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

2020 FIRST HALF-YEAR REPORT

JULY 2020

INTERIM DIRECTORS' REPORT

OF THE CONSOLIDATED GROUP

FOR THE SIX-MONTH PERIOD

ENDED 3O JUNE 2020

Contents

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

1 CAF GROUP BUSINESS MODEL AND OUTLOOK

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

A leader in the railway industry, it offers its customers one of the widest and most flexible product ranges in the market, both in terms of the most complete integrated transport systems and their various components, i.e. rolling stock, onboard equipment, infrastructure, workshops, signalling and services (maintenance, refurbishment, diagnostic and financial).

Precisely within the services area, EuroMaint, one of the top passenger fleet and locomotive maintenance companies in Sweden, joined the Group recently, corroborating this resolute line of action and bolstering the commercial and industrial presence of all our railway activities in the Nordic countries.

Within the rolling stock segment, which represents its most traditional business, CAF offers a wide range of products that includes, among others, high-speed and very high-speed trains, regional and commuter trains (diesel and electric), metros, trams and LRVs or locomotives.

With close to 90% of its revenue coming from the international market, with particular focus on Western Europe, the CAF Group has various factories in Spain, France, the US, Mexico, Brazil and the UK. The Group also has offices and rolling stock fleet maintenance centres in more than 20 countries on the 5 continents.

In the bus and sustainable urban mobility segment, the inclusion of Solaris constitutes a major step forward in the urban bus industry and consolidates the commitment shown by the CAF Group since 2011 through the Vectia range of solutions. With more than 700 customers to its name, and the widest range of propulsion solutions (diesel, hybrid, full electric, hydrogen, gas and trolleybus), combined with experience in integrated electric bus lines, maintenance and innovative sales formulae (e.g. availability payments, operating leases), a promising future can be glimpsed in a high-growth segment.

The main objective of the CAF Group's strategy until 2020 is profitable growth for the Group. To accomplish this, the CAF Group's activities in the coming years will continue to further develop the prior years' lines of action and also set in motion new areas of action, such as:

- Consolidating international growth in the core business of designing and manufacturing trains and components, by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.

- Firm commitment to long-term growth in the railway services business beyond fleet maintenance, such as concession arrangements, financing, operation of railway systems, leasing, maintenance and/or refurbishing of trains, trams and locomotives, as a continuation of our most recent successes in Liège (Belgium), Parramatta or New South Wales (Sydney, Australia) and Jerusalem, in addition to the various value propositions to customers that might be derived from the marketing of digital services (fleet management, predictive maintenance, etc. through the Group's LeadMind solution, which has already been in place in various projects that are currently in the handover phase, and also through service agreements unrelated to the sale of fleets).

- Continued investment in technological development, in relation to technologies and high value-added products in all our lines of business (rolling stock, signalling, energy, data management, inspections, buses, etc.). The projects included in the European railway technology platform Shift2Rail are worth mentioning in this area.
- Achieving further progress in terms of value propositions to customers through the technical and commercial development plans of our subsidiaries: Signalling, Power & Automation, Turnkey & Engineering, Solaris, BWB, etc. This strategy aims to increase and diversify the integrated transport offering beyond the railway, thereby responding to new, sustainable

social mobility needs. To do so, the technological commitment has been and is a fundamental part of the Group's strategy to gain a competitive advantage.

- Making further progress in the process to integrate operations with Orbital Sistemas Aerospaciales, S.L. (Noain, Navarre), a leader in the development of critical systems in the aeronautical, space and railway industries, of which the CAF Group purchased a 30% ownership interest in 2018, which can be increased based on the performance of certain business parameters. As a result of this ownership interest, the CAF Group expects to contribute to strengthening Orbital's current activities and to benefit from a state-of-the-art development base in critical systems with high security standards (hardware, software and integration, and validation services) in order to develop its own solutions in the railway industry.

- Continuing to gradually digitalise our operating processes (manufacturing and provision of services) for greater efficiency and shorter project lead times (Industry 4.0), as a means guaranteeing their long-term competitiveness. Examples of this evolution include technologies such as online data capture, training and execution supported by augmented reality, 3-D printing, etc.

- Systematic and recurring application of cost containment, cost and inventory reduction and excellence programmes in the areas of quality, safety, environment and management across all Group business activities and areas, within a highly competitive environment. This includes:

    - Ongoing enhancement of platforms and construction modules (e.g., Oaris, Civity UK and Europe, Inneo metros, etc.).

    - Acceleration and gradual expansion of the Industrial Operations Transformation Plan for Railway Vehicles (MOVE).

    - Optimisation of the life cycle cost (LCC) of the product, an area that increasingly defines our competitiveness.

- Lastly, making progress in fundamental areas of business management such as, for example, corporate social responsibility, shareholder and investor services, corporate risk management and, in general, practices related to good corporate governance.

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

Despite the complicated nature of the current backdrop resulting from the COVID-19 pandemic, based on the recovery outlook for levels of activity in the railway transport and urban mobility industries (once the current health alert phase, which is still in place in certain territories, has passed) and on the Group's strong backlog, as well as the development of new areas of activities in the context of the current transformation and efficiency initiatives, the CAF Group aims to recover and continue the cycle of growth in sales and profits that it has enjoyed in recent years. In effect, in both the railway and urban bus industries, despite the uncertainty caused by the aforementioned pandemic, CAF faces 2020 and subsequent years with the serenity afforded by the continuous development of urban electromobility and the sustainability inherent to railway transport in general, in a context of firm commitment to sustainable mobility on the part of public authorities.

2 BUSINESS PERFORMANCE AND RESULTS

Main indicators (*)

Amounts in millions of euros	2020 First six months	2019 First six months	Change (%)
Orders-			
Backlog (**)	8,928	9,446	-5%
Orders in first six months	599	2,085	-71%
Book-to-bill ratio	0.54	1.65	-67%
Profit and cash flows -			
Revenue	1,117	1,266	-12%
Adjusted EBITDA	73	116	-37%
Cash flows	10	27	-63%
Working capital expenditure (**)	95	112	-15%
Capital and liquidity management - (**)			
Net financial debt	451	434	4%
Equity attributable to the Parent	604	733	-18%
Liquidity available	1,158	914	27%
Net Financial Debt/12-month adjusted EBITDA ratio	2.25	1.78	26%

(*) The indicators' definitions are included in the "Alternative Performance Measures" section.
(**) "Backlog" and "Working Capital Expenditure" amounts and those under "Capital and Liquidity Management" are comparative figures relating to 31/12/19.

- The backlog continues to ensure the normal conduct of the Group's business activities, at 5% below its all-time high. The Orders indicator for the first half of 2020 does not include the award at the end of June of the contract to supply metre-gauge units to RENFE, the volume of which exceeds EUR 250 million.

- The Group's profit and cash flow indicators are affected mainly by the inefficiencies caused by the decrease in activities as a result of the COVID-19 situation and the incremental costs incurred. The impacts of the pandemic on earnings for the first half of 2020 are disclosed in Note 2-i to the accompanying condensed consolidated financial statements.

- In terms of cash flow generation, control over both working capital and the Group's investments has enabled it to maintain its net financial debt at similar levels to 2019. Also, the Group has increased its levels of liquidity in the face of the existing uncertainty caused by the pandemic.

3 ROLLING STOCK SEGMENT

3.1 SALES ACTIVITY

In our Group's own rolling stock history within the domestic market, we could name the first half of 2020 a "metric half-year". Firstly, in chronological order, this is due to ADIF's award to CAF Signalling of the project to replace the existing telephonic block signalling system on the León-Guardo line between the Asunción Universidad (León Capital) and Guardo (Palencia) stations with a new automated system remotely controlled from the Centralised Traffic Control (CTC) centre. This action will result in an increase in both the line's capacity and the reliability of the facilities. The second reason for which we can brand this half-year as metric is the award from RENFE of the two batches of metric-gauge trains, the tender process which began in 2019. This included 37 trains, of which 31 will increase the available fleet to travel on the lines of the extinct FEVE service, which now form part of the ADIF network, operated by RENFE Viajeros, and 6 will completely replace the existing fleet that provides a captive service on the Cercedilla-Cotos line in the province of Madrid.

This project is the first to be awarded by the RENFE Group among the almost EUR 5,000 million to be awarded as part of its fleet expansion and renewal plans, and we are extremely proud to have earned its trust to cooperate in its expansion and modernisation plans.

Returning to the Signalling business, and without leaving the Iberian Peninsula, with the same aim of increasing line capacity and improving the reliability of its systems, ADIF awarded CAF Signalling the construction project for the single-track section automatic clearing block system (BLAU) with Centralised Traffic Control (CTC) for the Arahal-Fuente de Piedra route between the provinces of Seville and Málaga.

Also, CAF Signalling entered into an arrangement with the Bulgarian National Railway Infrastructure Company (NRIC), as a member of the "ERTMS CA Voluyak DZZD" consortium, to refurbish and modernise the signalling and telecommunications systems of the section of line connecting the capital Sofia to the village of Voluyak; this route includes the stations of Sofia Central, Obelya and Voluyak and is a strategic project for Bulgaria, as it involves the renovation of the security and signalling systems at Sofia Central, the country's main station and transport hub.

In Europe, CAF has renewed the trust held with various customers by extending existing contracts. Accordingly, CAF entered into a framework agreement with Ente Autonomo Volturno, a company from the Italian region of Campania, which is in charge of the regional and urban public railway transport service, for the supply of up to ten metro units and the integral maintenance thereof for a period of three years. These new trains will service the Piscinola-Aversa Centro line of the City of Naples metro network.

In the Netherlands, specifically in relation to the capital Amsterdam, GVB Activa B.V., a public company in charge of the city's transport operations, exercised a first option to expand the current supply in order to increase the number of trams to be provided to 72 units. It should be noted that they are bidirectional low-floor vehicles which combine modern design with state-of-the-art equipment, providing maximum accessibility and comfort as well as top performance and ease of use.

A similar situation has occurred in the Swedish capital of Stockholm, where SL AB (Storstockholms Lokaltrafik) exercised a new option to expand the current supply in order to increase the number of trams to be provided, which are specially adapted to the Nordic country's extreme weather conditions, to 52 units.

In the Finnish capital of Helsinki, HKL (Helsingin Kaupungin Liikennelaitos), the company in charge of operating the city's public transport systems, ordered new units from CAF, which will take the total number of suburban line trains manufactured by our Group to 25.

In Norway, the VY Group -which is owned by the Norwegian Government through the Ministry of Transport and Communications and operates the service on the Oslo-Bergen railway line, known for being the highest railway line in Northern Europe- ordered from CAF, through the latter's subsidiary Euromaint, the maintenance of the rolling stock that provides service on that line, known as Bergensbanen, for the next nine years.

Lastly, CAF finalised an agreement to extend a contract for 15 years with Translink, the public railway operator of Northern Ireland, which covers the maintenance of its Series 3000 diesel trains. The maintenance work on these units will take place at the workshops located in the city of Belfast, which are owned by the Irish operator. The units on which the maintenance work will be carried out cover Northern Ireland's entire railway network, the main lines of which depart from Belfast, connecting it with other towns such as Derry/Londonderry, Portadown and Bangor, among others.

3.2 INDUSTRIAL ACTIVITY

Industrial activity in the first half of 2020 focused mainly on a total of 22 projects involving almost the entire range of CAF's manufacturing processes.

The manufacturing phase of several of these projects was completed, as was the case of the LRV train for Mauritius Island, whose order of 18 trains was fulfilled with the completion of the last 5 units. The situation was similar for the 9-module trams for the city of Budapest, with the manufacture of the last of the 5 units of this kind ordered by the customer.

Also during this period, the manufacture of the following units was completed: the first 3 (5-module) trams for Budapest, of the 21 units ordered in the contract; 5 (7-module) trams for the city of Utrecht, of the 22 units ordered; 6 trams for Luxembourg, with 22 of the 33 units requested by the client now completed; and 5 trams for Amsterdam, of the total 72 units ordered by this operator.

Also, for the city of Stockholm, the Group manufactured nine 3-module trams and one 4-module tram, as well as the first of the seven trams ordered by the city of Lund, and the first two trams for De Lijn.

Also in the area of urban mobility, various LRV trains were built, 5 of which relate to the 24 ordered by the city of Boston, as well as the first of the 12 train units ordered for the line of Schönbuchbahn.

In the metro and commuter trains line of business, various projects catalysed the Group's industrial activity, such as: the project for 118 train units and the order extension of an additional 88 units for the Netherlands operator Nederlandse Spoorwegen, of which 20 trains of various modulations were manufactured; 8 of the 15 units ordered by the city of Auckland (New Zealand); the first 3 metro units for the City of Naples; two 4-car and three 2-car trains for West Midlands; and four Series 5,000 trains for the city of Barcelona.

Also within this product range, note should be made of the three 2-car train units and one additional 3-car DMU (Diesel Multiple Unit) for the UK operator Arriva, as well as five EMU (Electrical Multiple Unit) trains for the same operator.

In the area of long-distance and push-pull cars, six cars were manufactured as part of the agreement entered into with the North American operator Amtrak.

Lastly, in the area of high-speed trains, note should be made of the train unit manufactured for the operator Flytoget, as part of the eight-train agreement entered into with this customer.

The most important products manufactured in the first six months of 2020 were as follows:

Nº of Cars

High-speed for Flytoget	4
Long-distance Amtrak cars	6
Medium-distance Northern-Arriva DMUs (2-car units)	6
Medium-distance Northern-Arriva DMUs (3-car units)	3
Medium-distance Northern-Arriva EMUs (3-car units)	15
Medium-distance West Midlands (2-car units)	6
Medium-distance West Midlands (4-car units)	8
Commuter trains for NS (3-car units)	45
Commuter trains for NS (4-car units)	16
Commuter trains for NS - extension (3-car units)	3
Commuter trains for Auckland	24
Naples Metro	18
Barcelona Metro 5000 series	20
LRV for Boston	15
LRV for Schönbuchbahn	3
LRV for Mauritius	35
Trams for Budapest (5-module units)	15
Trams for Budapest (9-module units)	9
Trams for Utrecht	35
Trams for Luxembourg	42
Trams for Amsterdam	25
Trams for Stockholm (3-module units)	27
Trams for Stockholm (4-module units)	4
Trams for De Lijn	10
Trams for Lund	5
TOTAL	**399**

BOGIES

With mechanic-welded chassis	593

WHEEL SETS AND COMPONENTS UNITS – (MiiRA)-

Assembled axles (power car + push-pull car)	2,744
Loose axle bodies	4,753
Monoblock wheels	29,383
Elastic wheels	1,516
Couplers	341
Gear units	1,224
Tyres	562

3.3 R&D+i ACTIVITY

With respect to CAF and CAF R&D, in the opening months of the year the CAF Group's Innovation Plan for 2020-2021 was approved. This plan includes a total of 94 projects - 60 in the corporate R&D Plan and 34 distributed among the Product Development Plans of the following business lines: Vehicles, Rail Services, MiiRA, CAF Power & Automation, CAF Signalling and CETEST.

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

- Provincial Government of Guipúzcoa
- Basque Autonomous Community Government
- Ministry of Economy and Competitiveness
- Ministry of Industry, Energy and Tourism
- European Commission

The 2020-2021 Innovation Plan launched and to be implemented in 2020 fostered projects involving CAF, CAF R&D and various subsidiaries, continuing the close level of collaboration achieved with technology centres and universities.

The projects included in the 2020-2021 Innovation Plan encompassed the following fields:

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

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

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

- SHIFT2RAIL. As a founder member of the Shift2Rail JU (Joint Undertaking), which promotes rolling stock R&D activities as part of the Horizon 2020 programme, CAF is involved in various technology development projects (PIVOT 2, IMPACT1, IMPACT2, CONNECTA 2, PINTA 2, X2RAIL 1, X2RAIL 2, X2RAIL 3, X2RAIL 4, PLASA 2, FINE 2, IN2STEMPO, IN2SMART2, FR8HUB, FR8RAIL 2, FR8RAIL 3, IMPACT 2, LINX4RAIL) which are scheduled to continue until 2022.
- CLUG, a project promoted by the infrastructure managers that aims to demonstrate an autonomous train positioning system up to a SIL4 safety level through sensors such as GNSSs, IMUs, Tachometers and digital maps.
- iRel40, a project promoted by the European electronics industry with the general aim of making reliability a differentiating factor for electronic components and systems manufactured in Europe, with CAF's particular objective being to apply it to its electronic systems developed in-house.
- REALTIME, which is part of CAF's strategic digitalisation initiative and is aimed at developing a new generation of more competitive trains and services through the digitally secure capture, storage, processing and advanced analysis of all the train operations data and in a cybersecure way.

The most significant engineering projects undertaken in the first six months of 2020 were as follows:

- Trams for Amsterdam (the Netherlands)
- Locomotives for RATP (France)
- Electrical multiple units for Schönbuchbahn (Germany)
- Automated metro for STIB (Brussels)
- DMUs for West Midlands Trains (UK)
- Naples metro (Italy)
- LRVs for Manila (Philippines)
- Barcelona metro (Spain)
- Amsterdam metro (Netherlands)
- Trams for Oslo (Norway) and Lund (Sweden)
- Extension of the tram order for Freiburg
- Trams for Liege
- DMUs for Wales & Borders (Keolis)
- Intermediate cars and refurbishment of trains for NIR
- Trams for Parramatta
- Refurbishment of units for the Medellín metro
- Additional Civity units for NS (the Netherlands)
- De Lijn trams (Antwerp)
- Metro units for the Docklands (London)
- DEMU Long Regional for Transport for New South Wales (TfNSW)
- Trams for Birmingham
- Trams for Jerusalem
- TET AMLD trains for SNCF

4 SOLARIS

Solaris maintained its position as a leading European electric bus manufacturer in the first half of 2020. Alternative propulsion vehicles accounted for 45% of all those sold in the first six months of 2020. In the first half of 2020, Solaris delivered a total of 494 buses and trolleybuses. Taking into consideration that the Company was facing the COVID-19 coronavirus pandemic in most of its markets in March, April, May and June, these sales figures can be defined as very robust.

The majority of the vehicles sold in the first six months of 2020 were delivered to customers in Poland, Germany, Italy, Sweden, Romania and Switzerland.

It should be underlined that buses with alternative propulsion systems (in particular hybrid and electrical systems) are playing an increasingly important role in Solaris' sales and products. In the first half of 2020 a total of 45% of all contracts concluded by the firm involved the supply of low- or zero-emission vehicles.

Noteworthy with regard to deliveries 40 new CNG buses were delivered in June to Vy Buss, a Swedish bus operator, in Gävle. These buses, which run on compressed natural gas, meet the stringent European emissions Euro 6 standard and are fuelled with locally sourced biogas. In the last quarter of 2021, as part of the fleet to be brought into service in January 2022, the CAF Group's Polish manufacturer will also deliver eight zero-emission, electric-drive Solaris Urbino 12 buses, which will also be put into passenger service in Gävle. This cooperation between Solaris and the Swedish bus operators dates back to 2003. Since then, Solaris has supplied its Swedish customers with more than 600 vehicles, most of which are low or zero-emission vehicles.

Solaris closed several important contracts in the European bus markets in the first half of 2020. The most significant orders are as follows:

- The CAF Group's Polish bus manufacturer signed an important contract in the Spanish market. Transports Metropolitans de Barcelona (TMB) ordered 14 articulated Urbino 18 electric bus units from Solaris. Barcelona was one of the first cities to roll out the 18-metre version of the Urbino electric bus on its streets. The new buses will be delivered at the end of 2020.

- The Cracow public transport operator, Miejskie Przedsiębiorstwo Komunikacyjne S.A. (MPK), signed an order to purchase 50 Solaris Urbino 18 electric buses. The new electric buses will increase the existing fleet of 400 Solaris vehicles of various configurations already in service on Krakow's streets, 28 of which are electric buses. The vehicles will be delivered in Krakow within one year from the date of the agreement's signature.

- In May 2020 Poznań MPK (public transport operator) awarded Solaris an order for 37 electric buses. The zero-emission vehicles will be delivered in the second half of 2021.

- In April 2020 Solaris and the Romanian city of Craiova entered into an agreement to deliver 16 Urbino 18 electric buses. The articulated vehicles will arrive in Craiova in the first half of 2021. This is the first time in Craiova's history that the city's authorities have opted for battery-powered buses and the agreement with Solaris also includes the delivery of fast pantograph and overnight charging devices.

- Mention should also be made of the fact that the Solaris Urbino 12 hydrogen bus, which made its debut at the Global Public Transport Summit in Stockholm in 2019, is already gaining more and more customers. The affiliated transport company of the transport association Verkehrsverbund Rhein-Ruhr, the Wuppertal-based company WSW Mobil GmbH and the carrier RVK Köln all placed orders in the first six months of 2020 which mean that Solaris Bus & Coach, S.A. will supply 25 environmentally-friendly, hydrogen-fuelled buses for urban use. Ten of the 25 buses commissioned will be in operation in Wuppertal, and the remaining 15 will operate on lines operated by RVK Köln in nearby Cologne. Thanks to the cutting-edge technology employed, these buses will be able to achieve 350 km of autonomy with just one refill.

- Another hydrogen-fuelled buses order was received from the Netherlands from the operator Connexxion providing transport services for the South Holland Province for the delivery of 20 Solaris Urbino 12 hydrogen buses. Delivery to this destination is scheduled for the end of 2021. Concurrent to the sale of the buses, the parties also signed a fleet servicing agreement for a period of 12 years.

In the first half of 2020, Solaris announced that it will extend its e-mobility portfolio in a new bus segment with the Solaris' Urbino 15 LE (low-entry) electric bus. The tri-axle bus is built mainly with customers of the Scandinavian market in mind. The vehicle will be available both as a typical city bus (class I) and also as an intercity bus (class II). Solaris offered its first tri-axle, 15 metre buses back in 1999. However, these were models based on conventional diesel and on CNG engines. This year, Solaris decided to design a new generation of the Solaris Urbino 15 LE model, created solely with electric drivelines.

Also, in the R&D area, Solaris is developing an Advanced Drivers Assistance System for urban bus drivers. The system, designed jointly by engineers at Solaris and the Poznań University of Technology, will not only make it easier to perform simple and complex manoeuvres, such as driving forward, reversing and parking, but will also be of invaluable support when performing more precise movements, such as connecting the pantograph at the charging point, which can be particularly difficult in the case of articulated vehicles.

Last, but not least, the bi-articulated trolleybus Solaris Trollino 24 received the Top Design Award at the Arena Design 2020 event celebrated in Poznań in February.

5 INVESTMENTS

Capital expenditure by the CAF Group in the first six months of 2020 amounted to EUR 6,342 thousand. Investment included most notably the following:

In the Miira wheelset line of business, the plan to modernise axle forging included a change in the manipulator and automation of the manufacturing process in an effort to achieve a reduction in costs and greater project efficiency.

As part of the plan to transform the production model currently, underway in the train manufacturing area, the most salient investments included the procurement of equipment for the bogie multiproject manufacturing lines, in order to increase efficiency in this operation and the start of work at the Zaragoza plant to adapt and equip the warehouse earmarked to centralise production of the car body structures for the Urbos platform trams.

As regards the CAF Track Test Centre, the first half of 2020 saw the completion of the final work in connection with the investment in the CAF Group's new test track, located in Corella and in operation since 2019, mainly with regard to the latest items relating to electrification items (catenary and third track) and equipping the substations.

Notable investments outside Spain included the completion of the investment in the Huehuetoca plant in Mexico which commenced in 2019 in order to adapt it to the new projects to be undertaken there. This investment consisted mainly of acquiring and installing the equipment and facilities necessary to manufacture austenitic stainless steel structures.

In addition, work continued to construct and equip the new vehicle finishing warehouse located at the plant in the French town of Bagneres de Bigorre. The plant will be fitted with three productions lines and work is scheduled for completion in 2020. This investment is needed for the volume of activity the CAF Group expects to have in France in the coming years.

Lastly, in the bus area, mention should be made of the investment plan currently being implemented by Solaris at its Polish plants in Bolechowo and Środa Wielkopolska aimed at increasing the production capacity of the installed facilities in response to its current high backlog and the subsidiary's forecast growth, principally in the area of the electric vehicle market.

6 MAIN RISKS AND UNCERTAINTIES

The CAF Group is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives. With the commitment to addressing this matter, the CAF Group's Board of Directors establishes the mechanisms and basic principles to appropriately control and manage risks through the General Risk Management and Control Policy. This policy, which is aligned with the Group's mission, vision and values, expresses its commitment to providing greater certainty and security in:

- Achieving the strategic objectives set by the CAF Group with a controlled volatility;
- Providing the utmost level of guarantees to shareholders;
- Protecting the CAF Group's results and reputation;
- Defend the interests of its stakeholders; and
- Ensuring business stability and financial strength in a sustained way over time.

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

1) Establishment of the risk-management context for each activity, by setting, inter alia, the level of risk the Group considers to be acceptable.

2) Identification of the various risk types, in line with the main risks detailed in the Policy, faced by the Group.

3) Analysis of the risks identified and what they entail for the CAF Group as a whole.

   - Corporate Risks – Risks affecting the Group as a whole.
   - Business Risks – Risks specifically affecting each of the businesses/projects, which vary in accordance with the particularities in each case.

4) Evaluation of the risk 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. To do so it will be supported by the Risk Management Department and additionally by the Internal Audit function.

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

• Strategic risks: these are risks arising from the uncertainty that macroeconomic and geopolitical conditions represent, in addition to characteristics inherent to the industry and markets in which the Group operates and the strategic planning and technological decisions adopted.

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

- Market risk, which includes the following risks:

  o 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.

  o 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.

  o 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 that governs the design, integration and operation of the governance bodies and their relationship with the Group's stakeholders and that in turn are based on the commitment to ethical principles, best practices and transparency and are organised around the defence of the Group's interests and the creation of sustainable value.

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

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

The realities of Brexit in June 2016 gave rise to the need to analyse its consequences and its effect on the Group's various lines of business. Subsequent to this analysis, a series of mechanisms were activated that have made it possible to anticipate and manage such effects. The consequences identified with the greatest impact included the operational risks of the contracts in the backlog (around EUR 1,600 million at 30 June 2020) and future tender processes. Projects were identified and analysed in this particular block that might have an impact as a result of changes in customs and/or import tariff procedures and the movement of people in various Brexit scenarios and time horizons and, consequently, the appropriate measures to be taken at any given time were established.

The task of monitoring and controlling the appropriate measures to be taken remains an ongoing process as is the monitoring of the negotiations between the UK and the European Union in order to anticipate the need for possible new measures.

In response to the epidemic caused by COVID-19, CAF prepared an action protocol that was published at the beginning of March 2020. The protocol included a series of preventive and protective measures in the area of health and safety aimed at avoiding the spread of coronavirus disease among CAF's employees, and guidance on how to act in the event that suspected cases are detected. This protocol has been updated continuously in line with both legal requirements and the set of specific guidelines and protocols developed by the health authorities.

Similarly, while continuing to prioritise employee health and safety with health measures designed to ensure the achievement of this aim, CAF implemented a global plan to mitigate the impacts on the execution and delivery of projects to customers along three equally critical axes:

- Maintaining the supply chain and the required production capacities.
- Strengthening financing capacity and limiting the financial impact of the crisis, by optimising operations, postponing non-critical investment and significantly reducing discretionary expense.
- Achieving even greater rapport with customers.

However, bearing in mind that for the time being no effective medical treatment exists, there is a great deal of uncertainty as to the consequences of the pandemic in the coming months in the economic environment in which the Group operates. In this respect, the pandemic's evolution is being monitored continually with the aim of mitigating early any adverse impact that may arise in the future; the effects will depend to a large degree on the evolution and extension of the pandemic in the coming months and the approval of stimulus packages to boost the economy in such a way that does not check the level of public authorities' current commitment to sustainable mobility.

7 HUMAN RESOURCES

The changes in the consolidated Group's workforce in the first six months of 2020 were as follows:

	Total Headcount	Average Headcount
30/06/19	12,065	11,790
30/06/20	13,053	13,099

The consolidated Group's average headcount increased by 11% in year-on-year terms mainly as a result of the inclusion of Euromaint in the Group's scope of consolidation.

8 ENVIRONMENTAL ACTIVITY

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

Since 2001 CAF's most significant manufacturing plants in the rolling stock business unit (Beasain, Irún and Zaragoza plants) have implemented and maintained an environmental management system certified pursuant to ISO 14001:2015, which covers the organisational structure, the planning of environmental protection activities, responsibilities, environmental goals and the resources required to develop, review and update environmental policy. The most recent audit to preserve this system's certification was successfully carried out in June 2020.

The remaining manufacturing plants in the rolling stock business line are currently engaged in a plan to implement and obtain certified environmental management systems, and the aim is to achieve certification for all the rolling stock plants in 2020.

In addition, the Buses business line's main manufacturing centre (Solaris in Poland) and other group companies, such as CAF TE and CAF Signalling, have an Environmental Management System implemented and certified under ISO14001:2015.

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

It should be noted that, with the aim of offering more efficient means of transport, while respecting the environment and maintaining competitiveness in an increasingly demanding market in terms of environmental respect, CAF is currently in the process of implementing the "Product Sustainability Function", introducing eco-design methodologies into the engineering processes to optimise and control environmental impacts of products throughout the lifecycle.

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

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

As a result, together with the new Environmental Product Declarations (EPDs) published in 2015 for the Helsinki metro and the Urbos for the city of Kaohsiung, six of the CAF project EPDs have now been verified and published in the International EPD System (http://www.environdec.com). The preliminary recyclability studies for the Northern EMU and Northern DMU projects were carried out in the first half of 2019. Also, a simplified lifecycle analysis was performed on the high-speed train tenders submitted for UK HS2. In the first half of 2020 a preliminary recyclability study was performed on the West Midlands DMU project. Also, simplified lifecycle analyses were performed on three train tenders submitted for RENFE (Large Capacity, Small Urban Centre and Medium Distance) and Metro SGP. In addition, preliminary carbon footprint calculations were made for RATP tramways.

9 EVENTS AFTER THE REPORTING PERIOD

At 30 June 2020, the Group had a firm backlog of EUR 8,928 million.

10 ALTERNATIVE PERFORMANCE MEASURES

Backlog: this represents the volume of firm orders that will be recognised in the future under "Revenue" in the interim condensed consolidated statement of profit or loss. An order is considered firm only where obligations between the CAF Group and the customer arise. In the case of sales of trains and services, obligations are deemed to arise when the parties sign the agreement.

Contracts in the first six months: this includes firm orders in the first six months and potential modifications to orders from prior periods, and is obtained as follows: (Backlog at end of reporting period - Backlog at beginning of the reporting period + Revenue). This measure does not include the backlog acquired through business combinations in the year.

Adjusted profit from operations: the intention is to measure the Group's recurring profit from operations. It is calculated by deducting from "Profit from Operations" any significant non-recurring item, such as the outcome of litigation arising outside the normal course of business, exceptional staff restructuring costs and, in general, any exceptional event that is not expected to recur in subsequent years.

The reconciliation of the adjusted profit from operations with the Group's interim condensed consolidated financial statements for the first half of the year is as follows:

	Thousands of euros	
	First half of 2020	**First half of 2019**
Profit from operations	27,571	38,096
Income from litigation (1)	-	38,540
Adjusted profit from operations	**27,571**	**76,636**

(1) Detail disclosed in Note 2-d to the interim condensed consolidated Financial Statements.

Adjusted EBITDA: the intention is to measure the Group's recurring EBITDA by deducting from "Adjusted Profit from Operations" the amounts recognised under "Depreciation and Amortisation Charge" and "Impairment and Gains or Losses on Disposals of Non-Current Assets".

Cash flow: the CAF Group's cash flow is calculated by deducting from "Profit for the Period Attributable to the Parent" in the interim condensed consolidated statement of profit or loss the amounts recognised under "Depreciation and Amortisation Charge" and "Impairment and Gains or Losses on Disposals of Non-Current Assets".

Working capital expenditure: this is obtained by taking into consideration the following items of the interim condensed consolidated balance sheet, the breakdown of which can be obtained from the interim condensed consolidated financial statements:

+ Inventories
+ Trade and other receivables
+ Current hedging derivatives (assets)
+ Other current assets
- Short-term provisions
- Current hedging derivatives (liabilities)
- Trade and other payables (*)
- Other current liabilities

(*) At 30 June 2020, deferred amounts payable to the tax authorities amounting to EUR 13,230 thousand were excluded that are included in the indicator "Net Financial Debt".

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

Liquidity available: this includes items defined in order to calculate Net Financial Debt (Note 10-c to the interim condensed consolidated financial statements), "Current Financial Assets" and "Cash and Cash Equivalents" as well as credit lines and other undrawn financial balances.

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES COMPOSING THE CAF GROUP (CONSOLIDATED) CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

JULY 2020

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

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

Condensed Consolidated Balance Sheets as at 30 June 2020 and 31 December 2019 (Notes 1 and 2)
(Thousands of Euros)

Assets	Note	30/06/20	31/12/19 (*)	Equity and Liabilities	Note	30/06/20	31/12/19 (*)
Non-current assets:				**Equity:**	10		
Intangible assets	5	**333,537**	**348,252**	**Shareholders' equity-**			
Property, plant and equipment	6	**416,532**	**449,263**	Registered share capital		10,319	10,319
Investments accounted for using the equity method	7	**(576)**	**7,807**	Share premium		11,863	11,863
Non-current financial assets	7	**472,194**	**538,303**	Revaluation reserve		39,119	39,119
Non-current hedging derivatives	16	**17,034**	**45,001**	Other reserves of the Parent and of fully consolidated companies			
Deferred tax assets	19	**147,396**	**146,134**	and companies accounted for using the equity method		790,890	792,935
Other non-current assets	14	**6,036**	**7,208**	Profit for the period attributable to the Parent		(35,432)	24,745
Total non-current assets		**1,392,153**	**1,541,968**			**816,759**	**878,981**
				Valuation adjustments-			
				Hedges	10 &16	(15,893)	(11,062)
				Translation differences		(196,918)	(134,682)
						(212,811)	**(145,744)**
				Equity attributable to the Parent		**603,948**	**733,237**
				Non-controlling interests		**11,186**	**12,130**
				Total equity		**615,134**	**745,367**
				Non-current liabilities:			
				Long-term provisions	2-d & 12	**37,765**	**47,789**
				Non-current financial liabilities-	11		
				Bank borrowings and debt instruments or other marketable securities		930,793	868,072
				Other financial liabilities		88,129	90,792
						1,018,922	**958,864**
				Deferred tax liabilities	19	**140,531**	**159,145**
				Non-current hedging derivatives	16	**16,100**	**45,777**
				Other non-current liabilities	14	**83,338**	**86,637**
				Total non-current liabilities		**1,296,656**	**1,298,212**
				Current liabilities:			
				Short-term provisions	12	**228,107**	**237,378**
Current assets:				**Current financial liabilities-**	11		
Inventories	8	**670,844**	**487,833**	Bank borrowings and debt instruments or other marketable securities		277,558	199,979
Trade and other receivables-				Other financial liabilities		58,442	44,144
Trade receivables for sales and services	9	1,315,174	1,372,394			**336,000**	**244,123**
Other receivables	19	172,626	216,940	**Trade and other payables-**			
Current tax assets		13,885	12,417	Payable to suppliers		677,457	688,104
		1,501,685	**1,601,751**	Other payables	9, 11 & 19	1,179,204	1,032,114
Current financial assets	7	**99,351**	**95,151**	Current tax liabilities		13,717	9,113
Current hedging derivatives	16	**17,011**	**40,010**			**1,870,378**	**1,729,331**
Other current assets	14	**27,583**	**17,130**	**Current hedging derivatives**	16	**32,353**	**61,140**
Cash and cash equivalents	10	**674,275**	**538,983**	**Other current liabilities**	14	**4,274**	**7,275**
Total current assets		**2,990,749**	**2,780,858**	**Total current liabilities**		**2,471,112**	**2,279,247**
Total assets		**4,382,902**	**4,322,826**	**Total equity and liabilities**		**4,382,902**	**4,322,826**

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

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated balance sheet as at 30 June 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

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

Condensed Consolidated Statements of Profit or Loss for the six-month periods ended 30 June 2020 and 2019 (Notes 1 & 2) (Thousands of Euros)

	Note	(Debit) Credit	
		30/06/20	**30/06/19 (*)**
Continuing operations:			
Revenue	17	1,116,898	1,265,978
+/- Changes in inventories of finished goods and work in progress		109,789	(56,193)
In-house work on non-current assets		3,748	7,730
Procurements		(655,581)	(611,124)
Other operating income		6,921	7,957
Staff costs	11, 12 & 18	(344,364)	(314,480)
Other operating expenses	2-d & 12	(164,813)	(222,604)
Depreciation and amortisation charge	5 & 6	(44,835)	(38,685)
Impairment and gains or losses on disposals of non-current assets	5, 6 & 7	(192)	(483)
Profit from Operations		**27,571**	**38,096**
Finance income	7	2,851	5,794
Finance costs	11	(23,719)	(35,842)
Changes in fair value of financial instruments		(40)	31
Exchange differences		(27,901)	(3,512)
Impairment and gains or losses on disposals of financial instruments	7	-	(8)
Financial Loss		**(48,809)**	**(33,537)**
Result of companies accounted for using the equity method		(866)	(725)
Profit before Tax		**(22,104)**	**3,834**
Income tax	19	(13,433)	(16,878)
Profit for the period from continuing operations		**(35,537)**	**(13,044)**
Profit/Loss for the period from discontinued operations		-	-
Consolidated profit for the period		**(35,537)**	**(13,044)**
Attributable to:			
The Parent		(35,432)	(12,512)
Non-controlling interests		(105)	(532)
Earnings per share (in euros)			
Basic		(1.03)	(0.36)
Diluted		(1.03)	(0.36)

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

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

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

Condensed Consolidated Statements of Comprehensive Income for the six-month periods ended 30 June 2020 and 2019 (Notes 1 & 2)
(Thousands of Euros)

	Note	30/06/20	30/06/19 (*)
A) Consolidated profit for the period:		**(35,537)**	**(13,044)**
B) Other comprehensive income - Items not reclassified to profit or loss:		**1,541**	**(948)**
Arising from actuarial gains and losses	11	97	(1,348)
Equity instruments through other comprehensive income	7	1,444	400
C) Items that may be reclassified subsequently to profit or loss:		**(67,373)**	**8,313**
Cash flow hedges:		**(253)**	**213**
Revaluation gains/losses	10	(361)	213
Amounts transferred to profit or loss		108	-
Translation differences:		**(62,589)**	**7,963**
Revaluation gains/losses	10	(62,589)	7,963
Share of other comprehensive income recognised for investments in joint ventures and associates:		**(4,591)**	**187**
Revaluation gains/losses-			
Cash flow hedges	10	(4,798)	-
Translation differences	10	47	27
		(4,751)	27
Amounts transferred to profit or loss-			
Cash flow hedges		160	160
		160	160
Tax effect		**60**	**(50)**
Total comprehensive income (A+B+C)		**(101,369)**	**(5,679)**
Attributable to:			
The Parent		(100,958)	(5,230)
Non-controlling interests		(411)	(449)

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

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 19).
In the event of a discrepancy, the Spanish-language version prevails.

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

Condensed Consolidated Statements of Changes in Equity
for the six-month periods ended 30 June 2020 and 2019 (Notes 1 & 2)
(Thousands of Euros)

	Equity attributable to the Parent								
	Shareholders' Equity								
	Share Capital	Share Premium	Reserve for Unrealised Fair Value Gains and Losses	Other Reserves	Net Profit for the Period	Valuation Adjustments	Translation Differences	Non-Controlling Interests	Total Equity
Balances at 31 December 2018 (*)	**10,319**	**11,863**	**39,119**	**793,755**	**43,462**	**(5,024)**	**(141,782)**	**5,555**	**757,267**
Total comprehensive income	**-**	**-**	**-**	**(948)**	**(12,512)**	**323**	**7,907**	**(449)**	**(5,679)**
Transactions with shareholders or owners	**-**	**-**	**-**	**(8,234)**	**(26,225)**	**-**	**71**	**6,836**	**(27,552)**
Dividends payable (Note 4)	-	-	-	-	(26,225)	-	-	(1,327)	(27,552)
Transactions with non-controlling shareholders (Note 3)	-	-	-	(8,234)	-	-	71	8,163	-
Other changes in equity	**-**	**-**	**-**	**17,237**	**(17,237)**	-	**-**	**-**	**-**
Transfers between equity items	-	-	-	17,237	(17,237)	-	-	-	-
Balances at 30 June 2019	**10,319**	**11,863**	**39,119**	**801,810**	**(12,512)**	**(4,701)**	**(133,804)**	**11,942**	**724,036**
Balances at 31 December 2019 (*)	**10,319**	**11,863**	**39,119**	**792,935**	**24,745**	**(11,062)**	**(134,682)**	**12,130**	**745,367**
Total comprehensive income	**-**	**-**	**-**	**1,541**	**(35,432)**	**(4,831)**	**(62,236)**	**(411)**	**(101,369)**
Transactions with shareholders or owners	**-**	**-**	**-**	**(26,381)**	**(1,950)**	**-**	**-**	**(533)**	**(28,864)**
Dividends payable (Note 4)	-	-	-	(26,914)	(1,950)	-	-	-	(28,864)
Transactions with non-controlling shareholders (Note 3)	-	-	-	533	-	-	-	(533)	-
Other changes in equity	**-**	**-**	-	**22,795**	**(22,795)**	**-**	**-**	**-**	**-**
Transfers between equity items	-	-	-	22,795	(22,795)	-	-	-	-
Balances at 30 June 2020	**10,319**	**11,863**	**39,119**	**790,890**	**(35,432)**	**(15,893)**	**(196,918)**	**11,186**	**615,134**

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

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

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

Condensed Consolidated Statements of Cash Flows for the six-month periods ended 30 June 2020 and 2019 (Notes 1 & 2) (Thousands of Euros)

	Note	30/06/20	30/06/19 (*)
Cash flows from operating activities:			
Profit before tax from continuing and discontinued operations		(22,104)	3,834
Adjustments for-			
Depreciation and amortisation charge	5 & 6	44,835	38,685
Other adjustments to profit or loss (net)		19,589	51,179
Changes in working capital-		(9,594)	(101,116)
Other cash flows from operating activities-			
Income tax recovered/(paid)		(25,480)	(11,001)
Other amounts received/(paid) relating to operating activities		(801)	(1,262)
Cash flows from operating activities (I)		**6,445**	**(19,681)**
Cash flows from investing activities:			
Payments due to investment-			
Group companies, associates and business units		(1)	(635)
Property, plant and equipment, intangible assets and investment property	5 & 6	(21,812)	(37,471)
Other financial assets, net	7	(7,552)	(5,829)
Proceeds from disposal-			
Group companies, associates and business units	7	477	47
Property, plant and equipment, intangible assets and investment property	5 & 6	92	163
Other financial assets	7	11,192	14,755
Other cash flows from investing activities			
Interest received		2,199	3,600
Cash flows from investing activities (II)		**(15,405)**	**(25,370)**
Cash flows from financing activities:			
Proceeds/(payments) relating to equity instruments-			
Acquisitions of shares of external partners		(1,125)	-
Proceeds/(payments) relating to financial liability instruments-	11		
Issue		401,805	299,593
Repayment		(218,190)	(243,963)
Other cash flows from financing activities-	11		
Interest paid		(27,895)	(29,090)
Cash flows from financing activities (III)		**154,595**	**26,540**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		**(10,343)**	**421**
Net increase in cash and cash equivalents (I+II+III+IV)		**135,292**	**(18,090)**
Cash and cash equivalents at beginning of period		538,983	602,813
Cash and cash equivalents at end of period		**674,275**	**584,723**

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

The accompanying Notes 1 to 19 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

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

Notes to the Condensed Consolidated Financial Statements
for the six-month period ended 30 June 2020

1. Description and activities of the Parent

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") was incorporated for an indefinite period of time in San Sebastián (Guipúzcoa) and has its registered office in Beasain (Guipúzcoa).

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

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

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

The CAF Group's consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting of CAF on June 13, 2020.

2. Basis of presentation of the interim condensed consolidated financial statements

a) Basis of presentation

The CAF Group's consolidated financial statements for 2019 were prepared by the Parent's directors in accordance with International Financial Reporting Standards as adopted by the European Union, and the bases of consolidation, accounting policies and measurement bases described in Note 3 to those consolidated financial statements were applied in order to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2019 and its consolidated results, the 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 July 29,2020 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.

As established in IAS 34, the interim financial information is intended only to provide an update on the content of the latest complete annual consolidated financial statements prepared by the Group, focusing on new activities, events and circumstances occurring during the six-month period, and does not duplicate information previously reported in the consolidated financial statements for 2019. Consequently, for a proper comprehension of the information included in these interim condensed consolidated financial statements, they should be read together with the Group's consolidated financial statements for 2019.

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 2019, except for the standards and interpretations which came into force in the first half of 2020 and are detailed below.

b) Entry into force of new accounting standards

In the first half of 2020, various amendments to and/or interpretations of IAS 1 and IAS 8 came into force relating to the definition of "material", as well as amendments to IFRS 9, IAS 39 and IFRS 7 relating to the interest rate benchmark reform in progress and the amendments to IFRS 3 relating to clarifications of the definition of a business. Also, the amendments to IFRS 16 to facilitate accounting for COVID-19-related rent concessions had not yet been endorsed by the European Union (EU) at 30 June 2020. These amendments did not have a significant impact on the preparation of the half-yearly 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 2019.

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;

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

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 and intangible assets (Notes 5 and 7);

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

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

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

Although the aforementioned estimates were made on the basis of the best information available at the reporting date on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at the end of 2020 or in coming years. Changes in accounting estimates would be applied, if required, prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the corresponding consolidated statement of profit or loss.

In the six-month period ended 30 June 2020 there were no significant changes in estimates with respect to those made at 2019 year-end.

d) Contingent assets and liabilities

Note 26 to the Group's consolidated financial statements for the year ended 31 December 2019 discloses information on the contingent assets and liabilities at that date, as well as in the Notes 9 and 12 on the attached condensed consolidated financial statements for the six months period ended in 30 June 2020.

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. The subsidiary submitted its preliminary pleas and has cooperated on an ongoing basis with the authorities and provided them with the information requested. 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 27,331 thousand as of June 30, 2020) and advised the competent authorities not to grant the subsidiary certain tax benefits for a period of five years. The Group recognised this amount with a charge to the half-yearly condensed consolidated statement of profit or loss of 2019 (EUR 38,540 thousand at the average exchange rate for the first half of 2019) (Notes 12 and 17). The amount of the fine was increased by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody (SELIC) interest rate and EUR 559 thousand were recognised in the first half of 2020 with a charge to "Finance Costs" in the accompanying half-yearly condensed consolidated statement of profit or loss.

CADE's decision had not come into effect at the date of authorisation for issue of these half-yearly condensed consolidated financial statements, as various outstanding administrative matters had not been resolved; however, the directors do not expect any change in the final decision rendered by the CADE tribunal. 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. Once CADE's decision becomes effective, the subsidiary will lodge an appeal with the Brazilian courts. 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, at the date of authorisation for issue of these half-yearly condensed consolidated financial statements there are no other claims in this connection relating to the various Group companies that are not described in these half-yearly condensed consolidated financial statements.

Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 147 thousand. At the present date, the decision on an extraordinary appeal to unblock the account is currently being awaited. Also, as a result of the investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated court proceedings, in relation to, the Group has already presented its corresponding defences. Similarly, and as a result of CADE's investigations, an administrative proceeding was initiated by the Brazilian Court of Auditors in relation to which the subsidiary submitted its preliminary pleas in the first half of 2016. Subsequent to the ruling of the Court of Auditors which considered the existence of irregularities of any kind to be unproven, a request was made for these proceedings to be closed and dismissed. This request is awaiting a decision. Lastly, also as a result of the investigations conducted by CADE, the Brazilian Administrative Council of Economic Defence, processed an administrative procedure in relation to which the subsidiary filed initial claims during the second half of 2018. The CAF Group continues to defend its interests in these proceedings. However, at the reporting date it was not possible to determine the result or the impact that these proceedings might have on the Group's financial statements should the outcome be unfavourable and, therefore, no liabilities were recognised in this connection in the half-yearly condensed consolidated financial statements.

At 30 June 2020, the Group was involved in litigation with a customer as a result of a project in which mutually submitted claims were made due to delays in achieving the contractual milestones signed by the consortium to which CAF belongs. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent's directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At 2019 year-end, a report justifying the delays was issued by an independent expert and no decision had yet been handed down in this proceeding at the date of authorisation for issue of these half-yearly condensed consolidated financial statements.

On 27 August 2018, the Spanish National Market and Competition Commission ("CNMC") instituted a penalty proceeding against various companies, including CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A., which is jointly and severally liable, in relation to alleged anti-competitive practices. CAF is exercising the legal actions required to defend its interests, although it is still unaware of the conduct and practices attributed to CAF Signalling, S.L.U. and to Construcciones y Auxiliar de Ferrocarriles, S.A. The investigation remains open at 30 June 2020.

The CAF Group 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. The consortium and the customer are currently involved in various proceedings in which, among other issues, the potential termination of the contract and the potential breach of contract by both parties is under analysis, mainly in relation to the civil engineering work. The consortium currently continues to take legal action to defend itself against the termination of the contract. In relation to the potential breach of the contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. In any case, should a court order be issued against the Consortium for breach, since the breaches are mainly attributable to other members of the consortium, CAF could claim the potential losses from such members. At 30 June 2020, the amount, past-due by more than 180 days, recognised under "Trade Receivables for Sales and Services" in relation to this contract, net of advances received, amounted to EUR 9.2 million (31 December 2019: EUR 13.1 million), without taking into account the impairment losses or the provisions recognised, which cover the entire amount.

e) Comparative information

The information relating to 2019 contained in these interim condensed consolidated financial statements is presented solely for comparison purposes with the information relating to the six -month period ended 30 June 2020.

However, for an appropriate comparison between the condensed consolidated half-yearly financial statements of both years, the inclusion in the scope produced in July 2019 with the incorporation of EuroMaint Gruppen AB and subsidiaries into the CAF Group with a contribution to the revenue EUR 70 million (Note 17) for the six-month period ended June 30, 2020 should be considered.

f) Seasonality of the Group's transactions

Bus segment sales are mostly recognised in the second half of the year. This seasonality occurs because most bus deliveries are made during this period, in accordance with the dates contractually agreed upon with the customers, particularly in certain key markets such as Germany and Poland. However, the Group expects to reduce this seasonal effect on sales with business growth through diversification of the markets at which the bus sales are targeted. The bus business unit's sales in the 12 months up to and including June 2020 amounted to EUR 614,669 thousand (EUR 508,386 thousand in the 12-month period to June 2019) (Note 17).

In view of the rest of the business activities in which the Group companies engage, as well as the stage of completion method of accounting, the rest of the Group's transactions are not cyclical or seasonal in nature. Therefore, no specific disclosures in this connection are included in these notes to the condensed consolidated financial statements for the six-month period ended 30 June 2020.

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 2020, the Group had a firm backlog of EUR 8,928 million.

i) COVID-19

COVID-19 was declared a pandemic by the World Health Organization in March 2020. The CAF Group is making every possible effort within the regulatory framework set out by the Spanish and international health authorities, guaranteeing the health and safety of all its employees as its priority, while maintaining the supply chain to its customers.

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

On 16 March 2020, CAF decided to halt its train manufacturing activity at its plants in Spain when compliance with the minimum occupational health and safety conditions could not be ensured, in relation to the minimum distance between people, thereby avoiding possible infections in the workplace. At the various plants, agreements were reached with the works councils for the return to work, and the activity was restarted at the Spanish plants on 20 April, with an agreement to recover the days in which the activity was halted in the second half of the year. To do this, organisational measures were taken to distribute all the workers into more evenly numbered groups in order to reduce as far as possible the crowding of people in various manufacturing areas. At 30 June 2020, the volume of hours to be recovered amounted to 172,128 hours, equal to EUR 7,675 thousand, which are recognised under "Trade and Other Receivables - Other Receivables" in the accompanying condensed consolidated balance sheet.

The recommencement of activity was defined by prioritising compliance with personal health and safety conditions, with preparation of the restart taking into account both legal requirements and all the guidelines and specific protocols developed by the health authorities, which were adapted to the reality of CAF's activities and facilities.The workers were informed of, and received training on, the general and specific prevention measures established for each of the activities to be performed before commencing them.

The crisis management process applied in Spain is the same process followed in the other factories and sales offices, adapting the measures, where appropriate, to the particular characteristics of substance, form and time required by each country.

Bus manufacturing activity continued at the Group's production plants, although there have been difficulties in making bus deliveries in areas particularly affected by COVID-19.

In terms of services, COVID-19 had a direct effect on operators and the transportation services they have offered the public and, consequently, on the requirements of the maintenance and guarantee work provided. The impact has been different in each country, both due to the measures adopted by the respective operators and to the differing level of contractual risk exposure in the face of situations of this nature. Following the Group's guidelines, working practices have been adapted with adapted protocols at all the centres throughout the world. At 30 June 2020, 454 maintenance workers were covered by furlough-type arrangements (Spanish ERTEs) due to the reduction in the scope of maintenance contracts (a maximum of 615 people having been reached in the month of May). At 21 July they applied to 360 workers (with varying percentages of impact for each employee depending on the demand for work).

Activities that could continue to be performed through remote working were maintained since the date on which manufacturing activities were halted.

These actions led to a reduction in activity at most of the production of trains and to a lesser extent in maintenance plants, and resulted in additional costs to mitigate and respond to this pandemic.

As a consequence of the conditions and events derived from COVID-19, as of the date of authorisation for issue of these half-yearly condensed consolidated financial statements, there have been no events such as the termination of contracts with clients, nor litigation with relevant clients or suppliers.

The effects of the reduction in activity and of the inefficiencies and incremental costs incurred by the Group in the first half of the 2020 were recognised in the accompanying condensed consolidated statement of profit and loss under "Profit from Operations".

The directors of the Parent consider that this is a temporary impact, as a portion of the inefficiencies caused by the halt in manufacturing activity is expected to be recovered and the fleet operators are expected to return to their normal levels of activity. However, considering that there is currently no effective medical treatment, there is high degree of uncertainty about the consequences in the coming months on the economic environment in which the Group operates. In this regard, the evolution of the pandemic is being continuously monitored, in an attempt to mitigate in advance any adverse effect that may arise in the future; these effects will depend, to a large degree, on the evolution and spread of the pandemic in the coming months and on the approval of stimulus packages to boost the economy in a way that does not limit the authorities' current commitment to sustainable mobility.

As described in Note 5-a-2 to the consolidated financial statements for 2019, the Group is exposed to foreign currency risk in relation to various currencies. During this period, the Group's exposure to the various currencies did not vary significantly with respect to the exposure at 31 December 2019, and significant variations occurred in the exchange rates of the currencies of the main countries in which the Group operates, with a significant impact both in terms of earnings and translation differences.

Also, the CAF Group has adopted additional measures to boost its capacity to obtain financing and limit the financial impact of this crisis, with the optimisation of operations, the postponement of non-critical investments and a significant reduction in discretionary spending. Among the main measures to strengthen the liquidity position, the Group arranged new financing facilities amounting to EUR 230 million, of which EUR 175 million had not been drawn down at the reporting date (Note 11), which contributed to improving the Group's liquidity in the period, reaching EUR 1,157,943 thousand at 30 June 2020.

Additionally, the estimates made by management of the Parent and of the consolidated companies to assess the impairment of goodwill, intangible assets and property, plant and equipment were updated, based on the new conditions arising from the pandemic, and no additional impairment losses were identified in this connection.

Lastly, the Group's credit risk exposure was not affected, nor had a significant impairment loss event been identified, so it had not been affected by the expected credit loss on its trade receivables recognised at 30 June 2020.

3. Changes in the composition of the Group

Note 2-f to the consolidated financial statements for the year ended 31 December 2019 provides relevant information on the Group companies that had been consolidated at that date and on those accounted for using the equity method.

UAB Solaris Bus & Coach LT, wholly owned by the subsidiary Solaris Bus & Coach, S.A., and J-NET O&M Ltd., 50% owned by the Parent, were incorporated in the first six months of 2020. Also, the Parent performed a capital increase at Solaris Bus & Coach, S.A. by converting debt into share capital for an amount of EUR 11,500 thousand, increasing the ownership from 97.20% to 97.33%.

Also, in the first half of 2020 the energy line of business of Nuevas Estrategias de Mantenimiento, S.L. (NEM) was spun off in favour of a new company the ownership interest of which was subsequently transferred in a share exchange transaction and, accordingly, the CAF Group held 100% of the ownership interest in Nuevas Estrategias de Mantenimiento, S.L.

Lastly, the ownership interest in Lander Simulation and Training Solutions, S.A. became 71.19% after the corresponding put option was exercised by a minority shareholder (Note 11).

4. Dividends payable by the Parent

The dividends payable by the Parent in January 2021 and in July 2019, respectively, which relate in both cases to approved dividends out of the previous year's profit, are shown below. They all correspond to ordinary shares. The Group recognised these amounts (net of the corresponding withholding tax) with a credit to "Current Financial Liabilities - Other Financial Liabilities" in the condensed consolidated balance sheets as at 30 June 2020 and 2019:

	30/06/20			30/06/19		
	% of Par Value	Euros per Share	Amount (Thousands of Euros)	% of Par Value	Euros per Share	Amount (Thousands of Euros)
Total dividends payable (Note 11)	280%	0.842	28,864	254%	0.765	26,225

5. Intangible assets

The changes in the six-month period ended 30 June 2020 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 31/12/19						
Cost	193,161	45,625	114,262	54,330	109,011	516,389
Accumulated amortisation	(102,872)	(5,331)	(7,589)	(26,384)	-	(142,176)
Impairment losses	(25,932)	-	-	(29)	-	(25,961)
Net balance at 31/12/19	**64,357**	**40,294**	**106,673**	**27,917**	**109,011**	**348,252**
Cost-						
Changes in the composition of the group (Note 3)	457	-	-	2,966	-	3,423
Translation differences	(834)	(1,419)	(5,136)	(597)	(4,598)	(12,584)
Additions	6,119	-	-	3,350	-	9,469
Disposals	(20)	-	-	-	-	(20)
Transfers	(48)	-	-	-	-	(48)
Cost at 30/06/20	**198,835**	**44,206**	**109,126**	**60,049**	**104,413**	**516,629**
Accumulated amortisation-						
Changes in the composition of the group (Note 3)	(239)	-	-	(101)	-	(340)
Translation differences	161	241	347	256	-	1,005
Additions or charge for the year	(8,181)	(1,238)	(2,706)	(3,269)	-	(15,394)
Transfers	(508)	-	-	31	-	(477)
Accumulated amortisation at 30/06/20	**(111,639)**	**(6,328)**	**(9,948)**	**(29,467)**	**-**	**(157,382)**
Impairment losses-						
Charge for the year	257	-	-	(7)	-	250
Translation differences	1	-	-	-	-	1
Impairment losses at 30/06/20	**(25,674)**	**-**	**-**	**(36)**	**-**	**(25,710)**
Net balance at 30/06/20	**61,522**	**37,878**	**99,178**	**30,546**	**104,413**	**333,537**

The additions in the first half of 2020 recognised as "Development Expenditure" relate to the costs incurred in projects to develop new products and projects, as the Group considered that there were no reasonable doubts regarding the economic and commercial returns thereon. Additionally, the Group initiated in 2019 the process of implementing the new ERP. At 30 June 2020, the Group had investment commitments amounting to EUR 14,214 thousand, mainly in relation to the new IT system.

In the first six months of 2020 and 2019 there was no impairment of, or substantial changes in, the return estimates and assumptions regarding the development projects on which impairment had been recognised in prior years.

The goodwill recovery tests conducted in 2019, conclusions of which are disclosed in Note 7 to the consolidated financial statements at 31 December 2019, were updated in the opening months of 2020.This analysis did not disclose the need to recognise additional impairment losses in the half-yearly condensed consolidated financial statements as of 30 June 2020.

6. Property, plant and equipment

a) Changes in the period

The changes in the first half of 2020 are the following:

	Thousands of Euros						
	Beginning balance at 31/12/19	Changes in the composition of the group (Note 3)	Additions/Depreciation/Charge for the year	Transfers	Disposals or reductions	Translation differences	Ending balance at 30/06/20
Cost							
Property, plant and equipment	829,774	787	6,342	(1,219)	(5,651)	(20,166)	809,867
Rights of use	89,364	-	8,448	(1,544)	(5,981)	(1,667)	88,620
Accumulated depreciation							
Property, plant and equipment	(437,188)	(542)	(18,911)	(11)	3,885	7,343	(445,424)
Rights of use	(22,237)	-	(10,530)	2,404	3,075	476	(26,812)
Impairment losses							
Property, plant and equipment	(10,450)	-	-	-	678	53	(9,719)
Rights of use	-	-	-	-	-	-	-
Net	**449,263**	**245**	**(14,651)**	**(370)**	**(3,994)**	**(13,961)**	**416,532**
Property, plant and equipment	382,136	245	(12,569)	(1,230)	(1,088)	(12,770)	354,724
Rights of use	67,127	-	(2,082)	860	(2,906)	(1,191)	61,808

The main additions in the first half of 2020 relate basically to the electrification and equipment of the new test track in Corella (Spain) and to rolling stock and bus production-related investments in the Beasain and Polish plants, respectively and with Euromaint Group´s rights of use.

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 30 June 2020, the net amount of the grants received not yet allocated to profit or loss totalled EUR 2,693 thousand (31 December 2019: EUR 2,832 thousand). EUR 86 thousand were allocated to profit or loss in the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: EUR 42 thousand).

b) Property, plant and equipment purchase commitments

At 30 June 2020, the Group had firm capital expenditure commitments amounting to approximately EUR 3,436 thousand (31 December 2019: EUR 7,805 thousand), relating mainly to the construction and fitting out of a new finishing warehouse at the French plant.

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 half-yearly condensed consolidated financial statements is as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Nuevas Estrategias de Mantenimiento, S.L. (Note 3)	-	3,238
Consorcio Traza, S.A.	3,622	4,265
Arabia One for Clean Energy Investments PSC.	1,471	1,521
Orbital Sistemas Aeroespaciales, S.L.	5,728	5,894
Momentum Trains Holding Pty Ltd (Note 16)	(12,276)	(7,878)
Oher investments	879	767
TOTAL	**(576)**	**7,807**

b) Non-current financial assets

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

	Thousands of Euros			
	30/06/20		31/12/19	
	% of Ownership	Balance	% of Ownership	Balance
Equity instruments-				
Alquiler de Trenes, A.I. E	5%	4,204	5%	3,885
Ferromovil 3000, S.L.	10%	11,549	10%	11,152
Plan Azul 07, S.L.	5.20%	3,530	5.20%	3,273
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	5,482	15%	5,012
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	776
Albali Señalización, S.A.	3%	585	3%	561
Other		253		252
Total equity instruments -		**26,354**		**24,911**
Other financial assets -				
Amortised cost -				
Guarantees and other financial assets		12,321		16,663
Loans to employees		4,164		3,908
Non-current tax receivables		30,121		41,295
Non-current trade receivables and loans		379,014		435,044
Loans to associates		29,822		28,753
		455,442		**525,663**
Provisions-				
Provisions for tax receivables		(6,821)		(9,237)
Impairment losses		(2,781)		(3,034)
		(9,602)		**(12,271)**
Total other financial assets		**445,840**		**513,392**
Total		**472,194**		**538,303**

Guarantees and other financial assets

At 30 June 2020, the guarantee relating to the increase in borrowings taken by the subsidiary Ctrens Companhia Manutençao, S.A. (Note 11) amounted to EUR 8,859 thousand (31 December 2019: EUR 12,179 thousand).

Non-current tax receivables

At 30 June 2020, the Group recognised EUR 30,121 thousand under "Non-Current Financial Assets" in connection with VAT equivalent amounts refundable by foreign tax authorities (31 December 2019: EUR 41,295 thousand). This amount reduced by EUR 10,742 thousand in the first half of 2020 as a result of translation differences.

At 30 June 2020, the Group had recognised impairment losses of EUR 6,821 thousand (31 December 2019: EUR 9,237 thousand) to adjust the face value of these receivables to their recoverable amount.

Non-current trade receivables and loans

In 2010 the Group entered into concession arrangements in Brazil and Mexico, the terms and conditions of which are described in Note 9-c to the consolidated financial statements for 2019. These concessions are accounted for in accordance with the financial asset model under IFRIC 12- Service concession agreements since the related requirements are met and, pursuant to this standard, the various services provided (construction, operation/maintenance and financing) were accounted for separately.

Consequently, the Group recognised EUR 346,926 thousand under "Non-Current Financial Assets - Financial Assets at Amortised Cost - Non-Current Trade Receivables - Concession Assets" (31 December 2019: EUR 413,057 thousand) and EUR 98,916 thousand under "Current Assets - Other Receivables" (31 December 2019: EUR 112,084 thousand) in relation to construction activities and services performed to date, net of billings made.

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

In 2020 and 2019, long-term collection schedules were established with customers in the Buses segment, and an amount of EUR 23,747 thousand was recognised in this connection under this heading in the accompanying condensed consolidated balance sheet (31 December 2019: EUR 14,159 thousand). These loans accrue interest at market rates and are amortised on a straight-line basis over a period of between two and ten years.

This balance also includes an account receivable amounting to EUR 1,841 thousand at long term (31 December 2019: EUR 2,507 thousand) relating to a finance lease of rolling stock.

The changes in the first six months of 2020 and 2019 in the balance of the impairment losses on the Group's assets, including non-current tax receivables and expected credit losses under IFRS 9, which form part of the balance of "Non-Current Financial Assets", were as follows:

	Thousands of Euros	
	30/06/20	30/06/19
Balance at the beginning of the period	**(12,271)**	**(15,076)**
Translation differences	3,056	(308)
Impairment losses recognised with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets"	-	(23)
Impairment losses recognised with a charge to "Other Operating Expenses"	(387)	(34)
Balance at end of period	**(9,602)**	**(15,441)**

c) Current financial assets

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

	Thousands of Euros	
	30/06/20	31/12/19
Other financial assets		
At amortised cost	39,194	34,587
At fair value through profit or loss	60,157	60,564
Total	**99,351**	**95,151**

8. Inventories

The detail of "Inventories" at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Raw materials and other supplies, work in progress and finished and semi-finished goods	629,678	450,973
Advances to suppliers	41,166	36,860
Total	**670,844**	**487,833**

9. Trade and other receivables

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

	Thousands of Euros	
	30/06/20	31/12/19
Contract assets	846,574	812,742
Customers billed	487,384	578,782
Write-downs	(18,784)	(19,130)
Total	**1,315,174**	**1,372,394**

"Customer billed" includes retentions at 30 June 2020 amounting to EUR 5,927 thousand (31 December 2019: EUR 6,144 thousand). At 30 June 2020, the provisions for third-party liability reducing "Customers Billed" amounted to EUR 79,109 thousand (31 December 2019: EUR 83,080 thousand). Similarly, the provisions for third-party liability reducing "Contract Assets" amounted to EUR 39,391 thousand at 30 June 2020 (31 December 2019: EUR 53,865 thousand).

The Group recognised EUR 42,828 thousand corresponding to billed and unbilled balances receivable for contracts already executed that have not yet been collected after obtaining arbitration awards favourable to the Group and with subsequent favourable judgments. At 30 June 2020, 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 2020 and 31 December 2019, the balances billed included EUR 58,601 thousand in relation to the agreement with Metro Caracas, the balance of which is past due and relates to work performed and billed to the customer, net of contractual provisions, and the collection of which is considered to be covered by the insurance policy in force, according to Note 12 of the Group's consolidated financial statements for 2019.

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales and non-recourse factoring of trade receivables. At 30 June 2020, the unmatured receivables settled by the Group through the aforementioned "non-recourse factoring" transactions amounted to EUR 42,583 thousand (31 December 2019: EUR 60,639 thousand).

Contract assets and liabilities

The detail of contract assets and liabilities is as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Current contract assets	846,574	812,742
Current contract liabilities	(977,465)	(852,532)
Non-current contract liabilities	(52,415)	(51,059)
Net	**(183,306)**	**(90,849)**

10. Equity

a) Issued capital

At 30 June 2020, the Parent's share capital amounted to EUR 10,318,505.75, consisting of 34,280,750 fully subscribed and paid book-entry shares. CAF shares are traded on the Spanish stock market interconnection system at the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The Parent has maintained the same share capital over the last two years.

The Annual General Meeting held on 10 June 2017 resolved to empower the Parent's Board of Directors, with express powers of delegation, for a period of five (5) years from that date, to issue debt instruments and fixed-income or other securities (including warrants) convertible into shares of the Parent or other Group companies, including the power to disapply shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This decision rendered null and void the resolution adopted by the Parent's Annual General Meeting held on 7 June 2014. At the date of preparation of these half-yearly condensed consolidated financial statements no convertible securities had been issued since that resolution.

On 2 June 2018, at the Annual General Meeting, the Board of Directors empowered to increase the share capital on one or more occasions, through the issuance of new shares against monetary contributions, over a period of five years and up to half of the amount of the share capital. At the date of preparation of these half-yearly condensed consolidated financial statements, no capital increase had been performed since that resolution.

Lastly, the Annual General Meeting held on 13 June 2020 resolved to empower the Board of Directors to acquire treasury shares for a period of five years from that date. This authorisation rendered null and void the authorisation granted in a resolution adopted by the shareholders at the Annual General Meeting held on 13 June 2015. At the date authorisation for issue of these half-yearly condensed consolidated financial statements, no treasury shares had been acquired since that resolution.

b) Other comprehensive income

Hedges

The changes in "Cash Flow Hedges" in the first six months of 2020 and 2019 were as follows:

	Thousands of Euros	
	30/06/20	30/06/19
Balance at the beginning of the period	**(11,062)**	**(5,024)**
Income and expense recognised in equity	(5,159)	213
Transfers to profit or loss	268	160
Tax effect	60	(50)
Balance at the end of the period	**(15,893)**	**(4,701)**

Translation differences

The changes in "Translation Differences" in the first six months of 2020 and 2019 were as follows:

	Thousands of Euros	
	30/06/20	30/06/19
Balance at the beginning of the period	**(134,682)**	**(141,782)**
Net change in the period	(62,236)	7,978
Balance at the end of the period	**(196,918)**	**(133,804)**

The currencies with highest fluctuations in translation differences in the first six months of 2020 were the Brazilian real and the Polish zloty.

c) Capital management

The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring a sound financial position. This policy makes it possible to make the creation of value for shareholders compatible with access to 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 business activities carried on.

The directors of the CAF Group consider that the fact that the leverage ratio with recourse to the Parent is minimal is a good indicator that the objectives set are being achieved. At 30 June 2020 and 31 December 2019, a substantial portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (Note 7) and Solaris' operations. Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of Euros	
	30/06/20	31/12/19
Net financial debt:		
Interest-bearing refundable advances and payment deferrals with public entities (Note 19)	24,712	11,363
Bank borrowings – Non-current liabilities (Note 11)	930,793	868,072
Bank borrowings and debt instruments – Current liabilities (Note 11)	277,558	199,979
Financial assets - Non-current assets (Note 7)	(8,801)	(12,144)
Current financial assets (Note 7)	(98,519)	(94,709)
Cash and cash equivalents	(674,275)	(538,983)
	451,468	**433,578**
Equity:		
Attributable to the Parent	603,948	733,237
Non-controlling interests	11,186	12,130
	615,134	**745,367**

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:

		Thousands of Euros					
		30/06/20			31/12/19		
	Nominal Currency	Non-Current	Current	Total	Non-Current	Current	Total
Loans and credit accounts							
Ctrens - BNDES	BRL	78,034	6,972	85,006	107,159	15,826	122,985
Provetren - Banking syndicate	USD	53,306	16,476	69,782	61,976	16,371	78,347
Parent (CAF, S.A.)	EUR	664,442	78,046	742,488	585,658	9,631	595,289
CAF Investment Projects, S.A.U.	EUR	19,874	-	19,874	19,866	-	19,866
Solaris Group	PLN/EUR	114,485	137,303	251,788	92,710	75,459	168,169
Other Group companies	EUR	652	1,628	2,280	703	223	926
		930,793	240,425	1,171,218	868,072	117,510	985,582
Debt instruments or other marketable securities							
Commercial paper issues	EUR	-	34,800	34,800	-	80,000	80,000
Accrued interest payable		-	2,333	2,333	-	2,469	2,469
Total		**930,793**	**277,558**	**1,208,351**	**868,072**	**199,979**	**1,068,051**

The change in "Bank Borrowings and Debt Instruments or other Marketable Securities" in the first six months of 2020 was as follows:

Balance at 31 December 2019	**1,065,582**
Cash flows	
New drawdowns	381,420
Maturity payments	(204,437)
	176,983
Other changes	
Translation differences	(37,774)
Amortised cost adjustments and other	1,227
	(36,547)
Balance at 30 June 2020	**1,206,018**

In the first half of 2020 the Parent drew down two loans arranged in 2019 for an amount of EUR 45 million and arranged four additional bank loans totalling EUR 105 million, which had also been drawn down in full at 30 June 2020. Also, the Parent negotiated new terms and conditions for a loan of EUR 70 million, modifying the interest expenses and an extending the maturity from one year to an average maturity of 4.7 years.

In addition, in the first half of 2020 the Group company Solaris Bus & Coach, S.A. arranged a new bank loan amounting to PLN 100 million (EUR 22.5 million) with a two-year bullet maturity. This loan had been drawn down in full at 30 June 2020.

Also, in relation to the financing agreement entered into by the Group company Ctrens- Companhia de Manutençao, S.A. (Ctrens) and BNDES, in a similar manner to the agreement with CPTM to extend the payment period, in June 2020 Ctrens requested the COVID-19 debt standstill offered by BNDES, which was accepted in July 2020, thus suspending the repayment of the borrowings and the interest payments in the period from July to December 2020. The repayments will restart in January 2021, with no change to the final financing period.

On 19 December 2019, the Parent renewed, for a period of 12 months, a short-term commercial paper issuance program ("Euro-Commercial Paper Programme"), increasing the maximum aggregate nominal balance to EUR 250 million with respect to the EUR 200 million of maximum aggregate initial nominal balance ("the Programme"), which was registered at the Irish Stock Exchange. As of June 30, 2020, there was a volume issued alive amount EUR 34,800 thousand.

The main terms and conditions of the other loans are detailed in Note 16 to the consolidated financial statements for 2019.

At 30 June 2020 the Group's companies have undrawn credit facilities amounting to EUR 385,149 thousand (31 December 2019: 280,100 thousand) with a maturity of less than one year.

b) Other financial liabilities

The detail of "Non-Current Financial Liabilities - Other Financial Liabilities" and "Current Financial Liabilities - Other Financial Liabilities" in the half-yearly condensed consolidated balance sheet as at 30 June 2020 and the consolidated balance sheet as at 31 December 2019 is as follows:

Non-Current Financial Liabilities - Other Financial Liabilities	Thousands of Euros	
	30/06/20	31/12/19
Refundable advances	34,438	33,151
Employee benefit obligations	1,545	3,153
Share purchase liabilities	7,926	4,591
Lease liabilities	43,245	49,024
Other	975	873
	88,129	**90,792**

Current Financial Liabilities - Other Financial Liabilities	Thousands of Euros	
	30/06/20	31/12/19
Refundable advances	10,588	10,002
Net dividend payable (Note 4)	25,609	-
Share purchase liabilities	1,635	7,519
Payable to non-current asset suppliers	1,061	7,594
Lease liabilities and others	19,549	19,029
	58,442	**44,144**

Refundable advances

Various research and development programmes have led to the award of certain grants to conduct research and development projects to the Group. This aid is recognised on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

- Grants to partially meet the expenses and costs of these projects.

- Refundable advances in the form of loans, generally interest-free, which usually have an initial grace period of three years and are repaid in a period of over ten years.

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

Employee benefit obligations

At 30 June 2020, "Non-Current Financial Liabilities - Other Financial Liabilities" and "Trade and Other Payables - Other Payables" in the accompanying condensed consolidated balance sheet included EUR 1,545 thousand and EUR 3,580 thousand, respectively (31 December 2019: EUR 3,153 thousand and EUR 2,712 thousand, respectively), relating to the present value estimated by the directors of the future payments to be made to the Parent's employees who were included in the pre-retirement plan approved in 2013, or with whom hand-over contracts had been entered into. In this connection, the Group recognised an amount of EUR 873 thousand with a charge to "Staff Costs" in the accompanying condensed consolidated statement of profit or loss in the first six months of 2020 (charge of EUR 922 thousand in the first six months of 2019).

In relation to the outsourced obligations assumed with certain employees, which are detailed in Note 15 to the consolidated financial statements for 2019, future modifications thereto and the accrual for services rendered are recognised against profit or loss for the related year and, accordingly, in the six-month periods ended 30 June 2020 and 2019 an expense of EUR 1,645 thousand and EUR 1,767 thousand, respectively, was recognised under “Staff Costs”.

Share purchase liabilities

As indicated in Note 15 to the consolidated financial statements for 2019, “Share Purchase Liabilities” includes the amount payable to acquire the majority ownership interests in BWB Holdings Ltd., Rifer S.R.L. and Lander Simulation and Training Solutions, S.A.

In the first half of 2020, a minority shareholder exercised the put option for an additional 7.06% of the share capital of Lander Simulation and Training Solutions, S.A., with a payment of EUR 1,125 thousand, taking the Group's ownership interest to 71.19% (see Note 3).

12. Provisions and contingent liabilities

a) Breakdown

The detail of provisions and contingent liabilities is as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Long-term provisions for contingent liabilities and commitments	37,765	47,789
Short-term provisions	228,107	237,378
Total	**265,872**	**285,167**

b) Long-term provisions for contingent liabilities and commitments

As a result of the administrative decision in July 2019, arising as result of the investigation initiated in 2013 into the participation of various rolling stock manufacturers in possible anti-competitive practices described in Note 2-d, in 2019 the Group recognised a provision amounting to EUR 38 million. In the first half of 2020, as a consequence of the depreciation of the Brazilian real, the effect of the translation differences entailed a reduction in the provision of approximately EUR 10,510 thousand.

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

c) Short-term provisions

“Short-Term Provisions” in the accompanying condensed consolidated balance sheet includes the provisions recognised by the Group to cover mainly warranty expenses, contractual support services and other matters arising from its business activities. The consolidated companies charged EUR 2,191 thousand to “Other Operating Expenses” in the accompanying condensed consolidated statement of profit or loss for the first six months of 2020 (first six months of 2019: EUR 1,873 thousand credited there) relating to the difference between the provisions required in this connection at 30 June 2020 and the provisions recognised at the end of the previous year. The expenses incurred in the first six months of 2020 and 2019 in connection with the provision of contractual warranty services (approximately EUR 38,351 thousand and EUR 29,704 thousand, respectively) were recognised under "Procurements" and "Staff Costs" in the accompanying condensed consolidated statements of profit or loss for the first six months of 2020 and 2019.

The changes in "Short-Term Provisions" and "Long-Term Provisions" in 2020 and 2019 were as follows (in thousands of euros):

	Short-Term Provisions					
	Contractual Liability	Warranty and Support Services	Litigation	Other Provisions	Total Short-Term Provisions	Long-Term Provisions
Balance at the beginning of the period	**58,312**	**157,639**	**2,798**	**6,221**	**224,970**	**6,877**
Changes in the scope of consolidation	-	135	-	281	416	213
Net charge for the period	15,868	69,316	274	6,311	91,769	44,474
Amounts used charged to profit or loss	(20,537)	(57,943)	(1,131)	(317)	(79,928)	(3,117)
Translation differences	(60)	671	3	12	626	(761)
Transfers	(656)	816	-	(635)	(475)	103
Balance at 31/12/19	**52,927**	**170,634**	**1,944**	**11,873**	**237,378**	**47,789**
Net charge for the period	10,023	43,751	-	3,801	57,575	1,510
Amounts used charged to profit or loss	(18,971)	(38,351)	(334)	(2,110)	(59,766)	(801)
Translation differences	(927)	(5,105)	(56)	(992)	(7,080)	(10,510)
Transfers	-	-	(21)	21	-	(223)
Balance at 30/06/20	**43,052**	**170,929**	**1,533**	**12,593**	**228,107**	**37,765**

The provisions for warranty and support services relate to estimated future costs (based on historic data and technical analyses) to which the Group is committed in accordance with the warranty period provided for in the contracts.

13. Related parties

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

The transactions performed by the Group with its related parties (significant shareholders, Board members and executives of the Parent and other related parties) in the first six months of 2020 and 2019 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.

	Thousands of Euros			
	30/06/20			
Expenses and Income	Significant Shareholders	Group Employees, Companies or Entities	Other Related Parties	Total
Expenses:				
Purchases of goods and services	-	-	387	387
	-	**-**	**387**	**387**
Income:				
Sales	-	-	18,495	18,495
Finance income	-	-	1,066	1,066
	-	**-**	**19,561**	**19,561**

Expenses and Income	Thousands of Euros			
	30/06/19			
	Significant Shareholders	Group Employees, Companies or Entities	Other Related Parties	Total
Expenses:				
Purchases of goods and services	-	-	1,787	1,787
	-	**-**	**1,787**	**1,787**
Income:				
Sales	-	-	27,230	27,230
Finance income	-	-	1,035	1,035
	-	**-**	**28,265**	**28,265**

Sales to "Other Related Parties" in the first six months of 2020 and 2019 were made mainly to Ferrocarriles Suburbanos, S.A. de C.V., Plan Metro, S.A. and Ferrocarril Interurbano S.A. de C.V., in which the CAF Group holds non-controlling ownership interests along with other shareholders.

The Group's main balances with investees that had not been fully consolidated at 30 June 2020 and 31 December 2019 were as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Balances receivable:		
Trade and other receivables	12,221	34,175
Loans and credits granted	30,075	28,753
Balances payable:		
Payable to suppliers and trade payables	301	505

14. Other current and non-current assets and liabilities

The detail of the Group's "Other non-current assets" and "Other current assets" at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Assets for the right of return	6,036	7,208
Other non-current assets	**6,036**	**7,208**
Prepayments	27,583	17,130
Other current assets	**27,583**	**17,130**

The detail of the Group's "Other non-current liabilities" and "other current liabilities" at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30/06/20	31/12/19
Advances received on sales or services (Note 9)	52,415	51,059
Advances received on operating leases	24,446	28,935
Refund liabilities	6,477	6,643
Other non-current liabilities	**83,338**	**86,637**
Advances received on operating leases	2,564	4,257
Unearned income	1,571	1,666
Refund liabilities	139	1,352
Other current liabilities	**4,274**	**7,275**

As explained in Note 21 to the consolidated financial statements for 2019 certain bus sale contracts included customer return options. If it is determined that the contract is an operating lease, the billings received in advance are recognised under "Advances Received on Operating Leases". If, on the other hand, it is concluded that the contract is a sale with a right of return, the value of the asset to be repurchased by the Parent is recognised under "Assets for the Right of Return" and the amount expected to be paid to recover the asset is recognised under "Refund Liabilities".

15. Remuneration and other benefits of the Parent's directors and senior executives

In the first six months of 2020 and 2019, the Parent recognised approximately EUR 872 thousand and approximately EUR 896 thousand, respectively, in relation to remuneration, attendance fees and life insurance coverage earned by the members of its Board of Directors, whereas the directors of the subsidiaries did not earn any amounts in this connection. At 30 June 2020 and 31 December 2019, neither the Parent nor the 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, amounted to EUR 1,327 thousand and EUR 1,288 thousand, respectively, in the first six months of 2020 and 2019.

In the first six months of 2020 and 2019 there were no other transactions with senior executives.

16. Derivative financial instruments

The CAF Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange and interest rates (as explained in Note 17 to the consolidated financial statements for 2019). The CAF Group arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned.

Also, certain fully consolidated companies and certain companies accounted for using the equity method have arranged interest rate hedges.

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the condensed consolidated balance sheet as at 30 June 2020 and the consolidated balance sheet as at 31 December 2019 is as follows:

Measurement	Thousands of Euros			
	Fair Value		Cash Flows	
	30/06/20	31/12/19	30/06/20	31/12/19
Hedges-				
USD currency forwards	(9,757)	(6,769)	-	-
GBP currency forwards	(4,706)	(4,845)	-	-
MXP currency forwards	(858)	(9,677)	-	-
BRL currency forwards	1,859	(2,005)	-	-
EUR currency forwards	(32)	(143)	-	-
SEK currency forwards	(2,048)	(1,009)	-	-
SAR currency forwards	2,423	2,621	-	-
TWD currency forwards	(172)	(460)	-	-
JPY currency forwards	178	2,702	(97)	901
AUD currency forwards	(3,271)	(3,369)	-	-
COP currency forwards	1,271	-	1,785	-
Currency forwards in other currencies	(230)	(140)	-	977
Forward rate agreements	-	-	(753)	(690)
Measurement at end of period (*)	**(15,343)**	**(23,094)**	**935**	**1,188**

(*) Before considering the related tax effect.

At 30 June 2020, the associate S.E.M. Los Tranvías de Zaragoza, S.A. and Momentum Trains Holding Pty Ltd. keeps registered the effect of certain swaps designated as cash flow interest rate hedges. The negative value thereof attributable to the Group amounted to EUR 16,602 thousand, net of the related tax effect (EUR 11,964 thousand at 31 December 2019, net of the related tax effect).

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

The detail of the periods of expiry of the cash flow interest rate hedges is as follows:

Expiry (in Currency)	30/06/20		
	2020	2021	2022 and subsequent years
Euribor swap (EUR)	-	-	25,000,000
LIBOR swap (USD)	7,727,485	58,988,067	-

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

Expiry (in Currency)	30/06/20		
	2020	2021	2022 and subsequent years
Sales hedges-			
Fair value hedges			
USD currency forwards (*)	292,271,416	80,225,902	1,817,804
GBP currency forwards	123,007,251	79,152,971	243,824,030
EUR currency forwards	159,470	159,470	-
BRL currency forwards	35,380,618	-	-
SEK currency forwards	756,390,044	-	243,404,831
AUD currency forwards	19,598,036	46,119,243	650,949,596
TWD currency forwards	77,422,500	-	-
SAR currency forwards	81,853,950	-	-
MXN currency forwards	1,119,941,022	28,223,313	-
TRY currency forwards	1,540,950	-	-
JPY currency forwards	6,123,888,547	7,665,242,078	-
ARS currency forwards	-	-	-
ZAR currency forwards	-	-	-
NZD currency forwards	2,802,807	-	-
HUF currency forwards	251,891,000	-	-
ILS currency forwards	4,900,000	-	-
Purchase hedges-			
Fair value hedges			
USD currency forwards	11,121,513	22,710,764	23,306,699
EUR currency forwards	5,292,832	-	-
BRL currency forwards	6,439,468	-	-
MXP currency forwards	775,395,404	-	-
JPY currency forwards	173,108,444	867,724,176	-
GBP currency forwards	43,088,390	128,106,592	899,259
AUD currency forwards	-	7,324,559	30,578,510
Purchase hedges-			
Cash flow hedges			
GBP currency forwards	-	-	-
COP currency forwards	-	-	48,000,000,000
JPY currency forwards	-	2,013,128,218	-

(*) Including 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 191,424 thousand, respectively.

Expiry (in Currency)	30/06/19 2019	2020	2021 and subsequent years
Sales hedges-			
Fair value hedges			
USD currency forwards (*)	385,076,142	69,326,857	-
GBP currency forwards	169,418,236	187,334,381	249,852,365
EUR currency forwards	1,978,410	-	-
BRL currency forwards	150,967,814	-	-
SEK currency forwards	964,858,963	86,664,170	-
SAR currency forwards	105,697,729	-	-
AUD currency forwards	60,189,105	10,516,460	691,724,866
TWD currency forwards	77,422,500	-	-
MXP currency forwards	2,626,484,088	15,934,685	-
JPY currency forwards	13,577,622,366	4,081,705,774	-
TRY currency forwards	10,768,377	-	-
ARS currency forwards	122,000,000	-	-
ZAR currency forwards	3,984,534	-	-
Currency forwards in other currencies	47,047	-	-
Purchase hedges-			
Fair value hedges			
USD currency forwards	18,325,232	29,368,736	-
EUR currency forwards	73,333,510	-	-
GBP currency forwards	2,018,120	102,020,370	16,828,000
MXP currency forwards	59,767,000	967,819,596	-
BRL currency forwards	6,391,426	-	-
JPY currency forwards	-	3,294,565,540	-
SEK currency forwards	929,481,842	-	-
AUD currency forwards	-	-	28,078,510
Purchase hedges-			
Cash flow hedges			
GBP currency forwards	22,981,880	-	-
COP currency forwards	-	48,000,000,000	-
USD currency forwards	3,144,596	-	-

(*) Including the 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 199,782 thousand, respectively.

In the first half of 2020 the ineffective portion of the hedging transactions charged to profit or loss of the condensed consolidated financial statements amounted to EUR 145 thousand profit mainly as a result of changes in the estimated amounts of the hedged items.

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

	30/06/20	31/12/19
Non-current assets	17,034	45,001
Current assets	17,011	40,010
Non-current liabilities	(16,100)	(45,777)
Current liabilities	(32,353)	(61,140)
Balance sheet net total	**(14,408)**	**(21,906)**
Fair value	(15,343)	(23,094)
Cash flow	935	1,188
Total derivatives	**(14,408)**	**(21,906)**

17. Segment reporting

The criteria applied by the Parent to define its operating segments are disclosed in Note 6 to the consolidated financial statements for the year ended 31 December 2019. There were no changes in the basis of segmentation used.

The detail of revenue, by geographical area, at 30 June 2020 and 2019 is as follows (in thousands of euros):

Revenue by Geographical Area	Thousands of euros	
	30/06/20	30/06/19
National area	145,014	131,820
International area		
a) European Union		
Euro Area	353,941	367,563
Non-Euro Area	225,154	153,776
b) Others	392,789	612,819
Total	**1,116,898**	**1,265,978**

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

	30/06/20	30/06/19
High-speed	3,800	9,372
Regional and commuter	188,391	337,509
Metros	92,718	123,376
Tram and light rail	212,289	190,992
Bogies, refitting and other	10,196	12,020
Trains	**507,394**	**673,269**
Services	**251,570**	**183,990**
Buses	**228,108**	**263,544**
Wheel sets and components (MiiRA)	**41,881**	**47,466**
Other (*)	**87,945**	**97,709**
Total	**1,116,898**	**1,265,978**

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

The reconciliation of profit (loss) by segment to consolidated profit at 30 June 2020 and 2019 is as follows:

	Thousands of Euros 30/06/20			
	Rolling stock	Buses	General	Total
External sales	888,790	228,108	-	1,116,898
Inter-segment sales	1,437	-	(1,437)	-
Total Sales	**890,227**	**228,108**	**(1,437)**	**1,116,898**
Adjusted EBITDA	**59,051**	**13,547**	**-**	**72,598**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(33,432)	(11,595)	-	(45,027)
EBIT	**25,619**	**1,952**	**-**	**27,571**
Profit (Loss) before tax	**(8,877)**	**(4,109)**	**(9,118)**	**(22,104)**
Income tax				(13,433)
Profit (Loss) for the year from continuing operations				**(35,537)**

	Thousands of Euros 30/06/19			
	Rolling stock	Buses	General	Total
External sales	1,002,434	263,544	-	1,265,978
Inter-segment sales	-	-	-	-
Total Sales	**1,002,434**	**263,544**	**-**	**1,265,978**
Adjusted EBITDA	**102,727**	**13,077**	**-**	**115,804**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(26,104)	(13,064)	-	(39,168)
Adjusted EBIT	**76,623**	**13**	**-**	**76,636**
Non-recurring items (Note 2-d)	(38,540)	**-**	**-**	(38,540)
EBIT	**38,083**	**13**	**-**	**38,096**
Profit (Loss) before tax	**16,308**	**(4,892)**	**(7,582)**	**3,834**
Income tax				(16,878)
Profit (Loss) for the year from continuing operations				**(13,044)**

18. Average headcount

The average headcount at 30 June 2020 and 2019 was as follows:

	Number of Employees	
	30/06/20	30/06/19
Men	11,180	10,031
Women	1,919	1,759
Total	**13,099**	**11,790**

19. Tax matters

The Group calculated the provision for income tax at 30 June 2020 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

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

At 30 June 2020, the Group recognised EUR 59,544 thousand under "Trade and Other Receivables - Other Receivables" in the condensed consolidated balance sheet in relation to balances receivable from public authorities for tax settlements, mainly for VAT (EUR 96,955 thousand at 31 December 2019). Also, the Group recognised EUR 81,256 thousand under "Trade and Other Payables - Other Payables" in the accompanying condensed consolidated balance sheet, mainly in relation to employee personal income tax withholdings, employer social security costs and VAT (EUR 73,807 thousand at 31 December 2019). Lastly, "Trade and Other Payables - Other Payables" and "Trade and Other Payables - Current Tax Liabilities" in the accompanying condensed balance sheet include payables relating to deferred payments to public entities amounting to EUR 12,839 thousand and EUR 391 thousand, respectively.

On 20 June 2017, the Parent was notified by the provincial tax authorities of Guipúzcoa of the commencement of partial tax audits in relation to the income tax of the Parent and of Tax Group no. 03/07/G for 2012 to 2015. The tax group submitted the information required by these tax audits, and the tax inspectors had not made any declaration in this connection at the reporting date. The Group's directors do not expect any liabilities to arise a result of these audits.

20. Explanation added for translation to English

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