated balance sheet at 30 June 2023 and in the consolidated balance sheet at 31 December 2022 was as follows:

	Thousands of Euros					
	30/06/23			31/12/22		
	Non-current	Current	Total	Non-current	Current	Total
Provisions for contractual obligations	-	47,950	47,950	-	67,938	67,938
Provisions for warranties and technical support	68,368	263,886	332,254	57,615	238,589	296,204
Provisions for litigation	42,435	2,201	44,636	38,274	2,221	40,495
Provisions for commitments with staff	19,135	4,075	23,210	19,924	4,067	23,991
Other provisions	2,758	14,013	16,771	1,928	13,372	15,300
Total	**132,696**	**332,125**	**464,821**	**117,741**	**326,187**	**443,928**

Changes in current and non-current provisions in 2023 and 2022 were as follows:

	Thousands of Euros					
	Contractual liability	Warranty and support services	Litigation	Employee benefit obligations	Other provisions	Total provisions
Balance at 31/12/21	**42,500**	**268,573**	**31,383**	**11,457**	**23,704**	**377,617**
Net charge for the period	7,712	118,427	7,755	7,869	(1,131)	140,632
Actuarial gains and losses	-	-	-	(2,070)	-	(2,070)
Amounts used	(2,162)	(93,538)	(4,348)	(6,717)	(450)	(107,215)
Changes in the scope of consolidation	16,097	2,234	-	8,663	-	26,994
Translation differences	45	508	3,240	616	61	4,470
Change in value of investments accounted for using the equity method	-	-	-	-	(2,424)	(2,424)
Transfers	3,746	-	2,465	4,173	(4,460)	5,924
Balance at 31/12/22	**67,938**	**296,204**	**40,495**	**23,991**	**15,300**	**443,928**
Balance at 31/12/22	**67,938**	**296,204**	**40,495**	**23,991**	**15,300**	**443,928**
Net charge for the period	(17,244)	66,229	2,872	1,811	2,060	55,728
Amounts used	(700)	(35,764)	(1,476)	(2,834)	(1,414)	(42,188)
Translation differences	32	5,663	2,745	242	118	8,800
Transfers	(2,076)	(78)	-	-	707	(1,447)
Balance at 30/06/23	**47,950**	**332,254**	**44,636**	**23,210**	**16,771**	**464,821**

Contractual liability and warranty and support services

The provisions for contractual liability relate mainly to provisions for onerous contracts. The provisions for warranty and support services relate to estimated future costs (based on historic data and technical analyses) to which the Group is committed in accordance with the warranty period provided for in the contracts. The expected period to settle the provisions varies on the basis of their nature, the average approximate period being:

- Contractual liability: 1-2 years
- Warranty: 1-4 years (varies on the basis of the contractual arrangement to which it relates)

The expenses incurred in the first half of 2023 and 2022 in connection with the provision of contractual warranty services were recognised under “Procurements” and “Staff costs” in the accompanying consolidated statements of profit or loss for 2023 and 2022.

Provisions for litigation

The Group recognises provisions for labour-related liabilities due to the existence of a present obligation arising from past events, upon maturity of which the Group expects to utilise resources to settle the obligation, as well as other commitments to its employees, as required by the laws of the countries in which they are located. The amount is based on the best estimate made by the Parent's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material.

As a result of the administrative decision in July 2019, arising as a result of the investigation initiated in 2013 into the involvement of various rolling stock manufacturers in possible anti-competitive practices described in Note 2-d, at 30 June 2023, the Group had recognised a provision amounting to EUR 41.7 million (EUR 36.6 million at 31 December 2022).

13.- OTHER PAYABLES

The breakdown of the heading “Other payables” at 30 June 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Current contract liabilities (Note 9)	1,185,211	1,128,780
Other taxes payable	83,248	92,649
Sundry trade payables	62,709	78,737
Staff – Outstanding remuneration	120,470	69,782
Total	**1,451,638**	**1,369,948**

14.- BALANCES AND TRANSACTIONS WITH 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.

a) Balances and transactions with associates

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 2023 and 2022 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	
	30/06/23	30/06/22
Expenses:		
Purchases of goods and services	218	54
	218	**54**
Income:		
Revenue	187,438	166,582
Finance income	1,308	1,223
	188,746	**167,805**

Sales during the first six months of 2023 and 2022 were made mainly to Momentum Trains Holding Pty Ltd, Great River City Light Rail 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., in all of which the CAF Group holds non-controlling ownership interests along with other shareholders.

At 30 June 2023 and 31 December 2022, the Group's main balances with investees that had not been fully consolidated were as follows:

	30/06/23	31/12/22
Balances receivable:		
Trade and other receivables	286,467	258,508
Loans and credits granted	36,153	35,347
Balances payable:		
Payable to suppliers and trade payables	125,769	67,148

b) Balances and transactions with shareholders

At 30 June 2023 and 31 December 2022, the Group continued to perform the following financial transactions with shareholders owning 10% or more of voting rights (in thousands of Euros):

Shareholder	Type of transaction	2023		2022	
		Amount of transaction	Balance drawn at 30/06/23	Amount of transaction	Balance drawn at 31/12/22
Kutxabank, S.A.	Bank loans	36,500	36,500	40,000	36,500
Kutxabank, S.A.	Credit accounts	35,000	-	35,000	-
Kutxabank, S.A.	Bank guarantees	150,119	97,992	150,119	101,551

Additionally, during the first half of 2023, the Group carried out non-recourse factoring operations with Kutxabank, S.A. and other subsidiaries of the Bilbao Bizkaia Kutxa Banking Foundation amounted to EUR 16,373 thousand (EUR 25,401 thousand during the first half of 2022), and it contracted professional services for EUR 29 thousand (EUR 29 thousand in the first half of 2022).

15.- OTHER CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The detail of the Group's "Other non-current assets" and "Other current assets" in the condensed consolidated balance sheet at 30 June 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Assets for the right of return	4,945	4,689
Other non-current assets	**4,945**	**4,689**
Prepayments	16,449	13,874
Other current assets	**16,449**	**13,874**

The detail of the Group's “Other non-current liabilities” and “Other current liabilities” in the condensed consolidated balance sheet at 30 June 2023 and 31 December 2022 was as follows:

	Thousands of Euros	
	30/06/23	31/12/22
Non-current contract liabilities (Note 9)	94,795	91,374
Advances received on operating leases	5,978	8,086
Refund liabilities	5,846	5,071
Other non-current liabilities	**106,619**	**104,531**
Advances received on operating leases	1,465	99
Unearned income	2,136	2,204
Refund liabilities	727	602
Other current liabilities	**4,328**	**2,905**

As explained in Note 21 to the consolidated financial statements for 2022, certain bus sale contracts included customer refund 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”.

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

In the first six months of 2023 and 2022, the Parent recognised EUR 1,039 thousand and EUR 960 thousand, respectively and approximately, in relation to remuneration, attendance fees and life insurance coverage earned by the members of the Board of Directors. At 30 June 2023 and 31 December 2022, neither the Board of Directors of the Parent nor those of the remaining subsidiaries had 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, in the first six months of 2023 and 2022 amounted to EUR 859 thousand and EUR 832 thousand, respectively.

In the first half of 2023 and 2022, there were no other transactions with executives outside the Company's normal course of business.

17.- 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 2022). 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 at 30 June 2023 and at 31 December 2022, was as follows:

	Thousands of Euros			
	Fair value		Cash flow	
	30/06/23	31/12/22	30/06/23	31/12/22
Hedges:				
USD currency forwards	52	(22,386)	33	266
GDP currency forwards	6,032	3,363	-	(122)
MXN currency forwards	573	(1,661)	-	-
BRL currency forwards	(950)	(494)	-	-
EUR currency forwards	117	536	-	-
SEK currency forwards	(9,288)	(3,548)	-	2
SAR currency forwards	(196)	(2,441)	-	33
PLN currency forwards	(4,275)	-	-	-
JPY currency forwards	(2,236)	(465)	-	241
AUD currency forwards	14,391	9,818	-	(154)
CAD currency forwards	6,074	7,755	-	(822)
NOK currency forwards	(276)	4,793	-	53
AED currency forwards	(2,454)	(1,887)	-	-
HKD currency forwards	1,152	1,154	-	-
TWD currency forwards	1,709	846	-	-
RON currency forwards	1,494	-	-	-
Currency forwards in other currencies	352	705	(13)	(66)
Forward rate agreements	-	-	63	335
Value at end of period (*)	**12,271**	**(3,912)**	**83**	**(234)**

(*) Before considering the related tax effect.

At 30 June 2023 and 31 December 2022, the 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 relating to the Group amounted to EUR 3,202 thousand at 30 June 2023, net of the tax effect (EUR 3,362 thousand at 31 December 2022). Likewise, the associates Momentum Trains Holding Pty Ltd and LAVI Light Rail O&M Ltd (Note 7-a) have taken out derivatives that have been designated as cash flow hedging instruments, with the Group's positive net valuation amounting to EUR 19,362 thousand at 30 June 2023 (positive net valuation of EUR 16,084 thousand at 31 December 2022). These amounts were recognised with a charge/(credit) to "Equity – Other comprehensive income – Hedging transactions" in the accompanying condensed consolidated balance sheet. The hedging instruments expire in the same year in which the cash flows are expected to occur.

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

Derivatives at 30/06/23	Figures in Thousands				
	Maturity (in currency)				Equivalent value in euros
	2023	2024	2025 and subsequent years	Total	
Sales hedges-					
Fair value hedges					
USD currency forwards (*)	89,710	145,121	293,771	528,602	486,473
GBP currency forwards	110,078	112,176	-	222,254	258,953
EUR currency forwards	7,524	-	-	7,524	7,524
BRL currency forwards	46,479	-	-	46,479	8,805
SEK currency forwards	24,580	772,614	1,754,768	2,551,962	216,167
AUD currency forwards	265,564	444,516	75,210	785,290	478,894
TWD currency forwards	1,180,757	-	-	1,180,757	34,750
SAR currency forwards	30,491	-	-	30,491	7,442
MXN currency forwards	203,573	9,471	-	213,044	11,478
CAD currency forwards	4,507	161,846	7,087	173,440	120,319
NZD currency forwards	-	-	28,362	28,362	15,882
JPY currency forwards	10,167,994	-	-	10,167,994	64,699
HKD currency forwards	-	-	89,841	89,841	10,550
HUF currency forwards	4,039	-	-	4,039	11
ILS currency forwards	42,585	17,182	-	59,767	14,762
PLN currency forwards	250,000	-	-	250,000	56,322
RON currency forwards	100,481	-	-	100,481	20,244
AED currency forwards	48,684	91,958	540,931	681,573	170,083
NOK currency forwards	55,000	-	-	55,000	4,699
					1,988,057
Sales hedges-					
Cash flow hedges					
HUF currency forwards	110,584	20,000	-	130,584	351
USD currency forwards	-	705	-	705	649
					1,000
Purchase hedges-					
Fair value hedges					
USD currency forwards	18,605	47,334	4,573	70,512	64,893
EUR currency forwards	5,256	-	-	5,256	5,256
MXN currency forwards	207,487	573,154	-	780,641	42,057
JPY currency forwards	2,270,878	1,574,640	-	3,845,518	24,469
GBP currency forwards	74,027	14,527	-	88,554	103,177
AUD currency forwards	18,597	62,397	-	80,994	49,392
NOK currency forwards	128,630	-	-	128,630	10,990
SEK currency forwards	-	89,145	-	89,145	7,551
TRY currency forwards	7,387	-	-	7,387	261
CHF currency forwards	111	-	-	111	114
HUF currency forwards	529,735	-	1,602,300	2,132,035	5,733
CAD currency forwards	9,177	-	6,650	15,827	10,979
ILS currency forwards	41,799	-	65,539	107,338	26,512
NZD currency forwards	4,068	11,389	-	15,457	8,656
PLN currency forwards	-	3,000	-	3,000	676
SAR currency forwards	5,000	-	-	5,000	1,220
					361,936

(*) Includes the partial hedge of a net investment in CAF USA, Inc. and in Provetren, S.A. de C.V. amounting to USD 22,300 thousand and USD 163,909 thousand, respectively.

Currency put options at 31/12/22	Figures in Thousands				
	Maturity (in currency)				Equivalent value in Euros
	2023	2024	2025 and subsequent years	Total	
Fair value hedges–					
USD currency forwards (*)	327,862	7,653	246,627	582,142	545,792
GBP currency forwards	254,864	966	-	255,830	288,444
EUR currency forwards	6,524	-	-	6,524	6,524
BRL currency forwards	150,956	-	-	150,956	26,772
SEK currency forwards	577,952	773,775	1,247,645	2,599,372	233,720
AUD currency forwards	571,310	120,054	75,210	766,574	488,482
SAR currency forwards	21,843	-	-	21,843	5,430
MXN currency forwards	206,901	-	-	206,901	9,920
CAD currency forwards	33,974	161,244	-	195,218	135,193
JPY currency forwards	10,093,536	-	-	10,093,536	71,755
HKD currency forwards	-	-	89,841	89,841	10,803
HUF currency forwards	37,579	-	-	37,579	94
NOK currency forwards	713,890	-	-	713,890	67,900
TWD currency forwards	1,180,757	-	-	1,180,757	35,997
ILS currency forwards	29,669	-	-	29,669	7,900
AED currency forwards	146,051	91,958	540,931	778,940	198,730
PLN currency forwards	175,000	-	-	175,000	37,387
Cash flow hedges-					
CAD currency forwards	507	-	-	507	351
HUF currency forwards	251,494	-	-	251,494	627
USD currency forwards	5,620	-	-	5,620	5,269
ILS currency forwards	5,200	-	-	5,200	1,385
NOK currency forwards	42,632	-	-	42,632	4,055
SEK currency forwards	4,000	-	-	4,000	360
TRY currency forwards	6,663	-	-	6,663	334
SAR currency forwards	20,911	-	-	20,911	5,198
Total put options					**2,188,421**

(*) Includes the partial hedge of the net investment in CAF USA, Inc. of USD 22,300 thousand and the hedge of the net investment in Provetren, S.A. de C.V. of USD 165,713 thousand, whose functional currency is the US dollar.

Currency call options at 31/12/22	Figures in Thousands				
	Maturity (in currency)				Equivalent value in Euros
	2023	2024	2025 and subsequent years	Total	
Fair value hedges–					
USD currency forwards	45,795	9,800	4,573	60,168	56,412
EUR currency forwards	9,101	-	-	9,101	9,101
MXN currency forwards	138,347	467,500	-	605,847	29,049
JPY currency forwards	1,111,964	1,574,640	-	2,686,604	19,099
GBP currency forwards	90,915	-	-	90,915	102,506
AUD currency forwards (Note 7-a)	21,615	29,116	-	50,731	32,327
NOK currency forwards	147,376	-	-	147,376	14,017
ILS currency forwards	41,799	-	55,284	97,083	25,852
HUF currency forwards	635,728	-	-	635,728	1,586
NZD currency forwards	4,068	-	-	4,068	2,422
SAR currency forwards	40,000	-	-	40,000	9,944
SEK currency forwards	-	85,713	-	85,713	7,707
TRY currency forwards	14,500	-	-	14,500	726
CHF currency forwards	329	-	-	329	334
Cash flow hedges-					
ILS currency forwards	5,500	-	-	5,500	1,465
JPY currency forwards	1,400,000	-	-	1,400,000	9,953
CAD currency forwards	13,800	-	-	13,800	9,557
TRY currency forwards	14,242	-	-	14,242	713
GBP currency forwards	3,500	-	-	3,500	3,946
AUD currency forwards	8,636	-	-	8,636	5,503
Total currency call options					**342,218**

In the first half of 2023, the ineffective portion of the hedging transactions recognised in the condensed consolidated profit or loss statement amounted to a profit of EUR 1,343 thousand (a loss of EUR 1,100 thousand in the first half of 2022), largely as a result of changes in the estimated amounts of the hedged items.

Following there is a reconciliation of the remeasurement at each year-end to the carrying amounts recognised in the consolidated balance sheet (in thousands of Euros):

	30/06/23	31/12/22
Non-current assets	27,068	12,455
Current assets	15,503	28,510
Non-current liabilities	(26,941)	(12,494)
Current liabilities	(3,276)	(32,617)
Balance sheet net total	**12,354**	**(4,146)**
Fair value	12,271	(3,912)
Cash flow	83	(234)
Total derivatives value	**12,354**	**(4,146)**

18.- SEGMENT INFORMATION

The criteria applied by the Group to define its operating segments are disclosed in Note 6 to the consolidated financial statements for the year ended 31 December 2022. There were no changes in the basis of segmentation used.

The detail of revenue, by geographical area, at 30 June 2023 and 2022 was as follows:

Revenue by Geographical Area	Thousands of Euros	
	30/06/23	30/06/22
Spain	259,413	175,855
Rest of Europe	1,164,198	958,570
Europe	1,423,611	1,134,425
America	188,256	135,861
APAC	164,247	189,935
Rest of the world	100,574	69,815
Total	**1,876,688**	**1,530,036**

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

	30/06/23	30/06/22
High-speed, regional and commuter trains	463,840	386,148
Metros	158,775	94,111
Trams and light metros	228,266	213,125
Bogies and other	13,976	3,147
Trains	**864,857**	**696,531**
Services (*)	**281,760**	**277,037**
Buses (**)	**448,173**	**334,214**
Integral Systems, Equipment and Other (***)	**281,898**	**222,254**
Total	**1,876,688**	**1,530,036**

(*) Mainly includes all revenues from maintenance services and sales of railway spare parts.
(**) Includes, in addition to bus sales, revenue from after-sales services related to this segment (maintenance and spare parts).
(***) Mainly civil construction, signalling and engineering contract revenue.

The reconciliation of ordinary income and profit (loss) by segment to ordinary income and consolidated profit/(loss) at 30 June 2023 and 2022 was as follows:

	Thousands of Euros			
	30/06/23			
	Rolling stock	Buses	Inter-segments	Total
External sales	1,428,515	448,173	-	1,876,688
Inter-segment sales	536	-	(536)	-
Total Sales	**1,429,051**	**448,173**	**(536)**	**1,876,688**
EBITDA	**123,957**	**13,812**	**(7)**	**137,762**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(40,417)	(12,744)	-	(53,161)
Profit/(Loss) from operations (EBIT)	**83,540**	**1,068**	**(7)**	**84,601**
Profit/(Loss) before tax	**73,526**	**(12,886)**	**(7)**	**60,633**
Corporation tax				(24,626)
Profit/(Loss) for the year from continuing operations				**36,007**

	Thousands of Euros			
	30/06/22			
	Rolling stock	Buses	Inter-segments	Total
External sales	1,195,822	334,214	-	1,530,036
Inter-segment sales	354	-	(354)	-
Total Sales	**1,196,176**	**334,214**	**(354)**	**1,530,036**
EBITDA	**93,228**	**14,373**	**-**	**107,601**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(29,810)	(11,280)	-	(41,090)
Profit/(Loss) from operations (EBIT)	**63,418**	**3,093**	**-**	**66,511**
Profit/(Loss) before tax	**55,422**	**(6,968)**	**-**	**48,454**
Income tax				(16,090)
Profit/(Loss) for the year from continuing operations				**32,364**

Segment information includes the Parent company's corporate costs and finance costs allocated to each segment.

A description of the performance of the Group's segment revenue and results can be found in the Group's Consolidated Directors' Report.

19.- AVERAGE HEADCOUNT

The average headcount in the six-month periods ended 30 June 2023 and 2022 are as follows:

	Average headcount	
	30/06/23	30/06/22
Men	12,204	11,180
Women	2,446	2,107
Total	**14,650**	**13,287**

20.- TAX POSITION

The Group calculated the provision for income tax at 30 June 2023, 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.

21.- 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.