Audit Report on Financial Statements
issued by an Independent Auditor

CONSTRUCCIONES Y AUXILIAR DE FERROCARILLES, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2021

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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

Report on the financial statements

Opinion

We have audited the financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Company), which comprise the balance sheet as at December 31, 2021, the statement of profit or loss, the statement of changes in total equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Key audit matters

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

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

Description	The Company carries out an important part of its activity through long-term construction contracts. As indicated in Note 3.f.1 of the attached notes to the financial statements, the income and results corresponding to contracts for the construction of trains and traction equipment are recorded, in general, based on the estimated progress measurement of the same, obtained based on the percentage that represents the number of hours allocated to the contract over the total of the budgeted hours. The amount of revenue recognized in 2021 in relation to this type of contract by applying the progress method amounted to 1,234,943 thousand euros. The revenue recognition from these contracts requires significant estimates to be made in relation to, among other aspects, the total costs to be incurred, the number of hours allocated over the total budgeted hours or the estimation of the margin considering the expected income and the costs estimated to be incurred, as well as, where appropriate, the amount of the modifications and claims on the initial contract that will finally be accepted by the client. We have considered this area as a key audit matter in our audit due to the relevance of the amounts involved and the complexity associated with said estimates, which entail the application of judgments by the Company's Management in determining the assumptions considered, since changes in the aforementioned assumptions could give rise to material differences in the recorded income. The breakdowns corresponding to the aforementioned income are included in Note 19 of the attached notes to the financial statements.
Our response	In relation to this area, our audit procedures have included, among others, the following: ▶ Understanding of the process established by the Company´s Management for the management of projects in the budgeting and contract execution phases and for the recognition of revenue, and evaluation of the design and implementation of the relevant controls established in the aforementioned process. ▶ Selection of a sample of projects, taking into consideration both quantitative and qualitative criteria, for which the corresponding contracts have been obtained for their reading and understanding of the most relevant clauses and their implications, as well as the budgets and follow-up reports of the execution of the projects. ▶ Evaluation, for said contracts, of the reasonableness of the assumptions considered by the Company´s Management through meetings held with the technical staff and those responsible for the development of the projects, analyzing the reasons for the deviations between the initially planned costs and the actual costs and its impact on the estimation of the margin of the projects. ▶ Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Registration and valuation of provisions and contingencies related to commercial contracts

Description

The Company has recorded as of December 31, 2021, under the headings "Current provisions", as well as deducting "Trade receivables for sales and services", provisions to meet obligations for guarantees, contractual responsibilities and others that are detailed in Notes 17 and 2.c of the attached notes to the financial statements amounting to 149,085 and 22,88 thousand euros, respectively.

The evaluation of the contingencies derived from the commercial contracts and, where appropriate, the valuation of the possible associated provisions, requires complex estimates to be made by the Company's Management, which entails the application of judgments in the determination of the assumptions considered in relation to said estimates, associated, among other aspects, with the eventualities that occurred during the execution of the contracts, including the identification of causes not attributable to the Company, which are conditioned by a high degree of uncertainty.

We have considered this area a key audit matter in our audit due to the complexity of the judgments inherent in assigning value to the key assumptions considered and the variation in such judgments that could lead to material differences in the amounts carried at the date, having a significant impact on the balance sheet and profit and loss account.

The information regarding the criteria applied by Company´s Management and the main assumptions considered in determining the corresponding provisions and their amounts, as well as their movement during the year, is included in Notes 3.f, 3.o and 17 of the attached notes to the financial statements.

Our response

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

- Understanding of the process established by the Company's Management for the identification, assessment and recording of contingencies arising from commercial contracts that may be provisioned, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- Obtaining the detail of recorded provisions and selecting a sample, taking into consideration quantitative and qualitative criteria, for which the documentation that supports the estimates made has been obtained and reviewed.
- Understanding and evaluation, for said provisions, of the reasonableness of the key assumptions considered for their quantification based on consultations with the Management and other professionals of the Company in charge of the matters from which contingencies that could be provisioned could arise and, in their case, to written statements from third parties, such as legal advisors, regarding the current situation of the contingencies and the evaluation of the risk derived from them, estimated cash outflows and their probability of occurrence.
- Carrying out a general analytical review of the movement of the different provisions recorded, obtaining evidence and supporting documentation about them and considering our expectations about their potential evolution, obtaining responses from Management to our inquiries in the event of deviations with respect to those expectations.
- Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Valuation of investments in group companies and associates

Description

As indicated in Notes 9 and 10 of the attached notes to the financial statements, the Company has registered as of December 31, 2021, under the heading "Non-current investments in group companies and associates", holdings in group companies and associates and loans granted to group companies and associates amounting to 854,336 and 84,759 thousand euros, respectively, and under the heading "Current investments in group companies and associates", loans granted to group companies and associates amounting to 113,334 thousands of euros.

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

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

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

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

Our response

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

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

Other matters

On February 25, 2021, other auditors issued their audit report on the financial statements for the year 2020 in which they expressed a favorable opinion.

Other information: management report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

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

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

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Construcciones y Auxiliar de Ferrocarriles, S.A. for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Construcciones y Auxiliar de Ferrocarriles, S.A. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

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

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

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 25, 2022.

Term of engagement

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

ERNST & YOUNG, S.L.

The original signed in Spanish

February 25, 2022

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

2021 ANNUAL REPORT

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.

FEBRUARY 2022

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

1 – CAF GROUP BUSINESS MODEL AND OUTLOOK

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

Subject to reservations about the future evolution of COVID 19, the inflationary environment, the global components crisis and how these factors may impact the Group's commercial and industrial activity down the line, the Group aims to grow above the market, consolidate its leadership in collective and sustainable mobility, expand margins and consolidate its position as a benchmark in sustainability (ESG) performance.

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, LRVs, or locomotives.
- With regard to buses, the Group offers a wide range of zero-emission full-battery metros and hydrogen fuel cell-powered buses that maintained their leadership position in Europe in 2021 too (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:

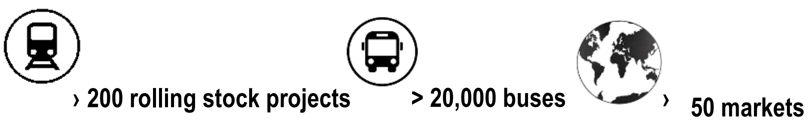
- Europe has chosen the FCH2RAIL consortium led by CAF for the development of the first hydrogen train approved to run on general interest railway networks.
- CAF is a member of the European Clean Hydrogen Alliance.

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 as 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



In 2021, CAF continued to strengthen its positioning in strategic markets, among which we can highlight:

- Germany. The world's largest accessible rail market, with an average annual volume of 4,000 million euros in rolling stock for passenger transport (source: UNIFE WRMS forecast 2020 to 2025). The Group highlights the following milestones:

1. Awarded the world's largest battery-powered rail contract for the ZV VRR and NWL transport authorities.
2. Talent 3 platform acquisition agreement. Transaction conditioned by the European Commission and related to the acquisition of Bombardier Transportation by Alstom.

- France. The world's third largest accessible rail market, with an average annual volume of EUR 2.5 billion in passenger rolling stock (source: UNIFE WRMS forecast 2020 to 2025). CAF highlights the following milestones:

1. Contract for the supply of 146 trains for the Paris RER B commuter line to the CAF-Bombardier consortium.
2. Agreement to acquire the Coradia Polyvalent platform and the Reichshoffen plant. Transaction conditioned by the European Commission and related to the acquisition of Bombardier Transportation by Alstom.

Meanwhile, in relation to the Non-Financial Information Statement reflected in this report and the main advances in sustainability, the main milestones have been:

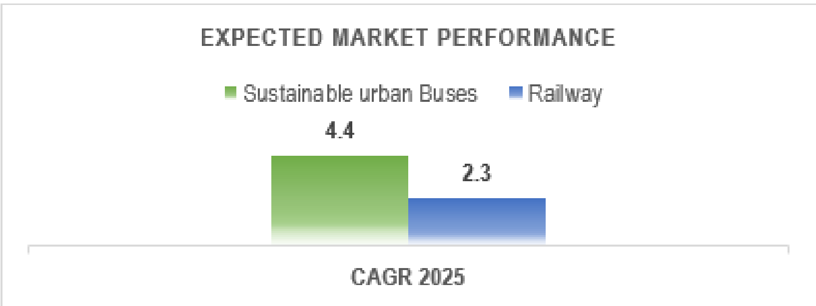
- Updating of the Group's materiality matrix and publication of the first ESG Equity Story (www.caf.net).
- Creation of a specific sustainability section on the website (www.caf.net).
- Publication of the first Solaris Sustainability Report (www.caf.net).
- 'Low Risk' rating awarded by the rating agency Sustainalytics.
- Adherence to the SBT initiative (Science Based Targets Initiative) and Race to Zero, as part of the carbon neutrality strategy.

Looking ahead to 2022 and subject to the reservations mentioned in the introduction, the Group aims to:

- Continue expanding sales at a faster pace than the market.
- Achieve higher contracts than the sales executed in the year.
- Advance in the recovery of profitability, increasing EBITDA, Net Profit and Dividend above sales growth.
- Consolidate the Group's position in sustainability, maintaining Solaris' leadership as well as Low Risk rating from the Sustainalytics agency, and increasing sustainable turnover according to the taxonomy.

The main reasons supporting these expectations are as follows:

- Accessible market growth prospects for the Group, driven by regulations and expansive policies such as the European Green Deal, and European recovery funds:
  - In Railway, an interannual growth of 2.3% is estimated until 2025 (source: UNIFE WRMS forecast 2020 to 2025).
  - In sustainable urban Buses (electric, hybrid, hydrogen), an interannual growth of 4.4% is estimated in Europe until 2025 (source: Interact Analysis and the "E-mobility Development & Market Intelligence" of Solaris, CAF Group).



Source: WRMS 2020, UNIFE and InteractAnalysis + CAF Group estimates.

- Systematic and recurring application of expense containment programmes, costs and inventory reduction initiatives and obtain synergies.
- Contingency measures to mitigate the impact of inflation and the global components supply crisis on the Group's businesses.
- Execution of the Sustainability Plan in line with the objectives set out in the Group's ESG Equity Story.
- CAF's positive assessment and relationship with all its stakeholders.

Finally, in order to strengthen its position within the mobility sector, the Group highlights the following actions:

- Initiate a new strategic cycle based on an updated business model that seeks to maximise value creation and satisfy the stakeholder needs and expectations.
- Make progress in integrated digitalisation and cybersecurity for our processes, products and services.
- Continue with the investment effort in the technological development of zero-emission mobility solutions through various initiatives associated with propulsion systems based on energy storage (batteries and hydrogen), where the Group is already a market leader. Examples include Solaris' positioning in the electric city bus market in Europe, the high number of catenary-free tram systems supplied by the railway business, or the wealth of know-how and real experience in the development and supply of hydrogen-powered vehicles, especially at the Buses business.

- Consolidate the value proposal for customers through commercial and technical development plans for our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, and CAF Engineering & Modernizations, among others) in order to diversify our integrated offer in mobility.
- Strengthen international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.
- Finalise the agreement to acquire the platforms Coradia Polyvalent, Talent 3 and Reichshoffen plant and integrate them into our business model.

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 Group’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 our stakeholders.

2 – BUSINESS PERFORMANCE AND RESULTS

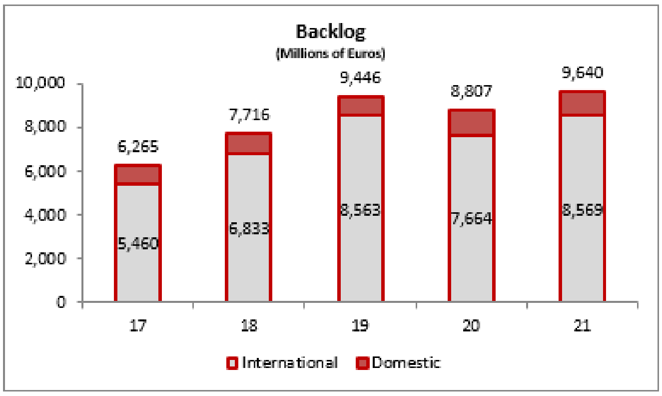
Main indicators (*)

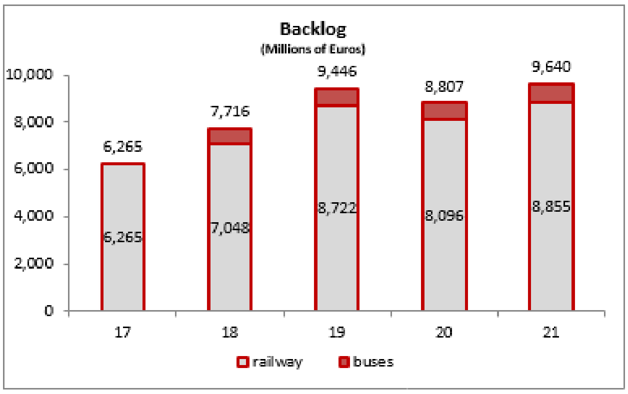
Figures in millions of euros	2021	2020	Change (%)
Backlog (**)			
Backlog	9,640	8,807	9%
Contracts in the year	3,776	2,123	78%
Profit and cash flow -			
Revenue	1,580	1,497	6%
EBITDA	36.6	-0.1	-
Profit/(loss) attributable to the Parent	47.8	-49.1	-
Cash flow (**)	62	123	-50%
Net Financial Debt (**)	278	311	-11%
Equity attributable to the Parent	608	582	4%
Proposed dividend per share	1,000	0,000	-

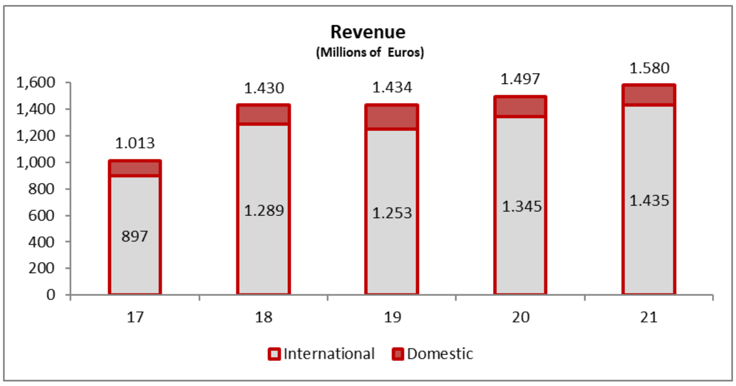
(*) The indicators' definitions are included in the "Alternative Performance Measures" section.

(**) Consolidated group data.

- The order backlog reaches its highest level thanks to a historical record level of order intake, despite the Group's activity growth. Order intake continued to be concentrated in the international segment and shows the Group's consolidation in the European market, which in the case of the railway sector is the world's largest accessible rail market. As a result, the orientation of the backlog continues to present an eminently international structure.
- The results, including both EBITDA and Profit/(loss) attributable to the Parent, reflect the strong recovery from COVID-19 that the company has experienced during the year.
- Meanwhile, improved dividend stability allows reinforcement of the Net Equity attributable to the Parent.
- As a result, the proposal for the application of earnings includes EUR 34 million for the distribution of dividends, a figure that represents a gross amount of EUR 1 per share, giving rise to historical values of dividend per share.







3 – RAILWAY SEGMENT

COMMERCIAL ACTIVITY

Commercial activity in 2021 reached levels of order intake that will enable the Group to continue growing, with the Book-to-Bill indicator at levels above 1 across all product lines, highlighting the achievements made in the two major European railway markets, France and Germany, and the growing position of the Group in Europe.

Europe –

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

- In mid-2021, German authorities ZV VRR and NWL — responsible for transport in the North Rhine-Westphalia region, the most populated in Germany and whose capital is Dusseldorf — awarded CAF the contract for the manufacture of more than 60 electric train units and their maintenance for 30 years. The peculiarity of the contract is that it is for battery-powered trains that are also able to run on catenary tracks by absorbing energy from the catenary by means of a pantograph, much like a conventional unit. This award is, to date, the largest openly tendered contract in the world for this type of technology.

- Still within the German railway market, it's worth mentioning the signing of a new contract with operator Ruhrbahn GmbH, for the supply of 51 units that will run on the tram network that serves and connects the cities of Essen and Mülheim via a route spanning 155 km and provides service to more than 150 million passengers annually, in a totally environmentally friendly way.

- In Freiburg, the operator VAG Freiburg has renewed its trust in our company by exercising an option to extend the supply contract for the trams that are already in operation, bringing the total fleet to 25 units. The so-called gateway to the Black Forest relies on our trams for its mobility, in accordance with its demanding sustainability and environmental policies.

- A similar story has unfolded in neighbouring Belgium, where operator De Lijn has decided to expand its CAF tram fleet to 106 units. These latest acquisitions will run in the city of Antwerp and are novel in the sense that they are bi-directional tram units. This is the fourth extension option exercised by De Lijn since the initial contract was signed, which clearly shows the good work the company has performed and the satisfaction of our client with the contracted product.

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

- On the Iberian Peninsula, Metro Málaga has renewed its trust in CAF to expand its fleet to 18 units. While in neighbouring Portugal, CARRIS – the operator of the Lisbon tramway service – has placed an order for 15 new units to renew the rolling stock serving line 15 (Carreira 15), which runs parallel to the mouth of the Tagus River and connects the main tourist areas of the Portuguese capital, such as Praça do Comércio, Belém and the Jerónimos Monastery, as well as the city's main transport hubs.

- Regarding railway maintenance activities, in addition to the aforementioned 30-year maintenance contract associated with the delivery of fleet for the German authorities ZV VRR and NWL, we must highlight the formalisation of the maintenance contracts for the metric gauge fleet and the new units for line C9 of the Madrid commuter trains, both contracts with Renfe.

- EuroMaint also made a significant contribution to the backlog during the period, highlighting the contract for the maintenance of the units running on the Krosatag line with Swedish operator SJ, and the refurbishment of sleepers for the same operator.

- Finally, it should be noted that, in relation to predictive maintenance and incident analysis, Spoorwegen — the public transport operator in Oslo — is testing the benefits of LeadMind during the trial phase for the first units arrived in the Norwegian capital, out of 87 contracted.

Other markets –

- In the other markets, CAF's first ever train supply contract in Canada is a definite highlight. The city of Calgary has chosen CAF's Urbos trams to serve its citizens on the Green Line, which will cross the city from north to south along a route spanning 46 kilometres and 29 stops, serving more than one million inhabitants. To succeed in this task, they plan to rely on 28 tram units. The contract also envisions the possibility of increasing the agreement by up to 24 additional LRVs.

- In the United States, in Maryland and Kansas to be precise, contracts have been signed to expand the Purple Line fleet to 28 units, and the trams that serve the largest city in Missouri to 8 units.

- In addition to the contract extensions described above, Transport for New South Wales has decided to increase its initial order to 16 units to provide service on the Inner West Light Rail line in Sydney.

- In other business lines, the refurbishment area reached another big milestone by signing a contract for the comprehensive refurbishment of the trains that operate on line 1 of Cairo, in Egypt, with the state company National Authority for Tunnels (NAT), responsible for managing the Egyptian capital's metro.To carry out the comprehensive refurbishment of 23 units currently operating on Line 1, the refurbishing of the new Kozzika maintenance depot and maintenance of the refurbished units for a period of two years. The project is supported by the Fund for the Internationalisation of the Company (FIEM).

- CAF-Signalling continues to consolidate its position in the railway signalling sector as a benchmark for quality and reliability. Proof of it, CAF Signalling was awarded a contract to implement our latest electronic interlocking technology along the 153 km section between Çerkezköy and Kapikule, belonging to the line that connects Halkaki station in Istanbul with the Turkish-Bulgarian border at Kapikule, in addition to the installation of a CTC for the line.

In addition to the contracts carried out in the year, in the final stretch of the year, an agreement was formalised for the acquisition of the Reichshoffen production plant in France, together with the Coradia Polyvalent and Talent 3 platforms. A new production centre from which to meet the needs of the French and German markets, in which the acquired platforms are also well established and widely used. Testing was therefore started on the cross-border France-Germany Coradia Polyvalent at the DB Systemtechnik German Railways test centre in Minden, where it will be certified and approved by French certifying body Certifer and its German subsidiary AEBT. As an example for the Talent 3, we can indicate that it has been in service with German operator Vlexx in the Saarland region since the end of the last decade, and framework agreements have been signed for the supply of new units in Austria and Germany.

INDUSTRIAL ACTIVITY

Of the nearly 38 projects that were either in the manufacturing or delivery phase in 2021, approximately 23 of them in the manufacturing phase kept our industrial plants and facilities busy throughout the year.

Some have already been completed, such as the project for the 130 trailer cars for North American operator Amtrak, following delivery of the last 11 units, the project to deliver 21 trams to the city of Budapest, with the completion of the last 9 units of 5 cars; the last train that completes the 4 compositions of 5 cars of the 6,000 series for Barcelona Metro, the last 3 trams of 7 modules under the initial project for 22 tram units signed with the city of Utrecht, as well as the last 7 trams of 7 modules for Vitoria/Gasteiz, and the last 3 trams for the city of Freiburg.

Other projects, already started in previous years, continued with further deliveries throughout 2021, such as the additional cars for Northern Ireland operator NIR with the delivery of 6 units of 3 cars, the trains for British operator West Midlands, with the delivery of 5 two-car units and 7 units of 4 cars, as well as the 21 three-car compositions and 21 more four-car compositions for Dutch operator Nederlandse Spoorwegen, the 10 Metro units under the 22-train contract signed with the city of Brussels, and 10 six-car compositions for Napoles Metro. This list also includes 15 LRVs (Light Rail Vehicles) out of the total of 30 units under the contract signed with Manila, 5 trains out of the 12 ordered by German operator Schönbuchbahn, as well as a significant number of trams, including 5 for Luxembourg, 34 for Amsterdam, 34 for De Lijn, 15 out of the 20 arranged by the city of Liège and 8 out of the 21 for Birmingham.

The production facilities have also delivered the first 8 trams for the state of Maryland, the first 3 trains for Amsterdam Metro, as well as the 8 two-car trainsets and 2 three-car trainsets under the contract signed with British operator Wales and Borders, 4 of the 5 trams under the extended agreement reached with the Dutch city of Utrecht, the first tram for Parramatta, and the first 2 trams for Antwerp.

As for the other projects, which are now in the initial manufacturing phases, it is worth highlighting the advanced production under the contracts signed with Australian operator New South Wales, Docklands Light Railway in the city of London, or the extension of the contract for the city of Istanbul.

The most relevant products manufactured in 2021 were as follows:

	No. of cars
Long-distance Amtrak cars	11
Additional medium-distance cars – NIR	18
Medium-distance DMU West Midlands (two-car units)	10
Medium-distance DMU West Midlands (four-car units)	28
Medium-distance DMU Wales and Borders (two-car units)	16
Medium-distance DMU Wales and Borders (three-car units)	6
Commuter trains for NS (three-car units)	63
Commuter trains for NS (four-car units)	84
Bruselas Metro	60
Napoles Metro	60
Amsterdam Metro	9
Barcelona Metro S/6000	5
LRV for Maryland	40
LRV for Schönbuchbahn	15
LRV for Manila	120
Trams for Budapest	45
Trams for Luxembourg	35
Trams for Amsterdam	170
Trams for Freiburg	21
Trams for Utrecht	21
Extension of five trams for Utrecht	28
Trams for Vitoria-Gasteiz	7
Trams for Parramatta	7
Trams for Liège	105

Trams for Lijn	170
Trams for Antwerp	10
Trams for Birmingham	40
TOTAL	**1,204**

BOGIES

With mechanic-welded chassis	1,319

WHEEL SETS AND COMPONENTS UNITS – (MiiRA)

Assembled axles (power car + push-pull car)	4,866
Loose axle bodies	10,022
Monoblock wheels	50,488
Elastic wheels	3,329
Gear units	2,122
Bandages	719

R&D+i ACTIVITY

In relation to CAF and CAF I+D, the new 2021-2022 Innovation Plan for the CAF Group was drawn up in early 2021, which is suitably aligned with the Strategic Plan.

The Innovation Plan envisions a total of 81 projects, 56 of which are in the Corporate R&D Plan and 25 are included in the Product Plans of the various businesses.

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

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

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 2021-2022 Innovation Plan encompassed the following fields:

- Specific railway products.
- Digital Train, which comprises projects to gather and process operational data for use in product and maintenance enhancements.
- BigData technologies, advanced modeling, digital twin and artificial intelligence.
- Energy management and eco-design, which include projects related to the reduction and optimisation of consumption on trains and in the global system, and alternative propulsion systems such as those based on battery energy storage or the use of hydrogen as fuel.
- On-board and fixed signalling.
- Traction.
- Autonomous vehicle.
- Virtual validation and certification.
- Specific products and technologies using basic railway 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 (www.shift2rail.org), as a founder member of the Shift2Rail JU (Joint Undertaking), which promotes railway R&D activities as part of the Horizon 2020 programme, CAF is involved in various technology development projects (PIVOT 2, IMPACT2, CONNECTA 2, CONNECTA 3, PINTA 3, X2RAIL 3, X2RAIL 5, FINE 2, IN2TEMPO, FR8RAIL 2, FR8RAIL 4, IMPACT 2, LINX4RAIL, TAURO and FORZDM) which are scheduled to continue until 2023.
- CLUG (www.clugproject.eu), a project promoted by the infrastructure managers that aims to demonstrate an autonomous train positioning system up to SIL4 safety level through sensors such as GNSSs, IMUs, Tachometers and Digital Maps.
- iRel40 (www.irel40.eu), 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.
- 5GRAIL (www.5grail.eu), a communications project that aims to verify the first set of FRMCS (Future Railway Mobile Communication System) specifications and standards, which will consist of the global 5G standard for railway operational communications both in Europe and for the obligations of railway organisations outside Europe.
- 5GEuskadi (www.5g-euskadi.com), a project featuring of a total of 19 agents, including technology centres, universities and companies from the Basque industrial fabric that have come together to experiment with 5G network deployments, provide network management techniques that enable 5G technology and develop use cases.
- FCHRAIL, a project within the framework of FCH JU (Fuel Cells and Hydrogen Joint Undertaking), which consists of the design and manufacture of a prototype based on an existing RENFE three-car commuter unit, specifically the CIVIA series. Under

this project, a new electric generation system will be installed based on the hybridisation of energy from hydrogen cells and LTO batteries, integrating with the vehicle's existing traction system, making it one of the first railway demonstrators of a bimode vehicle with a hydrogen cell.

The most significant engineering projects undertaken during the year 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 Amsterdam (The Netherlands)
- Trams for Oslo (Norway) and Lund (Sweden)
- Extension trams Freiburg
- 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
- Electrical units for RATP RER (France)
- Metropolitan and regional trains for Myanmar
- Trains for AKT Transitio (Sweden)
- Tram for Lisbon
- Extension of Sydney tram
- Extension of Malaga tram
- Extension of Kansas tram
- Tram for Essen (Germany)
- Regional trains for VRR (Germany)
- Trams for Calgary Green Line Light Rail (Canada)

4 – BUS SEGMENT – SOLARIS

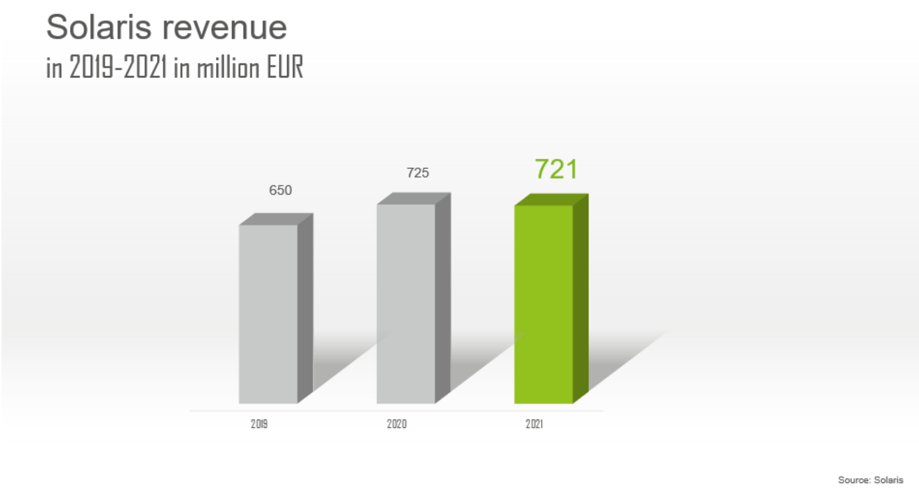
Solaris still leader in European zero-emission bus market.

Manufacturer sums up 2021.

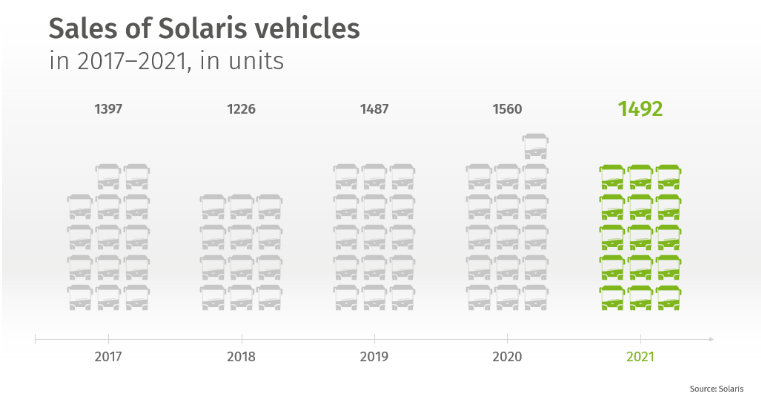
- **Solaris sold a total of 1,492 vehicles in 2021**
- **Its revenues stood at EUR 721 million**
- **The company maintained its no.1 position in the zero-emission bus market in 2021, with a market share of 15.1%**
- **Between 2012 to 2021, Solaris was the biggest zero-emission bus manufacturer in the European market, with a market share of 15.5%**

In 2021, just as in 2020, most of the world's economies faced unprecedented challenges. The last few months have also been difficult for the European public transport sector and vehicle manufacturers. Firstly, due to a global electronic components crisis where a major supply disruption has occurred. Secondly, the COVID-19 pandemic and related restrictions have prompted Solaris to establish special procedures and to develop solutions to ensure the continuity of its business activities. However, Solaris has proved that, even in the toughest of times, it keeps the 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.

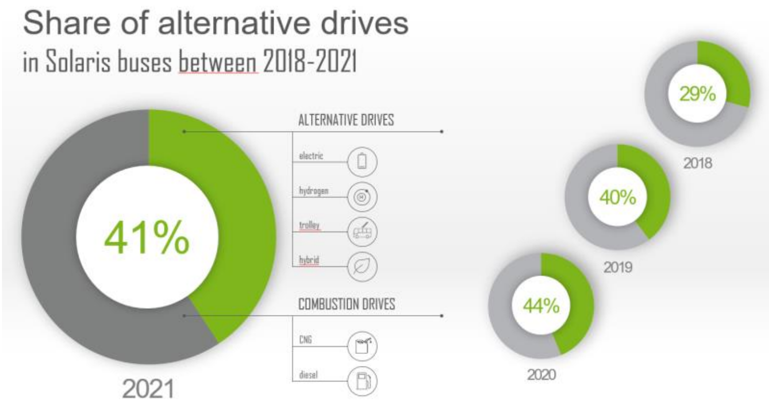
Despite the ongoing pandemic, which has had a significant impact on many sectors of the economy, including the automotive industry, Solaris reported solid financial results and sales in 2021. In this period, the company generated revenues of EUR 721 million.



Solaris has maintained its leading position in the European zero-emission bus market (market share of 15.1%). It delivered a total of 400 zero-emission buses to its customers, which means that in the period from 2012 to the end of 2021 Solaris was Europe's largest supplier of zero-emission electric battery buses with an average market share in this segment of 15.5%.



The company sold a total of 1,492 units in 2021, of which low- and zero-emission vehicles (i.e. electric, hydrogen and hybrid buses, as well as trolleybuses) accounted for 41%.



In 2021, Solaris delivered its buses to customers across 18 countries. The main recipients of Solaris vehicles included, among other carriers, operators from Poland, Germany, Spain, Estonia, Italy, Romania, the Czech Republic, Israel and Switzerland. For the 19th consecutive year, Solaris held the leading position in the low-floor city bus market in Poland, with a market share of 63.7%. This market accounted for 28% of Solaris' total sales in 2021.

It is also worth noting that Solaris sold 54 hydrogen buses in 2021. The Solaris Urbino 12 hydrogen bus was launched in 2019. Since then, interest in this technology has soared, which is reflected in the number of orders for this type of vehicle in 2021 and in units ordered for 2022 and beyond.

Solaris' most relevant contracts (partially or fully executed) were as follows in 2021:

- A contract for the delivery of a total of 123 e-buses to Romania, which allowed Solaris to solidify its position as an e-mobility leader in this market. In a government tender launched by the Romanian Ministry for Public Works, Development, and Administration (Ministerul Lucrărilor Publice, Dezvoltării Și Administrației), with seven local towns and cities as beneficiaries, Solaris was awarded a large order for 123 out of 131 e-buses. In 2021, Solaris delivered its electric buses to the towns and cities of Iași, Sibiu, Sighetu Marmației, Suceava, Târgu Mureș and Pitești. According to the schedule, the contract will be completed by the end of 2022.

- Also in 2021 Solaris won a tender for the delivery of 250 Solaris Urbino 12 buses, fuelled with compressed natural gas (CNG), for Madrid's EMT operator. Deliveries began in 2021 and are expected to be completed in 2023. This is the first contract won by Solaris in the Spanish capital. Empresa Municipal de Transporte (EMT) in Madrid is the largest public transport operator in Spain and the second largest in Europe. The operator has set itself an ambitious goal of having solely electric, hybrid and CNG buses on the streets of Madrid by 2023. The plan envisages replacing all their diesel vehicles with CNG buses. That is why, at the beginning of the year, EMT launched a tender for 520 12-metre CNG-fuelled vehicles. Solaris will supply up to 250 of them.

- It was also in 2021, and again in Spain, that Solaris won another order for the delivery of 24 electric buses for the operator TMB Barcelona. The Solaris Urbino electric units will make their way to the capital of Catalonia by the end of 2022. It was in 2015 that Solaris vehicles first joined the bus fleet of the operator Transports Metropolitans de Barcelona (TMB). All Solaris buses ordered by the operator feature hybrid or electric drives.

- One of Solaris' main sales markets in 2021 was Estonia, mainly due to the execution of deliveries and the tenders (launched by operator TLT in Tallinn) won by Solaris. Last year, representatives of Solaris Bus & Coach and the Estonian company Aktsiaselts Tallinna Linnatransport (TLT) signed a contract for 100 environmentally-friendly CNG-powered city buses. Of these, 65 of them are Solaris Urbino 12 vehicles, while the remaining 35 are Solaris Urbino 18 articulated units. The deliveries are scheduled to end in 2022. Pursuant to the contract, TLT can, as an option, order an additional 20 Urbino 12 CNG and 30 Urbino 18 CNG vehicles. The capital city of Estonia is one of the world's leading smart cities and one of the e-cities relying on ICT technologies to improve the interactivity and efficiency of its urban infrastructure. Therefore, it comes as no surprise that Estonia's largest public transport operator, Aktsiaselts Tallinna Linnatransport, has again decided to sign a large contract with Solaris for the supply of CNG-powered buses. 200 vehicles of this type, ordered by TLT in 2019-2020, are already operating on the streets of Tallinn.

- In 2021, Solaris also won a significant order for 161 Urbino 12 hybrid (diesel-electric) buses from Opérateur de Transport de Wallonie (OTW), a public transport operator in the French-speaking part of Belgium. Deliveries to Namur, Liège and Charleroi are scheduled for 2022.

- Moreover, it is worth mentioning that, in 2021, Solaris won its first orders for e-buses in the Czech Republic, one of its key markets. So far, the manufacturer had only delivered diesel, CNG and trolleybuses there. This time, Solaris signed an agreement with transport operator Dopravní Podnik in Ostrava (DPO) for the supply of 24 Urbino 12 electric buses, together with charging infrastructure. The deliveries are scheduled to end in 2022.

Hydrogen technology has played an important role in the development and sales strategy of the business. At the beginning of 2021, Solaris joined the European Clean Hydrogen Alliance. This is an initiative led by the European Commission. Its goal is to scale up, by 2030, the production and deployment of hydrogen as a fuel produced by low-emission technologies and renewable energy sources. The European Clean Hydrogen Alliance is one of the many measures taken by the European Union to strengthen its position as a world leader in the production and deployment of hydrogen in industry and the energy grid. It is also one of a series of actions aimed at supporting the EU's goal of achieving carbon neutrality by 2050.

For Solaris, hydrogen technology is not only a harbinger of future development, but has already translated into tangible orders and generated revenues. In 2021 alone, the bus manufacturer delivered 54 zero-emission hydrogen buses to customers from Italy, Germany, the Netherlands and Sweden. In the same year, the company signed further contracts for hydrogen buses, among others, for the German market. 13 Solaris Urbino 12 hydrogen units will be handed over to carrier In-der-City-Bus, responsible for public transport in Frankfurt.

Apart from its leading position in Europe for electric, hybrid, CNG and hydrogen buses, Solaris is also Europe's largest supplier of trolleybuses. In 2021, the company sold a total of 118 Solaris Trollino 12-metre and 18-metre trolleybuses, and they made their way to operators from Germany, France, the Czech Republic, Romania, Poland and Hungary.

As is the case for the entire CAF Group, sustainable development and ESG issues are also an important component of Solaris' development strategy. In 2021, Solaris published its first Sustainability Report. It was drawn up in accordance with the GRI Standards guidelines, which is an international standard for reporting on both responsible business and sustainable development issues.

The report is the first publication to present the full range of data and information on the company's ESG-related initiatives in such a comprehensive manner. It provides an extensive description of the company's impact on the economy, the environment and society. Its three main chapters correspond to the pillars of the company's activity: “Responsibility along the value chain”, “People – the greatest asset” and “Zero emissions future”. The topics addressed in the document were selected during internal workshops and suggested by stakeholders.

The document was awarded the prize for ‘Best debut’ at the Sustainability Report competition. As emphasised by the jury, the prize was awarded “for a report that contains a lot of well-prepared information, with a clear layout, a concrete set of ESG actions and an interesting description of the company's role in the ‘zero-emission’ future”.

The report is available on the company's website at: https://www.solarisbus.com/public/assets/content/firma/csr/Solaris_Raport_Zrownowaonego_Rozwoju_2020.pdf. It is available in Polish, English and German. To help protect the environment, the company has decided to publish the report on the Internet only. The 2021 report will be published in the second quarter of 2022.

In 2021, for the second straight year, due to the COVID-19 pandemic, Solaris Bus & Coach sp. z o.o. was forced to operate under unusual conditions when it comes to its trade fair and exhibition activities. Restrictions, lockdowns and the closure of entire sectors in several countries led to the vast majority of events in which the company had planned to participate being cancelled or postponed.

In 2021, Solaris took part in the Transexpo trade fair in Kielce from 27-29 October, where it exhibited three of its zero-emission models: the electrically powered Urbino 9 LE electric, the Urbino 15 LE electric, and the Urbino 12 hydrogen buses. The hydrogen-fuelled Solaris bus won the “best product” medal at the Targi Kielce Fair in the Bus category, while the battery-powered Urbino 9 LE bus, launched a month earlier, was awarded a distinction from the jury.

Solaris also took part in the Local Public Transport Days in Tampere, Finland, on 23 and 24 November, where the manufacturer exhibited its Urbino 15 LE electric bus. At the same time (23-25 November 2021), the bus manufacturer participated in the Czechbus trade fair in Prague (Czech Republic) demonstrating its latest achievements in electric mobility, namely the Urbino 12 hydrogen and the Urbino 9 electric buses.

In 2021, Solaris also continued its #SolarisTalks, industry meetings focused on exchanging experiences and discussing the future of urban mobility. Due to pandemic-related restrictions, the 2021 conference was held as a virtual event. The change of format opened up new possibilities. A virtual stage, on which various presentations took place, could be followed from anywhere in the world. Participants included our clients, business partners, local authorities and Solaris followers and from all over Europe. The programme was divided into two sessions: one on electrical issues and the other dedicated to hydrogen. The #SolarisTalks online conference was attended by almost 700 participants from 38 different countries. This widespread interest and geographical diversity show how important the topic of electric mobility is right now. All conference materials and videos are available at: https://www.youtube.com/channel/UCQaJOZ44gRiEbfzLfoB76xw

Unable to participate in conventional trade fairs or other promotional events, the manufacturer decided to introduce its latest product through the virtual marketplace. On 30 September 2021, the Solaris Urbino 9 LE electric bus was launched on the Internet. Thus, Solaris managed to keep its word when it came to the date of the presentation of its new product to the public and it enabled all interested stakeholders to take part in the event, while respecting all sanitary precautions.

Following the launch of this bus, which meets the requirements for vehicle classes I and II, the manufacturer continues to expand its range of electric vehicles that can be successfully deployed as city and intercity buses. Full coverage of the launch is available at: https://www.solarisbus.com/pl/premiera. The event has been viewed more than 60,000 times on various virtual channels.

In relation to new products, in 2021 in addition to the launch of its new midi-class e-bus, Solaris continued its work on the development and eventual launch of an 18-metre e-bus, which will use a new-generation hydrogen fuel cell for propulsion. Moreover, apart from the new cell, the bus will be equipped with cutting-edge advances and dedicated solutions related to the use of hydrogen as a fuel. In 2021, work began on the construction of two prototypes, which are scheduled for completion in the second quarter of 2022. As a result, the Solaris offering from 2022 onwards will include hydrogen buses at the most common lengths seen in public transport: 12 and 18 metres (articulated).

Meanwhile, development work on a 24-metre bi-articulated electric bus continued at a good pace throughout 2021. This project is being pursued, among other things, in connection with an order for the delivery of 14 units to Aalborg in Denmark.

As for the future, the company has a healthy order book. At the end of 2021, it contained 1,260 buses, thus ensuring high levels of activity throughout 2022.

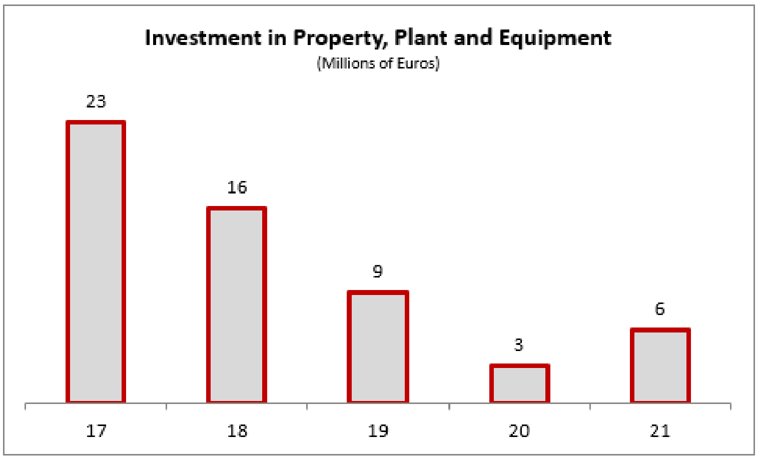
5 – INVESTMENTS

CAF's investments in property, plant and equipment in 2021 amounted to EUR 6 million. The most salient investments are as follows:

At the MiiRA wheelsets and components business, the wheel forging furnace floor was refurbished and updated; an investment that must be made periodically due to its deterioration caused by the activity. The painting area was also modernised, on the one hand, through the acquisition of a new axle painting machine, and on the other hand, through the automation of the wheel painting process, all with the aim of obtaining improvements in quality while reducing process costs.

Regarding the train manufacturing area, the process of transforming the production model continues affecting all manufacturing phases. Highlights here include the acquisition of new production equipment, such as sanding robots, paint mixers, electrical sub-unit stamping machines, as well as a new three-dimensional measuring machine for bogie frames. Further highlights are the investments made at the Zaragoza plant, which mainly include the modernisation of the facilities and equipment of the warehouse that will be used to centralise the manufacturing of the Urbos platform trains, which has the additional objective of optimising the layout and improving the shunting process for the manufactured units.

Another highlight was completion of construction on the new office building at the Beasain plant, which houses the project monitoring and inspection area, as well as the Corporate Quality and Marketing departments. In the Digital area, the technological renewal of servers has been carried out to increase processing capabilities and thus meet the needs of the business in terms of both availability and capacity, as well as the expansion of the storage infrastructure to respond to the organic growth in the organisation's data and information.



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 its stakeholders; and
- Ensuring business stability and financial strength in a sustained way over time.

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

1. Establishment of the risk-management context for each activity, by setting, inter alia, the level of risk the Group considers to be acceptable.
2. Identification of the various risk types, in line with the main risks detailed in the Policy, faced by the Group.
3. Analysis of the risks identified and what they entail for the CAF Group as a whole;

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

4. Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5. The measures envisaged to address the identified risks; 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 facing the Group can be categorised as follows:

- Strategic risks: these are risks arising from the uncertainty that macroeconomic and geopolitical conditions represent, in addition to characteristics inherent to the industry and markets in which the Group operates and the strategic planning and technological decisions adopted.
- Financial Risks: arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:
    - Market risk, which includes the following risks:
        - Interest rate risk: risk of fluctuations in interest rates that might give rise to changes in the Group's profit or loss and the value of its assets and liabilities.
        - Foreign currency risk: risk arising from fluctuations in exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of assets and liabilities denominated in foreign currency.
        - Commodity price risk: risk arising from changes in prices and market variables relating to commodities required in the businesses' supply chain.

- Credit risk: this risk relates to doubtful debts, insolvency proceedings or bankruptcy or possible default on payment of quantifiable monetary obligations by counterparties to which the Group has actually granted net credit that is yet to be settled or collected.
- Liquidity and financing risk: in relation to liabilities, it is the risk tied to the impossibility of performing transactions or breach of obligations arising from operating or financing activities due to a lack of funds or access to financial markets, either because of a drop in the 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 standalone 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, which governs the design, integration and operation of the governance bodies and their relations with the Parent's stakeholders and that in turn are based on a commitment to ethical principles, best practices and transparency as the Group seeks to defend its interests and create sustainable value.
- Compliance and Regulatory Risks: arising from the breach of applicable national and international regulations and laws irrespective of the activity in question, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market regulations, antitrust and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including personal data protection regulations, environmental laws, etc.).

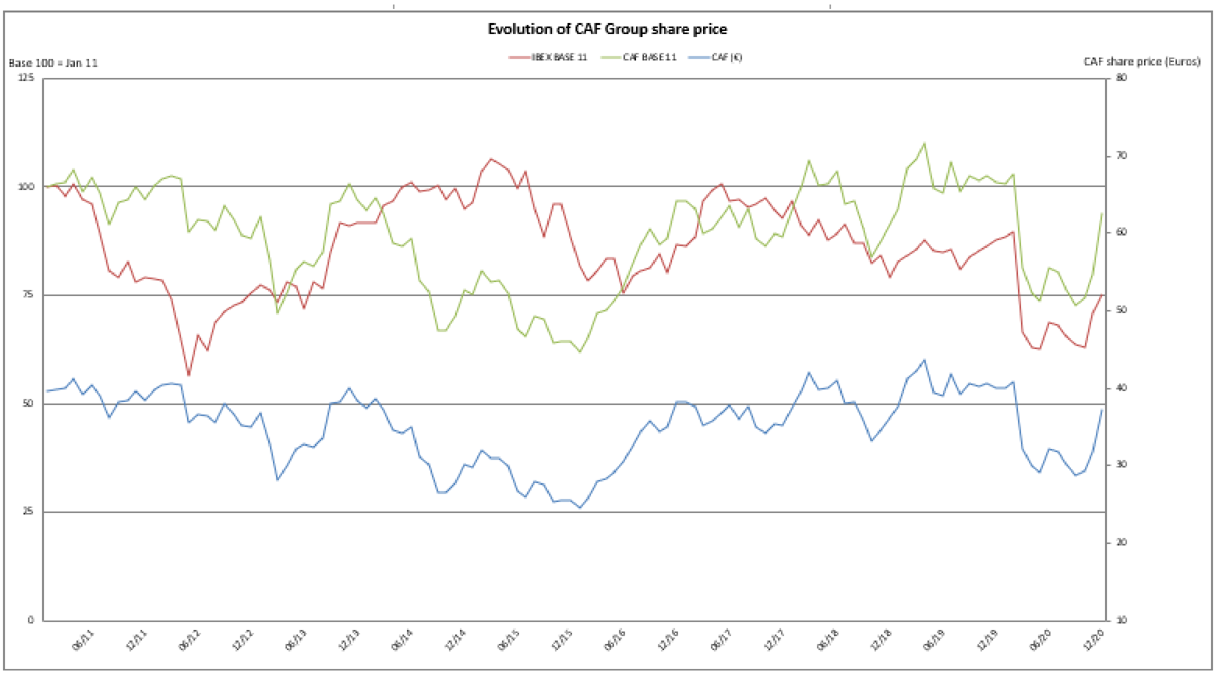
Due to its global risk scope, the Integrated Risk Management and Control System is continuously updated to include new risks that might affect the Group as a result of changes in the environment or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and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

The year 2021 was also marked by the world crisis in raw materials caused by the pandemic. This crisis led to delays and higher prices for raw materials, products and services all along the supply chain. In a bid to mitigate the impacts associated with supply problems, the CAF Group has undertaken the following actions and activities: i) Monitoring and cushioning the impact on prices and supply lead times; ii) monitor and manage the supply chain to avoid disruptions; iii) share risk with customers to the extent possible.

Moreover, during the year, it also continued to monitor and control specific activities to ensure: i) the health and safety of workers; ii) contractual compliance with clients and other third parties; and iii) the Group's financial health. These activities and other information regarding COVID-19 at the CAF Group are explained in the notes to the standalone and consolidated financial statements for the year ended 31 December 2021.

7 – STOCK MARKET INFORMATION

	2021	2020	2019	2018	2017
Market price -					
Market capitalisation at year-end (millions of euros)	1,255	1,346	1,406	1,241	1,172
Closing price (euros)	36.60	39.25	41.00	36.20	34.18
Low (euros)	33.05	25.20	35.30	31.30	32.22
High (euros)	42.10	43.30	44.90	43.60	39.50
Data per share (euros) -					
Earnings per share (EPS)	2.51	0.26	0.72	1.27	1.24
Dividend per share	1.00	0.00	0,842	0,765	0.66
Market ratios -					
PER (average market price/EPS)	14.88	127.70	56.34	30.14	29.06
Market average price/EBITDA adjusted	5.02	5.71	5.72	6.50	6.84
PBV (average market price/BV)	1.76	1.82	1.90	1.74	1.64
Dividend yield	2.7%	0%	2.1%	2.0%	1.8%
Pay-out ratio (Dividend/EPS)	40%	0%	117%	60%	53%
Liquidity ratios -					
Free-float rotation	51%	70%	47%	65%	71%
Traded volume (millions of shares)	8.6	11.3	8.4	10.8	11.8



8 – EVENTS AFTER THE REPORTING PERIOD

At 31 December 2021, the firm backlog, net of progress billings, amounted to approximately EUR 9,640 million (31 December 2020: EUR 8,807 million) (Note 12).

In addition, in January 2022, the consortium formed by CAF and construction company Shapir was selected by NTA (Metropolitan Mass Transit System) as the successful bidder for the Purple Line of the Tel Aviv light rail project. The contract not only envisions the actual construction of the line, but also the design and supply of 98 low-floor Urbos trams, the supply of the signalling, energy and communications systems, and line maintenance for a 25-year term.

The scope of the CAF Group's work on this contract encompasses both the design and manufacture of the new units and the supply of signalling, energy and communications systems, as well as the integration of the project.

Additionally, in January 2022, Auckland Transport awarded the CAF Group a contract for the supply of 23 electric units for the city of Auckland in New Zealand, together with the maintenance of the vehicles until the end of 2025.

Last but not least, Solaris signed a contract with Norwegian transport operator Unibuss AS for the supply of 183 Urbino 18 electric buses to Oslo.

The volume and scope of the CAF Group's work under these recently awarded contracts exceeds EUR 750 million.

9 – ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2021 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 2021 was 84.03 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: is calculated by deducting from “Profit from Operations” in the statement of profit and loss the amounts recognised under “Depreciation and Amortisation Charge” and “Impairment and Gains or Losses on Disposals of Non-Current Assets”.

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

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

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

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

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

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

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.

ISSUER'S PARTICULARS

End date of reference financial year: 31/12/2021

Tax Identification Number (CIF): A20001020

Company name:

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A

Registered office:

JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA)

A. OWNERSHIP STRUCTURE

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

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

[ ] Yes
[√] No

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

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

[ ] Yes
[√] No

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

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	24.20	0.00	0.00	0.00	24.20
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
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	0.00	3.07	0.00	0.00	3.07

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
SANTANDER ASSET MANAGEMENT, S.A. SGIIC	GROUP COMPANIES	3.07	0.00	3.07

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

Most significant movements

On 9 March 2021, Invesco LTD dropped below the threshold of 1% of share capital.

On 28 June 2021, Norges Bank exceeded the threshold of 3% of the share capital by adding the percentage of voting rights attributed to shares and the percentage of voting rights through financial instruments.

On 6 July 2021, Norges Bank exceeded the threshold of 3% of share capital in the percentage of voting rights attributed to shares.

On 13 July 2021, Norges Bank fell below the threshold of 3% of share capital in the percentage of voting rights attributed to shares.

On 15 July 2021, Norges Bank exceeded the threshold of 3% of share capital in the percentage of voting rights attributed to shares.

On 20 September 2021, Norges Bank fell below the threshold of 3% of share capital in the percentage of voting rights attributed to shares, and the sum of the percentage of voting rights attributed to shares and the percentage of voting rights through financial instruments.

On 21 September 2021, Santander Asset Management, S.A. SGIIC exceeded the threshold of 3% of share capital.

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

Name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
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

As the system only allows for two decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSÉ ARRIETA SUPUDE 0,003% and 30,605,037 M ANE AGIRRE ROMARATE 0,002%. TOTAL 0,005%.

Breakdown of the indirect holding:

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	% of voting rights through financial instruments
No data					

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

Total percentage of voting rights represented on the Board of Directors	19.09

The total percentage of voting rights represented on the Board of Directors is the sum of:
- The total voting rights held by the members of the Board of Directors (0,005%) and
- The stake held by significant shareholders Kutxabank, S.A. (14.06%) and Indumenta Pueri, S.L. (5.02%), who, although they are not members of the Board, sought the appointment of proprietary directors Idoia Zenarrutzabeitia Beldarrain and Manuel Domínguez de la Maza, respectively.

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

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

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

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

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

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention 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 (E.P.S.V. ZAINTZA E.P.S.V. HAZIA E.P.S.V GAUZATU) 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 shareholder and board member of

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

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.

Furthermore, the General Meeting of Shareholders, at its meeting of 5 June 2021, authorised the Board of Directors, in accordance with Article 297.1.b) of the Capital Companies Act, to carry out capital increases at the time and in the amount it decides, over a period of five years and up to half of the share capital at the time of authorisation, on one or more occasions, by issuing new shares. Likewise, the General Meeting delegated to the Board of Directors, under the terms of Article 506 of the Capital Companies Act, authority to disapply, in relation to any capital increases it may agree, the pre-emptive subscription right subject to a maximum amount of 20 per cent of the share capital at the time of authorisation.

A.11. Estimated floating capital:

	%
Estimated float	48.66

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 General Meeting. Also, in compliance with the provisions of Article 286 of the LSC, when the annual or extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must, with due clarity, express the matters to be modified and the rights of every shareholder to examine, at the registered office, the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent to them (Article 16 of the Bylaws).

In accordance with Article 21 of the Bylaws, shareholders that hold one thousand or more Company shares may attend the Annual General Meeting in person or remotely and take part in its deliberations, with the right to speak and vote. Those holding a smaller number of shares may group together and grant their proxy to another shareholder in order to reach one thousand or more shares. Any shareholder entitled to attend may be represented at the 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				
Date of General Meeting	% physical presence	% present by proxy	% distance voting Electronic voting	Other	Total
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
05/06/2021	40.80	28.23	7.00	2.14	78.17
Of which, free float:	0.00	25.62	2.00	2.14	29.76

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 website (www.caf.net). The complete path is https://www.caf.net/en/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 websites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current Bylaws, 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; membership of the Board of Directors and its committees and publicly-available information on the directors; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the Modern Slavery Act, Sustainability Report and Whistleblowing Channel).

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

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

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

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

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

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

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ANDRÉS ARIZKORRETA GARCÍA		Other external	CHAIRMAN	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JAVIER MARTÍNEZ OJINAGA		Executive	DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JUAN JOSÉ ARRIETA SUDUPE		Other external	DIRECTOR	07/06/2008	02/06/2018	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 representativ	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	05/06/2021	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	SECRETARY AND DIRECTOR	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
No data					

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of nonexecutive directors, explanation or opinion of the director dismissed by the general meeting.
There were no resignations from the Board of Directors in the reporting period. However, there were certain changes in the distribution of positions on the board in 2021, as described in the following sections.

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

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the	Profile
MR JAVIER MARTÍNEZ OJINAGA	Executive Director	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. He is Chairman of CIC Nanogune and a member of the Governing Council of Asociación para el Progreso de la Dirección (APD). He was appointed Chief Executive Officer, replacing Andrés Arizkorreta, on 29 April 2021, effective 1 September 2021.
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 Administration from ICADE business school. She is Group's Chief Legal Officer and Compliance Director and is also secretary to the Board of Directors of CAF and its Committees.

Total number of executive directors	2
Percentage of Board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Degree in Law from the University of Deusto. She has held, among others, the positions of Deputy in the Basque Parliament and Vicelehendakari, as well as Vice-President and Councilor of Finance and Public Administration of the Basque Government. She has been Director of the National Energy Commission and the National Commission on Markets and Competition. She is currently a member of the Board of Trustees of various Voluntary Social Welfare Entities of the BBK.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	Holds a degree 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
MS CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from the Instituto de Empresa. Most of her professional career has been spent in the financial industry, occupying various management positions. She is chair of CAF's Audit Committee. She is also chairwoman and director of the Audit Committee of eDreams ODIGEO and chair of the Investment Committee of Crisae Private Debt SLU. (debt fund held by Banco Sabadell) and associate lecturer at IE Business School.
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 the chairwoman of CAF's Nomination and Remuneration Committee. She is a director of the consultancy firm Vesper Solutions, S.L. She is a member of the Governing Council of the University of Deusto, as well as member of the Board of Trustees and of the Management Board of the Basque Group of the Club of Rome (Grupo Vasco del Club De Roma) and of Novia Salcedo Foundation.
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 a member of CAF's Audit Committee.
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 a member of CAF's Nomination and Remuneration Committee.

Total number of independent directors	4
Percentage of Board	36.36

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

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

Name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
MR ANDRÉS ARIZKORRETA GARCÍA	Mr Andrés Arizkorreta held the position of Chief Executive Officer of the Company until 1 September 2021, and so he cannot be classified as an independent director, in accordance with Article 529 dudodecies of the LSC.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	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. From 2006 until 1 September 2021 he was the Company's Chief Executive Officer. From that date forward, he is non-executive Chairman of the Board of Directors. He is also Vice President of the Circle of Basque Businessmen (Círculo de Empresarios Vascos).
MR LUIS MIGUEL ARCONADA ECHARRI	Mr Luis Miguel Arconada Echarri has been a director for an uninterrupted period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the LSC, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	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. He is a member of the Company's Nomination and Remuneration Committee.
MR JUAN JOSÉ ARRIETA SUDUPE	Mr Juan José Arrieta Sudupe has been a director for an uninterrupted period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the LSC, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	He holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools. He is a member of the Strategic Council of the Technology Centre attached to Universidad de Navarra. He is a member of the Company's Audit Committee.

Total number of other external directors	3
Percentage of Board	27.27

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 ANDRÉS ARIZKORRETA GARCÍA	01/09/2021	Executive	Other external
MR JAVIER MARTÍNEZ OJINAGA	01/09/2021	Independent	Executive

Changes in the category of the directors named above have occurred as part of the process of separating the positions of Chairman and Chief Executive Officer, as agreed by the Board of Directors on 29 April 2021, when, on the recommendation of the Nomination and Remuneration Committee, the Board unanimously passed the following resolutions: (i) to appoint Javier Martínez Ojinaga as Chief Executive Officer, effective 1 September 2021; and (ii) to remove Andrés Arizkorreta García from the position of Chief Executive Officer and from any other executive functions at the Company and within its Group, effective 1 September 2021, and to confirm that he will continue to serve as non-executive Chairman of the Company from that date forward.

As a consequence of the foregoing and on the same date, the Board of Directors, again upon the recommendation of the Nomination and Remuneration Committee, unanimously approved the replacement of Mr Martínez Ojinaga in his position as lead independent director by Ane Agirre Romarate, during the period prior to the effective date of separation of the positions of Chairman and Chief Executive Officer (1 September 2021), from which date forward the existence of a lead independent director is no longer a legal requirement. All the foregoing in accordance with Article 529 septies of the LSC.

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 category			
	2021	2020	2019	2018	2021	2020	2019	2018
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1	1			50.00	50.00	0.00	0.00
Independent	2	2	2	2	50.00	40.00	33.33	40.00
Other External					0.00	0.00	0.00	0.00
Total	4	4	3	3	36.36	36.36	30.00	30.00

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

[√] Yes
[ ] No
[ ] Partial policies

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

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

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

In 2018 the Board of Directors approved the Diversity and Director Selection Policy, replacing the Director Selection Policy, which had been in effect since 2015.

The 2018 policy was subsequently amended on 17 December 2020, on the recommendation of the Nomination and Remuneration Committee, so as to bring it in line with the provisions of Technical Guide 1/2019 on appointments and remuneration committees, and with the new developments introduced following the partial reform of the Good Governance Code of listed companies carried out in June of the same year.

CAF's current Director Diversity and Selection Policy (the "Policy"), which is specific and verifiable in nature, is there 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.

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

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.

Notably, the Policy sets out diversity criteria in relation to the following categories:

Training and work 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.

As regards the composition of the committees, members will be appointed from among the directors, selecting in all cases 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. Likewise, and wherever possible, the designation of members of the Nomination and Remuneration Committee should take into account their knowledge and experience in areas such as corporate governance, human resources, the selection of directors and executives, and the design of policies and remuneration plans, in line with the provisions of the regulations of each committee.

Age:
The merits of having directors of various ages shall be appraised, as this age difference may help to generate 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 2021, the General Shareholders' Meeting resolved to re-elect an independent director for the bylaw-mandated term of four years, upon the recommendation of the Nomination and Remuneration Committee. This process complied rigorously with the provisions of CAF's Diversity and Director Selection Policy, as indeed confirmed by the Nomination and Remuneration Committee in its annual report verifying compliance with the policy in December 2021, as will be explained at greater length in section C.1.7 of this report.

The result of this re-election process, and of the appointments agreed in previous years, is a balanced and highly qualified Board of Directors with extensive experience, enriched with skills that are genuinely relevant to the company's future strategy and committed to the diversity objectives set out in the Policy.

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

Explanation of measures

CAF's Nomination and Remuneration Committee ensures that when covering new vacancies, the selection processes 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 5 of the current Company's Director Diversity and Selection Policy. Likewise, Article 3 of the Committee's Regulations establishes, as one of its duties, 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”.

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

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors. Thus, from 2017 to 2020, CAF continuously met the target of achieving at least 30% of women on the Board, as set for 2020 in Recommendation no. 14 of the Code of Good Governance (CGG) of Listed Companies. Subsequently, in 2020, the number of female directors increased to four, and since then it has stood at 36.36% of the total number of directors; above the minimum of 30% of board members required by the CGG for 2021 and very close to the 40% that Recommendation 15 of the CGG defines as a target to be reached in 2022. Notably, both committees attached to the Board are chaired by women.

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

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

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

Explanation of reasons

CAF promotes equality in the selection and promotion processes, and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. 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 promoting an appropriate composition of the Board of Directors.

On 16 December 2021, the Nomination and Remuneration Committee issued its annual report on the verification of compliance with the Diversity and Director Selection Policy for the year.

In 2021, the committee ensured the proper application of the policy in the process that led to the re-election of independent director Julián Gracia Palacín, as agreed upon at the General Shareholders' Meeting of 5 June, concluding that the provisions thereof had been satisfactorily complied with both in relation to the selection process and in terms of the conditions that the candidates had to meet in terms of good standing, fitness for office, experience, training, qualification, dedication and commitment to the position of director.

More precisely, the report noted that the motion to re-elect the director was based on an analysis of the Board's actual needs, in accordance with the competencies matrix, in order to promote diversity and avoid any implicit bias that might lead to discrimination based on reasons of age, gender, disability, or any other personal attribute.

Therefore, both the Board and the committee were of the opinion that the candidate's continued presence as a director and as a member of the same Nomination and Remuneration Committee would help to effectively enhance the diversity and balance already existing in the composition of both bodies by consolidating a significant presence of independent directors and contributing extensive knowledge and experience in areas of value to the Company.

Following this re-election and appointments in previous years, the Board of Directors comprises 11 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, all of them being highly qualified and possessing extensive professional experience.
As a result, the body brings 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, including those relating to the option of issuing or re-purchasing shares, to directors or board committees.

Name of director	Brief description
MR JAVIER MARTÍNEZ OJINAGA	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 JAVIER MARTÍNEZ OJINAGA	CAF ARGELIA EURL	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF CHILE S.A.	Chairman	NO
MR JAVIER MARTÍNEZ OJINAGA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF FRANCE SAS	Chairman	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF INDIA PRIVATE LTD	Executive Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF NEW ZEALAND LIMITED	Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF RAIL AUSTRALIA PTY LTD	Executive Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF SISTEME FEROVIARE, S.R.L.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF INVESTMENT PROJECTS, S.A.U.	Director	YES
MR JAVIER MARTÍNEZ OJINAGA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF HUNGARY Korlátolt Felelösségu Társaság	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	CAF NETHERLANDS B.V.	Sole Director	YES

Name of director	Name of group member	Position	Does the director have executive powers?
MR JAVIER MARTÍNEZ OJINAGA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
MR JAVIER MARTÍNEZ OJINAGA	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 the positions of director, administrator or director, or their representative, held by the directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
MR ANDRÉS ARIZKORRETA GARCÍA	Circle of Basque Businessmen	VICE CHAIRMAN
MR JAVIER MARTÍNEZ OJINAGA	CIC NANOGUNE Cooperative Research Center	CHAIRMAN
MR JAVIER MARTÍNEZ OJINAGA	Association for the Advancement of Management (APD)	DIRECTOR
MS CARMEN ALLO PÉREZ	eDreams ODIGEO, S.A.	DIRECTOR
MR JUAN JOSÉ ARRIETA SUDUPE	Technological Center of the University of Navarra (CEIT)	DIRECTOR
MS ANE AGIRRE ROMARATE	Vesper Solutions, S.L.	SOLE DIRECTOR
MS ANE AGIRRE ROMARATE	University of Deusto	DIRECTOR
MS ANE AGIRRE ROMARATE	Novia Salcedo Foundation	DIRECTOR
MS ANE AGIRRE ROMARATE	Basque Group of the Club of Rome	DIRECTOR
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity ZAINTZA	DIRECTOR
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity HAZIA	DIRECTOR
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity GAUZATU	DIRECTOR
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	DIRECTOR

Since the CNMV form does not allow users to select specific positions at foundations and other non-commercial entities, the following positions qualify as DIRECTORSHIPS:
- Mr Javier Martínez Ojinaga is a member of the Governing Council of Association for Management Progress (APD).
- Mr Juan José Arrieta Sudupe is a member of the Strategic Board of Technological Center of the University of Navarra (CEIT).
- Ms Ane Agirre Romarate is a member of the Governing Council of Deusto University. She is also a member of the Board of Trustees of Novia Salcedo Foundation and on the Board of Directors of the Basque Group of the Club of Rome.

- Ms Idoia Zenarrutzabeitia Beldarrain is a member of the Governing Council of voluntary social welfare entities EPSV ZAINTZA, HAZIA and GAUZATU.

Once again, because the form does not allow users to select executive positions, please note that Manuel Domínguez de la Maza is General Manager of Mayoral Moda Infantil, S.A.U., in addition to holding the position indicated in the above table.
Of the positions identified in this section C.1.11, the following are remunerated:
Ms Carmen Allo Pérez: The positions indicated in the table above are remunerated.

Ms Ane Agirre Romarate: Her position of director at Vesper Solutions, S.L. is remunerated.

Mr Manuel Domínguez de la Maza: The positions indicated in this section are remunerated.

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

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

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

[√] Yes
[ ] No

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

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

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

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	7,232
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	5,130
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	200
Pension rights accumulated by former directors (thousands of euros)	

The figure shown in the box titled "Remuneration accruing in favour of the Board of Directors in the financial year" corresponds to the amount stated as total remuneration accrued to the Board of Directors of CAF in the table in section C.1(c) of the Annual Director Remuneration Report of CAF for financial year 2021. This amount includes the vesting of the contributions made in 2021 and prior years to long-term savings systems, amounting to a total of EUR 5,130 thousand.

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 INTEGRAL SOLUTIONS AND SYSTEMS
MR AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL AND STRATEGY OFFICER
JESUS 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	14.30

Total remuneration of senior management (thousands of euros)	2,004

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

[√] Yes
[ ] No

Description of amendments

On 16 December 2021, the Board of Directors unanimously approved a number of amendments to its Regulations. These amendments largely affected Articles 5, 8, 9, 13, 14, 15, 16, 21, 22, 24, 25, 27, 29, 30 and 31, in order to adapt them to the new provisions of the Capital Companies Act introduced by Law 5/2021 of 12 April, on the encouragement of long-term shareholder engagement at listed companies, in coordination with the amendment of the Company Bylaws and the Regulations of the General Meeting approved at the General Shareholders' Meeting held on 5 June 2021.

More precisely, the reform of the Regulations of the Board of Directors pursues the following objectives:

(i) To incorporate the new basic approval and disclosure regime applicable to related-party transactions introduced by Law 5/2021 and, in particular, to amend Articles 5, 25 and 27 and include new Articles 29, 30 and 31.
(ii) To eliminate the references to directors who are legal persons in accordance with article 529 bis 1) LSC, which states that the Board of Directors of listed companies shall be composed exclusively of natural persons; and, in particular, to amend articles 15, 24 and 27.

(iii) To amend Article 8 to clarify the separation of functions between Chairman and Chief Executive Officer in accordance with Article 35 of the Company Bylaws.
(iv) To amend Articles 8 and 9 to include the regime for the replacement of the Chairman and the Secretary in the event of their occasional absence.
(v) To explicitly introduce into Article 14 the content of Recommendations 23 and 28 of the Code of Good Governance, which the Company had already been observing. The quorum and voting regime of Article 31 of the Company Bylaws is also amended in this article.
(vi) To include other technical improvements in Articles 13 and 22.

The amended Regulations were filed at the Companies Registry of Guipúzcoa on 5 January 2022 and disclosed to the CNMV on 14 January 2022. It has also been published on CAF's corporate website (https://www.caf.net/en/accionistas-inversores/gobierno-corporativo/reglamento-consejo-administracion.php) since 14 January 2022.

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. The prohibitions and incompatibilities prescribed by law (Art. 29 of the Company Bylaws) will apply. 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 Company Bylaws). Additionally, in exercising its powers to lay proposals before the General Meeting and of co-option in case of vacancies, the Board shall ensure the balance of Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors; the latter to represent at least one third of total Board membership (Art. 7 of the Regulations of the Board of Directors).

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

Continued in section H.

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

Description of amendments

The Board of Directors, on the basis of previous reports issued by the committees, the results of which were positive, has positively evaluated the performance of the Board and its committees in 2021 and has verified that all Action Plans put in place for that year had been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for 2022, although they will not give rise to any significant change in the internal organisation or in the procedures applicable to its activities.

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

Description of the evaluation process and evaluated areas

In accordance with Article 5.5 of the 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 relies on the reports prepared by the committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2021:

a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are effectively used.
b) Size, composition and diversity of the Board and its committees.
c) The performance of the Chairman of the Board and the Chief Executive of the Company.
d) Performance and input of each director, paying special attention to those in charge of the various Board committees;
e) Meeting frequency and duration.
f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance;
g) Quality of the information received.
h) Breadth and openness of the debates.
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 legal and regulatory requirements, guidelines and best practices in the area of corporate governance and the internal regulatory compliance system, and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2021 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 16 December 2021, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans put in place during the year were completed satisfactorily.

Based on these conclusions, the Board has drawn up various Action Plans to be undertaken in 2022, which will allow both the Board and its committees to make further progress towards the design of and compliance with the company's internal regulatory compliance system.

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

Not applicable

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

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, 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 Nomination 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 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 Regulations of the Board of Directors).

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

[ ] Yes
[√] No

If so, describe the differences.

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

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

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

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

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

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

Number of meetings	0

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

Number of meetings held by the AUDIT COMMITTEE	10
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	9

Attendance in person as a % of total votes during the year	98.98
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	9
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

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

[√] Yes
[ ] No

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

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

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

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

To this end, the 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 Company's management. When the audit has been completed, the Committee shall review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports. (Article 13 of the Audit Committee Regulations).

Financial statements for the year 2020 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 bis of the Company Bylaws).
Pursuant to the foregoing, the Audit Committee has its own Regulations governing its nature, composition, functions, terms of reference 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) submitting, to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of the Company's external auditor, being responsible also for the selection process, pursuant to Article 16, paragraphs 2, 3, 5 and 17.5 of Regulation (EU) 537/2014 of 16 April, as well as his or her terms of employment, and regularly collecting information about the audit plan and its execution while also ensuring the external auditor's independence when carrying out its duties; (ii) establishing the appropriate relationships with the external auditor to receive information on those matters that may threaten or compromise its independence, for scrutiny by the Commission, and any other matters related to the process of auditing the accounts and, as the case may be, the authorisation of services other than those prohibited, on the terms set out in Articles 5.4 and 6. 2.b) of Regulation (EU) No. 537/2014, of 16 April, and in the provisions of Title I, Chapter IV, section 3 of Spanish Law 22/2015 of 20 July, on account auditing, in relation to auditor independence, as well as any other communications provided for in applicable legislation on auditing of accounts and in 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 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) issuing, prior to the issuance of the audit report, an annual report stating its opinion on whether the independence of the account auditors or audit firms has been compromised. 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. In compliance with recommendation no. 6 CBG, the Company posts the report of the Audit Committee on the independence of the external auditor on its corporate website in due course ahead of the date of the AGM; (iv) ensuring that the remuneration of the external auditor for their work does not compromise their quality or independence, and also setting an indicative limit on the fees that the auditor may receive annually for non-audit services; (v) ensuring 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 to which the Company is exposed; (vi) ensuring 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) investigating the circumstances giving rise to the resignation of any external auditor should this situation arise; (viii) supervising 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) carrying 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. (Art. 3 of the Audit Committee 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 Company's management; and (iii) the Audit Committee shall regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the Company's management.
When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

Continued in section H.

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

[√] Yes
[ ] No

Outgoing auditor	Incoming auditor
Deloitte, S.L.	Ernst & Young, S.L.

The Annual General Meeting of the Company, held on 13 June 2020, resolved to appoint Ernst & Young, S.L. as auditors of the separate annual accounts of Construcciones y Auxiliar de Ferrocarriles, S.A. and of the consolidated annual accounts of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries, i.e. for the separate and consolidated annual accounts, for the years ended 31 December 2021, 2022 and 2023.

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)	58	29	87
Amount invoiced for non-audit services/Amount invoiced for audit work (in %)	36.16	4.72	11.32

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

- On 17 December 2020, the Audit Committee verified that the services included in the proposal for non-audit services for the year 2021: (i) were reasonable; (ii) were permitted under the Audit Law; and (iii) were below the maximum limit provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of Spanish Audit Law 22/2015, as well as the more restrictive limit set by the Committee itself in the interests of greater prudence, at 50% of the average audit fee for the last three years.

- Subsequently, on 16 December 2021, Internal Audit presented to the Audit Committee the comparison between the approved budget for 2021 and the actual fees incurred for these services, verifying that the estimated amounts had not been exceeded and that no unapproved services had been arranged.

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

[ ] Yes
[√] No

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

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	2.27	4.76

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

[√] Yes
[ ] No

Explanation of procedure

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

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

[√] Yes
[ ] No

Explain the rules

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

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

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

C.2. Committees of the Board of Directors

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

AUDIT COMMITTEE

Name	Position	Category
MS CARMEN ALLO PÉREZ	CHAIRWOMAN	Independent

AUDIT COMMITTEE		
Name	Position	Category
MR JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external
MR IGNACIO CAMARERO GARCÍA	MEMBER	Independent

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

On 29 April 2021, upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors unanimously agreed to remove Mr Javier Martínez Ojinaga from his position on the Audit Committee and to appoint Mr Ignacio Camarero García as an independent director in his stead. The market was informed of this change on the same date the resolution was passed, by means of an Inside Information disclosure sent to the CNMV, as well as through the corporate website.

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

Organisation:
The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of 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 but may be re-elected after stepping down for one year. The Board of Directors shall appoint a person to act as Secretary of the Committee, who need not be a director (Article 37 bis of the Company Bylaws and Art. 2 of the Audit Committee Regulations).

Functions:
Its main functions are: a) In relation to the General Meeting: i. Report to the General Shareholders' Meeting on any issues raised that fall within the Committee's remit and, in particular, on the outcome of the audit process, explaining how the audit has helped to ensure the integrity of the financial information and the role that the Committee has played in this process; ii. Ensure that the annual accounts that the Board of Directors presents to the General Shareholders' Meeting are drawn up in accordance with applicable accounting regulations. 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. Likewise, a summary of such opinion shall be made available to the shareholders at the time of publication of the announcement of the General Meeting, together with the rest of the proposals, motions and reports of the Board. b) In relation to internal control systems: i. 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. 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. Supervise the Company’s internal risk 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. Supervise 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, can 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 any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported. 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; 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. The way in which the Company communicates and interacts with small and medium shareholders shall also be monitored; ix. Ensure that the financial information published on the Company’s corporate website is constantly updated and effectively corresponds to the information approved or prepared by the Board of Directors and published on the website of the Spanish National Securities Market Commission (CNMV). 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 internal audit:
i. Supervise the Company’s internal audit. For these purposes, the Committee may, 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 dismissal of the head of the internal audit service;

Continued in section H.

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

Name of directors with experience	MS CARMEN ALLO PÉREZ / MR JUAN MR JOSÉ ARRIETA SUDUPE / MR IGNACIO CAMARERO GARCÍA
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 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 Regulations of the Nomination and Remuneration Committee).

Functions:

Articles 37 ter of the Bylaws and 3 of the CNyR Regulations ascribe it the following powers and remit: In relation to appointments and remuneration: 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 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.- 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 plan for the succession of the Board of Directors' chairman and the Company's chief executive and, as applicable, submit proposals to the Board of Directors to ensure that the succession process takes place in an orderly and planned manner and periodically prepare and review a succession plan for such purpose. 10. Issue a report prior to the Board reprimanding a director for having infringed 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. 13. Make proposals and issue a report 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.

Continued in section H.

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

	Number of female directors							
	2021		2020		2019		2018	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33
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 16 December 2021, with the principal objective of:

- Adapt the description of the Committee's functions and duties in relation to related-party transactions and non-financial information to the changes made to the revised text of the Capital Companies Act by Law 5/21 of 12 April, on the encouragement of long-term shareholder engagement at listed companies (Law 5/2021); and
- Include a minimum number of annual meetings, as provided for in the CNMV's Technical Guide 3/2017 for Audit Committees, now that Law 5/2001 has repealed the obligation to publish quarterly financial information.

Also in relation to this Committee, an annual report has been prepared on its activities in 2021, which will be published in accordance with Recommendation 6 of the CNMV's Unified Code of Good Governance for Publicly Listed Companies.

NOMINATION AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF website (www.caf.net), in the subsection of Corporate Governance, under section Information for Shareholders and Investors.

The Regulations of the Nomination and Remuneration Committee were amended on 16 December 2021 in order to bring the description of the Committee's functions and duties in line with the changes made to the Capital Companies Act by Act 5/21, in relation to the remuneration system for directors, and to include certain technical improvements.

Also in relation to this Committee, an annual report has been prepared on its activities in 2021, which will be published in accordance with Recommendation 6 of the CNMV's Code of Good Governance for listed companies.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

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

On 16 December 2021, the Board of Directors resolved to amend its Regulations in order to bring them in line with the new legal regime for related-party transactions at listed companies introduced by Law 5/2021 of 12 April, which had come into force on 3 July 2021.
Pursuant to the provisions of its Regulations, the Board of Directors is responsible, on a non-delegable basis, for approving, subject to a prior report from the Audit Committee, transactions of the Company or companies in its group that qualify as related party transactions, unless such approval falls within the remit of the General Shareholders' Meeting and without prejudice to the possible delegation by the Board of such powers in the situations and under the terms prescribed by law and in the aforementioned Regulations. (Art. 5 of the Regulations of the Board of Directors).
Regarding the approval of related party transactions and the abstention obligations of the affected directors and shareholders, the Board Regulations explicitly state that the power to approve related party transactions whose amount or value is 10% or more of the Company's total assets according to the latest annual balance sheet approved by the Company shall be vested in the General Shareholders' Meeting. When the General Meeting is called to decide on a related party transaction, the shareholder concerned shall be deprived of the right to vote, except where the motion has been approved by the Board of Directors without the majority of independent directors voting against. However, where applicable, the rule of the reversal of the burden of proof provided for in the Capital Companies Act shall apply. The Board of Directors shall have the power to approve all other related party transactions and this power may not be delegated. In accordance with the Capital Companies Act, the affected director, or the director representing or related to the affected shareholder, must abstain from taking part in the deliberations and voting on the corresponding motion. However, directors who represent or are related to the parent company on the governing body of the subsidiary listed company should not abstain. However, if they do not abstain and if their vote was decisive in passing the resolution, the rule of reversal of the burden of proof shall apply on substantially the same terms as those provided for in the Capital Companies Act for the approval of related party transactions by the General Shareholders' Meeting. The approval of a related party transaction by the General Meeting or by the Board shall be subject to a prior report by the Audit Committee. In its report, the Committee must assess whether the transaction is fair and reasonable in the eyes of the Company and, if applicable, of the shareholders other than the related party, and give an account of the assumptions on which the assessment is based and the methods used. The directors concerned may not play any part in drawing up the report.

Notwithstanding the foregoing, the Board of Directors may delegate the approval of the following related party transactions:
(a) transactions between companies forming part of the same group that are carried out in the ordinary course of business and on an arm's length basis;
b) transactions entered into under contracts whose standard terms and conditions are applied en masse to a large number of customers; are at prices or rates established generally by the party acting as supplier of the goods or services in question; and whose amount does not exceed 0.5 per cent of the Company's revenues.

In such cases, the approval of any related party transactions that may have been delegated will not require a prior report from the Audit Committee. However, the Board of Directors shall establish an internal reporting and periodic control procedure for such transactions, in which the Audit Committee shall be involved and shall verify the fairness and transparency of such transactions and, as the case may be, compliance with the legal criteria applicable to the above exceptions (Article 29 Regulations of the Board of Directors).

In furtherance of the foregoing, on 16 December 2021 the Board of Directors, following a report from the Audit Committee, unanimously resolved to delegate, jointly and severally, to the Company's Chief Executive Officer and to the Chief Financial and Strategy Officer, the approval of the transactions described in sections a) and b) above.

Continued in section H.

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

	Name or company name of the shareholder or any of its subsidiaries	% of Ownership	Name or company name of the company or entity within its group	Amount (thousand euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independent
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	14.06	Kutxabank, S.A.	69,434	(See Observations below)	Ms Idoia Zenarrutzabeitia, proprietary director representing Kutxabank, in the cases described in the Observations box.	NO

	Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its evaluation
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	Contractual	Credit line and non-recourse factoring transactions, as well as registered advisor and placement bank contracts in commercial paper issuance programmes on the Spanish Alternative Fixed Income Market (MARF), as entered into by the Company with its significant shareholder Kutxabank, S.A., a subsidiary of Bilbao Bizkaia Kutxa Fundación Bancaria, and with Norbolsa Sociedad de Valores, S.A., belonging to the same group, during the 2021 financial year. All these contracts have been approved by the competent body, in each case, as per the breakdown provided in the Observations box.

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

• Credit line granted to the CAF Group under market conditions, dated 30/06/2021 and maturing on 30/06/2022, for an amount of EUR 15,000 thousand. This transaction is part of the ordinary business of the shareholder and the CAF Group. It was approved by the Economic-Financial and Strategy Department.

• Credit line granted to the CAF Group under market conditions, dated 02/04/2021 and maturing on 02/04/2022, for an amount of EUR 20,000 thousand. This transaction is part of the ordinary business of the shareholder and the CAF Group. It was approved by the Economic-Financial and Strategy Department.

• Non-recourse factoring transactions with the CAF Group arranged under market conditions in June 2021, amounting to EUR 12,930 thousand. It was approved by the Economic-Financial and Strategy Department.

• Non-recourse factoring transactions with the CAF Group arranged under market conditions in December 2021, amounting to EUR 21,481 thousand. It was approved by the Company's Board of Directors, with the abstention of Ms Idoia Zenarrutzabeitia, proprietary director representing Kutxabank.

• Registered Advisor agreement for the MARF commercial paper issuance programme, dated 21 December 2021, entered into with Norbolsa, Sociedad de Valores, S.A., part of the Kutxabank group, in the amount of EUR 20 thousand. Transaction carried out at market conditions. This transaction is part of the shareholder's ordinary business activities. It was approved by the Company's Board of Directors, with the abstention of Ms Idoia Zenarrutzabeitia, proprietary director representing Kutxabank.
• Placement Bank Agreement for the MARF 2021 commercial paper programme, dated 21 December 2021, as entered into with Norbolsa, Sociedad de Valores, S.A. (a Kutxabank group company) and amounting to EUR 3 thousand. Transaction carried out under market conditions. This transaction is part of the shareholder's ordinary business activities. It was approved by the Company's Board of Directors, with the abstention of Ms Idoia Zenarrutzabeitia, proprietary director representing Kutxabank.
Continued in section H.

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

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

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

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

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

Name of entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	6,141

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

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

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

The CAF Group holds non-controlling or jointly controlled interests in companies engaged in concessions for the operation of railway operating systems, the supply of fleet and subsequent maintenance, as well as the leasing of railway equipment. The CAF Group's operations with these companies involve the supply of fleet and the performance of turnkey projects, as well as the maintenance of railway equipment and material. It also has various financial loans in place that are consistent with the typical financing structure for these types of concession or leasing companies. These transactions are part of the ordinary business of the CAF Group and are carried out under normal market conditions. Information on CAF's stakes in these companies is included in Notes 2-f and 9-a to the 2021 consolidated financial statements and Note 10 to the consolidated financial statements includes information on the balances and transactions carried out in 2021 with these companies that were not eliminated as part of the consolidation process.

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

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

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

[ ] Yes
[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

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

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

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

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

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

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

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

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

• Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
• Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and reporting of the various risks.
• Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System in place within the Group.

Likewise, the Corporate Tax Policy expressly covers the basic principles regarding tax matters for the Group, including, to the fullest extent possible, the prevention and reduction of tax risks while carrying on its activities and 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 2021, CAF focused on the continued deployment of the uniform environmental risk methodology across the entire Group and the unification of the risk management dynamics in the area of occupational health and safety (OHS).

With regard to environmental risk management dynamics, progress was made on the unification of the single control framework, leading to the generation of synergies that have made it easier for the different members of the Environmental Forum to share their best practices, therefore enriching the evaluations and general control framework.

In the field of OHS risk management, the single methodology is now being unified and standardised for all members of the OHS Forum.

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.

Lastly, it should be noted that through the General Risk Control and Management Policy, CAF Group is committed to developing all its capabilities so that all types of risks are properly identified, measured, managed, prioritised and controlled.

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

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

In accordance with Art. 5 of Board Regulations, regarding the functions and responsibilities of the Board of Directors, the development of the General Risk Control and Management Policy, including tax risks, and the supervision of internal reporting and control systems, is one of the matters that falls within the exclusive remit of the Board of Directors sitting in plenary.

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

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

• Ensuring the proper functioning of the comprehensive risk control and management system and, in particular, that all major risks affecting the Company are adequately identified, managed and quantified;
• Playing an active role in developing the risk strategy and in reaching important decisions regarding its management; and
• Ensuring that the comprehensive risk control and management system adequately mitigates risks within the framework of the policy established by the Board of Directors.

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

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

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

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

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

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

Market risk, which includes the following risks:

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

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

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

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

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

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

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

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

Corporate Governance Risks: arising from potential non-compliance with the Group's Corporate Governance System 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.).

The Statement of Non-Financial Information for the year ended 31 December 2021 provides further information on the various risks described above. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

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

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

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

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

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

The level of risk is defined as the product of probability and impact. Both probability of occurrence and impact are assessed on a five-level scale, and uniform criteria are used to determine each level in each of the axes. The possible results of the combination of both are:
Very low and low level risks may be accepted and a Control or Action Plan may not be needed in order to manage them.

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

High and very high level risks will require adequate administration and management and a formal Action Plan must be drawn up and then monitored according to its criticality, either by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

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

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

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

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

During 2021 no material or extraordinary risks materialised, 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.

The year 2021 was also marked by the global commodity crisis caused by the pandemic. This crisis led to delays and higher prices for raw materials, products and services all along the supply chain. In a bid to mitigate the impacts associated with supply problems, the CAF Group has undertaken the following actions and activities: i) Monitoring and cushioning the impact on prices and supply lead times; ii) monitor and manage the supply chain to avoid disruptions; iii) share risk with customers to the extent possible.

CAF Group continued to monitor and control specific activities during the year so as to ensure: 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 2021 and the non-financial information statement for 2021.

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.

The contingencies managed in the realm of Compliance are part of the overall risks supervised within the system. A description of the material topics for 2021 can be found in Note 26 to the consolidated financial statements and in the Non-Financial Statement.

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

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

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

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:

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

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

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

In carrying out their functions, the Internal Audit and Risk Management departments have qualified and experienced personnel who are independent of the business units. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group’s risks.

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

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

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

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

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

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

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

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

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

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

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

The Compliance Function is responsible for advising the Board of Directors on all matters relating to compliance with the Code of Conduct. Its powers and remit include, among others, proposing to the Board of Directors the review and updating of the rules of the Corporate Compliance System approved by the Board, approving the corresponding rules of implementation, and verifying the effective application of the Code of Conduct. This includes the task of managing the general whistleblowing channel, analysing possible breaches or proposing corrective actions and sanctions.

The Code of Conduct has been further developed by the Board of Directors itself, in particular through the Crime Prevention Manual, approved on 29 April 2015, which contains a system of policies and procedures with the aim of preventing, as far as possible, the perpetration of significant crimes. This Crime Prevention Manual has undergone successive reviews by the Board of Directors in 2016, 2018 and 2021. During the 2021 review, the Manual was updated to bring it in line with recent changes in criminal law to have occurred since the previous 2018 version of the Manual, and also make various minor adjustments that ensure that the Manual is more acceptable at corporate level. Likewise, the structure of the Compliance Function has been adapted to incorporate changes in the best practices in this area. When any new version or development of the manual is approved, the appropriate dissemination and training measures are adopted.

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

In 2021, the criminal risk map for each activity at the railway business was amended and the complete reassessment of the criminal risk map entered a second phase consisting of revising the preventive controls. The third phase will address the technological deployment to manage these matters in line with the CAF Group's IT strategy.

Meanwhile, permanent training actions continued throughout 2021 in a bid to raise awareness and disseminate and implement the Crime Prevention Manual among CAF Group personnel.

At year-end, the training module on the Crime Prevention Manual had been launched to the Group’s entire scope of consolidation. 98% of people have completed the programe. Since the start of the programme, more than 6,300 people have received training in this matter (2020: more than 5,600 people). More than 700 people received training in 2021. 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.

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

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

The Compliance Function reports to the Board of Directors or the Audit Committee or General Management, depending on the circumstances and nature of the presumed infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel.

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

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

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

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

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

Throughout 2021, the whistleblower mailbox was checked daily and monthly checks were also carried out to ensure that it was working properly. During this time, no formal complaints were received through the general CAF whistleblowing channel, although:
(i) A business partner was ejected from a consortium due to non-compliance with CAF's Compliance standards;
(ii) further investigations were carried out in relation to a possible non-compliance at a supplier; and
(iii) two preliminary investigations were carried out in relation to two projects, including subsequent follow-up.

Issues from previous years were also monitored.

In 2021, five complaints were received in the special workplace whistleblowing channels, all of which were investigated internally. The relevant labour measures were applied in all cases, leading to disciplinary dismissals in two cases.

- 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 at least 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.

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

The main indicators in relation to CAF, S.A.'s economic and financial training programmes to support the various businesses in 2021 are as follows:

• Number of participants in these training actions: 938
• Number of training hours received: 3,238 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.

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

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

At the beginning of each year, supported by projected financial information, the main control objectives and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business 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 Legal Department sends the Financial Department the Group's company organisation chart, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Economic-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 Chief Executive Officer and the Chief Financial Officer. Prior to that, the information used to draw up the statements will have been validated by the senior employees involved in preparing the statements and control activities will have been carried out to minimise the risks of any error that may affect the financial reporting process.

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

Consolidation and Reporting
Accounting closing
Employee compensation
Treasury management
Recognition of revenue, billing and customers
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 designated to implement and oversee each control activity, ensure that it is carried out in due course and gather all evidence needed to carry out the activity.

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

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

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

The objectives of this process are to:
- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems
- Promote the standardisation of systems
- Improve the level of user satisfaction with 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:
- Ensure sound management of information technology
- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-party management

Further highlights include the Information Security Management System (ISMS) that has been in place in 2017 in accordance with ISO 27001. The system has been certified since 2018 and has been renewed in 2021 for the information systems managed by the Corporate Digital Department that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

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

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, 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 2021, 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 doubts for the rest of the Group companies with which the Company has a direct and fluid relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual.
The Manual is available on CAF's internal portal.

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

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

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

CAF, S.A.'s Economic-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 website is constantly updated and reflects the one prepared by the Board of Directors, which has been published in the CNMV's website.

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

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

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the 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 on its assessments, including weaknesses detected, action plans to correct them and recommendations for further improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2021 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

• Identification and evaluation of the main risks relating to financial reporting.
• Analytical review of the financial information submitted to the CNMV on a quarterly basis, together with the review of the execution of control activities in the accounting closing and consolidation and reporting processes, including a review of the main judgements and estimates.
• Review of processes and subsidiaries according to a risk-based rotation plan. That review includes relevant financial information risks.
• Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and recommendations for further improvement.
• Annual report on ICFR indicators.

F.5.2 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. 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 2021, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

Meanwhile, the external auditor meets with the Audit Committee to present the conclusions of the audit work on the financial statements and to report any significant internal control weaknesses detected during the course of the audit, assessing their possible effects on the financial information.

In 2021, external auditors have twice appeared before the Audit Committee and met with the Board in the plenary session held on 25 February 2021.

F.6 Other relevant information

F.7 External auditor's report

Report:

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

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

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

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

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

   Complies [X] Explain [ ]

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

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

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

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

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

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

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

   Complies [X] Complies partially [ ] Explain [ ]

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

   a) Report on the auditor's independence.

   b) Reports on the workings of the audit and nomination and remuneration committees. c) Report by the audit

   committee on related party transactions.

   Complies [X]   Complies partially [ ]   Explain [ ]

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Explain [ ]

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

a) Is concrete and verifiable;

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

This criterion may be relaxed:

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

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

Complies [X]   Explain [ ]

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

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

Complies [X]   Explain [ ]

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

a) Professional profile and biography.

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

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

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

e) Company shares and share options that they own.

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

Complies [X] Explain [ ]

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

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

    Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Explain [ ] Not applicable [ ]

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

Complies [X]   Explain [ ]

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

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

composition of its committees.

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

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X]   Complies partially [   ]   Explain [   ]

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

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

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

1. With regard to information systems and internal control:

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

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

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

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

2. With regard to the external auditor:

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

that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's

independence.

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [ ] Explain [ ] Not applicable [X]

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

with the company's remuneration policy.

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

b) That their chairpersons be independent directors.

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

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

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

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

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee 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 [ ] Explain [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Explain [ ]

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

And, in particular, that variable remuneration components:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

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

H. 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:

C.1.16 (continued)
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 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 director. For the purposes of this section, dividends and pension supplements received by the director as a result of their previous professional or employment relationship will not be counted, provided that such supplements are unconditional, meaning, therefore, that the company paying them may not, at its sole discretion, suspend, modify or revoke their accrual without breaching its obligations; c) in the last three years, they have been a partner of the external auditor or responsible for the auditor's report, whether the audit during said period is of the Company or of any other company in its group; 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 12 years; j) they fall within in any of the situations indicated in points a), e), f) or g) 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 Regulations of the Board of Directors).

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) will apply. Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Art. 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 core remit of the Nomination

and Remuneration Committee is as follows: 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 having infringed 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 20. 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 Regulations of the Nomination and Remuneration Committee).

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 Regulations of the Board of Directors).

Also, the Director Selection and Diversity 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 Capital Companies Act.

C1.30 (continued)
Likewise, and to ensure the independence of the external auditors, the Company has had an internal Procedure for Engaging the Services of the Accounts Auditor in place since 27 July 2016. The entire CAF Group must follow and comply with this procedure.
According to this procedure, the Audit Committee must approve, prior to their arrangement, any non-audit services requested from the audit firm of the CAF Group or other entities in its network, so as to verify that the services would not compromise the auditor's independence.
Before any request is relayed to the Committee, the Company's Corporate Finance Department and Internal Audit function review that the requested services are not prohibited under the terms of Regulation (EU) No 537/2014 of 16 April 2014.

In this regard, it should be noted that, without prejudice to applicable legal provisions, the Committee has prudently, and to protect the Company's good name, set a limit on the fees to be received by the statutory auditor for non-audit services. This limit is more restrictive than that provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of Spanish Law 22/2015 on account auditing. More precisely, this limit is 50% of the average audit fee for the last three years, i.e. below the legal limit of 70%.

In relation to financial year 2021:

- The Audit Committee met with both the current external auditors, Ernst & Young, S.L. (E&Y), and with the firm that provided audit services until last year, Deloitte, S.L., without the auditor communicating any issues that might compromise its independence.
- On 25 February 2021, the external auditor, Deloitte, S.L., submitted to the Committee the external confirmation of its independence in relation to the financial information pertaining to financial year 2020. In that document, the auditor confirmed that they had implemented internal policies and procedures designed to provide reasonable assurance that the audit firm and its staff maintained their independence to the extent required by applicable law and regulations.
- On 25 February 2021, the Committee approved the report on the independence of the Company's auditors, concluding that no aspects had been identified that called into question compliance with prevailing regulations for the auditing of accounts in terms of auditor independence.
- Lastly, on the same date the Committee issued its report on the evaluation of the external auditor, which, among other parameters, assesses its independence, with favourable conclusions.

Mechanisms to preserve the independence of financial analysts, investment banks and rating agencies:
The principles underpinning the Company's relationship with financial analysts, investment banks and rating agencies are set out in the General Policy on Communication of Economic-Financial, Non-Financial and Corporate Information and Contact with Shareholders, Institutional Investors and Proxy Advisors and are those of transparency, equal treatment and non-discrimination, truthfulness, and reliability of the information provided.
The Investor Relations Department, attached to the Economic-Financial and Strategy Department of the Company, is responsible for channelling communication between the Company and shareholders and investors, institutional investors, asset managers and financial intermediaries, without prejudice to any contact or dealings that department may make with other market agents such as financial analysts or other bodies, respecting in all cases the general principles enshrined in the aforementioned Policy.

C2.1 (continued) AUDIT
COMMITTEE
iv. Propose the budget for that service; 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 may, 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 compromise their independence, for scrutiny by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015 of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. 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 preceding paragraph, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. Ensuring that the remuneration of the external auditor for their work does not compromise their quality or independence, and also setting an indicative limit on the fees that the auditor may receive annually for non-audit services; v. 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; 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 should this situation arise; viii. 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; 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 sections i, ii and iv above shall be deemed to be without prejudice to 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 and management report —which should include, where appropriate, the pertinent non-financial information— that the company must periodically make public; and the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; ii. Report on related party transactions to be approved by the General Meeting or the Board of Directors and supervise the internal procedure put in place by the Company for those transactions whose approval has been delegated in accordance with applicable regulations; iii. 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; iv. 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; v. 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; vi. Submit to the Board of Directors, as part of the annual evaluation of the Board of Directors and its Committees, an annual assessment report on its own performance; vi. Issue an annual assessment report on the functioning and activities of the Committee in the previous year; viii. Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors (Article 37 bis of the Company Bylaws and Article 3 of the Regulations of the Audit Committee).

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, and at least four times a year. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively. The Committee shall likewise meet when required 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 email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting. In all cases, the Chair of the Committee shall, acting through the Secretary, channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (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 Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, 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 made available to all the Board members (Art. 9 of the Audit Committee Regulations).

The main activities performed by the Committee in 2021 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 2021 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.
• Monitoring of exchange rate differences.
• Proposed distribution of interim dividends against 2021 earnings for approval by the Board.

ii. Related-party transaction activities.
• Review of related-party transactions entered into by the Company prior to 3 July 2021, the date of entry into force of the new legal regime on this matter, as introduced into the Capital Companies Law by Law 5/2021, verifying that they met the legal requirements to be exempt from the specific approval of the Board of Directors.
• Preparation of the mandatory report on related-party transactions entered into after 3 July 2021, subject to the approval of the Board of Directors, verifying that such transactions were fair and reasonable and were based on normal market conditions and rates.
• Submitting a proposal to the Board in relation to the CAF Group's Manual on Related Party Transactions, which sets out the basic rules for managing the Group's related party transactions, including, among other aspects, the internal procedure for the periodic reporting and control of delegable related party transactions, the purpose of which is to verify the fairness and transparency of these transactions and ensure compliance with applicable law and regulations.
• Proposal to vest powers in the Company's Chief Executive Officer and the Chief Financial and Strategy Officer to approve those related party transactions the approval of which may validly be delegated, in accordance with Article 529 duovicies of the Capital Companies Act.

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 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 system implemented by the Company in relation to the various Businesses and Projects.
• Supervision of the activities of the Company's internal Tax Department, which is tasked with the control and management of the Group's tax risks, with regular reporting on any inspections in progress, transactions carried out, changes in the risk matrix, monitoring of compliance with the Tax Policy and of any new developments in tax matters relevant to the Company.
• The evaluation of all the company's non-financial risks, including operational, technological, legal, corporate, environmental, political and reputational risk and those relating to corruption.
• Monitoring compliance with internal codes of conduct and the whistleblowing channel.

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 2020.
• Approval of the Internal Audit Work Plan for 2021, including:
- Review of periodic public information (half-yearly and quarterly financial statements, annual accounts and management report);
- Quarterly monitoring of the main financial and tax risks.
- Risk-based audit work rotation plan;
- Review of specific processes, according to the Work Plan in place.
• 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 2020.
• Analysis of the limited review report on the half-yearly financial statements for 2021.

• 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 2020 financial statements.
• Modification of the Procedure for Engaging the Services of the Auditor.
• Approval of the proposal for non-audit services for the year 2022 and its budget. Verification that the actual fees incurred for services arranged in 2020 did not exceed the amounts set out in the approved budget, and that no unapproved services were arranged.
• Analysis, alongside the external auditor, of the main incidents detected during the audit, verifying that they were effectively remediated and that the risks detected were duly addressed.
• Evaluation of the external auditor's conduct.

vii. Analysis of corporate operations
• Analysis of ongoing strategic corporate operations, for proposal to the Board of Directors.

viii. Activities regarding financing:
• Analysis of the proposed renewal of the commercial paper issuance programme on the Spanish Alternative Fixed Income Market (MARF), as registered in December 2020, and proposal to the Board of Directors for its approval.

ix. Audit Committee action plan monitoring activities:
• Throughout the reporting period, the Committee verified the effective fulfilment of the 2021 action plans proposed in the Annual Performance Assessment Report, which was approved at its meeting of 17 December 2020.

x. Other activities
• Approval of the 2020 report on the functioning of the Audit Committee.
• Oversight of the process of implementing the General Policy regarding the communication of financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders, including the monitoring of relations and communication with small and medium-sized shareholders.
• Proposal to amend the Audit Committee Regulations.
• 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.
• Approval of an annual audit plan for 2022, which includes the annual schedule for Committee meetings with the external auditors.

NOMINATION AND REMUNERATION COMMITTEE

15. Draw up a report for the Board of Directors recommending the individual remuneration for each director, in their capacity as such, within the statutory framework and the remuneration policy and in accordance with their individual functions and responsibilities. 16. Issue a report to the Board of Directors recommending the individual remuneration payable to each director for the performance of the executive duties assigned to him/her within the framework of the remuneration policy and in accordance with the provisions of his/her contract; 17. Ensure that any conflicts of interest do not compromise the independence of any external advice provided to the Committee. 18.- 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: 19.- 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. 20. Verify compliance with the Director Diversity and Selection Policy on an annual basis and report on this matter in the Annual Corporate Governance Report. 21.- 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. 22. Ensure that the Company's environmental and corporate practices are in line with the established strategy and policy; 23. Supervise and evaluate the processes for interacting with the different stakeholders. In relation to other matters: 24.- 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. 25. 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. 26.- Issue, on a yearly basis, a report on the functioning and activities of the Committee in the preceding year.
27.- 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). 28.- 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. 29.- 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 notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The 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 pass 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. Committee meetings may also 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 2021 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 an independent director. This document was made available to shareholders on the corporate website from the time the General Meeting was called.
- Presentation to the Board of the following proposals:
a) In relation to the separation of the offices of Chairman and Chief Executive Officer:
- Appointment of Mr Javier Martínez Ojinaga as Chief Executive Officer, effective 1 September 2021, with delegation of all the powers vested in the Board of Directors in accordance with the law and the Company Bylaws, with the sole exception of those that cannot be delegated in accordance with the law;
- Resignation of Mr Andrés Arizkorreta García from the position of Chief Executive Officer and from any other executive duties he may hold at the Company and its Group, effective 1 September 2021, and his continuation in the position of non-executive Chairman of the Company as from that date.
- Replacement of Mr Martínez Ojinaga in his position as lead independent director by Ms Ane Agirre Romarate, during the period prior to the effective date of the separation of the positions of Chairman and Chief Executive Officer (1 September 2021).

b) In relation to changes in the composition of the Audit Committee:
- Removal of Mr Javier Martínez Ojinaga as a member of the Audit Committee and appointment of Mr Ignacio Camarero García as an independent director in his stead.
b. Remuneration activities

- Submission of the proposed Director Remuneration Report for 2020 to the Board of Directors.
- Proposal to the Board of Directors on the remuneration of directors and Executive Committee members for 2021.
- Proposal to the Board on the remuneration and other contractual conditions of the new Chief Executive Officer, Mr Javier Martínez Ojinaga, for approval of the corresponding contract.
- Proposal to the Board on the allocation to the long-term savings scheme of the outgoing Chief Executive Officer and the new Chief Executive Officer.
- Analysis of the new long-term savings system to be put in place by the Company for Executive Committee members and executive directors;
c. Corporate Governance and Sustainability activities

- Review of the 2020 Sustainability Report, for its approval by the Board of Directors.
- Review of the Modern Slavery Declaration for 2020, for its approval by the Board of Directors.
- Monitoring and evaluation of the corporate governance system.
- Monitoring assessment on matters relating to sustainability;
d. Other activities

- Approval of the Report on the Functioning of the Nomination and Remuneration Committee relating to 2020.
- Proposal to the Board of Directors to amend the Nomination and Remuneration Committee Regulations in order to incorporate the new remuneration provisions introduced into the Capital Companies Act by Law 5/21, on the encouragement of long-term shareholder engagement at listed companies and other technical improvements.
- Analysis of the insurance policy for directors and executives and its update plan.
- Annual assessment of compliance with the Director Selection and Diversity Policy.
- 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, subject to the scope described in the following section 7.
- Approval of the Activities Plan for 2022.
e. Nomination and Remuneration Committee action plan monitoring activities

Throughout 2021, the Nomination and Remuneration Committee continued to monitor the 2021 action plans proposed in the annual self-assessment report, as approved by the Committee at its meeting of 17 December 2020, verifying satisfactory levels of compliance and fulfilment.

D.1 (continued)
At the same meeting, the Board approved the CAF Group's Related Party Transactions Manual (the "Manual"), which sets out the basic rules governing the management of the Group's related party transactions. In particular, the Manual addresses:

(i) the procedure for approving related party transactions, in accordance with the following key steps:
1. Submission of a related party transaction proposal to the Chief Economic-Financial and Strategy Officer, accompanied by the corresponding documentary justification.
2. Analysis the type of transaction proposed and identification of the body responsible for its approval.
• In the case of a potential related party transaction subject to approval by the Board or the Committee: relaying the justified proposal to the Audit Committee so that it may issue its report on the matter.
Relaying the proposal and the Committee's report to the Board for approval, or referring the matter to the General Meeting for a decision by shareholders, assuming the meeting is competent to decide on the matter.
• In case of delegable related party transactions: the delegated person shall assess and determine whether the objective requirements for approval of the transaction have been met. No report of the Audit Committee will be required in such cases. However, the reasons for approval or rejection of the transaction must be duly documented for the purpose of reporting to the Audit Committee as part of the periodic reporting and control procedure described in the following section.
(ii) the internal procedure for reporting and regular monitoring of delegable related party transactions, as described below:

The Chief Financial and Strategy Officer of the Company shall submit to the Audit Committee, through that committee's Secretary, a periodic report summarising the related party transactions whose approval has been delegated by the Board of Directors and which have been approved during the reporting period. This report must be issued as often as required so as to ensure that the Company complies with its legal obligations regarding related party transactions.

The report shall include at least the following:
(i) The number of transactions sorted by type and related party;
(ii) The following information in respect of each related party transaction: type of transaction, amount or consideration of the transaction and market price ranges for similar transactions, related party to which the transaction relates and other relevant terms of the transaction;
(iii) Extent to which each transaction meets the requirements for approval by delegation.
(iv) A summary of the rationale for approving each transaction, focusing on the fairness and transparency of the transactions.

The Chief Economic-Financial and Strategy Officer of the Company shall establish the necessary resources and mechanisms to ensure a permanent supply of up to date information:
• A register of proposed related party transactions.

• A record of completed related party transactions, which shall necessarily include the status of the applicable thresholds for approval and publication of related party transactions.
The Secretary of the Board shall provide the Chief Financial and Strategy Officer with a list of persons related to the directors who are to be considered related parties of the Company for the purpose of applying the rules and regulations on related party transactions. (Article 8 of the Manual on Related Party Transactions).

Intragroup transactions which, due to their characteristics, qualify as related party transactions are managed in accordance with the terms of the Manual. For the approval of Intragroup Transactions, and in relation to the subsidiaries referred to in Art. 231 bis of the Capital Companies Law, the provisions of that article shall apply.

D.2 (continued)
With regard to the conditions and requirements for approving the above transactions that were concluded prior to 3 July 2021, we would make the following clarifications:
Transactions carried out prior to the date of entry into force of the amendment to the legal regime for related party transactions contained in the Capital Companies Act were approved by the Company's Chief Economic-Financial Officer or his office, in accordance with the regulations in force at that time, by virtue of the previous wording of Article 529 ter 1.h) of the Capital Companies Act and in accordance with the limits pre-established by the Board of Directors.

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

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

25/02/2022

Indicate whether any director voted against or abstained in relation to the approval of this Report.

[ ] Yes
[√] No

Auditor´s report on the "Information Related to the System of Internal Control Over Financial Reporting (ICFR)" of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for the year 2021

AUDITOR´S REPORT ON THE "INFORMATION RELATED TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

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

To the Board of Directors of CONTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.:

In accordance with the request from the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter the Entity) and our engagement letter dated September 30, 2021, we have performed certain procedures on the "ICFR related information" attached in section F of the Annual Corporate Governance Report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., which summarizes the internal control procedures of the Entity in relation to the annual financial information.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR related information attached.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Entity in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

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

For the purpose of issuing this report, we exclusively performed the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to Entity's annual financial information for 2021 described in the ICFR related information attached. Consequently, had we performed additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have come to our attention that would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures performed were as follows:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the model established by CNMV Circular nº 5/2013 dated June 12, 2013 and subsequent amendments, the most recent one being CNMV Circular 3/2021 of September 28, 2021 (hereinafter, the CNMV Circulars).

2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) Obtain an understanding of the process followed in its preparation; (ii) Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) Obtain information on whether the control procedures described are implemented and in use by the Entity.

3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.

4. Compare the information described in point 1 above with our knowledge of Entity's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.

5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.

6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures performed, no inconsistencies or issues were observed that might have an impact on ICFR related information.

This report was prepared exclusively within the framework of the requirements stipulated in article 540 of the Consolidated text of the Corporate Enterprises Act and CNMV Circulars on ICFR description in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

The original signed in Spanish

February 25, 2022

13 – ANNUAL REPORT ON DIRECTOR REMUNERATION

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

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ISSUER'S PARTICULARS

End date of reference financial year: [31/12/2021]

Tax Identification Number (CIF): [A20001020]

Company name:

[**CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A**]

Registered office:

[JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA)]

A. THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the policy in force applicable to the current year relating to the remuneration of directors. If relevant, certain information may be included in relation to the remuneration policy approved by the shareholders at the Annual General Meeting, provided that the information included is clear, specific and precise.

The specific decisions for the current year should be described, both in relation to the remuneration of the directors in their capacity as such and for the discharge of executive functions by the Board in accordance with the provisions of the contracts signed with the executive directors and with the remuneration policy approved by the shareholders at the Annual General Meeting.

In any case, the following matters must be reported, at minimum:

a) Description of the company's procedures and bodies involved in determining, approving and applying the remuneration policy and the conditions thereof.

b) Indicate and, where applicable, explain whether any comparable companies were taken into account to establish the company's remuneration policy.

c) Information on whether any external adviser has participated and, if so, their identity.

d) Procedures considered in the director remuneration policy in force to apply temporary exceptions to the policy, conditions in which these exceptions can be applied and components that can be subject to exemption according to the policy.

* CAF's remuneration policy for 2022 was approved by the Annual General Meeting held on 13 June 2020, following a proposal by the Board of Directors dated 6 May 2020 which, in turn, formulated the aforementioned proposal in light of the report and proposal issued by the Nomination and Remuneration Committee on that same date. It should be noted that the remuneration policy approved by the Annual General Meeting did not include any substantial changes in relation to the policy that had been applied by CAF in previous years. Furthermore, as approved by the General Shareholders' Meeting, the remuneration policy is applicable for the three years following its approval, i.e. in 2021, 2022 and 2023, notwithstanding any amendments, adaptations or updates that, as appropriate, may be approved at any time by CAF's General Shareholders' Meeting and, as indicated in section A.2, must be adopted during the current year to adapt the current remuneration policy to the new wording of the Article 529(u) of the Capital Companies Law.

* CAF's remuneration policy is based on the following principles and foundations:

1. General criteria

- in general, the aim is to meet market criteria, taking as a basis the remuneration established for directors of listed companies of a similar size or activity to those of CAF, in accordance with the public information furnished by those companies, as well as compliance with the principles of moderation and prudence;

- the remuneration system is based on the fundamental principle of attracting and retaining the best professionals, rewarding them according to their level of responsibility and professional career, based on internal fairness and external competitiveness;

- CAF also sees the remuneration system for its directors and executives as a fundamental factor in the creation of long-term value for the Company, particularly in order to ensure that the performance of the Company's results tallies with an appropriate distribution of profits to shareholders, in their interests; and

- in addition, CAF's remuneration system is adapted at all times to the applicable legislation and seeks to incorporate the standards and principles of the national and international best practices generally accepted in matters of remuneration and good corporate governance at any given time, such as the provisions of the Code of Good Governance for Listed Companies approved by the Spanish National Securities Market Commission (CNMV) in 2015, which was most recently revised in June 2020.

2. External directors

- in the case of non-executive directors, the remuneration must be sufficient to compensate for their dedication, qualifications and responsibility;

- in the particular case of directors who are neither executive nor proprietary directors, this remuneration shall be set at a level that in no case compromises their independence of judgement; and

- the remuneration policy seeks to encourage the motivation and retention of the most suitable professionals.

3. Executive directors

Specifically with regard to executive directors, the remuneration policy for the performance of their executive functions, other than supervision and collective decision-making, is based on the following premises:

- to offer them remuneration that makes it possible to attract, retain and motivate the most suitable professionals in order to enable the Company to meet its strategic objectives within the increasingly competitive and internationalised framework in which it carries on its activities; and

- to have a competitive overall remuneration level in relation to comparable entities in the industry.

In this respect, the remuneration policy approved by the Annual General Meeting foresees the inclusion of variable remuneration items linked to the achievement of specific economic, financial and industrial objectives defined in the Strategic Plan, which are quantifiable and aligned with the Company's corporate interests and strategic objectives. Also, non-financial parameters should be set to promote sustainability and the creation of long-term value for the Company.

The Board of Directors, at the proposal of the Nomination and Remuneration Committee, is responsible for determining the amount of variable remuneration, the parameters on which it is based, its weighting and the objectives at the beginning of each year, as well as assessing compliance with them once the year has ended.

* The remuneration items foreseen for 2022 resulting from application of the aforementioned general principles are aligned, in general terms, with those of other listed companies, using comparison criteria relating to activities, size and market caps similar to those of CAF, as published in the Annual Report on Remuneration of Directors of Listed Companies for 2020, which is the most recent such report published by the CNMV.

CAF has considered it advisable to approve a remuneration policy that takes into account the remuneration applied by comparable companies, using them as a reference when setting directors' remuneration, and at the same time taking into consideration the Company's commitment to its stakeholders.

* The Board determines the various items of the Directors' remuneration package on the basis of the proposal made in each case by the Nomination and Remuneration Committee, in accordance with the responsibility assumed by each director and the functions they discharge.

Continued in section D.

A.1.2 Relative importance of the variable remuneration items with respect to fixed items (remuneration mix) and the criteria and objectives considered in order to determine them and ensure an adequate balance between the fixed and variable remuneration components. Specifically, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to adjust it to the company's long-term objectives, values and interests, which will include, where appropriate, a reference to: measures envisaged to ensure that the remuneration policy takes account of the long-term performance of the company, measures adopted in relation to those categories of personnel whose professional activities have a material impact on the entity's risk profile and measures envisaged to avoid conflicts of interest.

Also, indicate whether the company has established a vesting period for certain variable remuneration items, cash, shares or other financial instruments, or a period of deferral for the payment of amounts or the delivery of accrued and vested financial instruments, or whether agreement has been reached regarding any clauses to reduce non-vested remuneration or which oblige the director to return remuneration received, whenever such remuneration was based on information manifestly proved to be inaccurate after it was initially paid.

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

In the case of non-executive directors, remuneration shall be set at a level that in no event would compromise their independence of judgement, as has been habitual practice in previous years.

As regards executive directors, in 2022, it is expected that variable components linked to performance criteria will continue to be included in the remuneration package, as indicated below, with a view to aligning their interests with those of the Company, as was the case in previous years.

These parameters shall be predetermined and defined in the Strategic Plan, and their level of achievement shall be checked by the Board of Directors once the definitive figures obtained at year-end are known. Also, it will be ensured that the amount of such variable remuneration is adequately balanced with the fixed components, in such a way that it offers an appropriate incentive without distorting its complementary nature with respect to the fixed amounts.

The parameters chosen to assess the degree of compliance with the performance objectives and to determine the variable remuneration of the executive directors should be of an economic and financial nature (such as procurement, working capital, EBITDA or sales) and of a non-financial nature (such as customer satisfaction or ESG indicators that foster sustainability).

In any case, the intention is for the chosen parameters to facilitate not only obtaining the short-term results, but also the long-term objectives, values and interests of the Group, either in line with the current accrual term for remuneration variable or because the achievement of these objectives, even when measured annually, have a medium and long-term impact on the Group's sustainability.

Payment of the variable items is expected to be deferred until it has been verified that the performance-related parameters have been fulfilled, in order to allow the Board of Directors to adequately measure the degree of achievement of the objectives, and the Company can claim the refund of any variable remuneration that may have been paid on the basis of inaccurate information.

It is also expected that part of the payment of the variable components will be deferred for a sufficient period following the end of the accrual period, which entails their total or partial loss in the event that, before the time of payment, an event occurs that makes doing so advisable.

As a result of all the foregoing, the Company considers that exposure to excessive risks is reduced and that the remuneration mix represents a balance between fixed and variable items and meets the Company's long-term objectives, values and interests.

A.1.3 Amount and nature of the fixed components that are due to be accrued during the year by the directors in their capacity as such.

It is expected that, during 2022, the components of the directors' remuneration for their performance of the corresponding duties will include fixed remuneration for sitting on the Board, remuneration for serving on Committees, and fees for attending Board meetings and, where appropriate, these may include, pursuant to the provisions of section 3.1.4 of the remuneration policy, an additional fixed allocation for directors who perform other functions or responsibilities.

At the date of preparation of this report, an estimate of the total amount of the fixed items in 2022 was not available.

No other benefits, such as advances or credits, are foreseen.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

At the date of this report, the Company has two executive directors: the CEO and the secretary of the Board of Directors. Both directors, in addition to the remuneration earned in their capacity as such, receive remuneration in the form of wages and life insurance policies.

There are no other benefits, such as advances or loans.

At the date of preparation of this report, an estimate of the total amount of the fixed items in 2022 for the performance of senior executive functions of the executive directors was not available.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Company has not agreed any remuneration in kind with its directors, except as indicated with respect to life insurance for the executive directors.

Although at the date hereof an estimate cannot be provided in relation to the total amount of the insurance premiums to be paid in 2022, no substantial modifications are envisaged with respect to the amounts paid in 2021.

A.1.6 Amount and nature of the variable items, differentiating between short-term and long-term. Financial and non-financial parameters, with the latter including social, environmental and climate change parameters, selected to determine the variable remuneration in the current year; an explanation of to what extent such parameters relate to performance, both of the director and of the entity, and to the related risk profile; and the methodology and timeframe required, as well as the techniques envisaged, to be able to determine at year-end the effective degree of achievement of the parameters used in designing the variable remuneration, explaining the criteria and factors applied in terms of the time required and the methods used to check whether the performance or any other type of conditions to which the accrual and vesting of each variable remuneration item were linked have been met.

Indicate the monetary range of the various variable items based on the level of achievement of the established objectives and parameters, and whether there is any maximum monetary amount in absolute terms.

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

As regards executive directors, it is expected that in 2020 variable components linked to performance criteria will be included in the remuneration package, with a view to aligning their interests with those of the Company, as was the case in previous years.

In this connection, these variable items are expected to be similar to those already included in previous years, both with respect to the benchmark parameters and their performance-related nature and the way in which these are verified, and to the possibility that the Company might claim the refund of any variable remuneration that may have been paid on the basis of inaccurate information. The performance parameters shall be predetermined and defined in the Strategic Plan, and their level of achievement shall be checked by the Board of Directors once the definitive figures obtained at year-end are known, after the financial statements have been formally prepared.

The intention is for the chosen parameters to facilitate not only obtaining the short-term results, but also the long-term objectives, values and interests of the Group, either in line with the current accrual term for remuneration variable or because the achievement of these objectives, even when measured annually, have a medium and long-term impact on the Group's sustainability.

Also, when setting the variable remuneration of the executive directors, it will be ensured that the variable component does not compromise the pursuit of the Group's best interests, and payment of this remuneration will be deferred until it has been verified that the performance-related parameters have effectively been complied with. Furthermore, it is also expected that part of the payment of the variable components will be deferred for a sufficient period following the end of the accrual period, which entails their total or partial loss in the event that, before the time of payment, an event occurs that makes doing so advisable.

As a result of all the foregoing, the Company considers that exposure to excessive risks is reduced and that the remuneration system meets the Company's long-term objectives, values and interests.

A.1.7 Main characteristics of the long-term savings schemes. Among other information, the contingencies covered by the scheme will be indicated, as well as whether it involves defined contributions or benefits, the annual contribution that must be made to the defined contribution schemes, the benefits to which the beneficiaries are entitled in the case of defined benefit systems, the vesting conditions of the economic rights of the directors and its compatibility with any type of payment or indemnity for early termination or dismissal, or resulting from termination of the contractual relationship between the company and the director under the envisaged terms and conditions.

It should be indicated whether the accrual or vesting of any of the long-term savings plans is linked to the achievement of certain objectives or parameters related to the short-term and long-term performance of the director in question.

The Company is due to launch a new long-term savings system applicable to executive directors as part of the defined contribution system, which is compatible with other types of compensation. The annual contributions will be fixed by the Board of Directors at the proposal of the Appointments and Remuneration Committee for each year.

Beneficiaries will be entitled to the accumulated fund in the event that the contingencies covered by the plan occur or in the event of contract termination for reasons not attributable to them.

At present, the allocation amount to the aforementioned long-term savings system for each of the executive directors during 2022 is not available.

A.1.8 Any other type of payment or indemnity for early termination or dismissal, or arising from termination of the contract between the company and the director under the terms and conditions envisaged, whether the relationship is terminated by the company or the director, and any type of agreements entered into, such as exclusivity, post-contractual non-compete and minimum-stay or loyalty agreements, that grant the director the right to receive any remuneration.

There are no termination benefits agreed upon or paid by the Company in the event of termination of the functions as director, except as indicated in the following section in relation to the CEO.

A.1.9 Indicate the conditions that must be respected in the contracts of those exercising senior management functions as executive directors. Among other matters, information will be provided on the duration, the limits on the amounts of termination benefits, the minimum-stay clauses, the notice periods, as well as payment in lieu of the aforementioned notice period, and any other clauses relating to hiring bonuses, as well as indemnities or golden parachute clauses for early termination or termination of the contractual relationship between the company and the executive director. Include, among others, non-compete, exclusivity, minimum-stay or loyalty and post-contractual non-compete clauses or agreements, unless they have been explained in the preceding section.

Pursuant to the system set out in Article 249 of the Capital Companies Law in relation to directors who perform executive functions following the delegation of powers by the Board or by any other nature, the Company entered into a commercial contract with the current CEO, who was appointed on 29 April 2021, effective 1 September 2021, for an indefinite duration and subject to the content indicated in said article.

This contract establishes compensation equivalent to two years of their fixed remuneration in the event of the termination of the CEO's contract (i) at the discretion of the Company and without any cause attributable to the director, or (ii) at the discretion of the CEO, if the decision was motivated by a serious, malicious breach on the part of the Company of the obligations assumed under the contract or in the event that there is a significant loss or amendment of their functions, powers or conditions without any cause attributable to the CEO.

Also, the contract expressly provides for non-compete and exclusivity obligations for the CEO for concurrent periods of two years following his removal from office.

The Company has another executive director (the secretary of the Board) without delegation of authority, whose relationship with the Company is by virtue of an employment contract and with whom no clauses or agreements of any type other than those provided under the standard employment regime have been established.

A.1.10 The nature and estimated amount of any other supplementary remuneration earned by the directors in the current year as consideration for services rendered other than those inherent to their position.

No supplementary remuneration is expected to be accrued to directors as consideration for services rendered other than those inherent to their position.

A.1.11 Other remuneration items such as any arising from the company granting advances, loans, guarantees and other remuneration to the directors.

The directors are not expected to receive any remuneration in the form of advances, loans or guarantees.

A.1.12 The nature and estimated amount of any other envisaged supplementary remuneration not included in the items above, whether settled by the entity or another group entity, that will be earned by the directors in the current year.

No additional items of remuneration are expected to exist in the current year.

A.2. Explain any significant change in the remuneration policy in force in the year arising from:

a) A new policy or a modification to the policy already approved by the General Meeting.

b) Significant changes in the specific decisions established by the Board for the current year to which the remuneration policy in force refers, with respect to those applied in the previous year.

c) Proposals that the Board of Directors may have agreed to present to the Annual General Meeting, to which this annual report will be submitted and which are proposed to be applied in the current year.

Although the remuneration policy in force for CAF directors is applicable to 2021, 2022 and 2023, section 1 of the First Transitory Provision of Law 5/2021, of 12 April, amending the text of the Capital Companies Act, requires listed companies to adapt their remuneration policy to the new wording of article 529 novodecies of the Capital Companies Act and submit it for approval at the first General Shareholders' Meeting held following the entry into force of the amendment.

Therefore, when calling the first CAF General Shareholders' Meeting in 2022, the Board of Directors will propose the amendment of the remuneration policy for CAF directors to adapt it to the current wording of Article 529 novodecies of the Capital Companies Act.

At the time of preparing this report, the Board of Directors had not yet agreed to propose the approval of the amendment of the remuneration policy to the General Shareholders' Meeting; this amendment is expected to be submitted for approval at the Company's Ordinary General Shareholders' Meeting.

A.3. Identify the direct link to the document that contains the company’s current remuneration policy, which should be available on the company’s website.

https://www.caf.net/upload/accionista/directors-remunerations-policy-20200613.pdf

A.4. Taking into consideration the information provided in section B.4, explain the manner in which the shareholders’ votes were taken into account at the General Meeting at which the annual remuneration report for the previous year was submitted for an advisory vote.

As the Annual Remuneration Report for 2020 was approved with an ample majority, the Company considered it appropriate to continue providing the same level of detail of information reflected therein.

B. GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED IN THE LAST FINANCIAL YEAR

B.1.1 Explain the process by which the remuneration policy was applied and the individual remuneration reflected in Section C of this report determined. This information will include the role of the remuneration committee, the decisions made by the Board of Directors and, where appropriate, the identity and role of the external advisers whose services have been used in the process of applying the remuneration policy in the last financial year.

The Board determines the various items of the Directors' remuneration package on the basis of the proposal made in each case by the Nomination and Remuneration Committee, in accordance with the responsibility assumed by each director and the functions they discharge.

The Board’s remuneration package for 2021 was determined in the following manner:

(i) In the first quarter of 2021, the Appointments and Remuneration Committee agreed to propose to the Board of Directors:

(a) the approval of the parameters for structuring the variable remuneration of executive directors, in line with those already approved by the Board of Directors in previous years, as well as the maximum amount thereof;

(b) the restoration of director remuneration for their performance of the corresponding functions to the levels seen in 2019, which had been reduced by 5% in 2020 as a result of the COVID pandemic; and

(c) a 5% increase in the CEO's salary, bringing it to 510,000 euros per year.

(ii) The Board of Directors then unanimously agreed to the proposal made by the Nomination and Remuneration Committee as described above.

(iii) During the second half of 2021, the Nomination and Remuneration Committee proposed making a contribution to the long-term savings system pertaining to Mr Andrés Arizkorreta García, for the amount of 1,300,000 euros, approved by the Board of Directors in the same terms set forth.

(iv) On 29 July 2021 and before the appointment of Mr Javier Martínez Ojinaga as CEO took force, the Nomination and Remuneration Committee agreed to propose the proposed remuneration and other contractual conditions of the new CEO to the Board of Directors, under terms very similar to those of the departing CEO, Mr Andrés Arizkorreta. On the same date, the Board of Directors approved the proposal made by the Nomination and Remuneration Committee in the same terms set forth.

(v) On 11 November 2021, the Nomination and Remuneration Committee proposed making a contribution of 200,000 euros in 2021 to the long-term savings system pertaining to the new CEO, Mr Javier Martínez Ojinaga. On the same date, the Board of Directors approved the proposal made by the Nomination and Remuneration Committee in the same terms set forth.

(vi) On 25 February 2022, the Board of Directors approved the final remuneration of the Executive Directors corresponding to 2021, having assessed the degree of compliance with the parameters proposed by the Nomination and Remuneration Committee and approved by the Board.

B.1.2 Explain any deviation in the procedure established for applying the remuneration policy during the year.

There have been no deviations from the procedure established for applying the remuneration policy during the year.

B.1.3 Indicate whether any temporary exception to the remuneration policy has been applied and, in such cases, explain the exceptional circumstances resulting in the application of these exceptions, the specific components of the remuneration policy affected and the reasons that the company believes that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its feasibility. Also quantify the impact of applying these exemptions on the remuneration of each director during the year.

No temporary exceptions to the remuneration policy have been applied during 2021.

B.2. Explain the different actions taken by the company with respect to the remuneration scheme and how they have contributed to reducing exposure to excessive risks and adjusting it to the company’s long-term objectives, values or interests, including a reference to: measures in place to guarantee that the remuneration accrued takes account of the long-term results of the company and achieves an appropriate balance between the fixed and variable components of the remuneration; the measures adopted with respect to categories of personnel whose professional activities have a material effect on the entity's risk profile and what measures have been taken to avoid conflicts of interest, if any.

CAF's remuneration policy is primarily focused on market criteria and compliance with the principles of moderation and prudence.

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

As an example of this, in 2021 the directors did not receive any advances, guarantees or loans; nor did they receive any additional remuneration for belonging to the Boards of Directors or senior management of other Group companies.

Also, in order to align the interests of the executive directors with those of the Company, variable items linked to professional performance were included in their remuneration in 2021, as described in greater detail in Section B.7 below.

To ensure that the remuneration takes account of the Company's long-term performance, it was decided that the variable remuneration should be linked to parameters associated with the achievement of specific economic/financial and industrial objectives defined in the Strategic Plan, which are quantifiable and aligned with the Company's corporate interests and strategic objectives in different areas (procurement, sales, EBT), and to adequate operational management (level of working capital), as well as to a non-financial parameter (customer satisfaction) capable of creating long-term value.

The remuneration of directors who are neither executive nor proprietary directors is set at a level that in no case compromises their independence of judgement.

In view of the above, following an analysis of the publicly available information on the remuneration earned by the directors of companies comparable to CAF, it can be seen that the amounts received by the directors of CAF, generally speaking, stand at reasonable levels in relation to these companies.

As a result of all the foregoing, the Company considers that exposure to excessive risks is reduced and that the remuneration system in place meets the Company's long-term objectives, values and interests.

B.3. Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the sustainable and long-term performance of the company.

Also report on the relationship between the remuneration obtained by directors and the company's short- and long-term earnings or other performance measures, explaining, where appropriate, how variations in the company's performance may have influenced the variation in directors' remuneration, including remuneration earned and subject to deferred payment, and how it contributes to the company's short- and long-term performance.

The remuneration earned in the year complies fully with the provisions of the director remuneration policy approved by the shareholders at CAF's Annual General Meeting held on 13 June 2020, as explained below:

(i) The remuneration earned by external directors consisted solely of fixed remuneration for being a Board member, fees for attending Board meetings and remuneration for Committee membership, and it remained within the maximum amount established in Section 3.1 of CAF's remuneration policy.

(ii) The fixed remuneration of executive directors included the items indicated in Section 3.2 of CAF's remuneration policy, and the quantitative limits established therein were not exceeded.

(iii) The variable remuneration of executive directors was linked to the achievement of specific economic, financial and industrial objectives defined in the Strategic Plan, as provided for in section 3.2.1. of CAF's remuneration policy.

As regards the relationship between the directors' remuneration and the Company's performance, the inclusion of variable items in the remuneration of executive directors enabled such remuneration to be linked to performance criteria.

Although variable remuneration has an accrual period of one year, it is deemed to contribute to the achievement of the Company's short- and long-term performance, and the short- and long-term sustainable performance of the Company, to the extent that the achievement of the objectives on which it is based affects the Group's performance at both short (level of working capital or sales) and long term (procurement and customer satisfaction).

Indeed, given the nature of CAF's business, a contract being awarded is the result of a tender process that, for the most part, lasts more than one year. This means that, despite the fact that the measurement of the objectives and the accrual of the variable remuneration related to the volume of contracts are components that are verified annually, achieving the objective is the result of dedicating resources and efforts during a considerably longer period of time.

Furthermore, most contracts signed by CAF tend to last more than three years, in the case of manufacturing and supply contracts, or even 15 years, in the case of maintenance contracts. This means that achieving the procurement volume target for a given year necessarily contributes to the medium and long-term sustainability of the Group, regardless of whether the target is measured on an annual basis, as signing a new contract involves a minimum two-year workload for the factories, thus generating positive effects for the Group in the future.

The case is similar when it comes to the level of customer satisfaction. This parameter is assessed by conducting surveys amongst Group customers. Given the long duration of CAF contracts, the assessment of customer satisfaction necessarily refers to the customer's continued relationship with CAF for a period of much more than one year. Therefore, although the objective is measured once per year, its achievement is the result of efforts extending over several years.

Furthermore, it should be noted that high customer satisfaction may result in contracts being extended (involving the manufacture and supply of additional train units) or a greater probability of being successful in future tender processes organised by the customer. All this means that the achievement of the objective set in relation to the level of customer satisfaction contributes significantly to improving the future prospects of the Group and, therefore, its sustainability in the medium and long term.

B.4. Report on the outcome of the advisory vote of the general meeting on the annual report on remuneration for the previous year, indicating the number of abstentions and “no” votes cast, blank votes and "yes" votes cast:

	Number	% of total
Votes cast	26,799,675	78.18

	Number	% of votes cast
“No” votes	6,032,433	22.51
“Yes” votes	18,940,513	70.67
Blank votes		0.00
Abstentions	1,826,729	6.82

B.5. Explain how the fixed items earned and vested in the year by the directors in their capacity as such were determined, their relative proportion for each director and how they have changed with respect to the previous year.

The remuneration of the directors in their capacity as such comprise three items, namely: fixed remuneration for belonging to the Board of Directors, fees for attending the meetings of the Board of Directors and additional fixed remuneration for Committee membership.

Fixed components represent 100% of the remuneration for all directors in their capacity as such.

As indicated in section B.1, the Nomination and Remuneration Committee proposed the restoration of director remuneration to the Board of Directors in 2021 in their capacity as such to the levels seen in 2019, having reduced this sum in 2020 by 5% as a result of the COVID pandemic.

B.6. Explain how the salaries earned and vested in the last financial year by each of the executive directors for the performance of their management duties were determined and how they have changed with respect to the previous year.

During 2021, the Company has had two different CEOs: Mr Andrés Arizkorreta García, who held the position until 31 August 2021, and Mr Javier Martínez Ojinaga, who has held said position since 1 September 2021. Furthermore, the Company has an additional executive director.

All executive directors received fixed remuneration in 2021 in the form of salaries, life insurance and attendance fees. The CEOs have also benefitted from a long-term savings scheme, as detailed in Section B.9.

There are no other benefits, such as advances or loans.

As indicated in the Directors' Remuneration Report for 2020, the Company had an indefinite-term employment contract with the CEO, Mr Andrés Arizkorreta García, approved by the Board of Directors.

Furthermore, as indicated in Section A.1.9, the Company has signed a contract for an indefinite term with Mr Javier Martínez Ojinaga, as approved by the Board of Directors.

The other executive director, who has not been delegated powers by the Board, has an ordinary employment contract. The salaries of these executive directors are included in their respective contracts.

In 2021, the CEO's salary was increased to a total of 510 thousand euros per year, to be distributed between Mr Andrés Arizkorreta García and Mr Javier Martínez Ojinaga proportionate to the number of days during which each of them held this position during 2021.

B.7. Explain the nature and main features of the variable items of the remuneration systems earned and vested in the last financial year.

In particular:

a) Identify each of the remuneration plans determining the variable remuneration earned by each of the directors in the last financial year, including information on the scope of the plan, its approval date, implementation date, vesting conditions, if any, accrual periods and periods of validity, criteria used to assess performance and how this has affected the establishment of the variable amount earned, as well as the measurement criteria used and the time required in order to be in a position to adequately measure all the stipulated conditions and criteria. Provide a detailed description of the criteria and factors applied with respect to the time required and the methods for verifying effective compliance with the performance-related conditions or conditions of any other kind to which the earning and vesting of each variable remuneration item was linked.

b) In the case of stock option plans and other financial instruments, the general features of each plan will include information on the conditions both for acquiring unconditional ownership (vesting) thereof, and for being able to exercise those options or financial instruments, including the price and period for the exercise thereof.

c) Each of the directors, and their category (executive directors, non-executive proprietary directors, non-executive independent directors or other non-executive directors), who are beneficiaries of remuneration systems or plans that include variable remuneration.

d) Where applicable, information shall be provided on the accrual periods or the periods of deferral of payment applied and/or the periods of retention/non-disposal of shares or other financial instruments, if any.

Explain the short-term variable items of the remuneration systems:

At its meeting held on 25 October 2017, the Board of Directors approved the inclusion of variable items in the remuneration of executive directors for 2018 onwards.

The specific parameters to which the variable remuneration for 2021 should be linked were established on the basis of a proposal made by the Nomination and Remuneration Committee and subsequently approved by the Board. The following parameters were defined, with a different weighting for each CEO in the total variable remuneration: procurement volume, volume of sales, pre-tax profit, level of working capital and degree of customer satisfaction, in all cases across the consolidated Group.

Procurement volume, sales volume, earnings before tax (EBT) and working capital level are linked to the achievement of specific economic, financial and industrial objectives established in the Strategic Plan. The last of these parameters, customer satisfaction, is a non-financial criterion that promotes the creation of long-term value for the Company and is also defined as an objective in the Strategic Plan.

A series of objectives were established for each parameter which, if achieved, enabled 100% of the variable remuneration to be obtained, up to a maximum limit. Minimum objectives were also established, which enabled 50% of the variable remuneration to be obtained. Failure to achieve those objectives meant that the variable remuneration associated with the parameter concerned was not earned. In the event that the minimum objectives were achieved but not the fixed objectives, variable remuneration of between 50% and 100% would be earned on a straight-line basis depending on the degree of achievement of the objectives.

“Procurement” and “EBT” were categorised as key parameters and, therefore, the performance of the minimum objectives associated therewith was an indispensable requirement for the accrual of any variable remuneration in relation to the remaining parameters.

In line with this scheme, the Nomination and Remuneration Committee proposed establishing a maximum limit for variable remuneration to be received by the CEO and the Secretary to the Board of Directors of 140 thousand euros for the CEO and 75 thousand euros for the Secretary. These maximum limits were approved by the Board. Given that there have been two CEOs during the year, the maximum amount to be received by each one will be calculated by dividing the amount finally accrued as variable remuneration for the CEO between the number of days each of them held said position.

The degree of achievement of the objectives is measured on the basis of the financial statements and directors’ report as at 31 December 2021, once authorised for issue by the Board of Directors in the first quarter of 2022 (with respect to the “procurement”, “sales”, “EBT” and “working capital” parameters), and on the basis of customer surveys (with respect to the “customer satisfaction” parameter). The variable remuneration has an annual accrual period, based on the calendar year. However, as explained in greater detail in section B.3, the achievement of the objective for several parameters ("procurement" and "customer satisfaction") can be attributed to the dedication of resources and efforts during a much longer period of time.

Payment of any variable remuneration earned would be deferred to provide the Board of Directors with sufficient time to verify the degree of achievement of the objectives. It was also envisaged that, in the event of any error in the calculation of the variable remuneration or in the measurement of the degree of achievement of the objectives, the executive directors would be required to reimburse any excess that they had received.

The degree of achievement of the various parameters was assessed by the Board of Directors, at the proposal of the Nomination and Remuneration Committee, at its meeting held on 25 February 2022, the date on which the Board authorised the financial statements and directors’ report for 2021 for issue, and the degree of achievement of the economic, financial parameters was effectively verified. After this assessment, 100% compliance with all parameters was confirmed, meaning that 100% of the maximum variable remuneration was accrued and consolidated. Subsequently, the Board has calculated the amounts to be received by the executive directors in the form of variable remuneration for 2021, as detailed in section C.1, having also confirmed that no events had occurred that would make the reduction of said remuneration advisable.

Explain the long-term variable items of the remuneration systems:

The variable remuneration of the executive directors does not include items with an accrual period exceeding one year.

B.8. Indicate whether certain variable items earned were reduced or claimed back where, in the first case, the payment of unvested amounts was deferred, or, in the second case, the items had vested and been paid on the basis of information subsequently demonstrated to be clearly inaccurate. Describe the amounts that were reduced or reimbursed under reduction (malus) or reimbursement (clawback) clauses, why they were enforced and the years to which they relate.

To date, no variable component has been paid out nor has any variable component accrued and consolidated during 2021 been reduced or claimed back.

However, as approved by the Board of Directors at its meeting held on 25 February 2022, it has been confirmed that no event has made it advisable to reduce the amount accrued as variable remuneration, although the Company may request the reimbursement of variable remuneration paid out to executive directors in the event that the degree of achievement of the objectives had been calculated using data that is later demonstrated to be inaccurate.

B.9. Explain the main features of long-term savings schemes, the equivalent annual amount or cost of which is shown in the tables in Section C, including retirement and any other survivor's benefits, partially or totally financed by the company, whether internally or externally, indicating the type of plan, whether it is a defined-contribution or a defined-benefit plan, the conditions that it covers, the conditions for vesting the economic rights in favour of the directors and its compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the director.

In 2021, the Company took out long-term collective savings insurance for Mr Andrés Arizkorreta García, of which the Company itself was the policyholder and beneficiary. This was a collective long-term savings insurance policy, compatible with other types of compensations, in which the payment of annual premiums guaranteed a benefit in the event that the corresponding maturity date was reached in the beneficiary’s lifetime (8 September 2021). Otherwise, there was no vesting of rights until that date.

A contribution of 1,300 thousand euros was made in this connection in 2021, pursuant to the parameters established by the Company and the agreement reached with Mr Andrés Arizkorreta García.

Given that, at 8 September 2021, Mr Andrés Arizkorreta García met the conditions indicated in the plan, on that date, the rights under the long-term savings system were consolidated, amounting to a total of 5,130 thousand euros.

Furthermore, in 2021, an allocation of 200 thousand euros was approved for the new long-term savings system of Mr Javier Martínez Ojinaga, pursuant to the provisions of his contract as CEO. This new plan is a defined contribution system and is compatible with other types of compensation. The annual contributions are fixed by the Board of Directors at the proposal of the Nomination and Remuneration Committee in relation to each financial year, with the beneficiary having the right to the accumulated fund in the event that the contingencies covered by the plan occur or in the event that the beneficiary's contract is terminated for reasons not attributable to him.

B.10. Explain any termination benefits or other payments arising from early retirement, whether prompted by the company or the director, or from termination of contract, in the terms provided therein, earned and/or received by the directors in the last financial year.

No directors earned or received any termination benefits or payment arising from early retirement or termination of contract in 2021.

B.11. Indicate whether there have been any significant amendments to the contracts of executive directors exercising senior management functions. Also, describe the main terms and conditions of the new contracts entered into with executive directors in the year, except as described in Section A.1.

During 2021, the CEO's salary was increased compared to 2020, coming to a total of 510 thousand euros per year.

Furthermore, on 29 July 2021, a contract was entered into with Mr Javier Martínez Ojinaga, who assumed the position of CEO at the Company, replacing Mr Andrés Arizkorreta García starting from 1 September 2021. The main terms are described in sections A.1.8 and A.1.9. Therefore, each of them has received a proportional amount of the salary of 510 thousand euros indicated above weighted by the number of days during which each of them held this position during 2021.

Furthermore, the variable remuneration described in section B.7 was accrued in their favour.

Finally, contributions have been made to the long-term savings systems of the CEOs, as indicated in section B.9.

B.12. Explain any supplementary remuneration accrued to directors as consideration for services rendered other than those inherent to their position.

No supplementary remuneration has accrued to directors as consideration for services rendered other than those inherent to their position.

B.13. Explain any remuneration arising from the grant of advances, loans and guarantees, with an indication of the interest rates, main conditions and amounts repaid, as well as any obligations assumed on their behalf by way of guarantees.

The directors have not received any remuneration in the form of advances, loans or guarantees.

B.14. Detail the remuneration in kind accrued by the directors in the year and provide a brief description of the nature of the various salary items.

The Company has not agreed any remuneration in kind with its directors, except as indicated with respect to life insurance for executive directors.

B.15. Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's services in the company.

No remuneration has been accrued by any directors by virtue of the payments made by the Company to a third entity at which the director provides services.

B.16. Explain and provide details of the amounts accrued during the year in relation to any kind of compensation other than those listed above, of whatever nature and provenance within the group, including all provisions, regardless of their form, especially when it may be a related-party transaction or when its issuance would detract from a true and fair view of the total remuneration accrued by the director, providing an explanation of the amount awarded or pending payment, the nature of the consideration received and the reasons for them not being considered as director remuneration, where appropriate, for their performance of said role or as a consideration for their performance of their executive functions and whether it has been considered appropriate or not to include the amounts accrued in the “other items” heading in section C.

There are no additional remuneration items.

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	2021 accrual period
MR ANDRÉS ARIZKORRETA GARCÍA	Chairman Other External	From 01/01/2021 to 31/12/2021
MR JAVIER MARTÍNEZ OJINAGA	Executive director	From 01/01/2021 to 31/12/2021
MR MANUEL DOMÍNGUEZ DE LA MAZA	Proprietary director	From 01/01/2021 to 31/12/2021
MR JUAN JOSÉ ARRIETA SUDUPE	Other external director	From 01/01/2021 to 31/12/2021
MR LUIS MIGUEL ARCONADA ECHARRI	Other external director	From 01/01/2021 to 31/12/2021
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	Proprietary director	From 01/01/2021 to 31/12/2021
MS MARTA BAZTARRICA LIZARBE	Executive director	From 01/01/2021 to 31/12/2021
MS CARMEN ALLO PÉREZ	Independent director	From 01/01/2021 to 31/12/2021
MR JULIÁN GRACIA PALACÍN	Independent director	From 01/01/2021 to 31/12/2021
MS ANE AGIRRE ROMARATE	Independent director	From 01/01/2021 to 31/12/2021
MR IGNACIO CAMARERO GARCÍA	Independent director	From 01/01/2021 to 31/12/2021

C.1. Complete the following tables regarding the individual remuneration of each of the director (including remuneration received for performing executive duties) accrued in the year.

a) Remuneration from the reporting company:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for belonging to Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2021	Total 2020
MR ANDRÉS ARIZKORRETA GARCÍA	60	40		340	93				533	556
MR JAVIER MARTÍNEZ OJINAGA	60	40	6	170	47				323	109
MR MANUEL DOMÍNGUEZ DE LA MAZA	60	40							100	48
MR JUAN JOSÉ ARRIETA SUDUPE	60	40	15						115	116
MR LUIS MIGUEL ARCONADA ECHARRI	60	40	15						115	109
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	60	35							95	48
MS MARTA BAZTARRICA LIZARBE	60	40		165	75				340	251
MS CARMEN ALLO PÉREZ	60	40	15						115	109
MR JULIÁN GRACIA PALACÍN	60	40	15						115	102
MS ANE AGIRRE ROMARATE	60	40	15						115	104
MR IGNACIO CAMARERO GARCÍA	60	40	9						109	95

Observations

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of the plan	Financial instruments at the beginning of 2021		Financial instruments granted in 2021		Financial instruments vested in the year				Matured instruments not exercised	Financial instruments at the end of 2021	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of (vested) shares	Price of vested shares	Gross earnings on vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	Equivalent no. of shares
No data												

Observations

There were no remuneration systems based on shares or financial instruments.

iii) Long-term saving schemes.

Name	Remuneration from vesting of rights to savings schemes
MR ANDRÉS ARIZKORRETA GARCÍA	5,130
MR JAVIER MARTÍNEZ OJINAGA	

Name	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2021	2020	2021	2020	2021	2020	2021	2020
MR ANDRÉS ARIZKORRETA GARCÍA	1,300			1,300	5,130			3,830
MR JAVIER MARTÍNEZ OJINAGA			200				200	

Observations

As explained in section B.9, on 8 September 2021, Mr Andrés Arizkorreta García satisfied the conditions established in the collective long-term savings insurance taken out by the Company in his favour, meaning that on said date, both the contributions made in previous years (for an aggregate amount of 3,830 thousand euros) and those made during 2021 (1,300 thousand euros), in total coming to 5,130 thousand euros, were consolidated.

iv) Detail of other items

Name	Concept	Remuneration amount
MR ANDRÉS ARIZKORRETA GARCÍA	Life insurance premiums	20
MR JAVIER MARTÍNEZ OJINAGA	Life insurance premiums	7

Observations

b) Remuneration accrued by directors of the listed company for sitting on the boards of other Group companies:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for belonging to Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2021	Total 2020
No data										

Observations
None earned.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of the plan	Financial instruments at the beginning of 2021		Financial instruments granted in 2021		Financial instruments vested in the year				Matured instruments not exercised	Financial instruments at the end of 2021	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of (vested) shares	Price of vested shares	Gross earnings on vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	Equivalent no. of shares
No data												

Observations

iii) Long-term saving schemes.

Name	Remuneration from vesting of rights to savings schemes
No data	

Name	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2021	2020	2021	2020	2021	2020	2021	2020
No data								

Observations

iv) Detail of other items

Name	Concept	Remuneration amount
No data		

Observations

c) Summary of remuneration (in thousands of euros):

The summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

	Remuneration accruing in the Company					Remuneration accruing in Group companies					
Name	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2021 - Company	Total cash remuneratio n	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2021 - Group	Total 2021 - Company + Group
MR ANDRÉS ARIZKORRETA GARCÍA	533		5,130	20	5,683						5,683
MR JAVIER MARTÍNEZ OJINAGA	323			7	330						330
MR MANUEL DOMÍNGUEZ DE LA MAZA	100				100						100
MR JUAN JOSÉ ARRIETA SUDUPE	115				115						115
Mr LUIS MIGUEL ARCONADA ECHARRI	115				115						115
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	95				95						95

Name	Remuneration accruing in the Company					Remuneration accruing in Group companies					Total 2021 - Company + Group
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2021 - Company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2021 - Group	
MS MARTA BAZTARRICA LIZARBE	340				340						340
MS CARMEN ALLO PÉREZ	115				115						115
MR JULIÁN GRACIA PALACÍN	115				115						115
MS ANE AGIRRE ROMARATE	115				115						115
MR IGNACIO CAMARERO GARCÍA	109				109						109
TOTAL	2,075		5,130	27	7,232						7,232

Observations

As explained in section B.9, on 8 September 2021, Mr Andrés Arizkorreta García satisfied the conditions established in the collective long-term savings insurance taken out by the Company in his favour, meaning that on said date, both the contributions made in previous years (for an aggregate amount of 3,830 thousand euros) and those made during 2021 (1,300 thousand euros), in total coming to 5,130 thousand euros, were consolidated. Therefore, in the "Remuneration from savings schemes" column corresponding to Mr Andrés Arizkorreta García, the total amount consolidated during the year (5,130 thousand euros) has been included. The contribution made in 2021 was 1,300 thousand euros, the same amount as in 2020.
In turn, no amount has been reflected in the "Remuneration from savings schemes" column for Mr Javier Martínez Ojinaga because, although the Company made a contribution of 200 thousand euros during 2021 to his new long-term savings system, this contribution has not yet been consolidated.

C.2. State the evolution over the past five years of the amount and percentage variation in the remuneration accrued by each of the directors at the listed company that have served in the position during the year, the company's consolidated results and the average remuneration against an equivalent full-time base of company and subsidiary employees not considered directors of the listed company.

	Total amounts accrued and % annual variation								
	2021	% Change 2021/2020	2020	% Change 2020/2019	2019	% Change 2019/2018	2018	% Change 2018/2017	2017
Executive directors									
MR JAVIER MARTÍNEZ OJINAGA	330	202.75	109	-5.22	115	0.00	115	35.29	85
MS MARTA BAZTARRICA LIZARBE	340	35.46	251	-17.97	306	2.68	298	34.23	222
External directors									
MR ANDRÉS ARIZKORRETA GARCÍA	5,683	203.09	1,875	-6.39	2,003	17.69	1,702	139.04	712
MR JUAN JOSÉ ARRIETA SUDUPE	115	-0.86	116	-10.77	130	0.00	130	30.00	100
MR LUIS MIGUEL ARCONADA ECHARRI	115	5.50	109	-5.22	115	0.00	115	35.29	85
MS CARMEN ALLO PÉREZ	115	5.50	109	-5.22	115	0.00	115	35.29	85
MR JULIÁN GRACIA PALACÍN	115	12.75	102	2.00	100	0.00	100	138.10	42
MS ANE AGIRRE ROMARATE	115	10.58	104	-9.57	115	1.77	113	-	0
MR IGNACIO CAMARERO GARCÍA	109	14.74	95	90.00	50	-	0	-	0
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	95	97.92	48	-	0	-	0	-	0
MR MANUEL DOMÍNGUEZ DE LA MAZA	100	108.33	48	-	0	-	0	-	0

	Total amounts accrued and % annual variation								
	2021	% Change 2021/2020	2020	% Change 2020/2019	2019	% Change 2019/2018	2018	% Change 2018/2017	2017
Consolidated results of the company									
	129,832	164.55	49,077	-19.73	61,138	-24.12	80,575	19.35	67,510
Average employee remuneration									
	41	5.13	39	0.00	39	-2.50	40	-2.44	41

Observations

Mr Andrés Arizkorreta García has been included in the table as an external director as this was his category at 31 December 2021; however, he belonged to the category of executive director until 31 August 2021.

Main changes 2021/2020:

• The 203% increase in the total remuneration of Mr Andrés Arizkorreta García can be attributed to the fact that, during 2021, he consolidated his rights over all the funds accumulated in his long-term savings system, despite the fact that the contribution made in 2021 was identical to the contribution made in 2020.
• The 203% increase in the total remuneration of Mr Javier Martínez Ojinaga can be attributed to the fact that since 1 September 2021, this director held the position of Chief Executive Officer, which involves receiving the salary and variable remuneration corresponding to said position from said date.
• The 35% increase in the total remuneration of Ms Marta Baztarrica Lizarbe can be attributed to the fact that in 2020, the objectives for accruing variable remuneration were not met, while in 2021 variable components have been accrued, as well as to the restoration of her fixed remuneration and salary, which was reduced by 5% in 2020 compared to 2019.
• The increase of 11% and 13%, respectively, in the total remuneration of Ms Ane Agirre Romarate and Mr Julián Gracia Palacín can mainly be attributed to the restoration of their fixed remuneration, which was reduced by 5% in 2020 compared to 2019.
• The 15% increase in the total remuneration of Mr Ignacio Camarero García can be attributed, firstly, to the restoration of his fixed remuneration, which was by 5% in 2020 compared to 2019 and, secondly, to the fact that in 2021 he was appointed as a member of the Audit Committee, receiving the remuneration corresponding to sitting on said committee.
• The increase of 98% and 108%, respectively, in the remuneration of Ms Idoia Zenarrutzabeitia Beldarrain and Mr Manuel Domínguez de la Maza can be attributed to the fact that they were appointed as members of the Board of Directors for the first time on 13 June 2020 and, therefore, during said year they did not receive remuneration corresponding to the full year.

Main changes 2020/2019:

• The 18% decrease in the total remuneration of Ms Marta Baztarrica Lizarbe can be attributed to the fact that in 2020, the objectives for the accrual of variable remuneration were not met, while in 2019 variable components were accrued, in addition to the 5% reduction in the fixed remuneration of directors in their capacity as such and the 5% reduction in their salary.
• The 11% decrease in the total remuneration of Mr Juan José Arrieta Sudupe can be attributed, firstly, to the 5% reduction in the fixed remuneration of directors in their capacity as such and, secondly, to the fact that in 2020, he departed the Nomination and Remuneration Committee, therefore forfeiting the right to receive remuneration for belonging to said committee.

• The 90% increase in the remuneration of Mr Ignacio Camarero García can be attributed to the fact that he was appointed as a member of the Board of Directors for the first time on 15 June 2019 and, therefore, during said year he did not receive remuneration corresponding to the full year.

Main changes 2019/2018:

• The 18% increase in the remuneration of Mr Andrés Arizkorreta García can mainly be attributed to a 30% increase in the contribution to the long-term savings system.

Main changes 2018/2017:

• The 139% increase in the remuneration of Mr Andrés Arizkorreta García can be attributed to the introduction of variable components in his remuneration during 2018, the increase in the contribution to his long-term savings system and the increase in allowances paid to directors applied to all the members of the Board of Directors in their capacity as such during the year.
• The 34% increase in the remuneration of Ms Marta Baztarrica Lizarbe can be attributed to the introduction of variable components in her remuneration during 2018 and the increase in allowances paid to directors applied to all members of the Board of Directors in their capacity as such during the year.
• The increase of between 30% and 35% in the remuneration of Mr Javier Martínez Ojinaga, Mr Juan José Arrieta Sudupe, Mr Luis Miguel Arconada Echarri and Ms Carmen Allo Pérez can mainly be attributed to the increase in allowances paid to directors applied to all members of the Board of Directors in their capacity as such during 2018.
• The 138% increase in the remuneration of Mr Julián Gracia Palacín can be attributed to the fact that he was appointed as a member of the Board of Directors for the first time on 10 June 2017 and, therefore, during said year he did not receive remuneration corresponding to the full year.

D. OTHER INFORMATION OF INTEREST

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

A.1.1. (continued)

* No external adviser participated in drawing up the remuneration policy.

* The current directors' remuneration policy does not contemplate the possibility of applying temporary exceptions to the policy; therefore, it does not include details of the procedures for applying these exceptions or the conditions under which they can be used.

This annual remuneration report was approved by the Company's Board of Directors at its meeting held on:

25/02/2022

Indicate whether any director voted against or abstained in relation to the approval of this Report.

[ ] Yes
[√] No

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 – SEPARATE FINANCIAL STATEMENTS

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.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Balance sheet at 31 December 2021 and 2020 (Thousands of Euros)

Assets	Note	31/12/21	31/12/20 (*)
Non-current assets:			
Intangible assets:	**6**		
Other intangible assets		62,325	59,612
		62,325	**59,612**
Property, plant and equipment	**7**	**90,648**	**96,907**
Non-current investments in Group companies and associates	**9**	**939,095**	**928,207**
Non-current financial assets	**8-a**	**40,657**	**45,031**
Deferred tax assets	**16-e**	**75,349**	**69,884**
Total Non-current assets		**1,208,074**	**1,199,641**
Current assets:			
Inventories	**11**	**124,842**	**88,213**
Trade and other receivables:			
Trade receivables for sales and services	12-a	1,066,722	1,075,440
Other receivables	12-b	27,069	26,351
Current tax assets		1,046	1,650
		1,094,837	**1,103,441**
Current investments in Group companies and associates	**10**	**113,334**	**98,966**
Current financial assets	**8-b**	**131,363**	**68,195**
Current prepayments and accrued income		**1,016**	**1,574**
Cash and cash equivalents		**332,539**	**398,941**
Total Current assets		**1,797,931**	**1,759,330**
Total Assets		**3,006,005**	**2,958,971**

Equity and liabilities	Note	31/12/21	31/12/20 (*)
Equity:	**13**		
Shareholders' equity			
Share capital:			
Registered share capital		10,319	10,319
		10,319	**10,319**
Share premium		**11,863**	**11,863**
Reserves		**546,751**	**605,342**
Profit for the year		**47,768**	**(49,137)**
Interim dividend		**(13,712)**	**-**
		602,989	**578,387**
Valuation adjustments:	**15**		
Financial assets at fair value with changes in equity		197	227
Hedges		1,013	(83)
		1,210	**144**
Grants, donations and legacies received		**4,241**	**3,781**
Total Equity		**608,440**	**582,312**
Non-current liabilities:			
Long-term provisions	**17**	**1,074**	**2,892**
Non-current payables:	**14**		
Bank borrowings, debt instruments and other marketable securities		512,145	600,630
Other financial liabilities		52,398	60,023
		564,543	**660,653**
Non-current payables to Group companies and associates	**10**	**37,628**	**7,128**
Deferred tax liabilities	**16**	**1,903**	**1,480**
Non-current accruals		**-**	**1,662**
Total Non-current liabilities		**605,148**	**673,815**
Current liabilities:			
Current provisions	**17**	**193,535**	**258,770**
Current payables:	**14**		
Bank borrowings, debt instruments and other marketable securities		139,855	40,502
Other financial liabilities		72,174	52,351
		212,029	**92,853**
Current payables to Group companies and associates	**10**	**91,192**	**85,214**
Trade and other payables:			
Payable to suppliers	10	549,265	499,465
Other payables	16	719,106	743,913
		1,268,371	**1,243,378**
Other current liabilities		**27,290**	**22,629**
Total Current liabilities		**1,792,417**	**1,702,844**
Total Equity and liabilities		**3,006,005**	**2,958,971**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the balance sheet as at 31 December 2021.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of profit or loss for the years ended 31 December 2021 and 2020

(Thousands of Euros)

	Note	(Debit) Credit	
		2021	**2020 (*)**
Continuing operations:			
Revenue	10 & 19-a	1,579,876	1,496,561
+/- Change in inventories of finished goods and work in progress		(57,154)	(62,883)
In-house work on non-current assets		287	698
Procurements	10 & 19-b	(982,213)	(901,610)
Other operating income	10	15,752	13,191
Staff costs	19-d	(297,933)	(302,176)
Other operating expenses	10, 17 & 19-e	(223,042)	(244,528)
Depreciation and amortisation charge	6 & 7	(27,977)	(27,534)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants	13-g	1,035	616
Impairment and gains or losses on disposals of non-current assets	6 & 7	(1,199)	11,638
Profit/(Loss) from operations		**7,432**	**(16,027)**
Finance income	8, 9 & 10	62,278	63,994
Finance costs	10, 14 & 15	(19,853)	(18,509)
Exchange differences	18	2,740	(21,984)
Impairment and gains or losses on disposals of financial instruments	8 & 9	(3,692)	(59,952)
Financial profit/(loss)		**41,473**	**(36,451)**
Profit/(Loss) before tax		**48,905**	**(52,478)**
Income tax	16	(1,137)	3,341
Profit/(Loss) for the year from continuing operations		**47,768**	**(49,137)**
Profit/(Loss) for the year		**47,768**	**(49,137)**
Earnings per share (in euros)			
Basic		1,393	(1,433)
Diluted		1,393	(1,433)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the statement of profit or loss for 2021.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of comprehensive income for the year ended 31 December 2021 and 2020

(Thousands of Euros)

	Note	2021	2020 (*)
A) Profit/(Loss) for the year (per statement of profit or loss)		**47,768**	**(49,137)**
B) Income and expense recognised directly in equity		**(848)**	**(2,825)**
Arising from valuation of financial assets	8-a	(31)	6
Arising from cash flow hedges	15	1,183	(1,523)
Grants, donations and legacies received	13-g	1,641	1,064
Arising from actuarial gains and losses and other adjustments	3-k	(2,964)	(2,482)
Tax effect	16	(677)	110
C) Transfers to profit or loss		**(590)**	**(296)**
Arising from cash flow hedges	15	259	227
Grants, donations and legacies received	13-g	(1,035)	(616)
Tax effect	16	186	93
Total comprehensive income (A+B+C)		**46,330**	**(52,258)**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the statement of recognised income and expense for 2021.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

State of changes in total equity for the years ended 31 December 2021 and 2020 (Thousands of Euros)

	Shareholders' Equity							
	Share capital	Share Premium	Reserves	Profit for the year	Interim dividend	Valuation adjustments	Grants, donations and legacies received	Total equity
Ending balance at 31 December 2019 (*)	**10,319**	**11,863**	**634,738**	**1,950**	**-**	**1,124**	**3,440**	**663,434**
Total comprehensive income	**-**	**-**	**(2,482)**	**(49,137)**	**-**	**(980)**	**341**	**(52,258)**
Transactions with shareholders or owners	**-**	**-**	**(26,914)**	**(1,950)**	**-**	**-**	**-**	**(28,864)**
Distribution of dividends (Note 13-f)	-	-	(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**
Adjustments for change of criteria – 2021 (Note 2-c)	**-**	**-**	**(6,443)**	**-**	**-**	**-**	**-**	**(6,443)**
Total comprehensive income	**-**	-	**(2,964)**	**47,768**	**-**	**1,066**	**460**	**46,330**
Transactions with shareholders or owners	**-**	**-**	**(49,184)**	**49,137**	**(13,712)**	**-**	**-**	**(13,759)**
Distribution of dividends (Note 13-f)	-	-	-	-	(13,712)	-	-	(13,712)
Distribution of profit/(loss)	-	-	(49,137)	49,137	-	-	-	-
Transactions with non-controlling shareholders	-	-	(47)	-	-	-	-	(47)
Ending balance at 31 December 2021	**10,319**	**11,863**	**546,751**	**47,768**	**(13,712)**	**1,210**	**4,241**	**608,440**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the statement of changes in total equity for 2021.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of cash flows for the years ended 31 December 2021 and 2020

(Thousands of Euros)

	Note	2021	2020 (*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**(42,620)**	**56,668**
Profit for the year before tax		**48,905**	**(52,478)**
Adjustments for:			
Depreciation and amortisation charge	6 & 7	27,977	27,534
Changes in provisions		49,111	21,893
Recognition of grants in profit or loss	13	(1,035)	(616)
Gains/Losses on derecognition and disposal of non-current assets	6 & 7	1,199	(11,638)
Gains/Losses on derecognition of and valuation adjustments to financial instruments	8 & 9	3,375	59,952
Finance income		(62,278)	(63,994)
Finance costs		18,921	18,509
Other income and expenses		(744)	(103)
Changes in working capital			
Inventories	11	(36,477)	78,898
Trade and other receivables		(114,827)	(23,971)
Other current assets		(1,089)	(1,562)
Trade and other payables		26,111	(35,039)
Other current liabilities		(29)	(24)
Other non-current assets and liabilities		(3,386)	594
Other cash flows from operating activities			
Income tax recovered (paid)	16	720	(1,147)
Other amounts received (paid) (interest and dividends) (net)		926	39,860
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(35,344)**	**26,132**
Payments due to investment			
Group companies and associates	9 & 10	(48,896)	(37,703)
Intangible assets	6	(14,846)	(20,653)
Property, plant and equipment	7	(5,407)	(5,790)
Other financial assets	8	(25,329)	(755)
Proceeds from disposal			
Group companies and associates	9 & 10	58,257	90,122
Property, plant and equipment	7	30	-
Other financial assets	8	847	911
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**9,053**	**(23,491)**
Proceeds and payments relating to financial liability instruments			
Proceeds from debt instruments and other marketable securities	14	160,000	162,700
Proceeds from issue of borrowings from Group companies and associates	10	54,075	21,316
Proceeds from issue of bank borrowings	14	38,810	158,150
Proceeds from issue of other borrowings	14	3,875	6,168
Repayment of debt instruments and other marketable securities	14	(145,000)	(232,700)
Repayment of bank borrowings	14	(43,332)	(124,615)
Repayment and amortisation of other borrowings	14	(8,138)	(6,631)
Repayment of borrowings from Group companies and associates	10	(22,373)	(7,879)
Dividend payments and returns on other equity instruments paid			
Dividends	13	(28,864)	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		**2,509**	**(1,324)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(66,402)**	**57,985**
Cash and cash equivalents at beginning of year		398,941	340,956
Cash and cash equivalents at end of year		332,539	398,941

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the statement of cash flows for 2021.

2 – NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Construcciones y Auxiliar de Ferrocarriles, S.A.

Notes to the financial statements
for the year ended 31 December 2021

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, Spain), and is registered office is located at Calle José Miguel Iturrioz 26, Beasain (Gipuzkoa, Spain).

The Company did not change its name in the last financial year.

The objects of the Company are as described in Article 2 of its Bylaws, which are available on the Company's website (www.caf.net).

The Company currently engages mainly in the manufacture of rolling stock materials and its main centre of activity is in Beasain (Gipuzkoa, Spain).

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements of the CAF Group for 2021 were authorised for issue by the directors at the meeting of the Board of Directors held on 25 February 2022. The consolidated annual financial statements for 2020 were approved by the shareholders at the Annual General Meeting of Construcciones y Auxiliar de Ferrocarriles, S.A. on 5 June 2021 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 (Plan General de Contabilidad) approved by Royal Decree 1514/2007, which has been modified by Royal Decree 1/2021, and its industry adaptations, in particular the industry adaptation for construction companies.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- All other applicable Spanish accounting legislation.

b) Fair presentation

The accompanying financial statements for 2021, 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 2021. 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 2020, which were formally prepared by the directors, were approved by the shareholders at the Annual General Meeting on 5 June 2021.

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.

The accounting principles used to draw up the financial information are exactly the same as those used to draw up the Company's annual accounts for the year ended 31 December 2020, with the exception of the amendments ushered in by Royal Decree 1/2021 of 12 January, which amends the Spanish National Chart of Accounts (Plan General de Contabilidad) and is accompanied by the publication of a Resolution of the Spanish Accounting and Auditing Institute (RICAC) to introduce those amendments into the local law and regulations applicable for financial years beginning on or after 1 January 2021. The amendments are made in order to make the changes necessary to adapt recognition and valuation standards 9 – "Financial instruments" and 14 – "Revenue from sales and services" to International Financial Reporting Standards (IFRS) 9 and 15, respectively.

Thus, the amendments made to the Spanish National Chart of Accounts involve, with regard to revenue recognition, adaptation to the five-step model set out in IFRS 15, which came into force in financial year 2018 within the international accounting context of the International Financial Reporting Standards and which entails applying significant judgements on performance obligations and the methods used to determine the measurement of progress.

Following the entry into force of IFRS 15 in financial year 2018, the CAF Group reviewed its business conditions and revenue recognition policy, identifying the following impacts:

- Contract modifications: two contract modifications were identified that qualify as separate contracts under IFRS 15 and, consequently, under the amendment to the Spanish National Chart of Accounts. This difference generated, at 1 January 2021, a decrease in trade receivables of EUR 47,864 thousand, an increase in inventories of EUR 39,387 thousand and an increase in deferred tax assets of EUR 2,034 thousand. The Company has adopted the changes introduced in the Spanish National Chart of Accounts using the retrospective method without modifying the comparative figures. This had a negative impact on the Company's reserves in the amount of EUR 6,443 thousand as at 1 January 2021.
- Provisions for contractual obligations: based on the amendment to the Spanish National Chart of Accounts, provisions for contractual obligations are presented as a reduction of the customer and sales figures shown in the balance sheet and statement of profit or loss, respectively. Previously, provisions for obligations were recognised under “Current provisions” on the liability side and within “Other operating expenses” in the statement of profit or loss, respectively. At 31 December 2021, provisions for liabilities amounting to EUR 22,885 thousand (1 January 2021: EUR 114,739 thousand) (Note 17) were recognised as a reduction of trade receivables.

With regard to financial instruments, the reform of the Spanish National Chart of Accounts and its adaptation to IFRS 9 does not introduce all the requirements of the International Financial Reporting Standards and largely entails changes in the classification and presentation of financial instruments and in hedge accounting. The application of IFRS 9 has not led to any significant changes in the Company's financial statements, beyond the change in nomenclature and in the categories of financial assets and liabilities.

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 2021 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively (Notes 6, 7, 9, 11, 15, 16 and 17).

e) Comparative information

The information relating to 2021 contained in these notes to the financial statements is presented, for comparison purposes, with the information for 2020.

On 30 January 2021, Spanish Royal Decree 1/2021 of 12 January was published, amending the Spanish National Chart of Accounts enacted by Royal Decree 1514/2007 of 16 November. The changes made to the Spanish National Chart of Accounts, which are applicable to financial years beginning on or after 1 January 2021, as well as the modifications they have entailed in these annual accounts, are described in Note 2-c.

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

f) Grouping of items

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

g) Consolidated group and basis of consolidation

As indicated in Note 9, the Company has ownership interests in the share capital of other (unlisted) companies which are equal to or greater than 20%.

The Company’s long-term investments in Group companies and associates are presented in accordance with the corporate legislation in force (Note 9). Consequently, the Company’s financial statements for 2021 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 2021.

The main aggregates in the consolidated financial statements of the CAF Group for 2021 and 2020, 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:

	Thousands of Euros
Total assets	**4,269,894**
Equity–	**740,460**
Of the Parent	726,662
Of non-controlling interests	13,798
Revenue	**2,942,685**
Profit for the year-	**88,771**
Of the Parent	85,920
Of non-controlling interests	2,851

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

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 2020.

i) COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. Since then, the Company has been making every possible effort within the regulatory framework set out by the Spanish and international health authorities to protect the health and safety of all its employees as its main 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 adapted its working practices and 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 train manufacturing activity at its plants located in Spain to the extent that compliance with the minimum health and safety conditions established in the workplace could not be guaranteed. On 20 April 2020, activity resumed at the production plants in Spain, prioritising compliance with health and safety conditions for people. Organisational measures were promptly deployed to arrange all workers into more homogeneous groups in order to prevent overcrowding in different areas of the factory. An agreement was also reached to make up for the days of stoppage. At 31 December 2021, a total of 18,192 hours were to be recovered, equivalent to EUR 763 thousand, as recognised under "Trade and other receivables – Other receivables" in the accompanying balance sheet (31,000 hours to be recovered at 31 December 2020, equivalent to EUR 1,329 thousand).

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

In terms of services, COVID-19 has had a direct effect on operators and the transportation services they offer to the public and, consequently, on maintenance requirements and the guarantees provided. The impact has been different in each country, both due to the measures adopted by the respective operators and to the differing level of contractual risk exposure in the face of situations of this nature. Following the Group's guidelines, working practices and protocols were adapted at all Group centres around the world. At 31 December 2021, there were no workers on furlough at the maintenance area due to the reduction in the scope of the maintenance contracts (64 people at 31 December 2020, peaking at 615 people in May 2020).

Teleworking arrangements have continued, insofar as possible, since the date of the stoppage of manufacturing activities, although following the publication of the "back to work" plan in June 2021, on-site work has been steadily increasing. In 2020, these actions, together with the other steps taken by the Group to respond to the pandemic, led to a reduction in activity at most train production plants and, to a lesser extent, at the services area, coupled with additional costs in seeking to cushion the impact of the pandemic. These effects, as well as the inefficiencies and incremental costs incurred by the Group in 2020, were recognised under operating income in the statement of profit or loss for 2020. Also in 2020 there were significant fluctuations in the exchange rates of the currencies of the main countries in which the Company operates, with a significant impact on earnings. At 31 December 2021, the statement of profit or loss does not show any significant impacts due to the COVID-19 pandemic or due to significant exchange rate fluctuations. As a result, the Company's foreign currency exposure was similar to the level reported at the end of 2020.

As a result of the conditions and events to have arisen from COVID-19, there were no significant disputes with customers or suppliers during the period, and commercial activity and the acquisition of new orders returned to relative normality.

Meanwhile, no contracts with customers have been terminated and the Company has been making force majeure notifications since March 2020 due to the impact that the pandemic could have on its ability to honour its contractual obligations, following the relevant procedures set out in the contracts for such force majeure events. The Group has remained in constant contact with customers and has arranged extensions to delivery milestones in proportion to the delay caused by the restrictions put in place in response to the pandemic in each country. The aim of these extensions is to avoid incurring penalties due to delays caused by the pandemic. While this negotiation process is continuing in the case of certain contracts, the Company does not expect to incur significant penalties. Additionally, some customers have requested a lengthening of the delivery times to accommodate current levels of passenger traffic.

The Company's directors believe that the swift deployment of the contingency plan, with personalised pandemic management, has enabled the Company to significantly mitigate the impacts of the pandemic. The prospects of recovery within the railway transport and urban mobility sectors, the continued development of urban electromobility and the inherent sustainability of railway transport, among other factors, support the expectations of maintaining pre-pandemic levels of profitable growth and of improving sustainability ratings.

j) Climate change

In 2021, the Company made further progress in devising a framework for managing climate change risks and opportunities in the short, medium and long term. Analysis of sector trends and the risks and opportunities associated with climate change at peer companies is therefore being performed, identifying climate risks and opportunities for the Company, including the financial impact, and defining a methodology to monitor and control them accordingly.

Both physical and transition risks are being considered when assessing possible negative deviations from the Company's objectives. Among the physical risks, we discriminate between acute and chronic risks, while among the transition risks a distinction is made between i) Political and Legal risks; ii) Technological risks; iii) Market risks; and iv) Reputational risks. Along these lines, opportunities are identified that could lead to a positive deviation from the Company's objectives, such as more sustainable products and services and more efficient resources and energy sources, while also managing certain risks that could unlock benefits and bring added value to the organisation.

The work that the Company is carrying out in analysing the risks and opportunities associated with climate change and in measuring and setting targets to reduce greenhouse gas emissions is described at length in the "Climate Strategy" chapter of the Company's Non-Financial Information Statement — Sustainability Report. For financial reporting purposes, the Company does not consider that the process of analysing these risks and opportunities will have a significant impact on the financial statements.

3. ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements as at 31 December 2021 and 2020, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

Computer software and development projects for which there are no doubts as to their technical and commercial success are measured at their acquisition cost (or, where appropriate, at their accumulated production cost applied in accordance with inventory measurement bases - Note 3-e). Computer software is amortised on a straight-line basis over five years from its acquisition. Development projects are amortised on a straight-line basis over 5 years from their acquisition or completion.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 3-c. The acquisition cost was revalued pursuant to the related legislation, including Gipuzkoa Regulation 11/1996, of 5 December, Gipuzkoa Regulation 13/1991, of 13 December, and Gipuzkoa Regulation 1/2013, of 5 February (Note 13-c).

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised as a higher cost of the corresponding assets.

In-house work performed by the Company on its items of property, plant and equipment is recognised at the related accumulated production cost allocated in accordance with inventory measurement bases (Note 3-e).

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25-50
Plant and machinery	6-10
Other fixtures, tools and furniture	3-10
Other items of property, plant and equipment	10-20

In 2021 and 2020 the Company did not capitalise any borrowing costs to “Property, Plant and Equipment”, as it did not have any significant projects the construction period of which exceeded one year and it considered the attributable general-purpose borrowings to be very insignificant.

c) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

d) Financial instruments

Financial assets

The Company classifies all financial assets in one or other of the categories listed below:

1. Financial assets at amortised cost

This category includes financial assets that are held for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value and are subsequently measured at amortised cost.

The Company calculates a loss allowance for expected credit losses taking as a reference the expected losses in the next 12 months, unless the credit risk has increased significantly, in which case the Company calculates the loss allowance taking as a reference the expected life of the financial instrument.

The Company derecognises a financial asset when all the risks and rewards of ownership of the asset have been transferred to another entity or when the contractual rights to the cash flows from the asset expire. At 31 December 2021, the Company had derecognised receivables of EUR 43,331 thousand (31 December 2020: EUR 57,321 thousand) from non-recourse factoring transactions from the accompanying balance sheet.

2. Financial assets at fair value with changes in equity

Equity instruments that the Company has made the irrevocable election to classify as financial assets at fair value with changes in equity are recognised in this category.

The financial assets included in this category are initially recognised at fair value including any transaction costs. They are subsequently measured at fair value. Changes in fair value are recognised directly in equity until the financial asset is derecognised or impaired, whereupon the amount so recognised is taken to profit or loss. Accrued dividends are recorded under "Financial income" in the statement of profit or loss.

3. Financial assets at fair value through profit or loss

Assets that are originated or acquired for the purpose of selling them in the short term, are part of a portfolio of financial instruments identified and managed together for short-term gain, or financial instruments that are neither financial guarantee contracts nor designated as hedging instruments, are recognised in this category. They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given. Directly attributable transaction costs are recognised in profit or loss for the year. After initial recognition, the assets in this category are measured at fair value through profit or loss.

4. Financial assets at cost

These are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Financial liabilities

The Company classifies all financial liabilities in one or other of the following categories:

1. Financial liabilities at amortised cost

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate. The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

The Company also had various supplier payment management arrangements in effect (reverse factoring) with various financial institutions at 31 December 2021, for a total of EUR 15,717 thousand (31 December 2020: EUR 12,322 thousand). These trade liabilities whose settlement is managed by financial institutions are recognised under "Suppliers" and "Other payables" in the balance sheet as the Company has transferred only the handling of their payment to the financial institutions, but remains the primary obligor for payment of the debts to the trade creditors, with no change in maturity and no further financial guarantees granted.

Borrowings are recognised initially at fair value less the transaction costs incurred. They are subsequently measured at amortised cost, and any difference between the funds obtained (net of the costs required to obtain them) and the repayment value is recognised in the statement of profit or loss over the term to maturity of the debt using the effective interest method.

2. Financial liabilities at fair value through profit or loss.

The financial liabilities included in this category are initially measured at fair value. After initial recognition they are measured at fair value through profit or loss.

The Company derecognises financial liabilities only when the obligations giving rise to them are cancelled, eliminated or expire.

Derivative financial instruments

The Company uses these instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, it does so to hedge the foreign currency risk to which its project contracts, certain investments in investees and the financing received are exposed, and to hedge the interest rate risk arising from loan drawdowns (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 (Note 15).

The measurement of financial assets and liabilities at fair value is broken down into levels according to the following hierarchy determined by measurement standard 9 of the Spanish National Chart of Accounts:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

The detail of the Company's assets and liabilities measured at fair value according to the levels indicated above at 31 December 2021 and 2020 is as follows (in thousands of euros):

2021

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 8-a)	-	-	1,278	1,278
Derivatives (Note 15)	-	78,269	-	78,269
Other financial assets (Note 8-b)	86,077	-	-	86,077
Total assets	**86,077**	**78,269**	**1,278**	**165,624**
Liabilities				
Derivatives (Note 15)	-	85,297	-	85,297
Other financial liabilities (Note 14)	-	-	5,060	5,060
Total liabilities	**-**	**85,297**	**5,060**	**90,357**

2020

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 8-a)	-	-	1,309	1,309
Derivatives (Note 15)	-	45,898	-	45,898
Other financial assets (Note 8-b)	61,097	-	-	61,097
Total assets	**61,097**	**45,898**	**1,309**	**108,304**
Liabilities				
Derivatives (Note 15)	-	57,420	-	57,420
Other financial liabilities (Note 14)	-	-	4,184	4,184
Total liabilities	**-**	**57,420**	**4,184**	**61,604**

The fair value of the derivative financial instruments was calculated using mainly variables based on observable market data (year-end exchange rates and yield curves).

e) 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

The Company's main sources of revenue are formalised through contracts and orders accepted by customers which may include, individually or in combination, the following goods and services which are identified as separate performance obligations:

- Supply of train fleet.
- Maintenance of the train fleet throughout its useful life (estimated at 25-30 years on average), or over shorter periods of time depending on the customer's maintenance strategy.
- Refurbishment of customer-owned trains.
- Civil works that include integrated engineering solutions for railway systems and infrastructure in general.
- Signalling systems.
- Sale of train equipment and components: wheelsets, reduction gearboxes and spare parts in general.

The main characteristics of each of these are described below, grouped according to how the performance obligations are met:

f-1) Performance obligations that are fulfilled over time:

*** Train construction**

Revenues from performance obligations for the construction of trains relate to rolling stock and other items specifically negotiated with customers on the basis of mutually agreed technical terms and conditions through a prior specification sheet as part of an offer. The Company therefore designs and manufactures vehicles tailored to the individual needs of each customer. Along with the delivery of the trains, the same performance obligation being considered, it is customary to deliver what are known as fleet parts (or strategic spare parts) and equipment for the maintenance workshops so that the customer can ensure, at all times, the availability and uptime of all trains in operation.

Trains are built as soon as the contract is signed, starting with the design and ending with the contractually established warranty period, once the trains have been made available to the customer.

These obligations are met throughout the life of the contract, from signature to completion of the various agreed obligations, as the trains are built to the technical specifications agreed individually with each customer. Additionally, the contracts include cancellation clauses that provide for the right to be paid for the work completed to date.

The technical specifications of the trains, with specific designs to suit each customer's needs, making it more difficult to find an alternative use for the trains and equipment in the event of contract cancellation, as the Company would have to incur significant costs to adapt them to other customers, assuming they are not downright incompatible.

This type of performance obligation also includes a warranty period that is not a differentiated service, but is there to ensure the proper functioning of the trains. These are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Company operates. The Company estimates the related provision for future warranty claims based on historical information on warranty claims, as well as recent trends that may suggest that past cost information could differ from future claims.

This type of performance obligation usually takes more than a year to complete, and advance payments are often received from customers. Invoicing and payment schedules depend on the degree of performance of each project and invoicing milestones take place during the main phases of the projects (signing of the contract, approval of the design, launching of orders to suppliers, delivery of the first unit, mass delivery of units, delivery of warranty, etc.). In the initial stages of a project (contract signature, design approval, orders delivered to suppliers, delivery of initial units) it is common for billing milestones to exceed recognised revenues, while as the project progresses and moves into delivery phases, revenues typically exceed cumulative billing until the deliveries are made and the train warranty period ends and there is no longer any significant financing component to the project. In addition, the price introduces an element of variability and the customer may establish penalties depending on the fulfilment of delivery milestones, which may therefore modify the likely price of the transaction.

In this type of contract, it is common to include an option to purchase additional units, the price of which may vary depending on when the option is exercised. In this case, the Company identifies each set of units as a separate obligation, recognising the original contract and, if applicable, the option exercised separately.

For train construction contracts, the Company generally recognises revenue and profit for each contract based on the estimated measure of progress of the contract, calculated as a percentage of the number of hours assigned to the contract out of the total hours budgeted.

Once the projected profit or loss on each contract has been determined, the Company applies the following correcting coefficients to determine actual profit or loss and revenue:

- With a measure of progress of between 0% and 10%, no profit or revenue is recognised, in order to take into account the initial margin of uncertainty in the contracts in the long term.
- From 10% onwards, a percentage of profit and revenue equal to the percentage of contract completion is recognised.

*** Contracts for the construction of civil works, signalling and engineering services**

In this type of performance obligation, the Company agrees upon an integral system solution with the customer; one that includes civil works and building, electrification, signalling, communications and other systems, which encompasses the preliminary design, supply management, construction and commissioning of both railway systems and infrastructure in general so as to provide a solution tailored to the specific needs of the customer.

These contracts include a warranty period that is not a differentiated service, but relates to the proper functioning of the construction or service. They are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Company operates. The Company has similar warranties in place with its main subcontractors and therefore no significant warranty provisions are recorded.

The term of these contracts is usually more than one year. In these cases, billing and payment schedules are pegged to the achievement of various project milestones and the degree of project completion and do not differ significantly from the revenues recognised. Therefore, there is no significant financing component.

Revenue and profit or loss on civil works, signalling and engineering services contracts are recognised by reference to the estimated measure of progress of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

The Company 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.

*** Maintenance contracts**

The Company provides maintenance services for trains and systems, on equipment delivered by both the Company and other manufacturers. The duration of maintenance contracts varies, depending on the customer's specific needs and maintenance strategy.

These revenues are established on the basis of fees that are negotiated in each contract, with revenues recognised over the life of the contract on the basis of the method that best reflects the percentage of progress made at the relevant time. In the case of multi-year projects with monthly invoicing where the resources used to render the service are linear, it is assumed that the invoicing is equivalent to revenues, in the absence of a significant financing component.

However, in those maintenance contracts where the resources to perform the service are not linear (mainly when major overhauls or repair work are required) the cost to be incurred in each of them is estimated and the income is from the billings is deferred to the periods in which the major repair work is to take place. The resulting difference is recorded as either non-current or current "Liabilities under contract", depending on whether the major repair work is expected to be performed within a period of more or less than 12 months, respectively.

f.2) Performance obligations that are fulfilled at a specific point in time

*** Wheelsets, spare parts and minor refurbishments**

The Company also sells other products such as assembled axles, wheels and reduction gearboxes for the railway market and other spare parts for rolling stock. It also provides refurbishment services upon the customer's request. In these cases, the Company recognises the revenue when the customer takes control of the asset and the performance obligation is fulfilled.

f.3) Common aspects

Potential losses on contracts are recognised in full when they become known or can be reliably estimated.

The Company only recognises income arising from claims or contract scope modifications once the customer has accepted the claim and there is evidence of such acceptance in the form of a contractual amendment or similar legal document.

Based on the revenues realised, the projected profit or loss on each contract and the measure of progress, inventories are derecognised with a charge to the related heading of the statement of profit or loss and with a credit to "Inventories" on the asset side of the balance sheet (Note 11).

Income from financial assets

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. Interest and dividends from financial assets accrued after the date of acquisition are recognised 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 (Note 3-f) and the amount billed for the project is recognised as follows:

- If the difference is positive as “Amounts to Be Billed for Work Performed” (deferred billings) under “Trade Receivables for Sales and Services” (Note 11).
- If the difference is negative as “Advances Received on Orders” (prebillings) under “Trade and Other Payables – Other Payables” (Note 11).

h) Foreign currency transactions and other obligations

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing (Note 18). Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise. Foreign currency transactions for which the Company decided to arrange financial derivatives in order to mitigate the foreign currency risk are recognised as described in Note 3-d.

i) Current/Non-current classification

Items are classified under "Current Assets" and "Current Liabilities" (prebillings, deferred billings and short-term provisions) which may be realised or settled in more than 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 (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 (Note 13-g).

b) Refundable grants: while they are refundable, they are recognised as a liability.

c) Grants related to income: grants related to income are credited to income when definitively granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to profit or loss in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred. The Company recognised income of EUR 1,177 thousand and EUR 921 thousand in 2021 and 2020, 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 2021 for various groups of employees amounted to EUR 7,213 thousand (2020: EUR 7,679 thousand). The impact of these obligations on the statement of profit or loss for 2021 amounted to EUR 7,502 thousand (2020: EUR 5,146 thousand) with a charge to “Staff Costs”. In 2021 a net actuarial loss of EUR 2,964 thousand arising from changes in the actuarial assumptions was recognised directly in equity (2020: a net actuarial loss of EUR 2,482 thousand).

In accordance with the accrual basis of accounting, at 31 December 2021 the Company recognised a current liability of EUR 3,694 thousand in the balance sheet, as calculated by an independent valuer. This amount is 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 2020: current asset of EUR 280 thousand and current liability of EUR 721 thousand). The future modifications to the obligations assumed will be recognised in profit or loss for the related years (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.

Likewise, in accordance with the applicable collective labour agreement, the Company contributes 2.3% of the annual contributions (the same percentage in 2020) for all personnel at certain locations to a social security entity, amounting to EUR 3,333 thousand (EUR 3,440 thousand in 2020) charged to "Personnel expenses" (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.

In finance leases in which the Company acts as the lessor, at inception of the lease an account receivable is recognised equal to the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the interest rate implicit in the lease. The difference between the account receivable recognised and the amount to be received, which relates to unearned finance income, is allocated to profit or loss as earned using the effective interest method.

At 31 December 2021 and 2020, the Company had various outstanding operating leases for which it had recognised an expense of EUR 2,258 thousand in 2021 (2020: EUR 1,968 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 2021 amounted to EUR 4,851 thousand over the next few years, of which EUR 1,513 thousand are due in 2022 (31 December 2020: EUR 6,490 thousand, of which EUR 1,595 thousand were to be paid in 2020).

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.

o) Provisions and contingent liabilities

When identifying obligations, the Company distinguishes between:

- Provisions: a present obligation (legal or constructive) as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- Contingent liability: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the Company's control; or possible obligations whose occurrence is unlikely or whose amount cannot be reliably estimated.

Provisions are recognised when it is probable that the obligation will have to be settled and the amount can be measured reliably. Contingent liabilities are not recognised and are only disclosed in the financial statements, except for those arising from business combinations.

Provisions are recognised on the basis of the best estimate of the expenditure that will be required to settle the present obligation at the reporting date. Provisions are fully or partially reversed when they cease to exist or when the obligations are reduced, respectively.

Provisions for guarantees are recognised when the significant risks and rewards of a project are transferred to the customer.

Expected losses on onerous contracts are recognised when the best estimate of total contract costs exceeds the expected contract revenue.

Provisions are discounted to reflect the present value of expected expenses where the effect of the time value of money is material.

4. DISTRIBUTION OF PROFIT

The proposed distribution of the profit for 2021 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	47,768
Distribution	
To Dividends	34,281
Voluntary reserves	13,487

Of the amount set aside for dividends, interim dividends totalling EUR 13.7 million were approved on 6 October 2021 and are recognised under "Interim dividend" in equity in the accompanying balance sheet.

The interim liquidity statement drawn up by the directors on 6 October 2021 in accordance with legal requirements, showing sufficient liquidity for the distribution of dividends, was as follows:

	Thousands of Euros
Profit for the year	21,772
Reserves to be posted	-
Distributable profit	21,772
Proposed interim dividend	13,712
Cash liquidity	333,752
Undrawn lines of credit	300,500
Total liquidity	**634,252**

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 2021, the Company has a liability exposure of EUR 253.6 million in relation to changes in market interest rates (31 December 2020: EUR 267 million) and of EUR 397.5 million in relation to fixed interest rates (31 December 2020: EUR 373 million), of which EUR 25 million were fixed as a result of interest rate derivatives (Notes 14 and 15).

Taking into consideration the balance at 31 December 2021 and 2020, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, and considering the hedging policies described above, the finance costs arising from the financial debt would have risen by approximately EUR 2,536 thousand and EUR 2,670 thousand, respectively.

The fair value of the Company's fixed rate debt does not differ significantly from its carrying amount.

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, Taiwanese 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 2021 and 2020 of a 10% depreciation of the following currencies against the euro, considering the closing exchange rate at 31 December and the currency forwards arranged (Note 15), would be as follows:

Currency	Thousands of Euros			
	2021		2020	
	Exposure	Gain/ (Loss)	Exposure	Gain/ (Loss)
Brazilian real	22,255	(2,225)	15,376	(1,538)
Pound sterling	(3,588)	359	3,491	(349)
Mexican peso	14,225	(1,422)	19,420	(1,942)
New Taiwan dollar	-	-	34,619	(3,462)

At 31 December 2021 and 2020, the Company was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of CAF USA Inc., the exposure of which is hedged (Notes 9 and 15).

a.3) Commodity price risk

For the most significant commodities, the Company's orders are placed and prices closed when each new project commences. The risk of a rise in commodity prices having an adverse effect on the contractual margins is thus hedged.

b) Credit risk

The Company's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Company's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

At 31 December 2021 and 2020, the Company had insured a portion of its accounts receivable from customers in certain countries abroad, taking into account the risk of each of them, through credit insurance policies (Note 12).

c) Liquidity and financing risk

As determined in the Liquidity and Financing Policy, management of liquidity and financing involves ensuring that the payment commitments arising from the obligations undertaken are met, optimising the financial structure and safeguarding adequate management of the Company's surpluses in the framework of its long-term strategy (Notes 8 and 14).

The Company manages liquidity and financing risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be in the same timeframe, which may result in financial resources being consumed.
- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.
- Maintaining a strong short-term liquidity position.
- Maintaining surplus undrawn credit balances.

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. The Company's main activities in the United Kingdom relate to the supply of trains. The year 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, a Trade and Cooperation Agreement was reached between the European Union and the United Kingdom, effective from 1 January 2021. This agreement allows the Company to continue running its businesses in the United Kingdom under normal conditions and has not, therefore, had a significant impact on these financial statements. In any case, throughout 2021 the Company continued to monitor and control the various measures and action plans put in place to mitigate the consequences of Brexit. The most significant measures focus on: i) reducing the operational risks of projects due to the impact of changes in customs procedures and/or tariffs by defining import conditions and appraising advance payment requirements at customs; ii) reducing the movement of people under the various scenarios and reviewing the need to issue visas for the UK; and iii) reviewing global insurance coverage that includes the UK. These measures and action plans will remain in force throughout 2022.

6. INTANGIBLE ASSETS

The changes in "Intangible Assets" in the balance sheet in 2021 and 2020 were as follows:

2021

	Thousands of Euros			
	31/12/20	**Additions or charge for the year**	**Disposals or reductions**	**31/12/21**
Cost:				
Development expenditure	141,954	7,148	(18,811)	130,291
Computer software	38,248	12,475	(8,988)	41,735
Total cost	**180,202**	**19,623**	**(27,799)**	**172,026**
Accumulated amortisation:				
Development expenditure	84,446	12,399	(15,147)	81,698
Computer software	19,524	3,618	(8,988)	14,154
Total accumulated amortisation	**103,970**	**16,017**	**(24,135)**	**95,852**
Impairment:				
Development expenditure	16,620	-	(2,771)	13,849
Total impairment	**16,620**	**-**	**(2,771)**	**13,849**
Intangible assets, net	**59,612**	**3,606**	**(893)**	**62,325**

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**

The additions to "Development expenditure" in 2021 correspond to the costs incurred in the development of new products, notably highly automated signalling systems; hydrogen technologies as an alternative to diesel propulsion; virtual validation environments aimed at reducing costs and completion times for the commissioning of vehicles; the TCMS platform, for which localisation and driving optimisation applications have been developed; and the implementation of critical security functions.

In 2019, the Company began the process of implementing the new ERP, and this project will account for most of the additions to "Computer software" in 2021 and 2020. At 31 December 2021, the Company had investment commitments totalling EUR 31,373 thousand, mainly for the new IT system, which is expected to be implemented in 2023 (EUR 28,991 thousand committed at 31 December 2020).

In 2021 the Company derecognised development projects and recognised a loss of EUR 893 thousand.

In 2020 the assets related to the coupler division were sold, mainly industrial property. The sale price amounted to EUR 15,000 thousand and a gain of EUR 11,663 thousand was credited to "Impairment and gains/(losses) on disposal of non-current assets" in the 2020 statement of profit or loss.

Research and development expenditure incurred in 2021 and recognised in profit or loss amounted to EUR 2,050 thousand (2020: EUR 2,031 thousand).

At 2021 year-end the Company had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 35,483 thousand (31 December 2020: EUR 59,527 thousand).

Impairment losses

In 2021, part of the provision was applied due to the writing off of certain intangible assets for a total amount of EUR 2,771 thousand (no movement in 2020).

The directors have analysed the relevant indicators to assess whether there are any indications of impairment in the Company's intangible assets at 31 December 2021 and believe that there are no indications of impairment beyond those already described in this note.

7. PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2021 and 2020 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2021

	Thousands of Euros				
	31/12/20	Additions or charge for the year	Disposals or reductions	Transfers	31/12/21
Cost:					
Land	13,576	17	-	-	13,593
Buildings	155,668	1,831	-	-	157,499
Plant and machinery	234,454	2,733	(766)	-	236,421
Other fixtures, tools and furniture	16,579	594	-	-	17,173
Other items of property, plant and equipment	26,539	712	(25)	(36)	27,190
Total cost	**446,816**	**5,887**	**(791)**	**(36)**	**451,876**
Accumulated depreciation:					
Buildings	100,615	4,437	-	-	105,052
Plant and machinery	212,322	5,558	(730)	-	217,150
Other fixtures, tools and furniture	12,750	824	-	-	13,574
Other items of property, plant and equipment	22,774	1,141	(25)	114	24,004
Total accumulated depreciation	**348,461**	**11,960**	**(755)**	**114**	**359,780**
Impairment	**1,448**	-	-	-	**1,448**
Property, plant and equipment, net	**96,907**	**(6,073)**	**(36)**	**(150)**	**90,648**

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**

In 2021, the most significant investments were made to modernise and transform the production model, affecting all the manufacturing phases of the railway production plants.

In 2013 the Company revalued its property, plant and equipment pursuant to Gipuzkoa Regulation 1/2013, of 5 February, paying a one-off rate of 5% of the revalued amount. Previously, the Company had availed itself of other legislation relating to revaluations, namely, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 (Note 13-c).

The 2013 revaluation was made applying the rates established in legislation on the acquisition cost, based on the year of acquisition of the property, plant and equipment. In the case of improvements, the year in which they are made was taken into account. Also, the established rates were applied to the depreciation taken for accounting purposes on the acquisition or production cost that was deductible for tax purposes, based on the year in which it was applied. In the case of assets revalued pursuant to Gipuzkoa Regulation 11/1996, the rates were applied to the acquisition price and to the depreciation that was deductible for tax purposes, without taking into account the net increase in value arising from the revaluations.

The Company revalued items recognised such as buildings, plant, machinery and tools. The revaluation of the balance sheet items amounted to EUR 46,170 thousand and the adjustment to the depreciation charge amounted to EUR 19,676 thousand.

The net increase in value arising from the revaluations is depreciated over the tax periods in the remaining useful lives of the assets. The effect of the revaluations on the depreciation charge for the year was EUR 627 thousand (2020: EUR 755 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 2021 and in prior years amounted to approximately EUR 674 thousand and EUR 14,242 thousand, respectively (2020 and prior years: EUR 804 thousand and EUR 13,444 thousand).

At 31 December 2021, the Company recognised EUR 3,145 thousand (31 December 2020: EUR 2,666 thousand) under “Current Payables – Other Financial Liabilities” in relation to non-current asset suppliers.

At 2021 year-end the Company had firm investment commitments amounting to EUR 1,287 thousand in relation mainly to the new fitting-out of certain facilities and equipment (2020 year-end: EUR 1,965 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 2021 and 2020 the property, plant and equipment were fully insured against these risks.

At 31 December 2021, the gross cost of fully depreciated property, plant and equipment still in use amounted to approximately EUR 278,055 thousand (31 December 2020: approximately EUR 269,199 thousand), of which at 31 December 2021 EUR 55,314 thousand related to “Buildings” (2020: EUR 52,493 thousand), EUR 199,150 thousand to “Plant and Machinery” (2020: EUR 194,334 thousand) and EUR 23,591 thousand to “Other Fixtures, Tools and Furniture” and “Other Items of Property, Plant and Equipment” (2020: EUR 22,372 thousand).

In 2021 the Company sold items of property, plant and equipment, giving rise to a gain of EUR 36 thousand (loss of EUR 25 thousand in 2020).

The Company also disposed of items of property, plant and equipment for a net carrying amount of EUR 30 thousand, yielding a gain of EUR 30 thousand (no impact in 2020).

The Company has no future dismantling or restoration commitments and, accordingly, no asset was recognised in this connection.

At 31 December 2021 and 2020, the Company did not have any investments in property, plant and equipment located abroad for significant amounts.

Impairment losses

In 2021, following the evaluation of the indicators to determine the possible existence of impairment of the Company's assets — essentially involving an analysis of the order book and assigning orders to the manufacturing run — as well as the existence of valuations carried out by independent experts, no evidence of impairment was identified beyond that already recognised. The existing impairment was recognised when the Company effectively ceased its steelworks activity at the Beasain plant.

8. FINANCIAL ASSETS (NON-CURRENT AND CURRENT)

a) Non-current financial assets

The detail of "Non-Current Financial Assets" at the end of 2021 and 2020 is as follows (in thousands of euros):

Classes / Categories	Non-current financial assets					
	Equity instruments		Loans, derivatives and other		Total	
	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20
Financial assets at amortised cost	-	-	6,396	4,922	6,396	4,922
Financial assets at fair value with changes in equity	1,278	1,309	-	-	1,278	1,309
Hedging derivatives (Note 15)	-	-	32,983	38,800	32,983	38,800
Total	**1,278**	**1,309**	**39,379**	**43,722**	**40,657**	**45,031**

The breakdown of "Financial assets at amortised cost" is as follows (thousands of euros):

	31/12/21	31/12/20
Deposits and guarantees	135	129
Non-current trade receivables	-	1,149
Loans to employees	3,194	3,644
Long-term grants receivable	3,067	-
Total	**6,396**	**4,922**

Loans to employees

In accordance with the agreements entered into with employees, the Company grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Company does not discount these amounts since it considers that the effect of doing so is scantly material.

Financial assets at fair value with changes in equity

Details of "Financial assets at fair value through equity" are as follows:

	Thousands of Euros			
	31/12/21		31/12/20	
	% of Ownership	Balance	% of Ownership	Balance
Financial assets at fair value with changes in equity -				
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	527	3%	558
Total		**1,278**		**1,309**

The detail, by maturity, of “Non-Current Financial Assets”, excluding equity instruments, is as follows (in thousands of euros):

2021

	2023	2024	2025	2026 and subsequent years	Total
Financial assets at amortised cost	3,853	571	472	1,500	6,396
Hedging derivatives	23,007	6,713	3,065	198	32,983
Total	**26,860**	**7,284**	**3,537**	**1,698**	**39,379**

2020

	2022	2023	2024	2025 and subsequent years	Total
Financial assets at amortised cost	1,964	639	543	1,776	4,922
Hedging derivatives	16,962	14,264	5,237	2,337	38,800
Total	**18,926**	**14,903**	**5,780**	**4,113**	**43,722**

Impairment losses

In 2021 and 2020 the Company did not recognise any changes under “Non-current financial assets – Financial assets at amortised cost” as a result of impairment losses.

b) Current financial assets

The detail of “Current Financial Assets” at the end of 2021 and 2020 is as follows (in thousands of euros):

	31/12/21	31/12/20
Financial assets at fair value through profit or loss	86,077	61,097
Hedging derivatives (Note 15)	45,286	7,098
Total	**131,363**	**68,195**

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 under “Finance costs” and “Finance Income” in the accompanying statement of profit or loss. In 2021, the Company recognised a loss of EUR 8 thousand in this connection (2020: gain of EUR 536 thousand).

9. GROUP COMPANIES AND ASSOCIATES

Details of “Non-current investments in group companies and associates” at 31 December 2021 and 2020 are as follows (in thousands of euros):

	31/12/20	Change	31/12/21
Ownership interests	1,048,656	40,442	1,089,098
Impairment losses on ownership interests	(232,902)	(1,860) (*)	(234,762)
Non-current loans (Note 10)	112,453	(27,694)	84,759
Total	**928,207**	**10,888**	**939,095**

(*) Includes a net amount recognised of EUR 3,692 thousand under “Impairment and gains or losses on disposals of financial instruments” in the accompanying 2021 statement of profit or loss; a net reversal of EUR 1,516 thousand relating to the impact of derivatives concerning net investments in foreign operations; and a reversal of EUR 316 thousand under “Reserves” due to the accounting impact of the capital reduction at a Group company.

	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**

(*) Includes a net amount of EUR 59,927 thousand recognised 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 valuation at year-end of derivatives related to net investments in foreign operations.

The most significant information in relation to investments in Group companies and associates the end of 2021 and 2020 is as follows (in thousands of euros):

2021

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	EBIT	Profit/(loss) – 2021
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	301	-	-	316	9,676	17,409	13,830
CAF Argelia (EURL)	Algiers	Manufacturing and maint.	100%	-	2,171	12	(50)	2,171	(58)	(6)	8
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation and maint.	97.61%	2.39%	4,017	10	(3,762)	2	214	(8)	46
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	521	-	-	530	273	472	308
CAF Brasil Indústria e Comércio, S.A.(2)	São Paulo	Manufacturing and maint.	0.97%	99.03%	2,411	(59)	(1,992)	206,698	(181,435)	(3,979)	(8,627)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	1	-	-	1	502	2,397	1,955
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellin	Manufacturing and maint.	100%	-	456	79	(59)	36	306	426	56
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	313	125	87
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-	5,262	175	(3,862)	1,521	(348)	216	227
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-	160	-	-	24	240	71	46
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	110	-	-	3,917	4,183	179	50
CAF Italia, S.R.L.	Rome	Reparation and maint.	100%	-	5,600	231	(1,438)	100	3,831	641	227
CAF México, S.A. de C.V.(2)	Mexico City	Manufacturing and maint.	99.99%	0.01%	34,786	-	-	34,804	5,599	3,188	1,805
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	698	437	336
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	3,001	932	627
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	118	167	122
CAF Rail Australia Pty Ltd.	Sydney	Building, manufacturing and maintenance	100%	-	74	-	-	74	965	2,139	758
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	-	61	49
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	2,844	2,849	2,250
CAF Sisteme Feroviare, S.R.L.	Bucharest	Manufacturing and maint.	100%	-	-	-	-	-	135	25	13
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04%	3,365	(158)	(2,015)	3,367	(2,746)	551	729
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	2,553 (6)	54,283	10,186	2,195	1,550
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	1,107	(397)	(313)
Ferrocarril Interurbano S.A. de C.V.	Mexico City	Manufacturing and equip.	17.20%	32.43%	902	-	-	5,316	1,468	54	(292)
Metro CAF (Mauritius) Ltd.	Mauritius	Building, manufacturing and maintenance	100%	-	1	-	-	1	1,060	477	521
Tradinsa Industrial, S.L.	Lleida	Reparation and maint.	82.34%	17.66%	3,215	(739)	(1,375)	3,850	(717)	(1,019)	(898)
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	(10)	(72)	63	63	-	-
Trenes de Navarra, S.A.U.	Navarre	Manufacturing	100%	-	22,170	(227)	(15,686)	8,470	(1,759)	(209)	(227)
BWB Holdings Limited (2) (7)	Nottingham	Engineering	100%	-	18,434	1,243	(1,078)	229	13,502	1,925	1,556
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-	5,734	-	-	4,705	6,440	(2,099)	(1,656)
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-	16,294	-	-	6,090	8,642	4,048	1,562
CAF Signalling, S.L.U. (2)	Gipuzkoa	Signalling	100%	-	55,562	(4,021)	(43,918)	14,300	1,710	(4,385)	(4,341)
CAF Turnkey & Engineering, S.L.U. (2)	Bizkaia	Engineering	100%	-	13,720	-	-	5,703	20,565	7,238	5,714
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45%	5,650	-	-	9,650	3,988	1,095	700
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	1,494	967	737

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	EBIT	Profit/(loss) – 2021
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,796	4,928	3,965
Sermanfer, S.A.U.(2)	Madrid	Maintenance	100%	-	301	-	-	301	1,671	799	412
CAF Investment Projects, S.A.U. (2)	Gipuzkoa	Business Promotion	100%	-	227,608	-	-	47,917	156,717	66,997	40,525
CAF Israel Rails Ltd.	Tel Aviv	Building, manufacturing and maintenance	100%	-	-	-	-	-	(21)	1,322	998
CAF Diversified Business Development, S.A.U. (2)	Gipuzkoa	Holding Company	100%	-	185,167	(937)	(83,648) (4)	16,000	61,233	216	(4,373)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	Mexico City	Transportation	28.05%	15.30%	60,925	-	(60,925)	16,301	(78,790)	(62)	(12,437)
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	4,692	2,536	1,929
Consorcio Traza, S.A. (2)(3)	Zaragoza	Holding Company	25%	-	15,709	-	(15,709)	575	(8,918)	5,841	(2,158)
EuroMaint Gruppen AB (2)	Solna	Maintenance	100%	-	50,829	-	-	10	48,608	(8,671)	(8,037)
CAF Group UK Limited (2)	Coventry	Holding Company	100%	-	37,415	1,087	-	37,415	1,456	578	87
Rifer SRL	Milán	Component Maintenance	100%	-	4,713	(378)	(1,726)	20	3,271	(106)	(304)
Solaris Bus & Coach, sp. z.o.o.(2)	Bolechowo	Transportation	72.34%	24.99% (5)	244,679	-	-	37,166	213,027	42,087	24,535
Aerosuburbano S.A.P.I. de C.V.	Mexico City	Transportation	50%	50%	-	-	-	-	-	-	-
LAVI Light Rail O&M Ltd.	Petach Tikva	Operation and maint.	50%	-	-	-	-	-	15,661	258	1,315
Oher investments					1,255	-	-	-	-	-	-
					1,089,098	**(3,692)**	**(234,762)**				

1) After adjustments and unifying entries for consolidation purposes and counting unrealised capital gains at the acquisition date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under “Translation Differences - Reserves” and “Valuation Adjustments – Reserves”.

2) 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 2021 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) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

4) Includes a provision of EUR 3,114 thousand corresponding to the impact of derivatives related to net investments in foreign operations.

5) Through Openaco Trading Co. Limited

6) Includes a balance receivable of EUR 2,553 thousand, relating to the impact of derivatives related to net investments in foreign operations.

7) Considering the options described in Note 14 to the financial statements.

2020

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	EBIT	Profit/(loss) – 2020
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	301	-	-	316	4,127	5,802	4,357
CAF Argelia (EURL)	Algiers	Manufacturing and maint.	100%	-	2,171	(62)	(62)	2,171	74	(121)	(165)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation and maint.	97.61%	2.39%	4,017	(100)	(3,772)	2	225	26	19
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	521	-	-	530	98	268	175
CAF Brasil Indústria e Comércio, S.A.(2)	São Paulo	Manufacturing and maint.	0.97%	99.03%	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%	1	-	-	1	1,815	264	139
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellin	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%	110	-	-	3,917	3,629	199	76
CAF Italia, S.R.L.	Rome	Reparation and maint.	100%	-	5,600	(1,669)	(1,669)	100	3,801	596	30
CAF México, S.A. de C.V.(2)	Mexico City	Manufacturing and maint.	99.94%	0.06%	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.	Bucharest	Manufacturing and maint.	100%	-	-	-	-	-	123	25	13
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04%	3,365	(420)	(1,857)	3,367	(2,070)	(98)	142
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	1,037 (6)	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 City	Manufacturing and equip.	17.20%	32.43%	68	-	-	385	1,116	53	144
Metro CAF (Mauritius) Ltd.	Mauritius	Building, manufacturing and maintenance	100%	-	1	-	-	1	132	780	953
Tradinsa Industrial, S.L.	Lleida	Reparation and maint.	82.34%	17.66%	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.	Navarre	Manufacturing	100%	-	22,170	(2,675)	(15,459)	8,470	916	(2,441)	(2,675)
BWB Holdings Limited (2) (7)	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%	5,650	-	-	9,650	2,356	836	1,632

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	EBIT	Profit/(loss) – 2020
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	1,148	471	346
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
CFIR Light Rail Ltd. (8)	Petach Tikva	Lease services	50%	-	-	-	-	-	-	246	(566)
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) (4)	12,000	56,629	(1,631)	(1,092)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	Mexico City	Transportation	28.05%	15.30%	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)(3)	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% (5)	244,679	-	-	37,166	194,034	41,076	21,630
Oher investments					1,255	-	-				
					1,048,656	**(59,927)**	**(232,902)**				

1) After adjustments and unifying entries for consolidation purposes and counting unrealised capital gains at the acquisition date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under “Translation Differences - Reserves” and “Valuation Adjustments – Reserves”.

2) 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) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

4) Includes a provision of EUR 3,114 thousand corresponding to the impact of derivatives related to net investments in foreign operations.

5) Through Openaco Trading Co. Limited

6) Includes a balance receivable of EUR 1,037 thousand, relating to the impact of derivatives related to net investments in foreign operations.

7) Considering the options described in Note 14 to the financial statements.

(8) Formerly known as TransJerusalem J-Net Ltd.

Head of a group of companies

The composition of the Group's parent companies is as follows:

2021

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
CAF Brasil Indústria e Comércio, S.A. -				
Ctrens - Companhia de Manutençao, S.A.	1%	-	São Paulo	Lease services
CAF México, S.A. de C.V. -				
Provetren, S.A. de C.V.	2%	-	Mexico City	Lease services
Ferrocarril Interurbano S.A. de C.V.	15.93%	-	Mexico City	Manufacturing and equipment
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	0.1%	-	Mexico City	Building and Maintenance
Regiotren, S.A. de C.V.	97.02%	-	Mexico City	Lease services
BWB Holdings Limited -				
Quincey Mason Practice, Ltd.	100%	-	Nottingham	Engineering
BWB Consulting, Ltd.	100%	-	Nottingham	Engineering
EDCM Building Services Consulting Engineers Ltd.	-	100%	Nottingham	Engineering
ZW01 Ltd	-	100%	Nottingham	Holding Company
- The BWB Partnership Ltd.	-	100%	Nottingham	Engineering
- The BWB Partnership (Traffic & Transp) Ltd	-	100%	Nottingham	Engineering
- Regenisis Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration, Ltd.	100%	-	Nottingham	Engineering
Deetu Consulting Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration Trustee Ltd.	-	100%	Nottingham	Holding Company
CAF Signalling, S.L.U.-				
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	-	Istanbul	Signalling
Ferrocarril Interurbano S.A. de C.V.	3.65%	-	Mexico City	Manufacturing and equipment
CAF Signalling Uruguay, S.A.	100%	-	Montevideo	Signalling
CAF Turnkey & Engineering, S.L.U. -				
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	99.90%	-	Mexico City	Building and Maintenance
Ferrocarril Interurbano S.A. de C.V.	-	12.84%	Mexico City	Manufacturing and equipment
Arabia One for Clean Energy Investments, PSC.	40%	-	Ma'an	Power generation
Sermanfer, S.A.U. -				
Corporación Sefemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Sermantren, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	17.66%	-	Lleida	Repairs and maintenance
CAF Investment Projects, S.A.U. -				
Plan Metro, S.A.	40%	-	Gipuzkoa	Lease services
Ctrens - Companhia de Manutençao, S.A.	98%	-	São Paulo	Lease services
Provetren, S.A. de C.V.	98%	-	Mexico City	Lease services
Momentum Trains Holding Pty Ltd.	25.5%	-	Sydney	Lease services
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	15.30%	-	Mexico City	Transport services
Regiotren, S.A. de C.V.	1.98%	-	Mexico City	Lease services
Aerosuburbano S.A.P.I. de C.V.	50%	-	Mexico City	Transport services
CAF Investment Projects, Costa Rica, SRL	100%	-	Costa Rica	Lease services
CFIR Light Rail Ltd.	50%	-	Petach Tikva	Lease services
CAF Diversified Business Development, S.A.U. -				
CAF Brasil Indústria e Comércio, S.A.	99.03%	-	São Paulo	Manufacturing and maintenance
CAF France, SAS	100%	-	Paris	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	41.45%	-	Gipuzkoa	Tests
Lander Simulation and Training Solutions, S.A.	76.13%	-	Gipuzkoa	Simulators
CAF India Private Limited	96.89%	-	Delhi	Manufacturing and maintenance
CAF Taiwan Ltd.	100%	-	Kaohsiung	Manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L.	100%	-	Navarre	Aeronautical solutions
Orbital Aerospace GmbH	-	100%	Munchen	Engineering
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	2.39%	-	Buenos Aires	Repairs and maintenance
CAF Chile, S.A.	1%	-	Santiago de Chile	Manufacturing and maintenance
CAF México, S.A. de C.V.	0.01%	-	Mexico City	Manufacturing and maintenance
Corporación Sefemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	0.04%	-	Istanbul	Manufacturing and maintenance
Sermantren, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAF Arabia Company	5%	-	Riyadh	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	1.7%	-	Brussels	Manufacturing and maintenance
CAF Rail Digital Services, S.L.U.	100%	-	Gipuzkoa	Maintenance
CAF Engineered Modernizations, S.L.U.	100%	-	Gipuzkoa	Engineering
Sermanbra - Serviços de Manutençao Brasil Ltda.	0.01%	-	São Paulo	Maintenance
Consorcio Traza, S.A. -				
S.E.M. Los Tranvías de Zaragoza, S.A.	80%	-	Zaragoza	Design, manufacture and provision of railway services

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
EuroMaint Gruppen AB -				
EuroMaint Rail AB	100%	-	Solna	Maintenance
EuroMaint Rail AS	-	100%	Solna	Maintenance
EuroMaint Bemanning AB	-	100%	Solna	Maintenance
EuroMaint Components and Materials AB	-	100%	Solna	Maintenance
CAF Group UK Limited -				
CAF Rolling Stock UK Limited	100%	-	Newport	Manufacturing
Solaris Bus & Coach, sp. z.o.o.-				
Solaris Austria GmbH	100%	-	Vienna	Solutions for urban transport
Solaris Bus Iberica, S.L.U.	100%	-	Navarre	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	100%	-	Riga	Solutions for urban transport
Solaris Czech spol. S.R.O.	100%	-	Ostrava	Solutions for urban transport
Solaris Danmark Bus A/S	100%	-	Padborg	Solutions for urban transport
Solaris Deutschland GmbH	100%	-	Berlin	Solutions for urban transport
Solaris France S.A.R.L.	100%	-	Ennery	Solutions for urban transport
Solaris Hellas, S.A.	70%	-	Athens	Solutions for urban transport
Solaris Italia S.R.L.	100%	-	Rome	Solutions for urban transport
Solaris Norge AS	100%	-	Oslo	Solutions for urban transport
Solaris Schweiz GmbH	100%	-	Hausen	Solutions for urban transport
Solaris Slovakia S.R.O.	100%	-	Kosice	Solutions for urban transport
Solaris Sverige AB	100%	-	Malmö	Solutions for urban transport
Solaris Netherlands, B.V.	100%	-	Riethoven	Solutions for urban transport
Solaris Belgium, S.R.L.	100%	-	Villers-le-Bouillet	Solutions for urban transport
UAB Solaris Bus & Coach LT	100%	-	Kaunas	Solutions for urban transport
JBM Solaris Electric Vehicles Private Limited	20%	-	Ballabhgarh, India	Solutions for urban transport

2020

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
CAF Brasil Indústria e Comércio, S.A. -				
Ctrens - Companhia de Manutençao, S.A.	1%	-	São Paulo	Lease services
CAF México, S.A. de C.V. -				
Provetren, S.A. de C.V.	2%	-	Mexico City	Lease services
Ferrocarril Interurbano S.A. de C.V.	15.93%	-	Mexico City	Manufacturing and equipment
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	0.1%	-	Mexico City	Building and Maintenance
Regiotren, S.A. de C.V.	97.02%	-	Mexico City	Lease services
BWB Holdings Limited -				
Quincey Mason Practice, Ltd.	100%	-	Nottingham	Engineering
BWB Consulting, Ltd.	100%	-	Nottingham	Engineering
EDCM Building Services Consulting Engineers Ltd.	-	100%	Nottingham	Engineering
ZW01 Ltd	-	100%	Nottingham	Holding Company
- The BWB Partnership Ltd.	-	100%	Nottingham	Engineering
- The BWB Partnership (Traffic & Transp) Ltd	-	100%	Nottingham	Engineering
- Regenisis Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration, Ltd.	100%	-	Nottingham	Engineering
Deetu Consulting Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration Trustee Ltd.	-	100%	Nottingham	Holding Company
CAF Signalling, S.L.U.-				
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	-	Istanbul	Signalling
Ferrocarril Interurbano S.A. de C.V.	3.65%	-	Mexico City	Manufacturing and equipment
CAF Signalling Uruguay, S.A.	100%	-	Montevideo	Signalling
CAF Turnkey & Engineering, S.L.U. -				
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	99.90%	-	Mexico City	Building and Maintenance
Ferrocarril Interurbano S.A. de C.V.	-	12.84%	Mexico City	Manufacturing and equipment
Arabia One for Clean Energy Investments, PSC.	40%	-	Ma'an	Power generation
Sermanfer, S.A.U. -				
Corporación Sefemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Sermantren, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	17.66%	-	Lleida	Repairs and maintenance
CAF Investment Projects, S.A.U. -				
Plan Metro, S.A.	40%	-	Gipuzkoa	Lease services
Ctrens - Companhia de Manutençao, S.A.	98%	-	São Paulo	Lease services
Provetren, S.A. de C.V.	98%	-	Mexico City	Lease services
Momentum Trains Holding Pty Ltd.	25.5%	-	Sydney	Lease services
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	15.30%	-	Mexico City	Transport services
Regiotren, S.A. de C.V.	1.98%	-	Mexico City	Lease services
CAF IP Colombia, S.A.S.	100%	-	Bogotá	Lease services
CAF Diversified Business Development, S.A.U. -				

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
CAF Brasil Indústria e Comércio, S.A.	99.03%	-	São Paulo	Manufacturing and maintenance
CAF France, SAS	100%	-	Paris	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	41.45%	-	Gipuzkoa	Tests
Lander Simulation and Training Solutions, S.A.	76.13%	-	Gipuzkoa	Simulators
CAF India Private Limited	96.89%	-	Delhi	Manufacturing and maintenance
CAF Taiwan Ltd.	100%	-	Kaohsiung	Manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L.	30%	-	Navarre	Aeronautical solutions
Orbital Aerospace GmbH	-	30%	Munchen	Engineering
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	2.39%	-	Buenos Aires	Repairs and maintenance
CAF Chile, S.A.	1%	-	Santiago de Chile	Manufacturing and maintenance
CAF México, S.A. de C.V.	0.06%	-	Mexico City	Manufacturing and maintenance
Corporación Sefemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	0.04%	-	Istanbul	Manufacturing and maintenance
Sermantren, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAF Arabia Company	5%	-	Riyadh	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	1.7%	-	Brussels	Manufacturing and maintenance
CAF Rail Digital Services, S.L.U.	100%	-	Gipuzkoa	Maintenance
CAF Engineered Modernizations, S.L.U.	100%	-	Gipuzkoa	Engineering
Sermanbra - Serviços de Manutençao Brasil Ltda.	0.01%	-	São Paulo	Maintenance
Consorcio Traza, S.A. -				
S.E.M. Los Tranvías de Zaragoza, S.A.	80%	-	Zaragoza	Design, manufacture and provision of railway services
EuroMaint Gruppen AB -				
EuroMaint Rail AB	100%	-	Solna	Maintenance
EuroMaint Rail AS	-	100%	Solna	Maintenance
EuroMaint Bemanning AB	-	100%	Solna	Maintenance
EuroMaint Components and Materials AB	-	100%	Solna	Maintenance
CAF Group UK Limited -				
CAF Rolling Stock UK Limited	100%	-	Newport	Manufacturing
Solaris Bus & Coach, sp. z.o.o.-				
Solaris Austria GmbH	100%	-	Vienna	Solutions for urban transport
Solaris Bus Iberica, S.L.U.	100%	-	Navarre	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	100%	-	Riga	Solutions for urban transport
Solaris Bus & Coach Romania S.R.L.	100%	-	Bucharest	Solutions for urban transport
Solaris Czech spol. S.R.O.	100%	-	Ostrava	Solutions for urban transport
Solaris Danmark Bus A/S	100%	-	Padborg	Solutions for urban transport
Solaris Deutschland GmbH	100%	-	Berlin	Solutions for urban transport
Solaris France S.A.R.L.	100%	-	Ennery	Solutions for urban transport
Solaris Hellas, S.A.	70%	-	Athens	Solutions for urban transport
Solaris Italia S.R.L.	100%	-	Rome	Solutions for urban transport
Solaris Norge AS	100%	-	Oslo	Solutions for urban transport
Solaris Slovakia S.R.O.	100%	-	Kosice	Solutions for urban transport
Solaris Sverige AB	100%	-	Malmö	Solutions for urban transport
UAB Solaris Bus & Coach LT	100%	-	Kaunas	Solutions for urban transport
JBM Solaris Electric Vehicles Private Limited	20%	-	Ballabhgarh, India	Solutions for urban transport

2021

In 2021, the company Aerosuburbanos S.A.P.I. de C.V. was incorporated, 50% owned by the Company and 50% by CAF Investment Projects, S.A.U.

Also in 2021, the Company increased capital in the companies CAF Signalling, S.L.U. and CAF Diversified Business Development, S.A.U. by EUR 6,000 thousand and EUR 8,730 thousand, respectively. In addition, a capital increase was carried out through the capitalisation of a loan at CAF México, S.A. de C.V. for a total of EUR 28,031 thousand, which the Company had granted to that company.

Also in 2021, the companies J-NET O&M Ltd and TransJerusalem J-Net Ltd changed their names to LAVI Light Rail O&M Ltd and CFIR Light Rail Ltd, respectively. The shareholder of CFIR Light Rail Ltd was also changed, such that the 50% stake held by the Company is now held by CAF Investment Projects, S.A.U.

In addition, a total of EUR 4,021 thousand in impairment was recognised at the investee CAF Signalling, S.L.U. due to accumulated losses for the year.

CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 3,000 thousand, of which EUR 2,798 thousand was credited to the ownership interest and EUR 202 thousand was credited to “Finance Income” in the accompanying statement of profit or loss (Note 10).

In November 2021, the Company reached an agreement with Alstom for the future acquisition of the Reichshoffen plant in the Alsace region and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. The enterprise value of the acquired perimeter is estimated at around EUR 75 million and will be financed mainly through CAF debt.

The final price will be finalised, after adjustments, upon completion of the transaction, which is expected to take place between April and September 2022.

2020

In 2020, investee company CAF Investment Projects, S.A.U. carried out a cross-purchase transaction and now owns 100% of the shares of Nuevas Estrategias de Mantenimiento, S.L. Following this operation, NEM was extinguished upon merging with CAF Rail Digital Services, S.L.U. This corporate operation led to a reduction of EUR 2,231 thousand euros in the cost of the stake in CAF Investment Projects, S.A.U. and an increase in the cost of the stake in CAF Diversified Business Development, S.A.U. by the same amount.

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.

The Company also holds a 50% stake in CFIR Light Rail Ltd. (formerly known as TransJerusalem J-Net Ltd.), incorporated in 2020, and there is a commitment to make a future contribution in 2027, either as a capital contribution or as a subordinated loan, for approximately EUR 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). Lastly, the Company also holds a 50% stake in Light TLV NTA Ltd., incorporated in 2020. No capital contributions have been made to these companies.

Meanwhile, after conducting the appropriate recoverability analysis in 2020, impairment of EUR 21,340 thousand was recognised at investee company CAF Diversified Business Development, S.A.U., mainly as a result of fluctuations in the Brazilian real exchange rate and its negative impact on the investee's equity, as it holds a 99.03% ownership interest in CAF Brasil Indústria e Comércio, S.A. (EUR 30,901 thousand was recognised in 2019 following the administrative decision reached by the Brazilian Administrative Council for Economic Defence (CADE) ordering subsidiary company CAF Brasil Indústria e Comércio, S.A. to pay a fine (Note 22).

Meanwhile, 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.

In 2020, the company CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 5,000 thousand, of which EUR 2,269 thousand was credited to the ownership interest and EUR 2,731 thousand was credited to "Finance Income" in the accompanying statement of profit or loss (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 2021 and 2020 is as follows:

2021

Company	Thousands of Euros (*)				
	Finance income	Services provided or sales recognised	Services received or purchases recognised	Dividends received	Finance costs
CAF USA, Inc.	2	14,523	10,667	-	30
CAF México, S.A. de C.V.	1,516	24,241	71,966	-	-
CAF Brasil Indústria e Comércio, S.A.	-	291	28	-	-
CAF Rail UK Limited	-	7,014	9,453	1,232	-
CAF Italia, S.R.L.	212	609	15,838	-	-
CAF Chile, S.A.	-	940	-	1,042	-
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	1,977	898	-	-
CAF Argelia (EURL)	-	20	22	-	-
CAF India Private Limited	-	-	1,181	-	-
Trenes de Navarra, S.A.U.	141	-	4,342	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	67	4,563	-	-
CAF Digital & Design Solutions, S.A.U.	-	1,639	6,758	-	-
Tradinsa Industrial, S.L.	111	191	5,489	-	-
CAF Rail Australia, Pty Ltd	928	37,778	9,520	-	-
CAF Arabia Company	-	8,093	364	-	-
CAF New Zealand Limited	9	8,780	436	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	2,276	9,893	-	-
CAF Sisteme Feroviare, S.R.L.	5	-	351	-	-
CAF Deutschland GmbH	-	38	2,097	-	-
CAF Taiwan Ltd.	-	(822)	-	-	-
CAF Hungary Kft	8	5	1,819	-	-
CAF France, SAS	376	33	2,935	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	1	-	-
CAF Netherlands B.V.	-	-	8,207	-	-
CAF Rolling Stock UK Limited	-	14,737	84,093	-	-
Metro CAF (Mauritius) Ltd.	-	490	67	-	-
CAF Belgium, S.P.R.L.	53	-	2,277	-	-
CAF Norway AS	-	-	2,135	-	-
CAF Israel Rails Ltd.	40	-	22,231	-	-
CAF I+D, S.L.U.	-	3,892	5,539	-	-
CAF Power & Automation, S.L.U. (**)	-	187	75,823	202	-
CAF Turnkey & Engineering, S.L.U.	-	9	14,636	-	-
Centro de Ensayos y Análisis Cetest, S.L.	-	310	3,491	-	-
Lander Simulation and Training Solutions, S.A.	-	-	3,753	-	-
Geminys, S.L.	-	-	3,495	-	-
CAF Signalling, S.L.U.	6	10	24,533	-	-
BWB Holdings Limited	-	-	62	-	-
Solaris Bus & Coach, sp. zoo	-	551	9	-	-
Actren Mantenimiento Ferroviario, S.A.	-	8,701	1,458	-	-
Sermanfer, S.A.U.	-	-	5,699	-	-
CAF Investment Projects, S.A.U.	1,546	14	(58)	51,450	-
Rail Line Components, S.L.U.	-	2,033	4,185	1,500	-
Plan Metro, S.A.	-	13,472	-	-	-
Ctrens - Companhia de Manutençao, S.A.	-	1,575	-	261	-
CAF Group UK Limited	-	-	-	-	9
CAF Diversified Business Development, S.A.U.	24	-	-	-	-
Rifer SRL	-	-	83	-	-
EuroMaint Gruppen AB	657	-	-	-	-
EuroMaint Rail AB	-	146	1,559	-	-
EuroMaint Components & Materials AB	-	103	22	-	-
EuroMaint Rail AS	-	-	35	-	-
CAF Track Test Center, S.L.U.	349	-	2,956	-	-
CAF Engineered Modernizations, S.L.U.	-	-	2,872	-	-
Momentum Trains Holdings Pty Ltd.	-	73,385	-	-	-
CAF Rail Digital Services, S.L.U.	-	-	4,210	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	119	331	-	-	20
CAF Rail Luxembourg, S.À.R.L.	-	-	721	-	-
CFIR Light Rail Ltd	-	67,801	-	-	-
Orbital Sistemas Aeroespaciales, S.L.	-	-	43	-	-
LAVI Light O&M Ltd.	40	-	-	-	-
Total	**6,142**	**295,440**	**432,757**	**55,687**	**59**

(*) These transactions are carried out on an arm's length basis.

(**) Dividends received amounted to EUR 3,000 thousand, of which EUR 2,798 thousand was credited to “Non-current investments in Group companies and associates” (Note 9).

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	-	-
CFIR Light Rail 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 & Materials AB	-	126	42	-	-
EuroMaint Rail AS	-	-	133	-	-
CAF Track Test Center, S.L.U.	537	-	4,076	-	-
Openaco Trading Co. Ltd.	2	-	-	-	-
CAF Engineered Modernizations, S.L.U.	-	-	1,908	-	-
Momentum Trains Holdings Pty Ltd.	-	101,424	-	-	-
CAF Rail Digital Services, S.L.U.	-	-	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.

(**) Dividends received amounted to EUR 5,000 thousand, of which EUR 2,269 thousand was credited to "Non-current investments in Group companies and associates" (Note 9).

(***) Formerly known as TransJerusalem J-Net Ltd.

As a result of these transactions, of those performed in previous years, the measure of progress of the projects arranged, of the loans granted, of the taxes payable under the consolidated tax regime (Note 16) and of the advances granted, the Company's balances with Group companies, associates and related parties at 31 December 2021 and 2020 were as follows:

2021

	Thousands of Euros						
	Non-current loans (Note 9)	Current investments in group companies and associates (Note 16)	Receivable from group companies and associates (Note 12)	Measure of progress, net of billings (*) (Note 12)	Advances to suppliers (Note 11)	Suppliers, group companies and associates	Current and non-current payables to group companies and associates (Note 16)
CAF USA, Inc.	-	-	5,628	8,888	-	859	26,082
CAF México, S.A. de C.V.	-	-	11,947	(6,009)	-	7,622	-
CAF Brasil Indústria e Comércio, S.A.	-	8	1	45	-	31	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	173	-	-	91	-
CAF Rail UK Limited	-	1,349	2,243	3,513	-	4,382	-
CAF Italia, S.R.L.	-	4,101	-	273	-	2,627	-
CAF Chile, S.A.	-	-	731	233	-	-	4,500
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	-	1,382	(1,784)	-	76	-
CAF Argelia (EURL)	-	-	14	-	-	553	-
Trenes CAF Venezuela C.A.	-	-	-	-	-	(10)	-
CAF India Private Limited	-	-	51	-	-	258	-
Trenes de Navarra, S.A.U.	3,322	14	-	-	-	654	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	-	-	247	527	716
CAF Digital & Design Solutions, S.A.U.	-	1	1	4,335	-	1,364	564
Tradinsa Industrial, S.L.	-	206	703	-	930	270	-
CAF Rail Australia Pty Ltd	-	26,348	9,062	29,181	-	1,527	-
CAF New Zealand Limited	-	12	1,948	61	-	52	-
CAF Arabia Company	-	-	10,291	1,485	-	359	-
CAF Sisteme Feroviare, S.R.L.	-	108	-	-	-	50	-
CAF Deutschland, GmbH	-	9	-	-	-	543	-
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	4,273	(1,164)	3,217	2,222	-
CAF Taiwan Ltd	-	-	-	(822)	-	4	-
CAF France, SAS	-	15,120	-	2,361	29,000	332	-
CAF Hungary Kft	-	202	13	-	-	315	-
CAF Netherlands B.V.	-	38	3	-	-	1,734	466
CAF Belgium, S.P.R.L.	-	3,633	-	-	-	306	-
Metro CAF (Mauritius) Ltd.	-	-	481	-	-	77	1,800
CAF Norway AS	-	21	-	-	-	746	-
Momentum Trains Holding Pty Ltd.	-	-	-	74,131	-	-	-
CAF Israel Rails Ltd.	-	2,680	-	-	-	10,909	-
CAF Rail Luxembourg, S.À.R.L.	-	-	-	-	-	168	38
CAF Rolling Stock UK Limited	-	27	1,784	-	-	10,517	-
CAF I+D, S.L.U.	-	-	636	-	-	936	10,550
CAF Power & Automation, S.L.U.	-	1,788	72	-	19,742	23,210	19,277
CAF Turnkey & Engineering, S.L.U.	-	3,307	-	-	-	2,512	489
CAF Rail Digital Services, S.L.U.	-	398	3	-	(90)	902	1,304
Centro de Ensayos y Análisis Cetest, S.L.	-	488	137	-	(8)	1,434	9,105
Lander Simulation and Training Solutions, S.A.	-	517	-	-	735	728	5,059
Geminys, S.L.	-	439	-	-	-	1,152	3,438
CAF Signalling, S.L.U.	3,968	6	54	-	740	11,243	18,126
Solaris Bus & Coach sp. zoo	-	-	304	-	-	2	-
Actren Mantenimiento Ferroviario, S.A.	-	-	3,825	753	-	990	-
CAF Investment Projects, S.A.U.	27,714	40,271	9	-	-	-	3,558
Rail Line Components, S.L.U.	-	617	558	244	44	1,192	2,851
Plan Metro, S.A.	-	-	-	1,415	-	-	-
Ctrens - Companhia de Manutençao, S.A.	-	46	273	-	-	-	-
CAF Group UK Limited	-	-	-	-	-	4	17,851
CAF Diversified Business Development, S.A.U.	-	20	-	-	-	-	1,319
Rifer SRL	-	-	-	-	-	16	799
EuroMaint Gruppen AB	49,755	182	-	-	-	-	-
EuroMaint Rail AB	-	-	57	662	-	901	-
EuroMaint Components & Materials AB	-	-	103	-	-	-	-
CAF Track Test Center, S.L.U.	-	4,520	-	-	-	443	-
CAF Engineered Modernizations, S.L.U.	-	201	-	-	-	643	355
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	4,446	-	330	-	85	-
Sermanfer, S.A.U.	-	-	-	-	-	607	573
CFIR Light Rail Ltd	-	322	815	(111,734)	-	-	-
LAVI Light Rail O&M Ltd.	-	1,889	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.	-	-	-	-	-	26	-
Total	**84,759**	**113,334**	**57,575**	**6,397**	**54,557**	**96,191**	**128,820**

(*) Measure of progress net of billings at 31 December 2021 includes EUR 143,451 thousand in deferred billings (assets) (Note 12) and EUR 137,054 thousand in prebillings (liabilities).

2020

	Thousands of Euros						
	Non-current loans (Note 9)	Current investments in group companies and associates (Note 16)	Receivable from group companies and associates (Note 12)	Measure of progress, net of billings (*) (Note 12)	Advances to suppliers (Note 11)	Suppliers, group companies and associates	Current and non-current payables to group companies and associates (Note 16)
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	-
CFIR Light Rail 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 Investment 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**	**99,073**	**92,342**

(*) Measure of progress net of billings at 31 December 2020 includes EUR 98,580 thousand in deferred billings (assets) (Note 12) and EUR 77,561 thousand in prebillings (liabilities).

(**) Formerly known as TransJerusalem J-Net Ltd.

The heading "Non-current investments in group companies and associates — Non-current loans" includes a loan granted to CAF Investment Projects, S.A.U., capped at EUR 500,000 thousand. The non-current principal of the loan (excluding uncollected accrued interest) drawn down at 31 December 2021 amounted to EUR 27,714 thousand (31 December 2020: EUR 72,954 thousand drawn down) for the purpose of financing or strengthening Group companies or acquiring new companies. This loan bears interest at market rates and matures in 2024. A further loan was granted to the Group company Euromaint Gruppen AB, with a limit of SEK 510,000 thousand (SEK 375,000 thousand at year-end 2020), maturing in 2023 and bearing interest at a fixed market rate. This loan amounts to EUR 49,755 thousand at 31 of December 2021 (EUR 35,966 thousand at 31 December 2020).

Lastly, in 2019 an agreement was entered into with CAF Signalling, S.L.U. for the grant of subsidised borrowings for development projects that are being performed by the Company (Note 6). As a result of the financing received at Group level linked to these projects, a non-current receivable of EUR 3,968 thousand was recognised at 31 December 2021 (31 December 2020: current payables of EUR 7,179 thousand), along with a non-current payable of EUR 7,128 thousand with this subsidiary, corresponding to the repayable debt obtained by CAF Signalling, S.L.U. under the aforementioned projects (31 December 2020: payable of EUR 7,128 thousand).

The other loans granted to and received from Group companies are governed by agreements that bear interest at market rates.

At 31 December 2021, the Company had recognised EUR 10,436 thousand and EUR 6,648 thousand under “Current investments in Group companies and associates” and “Current payables to Group companies and associates”, respectively, in relation to various companies belonging to the Tax Group for estimated corporate income tax and VAT settlements (31 December 2020: EUR 9,636 thousand receivable and EUR 2,881 thousand payable).

The accounts receivable and payable (basically trade receivables and payables) do not bear interest.

Joint Ventures

The following tables show the Company's interests in joint ventures, by type, at 31 December 2021 and 2020:

2021

Name	Ownership interest	Jointly controlled assets (Thousands of Euros)	Jointly controlled liabilities (Thousands of Euros)
UTE CSM	61.79%	2,957	2,951
UTE Valencia	39.35%	325	319

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

Balances and transactions with shareholders

At 31 December 2021, the Company had the following financial transactions outstanding with shareholders holding 10% or more of voting rights:

		Thousands of Euros	
Shareholder	Type of transaction	Amount of transaction	Balance drawn at 31/12/21
Kutxabank, S.A.	Bank loans	40,000	38,000
Kutxabank, S.A.	Credit accounts	35,000	-
Kutxabank, S.A.	Bank guarantees	130,000	91,765

Also in 2021, the Company entered into non-recourse factoring arrangements with Kutxabank, S.A. and other subsidiaries of Bilbao Bizkaia Kutxa Fundación Bancaria amounting to EUR 34,411 thousand, and arranged professional services totalling EUR 22 thousand.

11. INVENTORIES AND CONSTRUCTION CONTRACTS

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

	Thousands of Euros	
	31/12/21	31/12/20
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 19-b)	25,444	7,293
Advance payments from suppliers (Note 10)	99,398	80,920
Total	**124,842**	**88,213**

At 31 December 2021 and 2020, the Company had firm raw material purchase commitments amounting to approximately EUR 406,190 thousand and approximately EUR 505,140 thousand, respectively.

The Company takes out insurance policies to adequately insure its inventories. At 31 December 2021 and 2020, the insurance policies taken out covered the carrying amount of the inventories at those dates.

Construction contracts

Details of deferred and prepaid billings at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	31/12/21	31/12/20
Deferred billings (asset) (Notes 3-g & 12)	784,216	706,595
Prepaid billings (liability) (Notes 3-g and 16)	(660,664)	(689,768)
Net balance	**123,552**	**16,827**

The aggregate change in deferred billings and advance billings in 2021 and 2020 is as follows:

	Thousands of Euros
Balance at 31/12/19	**(25,645)**
Changes in measure of progress	1,255,273
Billings	(1,219,923)
Penalties applied	25,386
Reclassifications and other	(18,264)
Balance at 31/12/20	**16,827**
Initial adjustment (PGC Valuation Rule 14)	(93,292)
Changes in measure of progress	1,347,984
Billings	(1,175,996)
Penalties applied	32,320
Reclassifications and other	(4,291)
Balance at 31/12/21	**123,552**

12. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

At 31 December 2021 and 2020, the detail of "Trade and Other Receivables" was as follows:

	Thousands of Euros	
	31/12/21	31/12/20
Trade receivables for sales and services (Note 11)	865,696	935,343
Trade receivables from Group companies and associates (Notes 10 & 11)	201,026	140,097
Total	**1,066,722**	**1,075,440**

Categories / Classes	Thousands of Euros			
	Trade receivables from Group companies and associates		Trade receivables for sales and services	
	31/12/21	31/12/20	31/12/21	31/12/20
Trade receivables - in euros	37,655	37,845	552,447	670,093
Trade receivables - in foreign currency	163,371	102,252	313,249	265,250
Total	**201,026**	**140,097**	**865,696**	**935,343**

These accounts receivable include the deferred billing indicated in Note 11 amounting to EUR 784,216 thousand (2020: EUR 706,595 thousand). Deferred billings under "Trade receivables from Group companies and associates" amounts to EUR 143,451 thousand (2020: EUR 98,580 thousand) (Note 10).

At 31 December 2021 and 2020, the Company had a debtor position (net of client liabilities, mainly in relation to the provision indicated in Note 17) of EUR 28,838 thousand (31 December 2020: EUR 58,601 thousand) in relation to the contract signed in prior years with Metro de Caracas, which is past due and corresponds to work already performed and invoiced to the customer and which is expected to be recovered through the insurance policy in force.

On 1 June 2021, the UTE CSM joint venture requested payment of the full maximum indemnifiable amount, given that on that date all the objective conditions for reporting a claim under the aforementioned insurance policy had been met. The credit insurance policy states that the term of payment of the requested indemnity is six months from the time the insurer receives the documentation that it requires in relation to the claim following the established procedures. The insurance company is now finalising its review of all the required documentation, which the joint venture has already delivered. At the date of authorisation for issue of these financial statements, the joint venture had collected EUR 29.8 million, equivalent to 50% of the indemnity, with the estimated collection period for the remaining amount being less than one year and recognised under "Trade receivables for sales and services" in the accompanying balance sheet.

At 31 December 2021, 51.50% of the billed receivables related to the top five customers (31 December 2020: 50.88%). "Trade receivables for sales and services" includes retentions at 31 December 2021 amounting to EUR 7,602 thousand (31 December 2020: EUR 4,051 thousand).

The amount of the net past-due balances receivable from third parties at 31 December 2021 and 2020, additional to the past-due balances receivable from Metro de Caracas is as follows:

	Thousands of Euros	
	31/12/21	31/12/20
Past due > 90 days	32,315	3,948
Past due > 180 days	97,911	85,863
Total	**130,226**	**89,811**

Of this balance, 69.48% is concentrated in three countries and four contracts in which the Company is actively pursuing recovery action, although no unprovisioned losses are expected.

At 31 December 2021, the Company had recognised a total of EUR 42,234 thousand (31 December 2020: EUR 39,764 thousand) corresponding to billed and unbilled balances receivable under contracts already performed that had yet to be collected after securing arbitration awards favourable to the Company and with subsequent favourable judgments.

At 31 December 2021, the Company had recognised an amount of EUR 42,182 thousand (same amount at year-end 2020) relating to billed and unbilled balances pending collection in respect of a dispute with a customer for a project in which there are cross claims for delays in meeting the contractual milestones signed by the consortium to which CAF belongs. As the litigation is ongoing, it is difficult to assess its potential impact, although the Company's directors consider that the likelihood of this situation generating losses is low as some of the delays categorically cannot be attributed to the consortium. Moreover, the damages suffered by the customer are lower than the amounts being claimed, and there are also claims for cost overruns incurred by the consortium that are attributable to the customer. At the date of authorisation for issue of these financial statements, two expert reports analysing the alleged delays have been issued as part of the legal proceedings and the proceedings are now awaiting a decision by the court.

On the basis of a case-by-case analysis of past-due balances, the Company considered that at 31 December 2021 there were balances that posed a collection risk totalling EUR 1,885 thousand (31 December 2020: EUR 1,489 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 allowance of EUR 396 thousand under “Other operating expenses” in the accompanying statement of profit or loss (2020: allowance of EUR 461 thousand; Note 19-e).

b) Other receivables

The breakdown of the heading "Other receivables" was as follows at 31 December 2021 and 2020:

	Thousands of Euros	
	31/12/21	31/12/20
Sundry accounts receivable (Note 14)	1,399	2,389
Employee receivables	2,149	2,433
Other taxes receivable	23,521	21,529
Total	**27,069**	**26,351**

Other taxes receivable

At 31 December 2021, the Company had EUR 23,424 thousand and EUR 97 thousand in value added tax receivable and grants, respectively (31 December 2020: EUR 21,337 thousand and EUR 192 thousand, respectively).

13. EQUITY AND SHAREHOLDERS' EQUITY

a) Subscribed capital

At 31 December 2021 and 2020, the Company's share capital was represented by 34,280,750 fully subscribed and paid shares, each with a par value of EUR 0.301, all represented in book-entry form and all listed on the stock exchange.

At 31 December 2021 and 2020, the following companies or entities had notified the Spanish National Securities Market Commission (CNMV) that they held voting rights of more than 3% of the Company's share capital:

	% 2021	% 2020
Cartera Social, S.A. (i)	24.20%	24.56%
Kutxabank, S.A. (ii)	14.06%	14.06%
Indumenta Pueri S.L.(iii)	5.02%	5.02%
Daniel Bravo Andreu (iv)	5.00%	5.00%
Norges Bank	-	3.26%
Santander Asset Management, S.A. S.G.I.I.C. (v)	3.07%	-

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 Andreu holds indirect ownership interest, although the direct holder is Danimar 1990, S.L.

v. Santander Asset Management, S.A. S.G.I.I.C. is the indirect holder. It controls the voting rights of various Group companies.

The Annual General Meeting 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 resolution superseded and rendered null and void the resolution previously adopted at the Annual General Meeting of the Company held on 7 June 2014. No convertible securities have been issued from the date of that resolution through to the date of authorisation for issue of these financial statements.

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

In addition, the Annual General Meeting of Shareholders held on 5 June 2021 authorised the Board of Directors to increase share capital on one or more occasions, over a period of five years from that date, and subject to a cap of half of the share capital at the time of the authorisation, including the power to disapply pre-emptive subscription rights, if the Company's interest so requires and without such exclusion exceeding 20% of the share capital at the time of the authorisation. This authorisation superseded and rendered null and void the powers previously granted to the directors at the Annual General Meeting held on 2 June 2018. No capital increases have been carried out from the date of that resolution through to the date of authorisation for issue of these financial statements.

b) Share premium

The share premium account balance has no specific restrictions on its use.

c) Revaluation reserve

The amount of these revaluations (Notes 3-b and 7) at 31 December 2021 and 2020 is allocated to the following accounts:

	Thousands of Euros	
	31/12/21	**31/12/20**
Revaluation reserve – Gipuzkoa Decree 1/2013 (*)	25,170	25,170
Revaluation reserve Gipuzkoa Regulation 11/1996	8,701	8,701
Total	**33,871**	**33,871**

(*) Net of the 5% tax paid in July 2013.

Revaluation reserve Gipuzkoa Decree 1/2013

The Company availed itself of the provisions of Gipuzkoa Decree 1/2013, of 5 February, on asset revaluation, and recognised a reserve amounting to EUR 25,170 thousand corresponding to the revalued amount of the assets (Note 7), net of the related tax effect of 5% (Note 16-e). The balance of the revaluation reserve under Gipuzkoa Decree 1/2013, of 5 February, is restricted until it is verified and accepted by the tax authorities, which should be performed within the three-year period following presentation of the tax return.

Once it has been verified by the tax authorities or the verification period has elapsed, the balance of this account may be used to offset losses, increase capital, or, after ten years have elapsed from the date of the balance sheet in which the revaluations were recognised, be allocated to unrestricted reserves. However, it may only be distributed when the revalued assets have been fully depreciated, transferred or derecognised.

Revaluation reserve Gipuzkoa Regulation 11/1996

This balance can be used to offset accounting losses and to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance were used in a manner other than that provided for in Gipuzkoa Regulation 11/1996, it would be subject to tax.

d) Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2021 and 2020, the balance of this reserve had reached the legally required minimum. At 31 December 2021 and 2020, the balance of the “Legal reserve” heading was EUR 2,064 thousand.

e) 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 2021 EUR 34,744 thousand (end of 2020: EUR 40,888 thousand) of the balance of "Other Reserves" were restricted (Note 6).

f) Dividends

On 6 October 2021, the Board of Directors approved the distribution of an interim dividend out of 2021 profit, for a total of EUR 13,712 thousand. At 31 December 2021, the Company had recognised this amount under “Interim dividend” in the accompanying balance sheet. It was subsequently paid in January 2022.

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 was 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 (Note 14).

g) 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 31/12/19	**3,440**
Increase	809
Amount taken to profit or loss	(468)
Balance at 31/12/20	**3,781**
Increase	1,247
Amount taken to profit or loss	(787)
Balance at 31/12/21	**4,241**

(*) These amounts are net of the related tax effect (Note 16-c).

At the end of 2021 and 2020, 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 2021, the Company has received grants for amount of EUR 1,641 thousand in order to support the investments made in different development projects (2020: EUR 1,064 thousand)(Note 6).

In 2021, the Company transferred EUR 1,035 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 (2020: EUR 616 thousand).

14. NON-CURRENT AND CURRENT PAYABLES

The detail of “Non-current payables” at the end of 2021 and 2020 is as follows (in thousands of euros):

Categories / Classes	Non-current financial instruments					
	Non-current bank borrowings		Other non-current financial liabilities		Total	
	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20
Financial liabilities at amortised cost	512,145	600,630	13,482	16,233	525,627	616,863
Financial liabilities at fair value through profit or loss.	-	-	5,060	4,184	5,060	4,184
Hedging derivatives (Note 15)	-	-	33,856	39,606	33,856	39,606
Total	**512,145**	**600,630**	**52,398**	**60,023**	**564,543**	**660,653**

The detail of “Current payables” at the end of 2021 and 2020 is as follows (in thousands of euros):

Categories / Classes	Current financial instruments					
	Short-term bank borrowings and debt instruments or other marketable securities		Other current financial liabilities (Note 7)		Total	
	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20
Financial liabilities at amortised cost	139,855	40,502	20,733	34,537	160,588	75,039
Hedging derivatives (Note 15)	-	-	51,441	17,814	51,441	17,814
Total	**139,855**	**40,502**	**72,174**	**52,351**	**212,029**	**92,853**

Bank borrowings and debt instruments or other marketable securities

In 2021 and 2020, changes in “Bank borrowings and debt instruments or other marketable securities” were as follows:

	Thousands of Euros
	Bank borrowings and debt instruments or other marketable securities
Balance at 31 December 2019	**676,304**
Cash flows	
New drawdowns	320,850
Maturity payments	(357,315)
	(36,465)
Other changes (without cash flows)	**1,293**
Balance at 31 December 2020	**641,132**
Cash flows	
New drawdowns	198,810
Maturity payments	(188,332)
	10,478
Other changes (without cash flows)	**390**
Balance at 31 December 2021	**652,000**

The bank borrowings are presented in the consolidated balance sheet adjusted by the costs incurred in the arrangement of the loans.

The Company also has undrawn credit facilities totalling EUR 300,941 thousand (31 December 2020: EUR 322,927 thousand) in the form of undrawn loans, credit lines and factoring arrangements, which are mainly tied to Euribor plus a market spread.

The Company, as per the approval granted by its Board of Directors on 17 December 2020, formalised a commercial paper programme (“Commercial Paper Programme CAF 2020”), for an aggregate maximum nominal balance of EUR 250 million. The programme was listed on 21 December 2020 on the Spanish Alternative Fixed Income Market (Mercado Alternativo de Renta Fija, or "MARF") and renewed on 22 December 2021. In 2021, a total of EUR 160 million was issued under this programme. The Programme enables the Company, under the terms and conditions set out in the Information Memorandum and for a period of 12 months, to issue commercial paper with a maturity of less than 730 days, which are listed on the MARF. EUR 25 million of this total limit was outstanding as at 31 December 2021 (31 December 2020: unused).

The repayment schedule of non-current bank borrowings is as follows (in thousands of euros):

2021

	Interest	Principal
2023	8,175	53,583
2024	6,821	101,000
2025	3,966	236,500
2026	1,143	121,700
Total	**20,105**	**512,783**
Accruals		(638)
Total carrying amount		**512,145**

2020

	Interest	Principal
2022	9,245	118,667
2023	7,927	63,583
2024	6,461	101,000
2025	3,634	222,500
2026 and subsequent years	978	95,700
Total	**28,245**	**601,450**
Accruals		(820)
Total carrying amount		**600,630**

Other financial liabilities – Financial liabilities at amortised cost

Changes in the items composing “Other non-current financial liabilities – financial liabilities at amortised cost” are as follows (in thousands of euros):

2021

	31/12/20	Increase/ (Reversal)	Transfers to short term	31/12/21
Refundable advances	12,294	1,346	(4,205)	9,435
Employee benefit obligations (Note 19-d)	2,846	2,527	(2,490)	2,883
Other	1,093	116	(45)	1,164
Total	**16,233**	**3,989**	**(6,740)**	**13,482**

2020

	31/12/19	Increase/ (Reversal)	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
Other	1,019	78	(4)	1,093
Total	**20,027**	**4,202**	**(7,996)**	**16,233**

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 2021, the Company recognised balances receivable totalling EUR 1,273 thousand under “Trade and other receivables - other receivables” (31 December 2020: EUR 1,153 thousand). Also, the Company had recognised EUR 5,860 thousand under “Trade and other payables - other payables”, in relation to the amount payable to third parties arising from joint projects (31 December 2020: EUR 2,953 thousand).

Employee benefit obligations

The Company has recognised the future obligations to the employees who have entered into pre-retirement plans. At 31 December 2021, “Non-current payables - other financial liabilities” and “Other current liabilities” in the accompanying balance sheet included approximately EUR 2,883 thousand and EUR 2,309 thousand, respectively (31 December 2020: EUR 2,846 thousand and EUR 2,649 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 2021. The net provision for 2021 was recognised with a charge of EUR 2,590 thousand (2020: EUR 2,745 thousand) to “Staff costs” in the accompanying statement of profit or loss (Note 19-d).

Meanwhile, the following table shows 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 to cover those commitments, at the end of 2021 and 2020 (Note 3-k):

	Thousands of Euros	
	31/12/21	**31/12/20**
Present value of the obligations assumed	42,878	59,430
Less – Fair value of plan assets	(39,184)	(58,989)
Other current (assets) liabilities, net	**3,694**	**441**

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	2021	2020
Discount rate	0.89%-1.02%	0.72%-0.73%
Mortality tables	PERM/F/2012	PERM/F/2000P
Annual salary or pension increase rate	0.8%-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.

Other financial liabilities — Financial liabilities at fair value through profit or loss.

“Share Purchase Liabilities” includes the amounts foreseeably payable for the cross call options to acquire the remaining share capital of BWB Holdings Limited (26% of the remaining share capital) (Note 9). The strike price of these transactions varies, depending on the certain financial parameters of the company on the date the options are exercised.

In 2020, 25% of the remaining share capital of Rifer SRL. was acquired, which gave rise to the payment of EUR 772 thousand and generated income of EUR 76 thousand, as recognised under “Other operating income”.

Maturity of Other non-current financial liabilities

The breakdown by maturity in the coming years of "Other non-current financial liabilities — Liabilities at amortised cost" and "Other non-current financial liabilities — Liabilities at fair value through profit or loss" is as follows (in thousands of euros):

2021

	Interest	Principal
2023	55	9,895
2024	41	3,659
2025	27	2,315
2026	13	1,319
2027 and subsequent years	-	1,930
Total	**136**	**19,118**
Discount rate discounting and accruals		(576)
Total carrying amount		**18,542**

2020

	Interest	Principal
2022	83	5,674
2023	56	8,293
2024	42	2,848
2025	28	1,970
2026 and subsequent years	14	2,530
Total	**223**	**21,315**
Discount rate discounting and accruals		(898)
Total carrying amount		**20,417**

Meanwhile, the breakdown by long-term maturity of “Other non-current financial liabilities – Hedging derivatives” is as follows (in thousands of euros):

2021

	2023	2024	2025	2026	2027 and subsequent years	Total
Hedging derivatives	23,699	6,793	3,167	140	57	33,856
Total	**23,699**	**6,793**	**3,167**	**140**	**57**	**33,856**

2020

	2022	2023	2024	2025	2026 and subsequent years	Total
Hedging derivatives	17,021	14,984	5,255	2,346	-	39,606
Total	**17,021**	**14,984**	**5,255**	**2,346**	**-**	**39,606**

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 2021 and 2020 is as follows:

2021

Currency put options at 31/12/21	Maturity (in currency)		
	2022	2023	2024 and subsequent years
Fair value hedges–			
USD currency forwards (*)	63,725,972	-	26,463,639
GBP currency forwards	302,052,090	62,691,566	966,311
BRL currency forwards	100,955,824	-	-
SEK currency forwards	1,035,174,047	245,030,961	1,825,785,890
AUD currency forwards	327,350,156	284,359,106	118,230,883
SAR currency forwards	78,535,012	-	-
MXP currency forwards	317,782,565	-	-
JPY currency forwards	13,767,210,625	-	-
NZD currency forwards	1,907,418	-	-
HUF currency forwards	191,073,000	-	-
CAD currency forwards	29,848,644	9,264,215	161,244,174
HKD currency forwards	92,696,630	-	-
NOK currency forwards	5,000,000	-	-
TWD currency forwards	1,180,757,342	-	-
ILS currency forwards	62,910,989	17,285,006	-
Cash flow hedges-			
TRY currency forwards	6,663,311	-	-
SAR currency forwards	24,014,786		

(*) Includes the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/21	Maturity (in currency)		
	2022	2023	2024 and subsequent years
Fair value hedges–			
USD currency forwards	19,909,209	1,132,764	-
MXP currency forwards	133,463,232	-	-
GBP currency forwards	123,528,269	2,733,240	-
JPY currency forwards	353,194,294	-	-
AUD currency forwards	9,072,272	7,760,500	-
NOK currency forwards	95,835,687	100,000,000	-
Cash flow hedges-			
COP currency forwards	39,982,352,456	-	-
TRY currency forwards	4,695,246	-	-
AUD currency forwards	1,000,000	-	-

2020

Currency put options at 31/12/120	Maturity (in currency)		
	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	-

(*) Includes 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	-	41,426,907,240	-
ILS currency forwards (Note 9)	21,798,566	20,000,000	-
JPY currency forwards	658,494,064	-	-

At 31 December 2021 and 2020, the Company had entered into an interest rate swap contract with a start date of 30 September 2018, an initial nominal amount of EUR 25 million, and maturing on 31 July 2023. The Company pays a fixed rate and receives a floating rate referenced to Euribor to hedge the interest rate risk of certain loans with identical notional amounts and repayment profiles (Note 14).

The fair value of the derivative financial instruments arranged at each year-end are as follows:

	Thousands of Euros			
	Fair value		Cash flow	
	31/12/21	31/12/20	31/12/21	31/12/20
USD currency forwards	(3,155)	(2,553)	-	-
GBP currency forwards	(6,785)	(3,219)	-	-
MXP currency forwards	(813)	(953)	-	-
BRL currency forwards	(1,039)	(1,183)	-	-
AUD currency forwards	(3,948)	(4,637)	7	-
SEK currency forwards	(2,530)	(4,690)	-	-
SAR currency forwards	(378)	1,903	(96)	-
JPY currency forwards	1,002	3,119	-	(281)
COP currency forwards	1,151	1,096	1,910	766
ILS currency forwards	693	-	-	77
CAD currency forwards	8,094	-	-	
Currency forwards in other currencies	(653)	(296)	(132)	-
Forward rate agreements	-	-	(356)	(671)
Measurement at year-end (*) (Notes 8 & 14)	**(8,361)**	**(11,413)**	**1,333**	**(109)**

(*) 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):

	31/12/21	31/12/20
Non-current assets (Note 8)	32,983	38,800
Current assets (Note 8)	45,286	7,098
Non-current liabilities (Note 14)	(33,856)	(39,606)
Current liabilities (Note 14)	(51,441)	(17,814)
Balance sheet net total	**(7,028)**	**(11,522)**
Fair value	(8,361)	(11,413)
Cash flow	1,333	(109)
Total derivatives value	**(7,028)**	**(11,522)**

In 2021 the ineffective portion of the hedging transactions charged to profit or loss amounted to income of EUR 1,057 thousand (2020: income of EUR 454 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 198 thousand in 2021 (2020: expense of EUR 400 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. OTHER PAYABLES AND TAX INFORMATION

The breakdown of the heading "Other Payables" was as follows at 31 December 2021 and 2020:

	Thousands of Euros	
	31/12/21	31/12/20
Sundry trade payables	35,089	34,532
Prebillings (liability) (Note 11)	660,664	689,768
Other taxes payable	23,353	19,613
	719,106	**743,913**

a) Other taxes payable

The heading "Other taxes payable" at 31 December 2021 and 2020 breaks down as follows:

	Thousands of Euros	
	31/12/21	31/12/20
Accrued social security taxes	9,761	10,298
Taxes payable — VAT and other taxes	5,078	398
Personal income tax withholdings	8,514	8,917
Total	**23,353**	**19,613**

In 2011 Construcciones y Auxiliar de Ferrocarriles, S.A., as the parent, and certain subsidiaries availed themselves of the special VAT regime for groups.

b) Reconciliation of accounting profit to taxable profit

	Thousands of Euros	
	2021	**2020**
Accounting profit (before tax)	**48,905**	**(52,478)**
Permanent differences–		
Sundry obligations to employees (Note 14)	5,035	839
Subsidiary dividends, litigation and other	(55,079)	(16,470)
Intellectual and industrial property	-	(1,491)
Increases and decreases due to temporary differences and accelerated depreciation and amortisation–		
Sundry obligations to employees (Note 14)	(238)	(438)
Provisions for reliability, guarantees and other (Note 17)	49,364	23,890
Impairment losses on investments, results of joint ventures and other (Note 9)	(3,704)	(9,600)
Depreciation due to asset revaluation - Gipuzkoa Regulation 1/2013 (Note 7)	(81)	(121)
Taxable profit/Tax loss	**44,202**	**(55,869)**
Tax consolidation adjustments (impairment) and elimination of dividends of consolidated tax group	**4,958**	**(14,839)**
Adjusted taxable profit	**49,160**	**(70,708)**

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., CAF Rail Digital Services, S.L.U. and Lander Simulation and Training Solutions, S.A. The tax consolidation regime will last indefinitely as long as the requirements continue to be met or the taxpayer does not expressly waive its application by making the corresponding census declaration.

If the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof. Under the legislation in force, the income tax rate applied was 24%. The Company's tax liability to the tax authorities should be interpreted in the context of the consolidated tax regime under which it files tax returns. In this respect, the Tax Group pays corporate income tax jointly to the central government and to the regional governments of Gipuzkoa and Bizkaia, based on the volume of operations carried out in each territory.

c) Tax recognised in equity

The detail of the tax recognised directly in equity is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Arising in the year		
Grants (Note 13-g)	(145)	(108)
Hedges (Note 15)	(346)	311
Arising in prior years		
Grants (Note 13-g)	(1,194)	(1,086)
Hedges (Note 15)	25	(286)
Total tax recognised directly in equity	**(1,660)**	**(1,169)**

d) Reconciliation of accounting profit to income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of Euros	
	2021	**2020**
Accounting profit before tax	**48,905**	**(52,478)**
Tax charge at 24%	**11,737**	**(12,595)**
Impact of permanent differences and tax consolidation adjustments	(10,821)	(7,671)
Differences - previous year's tax return	(2,261)	(49)
Inspection report settlement differences	-	(1,121)
Other (taxes paid abroad)	610	640
Tax assets and deferred tax assets not recognized	427	17,455
Deferred tax (Spanish National Chart of Accounts Valuation Standard 14)	1,445	-
Total income tax expense recognised in profit or loss	**1,137**	**(3,341)**
Current tax expense (income)	**4,662**	**(1,375)**
Deferred tax expense (income)	**(3,525)**	**(1,966)**

In 2021, tax deductions amounting to EUR 2,997 thousand euros were applied (2020: no amount applied), of which EUR 2,067 thousand was capitalised under "Deferred tax assets" in the accompanying balance sheet at 31 December 2020.

The differences between the estimated income tax for 2020 and the tax return ultimately filed gave a charge of EUR 2,261 thousand being credited to “Income Tax” in the accompanying statement of profit or loss.

In 2021 the Company expects to report tax credits amounting to EUR 2,884 thousand (2020: EUR 4,014 thousand), which relate mainly to international double taxation tax credits, tax credits for R&D+i.

e) Deferred tax assets (temporary differences and tax credit)

The detail of "Deferred tax assets" at the end of 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Temporary differences (advanced tax assets)	48,271	33,833
Tax credit carryforwards and other (Note 3-l)	13,396	17,122
Tax losses (Note 3-l)	13,682	18,929
Total deferred tax assets	**75,349**	**69,884**

In 2021, the Company generated positive taxable income of EUR 49,160 thousand, which was offset by EUR 21,862 thousand in negative taxable income generated by the Company (Note 10).

The Company has tax credit carryforwards earned between 2009 and 2021 and pending application amounting to EUR 65,539 thousand, of which EUR 13,396 have been recognised in the accompanying balance sheet as at 31 December 2021 (31 December 2020: EUR 65,788 thousand earned between 2009 and 2020, of which EUR 17,122 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 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 amounts to EUR 13,500 thousand, has been honoured through investments already carried out in 2016 by the Company and the other entities included in the tax consolidation regime in both tangible and intangible fixed assets.

Also, the Company availed itself in 2020 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 made in 2020 amounting to EUR 6,808 thousand by the Parent and the other companies in the consolidated tax group in property, plant and equipment and intangible assets.

In 2021, tax deductions amounting to EUR 2,997 thousand euros were applied (2020: no amount applied), of which EUR 2,067 thousand was capitalised under "Deferred tax assets" in the accompanying balance sheet at 31 December 2020.

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						
	31/12/19	**Additions**	**Disposals**	**31/12/20**	**Additions**	**Disposals**	**31/12/21**
Tax assets recognised	19,175	2,191	(4,244)	17,122	439	(4,165)	13,396
Tax effect of tax losses	18,938	-	(9)	18,929	-	(5,247)	13,682
Recognised temporary differences							
Contractual and reliability liability	329	132	-	461	1,507	(775)	1,193
Provision for construction work not deductible in the year	7,701	-	(1,272)	6,429	2,183	-	8,612
Impairment losses on investments	10,631	117	(4,361)	6,387	3,770	(2,088)	8,069
Hand-over contracts	1,408	822	(910)	1,320	662	(735)	1,247
Warranties and maintenance	4,711	6,873	-	11,584	9,611	(354)	20,841
Asset revaluation	230	-	(29)	201	-	(19)	182
Hedging transactions	166	-	(5)	161	-	(75)	86
Other	5,360	2,600	(670)	7,290	2,471	(1,720)	8,041
	68,649	**12,735**	**(11,500)**	**69,884**	**20,643**	**(15,178)**	**75,349**
Unrecognised temporary differences							
Provisions for post-employment obligations	8,123	963	(167)	8,919	2,441	(15)	11,345
Impairment losses on equity investments	1,309	6	-	1,315	-	-	1,315
Other	2	-	-	2	-	-	2
	9,434	**969**	**(167)**	**10,236**	**2,441**	**(15)**	**12,662**

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			
	31/12/21		31/12/20	
	Amount	Last year for deduction	Amount	Last year for deduction
Tax credits recognised				
Earned in 2009	628	2039	628	2039
Earned in 2010	4,222	2040	4,714	2040
Earned in 2012 (I+D+i)	3,157	2042	3,157	2042
Earned in 2013 (I+D+i)	4,950	2043	5,465	2043
Earned in 2014 (I+D+i)	-		1,091	2044
Earned in 2018 (DDI)	-		424	2048
Earned in 2019 (DDI)	-		977	2049
Earned in 2020 (DDI)	-		666	2050
Earned in 2021 (DDI)	439	2051	-	
Tax loss carryforwards				
Earned in 2014	8,652	2044	13,899	2044
Earned in 2015	5,030	2045	5,030	2045
	27,078		**36,051**	

f) Deferred tax liabilities

The detail of and changes in the deferred tax liabilities of the Company are as follows:

2021

	Thousands of Euros			
	31/12/20	Additions	Disposals	31/12/21
Grants (Note 13-g)	1,194	394	(248)	1,340
Hedging transactions	135	271	-	406
Other	151	6	-	157
Total	**1,480**	**671**	**(248)**	**1,903**

2020

	Thousands of Euros			
	31/12/19	Additions	Disposals	31/12/20
Grants (Note 13-g)	1,086	256	(148)	1,194
Hedging transactions	451	-	(316)	135
Other	152	-	(1)	151
Total	**1,689**	**256**	**(465)**	**1,480**

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 2021 the Company had all years since 2016 open for review for income tax and all years since 2018 open for review for the other taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

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 CONTINGENT LIABILITIES

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 2021 and 2020, the Company made payments amounting to EUR 1,724 thousand and EUR 1,068 thousand, respectively, and reversed a total of EUR 94 thousand and posted EUR 1,555 thousand, respectively, 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 2021 and 2020 were as follows (in thousands of euros):

2021

	Contractual obligations (Note 3-f)	Warranty and Technical Support (Note 3-f)	Other Provisions	Other	Total
31/12/20	**142,264**	**107,899**	**2,521**	**6,086**	**258,770**
Initial adjustment (Spanish National Chart of Accounts Valuation Standard 14) (Note 2-c)	(114,739)	-	-	-	(114,739)
01/01/21	**27,525**	**107,899**	**2,521**	**6,086**	**144,031**
Net charge for the period	9,028	76,999	(2,501)	1,937	85,463
Amounts used	(10)	(35,813)	-	(136)	(35,959)
31/12/21	**36,543**	**149,085**	**20**	**7,887**	**193,535**

2020

	Contractual obligations (Note 3-f)	Warranty and Technical Support (Note 3-f)	Other Provisions	Other	Total
31/12/19	**146,496**	**86,323**	**289**	**1,761**	**234,869**
Net charge for the period	20,502	52,273	2,450	4,462	79,687
Amounts used	(24,734)	(30,697)	(218)	(137)	(55,786)
31/12/20	**142,264**	**107,899**	**2,521**	**6,086**	**258,770**

Contractual liability and warranty and support services

Provisions for contractual commitments relate 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 48,091 thousand under “Other operating expenses” (2020: net provision of EUR 45,101 thousand) relating to the difference between the provisions required in this connection at year-end and the provisions recognised at the end of the previous year. The guarantee expenses incurred to meet the various obligations in 2021, which amounted to approximately EUR 35,813 thousand (2020: EUR 30,697 thousand), were recognised primarily under “Procurements” and “Staff Costs”.

18. FOREIGN CURRENCY

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	
	2021	**2020**
Accounts receivable (Note 12) (*)	313,249	265,250
Group accounts receivable (Notes 10 and 12) (*)	163,371	102,252
Loans granted to Group companies (**) (Note 10)	82,048	86,234
Loans received from Group companies (Note 10) (***)	43,897	9,096
Accounts payable (*)	12,288	21,103
Revenues	286,998	445,165
Purchases and services received	123,219	118,266

(*) Balance mainly in pounds sterling, Australian dollars and Japanese yen.

(**) Balances in Israeli shekels, Australian dollars, Swedish krona and Mexican pesos.

(***) Balance in US dollars and pounds sterling.

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	
	2021	**2020**
Other	2,740	(21,984)
Total	**2,740**	**(21,984)**

19. INCOME AND EXPENSES

a) Revenue

The detail, by line of business, of the Company's revenue for 2021 and 2020 is as follows (in thousands of euros):

	2021	2020
High Speed, Regional and Commuter	534,488	563,863
Metros	243,015	221,767
Trams and light metros	453,796	410,147
Bogies and other	3,644	11,334
Trains	**1,234,943**	**1,207,111**
Services (*)	**176,079**	**154,121**
Integral Systems, Equipment and Other (**)	**168,854**	**135,329**
Total	**1,579,876**	**1,496,561**

(*) Mainly includes all revenues from maintenance services and concession agreements, and sales of railway spare parts.

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

The following is a breakdown of the Company's sales by geographical area (National, EU, Other) (in thousands of euros):

	2021	2020
Spain	144,852	152,173
European Union:		
EU – Euro Area	737,032	659,029
EU – No Euro Area	23,544	72,207
	760,576	**731,236**
Rest of the world	674,448	613,152
Total	**1,579,876**	**1,496,561**

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 2021 and 2020 is as follows (in thousands of euros):

	2021	2020
Cost of raw materials and other consumables used-		
Purchases from and work performed by third parties	979,739	862,540
Changes in inventories	2,474	39,070
Total	**982,213**	**901,610**

c) Detail of purchases by origin

The detail, by origin, of the purchases made by the Company in 2021 and 2020 is as follows:

	2021			2020		
	Spain	EU countries	Imports	Spain	EU countries	Imports
Purchases	61%	28%	11%	63%	27%	10%

d) Staff costs

The average headcount in 2021 and 2020 was as follows:

2021

Professional category	Average headcount	Men	Women
Board members	2	1	1
Senior executives	7	6	1
Employees	1,876	1,386	490
Manual workers	2,168	2,107	61
Total (*)	**4,053**	**3,500**	**553**

(*) At 31 December 2021, the workforce comprised 3,927 permanent employees and 115 temporary employees.

2020

Professional category	Average headcount	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.

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 2021 and 2020 with a disability equal to or greater than 33%, by category, was as follows:

Professional category	Average headcount		
	2021	Men	Women
Employees	10	9	1
Manual workers	24	23	1
Total	**34**	**32**	**2**

Professional category	Average headcount		
	2020	Men	Women
Employees	15	13	2
Manual workers	38	36	2
Total	**53**	**49**	**4**

At 31 December 2021, the Company's Board of Directors comprised 7 men and 4 women. At 31 December 2020, it comprised 7 men and 4 women.

The detail of staff costs is as follows (in thousands of euros):

	2021	2020
Employee expenses (Notes 3.k, 14, 17, 20.a and 21)	217,491	220,504
Social security costs	68,707	65,514
Other expenses (Note 3-k)	11,735	16,158
Total	**297,933**	**302,176**

The heading “Personnel expenses — Wages and salaries” in the statement of profit or loss includes a provision of EUR 5,758 thousand (EUR 3,524 thousand euros in 2020) for early retirements and the provision for the relief contract.

Other operating expenses

	Thousands of Euros	
	2021	2020
Outside services	173,895	198,427
Taxes other than income tax	825	694
Change in operating provisions and allowances and other (Notes 12 and 17)	48,322	45,407
Total	**223,042**	**244,528**

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 1,303 thousand in 2021 (2020: EUR 1,285 thousand). Of this amount, those incurred for the annual audits of the companies reviewed by global organisation Ernst & Young amounted to EUR 770 thousand (2020: EUR 660 thousand for the annual audits of the companies reviewed by global organisation Deloitte), of which EUR 101 thousand related for the audit fees of the Parent in 2021 (2020: EUR 139 thousand). In addition, fees for other professional services provided by the principal auditor amounting to EUR 87 thousand were billed in 2021 (2020: EUR 236 thousand), of which EUR 75 thousand was for audit-related attest services including six-monthly reviews (2020: EUR 181 thousand), EUR 7 thousand for tax services (2020: EUR 7 thousand) and the remainder for other services.

f) Information on the environment

In 2021, an investment of EUR 250 thousand was made in systems, equipment and installations for the protection and improvement of the environment.

In 2021 the Group incurred environmental expenses amounting to EUR 818 thousand (2020: EUR 764 thousand).

At 31 December 2021 and 2020, 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 2021.

20. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2021 and 2020, in addition to any further amounts payable as described in Note 3.k., the overall remuneration of the members of the Company's Board of Directors amounted to approximately EUR 7,232 thousand and EUR 1,716 thousand, respectively, in respect of wages, life insurance, attendance fees and fixed remuneration, and funds accumulated by the current directors under long-term savings systems with vested economic rights in the year. In 2021, the Company made contributions of EUR 1,500 thousand to long-term savings systems in the form of collective long-term savings insurance policies under the defined contribution system, of which the Company is the policyholder (2020: EUR 1,300 thousand). At 31 December 2021 and 2020, no advances, guarantees or loans had been granted to its current or former directors.

In 2021 EUR 204 thousand were paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2020: EUR 67 thousand).

b) Information regarding situations of conflict of interest involving the directors

In 2021 and 2020 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 2,004 thousand in 2021 (2020: EUR 2,369 thousand).

In 2021 and 2020 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 2021, 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 3,433 million (31 December 2020: EUR 3,460 million). Of this total, a total of EUR 6.6 million and EUR 7.7 million euros correspond to guarantees for grants and reimbursable advances granted by the Ministry of Science and Technology and other public entities; and a total of EUR 65.6 million relates to guarantees for future contributions in 2023, 2024 and 2027 to be made by CAF Investment Projects, S.A.U. at the investee company Tramardent S.A., Momentum Trains Holding Pty Ltd., and by the Company at CFIR Light Rail Ltd (formerly TransJerusalem J-Net Ltd.), respectively (31 December 2020: EUR 58.2 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 43,215 thousand (31 December 2020: EUR 42,433 thousand) (Note 10).

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. The subsidiary submitted its preliminary pleas and has cooperated on an ongoing basis with the authorities and provided them with the information requested. In July 2019 the CADE tribunal rendered its administrative decision and thereby ordered the subsidiary to pay a penalty amounting to BRL 167,057,982.53 (the equivalent of EUR 26,479 thousand at 31 December 2021) and recommended the competent authorities not to grant the subsidiary certain tax benefits for five years. At the date of authorisation for issue of these financial statements, the company had filed a judicial appeal against the decision of the CADE, as the administrative process had run its full course.

The subsidiary rejects CADE’s assessment of the facts when imposing the aforementioned penalty and argues that, with respect to the facts under investigation, it has always acted in strict compliance with the applicable law. The subsidiary’s legal advisers consider there to be a reasonable chance that the penalty will ultimately be reduced to an amount that is substantially lower than the one mentioned, and they do not rule out the total annulment of the fine. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 139 thousand. At the present date, the decision on an extraordinary appeal to unblock the account is currently being awaited.

Also, as a result of the investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated court proceedings, in relation to which, the Group has already presented its corresponding defences. As a result of

CADE's investigations, an administrative proceeding was also initiated by the Court of Auditors, in response to which the subsidiary presented its preliminary defence during the first half of 2016. Following a finding by the Court of Auditors that no irregularity had been proven, a request was filed to close these proceedings. This request is awaiting a decision. Lastly, also as a result of the investigations conducted by CADE, the Sao Paolo Administrative Council of Economic Defence, processed an administrative procedure in relation to which the subsidiary filed initial claims during the second half of 2018.

The CAF Group continues to defend its interests in these proceedings. However, it is not currently possible to determine what the outcome will be, nor the impact on the financial statements of the subsidiary if an unfavourable decision is ultimately handed down. Therefore, no liability has been recognised in the financial statements of the subsidiary.

In addition, the CAF Group subsidiary in Brazil is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. 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. Furthermore, in one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary company is appealing the imposition of this injunction while continuing its defence in the proceedings, currently in the initial phase. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the latter half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 15,243 thousand at 31 December 2021) (the subsidiary holds a 36.8% stake in the Consortium, which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 5.6 million) and a ban on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed the administrative sanction, which is in its initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the prohibition to take part in public tender processes in Brazil. Also in relation to the same project, the subsidiary company continues to pursue its appeal regarding the termination of the contract requested by the State of Mato Grosso and the ensuing consequences.

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

With respect to the last two lawsuits described above, the Group's legal advisors consider that an unfavourable outcome for the CAF Group is not probable and that the outcome of these proceedings will not materially affect the financial statements for the years in which they are settled, if any. Therefore, no provision was recognised in this respect at 31 December 2021.

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.

	2021	2020
	Days	Days
Average period of payment to suppliers	84.03	86.24
Ratio of transactions settled	80.58	86.51
Ratio of transactions not yet settled	96.80	85.30
	Thousands of euros	Thousands of euros
Total payments made	743,086	689,171
Total payments outstanding	200,778	193,482

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 2021, the Group had a firm order backlog of approximately EUR 9,640 million (31 December 2020: EUR 8,807 million) (Note 12), net of amounts corresponding to billings on account.

In January 2022, the consortium comprising CAF and construction company Shapir was selected by NTA (Metropolitan Mass Transit System) as the successful bidder for the Purple Line of the Tel Aviv light rail project. The contract not only envisions the actual construction of the line, but also the design and supply of 98 low-floor Urbos trams, the supply of the signalling, energy and communications systems, and line maintenance for a 25-year term.

The scope of the CAF Group's work on this contract encompasses both the design and manufacture of the new units and the supply of signalling, energy and communications systems, as well as the integration of the project.

In January 2022, Auckland Transport awarded the CAF Group a contract for the supply of 23 electric units for the city of Auckland in New Zealand, together with the maintenance of the vehicles until the end of 2025.

Last but not least, Solaris signed a contract with Norwegian transport operator Unibuss AS for the supply of 183 Urbino 18 electric buses to Oslo.

The volume and scope of the CAF Group's work under these recently awarded contracts exceeds EUR 750 million.

24. Explanation added for translation to English

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

APPROVAL BY THE BOARD OF DIRECTORS

MR ANDRÉS ARIZKORRETA GARCÍA
CHAIRMAN

MR JAVIER MARTÍNEZ OJINAGA
DIRECTOR

MR JUAN JOSÉ ARRIETA SUDUPE
DIRECTOR

MR LUIS MIGUEL ARCONADA ECHARRI
DIRECTOR

MS CARMEN ALLO PÉREZ
DIRECTOR

MS ANE AGIRRE ROMARATE
DIRECTOR

MR JULIÁN GRACIA PALACÍN
DIRECTOR

MR IGNACIO CAMARERO GARCÍA
DIRECTOR

MS IDOIA ZENARRUTZABEITIA BELDARRAIN
DIRECTOR

MR MANUEL DOMÍNGUEZ DE LA MAZA
DIRECTOR

MS MARTA BAZTARRICA LIZARBE
DIRECTOR AND SECRETARY OF THE BOARD

MR ANDRÉS ARIZKORRETA GARCÍA

MR JAVIER MARTINEZ OJINAGA

MR JUAN JOSÉ ARRIETA SUDUPE

MR LUIS MIGUEL ARCONADA ECHARRI

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MR IGNACIO CAMARERO GARCÍA

MS IDOIA ZENARRUTZABEITIA BELDARRAIN

MR MANUEL DOMÍNGUEZ DE LA MAZA

MS MARTA BAZTARRICA LIZARBE

Certificate issued by the Secretary to the Board of Directors attesting that the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., pursuant to prevailing commercial law, has drawn up and authorised for issue, on 25 February 2022, the financial statements and directors' report of the Company for 2021, following the format (and labelling) requirements set out in the European Commission Delegated Regulation EU 2019/815. The financial statements and directors' report are located in the electronic file bearing the hash code 27F2973E0EA6F79670D95690E180D90E5D2CFA280301AFB91A365FAFCC05114F.

The members of the Board of Directors of the Company hereby declare that the aforementioned financial statements and directors' report for financial year 2021 have been signed and unanimously authorised for issue, ahead of their verification in due course by the auditors and subsequent approval by shareholders at the General Meeting.

San Sebastián, 25 February 2022.

APPROVED BY	SIGNED BY
THE CHAIRMAN	THE SECRETARY OF THE BOARD
MR ANDRÉS ARIZKORRETA GARCÍA	MS MARTA BAZTARRICA LIZARBE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Certificate issued by the Secretary of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A., Ms. Marta Baztarrica Lizarbe, for the purposes of Article 8.1.b) of Royal Decree 1362/2007, of 19 October, whereby each and every member of the Board of Directors states that, to the best of their knowledge, the separate financial statements for 2021, authorised for issue at the meeting held on 25 February 2022 and prepared in accordance with the applicable accounting principles, present fairly the equity, financial position and results of Construcciones y Auxiliar de Ferrocarriles, S.A., and that the directors’ report approved together with the financial statements contain a fair analysis of the business performance, results and position of Construcciones y Auxiliar de Ferrocarriles, S.A., together with a description of the main risks and uncertainties that it faces. I attest that this certificate has been signed, evidencing approval thereof, by each and every one of the Company's directors, whose names and surnames are shown below.

San Sebastián, 25 February 2022.

Signed: Ms Marta Baztarrica Lizarbe

MR ANDRÉS ARIZKORRETA GARCÍA
CHAIRMAN

MR JAVIER MARTINEZ OJINAGA
DIRECTOR

MR JUAN JOSÉ ARRIETA SUDUPE
DIRECTOR

MS CARMEN ALLO PÉREZ
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DIRECTOR

MR MANUEL DOMÍNGUEZ DE LA MAZA
DIRECTOR

MS MARTA BAZTARRICA LIZARBE
DIRECTOR AND SECRETARY OF THE BOARD