Construcciones y Auxiliar de Ferrocarriles, S.A.

Financial Statements for the year ended 31 December 2020 and Directors' Report, together with Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Construcciones y Auxiliar de Ferrocarriles, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

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

Recognition of revenue and margins by reference to stage of completion

Description

The Company engages mainly in the manufacture of rolling stock material and, in relation to long-term construction contracts, as indicated in Notes 11 and 12 to the accompanying financial statements, it generally recognises the revenue and profit or loss on each contract by reference to the estimated stage of completion thereof, obtained on the basis of the hours incurred in the contract as a percentage of the total budgeted hours. The revenue recognised in 2020 on train contracts by reference to the stage of completion amounted to EUR 1,207 million.

Determination of the stage of completion involves a high degree of complexity and estimation by management in relation to, inter alia, the estimation of the total costs to be incurred in each contract, the percentage of the total budgeted hours allocated to each contract or the estimation of the margin taking into consideration the expected revenue and the expected contract costs.

Therefore, the recognition of revenue and margins by reference to the stage of completion was a key matter in our audit.

Procedures applied in the audit

Our audit procedures included a combination of tests on the operating effectiveness of the relevant controls that mitigate the risks associated with cost allocation in the projects, as the basis for estimating the total costs yet to be incurred, and substantive analytical tests and tests of details. In this regard, we performed, inter alia, tests to verify that the aforementioned controls operated effectively, including the information system controls, for which we involved our internal technology and systems experts.

Also, we performed a detailed and case-by-case analysis of a selection of the main projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Company, for which purpose we held meetings with Company personnel. In addition, we reviewed the consistency of the estimates made by the Company in 2019 with the actual data for 2020 and conducted other substantive procedures such as: detailed perusal of the most significant contracts and analysis thereof with management in order to obtain an appropriate understanding of the terms and conditions agreed upon; analysis of whether the revenue had been properly recognised, taking into account the contractual terms and obligations vis-à-vis the customers; tests of details on a selective basis aimed at evaluating the reasonableness of the estimates made by management, and the review of the most sensitive assumptions; and the performance of combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the revenue accounts.

Notes 11, 12 and 19 to the accompanying financial statements contain the disclosures and information relating to the Company's revenue recognised by reference to the stage of completion.

Provisions and contingent liabilities arising from commercial contracts

Description

It is standard practice in the industry in which the Company operates for long-term construction contracts to provide for significant penalties arising primarily from not meeting delivery deadlines or from breaches of other contractual obligations, as well as of obligations of any other kinds relating to its activities that require the recognition of liabilities.

The estimation of the provisions required is a key matter in our audit because normally this type of breach comes to light in the framework of negotiations with the customer in order to acknowledge the incidents or modifications that usually cause the delays or breaches of the terms and conditions accepted during the performance of contracts.

As described in Note 17 to the accompanying financial statements, the provisions recognised by the Company to cater for these obligations amounted to EUR 142 million at 31 December 2020. Also, Note 22 details the contingent liabilities arising from the litigation involving the Company and its customers.

In this connection, the assessment performed by management to determine, if appropriate, the recognition of those obligations is complex and involves the use of a significant level of judgement based on assumptions with respect to possible events occurring during the product construction process, including the identification of causes not attributable to the Company.

Accordingly, the situation described was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, obtaining and analysing the detail of the estimates made by management in relation to the situation of each project and the provisions recognised. For a sample of contracts, obtained on a selective basis, we performed substantive procedures aimed at evaluating the reasonableness of the estimates made by management by comparing those estimates with the terms and conditions included in the aforementioned contracts and with the obligations arising therefrom, the circumstances prevailing in those contracts and historical experience.

In addition, we compared the estimates made with the legal documentation (the contract itself, legal opinions, confirmation letters from lawyers, etc.), involving our internal infrastructure project specialists in order to evaluate, in certain significant projects, the assumptions made by management, and with the correspondence with customers in order to evaluate the reasonableness of the judgements applied in relation to the completeness of the provisions recognised. We also performed analytical procedures to review the consistency of the estimates made by the Company in 2019 with the actual data for the contracts in 2020.

Lastly, we also evaluated the adequacy of the disclosures provided in the financial statements (see Notes 17 and 22).

Measurement of investments in Group companies and associates	
Description	**Procedures applied in the audit**
As detailed in Note 9, the Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, and has granted loans thereto. Each year the Company reviews the indicators of impairment and, where appropriate, estimates the recoverable amount of these ownership interests and loans. The estimation of the recoverable amount of those ownership interests and loans requires, in the case of investees for which management has identified indications of impairment, the use of significant judgements and estimates by management, both in determining the valuation method and in considering the key assumptions established for each method in question (future sales performance, use of discount rates, etc.). These matters, as well as the significance of the investments, which are the sum of the ownership interests in the share capital of Group companies and associates and the loans granted thereto, led us to consider the measurement of these ownership interests and loans to be a key matter in our audit.	Our audit procedures included, among others, the review of the analyses conducted by management to identify indications of impairment. We obtained and analysed the impairment tests performed and other valuation-related evidence gathered by Company management, where management identified indications of impairment of the aforementioned ownership interests, verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investments held. For this purpose, we analysed the consistency of the future cash flow projections with the budgets and with respect to the outlook for the industry, as well as with historical information on the investees. In this context, we analysed the reasonableness of the main assumptions used. These key assumptions include the discount rate used, which our internal experts evaluated based on general market indicators, and the long-term growth rate, the reasonableness of which was evaluated by checking the calculations detailed by the Company. Lastly, we checked that the disclosures included in Note 9 to the accompanying financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2020, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description in the Appendix forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 25 February 2021.

Engagement Period

The Annual General Meeting held on 15 June 2019 appointed us as auditors for a period of two years from the year ended 31 December 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Mugica
Registered in ROAC under no. 18694

25 February 2021

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

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

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

2020 DIRECTORS' REPORT

OF

THE COMPANY

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

INDEX

DIRECTORS' REPORT

1 - CAF GROUP BUSINESS MODEL AND OUTLOOK

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

With multiple activities and plants and a leader in the railway industry, the Group offers its customers one of the widest and most flexible product ranges in the market, from integrated transport systems to rolling stock (railway and bus), components, infrastructure, signalling and services (maintenance, refurbishment and financing). All this value offer is available on the corporate website.

- In railway rolling stock, which constitutes its main historical activity, the Group offers a wide range of products that includes, among others, from high-speed trains, to regional and commuter trains (diesel and electric), metros, trams and LRVs or locomotives.
- With regard to buses, the Group offers a wide range of zero-emission full-battery and hydrogen fuel cell powered buses that maintained their leadership position in Europe in 2020 (Solaris received the Global e-Mobility Leader award for its contribution to the development of zero-emission transport across the world). Its product range is completed with low-emission buses powered by conventional combustion engines, although their importance in Solaris' activities is decreasing, a reflection of the market trend.
- In order to increase its value offering in sustainable mobility and contribute to decarbonisation, CAF is adopting a significant role in hydrogen solutions, such as the following:
  - Railways: Europe has chosen the consortium led by CAF to develop a hydrogen train prototype
  - Buses: Solaris has joined the European Clean Hydrogen Alliance

The Group provides services to the most diverse customers all over the world: from private or public municipal and regional or national bodies, to other rolling stock manufacturers and private systems operating or maintenance companies, including complex corporate structures in conjunction with entities with a financial profile.

With a strong presence in the international market and with particular focus on Europe, the Group has various factories in countries such us Spain, Poland, UK, France, the US, Mexico and Brazil. The Group also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. This information can be found on its corporate website. This close relationship with customers allows the Group to produce more efficiently and provide an excellent range of assistance and maintenance services.

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

Experience in global sustainable mobility

› 200 rolling stock projects   > 20,000 buses   › 50 markets

2020 was a year marked by the pandemic. It should be noted that rapid execution of the contingency plan, combined with the close relationship with stakeholders, enabled CAF to significantly mitigate the impact of COVID-19 in 2020. The measures adopted by the Group are explained in the non-financial information statement (NFIS).

In the next few years, with the reservations concerning the evolution of COVID-19, the Group aims to recover the levels of profitable growth prior to the pandemic and improve its sustainability rating.

The main reasons supporting these expectations are as follows:

- Perspectives for recovery of the railway and urban mobility transport sectors. These perspectives have been ratified by the UNIFE 2020 World Rail Market Study in the case of railways.
- Continuous development of urban e-mobility in which CAF is well positioned with its combined offering (railway and bus).
- Inherent sustainability of railway transport in general.
- Firm commitment of authorities to sustainable mobility, through the impetus of the European Green Deal, as part of the European Restructuring Plan, in which the Group aims to maximise its participation.
- CAF's positive rating from, and relationship with, all its stakeholders.
- Systematic, recurring application of expense containment programmes, as well as cost and inventory reduction.
- Roll-out of the Corporate Management Model as a tool for obtaining synergies and improving Environmental, Sustainability and Governance (ESG) indicators, following the principles and commitments stated in our Sustainability Policy.

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

- Making progress in integrated digitalisation and cybersecurity for our processes, products and services.
- Continuing investments in the technological development of sustainable mobility solutions such as hydrogen, energy accumulation, eco-design, etc. in which the Group is a leader.
- Consolidating our value proposal for customers through the commercial and technical development plans of our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, CAF MiiRA and CAF Engineering & Modernizations, among others) in order to diversify our integrated mobility offering.
- Consolidating our international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.

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

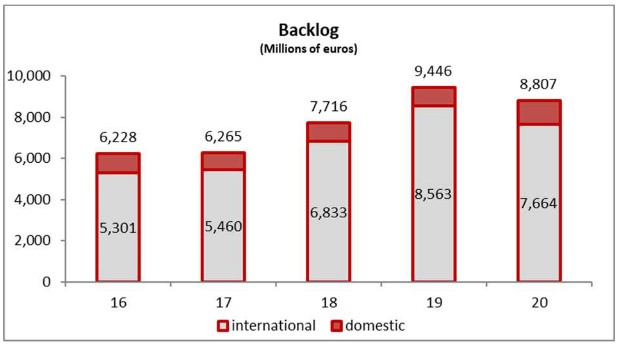
2 - BUSINESS PERFORMANCE AND RESULTS

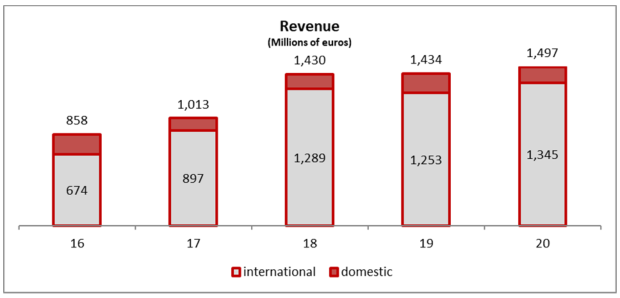
Main indicators (*)

Figures in millions of euros	2020	2019	Change (%)
Contracts-(**)			
Backlog	8,807	9,446	-7%
Contracts in the year	2,123	4,066	-48%
Profit and Cash-Flow-			
Revenue	1,497	1,434	4%
EBITDA adjusted	-0.1	61.8	-100%
Profit for the year	-49.1	2.0	-2555%
Cash-Flow	-33.2	25.9	-228%
Equity	582	663	-12%
Proposed dividend per share	0.000	0.842	-100%

(*) The indicators' definitions are included in the "Alternative Performance Measures" section.
(**) Information on the consolidated group.

- Contracts totalled EUR 2,123 million, despite the slowdown in award processes.
- The backlog stands at EUR 8,807 million, remaining at high levels despite the increase in revenue and fewer new contracts. This figure guarantees that the Group will be able to continue to carry on its normal activity and consolidate its excellent position to once again reach record highs in terms of the awards of contracts forecast in the railway market in 2021.
- The results for 2020 were affected by the COVID-19 outbreak, which had an impact on both the Company's operations (mainly in the first half of the year) and its financial results, due mainly to exposure to foreign currency risk.





3 - RAILWAY SEGMENT

COMMERCIAL ACTIVITY

Marked by the COVID-19 pandemic on a global level and the restrictions on people's movement, 2020 could be called a "metric year" in our particular railway history. 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. Secondly, the epithet "metric" could also be given to the year as a result of the new contracts with Renfe, Euskotren and Mitsubishi Corporation, involving a total of 82 units, all of which are metric-gauge, and the manufacture of more than 350 cars.

In the only project it awarded for the supply of rolling stock in 2020, Renfe entrusted our company with the development of the two batches of metric-gauge trains, the tender process for which began in 2019. This included a total of 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 Cercanías commuter train line C-9 service in the centre 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.

To provide service on its rail network, Euskotren has chosen CAF to manufacture 4 new electric units making up the Series 980, which will operate alongside the Series 900 and Series 950, currently in service and also manufactured by us in the past.

Mitsubishi Corporation has once again shown its trust in CAF, displayed in the past in projects such as Line 1 of the Manila Light Rail Transit System in the Philippines, the Istanbul Metro and the construction of a transport system in Canberra, Australia. On this occasion, the project is backed and financed by the Japanese Government and was formalised by the Ministry of Transport and Communications of the Republic of the Union of Myanmar. Our units will service the circular railway of Yangon, which is the country's most important commercial city, and also on the line that joins the city to the capital, Naypyidaw, and to Mandalay, the second most important commercial centre after Yangon.

Returning to the signalling business, and to 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 Malaga.

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 several customers. 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. An agreement was also reached to increase the fleet to 54 units in the province of Utrecht.

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 Belgium, the Flemish bus and tram public operator, De Lijn, exercised one of the extension options included in the contract signed in 2017, increasing to 40 the tram units to service the city of Antwerp and to 88 the total number of trams to be supplied to date.

The various initiatives taken in the maintenance business line have been proven fruitful as contracts have been obtained throughout Europe and in the American continent.

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, 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.

In Northern Ireland, CAF finalised an agreement to extend its maintenance contract for 15 years with Translink, the Northern Ireland public railway operator, for its Series 3000, thereby making us its only maintenance company for this Series in the 30 years it has been in operation.

In Italy, AMAT S.p.A, the Palermo public entity in charge of managing transport in Sicily's capital city, engaged CAF to carry out the maintenance for the next four years of its fleet of trams serving the city, one of the most modern tram systems in Italy.

The Medellín metro awarded CAF the long-cycle maintenance checks for 35 units manufactured by our Company. This contract will mean the continuation of the activity already carried out from the date these units were placed into operation.

In Spain, the Malaga Metro engaged us to provide the maintenance service for the next five years, and Ferrocarriles de la Generalitat Valenciana chose CAF to undertake the average-life maintenance service for the motor bogies and push-pull cars of the units of Metrovalencia's 4300 Series trains.

Lastly, but by no means less importantly, the Fuel Cells and Hydrogen Joint Undertaking (FCH JU), the European Commission agency charged with boosting development of fuel cell and hydrogen energy, selected the proposal led by CAF, together with a large group of companies of the calibre of Renfe and Adif, to name just two, to develop a hydrogen train prototype (H2020). In its various phases, this project will encompass the design and manufacture of an innovative prototype, as well as the testing required for its validation and approval. The aim is to obtain a zero-emission product that can compete, in terms of operating performance, with current diesel trains, both new design and refurbished vehicles.

Enterprising initiatives, such as the initiative recognised by the European Commission, are a source of pride and recognise our role as an active force in the fight for decarbonisation and our efforts to provide sustainable mobility solutions that respect the environment.

INDUSTRIAL ACTIVITY

With a total of 1,024 cars manufactured, 2020 ended with remarkable figures for the CAF Group's industrial business. Together with the more than 54,000 wheels and other rolling stock components dispatched to more than 20 countries worldwide, the figures were among the best in recent years.

Several manufacturing projects were completed in 2020. These included the two projects with the UK operator Northern Arriva which took delivery of the last 6 DMU (Diesel Multiple Unit) trains, plus the 6 EMU (Electric Multiple Unit) trains of the 58 trains of the first type and the 43 of the second type that had been ordered. The list also includes the contract for 24 LRVs (Light Rail Vehicles) entered into with the US city of Boston, to which the last 7 trains were delivered, as well as the 27 trains completing the 118 of the first contract signed with the Dutch operator, Nederlandse Spoorwegen, the 2 trains completing the 8 ordered under the contract with the Norwegian customer, Flytoget, and the 11 trains completing the order of 15 units for the Auckland commuter train network in New Zealand.

The 13 trams for Stockholm, in the three-module and four-module formats included in the order for 20, the 7 units for the city of Lund and the 5 LRVs for Mauritius completing the contract for 18 trains also make up this group.

These are some of the 25 projects that were carried out in 2020 at the Group's various production plants. The rest began the early phases of manufacture in 2020 or continued, having commenced in prior years, as is the case of the 12 push-pull cars built for the US operator Amtrak, 3 trains for the Brussels Metro of the 22 ordered, the first 5 trains manufactured for Naples, the first 5 trains of the 30 ordered, in the eight-car format for Manila, 11 medium distance trains for the West Midlands area of the UK, 27 trams, making 33 manufactured of the total 72 ordered by the city of Amsterdam, 11 trams completing the first delivery batch for Luxembourg and 14 trams of the contract for 22 trams for the city of Utrecht.

Also at this stage is the contract for 12 trains for Schönbuchbahn, with the manufacture of the first 4 trains completed, or the first 17 Civity trains for the extension of 88 units ordered by the Dutch operator NS mentioned above.

Lastly, although they are still at an early stage of manufacture, preliminary operations having commenced, there are other projects, such as the project for Maryland in the US for a total of 26 units, the first structural substructures for the contract for 30 units for the Amsterdam Metro or the first manufacturing stages of the project for 20 trams for the city of Liège, as well as the first phases of construction of the push-pull cars for the contract with the Northern Ireland operator NIR.

The most important products manufactured in 2020 were as follows:

No. of Vehicles

High-speed for Flytoget	8
Long-distance Amtrak cars	12
Medium-distance Northern by Arriva DMUs (two-car units)	6
Medium-distance Northern by Arriva DMUs (three-car units)	9
Medium-distance Northern by Arriva EMUs (three-car units)	18
Medium-distance West Midlands (two-car units)	14
Medium-distance West Midlands (four-car units)	16
Commuter trains for NS (three-car units)	69
Commuter trains for NS (four-car units)	16
Extension of commuter trains for NS (three-car units)	27
Extension of commuter trains for NS (four-car units)	32
Commuter trains for Auckland	33
Napoles metro	30
Barcelona s/5000 metro	30
Barcelona s/6000 metro	15
Bruselas metro	18
LRV for Boston	21
LRV for Schönbuchbahn	12
LRV for Mauricio	35
LRV for Manila	40
Trams for Budapest (five-module units)	60
Trams for Budapest (nine-module units)	9
Trams for Utrecht	98
Trams for Luxembourg	77
Trams for Amsterdam	135
Trams for Stockholm (three-module units)	33
Trams for Stockholm (four-module units)	8
Trams for Freiburg	14
Trams for Lijn	65
Trams for Oslo	15
Trams for Lund	35
Trams for Vitoria-Gasteiz	14
TOTAL	**1,024**

BOGIES

With mechanic-welded chassis	1,308

WHEEL SETS AND COMPONENTS UNITS – (MiiRA)-

Assembled axles (power car + push-pull car)	5,445
Loose axle bodies	8,387
Monoblock wheels	54,882
Elastic wheels	2,997
Couplers	706
Gear units	2,790
Bandages	718

R&D+i ACTIVITY

The CAF Group's new Innovation Plan for 2020-2021 was defined in the first months of 2020, which is aligned with the Strategic Plan.

The Innovation Plan of the CAF Group rail segment envisages a total of 166 projects, 115 of which are in the Corporate R&D Plan and 51 are in the Product Plans of the various businesses.

The aforementioned projects obtained funding through grants for R&D activities from the following entities:

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

Projects in which CAF, CAF I + D and different subsidiaries participate have been promoted in the Plan implemented, having continued to collaborate very intensively with different technology centers and universities.

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

- Specific rolling stock products.
- Digitalisation: projects using Big Data, artificial intelligence and digital twin technology to gather and process data obtained in service for use in product and maintenance enhancements.
- Sustainable vehicles and energy management, which include projects related to the reduction and optimisation of consumption on trains and in the global system, and the development of alternative propulsion systems to diesel, such as those based on battery energy storage and hydrogen fuel cells.
- Signalling (on-board and fixed).
- Development of technologies for autonomous driving.
- Virtual validation and approval environments.
- Specific products and developments using basic rolling stock technologies, traction, wheel sets and axles, gear units, control and communications, maintenance, etc.

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

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

- 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.
- REALTRAIN, which is part of CAF's strategic digitisation 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.

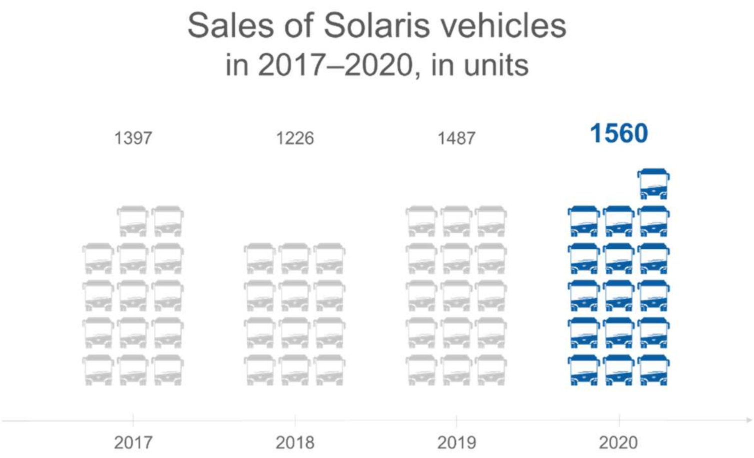
The most significant engineering projects undertaken in 2020 were as follows:

- Trams for Amsterdam (The Netherlands)
- Locomotives for the RATP (France)
- Electric multiple units for Schönbuchbahn (Germany)
- Automated metro for STIB (Brussels)
- DMUs for West Midlands (UK)
- Metro Napoles (Italy)
- LRVs for Manila (Philippines)
- Metro Barcelona (Spain)
- Metro Amsterdam (The Netherlands)
- Trams for Oslo (Norway) and Lund (Sweden)
- Extension trams Freiburg
- Tram of Liège
- DMUs for Wales & Borders (Keolis)
- Intermediate cars and rehabilitation of Units for NIR
- Tram for Parramatta
- Refurbishment of Units Metro of Medellin
- Extension of Units Civity for NS (The Netherlands)
- Trams for Lijn (Antwerp)
- Units of Metro for Docklands (London)
- DEMU Long Regional for Transport of New South Wales (TfNSW)
- Tram of Birmingham
- Tram of Jerusalem
- Trains TET AMLD SNCF
- Metric-gauge and Alpine trains (Cercedilla – Los Cotos) for Renfe

4 - BUS SEGMENT - SOLARIS

In 2020, most economies in the world had to face unprecedented challenges. The past few months have also been difficult for the European public transport sector and companies manufacturing vehicles in this sector of the automotive industry. The COVID-19 pandemic and related restrictions prompted Solaris to establish special procedures and to develop solutions to maintain the continuity of its business activities. However, the company has proved that, even in the toughest of times, it keeps promises made to its clients and business partners. The great deal of effort the whole organisation and its employees have put into continuing its activities and implementing protective measures have thus yielded tangible results.

In 2020, Solaris recorded a substantial increase in sales and revenues and, what is more, all these were record numbers. In 2020, a new record for the number of sold vehicles was established, 1,560 units, which is the highest number ever achieved in Solaris' 25-year history. Compared to 2019, this represents a rise of nearly 5% (1,487 units in 2019).

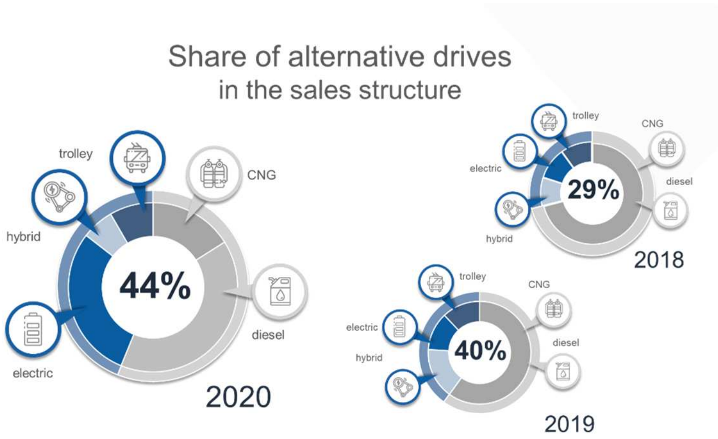


In the period in question, Solaris buses and trolleybuses made their way to carriers in 19 countries. The largest numbers of vehicles were delivered in 2020 to Germany, Poland, Italy, Estonia, Czech Republic, Israel, Switzerland and Spain.

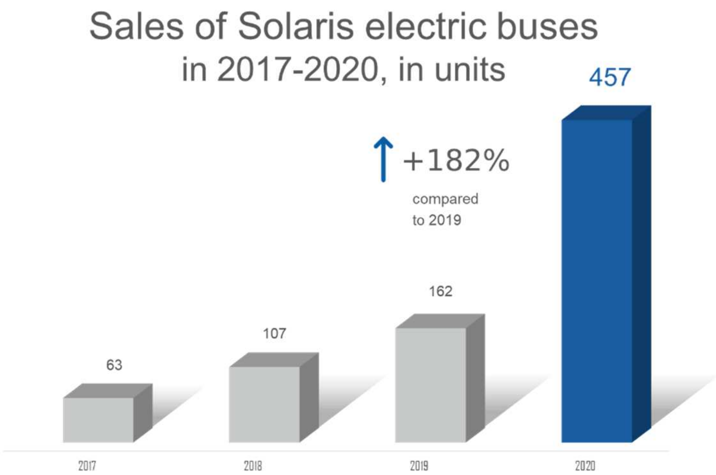
Moreover, 2020 was a record year for Solaris in terms of the number of vehicles sold in Germany. The bus manufacturer supplied a total of 329 vehicles to German public transport operators, out of which 40% were 12- and 18-metre (articulated) battery electric buses.

Also worthy of note is that Solaris became the market leader for low-floor city buses in Poland for the 18th year in a row, by achieving a 53% share in this segment. This translates into a year-on-year increase in the company's market share in Poland of 11% (42% in 2019). The Solaris buses sold in Poland in 2020 included primarily electric buses (194 out of 365 units sold in total). The whole fleet of Urbino electric buses in Poland amounts to over 320 vehicles, supplied to 27 towns and cities, i.e. they make up as much as 90% of all e-buses in the country.

Importantly, in 2020 Solaris recorded a particularly impressive growth in sales of buses with low- and zero-emission drives. In 2018, hybrid buses, e-buses and trolleybuses constituted in total 29% of all vehicles sold by the manufacturer. In 2019, this figure stood at 40%. This trend was continued in 2020 leading to the number of sold vehicles with alternative drives growing to up to 44%. Dynamic growth in the share of electric buses in the production and sales mix of Solaris is consistent with the long-term development strategy of the firm.



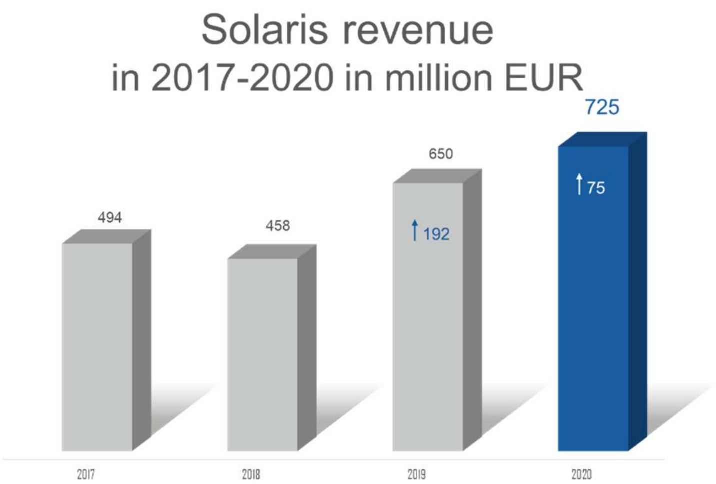
In 2020, Solaris was the largest manufacturer of city e-buses in Europe, claiming a share of 20%. Last year, the company supplied a total of 457 electric buses. This was nearly three times more than in the previous year, when 162 Urbino electric units, made their way to clients.



The biggest contracts for the supply of electric buses executed in 2020 included a delivery of 130 articulated Solaris Urbino electric buses for public transport operator Miejskie Zakłady Autobusowe in Warsaw, 90 Solaris Urbino electric buses for operator ATM in Milan, and 106 e-buses for Berlin-based public transport company BVG.

Also noteworthy is the fact that the jubilee Urbino bus, i.e. the 20,000th vehicle produced since 1996 (i.e. since the founding of the company), was one of the 130 e-buses delivered to operator MZA in Warsaw. So far, Solaris buses have been delivered to 32 countries and over 750 towns and cities. The impressive number of 20,000 consists of, among other things, over 1000 e-buses that already cruise along streets in 18 countries, operated by almost 100 European carriers.

The higher share of innovative battery and hybrid technologies in the sales volume in 2020, as well as the company's intensified activities in the areas of after sales service and spare parts sales, are reflected in a considerable increase in the company's revenues. Last year, they amounted to over EUR 725 million, (EUR 650 million in 2019).



In 2020, the manufacturer won significant tenders for the delivery of electric buses in 2021 or later. The order book for 2021 contains, among other things, 50 articulated Urbino electric buses for operator MPK in Cracow, 37 e-buses for operator MPK Poznań, and 16 zero-emission buses for the Romanian city of Craiova. Solaris also made it onto the shortlist of suppliers to deliver up to 530 electric buses for German operator Hamburger Hochbahn. The carrier from Hamburg only placed its first order for 10 electric buses in 2020. In 2021 Solaris e-buses will be also delivered to operators from France, Latvia, the Netherlands, Spain, Italy and Switzerland.

The contribution of Solaris to the development of the e-mobility market was appreciated in 2020, for instance, by the organisers of the Global E-mobility Forum. During the event, which gathered representatives of governments, scientists and world industry leaders, the company was awarded the title of Global e-mobility leader 2020.

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

According to market forecasts, the hydrogen-fuelled city bus segment will grow dynamically in Europe over the next 10 years. Having won several significant tenders for the delivery of hydrogen vehicles in 2020, the company has proved that it is ready for the market's fast-changing needs. The bus maker secured orders for the supply of hydrogen buses from operators in the Germany, the Netherlands, Italy and Sweden.

The development of new products and commencing their serial production, as well as the sale of cutting-edge solutions, are naturally key elements that account for Solaris' market advantage in Europe. In 2020, the company presented a completely new type of electric bus measuring 15 metres. The low-entry Solaris Urbino 15 LE electric bus opens a new chapter in the development of the Solaris brand, as from now on the Urbino electric can go beyond city boundaries. This is also a breakthrough moment for intercity transport as regards its transition to emission-free mobility. The tri-axle Urbino bus is the first product in Solaris' electric range that meets the requirements for both the first and second vehicle class, and also for both these classes at the same time. This means that the bus can be operated both as a city bus and on intercity routes. Thanks to the batteries' high energy density, the vehicle can cover a distance of up to several hundred kilometres on a single charge in real-life conditions. This solution will make it possible for operators to plan zero-emission routes not only within city confines but also beyond them.

Another brand new product unveiled by Solaris last year was a mild hybrid model. Diesel-electric drives as such are nothing new in the Solaris range. The first Urbino hybrid bus was unveiled in 2006. Back then, Solaris was the first European producer to offer a serially produced bus with a hybrid (diesel-electric) drive. However, the mild hybrid is a novel solution. It is a response to the needs of public transport operators for innovative urban transport vehicles which minimise the impact of such transport on the natural environment, while at the same time allowing them to reduce fuel consumption and to generate considerable savings. This type of drive was developed by using recuperation technology in buses - a technology that uses energy generated during braking. Thanks to it, mild hybrid vehicles release less pollutants and are more environmentally friendly than required according to restrictive Euro 6 emissions standards for diesel engines. The launch of the mild hybrid model has enriched Solaris' existing portfolio when it comes to low-emission vehicles: the Urbino hybrid and the Urbino CNG.

The year 2020 and the COVID-19 pandemic posed new challenges to many companies from the public transport sector. For public transport operators, new needs concerning improving the safety of passengers and drivers have emerged. Solaris responded to these needs very swiftly and in July 2020 it unveiled an "anti-coronavirus" package to minimise the risk of infection among those who have to travel during the pandemic. The solutions have been devised for both newly manufactured vehicles, as well as those which have already been delivered to clients.

All of the proposed solutions have already been tested in real-life urban conditions. What is more, Solaris has also drafted detailed recommendations for its clients regarding the use and maintenance of ventilation and air-conditioning in buses. These concern, among other things, the frequency and manner of washing and of disinfecting the air-conditioning, or the exchange of filters and the compatible types. Thanks to these instructions, it is possible to enhance the safety of passengers and to limit the risk of spreading infections in the bus.

In addition to new products that Solaris launched on the market in 2020, a development project initiated by the company called "A second lease of life for batteries" is also worth mentioning. A consortium comprised of Solaris and Impact Clean Power Technology S.A., in collaboration with TAURON Polska Energia, will implement a project titled "Second Life ESS" with the aim of creating a prototype system to store electric energy based on retired bus batteries. The project is being co-financed by the National Centre for Research and Development [NCBiR]. The aim of the project is to utilise lithium-ion cells whose parameters are no longer optimal when it comes to supplying power to vehicles. But thanks to their integration in energy storage systems, they may gain a second lease of life. Thus, the life cycle of batteries that are not disposed of, but reused, is prolonged. A storage system made of used batteries constitutes an important component of the modern grid, combining the generation of energy from conventional and renewable sources with its storage and supply to the final customer. What is more, modern battery storage solutions contribute to grid stability, with a steadily increasing share of renewable energy sources.

They also boost the quality of electricity supplied and support the development of e-mobility and micro-grids. The work, aimed at developing an energy storage prototype system, is due to be completed in 2022.

The year 2020 was a time of unprecedented challenges for many companies, including those from the public transport sector. Even though the continent had to deal with the pandemic from the beginning of the year, Solaris made every endeavour to maintain the continuity of its business activities. Owing to the fantastic and responsible attitude of its employees as well as excellent collaboration with its clients and business partners, Solaris has finished this year with record sales numbers. The company has proved to its clients that they can rely on Solaris even in the toughest of times.

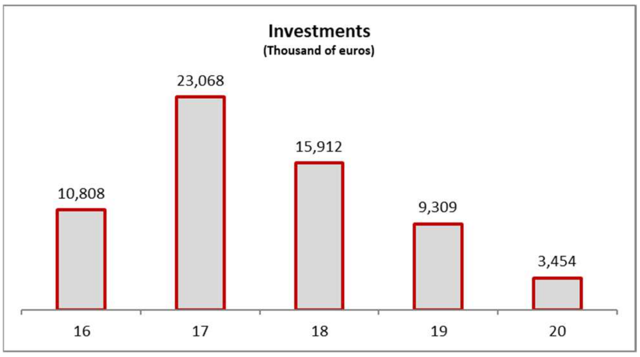
5 - INVESTMENTS

Capital expenditure by the Company in 2020 amounted to EUR 3,454 thousand. The most salient investments in 2020 are as follows:

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, which will lead to a reduction in costs and greater project efficiency. In addition, a new cooling facility was implemented in one of the heat-treatment lines, also for the purpose of automating it, thereby improving the control and quality of the process.

As regards the manufacture of trains, the most salient investments in the plan to transform the production model currently underway in the train manufacturing area included the acquisition of equipment for the bogie multiproject manufacturing lines in order to increase efficiency in this operation, the modernisation of the equipment and facilities in the finishing area and the start of work at the Zaragoza plant to adapt and equip a new building where production of the car body structures for the Urbos platform trams will be centralised.

In the digital area, the CAF Group continued with the renewal of the infrastructure for the extension of its storage capacity and the improvement of data processing, without neglecting investment in the security of both the internal and the perimetral network, and increasing capacity and availability in the communication environment.



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;
- Defending the interests of 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 of each of them.

4. Risk assessment based on the defined risk appetite;
5. The measures envisaged to address the risks; and
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 the Group is facing can be categorised as follows:

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

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

- Market risk, which includes the following risks:

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

    - Foreign currency risk: risk arising from fluctuations in exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of assets and liabilities denominated in foreign currency.

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

- Credit risk: this risk relates to doubtful debts, insolvency proceedings or bankruptcy or possible default on payment of quantifiable monetary obligations by counterparties to which the Group has actually granted net credit that is yet to be settled or collected.

- Liquidity and financing risk: in relation to liabilities, it is the risk tied to the impossibility of performing transactions or breach of obligations arising from operating or financing activities due to a lack of funds or access to financial markets, either because of a drop in the company'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.

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

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

• Operating Risks: inherent to all 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 Parent'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 company'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.).

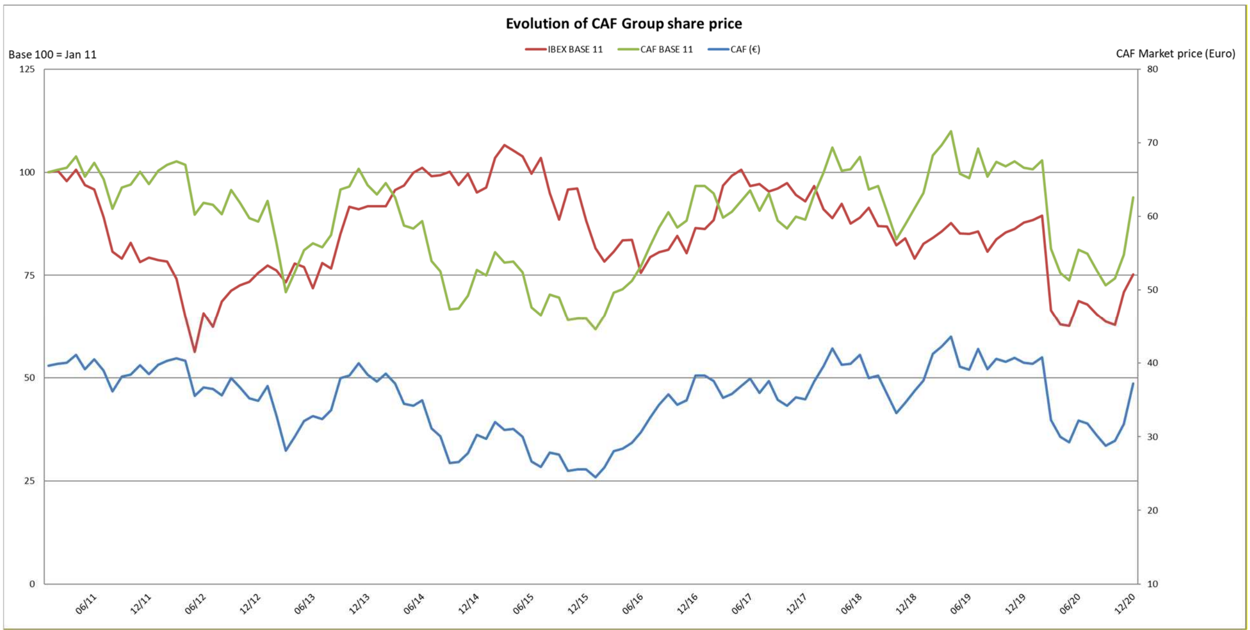
Due to its global risk scope, the Integrated Risk Management and Control System is continuously updated to include new risks that might affect the Group as a result of changes in the environment or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and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

Mention must be made of the emergence of COVID-19 at global level in 2020. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

Similarly, in 2020 the monitoring and control relating to the measures and action plans established to mitigate the consequences of Brexit continued. The most significant measures focused on reducing the operational risks of the projects for impacts as a result of changes in customs and/or import tariff procedures and the movement of people in various Brexit scenarios.

7 - STOCK MARKET INFORMATION

	2020	2019	2018	2017	2016
Market price-					
Market capitalisation at year-end (millions of euros)	1,346	1,406	1,241	1,172	1,313
Closing price (euros)	39.25	41.00	36.20	34.18	38.30
Low (euros)	25.20	35.30	31.30	32.22	20.66
High (euros)	43.30	44.90	43.60	39.50	38.39
Data per share (euros)-					
Earnings per share (EPS)	0.26	0.72	1.27	1.24	1.02
Dividend per share	0.00	0.842	0.765	0.66	0.58
Market ratios-					
PER (average market price/EPS)	127.70	56.34	30.14	29.06	30.30
Market average price/EBITDA adjusted	5.71	5.72	6.50	6.84	7.84
PBV (average market price/BV)	1.82	1.90	1.74	1.64	1.37
Dividend yield	0%	2.07%	2.00%	1.84%	1.87%
Pay-out ratio (Dividend/EPS)	0%	117%	60%	53%	57%
Liquidity ratios-					
Free-float rotation	70%	47%	65%	71%	89%
Traded volume (millions of shares)	11.3	8.4	10.8	11.8	15.6



8 - EVENTS AFTER THE REPORTING PERIOD

As in December 31 of 2020, there was a firm order book, net of the amounts corresponding to interim billings, for an amount of approximately 8,807,278 thousand euros (9,446,468 thousand euros as of December 31, 2019) (Note 12).

In January 2021, the RATP transport operator selected the consortium formed by CAF and Bombardier as the preferred bidder to supply 146 trains to be operated jointly by RATP and SNCF on the RER B suburban line that crosses Paris from North to South. This selection was ratified in February 2021.

9 - ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2020 neither Construcciones y Auxiliar de Ferrocarriles, S.A. nor its subsidiaries purchased or held treasury shares.

10 - PAYMENTS TO SUPPLIERS

The average period of payment to suppliers in 2020 was 86.34 days. In order to reduce this period to the maximum payment period established by Law 11/2013, the Company is making an effort to align events giving rise to payments with those giving rise to collection in order to reduce the payment time without losing the necessary liquidity.

11 - ALTERNATIVE PERFORMANCE MEASURES

Backlog: this represents the volume of firm orders that will be recognised in the future under "Revenue" in the 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, buses and services, obligations are deemed to arise when the parties sign the agreement.

Contracts in the year: this includes firm orders in the year and potential modifications to orders from prior years, 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.

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

Cash-Flow: the CAF Group's cash flow is calculated by deducting from "Profit for the Year" in the 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".

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

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

NON-FINANCIAL INFORMATION STATEMENT

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

12 - ANNUAL CORPORATE GOVERNANCE REPORT FOR 2020

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

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE	31/12/2020
TAX ID (CIF)	A20001020

Company name:
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Registered office:

JOSE MIGUEL ITURRIOZ, 26 (BEASAIN) GIPUZKOA

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the company's share capital:

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

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

[ ] Yes
[√] No

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	24.56	0.00	0.00	0.00	24.56
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, S.L.	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
NORGES BANK	3.04	0.00	0.22	0.00	3.26
INVESCO LIMITED	0.00	1.02	0.00	0.00	1.02

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, S.L.	5.00	0.00	5.00
INVESCO LIMITED	GROUP'S COMPANIES	1.02	0.00	1.02

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

Most significant changes

On 12 March 2020, DANIMAR 1990, S.L. reached the threshold of 5% of the share capital.

On 14 April 2020, the ownership interest of EDM GESTIÓN, Sociedad Anónima Unipersonal, S.G.I.I.C. dropped below the threshold of 3% of the share capital.

On 22 June 2020, NORGES BANK exceeded the threshold of 3% of the share capital.

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANE AGIRRE ROMARATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.00

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
No data					

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

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

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

Name or company name of related party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A	Contractual	Workers' share instrument in CAF's share capital
KUTXABANK, S.A.	Corporate	Creation of an Economic Interest Grouping for projects with Metro of Barcelona

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

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

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	KUTXABANK, S.A.	Ms Zenarrutzabeitia is a member of the Board of Trustees of several Voluntary Social Welfare Entities (EPSVs) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	Mr Domínguez de la Maza is a member of the Board of Directors of INDUMENTA PUERI, S.L. as well as joint and several attorney-in-fact of the latter and of GLOBAL PORTFOLIO INVESTMENTS, S.L.

Ms Idoia Zenarrutzabeitia Beldarrain has been appointed as Propietary Director by proposal of the significant shareholder KUTXABANK, S.A., on 13 June 2020, replacing the director Mr José Antonio Mutiloa Izaguirre whose position expired on 11 June of the same year.

Furthermore, Mr. Manuel Domínguez de la Maza was also appointed as Proprietary Director of the Company, under the resolution of the Annual General Meeting of the same date, in representation of the significant shareholder INDUMENTA PUERI, S.L.

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

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

[ ] Yes
[√] No

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

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(*) Through:

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

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

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

Also, the Annual General Meeting held on 2 June 2018 resolved to empower the Board of Directors to increase the share capital through the issuance of new shares against monetary contributions over a period of five (5) years and up to half of the amount of the share capital, pursuant to Article 297.1.b) of the Spanish Limited Liability Companies Law.

A.11 Estimated floating capital:

	%
Estimated floating capital	47.09

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

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

[ ] Yes
[√] No

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

B. GENERAL SHAREHOLDERS' MEETING

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

The regime for modifying the Company Bylaws does not present differences with respect to the provisions of Articles 285 et seq of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 july, which require the approval of the Annual General Meeting with the majorities indicated in Articles 194 and 201 of that Law.

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

Pursuant to Article 21 of the Bylaws, the shareholders that hold a thousand or more Company shares may attend the Annual General Meeting and take part in its deliberations with a right to speak and vote. Shareholders that have fewer shares may group together and give their representation to another shareholder in order to reach a thousand or more shares. Any shareholder entitled to attend may be represented at the Annual General Meeting by another person, even if that person is not a shareholder.

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

	Attendance data				
			% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total
10/06/2017	27.60	43.52	0.00	0.00	71.12
Of which, free float:	0.09	23.08	0.00	0.00	23.17
02/06/2018	25.53	49.17	0.00	0.00	74.70
Of which, free float:	0.23	28.82	0.00	0.00	29.05
15/06/2019	37.52	34.54	1.64	1.66	75.36
Of which, free float:	2.29	26.54	1.64	1.66	32.13
13/06/2020	24.63	47.14	5.62	0.00	77.39
Of which, free float:	0.00	31.39	0.62	0.00	32.01

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

[ ] Yes
[√] No

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

[√] Yes
[ ] No

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

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

[ ] Yes
[√] No

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

The corporate information is available under "Shareholders and investors" of the corporate web site (www.caf.net). The complete path is http://www.caf.es/es/accionistas-inversores/index.php.

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

Apart from current by-laws, specifically subsection "Corporate Governance" contains the most important information on this matter (General Shareholders' Meeting and Board of Directors Regulations; the Company's Internal Code of Conduct within the sphere of Securities Markets; the membership of the Board of Directors and its committees; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the "Modern Slavery Act" and Sustainability Report).

In addition, the subsection on "General Shareholders' Meeting" contains information on this body, including the announcement of the agenda and call, the proposed related agreements, the documents subject to the approval of the General Shareholders' Meeting, explanations related to the exercise of the right to information and attendance, procedures and means for voting delegation and remote voting, requests for information and clarifications, as well as information on the Meeting's performance and the resolutions adopted after it was held.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to facilitate communication among shareholders regarding the call and the meeting itself.

In order to facilitate the exercise of remote voting rights, proxy voting and telematic attendance at the Annual General Meeting, for the first time in 2020 a computer platform was enabled on the Company's website, indicating the rules applicable to each case.

C.1 Board of Directors

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

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

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ANDRÉS ARIZKORRETA GARCÍA		Executive	CHAIRMAN AND CEO	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JUAN JOSÉ ARRIETA SUDUPE		Other External	DIRECTOR	07/06/2008	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JAVIER MARTÍNEZ OJINAGA		Independent	COORDINATING INDEPENDENT DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR LUIS MIGUEL ARCONADA ECHARRI		Other External	DIRECTOR	29/01/1992	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS ANE AGIRRE ROMARATE		Independent	DIRECTOR	19/12/2017	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	10/06/2017	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS MARTA BAZTARRICA LIZARBE		Executive	DIRECTOR – SECRETARY OF THE BOARD	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS IDOIA ZENARRUTZABEITIA BELDARRAIN		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Total number of directors	11

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

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JOSÉ ANTONIO MUTILOA	Proprietary Director	11/06/2016	13/06/2020	--	No

Cause of removal, when it has occurred prior to the conclusion of the term of office and other observations; information on whether the director has sent a letter to the other board members and, in the case of removals of non-executive directors, explanation or opinion of the director who has been removed by the Annual General Meeting

After the Annual General Meeting held on 13 June 2020, Mr. José Antonio Mutiloa Izaguirre's a membership of the Company's Board of Directors expired, at the end of the four-year term for which he was appointed director pursuant to a resolution of the Annual General Meeting of 11 June 2016

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

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
MR ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO	Holds a degree in Economics and Business Administration from the University of Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. He has been a Director of CAF since 1991. On 26 July 2006, he was appointed Chief Executive Officer, a post he has held ever since. Since 29 December 2015, he has been Chairman of the Board of Directors of CAF.
MS MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Management from ICADE. She has developed her professional career at CAF and holds the position of Director of the Group´s Legal and Compliance Department. She is Secretary of the Board of Directors of CAF and its Committees.

Total number of executive directors	2
Percentage of Board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Ms. Idoia Zenarrutzabeitia is a graduate in Law specialising in law and economics, from University of Deusto. She has held, among others, the positions of member of the Basque Parliament and Deputy-Lehendakari (President) and Minister of Finance and Public Administration of the Basque Autonomous Community Government-. She has been Director of the National Energy Commission and the Spanish National Markets and Competition Commission (CNMC). She is currently a member of the Board of Trustees of several EPSVs of BBK.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	Mr. Manuel Domínguez de la Maza is a graduate in Economics from Universidad de Málaga and holds an MBA from IESE as well as a Master's Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, S.A., where he has held the position of General Manager since 2007.

Total number of proprietary directors	2
Percentage of Board	18.18

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
MR JAVIER MARTÍNEZ OJINAGA	Lawyer and Economist from the University of Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management.
MS CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from "Instituto de Empresa". Most of her professional career has been spent in the financial industry, occupying various management positions. She has been an independent director and Chairwoman of the Audit Committee of eDreams ODIGEO.
MR JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is also the sole director of Samuelson Consulting, S.A. and Samuelson Logistics, S.A. and a board member of CITYNET, S.A.
MS ANE AGIRRE ROMARATE	Degree in Business and Economics and Master in Advanced Management from Deusto University. She has vast experience in the area of analysis and strategic assessment of human resources. She is also a partner of the consulting firm Vesper Solutions.
MR IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is currently a member of the Advisory Committee of Ericsson España and Accenture.

Total number of independent directors	5
Percentage of Board	45.45

The independent directors have not received any payment or benefits other than directors' remuneration; nor have they had any business dealings with the Company or any Group company.

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

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

Name or company name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:			
Name of director	Reasons	Company, director or shareholder to whom the director is	Profile
MR LUIS MIGUEL ARCONADA ECHARRI	Director Mr. Luis Miguel Arconada Echarri holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent since he has been Director for more than twelve years.	MR LUIS MIGUEL ARCONADA ECHARRI	Mr. Luis Arconada has broad experience and knowledge in the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world.
MR JUAN JOSÉ ARRIETA SUDUPE	The director Mr. Juan José Arrieta Sudupe does not have any relationship with the Company or with its senior executives or shareholders. However, he cannot be classed as independent since he has been a director for a continuous period exceeding 12 years.	MR JUAN JOSÉ ARRIETA SUDUPE	Mr Juan José Arrieta holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools.

Total number of other external directors	2
Percentage of Board	18.18

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

Name of director	Date of change	Previous Status	Current status
MR JUAN JOSÉ ARRIETA SUDUPE	07/06/2020	Independent	Other external

Pursuant to Article 529 duodecies of the Spanish Limited Liability Companies Law, Mr. Juan José Arrieta Sudupe went on to hold the category of "Other external director" after having spent a continuous period of twelve years as a member of the Board of Directors, since having first been appointed as a director on 7 June 2008, a fact that was reported to the market through the corresponding communication of Other Relevant Information.

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

	Number of female directors				% of directors for each			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1				50.00	0.00	0.00	0.00
Independent	2	2	2	2	40.00	33.33	40.00	40.00
Other external					0.00	0.00	0.00	0.00
Total	4	3	3	3	36.36	30.00	30.00	30.00

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

[√] Yes
[ ] No
[ ] Partial policies

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

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

Description of the policies, their objectives, the related measures and the manner in which they have been applied and the outcome of their implementation
In light of the most recent regulations on diversity with regard to the selection criteria of directors, the Board of Directors of the Company, by proposal of the Appointments and Remuneration Committee, has agreed to update the Directors Selection Policy, with the approval of the latest Director Diversity and Selection Policy at a meeting held in 2018, which has replaced the previous version. On 17 December 2020, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, agreed to modify the aforementioned Policy considering both the provisions of Technical Guide 1/2019 on Nomination and Remuneration Committees, and the latest developments introduced in the partial reform of the Code of Good Governance of Listed Companies, of June of the same year. The Director Diversity and Selection Policy of CAF (the "Policy"), which is specific and verifiable in nature, is intended to ensure that any proposals for the appointment and re-election of directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experience, age and gender from among the Board membership, by following criteria that ensures the existence of adequate diversity among its members as well as the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation. The Board of Directors and its Committees should have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees. Accordingly, the criteria aimed at guaranteeing the diversity in the Board of Directors will serve in the necessity of the Board of Directors applicable to the selection of candidates to become directors. To do so, the Board's competencies matrix will be taken into account, which will be kept updated by the Nomination and Remuneration Committee.

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

Specifically, diversity criteria have been adopted with regard to the following

Categories:

Training and professional experience:

Efforts will be made to ensure that the candidates have the necessary skills and proficiencies that either complementary those of the other members of the Board of Directors or that substitute those of any directors that have been replaced.
In this respect, the professional expertise of a candidate will be assessed, either because of his or her academic background or professional experience, or based on a combination of both, allowing for a diversity of profiles to be present on the Board of Directors so as to offer differing perspectives to assist with multidisciplinary and constructive discussions required to make a decision and, ultimately, to enhance the performance of the Board as a whole.

In relation to the composition of the committees, their members will be appointed from among the directors taking into account the most appropriate profiles for each Committee.

In particular, it will be ensured that the directors who form part of the Audit Committee have, as a whole, the requisite knowledge of accounting, auditing and risk management, both financial and non-financial, and of the business. Also, and whenever possible, it will be ensured that the members of the Nomination and Remuneration Committee are appointed taking into account their knowledge and experience in areas such as corporate governance, human resources, selection of directors and executives, and design of policies and remuneration plans, all this in accordance with the provisions of the Regulations of each Committee.

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

Explanation of measures

CAF's Appointments and Remuneration Committee ensures that when covering new vacancies, the selection processes being utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the expected profile among potential candidates and under the same conditions to balance the men and women representation. This objective is stipulated in point 4 of the current Company's Director Diversity and Selection Policy. Also, Article 3 of the Committee's Regulations establishes as one of its functions that of "Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target".

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors, as explained in the previous sections.

In 2020 the Committee submitted to the Board of Directors the proposal for the re-election of an independent director, as well as the preliminary reports for the re-election of an executive director and for the appointment of a proprietary director.

As a result of the resolutions adopted by the Annual General Meeting of 13 June, the number of women on the Board of Directors increased to four. By doing so, the company has met the 30% target established in Recommendation 14 of the CBGSC until its review in June of this year, for the fourth year in a row.

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

Also, the Company is promoting the inclusion of women in the management committees of the Group's business units, as well as in those of the subsidiaries CAF P&A, CAF SIGNALLING and CAF TE, with significant headway having been made in recent years.

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

Explanation of reasons
CAF promotes equality in the selection and promotion processes,and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. In fact, as explained in the previous sections, the Company has been making progress in recent years in relation to the incorporation of women both in the Board of Directors and in managerial positions within the organisation. As provided for in CAF's Code of Conduct, the Sustainability Policy and the Diversity and Director Selection Policy, the Company is committed to respecting diversity and the right to equal treatment between women and men. To this end, the Group, under the leadership of the Human Resources Department, actively promotes the absence of all discrimination, direct or indirect, especially on grounds of gender, as well as equal opportunities, through internal policies and strategies. In turn, the Collective Agreement of CAF, S.A. states its aim to encourage women's access to employment and supports the effective application of the principle of equality and absence of discrimination in working conditions between women and men. Also, the existence of an Equality Committee in the Company should be noted, which is responsible for the implementation and monitoring of equality plans and, in particular, of annually supervising the equality indicators in the personnel selection and promotion processes. In view of all of the above, the measures that have been implemented will foreseeably lead to a progressive increase in the number of women in executive positions at the Group in the coming years.

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at favouring a suitable composition of the Board of Directors.

On 17 December 2020, the Appointments and Remuneration Committee issued its Annual Report on the compliance with the Director Diversity and Selection Policy. As indicated previously, in 2020 the shareholders at the Annual General Meeting approved the re-election of an independent director and an executive director and the nomination of two independent directors. In accordance with the drawn conclusions contained in its Report, the Appointments and Remuneration Committee of CAF deemed that the provisions of the Director Diversity and Selection Policy of CAF had been appropriately complied with for all cases. Specifically, it should be noted that all the appointments and re-elections agreed upon in 2020 were based on the analysis of the needs of the Board, in accordance with the matrix of competencies, in order to favour diversity, avoiding any implicit biases that could lead to discrimination based on reasons of age, gender, disability, or any other personal attribute. The consequence of these appointments and incorporations in previous years is a Board of Directors made up of eleven members, which is within the limit established in the bylaws, the Board Regulations and in Recommendation 13 of the CGG. Its composition is balanced and the training and experience of its members is diverse, being both highly qualified and with professional experience, bringing together various competencies that are relevant to the Company's future strategy. It also has a variety of ages and gender diversity, as well as a significant percentage of independent directors, in line with the best Corporate Governance practices.

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

Name or company name of shareholder	Reason
No data	

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

[ ] Yes
[√] No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name of director	Brief description
MR ANDRÉS ARIZKORRETA GARCÍA	Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

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

Name of director	Name of group member	Position	Does the director have executive powers?
MR ANDRÉS ARIZKORRETA GARCÍA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INDIA PRIVATE LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NEW ZEALAND LIMITED	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF RAIL AUSTRALIA PTY LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF CHILE S.A.	Chairman	NO
MR ANDRÉS ARIZKORRETA GARCÍA	CAF ARGELIA EURL	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NETHERLANDS B.V.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INVESTMENT PROJECTS, S.A.U.	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF FRANCE SAS	Chairman	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF HUNGARY Korlátolt Felelösségu Társaság	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF SISTEME FEROVIARE, S.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NORWAY AS	Sole Director	YES
MS MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇAO, S.A.	Director	NO
MS MARTA BAZTARRICA LIZARBE	PROVETREN, S.A. de C.V.	Director	NO

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name of director	Name of listed company	Position
MS CARMEN ALLO PÉREZ	eDreams ODIGEO	DIRECTOR

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

[√] Yes
[ ] No

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

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

Board remuneration in financial year (thousand euros)	1,716
Amount of vested pension interests for current members (thousand euros)	3,830
Amount of vested pension interests for former members (thousand euros)	

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

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

Number of women in executive positions	1

Women as a percentage of the total executive positions	14.28
Total remuneration for senior executives (in thousands of euros)	2,369

The total figure of the remuneration of senior executives includes the remuneration, in regard of the portion accrued during their tenure in office in 2020, of five senior executives who held that position at the beginning of the year, but who did not have that status at year-end.

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

[√] Yes
[ ] No

Description of amendments

On 17 December 2020, the Board of Directors unanimously approved the amendment of Articles 3, 5, 6, 8, 9, 10, 11, 13, 14, 16, 17, 18, 19, 21, 22, 23 and 34 of its Regulations, in order to adapt them to the Code of Good Governance for Listed Companies after the review thereof conducted by the CNMV in June 2020, and include certain technical improvements.

The amended Regulations were filed at the Guipúzcoa Mercantile Registry on 14 January 2021 and communicated to the CNMV on 20 January 2021. Also, they have been published since that date on CAF's corporate website (https://www.caf.net/es/accionistas- inversores/gobierno-corporativo/reglamento-consejo-administracion.php).

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

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

Additionally, Board Regulations establishes the following rules related to directors appointment: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of co-option shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee, in the case of Independent Directors and by the Board for the rest of the cases. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Appointments and Remunerations Committee. The abovementioned shall also apply to natural persons appointed representatives of an artificial person acting as director. The natural person proposed to be a representative shall be subject to the report from the Appointments and Remuneration Committee. Should the Board decide not to follow the proposals of the Appointments and Remuneration Committee, it shall submit and minute its reasons for such decision. The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance scheme. Likewise, Directors should also be offered refresher programmes when circumstances so advise (Article15 of the Board Regulations).

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

Description of amendments
The Board of Directors, on the basis of previous reports issued by Committees, and by the independent external consultant, the results of which were positive, has positively evaluated the performance of the Board and its Committees in 2020 and has verified that all Action Plans scheduled for that year had been fulfilled. Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for the 2021 fiscal year, however, they do not led to any significant changes to the internal organisation or in the procedures concerning its activities.

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

Description of the evaluation process and evaluated areas

In accordance with Article 5.5 of the Board Regulations, the Board of Directors must perform an annual assessment of its functioning and that of its Committees, and it must propose, on the basis of its findings, an action plan to correct any deficiencies found. To this end, the Board uses the reports prepared by the Committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment. Additionally, following the mandate contained in Recommendation 36 of the Code of Good Governance, which provides for the involvement of an external consultant in the process every three years, in 2020 the assistance of an external evaluator was required, whose independence was verified by the Nomination and Remuneration Committee.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2020:

a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are exploited effectively.
b) Size, composition and diversity of the Board and its Committees.
c) The performance of the Chairman of the Board and the Chief Executive of the Company.
d) The performance and contribution of each director, placing particular emphasis on the persons responsible for the various committees of the Board.
e) Frequency and duration of the meetings.
f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance.
g) Quality of received information.
h) Breadth and openness of the debates.
i) If the decision-making process is dominated or strongly influenced by one member or a small group of members.

From the methodological standpoint, the indicators taken into consideration included, among others, the degree to which the Board and the Committees comply with applicable regulatory requirements and guidelines in the area of corporate governance and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2020 was positive, in line with the favourable conclusions given in the preliminary reports prepared by the Committees, which the Board of Directors approved at the meeting held on 17 December 2020, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans established for the year analysed were completed satisfactorily. The improvement recommendations proposed by the external evaluator were also taken into consideration.

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

The external consultant, responsible for evaluating the Board and its Committees in 2020, has not had any relationship with the Company or with any other company in its group, other than the evaluation service provided.

In the independence declaration provided to the Company, the evaluator confirms that they have "no commercial relationship with CAF, or any of its directors, or executives and, therefore, their independence can be confirmed in the performance of the work commissioned".

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

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

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

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

[ ] Yes
[√] No

If so, describe the differences.

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

Article 31 of the Company's Bylaws and article 14 of the Board of Directors' Regulations determine that Directors shall make every effort to attend Board sessions and, when they cannot do so personally, may confer their representation to another Director in writing to the Board Chair, without limiting the number of representations that each can bear for Board assistance. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

Additionally, these same rules require that non-executive Directors may only confer their representation on a non-executive Director.

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

Number of board meetings	10
Number of board meetings held without the chairman's presence	0

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

Number of meetings	0

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

Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	5

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

Number of meetings in situ of at least 80% of directors	10
Attendance in person as a % of total votes during the year	99.04
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	10
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

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

[√] Yes
[ ] No

]

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

Name	Position
MR ANDRÉS ARIZKORRETA GARCÍA	CEO
MR AITOR GALARZA RODRÍGUEZ	Chief Financial Officer and Strategy

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

The Board of Directors will submit to the General Meeting the financial statements prepared in accordance with accounting legislation. In the event that the auditor includes any qualification, the Chair of the Audit Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board (Article 34 of the Board Regulations).

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

Financial statements for the year ended 31 December 2019 as well as previous years were approved by the Board of Directors without qualifications.

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

[√] Yes
[ ] No

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

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

Mechanisms to preserve the independence of external auditors:
In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in other to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor’s independence (Article 37 a of the bylaws).

Pursuant to the foregoing, the Company’s Board of Directors Audit Committee has its own Regulations ruling its nature, composition, functions, operating standards and powers. Pursuant to such Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency (i) Submit to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of an external auditor of the Company, being responsible for the selection process, pursuant to article 16, sections 2, 3, 5 and 17.5 of the Regulations (EU) 537/2014 of 16 April, as well as its employment conditions and regularly collect information about the audit plan and its execution, whereby preserving its independence during the undertaking of its role. (ii) Establish the appropriate relations with the external auditor in order to gather information on issues that may prejudice the independence of the auditor, to be assessed by the Committee, and on any other matters concerning the undertaking of the auditing of the accounts and, where appropriate, the approval of services other than those prohibited, under the terms established under article 5, sections 4 and article 6.2.b) of Regulation (EU) 537/2014 of 16 April and under paragraph 3, Chapter IV of Title I of Law 22/2015 of 20 July on statutory audit, regarding the principles of independence, as well as establishing, with the external auditor, any other notifications pursuant to the legislation and audit requirements. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as detailed information and a breakdown for any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. (iii) Issue, prior to the issuance of the audit report, an annual report stating its opinion on the auditors’ or audit companies’ independence is issued. Such report must contain, in any case, an assessment on the provision of each and every additional service referred to in the foregoing section, reviewed individually and as a whole, apart from the various legal auditing and in relation to the regime of independence and governing regulations on audit activities. . Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence, as well as establish an indicative limit on the fees that the auditor may receive annually for services other than auditing (iv) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor’s business and, in general, other requirements designed to safeguard auditors’ independence. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation. Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV), accompanied by a statement of any discrepancies arising between the outgoing auditor and the reasons behind. Conduct a final evaluation about the auditor’s work and how it contributed to the audit quality and to the integrity of the financial information. (Article 3 of the Audit Committee Bylaws and Regulations). As for relations with the auditors, the same Regulation of the Audit Committee in article 13 determines that (i) any communications between the Committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures, (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the entity's senior management; and (iii) the Audit Committee will regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the entity’s senior management. When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

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

[ ] Yes
[√] No

CAF's Board of Directors resolved to submit to the Company's Annual General Meeting held on 13 June 2020, the appointment of EY as the auditor of CAF and its consolidated group for 2021, 2022 and 2023, in accordance with the recommendation issued by the Company's Audit Committee as a result of the auditor selection process performed.

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

[ ] Yes
[√] No

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

[√] Yes
[ ] No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	236	236
Amount invoiced for non-audit services/Amount for audit work (in %)	0.00	35.76	35.76

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

[ ] Yes
[√] No

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

	Individual	Consolidated
Number of consecutive years	31	20

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (in %)	72.09	100.00

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

[√] Yes
[ ] No

Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. A schedule is approved containing eight sessions per year, spread out with sufficient time in between them to study and prepare the necessary information. On the other hand, ordinary Board meetings shall be convened at least 5 days in advance, although in practice this is earlier. The call also includes the meeting’s agenda, and the documents that must be previously and early enough reviewed by the Directors. In any case the Directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company’s appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

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

[√] Yes
[ ] No

Explain the rules

As established in Article 18 of the Board Regulations, Directors must place their position at the Board’s disposal in certain cases, and particularly when they are prosecuted for an alleged criminal offense or subject to breach determined by supervising authorities. In turn, Directors shall inform the Board and where appropriate, resign, when situations affecting them occur, that may or may not be related to the duties they discharge within the Company, that may harm the Company's name and reputation and, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial.

The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted.
All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of

the corresponding measures. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors.

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

[ ] Yes
[√] No

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

There are no such agreements.

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

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

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

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

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

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

C.2 **Committees of the Board of Directors**

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

AUDIT COMMITTEE		
Name	Position	Category
MS CARMEN ALLO PÉREZ	CHAIRWOMAN	Independent
MR JAVIER MARTÍNEZ OJINAGA	MEMBER	Independent
MR JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external

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

Due to Mr. Juan José Arrieta Sudupe having spent a continuous period of twelve years as a member of the Board of Directors, since first being appointed as an independent director on 7 June 2008, the Company announced, through the CNMV, the change of category of Mr Arrieta to that of "other external director".

Explain the functions delegated or assigned to this committee, other than those legally provided, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

Organisation:
The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent Directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.

The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors shall appoint its Secretary, who shall not necessarily hold the office of Director. (Article 2 of the Audit Committee Bylaws and Regulations).

Functions:
Its main functions are: a) In relation to the General Meeting: i. Advising the General Shareholders' Meeting on any matter within the Committee's competence, namely on the audit's result, and explaining its contribution to the financial information's integrity and the function performed by the Committee within that process. ii.Ensure that the financial statements submitted to the shareholders at the Annual General Meeting are prepared in accordance with accounting legislation. In the event that the auditor includes any qualification in its report, the Chairof the Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board. b) In relation to the internal control systems: i. Supervise and evaluate the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope of consolidation and the correct application of accounting standards, and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness. ii.. Supervise the effectiveness of the Company's internal control and in particular of the system of Internal Control over Financial Reporting (ICFR). iii. Supervise and evaluate the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption. For the purposes of points i. to iii. above, the Committee can, where appropriate, present recommendations or proposals to the Board of Directors and its monitoring deadline. iv. Oversee the Company's internal control and risk management function. v. In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice. vi. Oversee compliance with the internal codes of conduct. vii. Establish and supervise a mechanism whereby staff and other people related to the Company and its Group, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential importance, including financial and accounting matters, or matters of any other nature related to the Company that may come to their attention within the Company or its Group. This mechanism must guarantee confidentiality and, in all cases, envisage circumstances in which reports can be made anonymously, while respecting the rights of the complainant and the respondent. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

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

Name of directors with experience	MS CARMEN ALLO PÉREZ / MR JAVIER MARTÍNEZ OJINAGA / MR JUAN JOSÉ ARRIETA SUDUPE
Date of appointment of the chairperson	08/10/2019

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MS ANE AGIRRE ROMARATE	CHAIRWOMAN	Independent
MR LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
MR JULIÁN GRACIA PALACÍN	MEMBER	Independent

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

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

Organisation:
In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring that they have the knowledge, skills and experience appropriate to the functions they are called upon to discharge and, in particular, in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors. The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Committee members will be appointed for a term of four years, and may be re-elected. They will cease to hold office as directors in accordance with a Board resolution, when they resign or for failing to comply with the Regulation requirements or the legal provisions. Renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the Annual General Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Appointments and Remuneration Committee Regulations).

Functions:
Articles 37 ter of the Bylaws and 3 of the Appointments and Remuneration Committee has the following basic responsibilities: 1) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it will draw up a matrix with the responsibilities of the Board that defines the functions and skills required for candidates to cover each vacancy, periodically updated, and shall evaluate the time and dedication required to attain goals effectively. 2) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. 3) Bring to the Board of Directors the proposals for the appointment of independent directors by co-option or, by submission for approval by the Annual General Meeting, as well as the proposals for such Directors' re-election or removal. 4) Report the proposal for appointment of the remaining directors by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. 5) Report the proposal for appointment of the Chairman of the Board of Directors, as well as of the Deputy Chairmen.6) Inform the Board of Directors of the appointment or removal of the Secretary.7) Raise to the Board of Directors the proposal for the appointment of an Independent Coordinating Director. 8) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. 9) Examine and organise the plan for the succession of the Board of Directors' chairman and the Company's Managing Director and, as applicable, make proposals to the Board of Directors for make

such succession to occur in an orderly and planned manner periodically preparing and reviewing a succession plan for such purpose. 10) Issue a report before the Board of Directors warns a director regarding non-fulfilment of his obligations as a director. 11) Informe the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party.

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

	Number of female directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	0	0.00
NOMINATION AND REMUNERATION COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33

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

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website (www.caf.net), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations has been modified by a resolution of the Board of Directors, of 17 December 2020, with the principal objective of:

i. Adapting its content to the Recommendations modified in the partial reform of the good governance code. In particular, adapting the description of the functions of the Committee to the wording of the new Recommendation 42 on the mandatory functions of Audit Committees. Among other developments, this Recommendation reinforces the specialisation of this Committee in relation to the supervision of information and control of financial and non-financial risks, and broadens the requirements in matters such as the reporting channel that the Company must make available to employees and other stakeholders, guaranteeing confidentiality, as well as allowing anonymous reports to be made in certain cases.
ii. Incorporate into the Regulations certain provisions of Technical Guide 3/2017 of the CNMV on Audit Committees, (the "Technical Guide"), which the Company already complies with. iii. Incorporate certain technical improvements.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

APPOINTMENTS AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF web site (www.caf.net), in the subsection of Corporate Governance, under section Information for Shareholders and Investors.
The Nomination and Remuneration Committee Regulations were amended on 17 December 2020 for the purpose of: (i) adapt it to the Recommendations amended in the aforementioned partial reform of the good governance code, especially: adjusting the distribution between the Committees of the functions regarding sustainability and corporate governance matters, to the new description thereof contained in Recommendation 54, with the appointments and remuneration Committee maintaining most of the responsibilities in this matter, with the exception of communications with hareholders and voting investors and other stakeholders, which is assigned to the Audit Committee, as well as the oversight of compliance with the internal codes of conduct, which the latter Committee would assume in line with the function's connection with risk control and, specifically, corruption risk control, and adapting to the new wording of Recommendation 22 the description of the advisory function that corresponds to the Committee in relation to situations in which the directors may find themselves that may affect the Company's good name and reputation. (ii) Incorporate into the Regulations certain provisions of the CNMV Technical Guide 1/2019 on Nomination and Remuneration Committees, with which the Company had already been complying, and (iii) incorporate other technical improvements, perfecting their wording.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

The Board of Directors has been attributed, but without the capacity to delegate, the duty to approve, prior report from the Audit Committee, the transactions made by the Company or group companies with the Directors under the rules of the Capital Companies Law, or with shareholders holding a significant equity interest, either individually or jointly, including shareholders represented on the Board of Directors of the Company or other companies forming part of the same group or with their related persons. This approval shall not be applicable for any transaction meeting all of the three following conditions: 1.º they are governed by standard form agreements applied on an across-the board basis to a large number of clients, 2.º they are performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and 3º. they contain amounts not exceeding one percent of the Company's annual revenue. (Art. 5 of the Board Regulations).

D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

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

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	6,605

The company Metro CAF Mauritius, Ltd. has been incorporated in Mauritius, exclusively for the performance of an agreement for the supply of trams in the country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N.A.

Note 10 of the consolidated Notes to the Financial Statements for fiscal year 2020 includes the details on balances and transactions with associated companies that have not been removed during the consolidation process.

D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.

Section 229 of the Capital Companies Law and Articles 24 and 25 of the Board of Directors' Regulations require directors to communicate to the Board of Directors any conflict, either direct or indirect, that may arise as regards the interest of the company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. In turn, the Board of Directors' Regulations closely regulate the non-compete obligations and the duty to avoid the conflicts of interest, and state a series of prohibited behaviour for Directors, as well as the consequences for breaching. In its Article 18, the Board of Directors' Regulations expressly states that Directors should also tender their resignation to the Board and formalise the corresponding resignation, should the latter consider it appropriate, if they are disqualified on the grounds of conflict of interest or fail to comply with the duties to provide information, abstention or the non-competition agreement.

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

[ ] Yes
[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax risk.

CAF Group's Comprehensive Risk Management System works in a continuous manner, consolidating its management at a corporate level for all businesses and geographic areas in which it operates.

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

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

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

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group involve a variety of risks, with the Company defining the basic guidelines in order to standardize the operating criteria in each of the divisions to ensure an adequate internal control level.

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

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

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

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

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

Likewise, the Corporate Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities, while maintaining a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

In 2020 emphasis was placed on adjusting and improving the management methodology and dynamics of the following risk categories: Environmental, Criminal and Competition. Within the scope of these three areas, the criteria for analysing risks and opportunities have been standardised in addition to the single framework of responsibilities for risks and their supervision among the various businesses of the Group.

In the case of Criminal Risk Management and Competition dynamics, we worked closely with the Corporate Compliance Department. In the case of Environmental Risk Management, we worked with the Environmental Forum, made up of the environmental managers of each business.

In addition, progress continued on the update of the Group's risk catalogue, and the methodology and management dynamics associated with each type of risk was improved.

Finally, it should be noted that through the General Risk Control and Management Policy, the Organization is committed to developing all its capabilities so that risks of all kinds are properly identified, measured, managed, prioritized and controlled.

In this regard, the Audit Committee is in charge of ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the implemented integrated system operates properly.

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

As established in Article 5 of Board of Directors' Regulations on the General Supervision Area, regarding the functions and responsibilities of the Board of Directors, the development of the General Risk Control and Management Policy, including those on tax risks and the supervision of internal information and control systems, is one of the matters made exclusively available to all Board members.

In addition, as provided for in Article 3 of its Regulations, the Audit Committee is the body responsible for supervising and evaluating the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption, as well as supervising the management of the internal control and the Company risks.

The Executive Committee is the company's highest executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and knowing the main elements of its evolution and control.

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

- Ensure the good performance of the comprehensive risk management and control system and, particularly, that all material risks affecting the Company are properly identified, managed and quantified,
- Participate actively in the risk strategy preparation and in the important decisions regarding its management and
- Ensure that the comprehensive risk control and management system mitigates risks adequately in accordance with the policy framework set forth by the Board.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) apply the Fiscal Policy established and approved by the Board of Directors and (ii) ensure compliance with the principles of action regarding tax matters under the Fiscal Policy approved by the Board of Directors, in which are included, the prevention and mitigation, as far as possible, of the tax risks.

In addition, the task of CAF's Internal Audit include, among others, the assurance and control of risks faced by the Company and, for that purpose, it participates in the examination and evaluation of control systems and procedures and risk mitigation.

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

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

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

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

Market risk, considering the following typologies:

Interest rate risk: risk to changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.

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

Risk of raw material prices: risk derived from changes in prices and market variables in relation to raw materials needed in the business supply chain.

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

Liquidity and financing risk: in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to the asset, it is the risk of not being able at any given moment to obtain asset acquirers, for the sale at market price, or the lack of market price.

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

Legal Risks: come from the elaboration and execution of contracts and obligations of different nature (commercial, administrative, intellectual and industrial property, etc.) and possible contingencies arising from them. Also included risks related to judicial proceedings, administrative procedures and complaints.

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

Corporate Governance Risks: arising from the potential noncompliance of the Group's Corporate Governance System, which regulates the design, integration and functioning of the Governing Bodies and their relationship with the Company's stakeholders and which is, in turn, based on commitment to ethical principles, good practices and transparency, built around protection of the Company's interests and the creation of sustainable value.

Compliance and Regulatory Risks: arising from the violation of national and international rules and laws that apply independently of the activity itself, which fall within the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market, competition and unfair competition regulations), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including, among others, the rules of protection of personal data, environmental laws, etc.).

As for the Statement of Non-Financial Information for the fiscal year ended in 2020, which was included in the Directors Report, the various types of aforementioned risks were assessed in detail. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

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

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

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

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

A prudent policy in tender submission, applying predetermined Risk-Profitability thresholds in the decision-making process.

An adequate risk management infrastructure in terms of governance and material and human resources availability.

Search for positioning in high growth segments, in geographies that are classified as strategic and in products for which previous capacities and experiences that allow generating value to the company are verified, maintaining in any case the desired profitability and cash generation levels.

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

Very low and low level risks may be accepted and no Control or Action Plan may be necessary to manage them.

Medium-level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or an Action Plan that mitigates the risk to a low level and, therefore, acceptable.

High and very high level risks will require adequate administration and management as well as preparing a formal Action Plan, which will be monitored according to its criticality by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks that could affect the Group. In general, although fundamentally applicable to Operational Business Risks, tolerance thresholds are defined which in case of being achieved, would make it necessary to establish new or existing Controls or Actions Plans. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

Regarding Financial and Strategic Risks, there is a tolerance level in terms of its economic impact at the corporate level and, in particular, a zero tolerance principle for those illegal acts or scam situations.

With regard to fiscal risks, the Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities.

E.5 Indicate which risks, including tax risks, have materialised during the year.

During 2020 no material or extraordinary risks materialized, beyond those included in the Directors' Report and the Notes to the Financial Statements.

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

Among the extraordinary risks, mention must be made of the emergence of COVID-19 at global level. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

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

Finally, to mention that mechanisms to anticipate and adequately manage the potential consequences of Brexit have been applied, both in contracts in the portfolio and in future tenders.

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

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

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans considered appropriate to remedy the situation of the project in execution or in a previous stage are evaluated in order to decide not to submit the corresponding tender.

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

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

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

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

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

The Second Line complements the activities of the first one and is formed by the Risk Management Department, which carries out monitoring and reporting and is responsible for the risk levels assumed by the Group, independently controlling business lines.

The Third Line is the independent review of the first two lines and is performed by the Internal Audit Function. The evaluation and verification of the effectiveness of the Risk Control and Management Policies is carried out periodically by the second and third line. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

For the development of its functions, the Internal Audit and Risk Management departments have qualified and experienced personnel that is independent of the business lines. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

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

F.1 **The entity's control environment**

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

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

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. According to the duties assigned by the Board of Directors, the Audit Committee is the body responsible for overseeing the regulated financial reporting preparation and presentation process and the efficiency of the company's internal control, internal audit services and risk management systems, as well as discussing with account auditors or audit companies the most relevant internal control system weaknesses detected. These functions are described in the Regulations of the Audit Committee.

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

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

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

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

The Chairman and Executive Director and the Human Resources Manager are in charge of designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

Regarding the Financial Information Internal Control System, the processes defined as critical for financial reporting information include the main tasks and controls to be performed and the people responsible for both their implementation and supervision, clearly defining responsibility and authority lines. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

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

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the web site, disclosing the set of general standards and principles on corporate governance and professional conduct that are applicable to all professionals of CAF, S.A. and subsidiaries which belong to CAF Group.

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

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

The Compliance Committee is in charge of ensuring compliance with the Code of Conduct to the Board of Directors. Its duties include analysing possible breaches and proposing corrective actions and penalties.

The Code of Conduct is an essential and integral part of the Crime Prevention Manual, a document approved by the Board of Directors during its meeting held on 29 April 2015, identifying a policy and procedure system to prevent the commission of material crimes as much as possible. Such Crime Prevention Manual has been updated and revised by the Board of Directors on 18 December 2018. The Manual will foreseeably be reviewed again in 2021. When any new version or development of the Handbook is approved, the appropriate dissemination and training measures are adopted.

With regard to training activities that began in 2016, the actions aimed to raise awareness, disseminate and implement the Manual on Crime Prevention among the CAF Group staff continued during 2020.

At year-end, the training module on the Corporate Compliance Manual had been launched to the Group's entire scope of consolidation. 93% of people have completed the programe. Since commencement of the programme, more than 5,600 people have been trained on this matter (2019: 4,762 people). More than 850 people received training in 2020. Similarly, there is a system in place for training new employees, and the aforementioned programme is included in the new employee on-boarding plans. Training materials are kept up-to-date.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential.

In order to channel general complaints and those relating to financial and accounting aspects, a single complaint channel is established which is supervised by the Compliance Committee or Unit. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. In case the Compliance Committee or Unit understands that the complaint deserves more attention, it may send the documentation to the relevant department with the objective of jointly assessing the facts and determining the measures to be taken.

The Compliance Committee reports to the Board of Directors, the Audit Committee or General Management, depending on the circumstances and nature of the purported infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel. Likewise, it reports relevant financial irregularities to the Audit Committee. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

The Manual also establishes the possibility of other means of receiving complaints being enabled in those jurisdictions where so required under local legislation.

In 2020 the general whistleblowing channel was opened to all of the company's stakeholders and any third party, allowing employees and others related to the company, such as directors, shareholders, suppliers, contractors and subcontractors, to report, at any time, possibly important irregularities, including financial or accounting irregularities, or those of any other type related to the company of which they become aware at any Group company.

The rules for the functioning of the of the aforementioned whistleblowing channel and the procedure for managing the offences or suspected offences that may have been disclosed are permanently available on the corporate website and encompass the verification of possible breaches of the CAF Group's Corporate Governance System in general and, in particular, (i) the CAF Group's Code of Conduct and any other breaches of internal rules or legislation regarding (ii) compliance, (iii) competition law, or (iv) market abuse and the handling of insider information.

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

No formal complaints were filed through CAF's general whistleblowing channel in 2020, although two internal investigations were carried out as a result of which the pertinent measures were adopted. Two complaints were received via the whistleblowing channel in 2019, and one more was received via an alternative channel.

Additionally, for situations such as discrimination, harassment, mobbing or safety at work, specific channels are established for the communication and treatment of any improper conduct that may occur in those areas.

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

The Group has a corporate training budget and a training plan designed biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

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

Also, it is important to underline that, when the financial statements are being prepared, an annual review is conducted of the recommendations issued each year by regulatory bodies such as the ESMA and the CNMV, which focuses on regulatory developments and areas of special attention based on the current economic backdrop.

With regard to learning programmes for CAF S.A.'s economic and financial subjects, in order to support the different businesses in fiscal year 2020, the main reference indicators of this activity have been as follows:

- Number of participants in the training actions on this matter: 409
- Number of training hours received: 1,334 hours

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

F.2 Assessment of risks in financial reporting

Report on at least the following:

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

- Whether the process exists and is documented.

The identification of risks within the financial information sphere is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the offer preparation and allows identifying and managing the different risks faced by the Group during its normal course of business.

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

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

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

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

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

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

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

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

F.3 Control activities

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

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

Financial Statements certification: The financial statements are certified by the Chairman and Managing Director and the Chief Financial Officer. There has been a prior supervision process of submitted data conducted by senior staff involved in preparing these financial statements, as well as control activities designed to mitigate risks of error that may affect financial reporting.

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

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Billing and clients
- Inventories and Supplies (for every business unit)
- Investments

- Taxes
- Provisions
- Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is appointed for each control activity, in charge of implementing and overseeing the activity, the timing of implementation, as well as the evidence necessary to execute the activity.

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

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

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

The objectives of this process are to:

- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems.
- Promote the standardisation of the Systems
- Improve the satisfaction level of ICT systems
- Develop the ICT corporate framework

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

- Information technology management
- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-Party Management

It is also worth noting the implementation since fiscal year 2017 of an Information Security Management System (ISMS) in accordance with ISO 27001, which was certified in the spring of 2018 and updated in 2020 in the area of the information systems managed by Corporate Digital Management that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

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

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

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2020, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

F.4 **Information and communication**

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

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

CAF, S.A.'s Economic and Financial Department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting questions for the rest of the Group companies with which the Company has a direct and constant relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual.

The Manual is available on CAF's internal portal.

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

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

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

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

F.5 Supervision of the functioning of the system

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

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

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

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Show integrity and is independent in the performance of their work, so that their conclusions are objective and impartial.
- Are competent and have the necessary technical ability to perform their work diligently.

Under the scope of the external audit, the Audit Committee holds meetings with the external auditors with regard to more significant aspects concerning the review of the financial statements and the findings of the audit work (which include, where appropriate, material aspects detected in the internal control area).

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

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

Based on this plan, the Internal Audit Manager reviews the ICFR's design and functioning by periodically reporting to the Audit Committee its assessments, weaknesses detected, action plans to correct them and recommendations for improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2020 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Identification of the main risks on financial information.
- Analytical review of the financial information sent to the National Securities Market Commission (CNMV) on a quarterly basis, together with a review of the design and adequate performance of the main control activities involving fiscal year closing processes, consolidation and reporting, as well as a review of the main judgments and estimates.
- Review of financial reporting processes and of the main subsidiaries, as at risk turnover plan. That review includes relevant financial information risks.
- Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and improvement recommendations.

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

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. The Internal Audit manager attended six Audit Committee meetings in 2020, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

The external auditor reports to the Audit Committee the main weakness of the internal control detected, if any, over the course of the audit, assessing the possible effects on the financial information.

In 2020, external auditors have twice appeared before the Audit Committee during this financial year, and have met with the Board in the plenary session held on 17 December 2020.

F.6 Other relevant information

There is no other relevant information regarding the ICFR not included in this report.

F.7 External auditor's report

Report:

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

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

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMNEDATIONS

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

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

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

   Complies [X] Explanation [ ]

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

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

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

   Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

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

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

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

Complies X Complies partially ☐ Explain ☐

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

    a) **Report on the auditor's independence.**

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

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

   Complies [X] Complies partially [ ] Explanation [ ]

That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Articles 22 bis of the bylaws and Article 9 bis of the General Meeting Regulations allow the delegation of the power to vote and the ability to vote telematically.

With respect to telematic attendance and active telematic participation at the General Meeting, although the Recommendation refers to large cap companies and where proportionate, the Company proposes to amend the General Meeting Regulations, at the next General Meeting, to explicitly incorporate the possibility of telematically attending and actively participating in the General Meeting. For such purpose, in accordance with the provisions of the Transitional Provision of Circular 1/2020, of 6 October, of the Spanish National Securities Market Commission (CNMV), in where the circular 5/2013 of the 12 June is modified, which establishes model annual corporate governance reports for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, the Company's Board of Directors, at its meeting held on 17 December 2020, resolved to propose to the Annual General Meeting the related adaptation of the General Meeting Regulations. For its part, Article 22 bis of the existing bylaws already provides for this possibility, subject to the provisions of the General Meeting Regulations.

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

   Complies [X] Complies partially [ ] Explanation [ ]

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

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

   Complies [X] Complies partially [ ] Explanation [ ]

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

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

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

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

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

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

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

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Explanation [ ]

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

a) Is concrete and verifiable;

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

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

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

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

    Complies [X] Complies partially [ ] Explanation [ ]

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

    This criterion may be relaxed:

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

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

    c) Complies [X] Explanation [ ]

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

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

    Complies [X] Explanation [ ]

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

    a) **Professional profile and biography.**

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

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

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

e) **Company shares and share options that they own.**

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

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

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

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

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

Complies [X] Explanation [ ]

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Explanation [ ] Not applicable [ ]

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

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

Complies [X]   Explanation [ ]

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

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

b) The workings and composition of its committees.

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

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

Complies [ ]   Complies partially [ ]   Explanation [ ]   Not applicable [X]

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

Complies [ ]   Complies partially [ ]   Explanation [ ]   Not applicable [X]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

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

1. With regard to information systems and internal control:

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

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

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

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

2. With regard to the external auditor:

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

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

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [ ] Explanation [ ] Not applicable [X]

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

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

b) That their chairpersons be independent directors.

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

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

Complies [X] Complies partially [ ] Explanation [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explanation [ ]

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

Complies [X]   Explanation [ ]

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

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

Complies [X]   Complies partially [ ]   Explanation [ ]

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

And, in particular, that variable remuneration components:

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

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

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

Complies X Complies partially Explain Not applicable

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

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

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

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

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

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

Complies [ ] Complies partially [ ] Explanation [X] Not applicable [ ]

No variable remuneration was earned in 2020. In any case, the Company's Remuneration Policy, does not provide for the possibility of establishing a variable remuneration system that is linked to the delivery of shares or financial instruments referred to their value in 2020.

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

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

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

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

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

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the

company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

   Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

In 2020 CAF, S.A. completed the formalities required to join the United Nations Global Compact, confirming its commitment to the ten principles of the Global Compact which stem from the United Nations' declarations on human rights, employment, the environment and the fight against corruption and enjoy a universal consensus.

A.3. As the system only allows for 2 decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSE ARRIETA SUPUDE 0.003% and 30,605,037H ANE AGIRRE ROMARATE % 0.002. TOTAL 0.005%.

C.1.5
• Age:
The existence of directors of a variety of ages shall be valued, so that this difference may serve to contribute a variety of opinions and different approaches in debates regarding the issues that must be analysed and agreed upon by the Board of Directors.
• Disability:
Disability will not be used as a bias that could implicate discrimination in the selection of Directors.
• Gender:
In the process for selecting directors, gender diversity will be taken into account to ensure a balanced presence of men and women on the Board of Directors.

In this regard, the policy promotes the objective that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

In 2020 the shareholders at the Annual General Meeting approved the appointment of two proprietary directors, as well as the re-election of a female independent director and of a female executive director, with the number of directors being eleven. In all cases, strict compliance with the 12 November 2018 version of CAF's Director Diversity and Selection Policy, which was in force at 2020 year-end, was observed, and the Nomination and Remuneration Committee stated this fact in its annual report on compliance with the policy in December 2020.

As a result of these aforementioned appointments, the diversity and balance of the composition of the Board of Directors has been enhanced from the standpoint, among others, of the profiles of its members, who contribute a wide range of skills and knowledge in areas of great value for the Company, and a significant level of independent directors was maintained (exceeding 45% of the total).

With respect to the promotion of gender diversity, it is noteworthy that since 2017 CAF has continuously complied with the target originally established for 2020 in Recommendation 14 of the Spanish Code of Good Governance for Listed Companies (CBGSC) whereby at least 30% of the members of the Board of Directors should be female.

Following the resolutions adopted by the Annual General Meeting held in 2020, the number of female directors increased to four, which means that women represent 36.36% of the total Board members, which is very close to the 40% level which Recommendation 14 has set as the target to be achieved in 2022.

C.1.16

With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions. Independent directors shall be directors appointed due to their personal and professional qualities who can discharge their functions without being influenced by relationships with the company or its group, their significant shareholders or senior executives.
Individuals may not in any case be considered to be independent directors if: a) they have been employees or executive directors of Group companies, unless either three or five years, respectively, have elapsed since the termination of such a relationship; b) they receive from the Company, or from the Group to which it belongs, any payment or benefit other than director remuneration, unless such an amount or benefit is insignificant. For the purposes of the provisions of this section, dividends or pension supplements received by the Board members for their previous professional or working relationships shall not be taken into consideration, provided that such supplements are unconditional and, consequently, the company paying them cannot suspend, modify or revoke their payment at its own discretion without there being a breach of obligations. c) in the last three years, they have been partners of the external auditor or responsible for the auditor's report prepared on the company or on any other Group company during that three-year period; d) they are executive directors or senior executives of another company where an executive director or senior executive of the company is a non-executive director; e) they have material business dealings with the company or any company of its Group or have had such dealings in the preceding year, either on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings. Relationships with suppliers of goods or services, including financial services, and with advisors or consultants shall be considered to be business relationships. f) they are significant shareholders, executive directors or senior executives of an entity that receives or has received in the last three years significant donations from the company or its Group; This definition excludes those who are merely trustees of a foundation receiving donations.g) they are spouses or partners with an analogous affective relationship or relatives up to the second degree of kinship of one of the company's executive directors or senior executives. h) they have not been proposed for appointment or re-election by the Nomination Committee. i) they have held office as directors for a continuous period of more than twelve years. j) they are in any of the situations indicated in points a), e), f) or g) above in relation to a significant shareholder or entity represented on the Board. In the case of the family relations indicated in point g), the restriction shall apply not only in connection with the shareholder but also with the proprietary directors of the investee.
Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties.
Proprietary directors who lose their status due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the aforementioned article and, in addition, their ownership interest is not material (Art. 16 of the Board of Director Regulations).

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration. The appointments of the directors shall be effective as soon as they are accepted (Article 29 of the Company Bylaws). Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Article 30 of the Company Bylaws).

The Nomination and Remuneration Committee holds certain powers in relation to the appointment, evaluation and removal of directors, which are detailed in its regulations. The most noteworthy powers are as follows: The basic responsibilities of the Nomination and Remuneration Committee should be to: 1.- Evaluate the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions, knowledge and skills required for candidates to cover each vacancy, periodically updated and shall evaluate the time and dedication required to perform their duties effectively. 2.- Set a representation goal for the gender with less representation on the Board of Directors and prepare recommendations on how to achieve that goal. 3.- Submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal. 4.- Report the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, and propose the re-election or removal of these directors by the Annual General Meeting. 5.- Report the proposed appointment of the Chair of the Board of Directors and of the Secretary, and of the Deputy Chairs, where applicable. 6.- Inform the Board of Directors of the appointment or removal of the Secretary. 7.- Submit to the Board of Directors the proposal for the appointment of a Coordinating Independent Director. 8.-Report the proposals for the appointment and removal of senior executives and propose the basic terms and conditions of their contracts.9.- Examine and organise the succession of the Chair and the chief executive of the Company and, if applicable, submit proposals to the Board of Directors in order to ensure a smooth and well-planned handover, periodically preparing and reviewing a succession plan for such purpose. 10.- Issue a report prior to the Board reprimanding a director for the infringement of their obligations as a director. 11.- Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the company, that could harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as investigated parties.12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists, and 18.- Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. (Art. 3 of the Nomination and Remuneration Committee Regulations).

In relation to the removal of directors, the Board Regulations also provide for certain special rules: The removal of the directors shall take place as defined in the terms of the legislation applicable at any given time. Directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, specifically, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce their stakes to a level that requires a reduction in the number of proprietary directors; b) if they are subject to any of the grounds for conflict of interest or prohibition provided for in law; c) if they are tried for an alleged criminal act or are subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement; d) if they are seriously reprimanded by the Board of Directors following a report from the Nomination and Remuneration Committee for having breached their obligations as Directors; e) if they find themselves in a conflict of interest situation and fail to comply with their reporting and abstention duties; and f) if they breach the non-compete obligation. The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Art. 18 of the Board Regulations).

Also, the Director Diversity and Selection Policy, amended by the Board of Directors of CAF at the meeting held on 17 December 2020, reiterates the functions pertaining to the Nomination and Remuneration Committee in the director selection process, as well as the terms of its participation in that process, as described above, and the conditions candidates must fulfil, placing special emphasis on the fundamental objective to promote diversity in terms of knowledge, experience, age and gender among Board members, applying criteria that ensure the existence of sufficient diversity in the composition of the Board and a lack of implicit bias that could amount to discrimination on grounds of age, gender, disability or any other personal characteristic, in line with Recommendation 14 of the Spanish Good Governance Code of Listed Companies and Articles 529 bis and 529 quindecies of the Spanish Limited Liability Companies Law.

C.2.1.
AUDIT COMMITTEE
viii. Supervise application of the general policy relating to communication of economic and financial, non-financial and corporate information, and to communication with shareholders and investors, voting advisers and other stakeholders. Also, the way in which the Company communicates and interacts with small and medium shareholders will be monitored. ix. Carry out reviews to ensure that the financial information published on the Company's corporate website is constantly updated and corresponds to the information approved or prepared by the Board of Directors and published on the Spanish National Securities Market Commission (CNMV) website. If, following the review, the Committee is not satisfied in relation to any issue, it shall notify the Board of its opinion. c) In relation to the internal audit: i. Supervise the Company's internal audit. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. ii. Ensure the independence of the unit that discharges the internal audit function, which shall report to the chair of the Committee or the non-executive chair of the Board. iii. Propose the selection, appointment and removal of the head of the internal audit service; iv. Propose the Internal Audit Department's budget. v. Approve the work plans and methods of Internal Audit, ensuring that its activity focuses primarily on significant risks (including reputational risks). vi. Receive regular information on the execution of the annual plan and other activities carried out, including possible incidents and scope limitations arising in the course of the work, the outcome and follow-up of its recommendations, and an activities report at the end of each reporting period. vii. Verify that senior executives take into account the conclusions and recommendations of its reports. viii. Assess the functioning of Internal Audit and the performance of the head of the unit. d) In relation to the external auditor: i. Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process within the meaning of Articles 16.2, 16.3, 16.5 and 17.5 of Regulation (EU) No 537/2014, of 16 April-, and the terms and conditions of the engagement. ii. Obtain information regularly on the audit plan and the execution thereof. iii. Discuss with the auditor the significant weaknesses in the internal control system disclosed in the performance of the audit, all of which should be performed without compromising its independence. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. iv. Preserve its independence when exercising its functions, in particular for that purpose: Establish the pertinent relationships with the external auditors in order to receive information on any matters that might threaten their independence, for analysis by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015, of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the foregoing point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence and establish an indicative limit on the fees that the auditor may receive annually for services other than auditing. v. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and changes in the company's accounting situation and risks; and vi. Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. vii. Investigate the circumstances giving rise to the resignation of any external auditor. viii. Supervise that the company reports any change of auditors through the CNMV, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them. ix. Carry out a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the completeness of the financial information. The provisions of the foregoing sections iv. to viii. shall be deemed to be without prejudice to the applicable audit regulations. e) Other functions: i. Inform the Board of Directors in advance of all matters contemplated in the law, the Company Bylaws and the Board Regulations, and in particular on: the financial information that the company must periodically make public; the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and transactions with related parties.

ii. Issue a report on any transactions that the Company or Group companies may perform with directors, under the terms of the Spanish Limited Liability Companies Law, or with shareholders, individually or together with others, with a significant ownership interest, including the shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related to them. It will not be necessary to issue the above report on any transactions that have all the following characteristics: they are performed under agreements with standardised terms and conditions and applied en masse to a large number of customers; they are executed at general prices or rates established by the supplier of the goods or services concerned; and their amount does not exceed 1% of the Company's annual revenue. ii. Be informed of the structural and corporate changes expected to be made by the Company for analysis and reporting, prior to the Board of Directors meeting, on their economic conditions and the accounting impact of the transactions and, especially, as appropriate, on the proposed exchange ratio. iii. Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. iv. Approve an annual work plan that envisages, among other matters, the annual timetable of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. v. Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, with an annual assessment report on its performance. vi. Issue an annual assessment report on the functioning and activities of the Committee in the previous year. vii. Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors. (Article 3 of the Audit Committee Regulations).

Similarly, the Audit Committee holds the following powers: 1.- In order to perform its functions the Audit Committee shall have full powers to access any kind of information, documentation or records it considers necessary for such purpose. 2.- The Audit Committee may request the Board of Directors to engage external advisory services in matters of particular significance when it considers that the company's own experts or technical specialists, or those of group companies, are unable to provide these services adequately or with the necessary independence. 3.- In addition, the Audit Committee may request at any time the personal involvement or reports of any member of the company's and/or Group companies' management teams whenever it deems that they are necessary or advisable for the performance of the Committee's functions, as well as their attendance, following invitation by the Chair of the Committee, at the meetings, only to discuss the specific points on the agenda in relation to which they were invited. Also, it should be ensured that this presence does not become common practice so that such attendance only occurs when necessary (Art. 10 of the Audit Committee Regulations).

Functioning:
The Audit Committee shall meet whenever the Chairman deems it appropriate so that it may perform its functions. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively. The Committee shall also meet when requested to do so by the Board of Directors (Art. 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of distance communication, providing that the identity and participation of the attendees can be guaranteed in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting. In any case, the Chair of the Committee, through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Art. 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Art. 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Power of representation may only be granted to another director who is a member of the Committee. The positions of Chair and Secretary of the Committee shall be held by those appointed to these positions. In the event of incapacity or absence, the Chair shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Art. 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary The minutes of the Committee meetings shall be available to all of the members of the Board of Directors (Art. 9 of the Audit Committee Regulations).

The main activities performed by the Committee in 2020 may be grouped into the following areas:

i. Financial and non-financial reporting and internal control mechanism activities:

• Examination, prior to their submission for authorisation for issue by the Board of Directors, of the separate and consolidated financial statements and the directors' reports of CAF, S.A. and the CAF Group, respectively, for the 2019 reporting period; The Directors' Report includes the Non-Financial Information Statement that contains the information on non-financial indicators relating to environmental activity, social matters, Human Resources, Respect for Human Rights and the Fight against Corruption and Bribery.

• Examination, prior to their submission for approval by the Board of Directors, of the quarterly and half-yearly separate and consolidated financial statements;

• Review of the remaining information to be furnished to the markets and to supervisory bodies during the year.

ii. Related-party transaction activities.

Review of the related-party transactions performed by the Company and those scheduled for the following year, verifying whether they should be submitted for approval by the Board.

iii. Activities relating to the sustainability policy and the terms of execution thereof in the year

The sustainability activities are attributed by the Board to the Nomination and Remuneration Committee, without prejudice to the verification by the Audit Committee of the information in this connection disclosed in the directors' report that accompanies the separate and consolidated financial statements of CAF, S.A. and the CAF Group, respectively.

iv. Risk management and control activities

• Ongoing evaluation of the ICFR system and analysis of the recommendations, and plans for improvement thereof, proposed by Internal Audit.

• Supervision of the Risk Management Unit. Participation of its head in the Committee meetings, to report on the main risks and contingencies affecting the Company and its Group. In this connection:

• Monitoring of the Unit's Activities Plan.

• Periodic supervision of the assurance map.

• Supervision of the risk management models implemented by the Company in relation to the various Businesses and Projects.

• The evaluation of all the company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

v. Internal audit-related activities:

The Audit Committee analysed and oversaw, on a direct and ongoing basis, the actions taken by the company’s internal audit area. In

addition to the activities in the preceding paragraph, the Audit Committee performed the following actions:

• Review of the Annual Report on Internal Audit Activities for 2019.

• Approval of the Internal Audit Work Plan for 2020 including.

- Review of the published information (quarterly financial statements, statutory financial statements, and directors’ report);

- Quarterly monitoring of the main financial and tax risks.

- Audit work rotation plan based on the criticality of the work;

- Monitoring of recommendations.

• Monitoring of the execution of the Internal Audit Work Plan over the year.

• Evaluation of the functioning of Internal Audit and the performance of the head thereof.

vi. External auditor-related activities:

• Analysis of the external auditor's reports on the Company’s separate and consolidated financial statements for 2019.

• Analysis of the limited review report on the half-yearly financial statements for 2020.

• Request for written confirmation of independence issued by the auditor and preparation of the Report on the Auditor's Independence, in relation to the audit of the 2019 financial statements.

• Establishment of limits and criteria for the non-audit services and approval of the budget for non-audit services for 2021.

• Analysis, together with the external auditor of the main incidents detected during the audit, verifying that they were remedied, and the risks detected were addressed.

• Evaluation of the external auditor's conduct.

• Joint monitoring of the transition plan between the current auditor, Deloitte, and EY, the auditor appointed for 2021, 2022 and 2023.

vii. Activities regarding financing:

• Analysis of a commercial paper issue programme on the Spanish Alternative Fixed-Income Market (MARF), to replace the ECP Programme registered in Ireland, from its expiry in December 2020, and proposal for approval by the Board of Directors.

viii. Audit Committee action plan monitoring activities:

During the current year, the Audit Committee monitored, on an ongoing basis, the action plans for 2020 proposed in the report on the annual assessment of its performance, approved at its meeting held on 17 December 2019, and stated that they had all been complied with.

ix. Other activities

• Analysis of potential strategic corporate transactions envisaged by the Company, for their approval by the Board of Directors.

• Approval of the report on the functioning of the Audit Committee for 2019.

• Supervision of the activities of the Company's internal Tax Department, in charge of the control and management of the Group's tax risks, with regular reporting on the situation of the various phases of the work in that area, monitoring of compliance with the Tax Policy and of any new developments in tax matters relevant to the Company.

• Supervision of the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.

• Proposal to amend the Policy on communication and contact with shareholders, institutional investors and voting advisers.

• Proposal to amend the Audit Committee Regulations.

• Approval of an annual audit plan for 2021 including the annual schedule for Committee meetings with the external auditors.

• Preparation of the Report on the Annual Performance Assessment in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies.

• Supervision of the exposure to foreign currency risk.

NOMINATION AND REMUNERATION COMMITTEE

12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists. 13.- Make proposals to the Board of Directors regarding the remuneration policy for directors and general managers or those who discharge senior executive functions reporting directly to the Board, executive committees or chief executives, and regarding individual remuneration and the other contractual conditions of the executive directors, ensuring compliance therewith. 14.- Review the remuneration policy applied to directors and senior executives on a regular basis, including share-based remuneration systems and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company. 15.- Ensure that possible conflicts of interest do not infringe upon the independence of the external advisory services provided to the Committee. 16.- Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents including the annual report on the remuneration of the directors. In relation to the Corporate Governance and Sustainability System: 17.- Supervise compliance with the Company’s corporate governance rules, also ensuring that the corporate culture is in line with the Company’s purpose and values. 18.-Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. 19.- Regularly evaluate and review the Company’s corporate governance system and Sustainability Policy, so that they fulfil the mission to promote the corporate interest, and they should take into account, as applicable, the legitimate interests of the other stakeholders. 20.- Oversee that the Company’s environmental and corporate practices are in line with the established strategy and policy; and 21.- Supervise and evaluate the processes for interacting with the various stakeholders. In relation to other matters: 22.- Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. 23.- Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, an annual assessment report on the functioning and activities of the Committee in the previous year and an annual assessment report on the performance of the Board of Directors. 24.- Issue, on a yearly basis, a report on the functioning and activities of the Committee in the preceding year. 25.- Review whether the information on the experience and professional careers of the Company's directors included on the corporate website is sufficient and appropriate and follows the recommendations of the Spanish Code of Good Governance for Listed Companies published by the Spanish National Securities Market Commission (CNMV). 26.- Approve an annual work plan that includes, inter alia, the annual schedule of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. 27.- Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors.

Functioning:
The rules on the functioning of this committee are provided for in Article 12 of the Board of Directors Regulations and in Chapter V of the Nomination and Remuneration Committee Regulations, and can be summarised as follows:

The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.

The call notices shall be communicated to each of the members by the Secretary of the Committee, according to the Chair's instructions, with at least five days’ notice, by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chair of the Committee, by itself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.

The Committee shall be deemed to be convened when more than half of its members attend and adopt its resolutions by absolute majority, either in person or by proxy. Representation may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member In addition, committee meetings may also be held without prior notice if all the members of the Committee are in attendance and agree unanimously to hold the meeting. The resolutions adopted shall be recorded by the Secretary in the related minutes, which shall be approved by the same meeting or at the immediately following meeting, and shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members.

The main activities performed by the Committee in 2020 may be grouped into the following areas:

a. Appointment activities.
• Presentation to the Board for submission to the General Meeting of the proposal for the re-election of a female independent director, as well as the preliminary reports for the re-election of a female executive director and for the appointment of two proprietary directors.
The aforementioned documents were made available to the shareholders on the corporate website when the call notice of the General

Meeting was issued.
• Presentation to the Board of the proposed changes in the composition of the Committee, consisting of the appointment of Ms Ane Agirre Romarate as Chair and Mr Julián Gracia Palacín as a new member of the Committee, and the proposed appointment of Mr Javier Martínez Ojinaga as new Coordinating Director.
• Review of the matrix of the Board's competencies in order to update its content, in view of the latest changes in the composition of the Board.
• Presentation to the Board of the proposed modification of the Director Diversity and Selection Policy, in order to adapt it to the modifications introduced in the Code of Good Governance in June 2020 and introduction of other technical improvements.

b. Remuneration activities:
• Submission of the proposed Directors' Remuneration Report for 2019 to the Board of Directors.
• Proposal to the Board of Directors regarding remuneration for the Executive Committee and for the Directors, applicable to 2020, and presentation of a new proposal due to the circumstances that transpired a result of the COVID-19 pandemic.
• Presentation to the Board of Directors of the proposed new Director Remuneration Policy, applicable to 2021, 2022 and 2023, for its submission for approval by the shareholders at the Annual General Meeting.

c. Corporate Governance and Sustainability activities:
• Review of the Corporate Social Responsibility Report for 2019, for its approval by the Board of Directors.
• Review of the Modern Slavery Declaration (UK) relating to 2019, for its approval by the Board of Directors.
• Supervision of the process for reporting the non-financial information and information on diversity contained in the Non-Financial Information Statement for 2019.
• Supervision of the Company's environmental and social practices to verify that they are in line with the established strategy and policy, with attendance of the head of Company's Corporate Social Responsibility Forum at the Committee meeting.
• Presentation to the Board of Directors of the proposed new Sustainability Policy, to replace the 2015 Corporate Social Responsibility Policy.
• Supervision and evaluation of the corporate governance system in the context of the functions attributed to the Committee in sections 17 and 19 of Article 3 of its Regulations.

d. Other activities
• Proposal to the Board of Directors to amend the Nomination and Remuneration Committee Regulations, in order to include the developments arising from the review of the Code of Good Governance and other technical improvements.
• Approval of the Report on the Functioning of the Nomination and Remuneration Committee relating to 2019.
• Proposal of the appointment of the external valuer for 2020, following verification of the valuer's independence.
• Preparation of the Report on the Annual Performance Assessment, in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies, with the scope detailed in the following section 7.
• Analysis of the situation concerning insurance policies in force covering directors and senior executives, and of the annual renewal plan for those policies.
• Annual assessment of compliance with the Diversity and Director Selection Policy.

• Approval of the Activities Plan for 2021.

e. Nomination and Remuneration Committee action plan monitoring activities.
Throughout 2020, the Committee monitored the action plans for that year, proposed in the annual self-assessment report, approved by the Committee at its meeting on 17 December 2019, verifying that they were complied with satisfactorily.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 25/02/2021

Indicate whether any director voted against or abstained from approving this report.

[ ] Yes
[√] No

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

Auditor’s Report on the Information relating to the system of internal control over financial reporting (ICFR) for the year ended 31 December 2020

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

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES ("THE CAF GROUP") FOR THE YEAR ENDED 31 DECEMBER 2020

To the Directors of Construcciones y Auxiliar de Ferrocarriles, S.A.:

As requested by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of 13 November 2020, we have applied certain procedures to the accompanying "Information relating to the ICFR system" in the Annual Corporate Governance Report of Construcciones y Auxiliar de Ferrocarriles, S.A. for 2020, which summarises the internal control procedures of the Group in relation to its annual financial reporting.

The directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of consolidated financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *"Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies"*, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2020 described in the Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report, as established in Circular no. 5/2013 of the National Securities Market Commission dated June 12, 2013, and subsequent modifications, being the most recent the Circular 1/2020 of the National Securities Market Commission dated October 6 ("the Circulars of the NSMC").

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Group.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and "the Circulars of the NSMC", for the purposes of the description of the ICFR system in annual corporate governance reports.

DELOITTE, S.L.

Pablo Mugica

25 February 2021

Construcciones y Auxiliar de Ferrocarriles, S.A.

Balance Sheets as at 31 December 2020 and 2019 (Notes 1 to 3)
(Thousands of euros)

Assets	Note	31/12/20	31/12/19 (*)
Non-current assets:			
Intangible assets:	**6**		
Other intangible assets		59,612	58,401
		59,612	**58,401**
Property, plant and equipment	**7**	**96,907**	**107,264**
Non-current investments in Group companies and associates	**9**	**928,207**	**987,397**
Non-current financial assets	**8**	**45,031**	**55,173**
Deferred tax assets	**16**	**69,884**	**68,649**
Total non-current assets		**1,199,641**	**1,276,884**
Current assets:			
Inventories	**11**	**88,213**	**165,164**
Trade and other receivables:	**12**		
Trade receivables for sales and services		1,075,440	1,029,756
Other receivables		26,351	35,403
Current tax assets		1,650	1,820
		1,103,441	**1,066,979**
Current investments in Group companies and associates	**10**	**98,966**	**146,088**
Current financial assets	**8**	**68,195**	**87,193**
Current prepayments and accrued income		**1,574**	**1,250**
Cash and cash equivalents		**398,941**	**340,956**
Total current assets		**1,759,330**	**1,807,630**
Total assets		**2,958,971**	**3,084,514**

Equity and liabilities	Note	31/12/20	31/12/19 (*)
Equity:	**13**		
Shareholders' equity			
Share capital:			
Registered share capital		10,319	10,319
		10,319	**10,319**
Share premium		**11,863**	**11,863**
Reserves		**605,342**	**634,738**
Profit for the Year		**(49,137)**	**1,950**
		578,387	**658,870**
Valuation adjustments:	**15**		
Available-for-sale financial assets		227	222
Hedges		(83)	902
		144	**1,124**
Grants, donations and legacies received		**3,781**	**3,440**
Total equity		**582,312**	**663,434**
Non-current liabilities:			
Long-term provisions	**17**	**2,892**	**2,405**
Non-current payables:	**14**		
Bank borrowings and debt instruments or other marketable securities		600,630	585,658
Other financial liabilities		60,023	65,028
		660,653	**650,686**
Non-current payables to Group companies and associates	**10**	**7,128**	**7,128**
Deferred tax liabilities	**16**	**1,480**	**1,689**
Non-current accruals		**1,662**	
Total non-current liabilities		**673,815**	**661,908**
Current liabilities:			
Short-term provisions	**17**	**258,770**	**234,869**
Current payables:	**14**		
Bank borrowings, debt instruments and other marketable securities		40,502	90,646
Other financial liabilities		52,351	63,623
		92,853	**154,269**
Current payables to Group companies and associates	**10**	**85,214**	**72,175**
Trade and other payables:			
Payable to suppliers	10	499,465	502,482
Other payables	11	743,913	770,785
		1,243,378	**1,273,267**
Other current liabilities	**14**	**22,629**	**24,592**
Total current liabilities		**1,702,844**	**1,759,172**
Total equity and liabilities		**2,958,971**	**3,084,514**

(*) Presented for comparison purposes only.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of Profit or Loss for the years ended 31 December 2020 and 2019

(Notes 1 to 3)

(Thousands of euros)

		(Debit) Credit	
	Note	**2020**	**2019 (*)**
Continuing operations:			
Revenue	10 & 19-a	1,496,561	1,433,874
+/- Changes in inventories of finished goods and work in progress		(62,883)	67,378
In-house work on non-current assets		698	11,967
Procurements	10 & 19-b	(901,610)	(889,308)
Other operating income	10	13,191	18,536
Staff costs	19-d	(302,176)	(304,003)
Other operating expenses	10, 17 & 19-e	(244,528)	(277,848)
Depreciation and amortisation charge	6 & 7	(27,534)	(23,999)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants	13-h	616	1,165
Impairment and gains or losses on disposals of non-current assets	6 & 7	11,638	2
Profit (loss) from operations		**(16,027)**	**37,764**
Finance income	8, 9 & 10	63,994	50,188
Finance costs	10, 14 & 15	(18,509)	(32,097)
Exchange differences	18	(21,984)	(2,037)
Impairment and gains or losses on disposals of financial instruments	8 & 9	(59,952)	(44,844)
Financial profit		**(36,451)**	**(28,790)**
Profit before tax		**(52,478)**	**8,974**
Income tax	16	3,341	(7,024)
Profit for the year from continuing operations		**(49,137)**	**1,950**
Profit for the year		**(49,137)**	**1,950**
Earnings per share (in euros)			
Basic		(1.433)	0.057
Diluted		(1.433)	0.057

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of profit or loss for 2020.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of Recognised Income and Expense for 2020 and 2019
(Notes 1 to 3)
(Thousands of euros)

	Note	2020	2019 (*)
A) Profit for the year (per statement of profit or loss)		**(49,137)**	**1,950**
B) Income and expense recognised directly in equity		**(2,825)**	**(408)**
Arising from valuation of financial assests		6	(22)
Arising from cash flow hedges	15	(1,523)	1,453
Grants, donations and legacies received	13-h	1,064	5,692
Arising from actuarial gains and losses and other adjustments	3-k	(2,482)	(5,816)
Tax effect	16	110	(1,715)
C) Transfers to profit or loss		**(296)**	**(707)**
Arising from cash flow hedges	15	227	235
Grants, donations and legacies received	13-h	(616)	(1,165)
Tax effect	16	93	223
Total recognised income and expense (A+B+C)		**(52,258)**	**835**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of recognised income and expense for 2020.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24).
In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of Changes in Total Equity for 2020 and 2019 (Notes 1 to 3)
(Thousands of euros)

	Shareholders' equity						
	Share capital	Share premium	Reserves	Profit for the year	Valuation adjustments	Grants, donations and legacies received	Total equity
Ending balance at 31 December 2018 (*)	**10,319**	**11,863**	**661,752**	**4,285**	**-137**	**-**	**688,082**
Total recognised income and expense	**-**	**-**	**-5,816**	**1,950**	**1,261**	**3,440**	**835**
Transactions with shareholders	**-**	**-**	**-21,198**	**-4,285**	**-**	**-**	**-25,483**
Dividends distribution (Note 13)	-	-	-21,940	-4,285	-	-	-26,225
Business combination (Note 9)	-	-	742	-	-	-	742
Ending balance at 31 December 2019 (*)	**10,319**	**11,863**	**634,738**	**1,950**	**1,124**	**3,440**	**663,434**
Total recognised income and expense	**-**	**-**	**-2,482**	**-49,137**	**-980**	**341**	**-52,258**
Transactions with shareholders	**-**	**-**	**-26,914**	**-1,950**	**-**	**-**	**-28,864**
Dividends distribution (Note 13)	-	-	-26,914	-1,950	-	-	-28,864
Ending balance at 31 December 2020	**10,319**	**11,863**	**605,342**	**-49,137**	**144**	**3,781**	**582,312**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of changes in total equity for 2020.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of Cash Flows for 2020 and 2019 (Notes 1 to 3) (Thousands of euros)

	Note	2020	2019 (*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**56,668**	**(4,745)**
Profit for the year before tax		**(52,478)**	**8,974**
Adjustments for:			
- Depreciation and amortisation charge	6 & 7	27,534	23,999
- Changes in provisions	17	21,893	436
- Recognition of grants in profit or loss	13	(616)	(1,165)
- Gains/Losses on derecognition and disposal of non-current assets	6 & 7	(11,638)	(2)
- Gains/Losses on derecognition of and valuation adjustments to financial instruments	8 & 9	59,952	44,844
- Finance income		(63,994)	(50,188)
- Finance costs		18,509	32,097
- Other income and expenses		(103)	(3,046)
Changes in working capital			
- Inventories	11	78,898	(100,264)
- Trade and other receivables		(23,971)	64,916
- Other current assets		(1,562)	(1,462)
- Trade and other payables		(35,039)	(17,503)
- Other current liabilities		(24)	32
- Other non-current assets and liabilities		594	(2,556)
Other cash flows from operating activities			
- Income tax recovered (paid)	16	(1,147)	(22,878)
- Other amounts received (paid) (interest and dividends) (net)		39,860	19,021
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**26,132**	**(128,854)**
Payments due to investment			
- Group companies and associates	9 & 10	(37,703)	(156,626)
- Intangible assets	6	(20,653)	(29,595)
- Property, plant and equipment	7	(5,790)	(11,717)
- Other financial assets	8	(755)	(516)
Proceeds from disposal			
- Group companies and associates	9 & 10	90,122	68,609
- Property, plant and equipment	7	-	2
- Other financial assets	8	911	989
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(23,491)**	**84,451**
Proceeds and payments relating to financial liability instruments			
- Proceeds from debt instruments and other marketable securities	14	162,700	472,950
- Proceeds from issue of borrowings from Group companies and associates	10	21,316	61,307
- Proceeds from issue of bank borrowings	14	158,150	97,500
- Proceeds from issue of other borrowings	14	6,168	716
- Repayment of debt instruments and other marketable securities	14	(232,700)	(467,950)
- Repayment of bank borrowings	14	(124,615)	(46,384)
- Repayment and amortisation of other borrowings	14	(6,631)	(6,035)
- Repayment of borrowings from Group companies and associates	10	(7,879)	(1,428)
Dividends and returns on other equity instruments paid			
- Dividends	13	-	(26,225)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		**(1,324)**	**(309)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**57,985**	**(49,457)**
Cash and cash equivalents at beginning of year		340,956	390,413
Cash and cash equivalents at end of year		398,941	340,956

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of cash flows for 2020.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Notes to the Financial Statements
for the Year Ended 31 December 2020

1. Company activities

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Company") was incorporated in 1917 for an indefinite period of time in San Sebastián (Gipuzkoa), and its registered office is in Calle José Miguel Iturrioz 26, Beasain (Gipuzkoa) (Spain).

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

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

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements of the CAF Group for 2020 were formally prepared by its directors at the Board of Directors Meeting held on 25 February 2021. The consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting of Construcciones y Auxiliar de Ferrocarriles, S.A. on 13 June 2020, and were filed at the Gipuzkoa Mercantile Registry.

2. Basis of presentation of the financial statements

a) Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Spanish Commercial Code and all other Spanish corporate law.
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, which has been modified by Royal Decree 602/2016, and its industry adaptations, in particular the industry adaptation for construction companies.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- All other applicable Spanish accounting legislation.

b) Fair presentation

The accompanying financial statements for 2020, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations, changes in equity and cash flows for 2020. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2019, which were formally prepared by the directors, were approved by the shareholders at the Annual General Meeting on 13 June 2020.

c) Non-obligatory accounting principles applied and changes in accounting policies

No non-obligatory accounting principles were applied. The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

In 2020 there were no significant changes in accounting policies with respect to those applied in 2019.

d) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

Although these estimates were made on the basis of the best information available at 2020 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively (see Notes 6, 7, 9, 11, 15, 16 and 17).

e) Comparative information

The information relating to 2020 contained in these notes to the financial statements is presented, for comparison purposes, with the information for 2019.

f) Grouping of items

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

g) Consolidated Group and basis of consolidation

As indicated in Note 9, the Company has ownership interests in the share capital of other (unlisted) companies which are equal to or greater than 20%.

The Company’s long-term investments in Group companies and associates are presented in accordance with the corporate legislation in force (see Note 9). Consequently, the Company’s financial statements for 2020 do not reflect the financial and equity changes arising from the application of consolidation methods to these ownership interests or to the transactions performed by them. These changes, which are significant, are however reflected in the CAF Group’s consolidated financial statements for 2020.

The main aggregates in the consolidated financial statements of the CAF Group for 2020 and 2019, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as adopted by European Union Regulations, are as follows:

2020 consolidated financial statements

	Thousands of euros
Total assets	**4,079,151**
Equity-	**644,203**
Of the Parent	632,969
Of non-controlling interests	11,234
Revenue	**2,762,472**
Profit for the year-	**10,253**
Of the Parent	9,012
Of non-controlling interests	1,241

2019 consolidated financial statements

	Thousands of euros
Total assets	**4,322,826**
Equity-	**745,367**
Of the Parent	733,237
Of non-controlling interests	12,130
Revenue	**2,597,655**
Profit for the year-	**25,090**
Of the Parent	24,745
Of non-controlling interests	345

h) Correction of errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2019.

i) COVID-19

COVID-19 was declared a pandemic by the World Health Organization in March 2020. The Company 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 Company operates, the Company 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. 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 31 December 2020, the volume of hours to be recovered amounted to 31,000 hours, equal to EUR 1,329 thousand, which are recognised under "Trade and Other Receivables - Other Receivables" in the accompanying balance sheet (172,128 hours, equal to EUR 7,675 thousand, at 30 June 2020) and which will be recovered during the 2021 financial year, according to the agreement reached.

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.

With regard to the manufacture of buses, activity continued in the production plants, although there were difficulties in making bus deliveries in areas especially affected by COVID-19.

In terms of services, COVID-19 had a direct effect on operators and the 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, due both 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 31 December 2020, 64 maintenance workers were covered by furlough-type arrangements (Spanish ERTEs) at various subsidiaries, due to the reduction in the scope of maintenance contracts (a maximum of 615 people having been reached in the month of May). At 17 February 2021, they applied to 62 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 train production plants, and to a lesser extent in the area of services, and resulted in additional costs to mitigate and respond to this pandemic.

Due to the conditions and derivative facts of COVID-19, at the date of authorisation for issue of these financial statements, no events such as the termination of contracts with customers or significant litigation with customers or suppliers had occurred. During the 2020 financial year, the Group has continued to identify opportunities and submit offers in the market.

The effects of the reduction in activity and of the inefficiencies and incremental costs incurred by the Company in 2020 were recognised in the accompanying statement of profit or loss under "Profit (Loss) from Operations".

The Company's directors 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, 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 Company 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.

As described in Note 5-a.2, the Company is exposed to foreign currency risk in relation to various currencies. During this period, the Company's exposure to the various currencies did not vary significantly with respect to the exposure at 31 December 2019, with significant variations occurring in the exchange rates of the currencies of the main countries in which the Company operates, with a significant impact on earnings.

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, and in light of the uncertainty caused by COVID-19, the Group increased its financing lines, which contributed to improving the Group's liquidity in the period, reaching EUR 1,115 million at 31 December 2020 (31 December 2019: EUR 914 million). This amount, together with the current level of the backlog, continues to guarantee the normal course of business.

Additionally, the estimates made by the Company's senior management to assess the impairment of investments in Group companies and associates, intangible and tangible assets and financial assets were updated, based on the new conditions arising from the pandemic.

Lastly, the Company's credit risk exposure did not increase significantly nor were impairment events identified and, therefore, the Company was not affected by the expected credit loss on its trade receivables recognised at 31 December 2020.

3. Accounting policies

The principal accounting policies used by the Company in preparing its financial statements as at 31 December 2020 and 2019, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

Computer software and development projects for which there are no doubts as to their technical and commercial success are measured at their acquisition cost (or, where appropriate, at their accumulated production cost applied in accordance with inventory measurement bases - see Note 3-e). Computer software is amortised on a straight-line basis over five years from its acquisition. Development projects are amortised on a straight-line basis over 5 years from their acquisition or completion.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 3-c. The acquisition cost was revalued pursuant to the related legislation, including Gipuzkoa Regulation 11/1996, of 5 December, Gipuzkoa Regulation 13/1991, of 13 December, and Gipuzkoa Regulation 1/2013, of 5 February (see Note 13-c).

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work performed by the Company on its items of property, plant and equipment is recognised at the related accumulated production cost allocated in accordance with inventory measurement bases (see Note 3-e).

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25 - 50
Plant and machinery	6 - 10
Other fixtures, tools and furniture	3 - 10
Other items of property, plant and equipment	10 - 20

In 2020 and 2019 the Company did not capitalise any borrowing costs to "Property, Plant and Equipment", as it did not have any significant projects the construction period of which exceeded one year and it considered the attributable general-purpose borrowings to be very insignificant.

c) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

d) Financial instruments

Financial assets and trade and other receivables

In accordance with the classification criteria established, the Group classifies its financial assets in the following categories:

(1) Loans and other long-term receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business. Loans and other long-term receivables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method. The amortised cost is understood to be the initial cost minus principal repayments and any reduction for impairment or uncollectability. The effective interest rate is the discount rate that exactly matches the initial carrying amount of a financial instrument to all its cash flows.

(2) Held-to-maturity investments. Financial assets with fixed maturity that the Company has the intention and ability to hold to maturity. These investments are also initially recognised at fair value and are subsequently measured at amortised cost.

(3) Held-for-trading financial assets classified as at fair value through profit or loss. These assets must have any of the following characteristics:

- They have been classified as held-for-trading because they have been acquired to generate a profit through short-term fluctuations in their prices.
- They are financial derivatives provided that they have not been designated as part of a hedging relationship.
- They have been included in this category of assets since initial recognition.

(4) Available-for-sale financial assets. Available-for-sale financial assets are measured at fair value. This category includes financial assets acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss. Substantially all these assets relate to equity investments. These assets are measured in the balance sheet at fair value which, in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in fair value are recognised directly under "Equity - Valuation Adjustments - Available-for-Sale Financial Assets" in the balance sheet until the investments are disposed of, at which time the cumulative balance of this heading relating to the investments disposed of is recognised in full in the statement of profit or loss. In this regard, (permanent) impairment is presumed to exist if the market value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered.

Equity investments in unlisted companies, the fair value of which cannot be measured reliably using alternative methods such as those indicated in the preceding paragraph, are measured at cost, unless there are indications of impairment, in which case they are recognised in profit or loss.

(5) Investments in Group companies, associates and jointly controlled entities. These are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Company management determines the most appropriate classification for each asset on acquisition, which is subsequently reviewed at the end of each year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

The Company recognises an allowance for debts in an irregular situation due to late payment, suspension of payments, insolvency or other reasons, after performing a case-by-case collectability analysis (see Note 12). Also, the Company derecognises trade receivable balances for the amount of the accounts receivable factored provided that substantially all the risks relating to default and delinquency and the rewards inherent to ownership of these accounts receivable (non-recourse factoring) have been transferred. At 31 December 2020, the Company had factoring without recourse receivables amounting to EUR 57,321 thousand (31 December 2019: EUR 44,699 thousand).

Cash and cash equivalents

"Cash and Cash Equivalents" in the accompanying balance sheet includes cash and demand deposits.

Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Derivative financial instruments

The Company uses these instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, it does so to hedge the foreign currency risk to which its project contracts, certain investments in investees and the financing received are exposed, and to hedge the interest rate risk arising from loan drawdowns (see Notes 5 and 15).

The Company reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i.e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is suitable documentation to evidence that the financial derivative was arranged specifically to hedge certain balances or transactions and how it was intended to achieve and measure the effectiveness of the hedge, provided that this was consistent with the Company's risk management policy.

CAF has defined financial risk management objectives and policies which set forth, in writing, the policy in respect of the arrangement of derivatives and hedging strategy.

These financial instruments are initially recognised at acquisition cost. The changes in the fair value of the derivative financial instruments that were designated and effective as hedges are subsequently recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under "Changes in Fair Value of Financial Instruments" in the accompanying statement of profit or loss.

- In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under "Valuation Adjustments - Hedges". This method is used by the Company for those projects in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction, and for interest rate hedges. To the extent that a highly probable transaction gives rise to firm commitments, the amounts previously recognised in equity are reclassified to profit or loss.

- In hedges of net investments in foreign operations, the gains or losses attributable to the effective portion of the hedging instrument are charged or credited to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the statement of profit or loss, and are adjusted in the line item that includes the value of the investment by the portion of the hedge that meets the criteria to be considered effective.

The fair value of the derivative financial instruments was calculated including the Company's own credit risk and that of the counterparty (see Note 15).

e) Inventory measurement bases

Raw materials and other supplies and goods held for resale are measured at the lower of average acquisition cost or net realisable value.

Work in progress and finished and semi-finished goods are presented net of costs already settled as described in Note 3-f and are measured as follows:

- Materials and expenses allocated to each project: at the average acquisition or production cost.

- Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.

- For inventories that necessarily take a period of more than twelve months to become available for sale, the cost includes the related borrowing costs.

f) Recognition of contract revenue and profit

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. The Company recognizes its income form the following main sources:

Construction contracts

For construction contracts, the Company generally recognises the income and profit or loss on each contract by reference to the estimated stage of completion of the contract, calculated on the basis of the actual hours incurred in each contract as a percentage of the estimated total hours, which is in keeping with other methods for determining the stage of completion on the basis of the costs incurred compared with the total budgeted costs.

Once the projected profit or loss on each contract has been determined, the Company applies the following correcting coefficients to determine actual profit or loss and revenue:

- With a percentage of completion of between 0% and 10%, no profit or revenue is recognised, in order to take into account the initial margin of uncertainty in the contracts in the long term.

- From 10% onwards, a percentage of profit and revenue equal to the percentage of completion is recognised.

Revenue and profit or loss on civil engineering construction, signalling and engineering services contracts are recognised by reference to the estimated stage of completion of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

The Company analyzes for each contract the applicable regulatory framework for unilateral cancellations, in order to guarantee the right to be paid for the services rendered to date at a price that reflects the cost plus margin incurred.

Potential losses on project contracts are recognised in full when they become known and can be estimated.

The Company only recognises revenue from claims when the customer has accepted the claim and evidence of such acceptance exists, either in the form of a contractual modification or a document of a similar legal nature.

Based on the revenue realised, the projected profit or loss on each contract (calculated as described above) and the stage of completion, inventories are derecognised for the amount of the costs settled with a charge to the related heading in the statement of profit or loss and a credit to “Inventories” on the asset side of the balance sheet (see Note 11).

Maintenance contracts

Maintenance revenue is recognised based on the performance of the service over the term of the contract.

When major repairs take place over specific periods of time, the percentage of completion of the service is postponed and the recognition of a portion of the revenue from the billings received is deferred until the periods when the major repairs take place. In these cases, this difference is recognised with a charge to "Revenue" in the accompanying statement of profit or loss and a credit to "Trade and Other Payables - Other Payables" in the accompanying balance sheet.

Sales of wheel sets, replacement parts and lesser refurbishment and upgrading work

Revenue from sales of wheel sets, replacement parts and lesser refurbishment and upgrading work is recognised when control of the asset is transferred to the customer and the entity satisfies a performance obligation deemed to be the point in time when the good is delivered.

Income from financial assets

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

g) Customer advances and completed contract work

Unlike the method used to recognise revenue from contracts, the amounts billed to the customer are based on achievement of the milestones established in the contract. The difference between revenue recognised on each project (see Note 3-f) and the amount billed for the project is recognised as follows:

- If the difference is positive, under "Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed" (deferred billings) (see Note 11).

- If the difference is negative, under "Trade and Other Payables – Other Payables - Advances Received on Orders" (prebillings) (see Note 11).

h) Foreign currency transactions and other obligations

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing (see Note 18). Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise. Foreign currency transactions for which the Company decided to arrange financial derivatives in order to mitigate the foreign currency risk are recognised as described in Note 3-d.

i) Current/Non-current classification

Items are classified under "Current Assets" and "Current Liabilities" (prebillings, deferred billings and short-term provisions) which may be realised or settled in more than twelve months, since they form part of the Company's normal operating cycle as established in the applicable legislation. Considering the items as a whole, the directors' estimates indicate that the current assets will be realised essentially in the short term and, in any event, the current liabilities to be settled in more than twelve months exceed the current assets that would be realised in more than twelve months (see Notes 11 and 17).

j) Grants, donations and legacies

The Company accounts for grants, donations and legacies received as follows:

a) Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in equity and do not give rise to the recognition of any income (see Note 13-h).

b) Refundable grants: while they are refundable, they are recognised as a liability.

c) Grants related to income: grants related to income are credited to income when definitively granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to profit or loss in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred. The Company recognised income of EUR 921 thousand and EUR 1,719 thousand in 2020 and 2019, respectively, in this connection under "Other Operating Income" in the accompanying statement of profit or loss.

k) Post-employment benefits

The Company's legal and contractual obligations to certain of its employees in relation to supplementary retirement and death benefits are met through premiums under defined benefit plans to external funds deposited, or in the process of being externalised, at independent insurance companies. The contributions made in 2020 for various groups of employees amounted to EUR 7,679 thousand (2019: EUR 8,466 thousand). The impact of these obligations on the statement of profit or loss for 2020 amounted to EUR 5,146 thousand (2019: EUR 3,410 thousand) with a charge to "Staff Costs". In 2020 a net actuarial loss of EUR 2,482 thousand arising from changes in the actuarial assumptions was recognised directly in equity (2019: a net actuarial loss of EUR 5,816 thousand).

In accordance with the accrual basis of accounting, at 31 December 2020 the Company recognised a current asset of EUR 280 thousand and a current liability of EUR 721 in the balance sheet, calculated by an independent valuer, being such amount the difference between the present value of the defined benefit obligations accrued and the fair value of the assets qualifying as plan assets (31 December 2019: current assets of EUR 105 thousand) and liability of EUR 597 thousand. The future modifications to the obligations assumed will be recognised in profit or loss for the related years (see Notes 14 and 19-d).

In the assumptions applied in the actuarial study performed by an independent third party, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past.

In accordance with the applicable collective agreement, the Company contributes an additional 2.3% of all its employees to an employee benefit entity (EPSV) (see Notes 19-d, 20 and 21).

l) Income tax

The expense for income tax and other similar taxes are recognised in the statement of profit or loss, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets are recognised for tax loss and tax credit carryforwards and temporary differences to the extent that it is considered probable that there will be sufficient taxable profits in the future against which the deferred tax assets can be utilised, which at the Company are deemed to be those that will be earned in the period covered by its backlog.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

m) Leases

The Company classifies as finance leases, lease arrangements whereby the lessor transfers all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

At 31 December 2020 and 2019, the Company had not entered into any finance leases in which it acted as lessee. In finance leases in which the Company acts as the lessor, at inception of the lease an account receivable is recognised equal to the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the interest rate implicit in the lease. The difference between the account receivable recognised and the amount to be received, which relates to unearned finance income, is allocated to profit or loss as earned using the effective interest method (see Note 8-a).

At 31 December 2020 and 2019, the Company had various outstanding operating leases for which it had recognised an expense of EUR 1,968 thousand in 2020 (2019: EUR 2,327 thousand) with a charge to "Other Operating Expenses" in the accompanying statement of profit or loss. The Company expects to continue to lease these assets (principally equipment and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2020 amounted to EUR 6,490 thousand over the next few years, of which EUR 1,595 thousand are due in 2021 (31 December 2019: EUR 8,096 thousand, of which EUR 1,702 thousand were to be paid in 2019).

Expenses arising in connection with leased properties and equipment are allocated to "Other Operating Expenses" in the statement of profit or loss over the term of the lease on an accrual basis.

n) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4. Distribution of profit

The proposed distribution of the profit for 2020 that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

Distribution	Thousands of euros
Distributable profit	
Profit for the year	(49,137)
Distribution	
Voluntary reserves	(49,137)

5. Financial risk management

The Company is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives.

These risks include financial risks: market risk (inter alia: foreign currency risk, interest rate risk and commodity price risk), credit risk, liquidity risk and financing risk.

The financial risk management policy adopted by the Company focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the achievement of the Company's objectives.

The Company's Financial Department identifies, analyses, assesses and defines the treatment, and performs the monitoring and control, of the financial risks in accordance with General Risk Management and Control Policy and the specific financial risk management policies established by the Board of Directors.

a) Market risk

The Company manages market risk in accordance with the principles set out in the Market Risks Policy.

a.1) Cash flow and fair value interest rate risk

The interest rate risk arises from the possibility that changes may occur in the value of the Company's financial assets and liabilities as a result of the changes in market interest rates. In accordance with the policy, financing transactions are performed under appropriate cost, terms and risk terms and conditions, considering at all times optimal use of the various instruments and sources of financing. Specifically, the Group sets an objective, to the extent permitted by the markets, of maintaining a borrowing structure balanced between fixed and floating interest rates (usually Euribor) the goal of which is to maintain an adequate balance between the cost of financing and the risk of changes in interest rates.

At 31 December 2020, the Company has a liability exposure of EUR 267 million in relation to changes in market interest rates (31 December 2019: EUR 218 million) and of EUR 373 million in relation to fixed interest rates (31 December 2019: EUR 457.3 million), of which EUR 25 million were fixed as a result of interest rate derivatives (see Notes 14 and 15).

a.2) Foreign currency risk

The Company operates on an international stage and, therefore, is exposed to foreign currency risk in its foreign currency transactions (currently the US dollar, the Brazilian real, the pound sterling, the Swedish krona, the Australian dollar, the Saudi riyal, the Mexican peso, the Japanese yen, the Colombian peso, the New Zealand dollar, Israeli shekel, Turkish lira, Canadian dollars, Hong Kong dollars and the Hungarian florin, among others).

The foreign currency risk to which the Company is exposed as a result of its operations in the international sphere is managed in accordance with the Market Risk Policy, which envisages various strategies aimed at reducing that risk, such as, for example, the arrangement of financial or natural hedges, ongoing monitoring of exchange rate fluctuations and other complementary measures.

In line with the principles of this policy, as a general rule the Company transfers to third parties, provided that the cost is reasonable, the foreign currency risk associated with its contracts denominated in currencies other than the Company's functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various contracts entered into, so that the Company's results present fairly its industrial and services activity.

The impact on the statements of profit or loss for 2020 and 2019 of a 10% depreciation of the following currencies against the euro, considering the closing exchange rate at 31 December and the currency forwards arranged (see Note 15), would be as follows:

Currency	**Gain/(Loss) in thousands of euros**	
	2020	**2019**
Brazilian real	(1,538)	(4,829)
Pound sterling	(349)	4,400
Mexican peso	(1,942)	(3,342)
New Taiwan dollar	(3,462)	(3,625)

At 31 December 2020 and 2019, the Company was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of CAF USA Inc., the exposure of which is hedged (see Notes 9 and 15).

a.3) Commodity price risk

For the most significant commodities, the Company's orders are placed and prices closed when each new project commences. The risk of a rise in commodity prices having an adverse effect on the contractual margins is thus hedged.

b) Credit risk

Most of the Company's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Company's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

At 31 December 2020 and 2019, the Company had insured a portion of its accounts receivable from customers in certain countries abroad, taking into account the risk of each of them, through credit insurance policies (see Note 12).

c) Liquidity and financing risk

As determined in the Liquidity and Financing Policy, management of liquidity and financing involves ensuring that the payment commitments arising from the obligations undertaken are met, optimising the financial structure and safeguarding adequate management of the Company's surpluses in the framework of its long-term strategy (see Notes 8 and 14).

The Company manages liquidity and financing risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be in the same timeframe, which results in financial resources being consumed.
- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.
- Maintaining a strong short-term liquidity position.
- Maintaining surplus undrawn credit balances.

The Company adopted additional measures to strengthen its financing capacity due to the effect of COVID-19 (see Note 2-i).

d) Brexit: impact on financial risks

The emergence of Brexit in June 2016 gave rise to the need to conduct an analysis of its consequences and its impact of various lines of business. 2020 was the Brexit transition period, in which the framework of the new relationship between the UK and the European Union was negotiated.

On 24 December 2020, the European Union and the UK reached a Trade and Cooperation Agreement, with effect from 1 January 2021. This agreement will allow the Company to continue operating normally in the businesses that the Company has in the UK and, therefore, it has not had a significant impact on these financial statements.

6. Intangible assets

The changes in "Intangible Assets" in the balance sheet in 2020 and 2019 were as follows:

2020

	Thousands of euros			
	31/12/19	Additions or charge for the year	Disposals or reductions	31/12/20
Cost:				
Development expenditure	134,941	8,693	(1,680)	141,954
Computer software	30,720	7,528	-	38,248
Total cost	**165,661**	**16,221**	**(1,680)**	**180,202**
Accumulated amortisation:				
Development expenditure	74,017	11,222	(793)	84,446
Computer software	16,623	2,901	-	19,524
Total accumulated amortisation	**90,640**	**14,123**	**(793)**	**103,970**
Impairment:				
Development expenditure	16,620	-	-	16,620
Total impairment	**16,620**	**-**	**-**	**16,620**
Intangible assets, net	**58,401**	**2,098**	**(887)**	**59,612**

2019

	Thousands of euros			
	31/12/18	Additions or charge for the year	Transfers to inventories	31/12/19
Cost:				
Development expenditure	113,324	21,961	(344)	134,941
Computer software	21,600	9,120	-	30,720
Total cost	**134,924**	**31,081**	**(344)**	**165,661**
Accumulated amortisation:				
Development expenditure	66,487	7,530	-	74,017
Computer software	14,758	1,865	-	16,623
Total accumulated amortisation	**81,245**	**9,395**	**-**	**90,640**
Impairment:				
Development expenditure	16,620	-	-	16,620
Total impairment	**16,620**	**-**	**-**	**16,620**
Intangible assets, net	**37,059**	**21,686**	**(344)**	**58,401**

The additions in 2020 recognised under "Development Expenditure" relate to the costs incurred in developing new products including, most notably: highly-automated signalling systems; hydrogen technologies as an alternative to diesel propulsion; virtual validation environments aimed at reducing costs and deadlines in the commissioning of vehicles; and the TCMS platform for the implementation of critical safety functions.

With regard to "Computer Software", in 2019 the Company began to implement the new ERP, with most additions in 2020 and 2019 relating to this project. At 31 December 2020, the Company had investment obligations of EUR 28,991 thousand, mainly in relation to the new IT system which is expected to be put into operation in 2023.

In 2020 the assets related to the coupler division were sold, mainly industrial property. The value of this sale amounted to EUR 15,000 thousand, giving rise to a gain of EUR 11,663 thousand that was recognised which was recorded with a credit to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying statement of profit or loss.

Research and development expenditure incurred in 2020 and recognised in profit or loss amounted to EUR 2,031 thousand (2019: EUR 5,871 thousand).

At 2020 year-end the Company had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 59,527 thousand (31 December 2019: EUR 58,254 thousand).

Impairment losses

The Company did not recognise any impairment losses on its intangible assets in 2020 and 2019.

7. Property, plant and equipment

The changes in the years ended 31 December 2020 and 2019 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2020

	Thousands of euros				
	31/12/19	Additions or charge for the year	Disposals or reductions	Transfers	31/12/20
Cost:					
Land	13,551	25	-	-	13,576
Buildings	155,344	355	(31)	-	155,668
Plant and machinery	235,011	1,953	(2,510)	-	234,454
Other fixtures, tools and furniture	16,965	524	(910)	-	16,579
Other items of property, plant and equipment	26,819	597	(502)	(375)	26,539
Total cost	**447,690**	**3,454**	**(3,953)**	**(375)**	**446,816**
Accumulated depreciation:					
Buildings	95,828	4,818	(31)	-	100,615
Plant and machinery	208,337	6,482	(2,497)	-	212,322
Other fixtures, tools and furniture	12,806	842	(898)	-	12,750
Other items of property, plant and equipment	22,007	1,269	(502)	-	22,774
Total accumulated depreciation	**338,978**	**13,411**	**(3,928)**	**-**	**348,461**
Impairment	**1,448**	**-**	**-**	**-**	**1,448**
Property, plant and equipment, net	**107,264**	**(9,957)**	**(25)**	**(375)**	**96,907**

2019

	Thousands of euros				
	31/12/18	Additions or charge for the year	Disposals or reductions	Transfers	31/12/19
Cost:					
Land	13,551	-	-	-	13,551
Buildings	152,159	3,185	-	-	155,344
Plant and machinery	232,071	4,405	(1,465)	-	235,011
Other fixtures, tools and furniture	16,159	823	(17)	-	16,965
Other items of property, plant and equipment	27,554	896	(360)	(1,271)	26,819
Total cost	**441,494**	**9,309**	**(1,842)**	**(1,271)**	**447,690**
Accumulated depreciation:					
Buildings	91,134	4,694	-	-	95,828
Plant and machinery	201,225	7,470	(358)	-	208,337
Other fixtures, tools and furniture	11,922	901	(17)	-	12,806
Other items of property, plant and equipment	20,931	1,539	(22)	(441)	22,007
Total accumulated depreciation	**325,212**	**14,604**	**(397)**	**(441)**	**338,978**
Impairment	**2,555**	**-**	**(1,107)**	**-**	**1,448**
Property, plant and equipment, net	**113,727**	**(5,295)**	**(338)**	**(830)**	**107,264**

In 2020 the most significant investments were aimed at modernising and expanding the production areas at the Beasain and Zaragoza plants, related to the manufacture of railway vehicles.

In 2013 the Company revalued its property, plant and equipment pursuant to Gipuzkoa Regulation 1/2013, of 5 February, paying a one-off rate of 5% of the revalued amount. Previously, the Company had availed itself of other legislation relating to revaluations, namely, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 (see Note 13-c).

The 2013 revaluation was made applying the rates established in legislation on the acquisition cost, based on the year of acquisition of the property, plant and equipment. In the case of improvements, the year in which they are made was taken into account. Also, the established rates were applied to the depreciation taken for accounting purposes on the acquisition or production cost that was deductible for tax purposes, based on the year in which it was applied. In the case of assets revalued pursuant to Gipuzkoa Regulation 11/1996, the rates were applied to the acquisition price and to the depreciation that was deductible for tax purposes, without taking into account the net increase in value arising from the revaluations.

The Company revalued items recognised such as buildings, plant, machinery and tools. The revaluation of the balance sheet items amounted to EUR 46,170 thousand and the adjustment to the depreciation charge amounted to EUR 19,676 thousand.

The net increase in value arising from the revaluations is depreciated over the tax periods in the remaining useful lives of the assets. The effect of the revaluations on the depreciation charge for the year was EUR 755 thousand (2019: EUR 803 thousand).

The effect of the revaluations of the property, plant and equipment in accordance with Gipuzkoa Regulation 1/2013, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 on the depreciation charges for the year and the accumulated depreciation recognised in 2020 and in prior years amounted to approximately EUR 804 thousand and EUR 13,444 thousand, respectively (2019 and prior years: EUR 862 thousand and EUR 12,797 thousand).

At 31 December 2020, the Company recognised EUR 2,666 thousand (31 December 2019: EUR 5,001 thousand) under "Current Payables - Other Financial Liabilities" in relation to non-current asset suppliers (see Note 14).

At 2020 year-end the Company had firm investment commitments amounting to EUR 1,965 thousand in relation mainly to the new fitting-out of certain facilities and equipment (2019 year-end: EUR 470 thousand). In principle, these investments will be equity financed.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2020 and 2019 the property, plant and equipment were fully insured against these risks.

At 31 December 2020, the gross cost of fully depreciated property, plant and equipment still in use amounted to approximately EUR 269,199 thousand (31 December 2019: approximately EUR 257,965 thousand), of which at 31 December 2020 EUR 52,493 thousand related to "Buildings" (2019: EUR 49,099 thousand), EUR 194,334 thousand to "Plant and Machinery" (2019: EUR 185,819 thousand) and EUR 22,372 thousand to "Other Fixtures, Tools and Furniture" and "Other Items of Property, Plant and Equipment" (2019: EUR 23,047 thousand).

In 2020 the Company sold items of property, plant and equipment, giving rise to a gain of EUR 25 thousand (EUR 2 thousand in 2019).

The Company has no future dismantling or restoration commitments and, accordingly, no asset was recognised in this connection.

At 31 December 2020 and 2019, the Company did not have any investments in property, plant and equipment located abroad for significant amounts.

Impairment losses

In 2020 there were no indications of impairment. At the end of 2016, the Company discontinued its activities at the steelworks at its Beasain plant. Consequently, the Company's directors evaluated the recoverability of the related net assets, based on the appraisal performed by an independent valuer, recognising impairment amounting to EUR 1,107 thousand in 2019 associated with the derecognition of assets of the steelworks.

8. Financial assets (non-current and current)

a) Non-current financial assets

The detail of "Non-Current Financial Assets" at the end of 2020 and 2019 is as follows (in thousands of euros):

Classes	Non-current financial assets					
	Equity instruments		Loans, derivatives and other		Total	
Categories	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Held-to-maturity investments	-	-	129	134	129	134
Loans and receivables	-	-	4,793	9,477	4,793	9,477
Available-for-sale financial assets-	1,309	1,337	-	-	1,309	1,337
Financial derivatives (Note 15)	-	-	38,800	44,225	38,800	44,225
Total	**1,309**	**1,337**	**43,722**	**53,836**	**45,031**	**55,173**

The detail of loans and receivables is as follows (in thousands of euros):

	31/12/20	31/12/19
Long-term grants receivable	-	3,185
Non-current trade receivables	1,149	2,507
Loans to employees	3,644	3,785
Total	**4,793**	**9,477**

Non-current trade receivables

"Non-Current Trade Receivables" includes an account receivable amounting to EUR 1,149 thousand at long term (31 December 2019: EUR 2,507 thousand) and EUR 1,498 thousand at short term (31 December 2019: EUR 1,407 thousand) relating to a finance lease of rolling stock for an initial amount of EUR 10,570 thousand, under which the Company will receive constant monthly lease payments over a period of 120 months, which began in 2012.

Loans to employees

In accordance with the agreements entered into with employees, the Company grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Company does not discount these amounts since it considers that the effect of doing so is scantly material.

Available-for-sale financial assets

The Company owns 14.18% of Iniciativa FIK, AIE, the company object of which is research and development and the exploitation of scientific and technological knowledge. The par value of the shares amounts to EUR 3,125 thousand. The ownership interest has been written down by EUR 2,374 thousand (31 December 2019: EUR 2,349 thousand) and impairment of EUR 25 thousand was recognised in 2020 under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss.

In addition, the Company holds 3% of Albali Señalización, S.A. As 31 December 2020, the fair value of the subscribed shares amounts to EUR 558 thousand (2019: EUR 561 thousand).

The detail, by maturity, of "Non-Current Financial Assets", excluding equity instruments, is as follows (in thousands of euros):

2020

	2022	2023	2024	2025 and subsequent years	Total
Held-to-maturity investments	116	13	-	-	129
Loans and receivables	1,848	626	543	1,776	4,793
Financial derivatives	16,962	14,264	5,237	2,337	38,800
Total	**18,926**	**14.903**	**5,780**	**4,113**	**43,722**

2019

	2021	2022	2023	2024 and subsequent years	Total
Held-to-maturity investments	29	92	13	-	134
Loans and receivables	5,250	1,793	565	1,869	9,477
Financial derivatives	12,229	18,053	10,265	3,678	44,225
Total	**17,508**	**19,938**	**10,843**	**5,547**	**53,836**

Impairment losses

In 2020 and 2019 the Company did not recognise any changes under "Non-Current Financial Assets - Loans and Receivables" as a result of impairment losses.

b) Current financial assets

The detail of "Current Financial Assets" at the end of 2020 and 2019 is as follows (in thousands of euros):

	31/12/20	31/12/19
Held-for-trading financial assets	61,097	60,564
Financial derivatives (Note 15)	7,098	26,629
Total	**68,195**	**87,193**

The Company invests cash surpluses in government debt securities, repos, short-term deposits, term deposits, promissory notes or fixed-income investment funds. These are short-term investments, the results of which are recognised with a credit to "Finance Income" in the accompanying statement of profit or loss. In 2020 the Company recognised a gain of EUR 536 thousand in this connection (2019: gain of EUR 1,333 thousand).

9. Group companies and associates

The detail of "Non-Current Investments in Group Companies and Associates" at 31 December 2020 and 2019 is as follows (in thousands of euros):

	31/12/19	Change	31/12/20
Ownership interests	1,030,926	17,730	1,048,656
Impairment losses on ownership interests	(172,820)	(60,082)(*)	(232,902)
Non-current loans (Note 10)	129,291	(16,838)	112,453
Total	**987,397**	**(59,190)**	**928,207**

(*) Including a net amount recognised of EUR 59,927 thousand under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss for 2020, a net reversal of EUR 155 thousand relating to the impact of derivatives related to net investments in foreign operations.

	31/12/18	Change	31/12/19
Ownership interests	953,319	77,607	1,030,926
Impairment losses on ownership interests	(137,175)	(35,645) (*)	(172,820)
Non-current loans (Note 10)	121,598	7,693	129,291
Total	**937,742**	**49,655**	**987,397**

(*) Including a net amount recognised of EUR 37,729 thousand under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss for 2019, a net reversal of EUR 374 thousand relating to the impact of derivatives related to net investments in foreign operations and a reversal of EUR 1,710 thousand under "Reserves" as a consequence of the financial impact of a fusion between companies of the Group.

The most significant information in relation to investments in Group companies and associates the end of 2020 and 2019 is as follows (in thousands of euros):

2020

Name	Location	Line of business	Percentage of ownership: Direct	Percentage of ownership: Indirect	Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1): Share capital	Basic financial data (1): Reserves and accumulated profits or losses	Basic financial data (1): Profit (Loss) from operations	Basic financial data (1): Profit (Loss) for 2020
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5% (3)	301	-	-	316	4,127	5,802	4,357
CAF Argelia (EURL)	Argel	Manufacturing and maint.	100%	-	2,171	(62)	(62)	2,171	74	(121)	(165)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation y maint.	97.61%	2.39% (3)	4,017	(100)	(3,772)	2	225	26	19
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7% (3)	521	-	-	530	98	268	175
CAF Brasil Indústria e Comércio, S.A.(2)	Sao Paulo	Manufacturing and maint.	0.97%	99.03% (3)	2,765	(260)	(2,250)	210,558	(177,655)	(4,135)	(3,887)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1% (3)	1	-	-	1	1,815	264	139
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellín	Manufacturing and maint.	100%	-	456	(71)	(138)	36	251	140	32
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	256	92	57
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-	5,262	(117)	(4,037)	1,521	(179)	(232)	(169)
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%		160	-	-	24	220	54	21
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89% (3)	110	-	-	3,917	3,629	199	76
CAF Italia, S.R.L.	Roma	Reparation y maint.	100%	-	5,600	(1,669)	(1,669)	100	3,801	596	30
CAF México, S.A. de C.V.(2)	México D.F.	Manufacturing and maint.	99.94%	0.06% (3)	6,755	-	-	6,773	3,723	1,439	349
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	408	371	291
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	2,336	849	587
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	10	151	91
CAF Rail Australia Pty Ltd	Sydney	Building, manufacturing and maintenance	100%	-	74	-	-	74	582	929	359
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	-	1	-
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	2,627	1,759	1,143
CAF Sisteme Feroviare, S.R.L.	Bucarest	Manufacturing and maint.	100%	-	-	-	-	-	123	25	13
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04% (3)	3,365	(420)	(1,857)	3,367	(2,070)	(98)	142
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	1,037 (9)	54,283	4,949	1,291	208
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	1,081	74	26
Ferrocarril Interurbano S.A. de C.V.	Mexico D.F.	Manufacturing and equip.	17.20%	32.43% (10)	68	-	-	385	1,116	53	144
Metro CAF (Mauritius) Ltd.	Mauricio	Building, manufacturing and maintenance	100%	-	1	-	-	1	132	780	953
Tradinsa Industrial, S.L.	Lleida	Reparation y maint.	82.34%	17.66% (4)	3,215	(635)	(635)	3,850	70	(816)	(788)
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	(49)	(62)	71	(71)	41	9
Trenes de Navarra, S.A.U.	Navarra	Manufacturing	100%	-	22,170	(2,675)	(15,459)	8,470	916	(2,441)	(2,675)
BWB Holdings Limited (2) (11)	Nottingham	Engineering	100%	-	18,434	438	(2,321)	229	13,373	(606)	(798)
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-	5,734	-	-	4,705	6,453	71	(13)
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-	19,093	-	-	6,090	11,802	668	(160)
CAF Signalling, S.L.U. (2)	Gipuzkoa	Signalling	100%	-	49,562	(14,981)	(39,897)	13,300	11,697	(10,485)	(15,371)
CAF Turnkey & Engineering, S.L.U. (2)	Bizkaia	Engineering	100%	-	13,720	-	-	5,703	11,832	10,854	10,340
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45 (3)	5,650	-	-	9,650	2,356	836	1,632
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	1,148	471	346

Name	Location	Line of business	Percentage of ownership - Direct	Percentage of ownership - Indirect		Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1) - Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2020
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-		1.530	-	-	3,000	1,223	787	595
Sermanfer, S.A.U.(2)	Madrid	Maintenance	100%	-		301	-	-	301	1,361	696	284
CAF Investment Projects, S.A.U. (2)	Gipuzkoa	Business Promotion	100%	-		227,608	-	-	47,917	163,209	81,286	37,676
Transjerusalem J-Net Ltd.	Petach Tikva	Lease services	50%	-		-	-	-	-	-	246	(56)
CAF Israel Rails Ltd.	Tel Aviv	Building, manufacturing and maintenance	100%	-		-	-	-	-	-	(95)	(95)
CAF Diversified Business Development, S.A.U. (2)	Gipuzkoa	Holding Company	100%	-		176,437	(21,340)	(82,711) (7)	12,000	56,629	(1,631)	(1,092)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	México D.F.	Transportation	28.05%	15.30%	(5)	60,925	-	(60,925)	16,301	(16,025)	(11,993)	(59,086)
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-		60	-	-	60	4,683	2,078	1,510
Consorcio Traza, S.A. (2)(6)	Zaragoza	Holding Company	25%	-		15,709	(15,709)	(15,709)	575	17,767	(658)	(27,966)
EuroMaint Gruppen AB (2)	Solna	Maintenance	100%	-		50,829	-	-	10	53,810	(3,626)	(4,375)
CAF Group UK Limited (2)	Coventry	Holding Company	100%	-		37,415	(1,087)	(1,087)	37,415	(769)	(340)	(318)
Rifer SRL	Milán	Component Maintenance	100%	-		4,713	(1,190)	(1,348)	20	3,463	81	(192)
Solaris Bus & Coach, sp. z.o.o.(2)	Bolechowo	Transportation	72.34%	24.99%	(8)	244,679	-	-	37,166	194,034	41,076	21,630
Other investments						1,255	-	-				
						1,048,656	**(59,927)**	**(232,902)**				

1) After adjustments and unifying entries for consolidation purposes and considering unspoken capital gains on the purchasing date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under "Translation Differences - Reserves" and "Valuation Adjustments – Reserves".
2) Head of a group of companies. The information on reserves and accumulated profits or losses, profit or loss from operations and profit or loss for 2020 is presented at sub-consolidated level. The information on the companies that form part of the CAF Group is presented in the consolidated financial statements.
3) Through CAF Diversified Business Development, S.A.U.
4) Through Sermanfer, S.A.
5) Through CAF Investment Projects, S.A.U.
6) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.
7) Includes a provision of EUR 3,114 thousand relating to the impact of derivatives related to net investments in foreign operations.
8) Through Openaco Trading Co. Limited
9) Including a balance receivable of EUR 1,037 thousand, relating to the impact of derivatives related to net investments in foreign operations.
10) Through CAF Turnkey & Engineering, S.L.U., CAF México S.A. de C.V. and CAF Signalling, S.L.U.
11) Considering the options described in Note 14 to these financial statements.

2019

Name	Location	Line of business	Percentage of ownership		Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect				Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2019
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5% (3)	301	-	-	316	3,508	1,947	1,294
CAF Argelia (EURL)	Argel	Manufacturing and maint.	100%	-	2,171	262	-	2,171	(251)	904	769
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation y maint.	97.61%	2.39% (3)	4,017	(132)	(3,672)	2	308	93	43
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7% (3)	521	-	-	530	4	134	94
CAF Brasil Indústria e Comércio, S.A.(2)	Sao Paulo	Manufacturing and maint.	0.97%	99.03% (3)	2,765	(152)	(1,990)	210,558	(112,526)	(51,167)	(52,064)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1% (3)	1	-	-	1	1,574	1,844	1,391
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellín	Manufacturing and maint.	100%	-	456	(67)	(67)	36	520	(120)	(167)
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	192	108	64
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-	5,262	(158)	(3,920)	1,521	(222)	69	43
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-	160	-	-	24	212	57	36
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89% (3)	110	-	-	3,917	4,509	105	1
CAF Italia, S.R.L.	Roma	Reparation y maint.	100%	-	5,600	-	-	100	6,805	(6,090)	(3,004)
CAF México, S.A. de C.V.(2)	México D.F.	Manufacturing and maint.	99.94%	0.06% (3)	6,755	-	-	6,773	6,621	1,896	(1,617)
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	177	289	231
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	1,785	799	578
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	(3)	30	23
CAF Rail Australia Pty Ltd	Sydney	Building, manufacturing and maintenance	100%	-	74	-	-	74	60	1,039	503
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	-	-	-
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	1,907	1,531	891
CAF Sisteme Feroviare, S.R.L.	Bucarest	Manufacturing and maint.	100%	-	-	-	-	-	117	22	9
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04% (3)	3,365	(247)	(1,437)	3,367	(2,291)	776	709
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	1,192 (9)	54,283	8,927	4,104	1,512
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	843	343	238
Ferrocarril Interurbano S.A. de C.V.	Mexico D.F.	Manufacturing and equip.	17.20%	32.43% (10)	68	-	-	385	960	90	377
Metro CAF (Mauritius) Ltd.	Mauricio	Building, manufacturing and maintenance	100%	-	1	-	-	1	11	254	213
Tradinsa Industrial, S.L.	Lleida	Reparation y maint.	82.34%	17.66% (4)	3,215	-	-	3,850	747	(656)	(677)
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	5	(13)	71	(14)	(55)	(54)
Trenes de Navarra, S.A.U.	Navarra	Manufacturing	100%	-	22,170	(839)	(12,784)	8,470	1,233	16	(317)
BWB Holdings Limited (2) (12)	Nottingham	Engineering	100%	-	18,434	(2,759)	(2,759)	228	18,698	(4,404)	(4,563)
CAF I+D, S.L.U.	Gipuzkoa	I+D	100%	-	5,734	-	-	4,705	6,821	(308)	(368)
CAF Power & Automation, S.L.U. (2)	Gipuzkoa	Electronic and power	100%	-	21,363	-	-	6,090	12,634	4,576	3,411
CAF Signalling, S.L.U. (2)	Gipuzkoa	Signalling	100%	-	41,062	(3,135)	(24,916)	13,200	6,722	(1,352)	(3,829)
CAF Turnkey & Engineering, S.L.U. (2)	Bizkaia	Engineering	100%	-	13,720	-	-	5,703	15,206	6,829	5,708
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45% (3)	5,650	-	-	9,650	1,943	559	413
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	1,809	1,116	839

Name	Location	Line of business	Percentage of ownership		Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect				Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2019
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,198	1,671	1,309
Sermanfer, S.A.U.(2)	Madrid	Maintenance	100%	-	301	-	-	301	1,991	261	20
CAF Investment Projects, S.A.U (2)	Gipuzkoa	Business Promotion	100%	-	229,839	-		47,917	190,465	95,758	45,547
CAF Diversified Business Development, S.A.U. (2)	Gipuzkoa	Holding Company	100%	-	174,206	(30,901)	(61,371) (7)	12,000	114,284	(48,922)	(47,639)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	México D.F.	Transportation	28.05%	15.30% (5)	60,925	-	(60,925)	16,301	(16,301)	8,528	-
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	5,574	2,789	2,109
Consorcio Traza, S.A. (2) (6)	Zaragoza	Holding Company	25%	-	15,709	-	-	575	19,461	2,588	(2,975)
EuroMaint Gruppen AB (2) (11)	Solna	Maintenance	100%	-	50,829	-	-	10	52,272	1,098	(567)
CAF Group UK Limited (2)	Coventry	Holding Company	100%	-	37,415	182	-	37,415	266	1,599	1,039
Rifer SRL (12)	Milán	Component Maintenance	100%	-	4,713	212	(158)	20	3,844	(16)	(381)
Solaris Bus & Coach, S.A.(2)	Bolechowo	Transportation	71.03%	26.17% (8)	233,179	-	-	35,575	202,398	13,779	(2,496)
Other investments					1,255	-	-				
					1,030,926	(37,729)	(172,820)				

1) After adjustments and unifying entries for consolidation purposes and considering unspoken capital gains on the purchasing date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under "Translation Differences - Reserves" and "Valuation Adjustments – Reserves".
2) Head of a group of companies. The information on reserves and accumulated profits or losses, profit or loss from operations and profit or loss for 2019 is presented at sub-consolidated level. The information on the companies that form part of the CAF Group is presented in the consolidated financial statements.
3) Through CAF Diversified Business Development, S.A.U.
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9) Including a balance receivable of EUR 1,192 thousand, relating to the impact of derivatives related to net investments in foreign operations.
10) Through CAF Turnkey & Engineering, S.L.U., CAF México S.A. de C.V. and CAF Signalling, S.L.U
11) Profit or loss since the obtainment of control of these companies by the Group in 2019.
12) Considering the options described in Note 14 to these financial statements.

During the year 2020, the investee CAF Inventment Projects, S.A.U. has carried out a cross-purchase transaction and now holds 100% of the shareholding in Nuevas Estrategias de Mantenimiento, S.L. Following this transaction, NEM has been extinguished by merging with CAF Rail Digital Services, S.L.U. This corporate transaction led to a reduction of EUR 2,231 thousand in the cost of the ownership interest in CAF Investment Projects, S.A.U. and an increase in the cost of the ownership interest for the aforementioned amount in CAF Diversified Business Development, S.A.U.

Capital was increased at the investee Solaris Bus & Coach sp. z.o.o. through the conversion into capital of a loan amounting to EUR 11,500 thousand, with the Company's ownership interest therein (direct and indirect) increasing from 97.20% to 97.33%. Capital was also increased by EUR 100 thousand at the investee CAF Signalling, S.L.U., with a share premium of EUR 8,400 thousand.

In addition, the Company has a 50% interest in TransJerusalem J-Net Ltd. recently incorporated, and there is a commitment to make a future contribution, as a capital contribution or subordinated loan, to be made in 2027 for approximately 19 million euros, which is guaranteed by financial institutions (Note 22). 19 million, which is guaranteed by financial institutions (Note 22). Part of this contribution will be made in Israeli sekels and is hedged against the exchange rate exposure at year-end (Note 15). Finally, the Company also has a 50% interest in the newly incorporated company, Light TLV NTA Ltd. Capital contributions were not made to these companies.

Also, having performed the requisite recoverability analysis, impairment losses of EUR 21,340 thousand were recognised in relation to the investee CAF Diversified Business Development, S.A.U., mainly, as a result of the changes in the exchange rate of the Brazilian real and the negative impact thereof on the investee's equity, since a 99.03% interest was held in the share capital of CAF Brasil Indústria e Comércio, S.A. (in 2019 impairment losses of EUR 30,901 thousand were recognised due to the administrative decision made by the Brazilian Administrative Council for Economic Defence (CADE), ordering the subsidiary CAF Brasil Indústria e Comércio, S.A. to pay a fine (see Note 22).

Also, impairment losses of EUR 15,709 thousand were recognised at the investee Consorcio Traza, S.A., as a result of uncertainties in relation to compliance with the company's financial model, due to the decrease in passengers caused by COVID-19. Lastly, impairment losses of EUR 14,981 thousand were recognised at the investee CAF Signalling, S.L.U due to accumulated losses for the year.

CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 5,000 thousand, of which EUR 2,269 thousand were recognised with a credit to the ownership interest and EUR 2,731 thousand were recognised with a credit to "Finance Income" in the accompanying statement of profit or loss (see Note 10).

The main acquisition in 2019 related to the purchase of 100% of the Swedish group EuroMaint Gruppen AB in July. This group mainly engages in rolling stock maintenance. The amount paid was EUR 50,829 thousand.

In 2019 two corporate restructuring transaction were carried out within the Group.

The first transaction consisted of the merger of Ennera Energy and Mobility S.L. (absorbed company) and CAF Turnkey & Engineering S.L.U. (absorbing company). As a preliminary step for this transaction, Construcciones y Auxiliar de Ferrocarriles S.A. purchased from CAF Diversified Business Development S.A.U. 56.97% of the shares of Enera Energy and Mobility S.L. for EUR 1,885 thousand. As it was a merger of Group companies, the carrying amounts expressed in the consolidated financial statements, which do not differ from those that would have been obtained through the application of the Rules for the Preparation of Consolidated Financial Statements at 1 January 2019, were used. This corporate transaction resulted in a reduction of EUR 3,277 thousand of the carrying amount of the ownership interest in Ennera Energy and Mobility, S.L. and an increase of EUR 4,019 thousand in the cost of the ownership interest at CAF Turnkey & Engineering, S.L.U. The net effect of this transaction was recognised with a credit of EUR 742 thousand to "Reserves" in the accompanying balance sheet (see Note 13).

The second transaction was the downstream merger by absorption of Solaris Bus Ibérica S.L.U. (absorbed company) by Vectia Mobility S.L. (absorbing company). This same transaction included the modification of the name of Vectia Mobility S.L., which subsequently became Solaris Bus Ibérica S.L.U. as the resulting company. For the transaction, the Group acquired from a third party 30% of Vectia Mobility, S.L. and of Vectia Mobility Research & Development, A.I.E. for a total amount of EUR 7,050 thousand, which was recognised with a charge to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss. Subsequently, the downstream merger of Solaris Bus Ibérica, S.L.U. (absorbed company) and Vectia Mobility, S.L. (absorbing company) was performed in July 2019. The Solaris subgroup restructuring process included a capital increase subscribed by a third party, which consequently held 2.8% of the Solaris Bus & Coach, S.A. Group.

Also, various capital increases were performed at CAF Belgium, S.P.R.L., CAF Signalling S.L.U., CAF Diversified Business Development S.A.U. and Trenes CAF Venezuela C.A. for EUR 350 thousand, EUR 6,000 thousand, EUR 21,000 thousand and EUR 53 thousand, respectively, and a loan of EUR 5,500 thousand was converted into capital at CAF Italia, S.R.L.

CAF Norway AS and CAF Rail Luxembourg, S.À R.L. were incorporated in 2019 with equity of EUR 206 thousand and EUR 120 thousand, respectively.

In 2019, the investee Consorcio Traza, S.A. distributed dividends amounting to EUR 650 thousand, of which EUR 319 thousand were recognized with credit to the ownership interest, since they correspond to profits earned prior to the acquisition, and EUR 331 thousand were recognized with a credit to "Finance Income" in the accompanying statement of profit or loss (see Note 10).

10. Balances and transactions with related parties

The detail of the transactions with related parties (in addition to those specified in Notes 8 and 22) in 2020 and 2019 is as follows:

2020

Company	Thousands of euros (*)				
	Finance income	Services provided or sales recognised	Services received or purchases recognised	Dividends received	Finance costs
CAF USA, Inc.	957	7,841	28,721	-	-
CAF México, S.A. de C.V.	2,236	17,605	40,879	-	-
CAF Brasil Indústria e Comércio, S.A.	-	1,050	162	-	-
CAF Rail UK Limited	64	3,260	7,507	-	-
CAF Italia, S.R.L.	360	1,660	11,645	-	-
CAF Chile, S.A.	-	980	-	1,090	-
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	2,034	999	-	-
CAF Argelia (EURL)	-	34	-	-	-
CAF India Private Limited	-	-	1,524	-	-
Trenes de Navarra, S.A.U.	189	(7)	5,761	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	4,712	-	-
CAF Digital & Design Solutions, S.A.U.	12	(1,363)	4,605	-	-
Tradinsa Industrial, S.L.	213	660	8,104	-	-
CAF Rail Australia, Pty Ltd	310	14,467	5,328	-	-
CAF Arabia Company	-	6,499	156	-	-
CAF New Zealand Limited	-	4,804	634	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	1,339	509	-	-
CAF Sisteme Feroviare, S.R.L.	4	-	381	-	-
CAF Deutschland GmbH	1	-	1,832	-	-
CAF Taiwan Ltd.	57	(838)	-	-	-
CAF Hungary Kft	8	20	1,465	-	-
CAF France, SAS	270	(1,658)	1,392	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	(360)	2	-	-
CAF Netherlands B.V.	-	-	6,766	-	-
CAF Rolling Stock UK Limited	-	16,790	84,976	-	-
Metro CAF (Mauritius) Ltd.	-	495	7	-	-
CAF Belgium, S.P.R.L.	23	-	1,824	-	-
CAF Norway AS	9	-	2,246	-	-
CAF Israel Rails Ltd.	39	-	15,802	-	-
Transjerusalem J-NET Ltd.	-	15,799	-	-	-
CAF I+D, S.L.U.	-	3,454	8,282	-	-
CAF Power & Automation, S.L.U. (**)	-	395	57,312	2,731	-
CAF Turnkey & Engineering, S.L.U.	-	42	20,442	7,000	-
Centro de Ensayos y Análisis Cetest, S.L.	-	448	3,763	-	-
Lander Simulation and Training Solutions, S.A.	-	-	2,965	-	-
Geminys, S.L.	-	-	3,679	1,500	-
CAF Signalling, S.L.U.	84	7	28,243	-	-
BWB Holdings Limited	206	-	-	-	-
Solaris Bus & Coach, sp. zoo	144	609	15	-	-
Actren Mantenimiento Ferroviario, S.A.	-	10,849	683	655	-
Sermanfer, S.A.U.	-	-	5,489	600	-
CAF Investment Projects, S.A.U.	2,281	-	-	36,931	-
Rail Line Components, S.L.U.	-	3,583	4,276	3,000	-
Plan Metro, S.A.	-	12,972	-	-	-
Ctrens - Companhia de Manutençao, S.A.	-	1,625	-	38	-
CAF Group UK Limited	24	-	123	-	-
CAF Diversified Business Development, S.A.U.	40	-	-	-	-
Rifer SRL	-	-	342	-	-
EuroMaint Gruppen AB	1,488	-	-	-	-
EuroMaint Rail AB	-	720	29	-	-
EuroMaint Components & Matetials AB	-	126	42	-	-
EuroMaint Rail AS	-	-	133	-	-
CAF Track Test Center, S.L.U.	537	-	4,076	-	-
Openaco Trading	2	-	-	-	-
CAF Engineered Modernizations, S.L.U.	-	-	1,908	-	-
Momentum Trains Holdings Pty Ltd.	-	101,424	-	-	-
CAF Rail Digital Services	-	-	2,288	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	154	-	-	88
Total	**9,558**	**227,519**	**382,029**	**53,545**	**88**

(*) These transactions are carried out on an arm's length basis.
(**) The dividends received amounted to EUR 5,000 thousand, and EUR 2,269 thousand were recognised with a credit to "Non-Current Investments in Group Companies and Associates" (see Note 9).

2019

Company	Thousands of euros (*)				
	Finance income	Services provided or sales recognised	Services received or purchases recognised	Dividends received	Finance costs
CAF USA, Inc.	2,012	16,601	36,062	-	-
CAF México, S.A. de C.V.	5,400	1,935	6,369	-	-
CAF Brasil Indústria e Comércio, S.A.	-	3,811	1,469	-	-
CAF Rail UK Limited	182	2,777	5,722	-	-
CAF Italia, S.R.L.	188	313	9,858	-	-
CAF Chile, S.A.	-	1,227	-	1,244	3
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	838	1,767	-	-
CAF Argelia (EURL)	-	937	-	-	-
CAF India Private Limited	-	-	1,293	-	-
Trenes de Navarra, S.A.U.	128	7	8,210	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	5	5,680	-	-
CAF Digital & Design Solutions, S.A.U.	12	5,758	4,827	-	-
Tradinsa Industrial, S.L.	204	387	10,210	-	-
CAF Rail Australia, Pty Ltd	254	8,074	1,800	-	-
Trenes CAF Venezuela, C.A.	-	-	-	-	-
CAF Arabia Company	190	8,345	1,044	-	-
CAF New Zealand Limited	-	3,166	37	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	36	(154)	-	-
CAF Sisteme Feroviare, S.R.L.	3	-	592	-	-
CAF Deutschland GmbH	-	-	1,790	-	-
CAF Taiwan Ltd.	15	(1,387)	-	-	-
CAF Hungary Kft	7	70	1,506	-	-
CAF France, SAS	134	(2,075)	8,410	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	231	52	-	-
CAF Netherlands B.V.	-	-	5,348	-	-
CAF Rolling Stock UK Limited	-	2,199	66,580	-	-
Metro CAF (Mauritius) Ltd.	-	311	-	-	1
CAF Belgium, S.P.R.L.	-	15	625	-	-
CAF Norway AS	-	80	-	-	-
CAF I+D, S.L.U.	-	426	5,889	-	4
CAF Power & Automation, S.L.U.	12	16,727	77,561	-	-
Nuevas Estrategias de Mantenimiento, S.L. (NEM, S.L.)	-	-	1,390	-	-
CAF Turnkey & Engineering, S.L.U.	70	20	26,221	-	-
Centro de Ensayos y Análisis Cetest, S.L.	-	364	6,690	-	-
Lander Simulation and Training Solutions, S.A.	-	-	3,149	-	1
Geminys, S.L.	-	-	3,351	-	-
CAF Signalling, S.L.U.	157	2	24,025	-	-
Solaris Bus Ibérica S.L.U.	637	-	70	-	-
Vectia Mobility Research & Development, A.I.E.	-	-	194		
BWB Holdings Limited	259	-	-	-	-
Solaris Bus & Coach, S.A.	270	699	51	-	-
Actren Mantenimiento Ferroviario, S.A.	-	18,636	1,978	1,158	-
Sermanfer, S.A.U.	-	-	5,314	-	-
CAF Investment Projects, S.A.U.	4,706	-	9	25,000	-
Rail Line Components, S.L.U.	-	422	7,927	850	-
Plan Metro, S.A.	-	13,331	4	-	-
Ctrens - Companhia de Manutençao, S.A.	-	2,043	-	203	-
CAF Group UK Limited	61	-	161	-	-
CAF Diversified Business Development, S.A.U.	15	-		-	-
Rifer SRL	-	-	515	99	-
Consorcio Traza, S.A. (**)	-	-	-	331	-
EuroMaint Gruppen AB	812	-	34	-	-
CAF Track Test Center, S.L.U.	-	27	-	-	-
Orbital Sistemas Aeroespaciales, S.L.	-	-	127	-	-
CAF Engineered Modernizations, S.L.U.	-	-	117	-	-
Momentum Trains Holdings Pty Ltd.	-	34,506	-	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	196	-	-	116
Total	**15,728**	**141,060**	**343,874**	**28,885**	**125**

(*) These transactions are carried out on an arm's length basis.

(**) The dividends received amounted to EUR 650 thousand, and EUR 319 thousand were recognised with a credit to "Non-Current Investments in Group Companies and Associates" (see Note 9).

As a result of these transactions, of those performed in previous years, the stage of completion of the projects contracted, the loans granted, the taxation under the consolidated tax regime (see Note 16) and the advances granted, the Company's balances with Group companies, associates and related parties at 31 December 2020 and 2019, were as follows:

2020

	Thousands of euros						
	Non-current loans (Note 9)	Current investments in Group companies and associates (Note 16)	Trade receivables from Group companies and associates (Note 12)	Stage of completion net billings (*) (Note 12)	Advances to suppliers (Note 11)	Payable to suppliers, Group companies and associates	Current payables to Group companies and associates (**) (Note 16)
CAF USA, Inc.	-	1,169	4,104	9,392	-	5,314	-
CAF México , S.A. de C.V.	-	28,917	15,326	8,828	-	7,237	-
CAF Brasil Indústria e Comércio, S.A.	-	-	256	(677)	-	10	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	302	(129)	-	18	-
CAF Rail UK Limited	-	87	1,412	1,421	-	2,355	-
CAF Italia, S.R.L.	-	6,440	16	800	-	3,374	-
CAF Chile, S.A.	-	-	415	(1,082)	-	-	1,500
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	-	194	-	-	145	-
CAF Argelia (EURL)	-	-	(7)	-	427	671	-
Trenes CAF Venezuela C.A.	-	-		-	-	(8)	-
CAF India Private Limited	-	-	66	-	-	304	-
Trenes de Navarra, S.A.U.	3,498	62	(61)	-	-	438	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-		-	280	714	868
CAF Digital & Design Solutions, S.A.U.	-	162	1	9,985	-	950	-
Tradinsa Industrial, S.L.	-	2,293	523	-	326	1,142	-
CAF Rail Australia Pty Ltd	-	22,796	1,643	11,398	-	1,079	-
CAF New Zealand Limited	-	798	818	(4,422)	-	123	396
CAF Arabia Company	-	-	5,239	878	-	156	-
CAF Sisteme Feroviare, S.R.L.	-	109	-	-	-	36	-
CAF Deutschland, GmbH	-	-	-	-	-	326	74
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	1,696	16	-	615	-
CAF Taiwan Ltd	-	14	2,433	1	-	-	-
CAF France, SAS	-	9,929	36	1,739	14,000	355	-
CAF Hungary Kft	-	202	15	-	-	387	-
CAF Netherlands B.V.	-	20	-	-	-	1,353	303
CAF Belgium, S.P.R.L.	-	1,813	2	-	-	620	-
Metro CAF (Mauritius) Ltd.	-	85	476	-	-	7	2,350
CAF Norway AS	-	-	-	-	-	430	-
Momentum Trains Holding Pty Ltd.	-	-	-	36,591	-	1	-
CAF Israel Rails Ltd.	-	12	-	-	-	13,767	-
TransJerusalem J-Net Ltd.	-	-	-	(56,526)	-	-	-
CAF Rail Luxembourg	-	-	-	-	-	-	109
CAF Rolling Stock UK Limited	-	76	1,961	-	-	9,173	-
CAF I+D, S.L.U.	-	143	255	-	-	1,740	10,877
CAF Power & Automation, S.L.U.	-	1,099	440	-	34,282	18,829	20,807
CAF Turnkey & Engineering, S.L.U.	-	5,382	39	-	-	3,893	13,323
CAF Rail Digital Services	-	213	-	-	(173)	1,050	384
Centro de Ensayos y Análisis Cetest, S.L.	-	442	178	-	8	458	10,995
Lander Simulation and Training Solutions, S.A.	-	-	-	-	516	1,249	2,141
Geminys, S.L.	-	359	-	-	-	1,508	1,813
CAF Signalling, S.L.U.	-	8,808	67	-	1,468	15,319	11,021
BWB Holdings Limited	-	27	-	-	-	-	-
Solaris Bus & Coach sp. zoo	-	-	291	-	-	-	-
Openaco Trading Co. Ltd.	-	48					
Actren Mantenimiento Ferroviario, S.A.	-	-	2,081	702	-	453	-
Sermanfer, S.A.U.	-	-	-	-	-	626	860
CAF Investments Projects, S.A.U.	72,954	176	21	-	-	-	1,651
Rail Line Components, S.L.U.	-	428	179	-	(14)	2,257	3,529
Plan Metro, S.A.	-	-	-	1,210	-	-	-
Ctrens - Companhia de Manutençao, S.A.	35	-	218	-	-	-	-
CAF Group UK Limited	-	-	-	-	-	-	5,562
CAF Diversified Business Development, S.A.U.	-	1,207	-	-	-	-	782
Rifer SRL	-	-	-	-	-	101	-
SEM Tranvías de Zaragoza	-	-	8	-	-	-	-
EuroMaint Gruppen AB	35,966	389	-	-	-	-	-
EuroMaint Rail AB	-	-	80	635	-	271	-
EuroMaint Components & Materials AB	-	-	50	-	-	42	-
EuroMaint Rail AS	-	-	-	-	-	133	-
CAF Track Test Center, S.L.U.	-	5,254	-	-	-	(52)	-
CAF Engineered Modernizations, S.L.U.	-	7	-	-	-	104	482
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	-	744	259	-	-	2,515
Total	**112,453**	**98,966**	**41,517**	**21,019**	**51,120**	**87,176**	**92,342**

(*) The stage of completion net billings at 31 December 2020 included EUR 98,580 thousand in deferred billings (asset) (see Note 12) and EUR 77,561 thousand in prebillings (liability).

(**) The Company registers EUR 7,128 thousand under "Debts with group companies and long term associates".

2019

	Thousands of euros						
	Non-current loans (Note 9)	Current investments in Group companies and associates (Note 16)	Trade receivables from Group companies and associates (Note 12)	Stage of completion net billings (*) (Note 12)	Advances to suppliers (Note 11)	Payable to suppliers, Group companies and associates	Current payables to Group companies and associates (**) (Note 16)
CAF USA, Inc.	-	23,139	605	7,821	-	11,360	-
CAF México , S.A. de C.V.	-	54,393	44,632	27,750	-	1,698	-
CAF Brasil Indústria e Comércio, S.A.	-	-	400	(383)	-	450	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	302	230	-	9	-
CAF Rail UK Limited	-	8,291	1,426	212	-	2,252	-
CAF Italia, S.R.L.	-	3,784	264	-	-	3,740	543
CAF Chile, S.A.	-	-	1,055	(1,312)	-	2	650
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	-	122	-	-	271	-
CAF Argelia (EURL)	-	-	480	-	-	757	-
Trenes CAF Venezuela C.A.	-	-	-	-	-	3	-
CAF India Private Limited	-	-	-	-	-	336	-
Trenes de Navarra, S.A.U.	-	3,376	-	-	-	1,932	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	-	-	154	1,157	206
CAF Digital & Design Solutions, S.A.U.	-	4	1,290	21,069	-	1,866	62
Tradinsa Industrial, S.L.	-	5,374	189	-	2,451	2,624	-
CAF Rail Australia Pty Ltd	-	-	405	1,161	-	1,192	-
CAF New Zealand Limited	-	247	862	(5,557)	-	82	-
CAF Arabia Company	-	6	5,217	1,345	-	585	-
CAF Sisteme Feroviare, S.R.L.	-	107	-	-	-	115	-
CAF Deutschland, GmbH	-	175	-	-	-	338	159
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	248	-	-	30	-
CAF Taiwan Ltd	-	1,029	2,485	(709)	-	9	-
CAF France, SAS	-	5,686	1,941	3,796	8,000	(990)	2,245
CAF Hungary Kft	-	202	2	-	-	207	-
CAF Netherlands B.V.	-	-	158	-	-	1,029	286
Solaris Bus & Coach, S.A.	-	11,794	700	-	-	7	-
CAF Belgium, S.P.R.L.	-	648	21	-	-	297	-
Metro CAF (Mauritius) Ltd.	-	-	172	149	-	-	550
CAF Norway AS	-	-	80	-	-	502	-
Momentum Trains Holding Pty Ltd.	-	-	-	(37,823)	-	1	-
CAF Rolling Stock UK Limited	-	-	2,274	-	-	11,759	-
CAF I+D, S.L.U.	-	290	174	-	-	1,552	10,944
CAF Power & Automation, S.L.U.	-	641	5,827	-	25,995	23,750	24,475
Nuevas Estrategias de Mantenimiento, S.L.	-	53	-	-	(173)	232	-
CAF Turnkey & Engineering, S.L.U.	-	2,269	10	-	16	2,328	9,394
Centro de Ensayos y Análisis Cetest, S.L.	-	342	141	-	8	2,149	7,687
Lander Simulation and Training Solutions, S.A.	-	-	-	-	2,528	861	678
Geminys, S.L.	-	563	-	-	-	1,587	2,503
CAF Signalling, S.L.U.	6,951	4,072	23	-	2,152	5,463	8,133
BWB Holdings Limited	-	5,235	-	-	-	40	-
Solaris Bus Ibérica, S.L.U.	-	13	-	-	-	15	-
Vectia Mobility Research & Development, A.I.E.	-	-	-	-	-	19	-
Openaco Trading Co. Ltd.	-	30	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.	-	-	-	-	-	129	-
Actren Mantenimiento Ferroviario, S.A.	-	-	7,589	2,498	-	1,573	-
Sermanfer, S.A.U.	-	-	-	-	-	642	881
CAF Investments Projects, S.A.U.	87,794	864	21	-	-	-	226
Ennera Energy and Mobility, S.L.	-	-	-	-	-	-	-
Rail Line Components, S.L.U.	-	760	27	2,094	139	2,139	4,216
Plan Metro, S.A.	-	-	456	1,227	-	-	-
Ctrens - Companhia de Manutençao, S.A.	-	145	313	-	-	-	-
Provetren, S.A. de C.V.	-	-	-	-	-	-	-
CAF Group UK Limited	-	4,730	-	-	-	29	-
CAF Diversified Business Development, S.A.U.	-	14	-	-	-	-	2,270
Rifer SRL	-	-	-	-	-	149	-
EuroMaint Gruppen AB	34,546	373	-	-	-	34	-
CAF Track Test Center, S.L.U.	-	7,438	33	-	-	724	-
CAF Engineered Modernizations, S.L.U.	-	1	-	-	-	141	250
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	-	-	857	-	-	2,945
Total	**129,291**	**146,088**	**79,944**	**24,425**	**41,270**	**87,175**	**79,303**

(*) The stage of completion net billings at 31 December 2019 included EUR 70,902 thousand in deferred billings (asset) (see Note 12) and EUR 46,477 thousand in prebillings (liability).

(**) The Company registers EUR 7,128 thousand under "Debts with group companies and long term associates".

Under "Non-current investments in Group companies and associates – Non current loans", it is included a loan granted to CAF Investment Projects, S.A.U., with limit of EUR 500,000 thousand. The principal of the loan (without including not collected accrued interests), disposed at 31 December 2020, amounted to EUR 72,954 thousand (EUR 87,794 thousand at 31 December 2019). This loan has the objective to reinforce Group companies financially or acquiring new companies. The loan accrues a market interest rate and expires in 2024. In July 2019, a loan was granted to the Group new company Euromaint Gruppen AB with current debt of balance amounting to EUR 7,179 thousand (current EUR 6,951 thousand and non-current EUR 4,017 thousand of 31 December 2019) and a limit of SEK 375,000 thousand, that accrues a market interest rate and expires in 2022. This loan amounts to EUR 35,966 thousand at 31 of December 2020 (EUR 34,546 thousand at 31 December 2019).

Lastly, in 2019 an agreement was entered into with CAF Signalling, S.L.U. for the grant of subsidised borrowings for development projects that are being performed by the Company (see Note 6). At 31 December 2020 as a result of the financing received at Group level in relation to these projects, a current balances receivable amounting EUR 7,179 thousand (non-current balances receivable amounting EUR 6,951 thousand and current balances receivable amounting EUR 4,017 thousand at 31 December 2019) and non-current balances payable to this subsidiary, amounting to EUR 7,128 thousand, respectively, were recognised in this connection, with the recognised balance payable corresponding to the refundable borrowings obtained by CAF Signalling, S.L.U. for the aforementioned project (EUR 7,128 thousand of credit balance at 31 December 2019).

The other loans granted to and received from Group companies are governed by agreements that bear interest at market rates.

At 31 December 2020, the Company had recognised EUR 9,636 thousand and EUR 2,881 thousand under "Current Investments in Group Companies and Associates" and "Current Payables to Group Companies and Associates", respectively, with various companies belonging to the tax group for the estimated income tax and for the VAT returns (EUR 4,936 thousand receivable and EUR 2,861 thousand payable at 31 December 2019).

The accounts receivable and payable (basically trade receivables and payables) do not bear interest.

Joint Ventures

The detail of the Company's interests in joint ventures, based on the form adopted thereby, at 31 December 2020 and 2019 is as follows:

2020

Name	Ownership interest	Jointly controlled assets (Thousands of euros)	Jointly controlled liabilities (Thousands of euros)
UTE CSM	61.79%	3,688	3,682
UTE Valencia	39.35%	456	450

2019

Name	Ownership interest	Jointly controlled assets (Thousands of euros)	Jointly controlled liabilities (Thousands of euros)
UTE CSM	61.79%	4,387	4,381
UTE Valencia	39.35%	458	452

11. Inventories and construction contracts

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

	Thousands of euros	
	31/12/20	31/12/19
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 19-b)	7,293	107,674
Advances to suppliers (Note 10)	80,920	57,490
Total	**88,213**	**165,164**

At 31 December 2020 and 2019, the Company had firm raw material purchase commitments amounting to approximately EUR 505,140 thousand and approximately EUR 436,352 thousand, respectively.

The Company takes out insurance policies to adequately insure its inventories. At 31 December 2020 and 2019, the insurance policies taken out covered the carrying amount of the inventories at those dates.

__Construction contracts__

The detail of the cumulative amount of costs incurred and of profits recognised (less the related losses recognised) and the amount of advances received at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Deferred billings (asset) (Notes 3-g & 12)	706,595	683,105
Prebillings (liability) (Note 3-g)	(689,768)	(708,750)
Net balance	**16,827**	**(25,645)**
Costs incurred plus profits and losses recognised based on stage of completion	1,929,581	1,750,981
Billings made excluding advances	(1,222,986)	(1,067,876)
Advances received	(689,768)	(708,750)
Net balance	**16,827**	**(25,645)**

12. Trade and other receivables

At 31 December 2020 and 2019, the detail of "Trade and Other Receivables" was as follows:

	Thousands of euros	
	31/12/20	31/12/19
Trade receivables for sales and services (Note 11)	935,343	878,910
Trade receivables from Group companies and associates (Notes 10 & 11)	140,097	150,846
Sundry accounts receivable (Note 14)	2,389	2,799
Employee receivables	2,433	1,074
Other credits with public administrations (Note 16-a)	21,529	31,530
Current tax assets (Note 16-a)	1,650	1,820
Total	**1,103,441**	**1,066,979**

Classes / **Categories**	Thousands of euros			
	Trade receivables from Group companies and associates		Trade receivables for sales and services	
	31/12/20	31/12/19	31/12/20	31/12/19
Trade receivables - in euros	37,845	95,806	670,093	662,739
Trade receivables - in foreign currency	102,252	55,040	265,250	216,171
Total	**140,097**	**150,846**	**935,343**	**878,910**

These accounts receivable include the deferred billing indicated in Note 11 amounting to EUR 706,595 thousand (2019: EUR 683,105 thousand). Deferred billings under "Trade Receivables from Group Companies and Associates" amounts to EUR 98,580 thousand (2019: EUR 70,902 thousand).

The Company has recorded at December 31, 2020 an amount of 39,764 thousand euros corresponding to pending collection invoiced and uninvoiced balances regarding contracts already executed after obtaining arbitration awards favorable to the Company and with subsequent favorable rulings.

At 31 December 2020 and 2019, the balances billed included EUR 58,601 thousand in relation to the agreement with Metro de Caracas, the balance of which is past due and relates to work performed and billed to the customer and the collection of which is considered to be covered by the insurance policy in force and through offset against liabilities to the customer, basically the provision described in Note 17.

The unincorporated temporary joint venture (Spanish UTE) CSM, as policyholder, has arranged a supplier credit policy with credit risk coverage for the Metro de Caracas Line 1 refurbishment project. The insureds under this policy are the venturers in the aforementioned unincorporated temporary joint venture, including CAF. At 31 December 2020, the maximum amount payable to CAF was EUR 59 million. At the date of preparation of these financial statements all the objective conditions necessary for filing a claim under the aforementioned insurance policy had been met, but no claims had been made at that date. The decision on whether to file claims lies within the remit of the governing bodies of UTE CSM. The terms and conditions of the credit insurance set the payment period for a potential indemnity payment at within six months.

In relation to the contract with Metro de Caracas, the Company's accounting policy was to recognise only revenue the collection of which was considered probable, considering as such revenue already collected, revenue insured under credit policies and revenue that can be offset against other liabilities to the customer.

At 31 December 2020 and 2019, the Company had balances billed to Metro de Caracas amounting to EUR 37 million (now past-due) which had not been recognised for accounting purposes since the performance of the related projects as there was uncertainty as to their collectability.

At 31 December 2020, 50.88% of the billed receivables related to the top five customers (31 December 2019: 64.44%). "Trade Receivables for Sale and Services" includes retentions at 31 December 2020 amounting to EUR 4,051 thousand (31 December 2019: EUR 4,051 thousand).

The amount of the net past-due balances receivable from third parties at 31 December 2020 and 2019, additional to the past-due balances receivable from Metro de Caracas is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Past due > 90 days	3,948	8,260
Past due > 180 days	85,863	84,128
Total	**89,811**	**92,388**

57.98% of this balance is concentrated in two countries and three agreements in relation to which the Company is implementing active collection management measures, although no significant losses that had not been provisioned are expected.

On the basis of a case-by-case analysis of past-due balances, the Company considered that at 31 December 2020 there were balances that posed a collection risk totalling EUR 1,489 thousand (31 December 2019: EUR 1,028 thousand). These amounts had been provisioned and are presented as a reduction of the balance of "Trade Receivables for Sale and Services" in the accompanying balance sheet subsequent to the recognition of an endowment of EUR 461 thousand under "Other Operating Expenses" in the accompanying statement of profit or loss (2019: a reversal of EUR 105 thousand, see Note 19-e). Also, EUR 144 thousand were definitively provisioned for uncollectible trade receivables.

13. Equity and shareholders' equity

a) Share capital

At 31 December 2020 and 2019, the Company's share capital was represented by 34,280,750 fully subscribed and paid shares of EUR 0.301 par value each, traded by the book-entry system, all of which are listed on the stock exchange.

The shareholder companies or entities that had notified the Spanish National Securities Market Commission (CNMV) that they held voting rights representing over 3% of the Company's share capital at 31 December 2020 and 2019 were as follows:

	% 2020	% 2019
Cartera Social, S.A. (i)	24.56%	24.87%
Kutxabank, S.A. (ii)	14.06%	14.06%
Indumenta Pueri S.L.(iii)	5.02%	5.02%
Daniel Bravo Andreu (iv)	5.00%	-
Norges Bank	3.26%	-
EDM Gestión, S.A. S.G.I.I.C. (v)	-	3.02%

i. *The shareholders of this company are employees of the Parent.*
ii. *Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.*
iii. *Indumenta Pueri, S.L. is the indirect holder. The direct holder is Global Portfolio Investments, S.L., a company controlled by Indumenta Pueri, S.L.*
iv. *Daniel Bravo Andreo holds indirect ownership interest, although the indirect holder is Danimar 1990, S.L.*
v. *EDM Gestión, S.A. S.G.I.I.C is the indirect holder. It controls the voting rights of various Group companies.*

The Annual General Meeting held on 10 June 2017 resolved to empower the controlling Entity'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 Company or other Group companies, including the power to disapply shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This decision rendered null and void the resolution adopted by the Company's Annual General Meeting held on 7 June 2014. At the date of preparation of these financial statements no convertible securities had been issued since that resolution.

On 2 June 2018, at the Annual General Meeting the Board of Directors was 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 on the date of authorisation. At the date of preparation of these 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 of preparation of these financial statements, no treasury shares had been acquired since that resolution.

b) Share premium

The share premium account balance has no specific restrictions on its use.

c) Revaluation reserve

The amount of these revaluations (see Notes 3-b and 7) at 31 December 2020 and 2019 is allocated to the following accounts:

	Thousands of euros	
	31/12/20	31/12/19
Revaluation reserve Gipuzkoa Decree 1/2013 (*)	25,170	25,170
Revaluation reserve Gipuzkoa Regulation 11/1996	8,701	8,701
Total	**33,871**	**33,871**

(*) Net of the 5% tax paid in July 2013.

Revaluation reserve Gipuzkoa Decree 1/2013

The Company availed itself of the provisions of Gipuzkoa Decree 1/2013, of 5 February, on asset revaluation, and recognised a reserve amounting to EUR 25,170 thousand corresponding to the revalued amount of the assets (see Note 7), net of the related tax effect of 5% (see Note 16-e). The balance of the revaluation reserve under Gipuzkoa Decree 1/2013, of 5 February, is restricted until it is verified and accepted by the tax authorities, which should be performed within the three-year period following presentation of the tax return.

Once it has been verified by the tax authorities or the verification period has elapsed, the balance of this account may be used to offset losses, increase capital, or, after ten years have elapsed from the date of the balance sheet in which the revaluations were recognised, be allocated to unrestricted reserves. However, it may only be distributed when the revalued assets have been fully depreciated, transferred or derecognised.

Revaluation reserve Gipuzkoa Regulation 11/1996

This balance can be used to offset accounting losses and to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance were used in a manner other than that provided for in Gipuzkoa Regulation 11/1996, it would be subject to tax.

d) Productive investment reserve

At 31 December 2020 and 2019, this reserve amounted to EUR 10,000 thousand and corresponded to the amount appropriated to it in the distribution of profit for the year ended 31 December 2013 pursuant to Article 39 of Gipuzkoa Regulation 7/96, of 4 July. Pursuant to the aforementioned regulation, the amount appropriated to this reserve must be invested in a period of two years from the end of the year the profit for which was appropriated to the reserve, and must be maintained over at least the following five years, or for its useful life if this were less, unless accounting losses are incurred (see Note 7). At 31 December 2020 and 2019, the Company had met the investment requirements established in the regulation (Note 16).

e) Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2020 and 2019, the balance of this reserve had reached the legally required minimum.

f) Restricted reserves

Until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Consequently, at the end of 2020 EUR 40,888 thousand (end of 2019: EUR 44,304 thousand) of the balance of "Other Reserves" were restricted (Note 6).

g) Dividends

The Annual General Meeting held on 13 June 2020 resolved to pay dividends amounting to EUR 28,864 thousand, of which EUR 1,950 thousand related to profit for 2019 and EUR 26,914 thousand were distributed with a charge to voluntary reserves. At 31 December 2020, the Company recognised these amounts net of withholding tax under "Current Payables - Other Financial Liabilities" in the accompanying balance sheet, and the amount was paid in full in January 2021 (see Note 14).

The Annual General Meeting held on 15 June 2019 resolved to pay dividends amounting to EUR 26,225 thousand, of which EUR 4,285 thousand related to profit for 2018, and EUR 21,940 thousand were distributed with a charge to voluntary reserves.

h) Grants

The information on the grants received by the Company, which form part of equity, and on the amounts taken to income in this connection is as follows:

	Thousands of euros (*)
Balance at 31/12/18	**-**
Increase	4,325
Amount taken to profit or loss	(885)
Balance at 31/12/19	**3,440**
Increase	809
Amount taken to profit or loss	(468)
Balance at 31/12/20	**3,781**

(*) These amounts are net of the related tax effect (see Note 16-c).

At the end of 2020 and 2019 the Company had fulfilled all the conditions attaching to the grants detailed above and, therefore, it does not expect differences to arise in possible future reviews.

In 2020 the Company has received grants for amount of EUR 1.064 thousand in order to support the investments made in different development projects (2019: EUR 5,691 thousand)(see Note 6).

In 2020 the Company transferred EUR 616 thousand to profit or loss in relation to grants received in prior years with a credit to "Allocation to Profit or Loss of Grants Related to Non-Financial Non-Current Assets and Other Grants" in the statement of profit or loss (2019: EUR 1,165 thousand).

14. Non-current and current liabilities

The detail of "Non-Current Payables" at the end of 2020 and 2019 is as follows (in thousands of euros):

Classes / Categories	Non-current financial instruments					
	Non-current bank borrowings		Other non-current financial liabilities		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Accounts payable	600,630	585,658	20,417	20,027	621,047	605,685
Financial derivatives (Note 15)	-	-	39,606	45,001	39,606	45,001
Total	**600,630**	**585,658**	**60,023**	**65,028**	**660,653**	**650,686**

The detail of "Current Payables" at the end of 2020 and 2019 is as follows (in thousands of euros):

Classes / Categories	Current financial instruments					
	Short-term bank borrowings and debt instruments or other marketable securities		Other current financial liabilities (Note 7)		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Accounts payable	40,502	90,646	8,921	16,564	49,423	107,210
Dividendo active a pagar (Note 13-g)	-	-	25,616	-	25,616	-
Financial derivatives (Note 15)	-	-	17,814	47,059	17,814	47,059
Total	**40,502**	**90,646**	**52,351**	**63,623**	**92,853**	**154,269**

Bank borrowings and debt instruments or other marketable securities

In 2020 the Company 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 been drawn down in full at 31 December 2020.

In addition, in 2020 the Company repaid EUR 50.6 million on maturity and four loans for EUR 70 million early.

Also, the in 2020 the Company negotiated new terms and conditions for an existing loan of EUR 70 million, modifying the interest expenses and extending the maturity from one year to an average maturity of 4.7 years.

During 2019, the Company contracted six new loans with financial institutions for a total amount of EUR 135 million. These loans were drawn down in the amount of EUR 90 million as of December 31, 2019.

In addition, during 2019 the Company faced maturities amounting to EUR 14,750 thousand and two loans amounting to EUR 25,000 thousand were repaid early.

On the other hand, during 2019 the Company negotiated new conditions for six existing loans with credit institutions for an amount of EUR 138,000 thousand, having increased the amount to be repaid by EUR 7,500 thousand, at a fixed market interest rate and having extended the maturity between three and six years.

In addition to the foregoing, the Company has access to undrawn credit facilities amounting to EUR 322,927 thousand (31 December 2019: EUR 223,225 thousand) instrumented in the form of undrawn loans, credit lines and factoring agreements, which are tied mainly to Euribor plus a market spread.

On 21 December 2017, the Company arranged a Euro-Commercial Paper Programme for an aggregate maximum principal amount of EUR 200 million ("the Programme"), which was registered at the Irish Stock Exchange. The Programme was renewed for 12-month period in December 2019, with the aggregate maximum principal amount increased to EUR 250 million as a result of the latest renewal and was not renewed in December 2020. In 2020 issues amounting to EUR 162.7 million were launched under this Programme, and were redeemed on maturity. Under the terms and conditions of the Information Memorandum relating to the Programme and for a period of 12 months, CAF may issue ordinary fixed-income securities with a maturity of less than 364 days, which may be listed on the Irish Stock Exchange, or on any other stock exchange or trading system. At 31 December 2020, EUR 10 million of the issues launched and maturing in the opening months of 2021 had not yet fallen due (2019: EUR 80 million).

To replace the Programme registered with the Irish Stock Exchange, the Company, in accordance the approval given by the Board of Directors on 17 December 2020, formalised the Commercial Paper Programme CAF 2020 for an aggregate maximum principal amount of EUR 250 million which was listed on the Alternative Fixed-Income Market ("MARF") on 21 December 2020. The Programme will enable the Company, under the terms and conditions established in the Information Memorandum and for a period of 12 months, to issue commercial paper with a maturity of less than 730 days, which will be listed on the MARF. At 2020 year-end, no issues had been made under this programme.

In 2020 the borrowing costs were incurred amounting to EUR 14,225 thousand (2019: EUR 11,921 thousand), due to the financial liability and obligations held in 2019.

In addition, at 31 December the Company's suppliers had drawn EUR 12,322 thousand against non-recurse reverse factoring lines.

Other financial liabilities - Accounts payable

The changes in the items composing "Other Non-Current Financial Liabilities - Accounts Payable" are as follows (in thousands of euros):

2020

	31/12/19	Increase/Decrease	Transfers to short term	31/12/20
Refundable advances	15,856	1,379	(4,941)	12,294
Employee benefit obligations (Note 19-d)	3,152	2,745	(3,051)	2,846
Share purchase liabilities (Note 9)	-	61	4,123	4,184
Other	1,019	78	(4)	1,093
Total	**20,027**	**4,263**	**(3,873)**	**20,417**

2019

	31/12/18	Increase/Decrease	Transfers to short term	31/12/19
Refundable advances	20,926	(2,946)	(2,124)	15,856
Employee benefit obligations (Note 19-d)	3,408	2,814	(3,070)	3,152
Share purchase liabilities (Note 9)	8,465	(558)	(7,907)	-
Other	917	102	-	1,019
Total	**33,716**	**(588)**	**(13,101)**	**20,027**

Refundable advances

Through programmes that promote research, Government has awarded certain grants to CAF for the performance of research and development projects, which are recognised on the date they are effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

- Grants to partially meet the expenses and costs of these projects.
- Refundable advances in the form of loans which are generally interest-free and which usually have a grace period of 3 years and are repaid in a period of over 10 years.

In certain projects, the project coordinator is responsible for the performance of the project in dealings with Government, and collects all of the grants therefrom. At 31 December 2020, the Company recognised balances receivable totalling EUR 1,153 thousand under "Trade and Other Receivables - Other Receivables" (31 December 2019: EUR 1,127 thousand). Also, the Company had recognised EUR 2,953 thousand under "Trade and Other Payables - Other Payables", in relation to the amount payable to third parties arising from joint projects (31 December 2019: EUR 5,167 thousand).

Employee benefit obligations

The Company has recognised the future obligations to the employees who have entered into pre-retirement plans (see Note 3-k). At 31 December 2020, "Non-Current Payables - Other Financial Liabilities" and "Other Current Liabilities" in the accompanying balance sheet included approximately EUR 2,847 thousand and EUR 2,649 thousand, respectively (31 December 2019: EUR 3,152 thousand and EUR 2,712 thousand), relating to the present value estimated by the directors of the future payments to be made to employees with whom hand-over contracts had been entered into in December 2020. The net provision for 2020 was recognised with a charge of EUR 2,745 thousand (2019: EUR 3,050 thousand) to "Staff Costs" in the accompanying statement of profit or loss (see Note 19-d).

Also, the detail of the present value of the obligations assumed by the Company relating to post-employment benefits and long-term employee benefits, net of the fair value of the plan assets allocated for the coverage thereof, at the end of 2020 and 2019, is as follows (see Note 3-k):

	Thousands of euros	
	31/12/20	31/12/19
Present value of the obligations assumed	59,430	51,374
Less – Fair value of plan assets	(58,989)	(50,882)
Other current (assets) liabilities, net	**441**	**492**

The present value of the obligations assumed by the Company was determined by qualified independent actuaries using the following actuarial techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.
- Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial Assumptions	2020	2019
Discount rate	0.72%-0.73%	0.99% - 1.05%
Mortality tables	PERM/F/2000P	PERM/F/2000P
Annual salary or pension increase rate	1-2%	1-2%
Retirement age	65-67	65-67

The fair value of the plan assets was calculated at year-end using the projected unit credit method.

Share purchase liabilities

"Share Purchase Liabilities" includes the amounts foreseeably payable for the cross call options to acquire the remaining share capital of BWB Holdings Limited (26% of the remaining share capital) (see Note 9). The strike price of these transactions varies, depending on the certain financial parameters of the company on the date the options are exercised.

In 2020 25% of the remaining share capital of Rifer SRL. was acquired, which gave rise to the payment of EUR 772 thousand and income of EUR 76 thousand recognised under "Other Operating Income".

Maturity of non-current payables

The detail, by maturity, of "Non-Current Payables" is as follows (in thousands of euros):

2020

	2022	2023	2024	2025	2026 and subsequent years	Total
Bank borrowings	118,302	63,401	100,838	222,416	95,673	600,630
Other financial liabilities - Accounts payable	5,354	8,083	2,725	1,913	2,342	20,417
Other financial liabilities - Financial derivatives	17,021	14,984	5,255	2,346	-	39,606
Total	**140,677**	**86,468**	**108,818**	**226,675**	**98,015**	**660,653**

2019

	2021	2022	2023	2024	2025 and subsequent years	Total
Bank borrowings	82,967	101,446	51,318	143,838	206,089	585,658
Other financial liabilities - Accounts payable	5,696	4,741	3,256	2,391	3,943	20,027
Other financial liabilities - Financial derivatives	12,100	18,174	11,025	2,590	1,112	45,001
Total	**100,763**	**124,361**	**65,599**	**148,819**	**211,144**	**650,686**

15. Derivative financial instruments

CAF uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates and interest rates. CAF arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned. Also, the Company has arranged interest rate hedging derivatives to hedge a portion of borrowings.

The breakdown of the net balances of derivatives, basically fair value and cash flow hedges, recognised in the balance sheets as at 31 December 2020 and 2019 is as follows:

2020

	Maturity (in currency)		
Currency put options at 31/12/120	2021	2022	2023 and subsequent years
Fair value hedges-			
USD currency forwards (*)	111,568,130	-	-
GBP currency forwards	172,648,152	180,166,152	63,657,877
BRL currency forwards	116,253,685	-	-
SEK currency forwards	673,370,602	113,046,807	208,762,058
AUD currency forwards	81,328,202	280,693,760	372,075,157
SAR currency forwards	88,292,442	-	-
MXP currency forwards	1,057,645,105	-	-
TRY currency forwards	1,001,929	-	-
JPY currency forwards	13,767,210,625	-	-
NZD currency forwards	1,600,000	-	-
HUF currency forwards	2,774,460,109	-	-
CAD currency forwards	1,056,000	-	-
HKD currency forwards	-	92,696,630	-

(*) Including the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/20	Maturity (in currency) 2021	2022	2023 and subsequent years
Fair value hedges-			
USD currency forwards	6,632,384	28,553,760	-
MXP currency forwards	700,878,878	-	-
GBP currency forwards	137,586,127	899,259	-
JPY currency forwards	1,482,706,334	-	-
AUD currency forwards	6,572,272	2,500,000	-
			-
Cash flow hedges-			
COP currency forwards	-	41,426,907,270	-
ILS currency forwards (Note 9)	21,798,566	20,000,000	-
JPY currency forwards	658,494,064	-	-

2019

Currency put options at 31/12/19	Maturity (in currency) 2020	2021	2022 and subsequent years
Fair value hedges-			
USD currency forwards (*)	98,128,627	45,054,172	-
GBP currency forwards	264,369,800	54,448,371	243,824,029
BRL currency forwards	6,089,589	-	-
SEK currency forwards	856,207,895	-	-
AUD currency forwards	16,842,010	45,922,439	645,802,427
SAR currency forwards	81,139,390	-	-
MXP currency forwards	1,726,077,120	-	-
TRY currency forwards	1,871,861	-	-
JPY currency forwards	6,791,754,460	6,975,456,165	-
NZD currency forwards	3,500,687	-	-
HUF currency forwards	215,790,000	-	-

(*) Including the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/19	Maturity (in currency) 2020	2021	2022 and subsequent years
Fair value hedges-			
USD currency forwards	39,368,803	6,632,384	-
MXP currency forwards	1,021,333,911	-	-
BRL currency forwards	6,439,468	-	-
GBP currency forwards	110,208,756	39,792,125	-
JPY currency forwards	1,265,916,000	-	-
AUD currency forwards	-	7,682,932	-
Cash flow hedges-			
COP currency forwards	48,000,000,000	-	-
JPY currency forwards	1,759,692,274	-	-

At 31 December 2019, the Company has arranged an interest rate swap with the start date on 30 September 2018, a nominal amount of EUR 25 million and expiry on 31 July 2023. The Company pays a fixed rate and receives a floating rate tied to Euribor to hedge the interest rate risk of certain loans with the same notional amount and repayment schedule (see Note 14).

The fair value of the derivative financial instruments arranged at each year-end are as follows:

	Thousands of euros			
	Fair value		Cash flow	
	31/12/20	31/12/19	31/12/20	31/12/19
USD currency forwards	(2,553)	(6,438)	-	-
GBP currency forwards	(3,219)	(4,845)	-	-
MXP currency forwards	(953)	(9,813)	-	-
BRL currency forwards	(1,183)	(1,884)	-	-
AUD currency forwards	(4,637)	(3,369)	-	-
SEK currency forwards	(4,690)	(1,009)	-	-
SAR currency forwards	1,903	2,621	-	
JPY currency forwards	3,119	2,702	(281)	901
COP currency forwards	1,096	19	766	977
ILS currency forwards	-	-	77	
Currency forwards in other currencies	(296)	(377)	-	-
Forward rate agreements	-	-	(671)	(691)
Measurement at year-end (*) (Notes 8 and 14)	**(11,413)**	**(22,393)**	**(109)**	**1,187**

(*) Before considering the related tax effect

In order to measure the financial instruments, on the one hand the Company uses the measurement of the instruments themselves, and on the other, the measurement of own and counterparty credit risk.

The hedging instruments expire in the same year in which the cash flows are expected to occur.

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

	31/12/20	31/12/19
Non-current assets (Note 8)	38,800	44,225
Current assets (Note 8)	7,098	26,629
Non-current liabilities (Note 14)	(39,606)	(45,001)
Current liabilities (Note 14)	(17,814)	(47,059)
Balance sheet net total	**(11,522)**	**(21,206)**
Fair value	(11,413)	(22,393)
Cash flow	(109)	1,187
Total derivatives, remeasured	**(11,522)**	**(21,206)**

In 2020 the ineffective portion of the hedging transactions charged to profit or loss amounted to a revenue of EUR 454 thousand (2019: EUR 2,948 thousand) mainly as a result of changes in the estimated amounts of the hedged items.

Also, the settlement of the fair value derivatives resulted in an expense of EUR 400 thousand in 2020 (2019: expense of EUR 5,122 thousand), which is similar to the changes in value of the hedged items.

The items hedged by the Company, as indicated in Note 5-a on market risks, are mainly currency transactions included in each of the commercial agreements. When the hedges are initially arranged these transactions comprise either firm commitments (in which case they are recognised as fair value hedges) or highly probable transactions (in which case they are recognised as cash flow hedges) or net investments in foreign operations.

16. Tax matters

a) Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Assets (Note 12)		Liabilities	
	31/12/20	31/12/19	31/12/20	31/12/19
Accrued social security taxes	-	-	10,298	9,528
Regular taxes-				
VAT	21,336	31,341	398	4,122
Other	193	189	-	13
Personal income tax withholdings	-	-	8,917	6,788
Income tax	1,650	1,820	-	-
Total	**23,179**	**33,350**	**19,613**	**20,451**

In 2011 Construcciones y Auxiliar de Ferrocarriles, S.A., as the parent, and certain subsidiaries availed themselves of the special VAT regime for groups.

b) Reconciliation of the accounting profit to the taxable profit

	Thousands of euros	
	2020	2019
Accounting profit (before tax)	**(52,478)**	**8,974**
Permanent differences-		
Sundry obligations to employees (Note 14)	839	(339)
Subsidiary dividends, litigation and other	(16,470)	4,875
Intellectual and industrial property	(1,491)	(1,816)
Increases and decreases due to temporary differences and accelerated depreciation and amortisation-		
Sundry obligations to employees (Note 14)	(438)	685
Provisions for reliability, guarantees and other (Note 17)	23,890	(33,151)
Impairment losses on investments, results of joint ventures and other (Note 9)	(9,600)	1,753
Depreciation due to asset revaluation - Gipuzkoa Regulation 1/2013 (Note 7)	(121)	(138)
Taxable profit/Tax loss	**(55,869)**	**(19,157)**
Tax consolidation adjustments (impairment) and elimination of dividends of consolidated tax group	**(14,839)**	**8,186**
Adjusted taxable profit	**(70,708)**	**(10,971)**

Since 2007 the Company has filed consolidated tax returns under Gipuzkoa Income Tax Regulation 2/2014, of 7 January, as part of consolidated tax group no. 03/07/G, the parent of which is Construcciones y Auxiliar de Ferrocarriles, S.A. and the subsidiaries are: CAF Investment Projects, S.A.U., CAF I+D, S.L.U., CAF Power & Automation, S.L., Geminys, S.L., Rail Line Components, S.L.U., CAF Turnkey & Engineering, S.L.U., Centro de Ensayos y Análisis Cetest, S.L., CAF Signalling, S.L.U., CAF Diversified Business Development, S.A.U., CAF Engineered Modernizations, S.L.U. y CAF Rail Digital Services, S.L.U. The consolidated tax regime will be applied indefinitely while the requirements are fulfilled or the tax group does not expressly waive its application by means of the corresponding business taxation status notification form.

If the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof. Under the legislation in force, the income tax rate applied in 2020 and 2019 was 24%. The Company's tax liability to the tax authorities should be interpreted in the context of the consolidated tax regime under which it files tax returns. In this connection, the consolidated tax group files income tax returns to the central tax authorities and to the provincial tax authorities of Gipuzkoa and Vizcaya based on the volume of transactions performed in each territory.

c) Tax recognised in equity

The detail of the tax recognised directly in equity is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Arising in the year-		
Grants (Note 13-h)	(108)	(1,086)
Hedges (Note 15)	311	(405)
Arising in prior years-		
Grants (Note 13-h)	(1,086)	-
Hedges (Note 15)	(286)	119
Total tax recognised directly in equity	**(1,169)**	**(1,372)**

d) Reconciliation of the accounting profit to the income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of euros	
	2020	2019
Accounting profit before tax	**(52,478)**	**8,974**
Tax charge at 24%	**(12,595)**	**2,154**
Impact of permanent differences and tax consolidation adjustments	(7,671)	2,618
Differences - previous year's tax return	(49)	833
Inspection report settlement differences	(1,121)	-
Other (taxes paid abroad)	640	1,216
Tax assets and deferred tax assets not recognized	17,455	203
Total income tax expense recognised in profit or loss	**(3,341)**	**7,024**
Current tax expense	**(1,375)**	**2,216**
Deferred tax expense	**(1,966)**	**4,808**

In 2020 and 2019 no tax credits were used.

The differences between the estimated income tax for 2019 and the tax return ultimately filed gave a charge of EUR 49 thousand being credited to "Income Tax" in the accompanying statement of profit or loss.

In 2020 the Company expects to report tax credits amounting to EUR 4,014 thousand (2019: EUR 9,792 thousand), which relate mainly to international double taxation tax credits, tax credits for R&D+i.

e) Deferred tax assets (temporary differences and tax assets)

The detail of "Deferred Tax Assets" at the end of 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Temporary differences (deferred tax assets)	33,833	30,536
Tax credit carryforwards and other (Note 3-l)	17,122	19,175
Tax losses (Note 3-l)	18,929	18,938
Total deferred tax assets	**69,884**	**68,649**

In 2020 the Company has incurred a tax loss of EUR 70,708 thousand, of which EUR 8,257 thousand were offset by taxable profit incurred by other Group companies, recognising the corresponding account receivable (see Note 10).

The Company has tax credit carryforwards earned between 2009 and 2020 amounting to EUR 65,788 thousand, of which EUR 17,122 have been recognised in the accompanying balance sheet as at 31 December 2020 (31 December 2019: EUR 91,754 thousand earned between 2009 and 2019, of which EUR 19,175 thousand had been recognised). The amounts not deducted due to insufficient tax charge can be used, observing the same limit, in the tax returns for the tax periods concluding in the immediately subsequent 30 years. In view of the uncertainty inherent to the recoverability of deferred tax assets, the Company's recognition policy is based on an assessment of future taxable profit on the basis of its backlog.

In 2013 the Company availed itself of the tax incentive provided for in Article 39 of Gipuzkoa Income Tax Regulation 7/1996. At 31 December 2020, the Company had fulfilled all the investment commitments related to this incentive (see Note 13).

In 2016 the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 6,337 thousand. The reinvestment commitment, which totalled EUR 13,500 thousand, was fulfilled mainly in investments already made in 2016 by the Parent and the other companies in the consolidated tax group in property, plant and equipment and intangible assets.

Also, the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 14,113 thousand. The reinvestment commitment, which totalled EUR 15,000 thousand, was partially fulfilled in investments already made in 2020 amounting to EUR 6,208 thousand by the Parent and the other companies in the consolidated tax group in property, plant and equipment and intangible assets.

The detail and changes in the Company's (recognised and unrecognised) temporary differences giving rise to deferred tax assets is as follows:

	Thousands of euros						
	31/12/18	Additions	Disposals	31/12/19	Additions	Disposals	31/12/20
Tax assets recognised	20,399	1,707	(2,931)	19,175	2,191	(4,244)	17,122
Tax effect of tax losses	24,370	-	(5,432)	18,938	-	(9)	18,929
Recognised temporary differences-							
Contractual and reliability liability	579	134	(384)	329	132	-	461
Provision for construction work not deductible in the year	14,280	-	(6,579)	7,701	-	(1,272)	6,429
Impairment losses on investments	284	10,347	-	10,631	117	(4,361)	6,387
Hand-over contracts	1,490	684	(766)	1,408	822	(910)	1,320
Warranties and maintenance	5,839	-	(1,128)	4,711	6,973	-	11,584
Asset revaluation	263	-	(33)	230	-	(29)	201
Hedges	120	165	(119)	166	-	(5)	161
Other	5,814	1,020	(1,474)	5,360	2,600	(670)	7,290
	73,438	**14,057**	**(18,846)**	**68,649**	**12,735**	**(11,500)**	**69,884**
Unrecognised temporary differences-							
Provisions for post-employment obligations	6,809	1,550	(236)	8,123	963	(167)	8,919
Impairment losses on equity investments	1,294	15	-	1,309	6	-	1,315
Other	3	-	(1)	2	-	-	2
	8,106	**1,565**	**(237)**	**9,434**	**969**	**(167)**	**10,236**

The amount of the recognised tax credits and tax loss carry forwards and their last year for deduction by the Company is as follows:

	Thousands of euros			
	31/12/20		31/12/19	
	Amount	Last year for deduction	Amount	Last year for deduction
Tax credits recognised-				
Earned in 2009	628	2039	1,699	2039
Earned in 2010	4,714	2040	6,805	2040
Earned in 2012 (I+D+i)	3,157	2042	2,562	2042
Earned in 2013 (I+D+i)	5,465	2043	5,465	2043
Earned in 2014 (I+D+i)	1,091	2044	1,677	2044
Earned in 2018 (DDI)	424	2048	-	
Earned in 2019 (DDI)	977	2049	967	2049
Earned in 2020 (DDI)	666	2050		
Tax loss carryforwards-				
Earned in 2014	13,899	2044	13,908	2044
Earned in 2015	5,030	2045	5,030	2045
	36,051		**38,113**	

f) Deferred tax liabilities

The detail of and changes in the deferred tax liabilities of the Company are as follows:

2020

	Thousands of euros			
	31/12/19	Additions	Disposals	31/12/20
Grants (Note 13-h)	1,086	256	(148)	1,194
Hedging transactions	451	-	(316)	135
Other	152	-	(1)	151
Total	**1,689**	**256**	**(465)**	**1,480**

2019

	Thousands of euros			
	31/12/18	Additions	Disposals	31/12/19
Grants (Note 13-h)	-	1,366	(280)	1,086
Hedging transactions	-	1,005	(554)	451
Other	152	-	-	152
Total	**152**	**2,371**	**(834)**	**1,689**

g) Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the date of preparation of the financial statements for 2020 the Company had all years since 2016 open for review for income tax and all years since 2017 open for review for the other taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

On 25 September 2020 tax assessments relating to partial tax audits of the Company’s income tax for 2012 to 2015, as well as that of tax group 03/07/G, were signed on an uncontested basis, which did not give rise to any liabilities for the Company or the entities that make up the tax group.

17. Provisions and contingencies

Long-term provisions

The Company recognises provisions under "Long-Term Provisions" in the balance sheet for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Company's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material. In 2020 the Company made payments amounting to EUR 1,068 thousand (2019: EUR 2,556 thousand) and recognised EUR 1,555 thousand (2019: EUR 3,023 thousand) mainly with a charge to "Staff Costs - Wages and Salaries" (Note 19-d).

Short-term provisions

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

2020

	Contractual liability (Note 3-f)	Warranty and support services (Note 3-f)	Litigation	Other	Total
31/12/19	**146,496**	**86,323**	**289**	**1,761**	**234,869**
Net charge for the year	20,502	52,273	2,450	4,462	79,687
Amounts used charged to profit or loss	(24,734)	(30,697)	(218)	(137)	(55,786)
31/12/20	**142,264**	**107,899**	**2,521**	**6,086**	**258,770**

2019

	Contractual liability (Note 3-f)	Warranty and support services (Note 3-f)	Litigation	Other	Total
31/12/18	**150,761**	**84,592**	**600**	**1,398**	**237,351**
Net charge for the year	38,191	39,061	308	500	78,060
Amounts used charged to profit or loss	(42,456)	(37,330)	(619)	(137)	(80,542)
31/12/19	**146,496**	**86,323**	**289**	**1,761**	**234,869**

Contractual liability and warranty and support services

The provisions for contractual liability relate mainly to delays in deliveries, in accordance with the production and shipment schedule and the contractual obligation agreed upon, and to provisions for onerous contracts. The provisions for warranty and support services relate to estimated future costs (based on historic data and technical analyses) to which the Group is committed in accordance with the warranty period provided for in the contracts.

The expected period to settle the provisions varies on the basis of their nature, the average approximate period being:

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

The Company recognised a net provision of EUR 45,101 thousand under "Other Operating Expenses" (2019: net provision of EUR 40,433 thousand) relating to the difference between the provisions required in this connection at 2020 year-end and the provisions recognised at 2019 year-end. The guarantee expenses incurred to meet the various obligations in 2020, which amounted to approximately EUR 30,697 thousand (2019: EUR 37,330 thousand), were recognised primarily under "Procurements" and "Staff Costs".

In 2008 the Company entered into an agreement with Metro de Caracas for the manufacture and supply of 48 trains to be manufactured in Spain. At 31 December 2020 and 2019, all the trains had been sent to the customer. Due to the contractual terms and conditions, at 31 December 2020 the Company had recognised a provision with a charge to the contract, amounting to EUR 66,535 thousand (31 December 2019: EUR 66,535 thousand), which is recognised under "Contractual Liability" in the table above (see Note 12). There is no litigation relating to this agreement.

18. Foreign currency balances and transactions

The detail of the most significant balances and transactions in foreign currency, translated to euros at the year-end exchange rates and the average exchange rates for the year, respectively, is as follows:

	Thousands of euros	
	2020	2019
Accounts receivable (Note 12) (*)	265,250	216,171
Group accounts receivable (Notes 10 and 12) (*)	102,252	55,040
Loans granted to Group companies (**) (Note 10)	86,234	126,692
Loans received from Group companies (Note 10) (***)	9,096	3,534
Accounts payable (*)	21,103	32,703
Sales	445,165	385,218
Purchases and services received	118,266	126,391

(*) Balance mainly in pounds sterling, Australian dollars and US dollars.
(**) Balance in US dollars, Australian dollars, Mexican pesos and Swedish crowns.
(***) Balance in Mexican pesos and sterling pounds.

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss, additional to those indicated in Note 15, is as follows (in thousands of euros):

	Transactions settled in the year	
	2020	2019
Other	(21,984)	(2,037)
Total	**(21,984)**	**(2,037)**

19. Income and expenses

a) Revenue

The detail, by line of business, of the Company's revenue for 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
High-speed. Regional and commuter	563,863	600,125
Metros	221,767	189,025
Tram and light rail	410,147	350,940
Bogies and other	11,334	24,663
Trains	**1,207,111**	**1,164,753**
Services	**154,121**	**121,651**
Integral Systems, Equipment and Other	**135,329**	**147,470**
Total	**1,496,561**	**1,433,874**

The detail of the Company's sales by geographical market (Spain, EU, rest of the world) is as follows (in thousands of euros):

	2020	2019
Spain	152,173	180,845
European Union:		
EU – Euro Area	659,029	440,223
EU – No Euro Area	72,207	143,282
	731,236	**583,505**
Rest of the world	613,152	669,524
Total	**1,496,561**	**1,433,874**

b) Procurements

The detail of "Cost of Goods Held for Resale Sold", "Cost of Raw Materials and Other Consumables Used" and "Work Performed by Other Companies" in 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
Cost of raw materials and other consumables used-		
Purchases from and work performed by third parties	862,540	913,888
Changes in inventories	39,070	(24,580)
Total	**901,610**	**889,308**

c) Detail of purchases by origin

The detail, by origin, of the purchases made by the Company in 2020 and 2019 is as follows:

	2020			2019		
	Spain	EU countries	Imports	Spain	EU countries	Imports
Purchases	63%	27%	10%	66%	26%	8%

d) Staff costs

The average headcount in 2020 and 2019 was as follows:

2020

Professional category	Average number of employees	Men	Women
Board members	2	1	1
Senior executives	10	9	1
Employees	1,867	1,394	473
Manual workers	2,341	2,274	67
Total (*)	**4,220**	**3,678**	**542**

(*) At 31 December 2020, the workforce comprised 3,958 permanent employees and 180 temporary employees.

2019

Professional category	Average number of employees	Men	Women
Board members	2	1	1
Senior executives	11	10	1
Employees	1,835	1,372	463
Manual workers	2,453	2,385	68
Total (*)	**4,301**	**3,768**	**533**

(*) At 31 December 2019, the workforce comprised 3,922 permanent employees and 392 temporary employees.

Since CAF does not meet the quota reserved for disabled employees, it has taken certain alternative measures established by Royal Decree 364/2005, of 8 April, which regulates alternative compliance of an exceptional nature with the quota reserved for disabled employees.

The average number of persons employed by the Company in 2020 and 2019 with a disability equal to or greater than 33%, by category, was as follows:

Professional category	Average number of employees		
	2020	Men	Women
Employees	15	13	2
Manual workers	38	36	2
Total	**53**	**49**	**4**

Professional category	Average number of employees		
	2019	Men	Women
Employees	15	13	2
Manual workers	41	39	2
Total	**56**	**52**	**4**

At 31 December 2020, the Company's Board of Directors comprised 7 men and 4 women. At 31 December 2019, it comprised 7 men and 3 women.

The detail of staff costs is as follows (in thousands of euros):

	2020	2019
Wages and salaries (Notes 3-k, 14, 17, 20-a and 21)	220,504	221,889
Social security costs	65,514	66,257
Other expenses (Note 3-k)	16,158	15,857
Total	**302,176**	**304,003**

An expense of EUR 2,745 thousand (2019: EUR 3,050 thousand) is included under "Staff Costs - Wages and Salaries" in the statement of profit or loss in relation to early retirement (see Note 14).

e) Other operating expenses

	Thousands of euros	
	2020	2019
Outside services	198,427	236,675
Taxes other than income tax	694	808
Change in operating provisions and allowances and other (Notes 12 and 17)	45,407	40,365
Total	**244,528**	**277,848**

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries amounted to EUR 1,285 thousand in 2020 (2019: EUR 1,263 thousand). Of this amount, in 2020 EUR 660 thousand related to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2019: EUR 659 thousand), EUR 139 thousand of which related to the audit fees corresponding to the Parent in 2020 (2019: EUR 137 thousand). In addition, fees for other professional services amounting to EUR 236 thousand were billed in 2020 (2019: EUR 165 thousand): EUR 181 thousand for audit-related attest services including six-monthly reviews (2019: EUR 144 thousand), EUR 7 thousand for tax services (2019: EUR 7 thousand) and the remainder for other services.

f) Information on the environment

In 2020 and 2019 no investments were made in systems, equipment and facilities designed for environmental protection and improvement.

In 2020 the Group incurred environmental expenses amounting to EUR 764 thousand (2019: EUR 643 thousand).

At 31 December 2020 and 2019, the Company did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Company's directors do not expect any material liabilities to arise as a result of the Company's environmental activities and, accordingly, the accompanying balance sheet does not include any provisions in this connection.

The Company did not receive any environmental grants in 2020.

20. Information on the Board of Directors

a) Remuneration and other benefits of directors

In 2020 and 2019, in addition to the remuneration that may be payable as indicated in Note 3-k, the total remuneration of the members of the Board of Directors amounted to approximately EUR 1,716 thousand (2019: EUR 1,907 thousand) in relation to salaries, life insurance, attendance fees and fixed compensation. Also, in 2020 the Company made contributions to long-term savings plans, instrumented in the form of a long-term defined contribution group savings insurance policy of which the Company is both policy-holder and beneficiary, totalling EUR 1,300 thousand (2019: EUR 1,300 thousand). At 31 December 2020 and 2019, no advances, guarantees or loans had been granted to its current or former directors.

In 2020 EUR 67 thousand were paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2019: EUR 59 thousand).

b) Information regarding situations of conflict of interest involving the directors

In 2020 and 2019 neither the members of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. nor persons related to them as defined in the Spanish Limited Liability Companies Law notified the other members of the Board of any direct or indirect conflict of interest that they might have with the Company.

21. Remuneration of senior executives

Remuneration of the Company's senior executives, per the binding definition of “Senior Executives” in the Corporate Governance Report, amounted to EUR 2,369 thousand in 2020 (2019: EUR 3,008 thousand).

In 2020 and 2019 there were no other transactions with senior executives outside the ordinary course of business.

22. Other disclosures

a) Guarantees and other contingent assets and liabilities

At 31 December 2020, the guarantees provided to the Company by banks and insurance companies for third parties, and to other Group companies when the Company is the counter-guarantor, amounted to EUR 3,460 million (31 December 2019: EUR 3,162 million). Of this amount, EUR 7.7 million related to guarantees for the refundable grants and advances granted by the Ministry of Science and Technology and other government agencies (31 December 2019: EUR 9.5 million) and EUR 58.2 million relate to the guarantee for the future contributions in 2024 and 2027 to be made by CAF Investment Projects, S.A.U. at the investee Momentum Trains Holding Pty Ltd. and TransJerusalem J-Net Ltd. respectively (31 December 2019: EUR 17.5 million). The Company and its directors consider that no material liabilities will arise in this connection .

Also, the Company had been provided guarantees for third parties to secure the financial liabilities of its investees amounting to EUR 42,433 thousand (31 December 2019: EUR 44,332 thousand) (see Note 10).

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. The subsidiary submitted its defence and has cooperated on an ongoing basis with the authorities and provided them with the information requested. In July 2019 the CADE Court issued an administrative decision imposing a penalty of BRL 167,057,982.53 (EUR 26,211 thousand) on the subsidiary and recommended that the competent authorities not grant the subsidiary certain tax benefits for five years. At the date of authorisation for issue of these financial statements, the subsidiary had filed a court appeal against the decision of the CADE, the administrative process thereof having finalised.

The subsidiary rejects CADE's assessment of the events when imposing the aforementioned penalty and argues that its own actions in relation to the events investigated were carried out, at all times, in strict compliance with the applicable legislation. The subsidiary's legal advisers consider that there is a reasonable chance that the final amount of the penalty imposed will be reduced to a quantity substantially lower than the aforementioned amount, all without prejudice to the possibility of the fine being completely annulled. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 137 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 São Paulo State Public Prosecutor, initiated court proceedings against which the Group has already filed 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 defence 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 CADE's investigations, an administrative proceeding was initiated by the São Paulo Court of Auditors in relation to which the subsidiary submitted its initial pleadings in 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 consolidated financial statements of the subsidiary should the outcome be unfavourable and, therefore, no liabilities were recognised in this connection in the financial statements.

Also, the subsidiary is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. Both the consortium and the subsidiary are taking action in court to defend themselves in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. In any case, should a court rule 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 31 December 2020, the Company 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 Company's directors consider that the likelihood of this situation giving rise to losses for the Company is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At the end of 2019, an independent expert issued a report justifying the delays, and at the date of authorisation for issue of these financial statements a court decision had not been handed down in this connection.

On 27 August 2018, the Spanish National Markets and Competition Commission ("CNMC") instituted penalty proceedings in connection with purported anti-competitive practices against various companies, which included CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A. as it is jointly and severally liable. On 15 September 2020, the Statement of Objections was issued. The subsidiary CAF Signalling, S.L.U. filed pleadings against the Statement of Objections. At the date of authorisation for issue of these financial statements the investigation remained open, awaiting the proposed judgment and, subsequently, the ruling of the Spanish National Markets and Competition Commission (CNMC), which will foreseeably take place in the second half of 2021. This resolution can be subject to appeal for judicial review at the National Appellate Court. CAF is employing the legal actions to which it is entitled to defend its interests, and is at present unaware of the conduct and practices of which CAF Signalling, S.L.U. and Construcciones y Auxiliar de Ferrocarriles, S.A. are accused. The investigation is ongoing on 31 December 2020.

b) Disclosures on the average period of payment to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2020	**2019**
	Days	Days
Average period of payment to suppliers	86.24	83.50
Ratio of transactions settled	86.51	86.27
Ratio of transactions not yet settled	85.30	73.14
	Thousands of euros	Thousands of euros
Total payments made	689,171	799,017
Total payments outstanding	193,482	213,574

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to Suppliers" and "Other Payables" under current liabilities in the balance sheet.

The statutory maximum payment period applicable to the Company in 2020 under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, is 60 days, unless no payment date or period has been agreed, in which case the maximum payment period would be 30 days.

23. Events after the reporting period

At 31 December 2020, the Group's firm backlog, net of progress billings, amounted to approximately EUR 8,807,278 thousand (31 December 2019: EUR 9,446,468 thousand) (see Note 11).

In January 2021, the RATP transport operator selected the consortium formed by CAF and Bombardier as the preferred bidder to supply 146 trains to be operated jointly by RATP and SNCF on the RER B suburban line that crosses Paris from North to South. This selection was ratified in February 2021.

24. Explanation added for translation to English

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

APPROVAL BY THE BOARD OF DIRECTORS

MR ANDRÉS ARIZKORRETA GARCÍA

MR JAVIER MARTINEZ OJINAGA

MR JUAN JOSÉ ARRIETA SUDUPE

MR LUIS MIGUEL ARCONADA ECHARRI

MS CARMEN ALLO PÉREZ

MS ANE AGIRRE ROMARATE

MR JULIÁN GRACIA PALACÍN

MR IGNACIO CAMARERO GARCÍA

MS IDOIA ZENARRUTZABEITIA BELDARRAIN

MR MANUEL DOMÍNGUEZ DE LA MAZA

MS MARTA BAZTARRICA LIZARBE

Certificate issued by the Secretary of the Board of Directors attesting that, following the authorisation for issue of the financial statements and directors' report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for the year ended 31 December 2020 by the Board of Directors at its meeting on 25 February 2021, the directors have signed this document, consisting of 152 sheets numbered sequentially from 1 to 152, inclusive, signed by each of the directors at the end of the document.

San Sebastián, 25 February 2021.

Approved by	Signed
THE CHAIRMAN	THE SECRETARY OF THE BOARD
MR ANDRÉS ARIZKORRETA GARCÍA	MS MARTA BAZTARRICA LIZARBE