2022

ANNUAL REPORT

ANNUAL REPORT 2022

This publication, which is also published in Basque and Spanish, includes the legal documentation relating to CAF and Subsidiaries.

More information on CAF and its products, together with the information required by law for shareholders
and investors, can be obtained on the website www.caf.net

LETTER FROM THE CHAIRMAN

Dear Shareholder,

2022 was by no means any old year. Quite to the contrary, as a variety of unique elements and factors affected, sometimes positively, others not so much, our activities for the remainder of the year. I would like to take this opportunity to provide a summary of all this, as reflected in the results obtained by the CAF Group.

Starting with the most positive aspects of last year, without a shadow of a doubt, I would emphasise the impressive demand in the CAF Group's two activity segments: railway and urban bus. Undoubtedly fuelled by the different investment plans oriented towards the energy transformation of the society in which we live and its development towards more sustainable mobility solutions. As a result of this, fund gathering over the past financial year exceeded all our previous records, thus raising our backlog to a new all-time high of 13.25 billion at year-end, four times the sales figure for the year ended.

While the numerical value of this order intake is important, their composition by nature is no less so. Indeed, we have had the satisfaction of achieving significant volumes of fund raising in target countries and in key areas of our value proposition, such as double-decker trains, integral systems or zero-emission urban buses, which accounted for 76% of the Solaris backlog at year-end, in turn reinforcing our positioning for the years to come.

Another relevant aspect of the past year has been the completion of the process to acquire several assets from Alstom, such as the Talent 3 and Coradia Polyvalent regional train platforms, both engineering teams in Germany and France, as well as the Reichshoffen plant in Alsace (France) and the corresponding backlog. All this has unequivocally reinforced the CAF Group's presence in both markets, which we consider as being core to our future.

Furthermore, over the past year, we have published our new 2026 Strategic Plan, which sets out our roadmap and objectives for the next four years. This Plan is structured around a series of basic pillars of action, such as the focus on core geographies as a basis for our growth, operational efficiency, not only through continuous actions to improve operating costs, such as process improvement dynamics and the digitisation of our activities, but also by enhancing our industrial operations in nearby geographies to our core markets, reinforcing our innovation activities, and sustainability, through the achievement of the ambitious objectives set for ourselves and to which we have committed.

With all of this in mind, we aspire to sales volumes growth above the market average, accompanied by an increase in profitability, while keeping leverage contained and adequately remunerating our shareholders.

However, the year has not been without its complications. Some of these, such as the increase in the cost of energy, particularly high inflation in most geographies in which the Group is present or the instability that has plagued material supply chains, can be attributable to the complications arising from the COVID-19 pandemic and which were first seen during previous years. However, all of these have been exacerbated by the new scenario resulting from the outbreak of the conflict in Ukraine and, therefore, have had a special impact on the performance of our manufacturing activities and on the cost of our operations during the year.

Despite this backdrop, CAF recorded more than 3 billion euros in sales for the first time in its history, achieving a consolidated EBIT of 139 million euros, although the increase in financial costs associated with the increase in nominal interest rates by different central banks has adversely affected our attributable net profit, which ultimately came in at 52 million euros.

All of this while having maintained our net financial position at year-end at 278 million euros, 1.2 times the EBITDA, while maintaining a stable level of liquidity of around 1 billion euros, despite the existing financial turmoil we are seeing worldwide.

The objectives achieved in terms of sustainability were also a great source of satisfaction at year-end. Thus, the scope 1 and 2 emissions generated by CAF Group activities as a whole dropped by 30% compared to the base year, 2019, accompanied by a 15% reduction in scope 3 emissions. Furthermore, we have seen a general improvement in the ratings awarded by the different agencies with which the CAF Group compares its sustainability practices, which are consistently above the average ratings of comparable firms. These are all figures that we aspire to improving upon in the coming years and that are to be expected from a Company like ours, whose eligibility index according to the European taxonomy stood at a remarkable 97% last year.

This pays testament to the commitment and contribution of everybody who makes up the CAF Group as part of its everyday activities, as well as when it comes to dealing with the difficulties caused by the variety of unique external factors that have affected our normal business operations over the past year, for which I would like to express my most sincere thanks. This has all naturally been supported by the proven technological, commercial and industrial capacity of the CAF Group and the high degree of sustainability of its activities.

Similarly, I would like to thank all our shareholders once again for the continued support for our project. Your contribution and support, together with that of our professionals, customers and suppliers, is essential when it comes to building an increasingly robust, competitive and sustainable CAF Group.

With my warmest regards,

Andrés Arizkorreta García
Chairman

The CAF Group is an international benchmark when it comes to supplying comprehensive mobility systems, offering end-to-end project and engineering management, including system design, civil works, signalling, electrification and other electromechanical systems, the supply of rolling stock, as well as systems operation and maintenance.

RAILWAY PROJECTS

LOCAL AND REGIONAL TRAINS

- AB Transitio (Sweden)
- Auckland (New Zealand)
- Caminhos de Ferro Portugueses (Portugal)
- Companhia Brasileira de Trens Urbanos (Brazil)
- Companhia Paulista de Trenes Metropolitanos (Brazil)
- Ethiad Rail (United Arab Emirates)
- Eusko Trenbideak-Ferrocarriles Vascos (ET/FV)
- Ferrocarriles Españoles de Vía Estrecha (FEVE)
- Ferrocarrils de la Generalitat de Catalunya (FGC)
- Finnish Railways (VR Ltd)
- Heathrow Airport Express (UK)
- Hong-Kong Airport Express
- Irish Rail (Ireland)
- Izban (Turkey)
- Montenegro
- Myanmar Railways (Myanmar)
- Nederlandse Spoorwegen (NS)
- Northern-Arriva (UK)
- Northern Ireland Railways (North Ireland)
- Northern Spirit (UK)
- Red Nacional de Ferrocarriles Españoles (RENFE)
- Régie autonome des transports parisiens (France)
- Regione Autonoma Friuli Venezia Giulia (Italy)
- Secretaría de Comunicaciones y Transportes (Mexico)
- Serveis Ferroviaris de Mallorca (SFM)
- SJ AB (Sweden)
- Société Nationale de Chemins de Fer Français (France)
- TransPennine-First Group (UK)
- Transport for New South Wales (Australia)
- West Midlands - Abellio, JRE, Mitsui & Co (UK)
- Wales & Borders - KeolisAmey
- Zweckverband Nahverkehr Westfalen-Lippe (Germany)
- Zweckverband Schönbuchbahn (Germany)
- Zweckverband Verkehrsverbund Rhein-Ruhr (Germany)

MAIN LINES

INTERCITY TRAINS

- Tilting trains S/598 (RENFE)
- Diesel trains S/599 (RENFE)
- Electric trains S/449 (RENFE)
- Diesel trains for Algeria
- Intercity Push-Pull Service Ireland
- Diesel trains - Corsica
- Diesel trains - Tunisia
- Diesel trains - France
- Trains for Saudi Arabia
- Sardinia diesel trains
- Northern Ireland trains
- US trains
- Caledonian Sleeper Escocia

HIGH SPEED TRAINS

- High Speed Trains and Variable Gauge Trains S-120 and S-121 (RENFE)
- High Speed Trains for the Madrid-Seville Line
- Shuttle Trains S-104 (RENFE)
- High Speed Trains for Turkey
- High Speed Trains for Norwa

CITY

STREETCARS

- Amsterdam
- Antalya
- Belgrade
- Besançon
- Bilbao
- Birmingham
- Bonn
- Boston
- Budapest
- Calgary
- Canberra
- Cádiz-Chiclana
- Cincinnati
- Cuiabá
- Debrecen
- De Lijn
- Edinburgh
- Essen
- Stockholm
- Freiburg
- Granada
- Hannover
- Houston
- Jerusalem
- Kaohsiung
- Lieja
- Lisbon
- Lund
- Luxembourg
- Manila
- Marsella
- Maryland
- Mauricio
- Montpellier
- Nantes
- Oslo
- Seville
- Sidney
- St. Etienne
- Tallinn
- Tel Aviv
- Utrecht
- Valencia
- Vélez-Málaga
- Vitoria
- Zaragoza

SUBWAY TRAINS

- Amsterdam
- Algiers
- Barcelona
- Bilbao
- Bucharest
- Brussels
- Caracas
- Istanbul
- Helsinki
- Hong Kong
- London
- Madrid
- Malaga
- Medellin
- Mexico
- Nápoles
- New Delhi
- Palma (Mallorca)
- Quito
- Rome
- Santiago de Chile
- São Paulo
- Seville
- Washington

ARTICULATED LIGHT RAILWAY

- Amsterdam
- Buenos Aires
- Monterrey
- Pittsburgh
- Sacramento
- Valencia

BUSES

Solaris, a subsidiary of the CAF Group, is one of the main bus manufacturers in Europe. Having supplied more than 23,000 vehicles during its more than 25 years of experience, Solaris has become the European leader in the electric bus market based on market share, as well as boasting a wide range of products with the most advanced solutions when it comes to zero-emission public transport.

2022 DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

I.1

I.2

NON-FINANCIAL INFORMATION STATEMENT
SUSTAINABILITY REPORT

CAF GROUP BUSINESS MODEL AND OUTLOOK

The Group begins 2023 facing important short-term challenges, but also with a solid foundation on which to establish future achievements supported by its new 2026 Strategic Plan, the aim of which is to continue to ensure profitable growth and develop CAF's Vision: grow as a provider of comprehensive rail and bus mobility solutions, maximising its digital proposal.

2022 ended with the launch of CAF's 2026 Strategic Plan, which focuses its ambition on growing as a provider of comprehensive rail and bus mobility solutions, while maximising its digital proposal.

CAF ended its previous 2016-2021 cycle with important achievements that have transformed the Group in three main ways:

- Growth and strengthening of the value proposition, leading to i) a greater presence of CAF in Europe, the largest accessible market in the world, ii) the strengthening of the railway value proposition through a significant capture of comprehensive projects and the development and growing contribution of the businesses associated with the supply of components and systems, iii) the diversification of the offer beyond rail, an area in which the acquisition of Solaris stands out, dedicated to the supply of buses, in 2018, and iv) the technological development of innovative solutions, such as zero emission vehicles, digital solutions, big data, energy management and ecodesign, signage, traction or the autonomous vehicle.

- Systematic development of profitability optimisation levers, through i) the MOVE transformation programme, which pivoted on the standardisation of platforms and the implementation of Lean Manufacturing and Digital Factory 4.0 throughout the railway industrial footprint, ii) various efficiency improvement plans in the rail services segment, iii) the progressive implementation of the digital train, with significant improvements of the product and of the maintenance activity based on the real data captured in operation, and iv) the optimisation plan of the currency, resulting in a highly considerable decrease during the period.

- Improvement of the sustainability assessment, an area in which various initiatives stand out, such as the publication of the ESG Equity Story, the progressive improvement of CAF's ESG rating until it exceeds the sector average, adherence to SBTi and the Net Zero Initiative, the implementation of a share liquidity program in April 2022 and the reduction of scope 1 and 2 emissions of 10% between 2019 and 2021.

All of the above has allowed the CAF Group to undertake solid growth, reinforce its capabilities in key geographies and position itself in a prominent way in products and the market to address future growth.

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

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

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

  – In the field of buses, CAF, through Solaris, has been a pioneer in the development of new products and currently has the most complete range of low and zero emission solutions, while at the same time presenting a unique position in electromobility due to its leadership position in zero emission buses, its unique real experience in electromobility, the strong proposal of zero emission technologies (electric and hydrogen) and for having all the advantages of conventional technologies but without business or industrial activity in the production of internal combustion engines. All in all, Solaris, and thus CAF, is ahead of its European competitors in terms of portfolio, actual experience and market share.

  In both cases CAF serves the most diverse range of customers worldwide: from municipalities and regional or national public or private administrations, to other railway manufacturers and private companies operating or maintaining systems, or even consortium structures accompanied by financially oriented entities.

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

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

- Being global, with a prominent positioning in Europe. CAF is present in more than 50 countries in the world and has,

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

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

- Have a highly-qualified human team, aligned with the project and with a shared culture, highlighting that of the nearly 4,500 university graduates, more than 2,000 are engineering professionals in innovation, product development and project activities.

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

- Be solvent and have a proven financial capacity, with a controlled net debt / EBITDA ratio.

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

In 2022, CAF reached significant milestones that strengthen the foundations of its future strategy, the following of which stand out:

- New commercial success in key geographies (Spain, Germany, France, Sweden and the USA) and in maintenance services.

- The renewed trust of the Dutch operator NS, with the award of a contract to supply 60 double-decker trains.

- The award of the Purple Line project for the Tel Aviv Light Rail train, which covers the design, construction, financing and maintenance of the line over 25 years, illustrating the CAF Group’s ongoing success in the integral transport projects segment, called to continue growing in the future.

- The incorporation into the Group of significant assets in France and Germany (Reichshoffen factory and Coradia Polyvalent and Talent 3 platforms), after closing the acquisition from Alstom on 1 August 2022, thus reinforcing CAF's positioning and capabilities in two of the world's largest rail markets.

- The improvement of the Group's positioning to address the decarbonisation of rail mobility, through:
  - Battery-powered trains: the German operator NWL executes the option to expand the supply of battery-powered trains.
  - Hydrogen train prototype: start of factory tests in May 2022 and start of track tests in July 2022.

Meanwhile, the main sustainability milestones in the period, as described in the Non-Financial Statement contained in this report, are as follows:

- Certification of the model of excellence in environmental management based on the European EMAS Regulation for CAF S.A. (Eco-Management and Audit Scheme).
- Obtaining the "Silver" level under the IRIS international quality standard for the Signalling activity, in addition to those obtained in 2021 by Rail Vehicles and Maintenance.
- KOMP SARIAK distinction awarded to the CAF Group by the Basque Competition Authority for its Corporate Competition Compliance System.
- First EDP declaration (Environmental Product Declaration) for Solaris: Urbino 18 electric and Urbino 12 hybrid buses.
- CRS Silver Leaf distinction awarded to Solaris by "Polityka" for its support in achieving the Sustainable Development Goals.
- Busplanner Innovation Award 2022 for Solaris, for its Urbino 9 LE bus.
- Maintenance of the “BBB” rating in the MSCI valuation update for the CAF Group.
- Entering into a liquidity contract, the sole purpose of which is to promote liquidity and regularity in the listing of the Group's parent company's shares on the stock exchange.
- Verification of the carbon footprint (scopes 1 and 2) for 2019, 2020 and 2021 by the external accredited entity LRQA, and definition of the GHG emission reduction targets based on the SBTi methodology; targets that have been integrated and communicated in the 2026 Strategic Plan.
- Solaris obtained certification under ISO 45001 "Occupational Health and Safety Management Systems".
- Obtainment of the prestigious platinum medal in the sustainability management evaluation carried out by Ecovadis, placing the CAF Group among the companies with the best performance in the sector.

CAF GROUP BUSINESS MODEL AND OUTLOOK

- Score B in the first report of the CDP (Carbon Disclosure Project) climate change index carried out by the CAF Group throughout 2022, a score that is above the average for the railway sector.

In 2022, CAF was not immune to the hardening of the environmental conditions that began in the second part of 2021. A context that, far from attenuating, has been aggravated after the invasion of Ukraine by Russia, with negative effects on the situation of the supply chain of components, in the cost of energy and in future inflation scenarios, affecting the execution and results of the Group throughout 2022, despite the fact that CAF does not have any exposure to the area of conflict (Russia-Ukraine).

The Group thus begins 2023 with significant short-term challenges, but also with a solid foundation on which to establish future achievements hand in hand with its new 2026 Strategic Plan.

A new Strategic Plan that aspires to continue a history of profitable growth that aims to develop CAF's Vision: grow as a provider of comprehensive rail and bus mobility solutions, maximising its digital proposal. Four strategic axes will enable the achievement of the Vision, all of them aimed at increasing the total return for shareholders:

- Commercial focus, which will bring recurrence and scalability to the Group. More specifically, CAF will focus its commercial strategy in Europe, North America and Asia Pacific, attractive markets with large volumes and recurring activity, in which CAF has a strong position and/or a good strategic fit in its offer of solutions, and which will be the source of 70% of Group sales.

  In Buses, Solaris aspires to maintain European leadership in zero-emission mobility in the urban segment, and to expand its current portfolio to the interurban segment in Europe, and to enter North America with an exclusive zero-emissions value proposition.

- Operational efficiency, to guarantee profitability and competitiveness. CAF will improve efficiency in production, engineering and purchasing, and will complement the current footprint with new industrial capacities that accompany the commercial focus, while capturing cost efficiencies.

  Hence, it aspires to establish new operations in Eastern Europe and Asia Pacific for the rail division, and in North America in the bus segment.

  Likewise, CAF will apply efficiency programmes in all activities to strengthen its competitiveness, with a recurring annual impact.

- Innovation, ensuring that it is at the technological forefront. CAF will establish an innovative mobility strategy by incorporating smart mobility solutions into the portfolio, aimed at optimising urban mobility infrastructures such as, among others, fleet management, traffic optimisation or intermodal operation, in addition to strengthening main businesses and comprehensive projects.

  At the same time, it will progress in its decarbonisation proposal by expanding the range of trains and buses with alternative propulsion (electric and hydrogen), the automation of urban transport systems (subways, trams

and buses) and the digitization of its processes (validation environments and virtual homologation, cybersecurity, etc.).

- Sustainability, leading the transition of mobility solutions towards the goal of reaching zero net emissions in 2045, and continuing the strategy defined in CAF's ESG Equity Story in July 2021, through which priority material issues identified by stakeholders will be dealt with, and it aspires to continue above the average of comparable companies in the assessments of ESG rating agencies.

As a result of the foregoing, the new Strategic Plan sets the following top-level objectives for 2026:

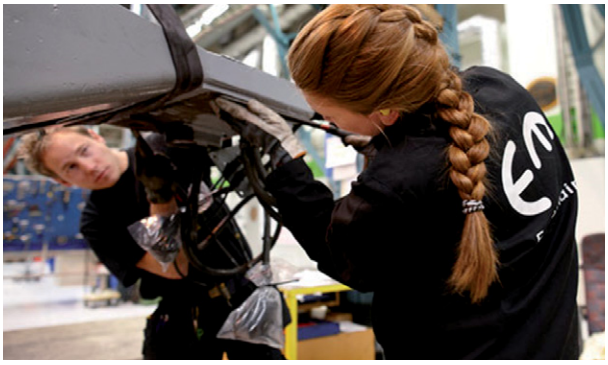
- Grow above the market and reach total sales close to 4,800 million euros.
- To place the Operating Result in 2026 at around 300 million euros.
- Distribute dividends in progression with the results.
- Have a Net Financial Debt / EBITDA ratio of around 2.2x after the corporate operations envisaged in the Plan's base case.
- Reduce scope 1 and 2 emissions by up to 30%, and up to 40% in scope 3 (referring to the use of the product, in terms of emissions per passenger and km), with respect to 2019, with the ultimate goal of becoming a net zero-emissions company in 2045.

In order to comply with said Plan, an investment level for the period of around 550-650 million euros is expected.

Likewise, in order to complement organic development, reduce risks and capital employed, CAF considers a base case of corporate operations with an investment of approximately 550 million euros for the period. These acquisitions will contribute to the expansion of the Group's portfolio of products and services, complementing the current industrial and technological capabilities, both in railways and buses, in line with its international expansion.

The full document of the Strategic Plan is available on CAF's corporate website (www.caf.net).

BUSINESS PERFORMANCE AND RESULTS



Main indicators (*)

Figures in millions of euros	2022	2021	Change (%)
Order Intake			
Order Intake	6,205	3,776	64%
Book-to-bill ratio	2.0	1.3	53%
Backlog	13,250	9,640	37%
Order backlog / Revenue ratio	4.0	3.3	22%
Profit and Cash flow			
Revenue	3,165	2,943	8%
EBITDA	232	255	-9%
Consolidated profit/(loss) for the period attributable to the Parent	52	86	-39%
Investment in working capital	(195)	(4)	4377%
CAPEX	72	46	57%
Cash-Flow	36	62	-41%
Capital management and liquidity			
Net Financial Debt	278	278	0%
Net Financial Debt / EBITDA ratio	1.2	1.1	10%
Available liquidity	978	1,091	-10%
Equity attributable to the Parent	776	727	7%
Proposed dividend per share	0.86	1.00	-14%

(*) Definitions of the indicators are provided in the "Alternative Performance Measures" section.

ORDER INTAKE

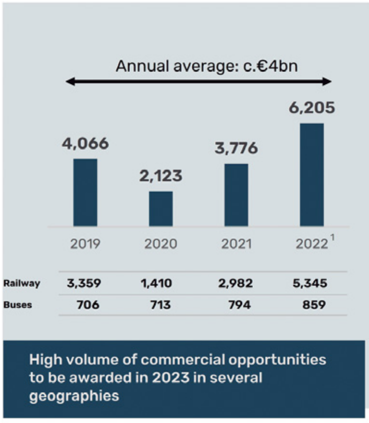
In 2022, CAF obtained contracts worth over six billion euros (+64% year-on-year growth), which is a record high, bringing the backlog to 13 billion euros, 37% higher than the previous year. The Book-to-Bill ratio is 2.

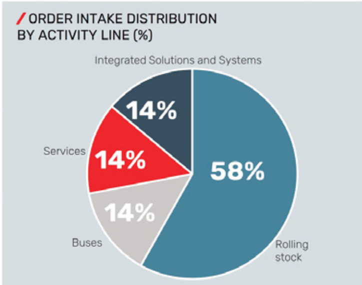
(in millions of Euros)

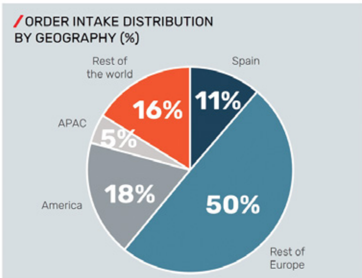
	2019	2020	2021			2022		
	TOTAL 1Q–4Q	TOTAL 1Q–4Q	TOTAL 1Q–4Q	Railway	Buses	TOTAL 1Q–4Q	Railway	Buses
Order intake	4,066	2,123	3,776	2,982	794	6,205	5,346	859
book-to-bill	*1.6*	*0.8*	*1,3*	1.3	1.1	*2.0*	2.2	1.3

In 2022, CAF secured contracts worth more than six billion euros, resulting in an increase in the backlog of 37% year on year, taking it to a record 13,250 million euros. This favourable evolution continues the positive trajectory of recent years, which confirms the good moment the sector is experiencing and the Group's sound positioning.

These high order intake figures are the result of the positive trend in order intake across all segments and by geographical area, especially in the European and US markets. The breakdown of order intake by line of activity and geographical area is as follows:







Highlights

Annual order intake record
Record Rolling stock order intake as a result of high volume projects in key geographies

Btb=2. Increased backlog in all activities.

Continued growth in zero emission contracts by Solaris (electric buses and trolleybuses account for 50% and 13%, respectively, of awarded vehicles)[2]

Selective Order intake
Withdrawal from contracts awarded or not awarded due to a reduction in their profitability
Conditions of the new contracts **in line with profitability goals**

High customer loyalty (65% of new contracts are with known customers), a factor that promotes backlog execution

Continued **focus in Europe and USA**

1. The backlog related to the acquisition perimeter is not included.

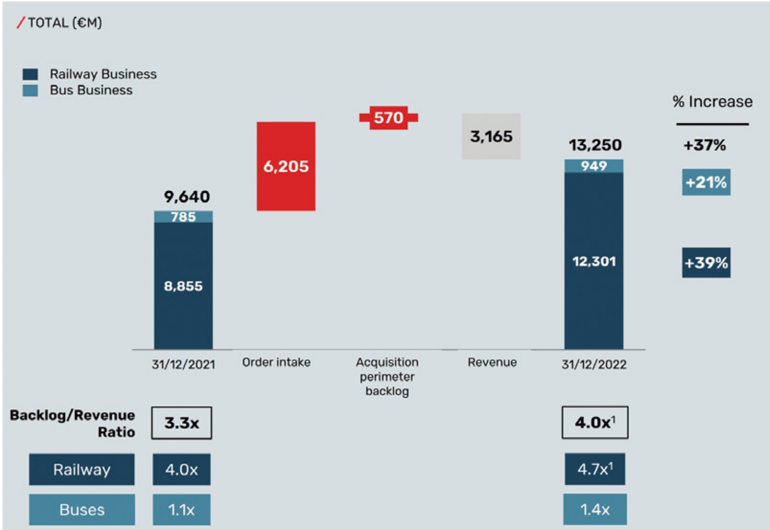
2. Adding to this figure the acquisiton of low-emission or hybrid buses (13%), the order intake for sustainable buses or emobility buses account for 76% of the total in 2022.

BUSINESS PERFORMANCE AND RESULTS

BACKLOG

This has allowed the backlog to increase by 37% compared to the previous year, reaching a record level of 13,250 million euros. This favourable evolution continues the positive trajectory of recent years, which confirms the good moment the sector is experiencing and the Group's sound positioning.

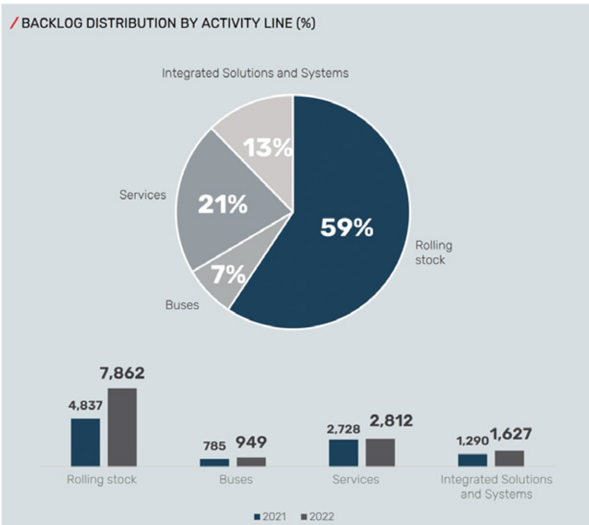
The backlog at year-end represents 4 times turnover, providing a high visibility for future sales. Likewise, it is characterised by its broad diversification, both geographically and by business.



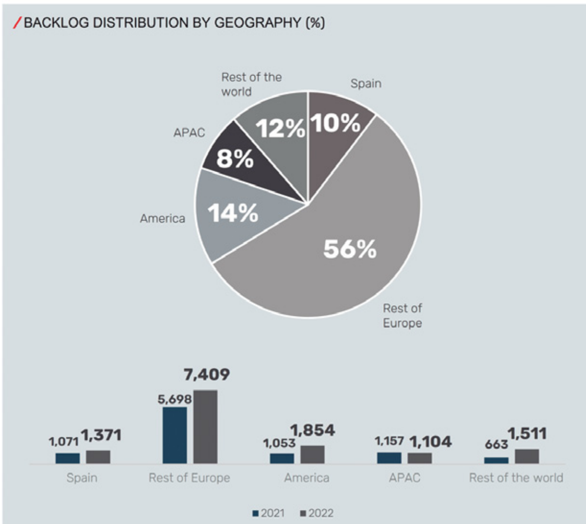
GOOD SUPPORT FOR FURTHER GROWTH

The current backlog does not include more than €8bn in future awardable options

1. It includes revenue for the entire 2022 financial year of the acquired scope (€216M).



- **Expansion of the backlog across all activities**, with an exceptional upsurge in Rolling stock related to high volume projects and with repeat customers, as well as the incorporation of the new perimeter of activities in France and Germany.



- **Europe** continues to be the most important geography for the Group.
- **Contribution in America and the Rest of the World has grown**, especially as a result of the major contract in Boston and the integrated project in Tel Aviv.

RESULTS

(Millions of euros)	2021	2022	Var. 2022/2021
REVENUE	**2,943**	**3,165**	**+8%**
EBITDA	**255**	**232**	**-9%**
% EBITDA Margin	**8.7%**	**7.3%**	**-**
D&A and impairments	(90)	(94)	+4%
EBIT	**165**	**139**	**-16%**
% EBIT Margin	**5.6%**	**4.4%**	**-**
Financial result	(38)	(53)	+39%
Finance income	7	11	+59%
Finance cost	(43)	(63)	+46%
Exchange differences	(2)	(3)	+29%
Other financial expenses/income	0	1	-
Result of companies accounted for using the equity method	**3**	**6**	**+88%**
PROFIT BEFORE TAX	**130**	**91**	**-30%**
Income tax	(41)	(36)	-12%
Net profit after tax	89	55	-38%
Non-controlling interests	3	3	-
PROFIT ATTRIBUTABLE TO THE PARENT	**86**	**52**	**-39%**

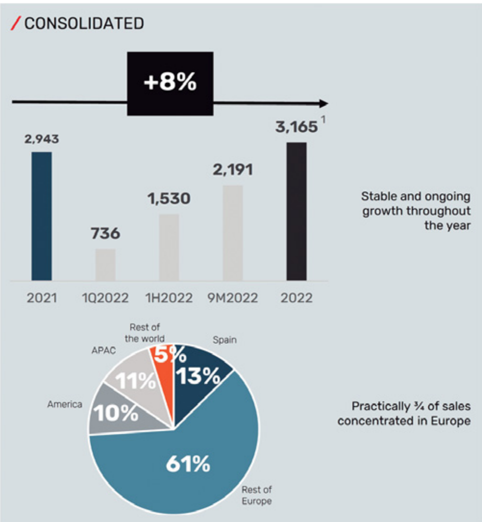
Business growth largely driven by a strong backlog

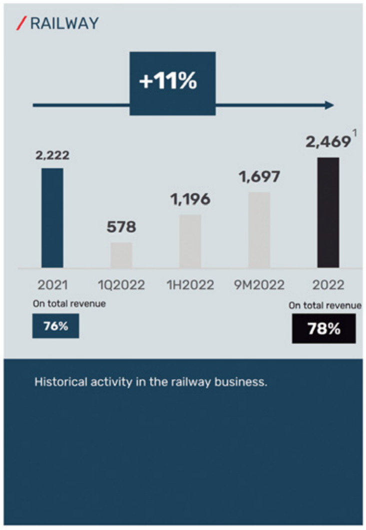
Operating profit affected by inflation (energy, labour and materials) and by the effects of component shortages, mainly in the bus business

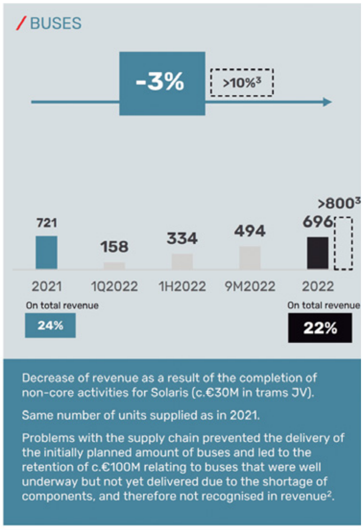
Rising interest rates and **increased working capital** in the bus business drove financial expenses up

Revenues

The Group's revenue is at its highest level, reflecting the Group's desire to outgrow market expectations, especially in the railway segment:







1. This figure includes €78M from the new scope acquired in the year. Not considering this effect, consolidated and railway revenue would have grown by 5% and 8%, respectively.

2. Solaris revenue is recognised on the basis of buses delivered and not on the basis of the grade of completion.

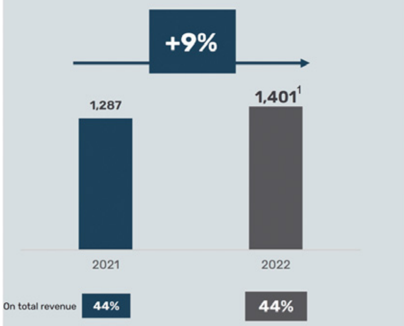
3. Sales forecast 2022 and predicted year-on-year growth at the beginning of FY 2022, before the outbreak of the Russia-Ukraine war and the subsequent deterioration of the macro environment.

BUSINESS PERFORMANCE AND RESULTS

Railway segment sales

Integrated Projects boost sales in the Railway segment.

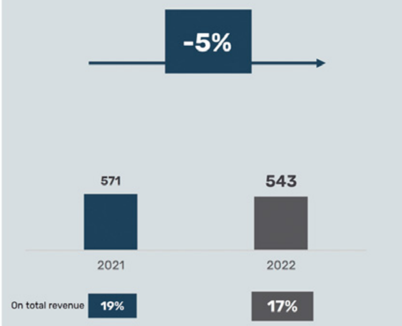
/ ROLLING STOCK



More than 30 projects underway.

The projects that contributed the most revenue were: regional trains for Wales&Borders (United Kingdom), EMUs for the operator NS (The Netherlands), EMUs for SNCF (France), trains for Myanmar, trams for Oslo (Norway) and metros for Docklands Rail (United Kingdom). Together they accounted for almost 50% of revenue.

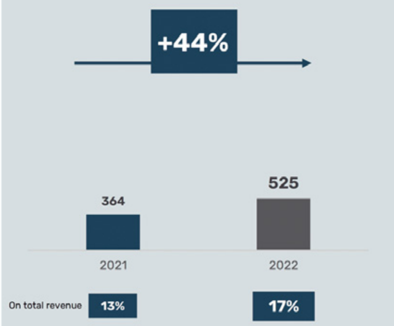
/ SERVICES



Evolution of revenue caused by:

- The **effects of the Omicron variant** on the amount of fleet traffic and on the corresponding general inspection or overhaul programmes.
- **Service interruptions on the Mexico Metro** in 2022 affecting maintenance activity, which was re-established in 2023.

/ INTEGRATED SOLUTIONS AND SYSTEMS



Speeding up of **integrated projects** in Australia and Mexico.

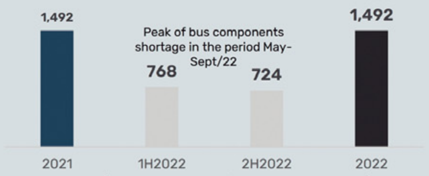
Revenue from **signalling** increased significantly.

1. This figure includes €78M from the new scope acquired in the year. Not considering this effect, organic revenue would have grown by 3%.

Bus Segment Sales

Solaris has managed to deliver 1,492 buses in the year despite the material impact that the crisis in the supply chain and the strike have had on the performance of its activities.

/ No. OF BUSES DELIVERED



Most buses are affected by the shortage of components and increased lead times for the supply of important items

The financial year ended with c.250 buses in the final production stage waiting for missing components.

SUPPLY CHAIN

Electronic component shortages (semiconductors and chips as a result of supply chain disruptions during the post-pandemic period).

Ongoing effects of delays in the delivery of **cables and electrical components, and of passenger information systems and motors** as a result of the shortage of chips and semiconductors on the market.

Worsening of the supply chain crisis. Shortages of various types of essential items. Partial recovery in Dec./22.

Impact:
- Less revenue
- Less profitability as a result of inefficiency
- An increase in the amount of inventories and work in progress, and therefore in working capital and its financing cost

STRIKE

Strike at Solaris for 5.5 weeks
Significant reduction in activity in the first quarter

Impact:
- Less revenue
- Less profitability due to lower production and the need to absorb fixed costs
- Slower delivery of buses in the backlog, which implies inefficiency

/ BUSES MIX DELIVERED

	2021	2022	
% of **electric** buses (electric and hydrogen)	27%	30%	Zero-emission
% **trolleybuses**	8%	5%	
% of **emobility** buses[1] (zero and low emission)	41%	55%	

THE PROPORTION OF ZERO-EMISSION BUSES DELIVERED CONTINUES TO GROW

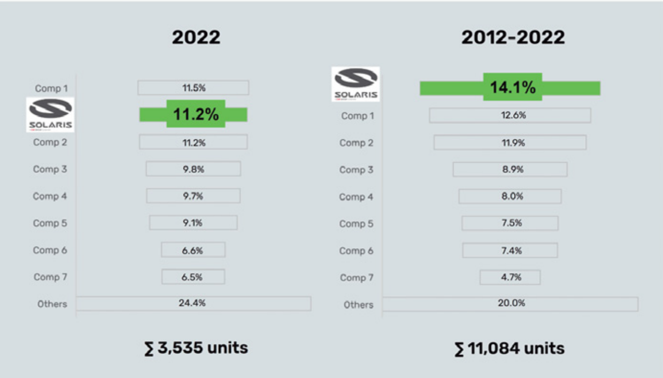
Although the supply chain showed signs of improving in the first weeks of 2023, **its situation is still very uncertain.**

CAF forecasts **gradual recovery of the components supply situation** and envisages that the first half of 2023 will be hampered by the need to complete the remaining backlog of projects affected by the context situation, while the **second half of the year is expected to perform a strong recovery through the execution of projects coming from the new contracting cycle.**

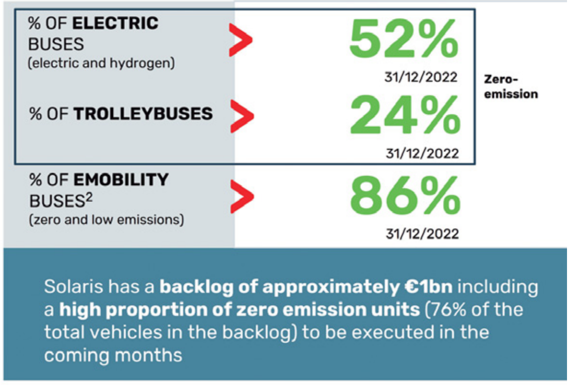
1. This figure includes low-emission or hybrid buses, which represent 6% and 21% of the vehicles delivered in 2022 and 2021, respectively.

Solaris continues to be the historical leader in the zero-emissions bus market.

EUROPEAN MARKET FOR ZERO EMISSION (ELECTRIC AND HYDROGEN) URBAN BUSES[1]



BUSES MIX IN SOLARIS' BACKLOG



SOLARIS' COMMERCIAL SUCCESS AND BACKLOG MEAN THAT IT WILL STILL BE A KEY PLAYER IN THE EUROPEAN MARKET IN 2023

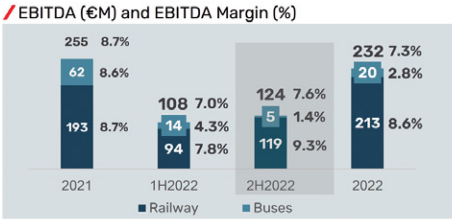
1. Urban buses registered, MAM > 8t. Includes EU27 (without the United Kingdom and Ireland, countries in which Solaris does not operate), Norway and Switzerland. Excluding trolleybuses

2. This figure includes low-emission or hybrid buses, which represent 10% of the vehicles in the backlog at the end of 2022.

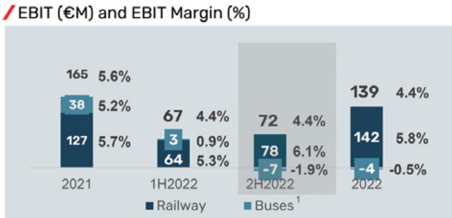
EBITDA and EBIT

The Group's EDITDA stood at 232 million euros, down 9% on the previous year, mainly due to the effects of inflation (energy, labour and materials) and instability in the supply chain in the bus segment.

EBITDA (€M) and EBITDA Margin (%)



EBIT (€M) and EBIT Margin (%)



UNEVEN BUSINESS PERFORMANCE IN THE YEAR: RAIL BUSINESS STRENGTH AND TEMPORARY EFFECT OF THE CONTEXT AT SOLARIS

RAILWAY

- ^ **High cost increase hedging** for projects executed in the year
- ^ **Greater contribution of integrated projects and services to profit**
- ^ **Forex effect**
- v **Inflation**:
  - Significant increase in energy costs (+250%), particularly in 1H22. Cost stabilisation in 2H22.
  - Salary increases in 2023 already taken into account in 2022
  - Limited effect of the increase in material costs in 2022 due to already established prices with material and equipment suppliers
- v **Inefficiencies** due to the transport strike in Spain

BUSES

- ^ **Improved product mix**
- v **Low backlog hedging** amid rising costs
- v **Component supply crisis**: affecting industrial operations and supply commitments
- v **Inflation**: increase in labour, material and energy costs, affecting projects with fixed price when the contract was signed.

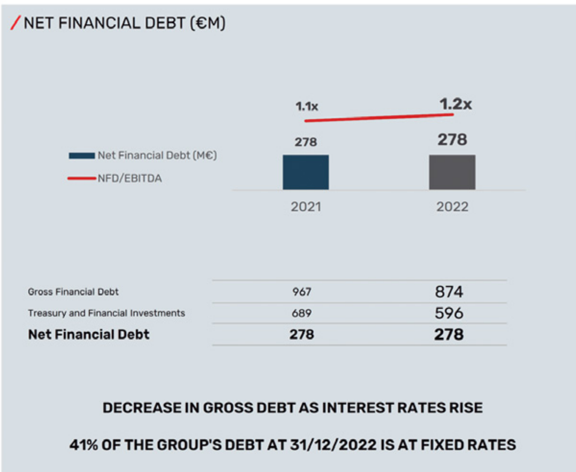
  Gradual renewal of projects underway, with projects starting with prices that have been updated in line with the inflation situation.
- v **Strike**: effect on cost structure as a result of lower activity
- v **Financial expenses**: increase resulting from rising interest rates and the increase in debt associated with the higher working capital

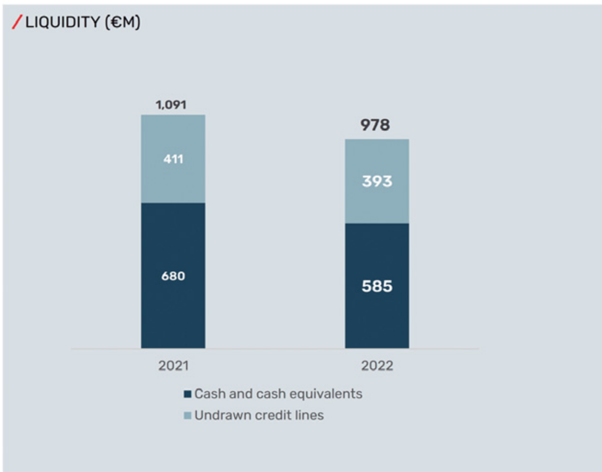
1. The Bus EBIT absorbs the amortisation of the acquisition of Solaris by the CAF Group (app. €6M/year).

BUSINESS PERFORMANCE AND RESULTS

BALANCE SHEET AND CASH FLOWS

The level of EBITDA and the containment of the investment in property, plant and equipment and R+D+i generated Cash-Flow for the year, prior to the payment of dividends, of 36 million euros. Thus, in a complex macroeconomic context, Net Financial Debt remains at 278 million euros and the Net Financial Debt/EBITDA ratio is 1.2 times, below the level prior to the acquisitions made by the Group in the last five years (Solaris, EuroMaint, among others).



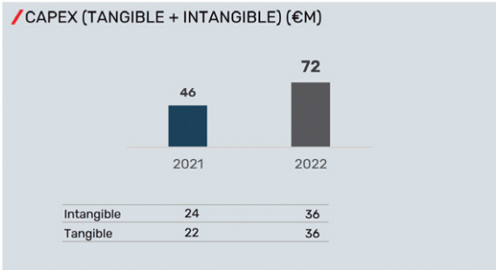


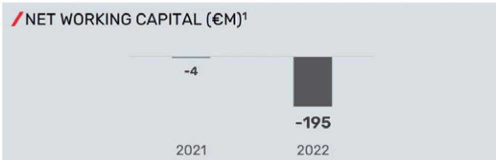
THE CAF GROUP BEGINS ITS NEW STRATEGIC CYCLE IN A STRONG FINANCIAL POSITION

The balance is kept under control:

(Millions of euros)	2021	2022
Fixed assets[1]	1,200	1,424
Working capital[1]	(4)	(195)
Net Assets	**1,196**	**1,229**
Equity	740	788
Net Financial Debt	278	278
Other assets and liabilities[1]	178	162
Equity and Net Liabilities	**1,196**	**1,229**

1. In 2022 the parameters used to calculate these indicators were modified to improve comparability with competitors. In the specific case of net working capital, this modification resulted in a €222M and €144M reduction in investment in working capital at 31/12/2022 and 31/12/2021, respectively. See MARs in the Consolidated Management Report for 2022.

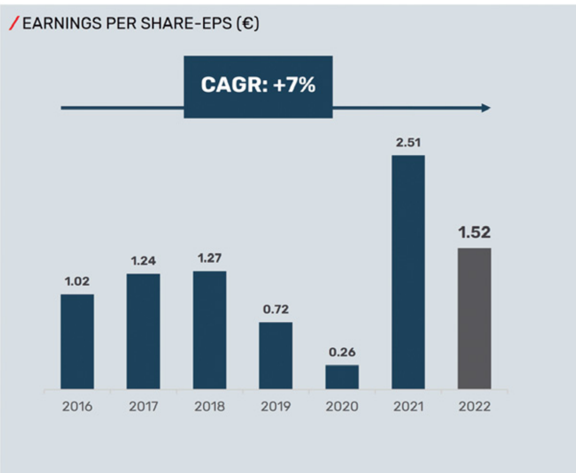


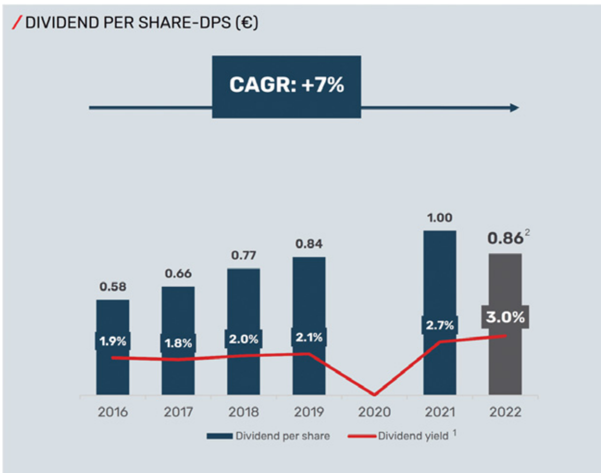


Change in net working capital attributable to:

- The working capital improvement at 31/12/2022 as a result of the new perimeter acquired in France and Germany
- Strong growth in the amount of current trade payables in the railway business
- Higher investment in working capital at Solaris due to the higher inventory and work in progress

The financial strength of the Group allows it to maintain its commitments with shareholders. The proposed allocation of results consists of allocating 29 million euros to the distribution of dividends, a figure that represents an amount of 0.86 euros per share.





1 Calculated as: Dividend per share / Mean share price for the year.
2 Dividend per share against FY 2022 subject to approval by the General Shareholders' Meeting of 2023.

RAILWAY SEGMENT

COMMERCIAL ACTIVITY

During 2022, CAF reached a level of contracting in the rail segment of over five billion euros (+77% year-on-year growth), which is a record high, enabling the size of the order book to rise by over twelve billion euros. The Book-to-Bill ratio is greater than 2. The commercial successes obtained in the main European markets, as well as in the USA and the Middle East, should be highlighted.

Worth particular mention is the commercial successes achieved in the main European markets, as well as in the USA and the Middle East.

Europe

- The Dutch national operator NS - Nederlandse Spoorwegen - has formalised an order for 60 compositions that combine simple and double deck carriages, to comprise 4 or 6 carriages. Thus, Civity platform developed by CAF for Commuter and Regional services, incorporates double deckers as an available standard. Civity units are running on tracks over several European countries such as the Netherlands, the United Kingdom, Sweden and Italy. NS has already placed orders in excess of 1,500 million euros in recent years and they are going to operate a Civity fleet of over 250 trains.

- The public transport operator of the capital of the federal state of Lower Saxony in Germany, known as the largest accessible rail market in the world, signed a contract to acquire up to 233 articulated units to be used at Hannover city. Also in Germany, but in the North Rhine-Westphalia state, the Stadtwerke Bonn Verkehrs GmbH (SWBV) and the Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises GmbH (SSB), both operators of transport services in Bonn and cities on its outskirts, have purchased 32 articulated units. These are very similar to those 51 contracted last year by Ruhrbahn GmbH for the nearby city of Essen. In the North Rhine-Westphalia state, Nahverkehr Westfalen-Lippe (NWL) expanded as well its dual operation capacity fleet - battery or overhead catenary -, up to 76 for the Rhineland region. All of these are going to be maintained by CAF during its lifetime. The acquisition of the intellectual property of the Talent 3 train platform, jointly with the Reichshoffen production plant in the French Alsace region, aimed at the German market and Central European markets, together with key German engineering personnel linked to it, which will boost CAF's capabilities for those markets.

- In France, Transports de l'Agglomération de Montpellier - TaM - signed an order for 60 trams. TaM is the transport service operator for Montpellier Méditerranée Métropole, a French metropolitan area located in the Occitania region, around the city of Montpellier, which covers 31 municipalities in the area and has a

population of close to half a million people. In addition to the tram service, it is also responsible for public bus services and the metropolis' shared bicycle system. Also in France, and for the second city in terms of population, the company Régie des Transports Métropolitains - RTM - which manages the entire public transport network in Marseille, commissioned CAF to acquire 15 new tram units that may operate on any of the three tram lines run by RTM, which also manages underground, bus and ferry lines.

- In Sweden, the public operator SJ AB, purchased 25 new units of the Nordic variant of the Civity platform, adapted to operate in extreme climates.

- Regarding the national market, RENFE has commissioned CAF to renew the medium-distance service fleet. Both companies signed a contract to supply up to 70 units; the contract also includes a 15-year maintenance agreement for several units.

  Serveis Ferroviaris de Mallorca - SFM -, making use of the extraordinary Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU Plan), acquired five new units to improve its service capacity in Palma de Mallorca. Under the same REACT-EU Plan, the Agencia de Obra Pública de la Junta de Andalucía, in charge of public transport for Andalusian region, contracted the supply of eight new units to provide a service in the Granada metropolitan area.

  For the city of Saragossa, financed by European Funds, the company that operates the tramway service Los Tranvías de Zaragoza, increased its tram fleet by up to 23 units. In Seville, the company Transportes Urbanos de Sevilla Sociedad Anónima Municipal - TUSSAM - which provides the surface tram service, signed an agreement which allows it to double the fleet and maintenance work to be performed by CAF for the whole fleet.

- The operator Statheres Sygkoinonies A.E., in charge of transport management in the city of Athens, selected the CAF Group to refurbish 14 underground trains that currently operate on line 1 of the Greek capital's underground system. This project represents the first significant contract for the company in the Hellenic country.

- EuroMaint also made a significant contribution to the order book, highlighting mainly the renewal of major contracts.

- The company responsible for public transport in the Hungarian capital, Budapesti Közlekedési Központ - BKK , signed a contract that will increase the number of CAF trams serving its extensive network, with nearly 40 lines, up to 93 units.

Other markets

- In Boston, the Massachusetts Bay Transportation Authority - MBTA -, operator of one of the oldest public transportation systems in the United States, and the largest one in the state of Massachusetts, contracted 102 units with CAF to provide a service on its Green Line, which is one of the oldest underground lines in the United States with sections built at the end of the 19th century, on which 24 CAF units already operate.

- The Missouri state signed the fleet extension for Kansas City, its most populated city, up to 14 tram units. These

trams will provide service in the current network, and in its future extension to link the South with the Country Club Plaza and the North with Berkley Riverfront Park. In Maryland state, the maintenance division signed two warranty extensions that affect the 26 articulated units that provide a service on the Purple Line connecting Bethesda in Montgomery County with New Carrollton in Prince George's County. This service provides a direct connection with the Red, Green and Orange Lines of the Washington underground, as well as with commuter and bus interchanges.

- In the Middle East, NTA - Metropolitan Mass Transit Systems -, the company in charge of developing mobility solutions for the Tel Aviv metropolitan area, has awarded the Purple Line light rail project to the public-private consortium comprising CAF. Under this project, CAF will handle the design and manufacture of the 98 tram units, and the supply of signalling, energy and communications systems and the overall integration of the project. On top of this, CAF holds a 50% stake in the company, which will manage the line's maintenance activity over the 25-year term of the concession.

- Etihad Rail - State Company of the United Arab Emirates - in charge of not only the administration and development of country's railway network, but also of the network management and operation, signed a contract for the manufacture, supply and maintenance of 9 trains.

- SAR - Saudi Arabia Railways - signed a five-year maintenance contract extension for its trains, as well as an agreement was reached to set up a joint engineering department, known as the "Engineering Excellence Centre", where SAR staff obtain knowledge to carry out maintenance work by themselves, while also adapting the Saudi company's facilities for main systems refurbishment. The contract also includes the implementation of SAR's "DIGITAL HUB CENTRE", which is meant to become a benchmark in the Gulf region as a train digitalisation hot spot, through the development of digital systems and tools in which CAF and SAR have already been working for several years - the LeadMind digital train platform -.

- In Auckland, a fleet expansion up to 95 units was signed, demonstrating the proper performance of the units in this New Zealand city.

- In Australia, the Australian Capital Territory, through the company Canberra Metro Operations, which operates the Canberra Tram Line, once again awarded CAF the supply of five tram units suitable to operate on sections without catenary, including maintenance. Additionally, it has contracted the adaptation of the currently operating fleet to incorporate the on-board energy storage system that allows circulation in areas on the non-electrified route. The service connects the centre of the capital with Gungahlin and will be fit to circulate on the future extension of the line, thus responding to the expected demand increase.

Regarding the use of hydrogen in the railway sector, last May CAF commenced a CIVIA demonstrator train static test at the Zaragoza plant. RENFE's CIVIA demonstrator train is powered by hydrogen from the FCH2Rail projects and developed by the consortium comprised by CAF, DLR, Toyota, RENFE, ADIF, CNH2, IP and Faiveley Stemmann Technik.

Once these static tests were satisfactorily completed, the dynamic tests began on the external track, having successfully completed the circulation in electric mode and in hydrogen mode.

To ensure the decarbonisation of the planet, through the promotion of clean energy, CAF and Iberdrola signed an agreement whose main objective is the global promotion of rail transport with emission-free green hydrogen, and its first success was the recharging of the unit at a station to complement the circulation carried out.

INDUSTRIAL ACTIVITY

Throughout 2022, over 30 different projects were carried out in the manufacturing chains, generating a total of 989 finished cars, as well as more than 60,000 wheels and other components, manufactured and distributed in various contracts throughout the world, those who have occupied the industrial activity in the railway field of the CAF Group.

Advancing in line with project life cycles, first were those that were completed in 2022, as is the case of the projects for the Naples and Volturno underground systems, with the

RAILWAY SEGMENT

manufacture of the last 4 trains of each project, the contract signed for 30 trains with the city of Manila with the completion of the last 10 units, 5 trams for the Dutch city of Amsterdam that complete the 72 contracted units, as well as a total of 4 trains for the Istanbul underground project, the last of the 48 trams for the Dutch railway operator De Lijn, the contract for 20 trams signed with the city of Liège, completed with the manufacture of the last 5 units, as well as the 3 additional cars for the last unit of the project contracted by the Northern Ireland operator NIR, a total of the 5 underground units for Helsinki, the 10 trams of the contract signed with the city of Stockholm, as well as the 12 trams that complete the 13 contracted by the Australian city of Parramatta, together with the last of the trams that complete the project for 5 additional units for the city of Utrecht and the last tram of the 33 contracted, in various batches, by the city of Luxembourg.

Regarding the projects under way, which will continue to be active in the coming years, there are the projects for 26 trams for the North American state of Maryland, of which 17 were completed during 2022, as well as 6 trains for the Brussels underground system for the contract initially signed for 22 units, 1 train with 4 cars for the British project in the West Midlands, 4 underground units of the 30 contracted for the city of Amsterdam, the 24 trains in compositions of 3 and 4 cars for the Dutch operator Nederlandse Spoowegen of the extension contract for 88 trains, 11 DMU (Diesel Multiple Unit) trains in compositions of 2 and 3 cars for the British operator Wales & Borders, the first 6 underground units of the 43 contracted by the operator Docklands Light Railway in the city of London, the first 2 trains of the 4 contracted by Euskotren, 1 of the 12 trains for the German city of Schönbuchbahn, the first 22 trams of the order of 87 for the city of Oslo, 20 trams for Antwerp from the 40-unit contract signed with the local operator, 3 trams for Birmingham that complete 11 of the 21 contracted trains, the first 20 trams for Jerusalem, the first tram of the four contracted for Sydney and the first 2 contracted trams for Malaga.

Throughout 2022, over 30 different projects were carried out in the manufacturing chains, generating a total of 989 finished cars, as well as more than 60,000 wheels and other components, manufactured and distributed in various contracts throughout the world.

As for the rest of the projects, already in the initial manufacturing phases, of note are the contracts with the Australian operator New South Wales, the train project for the French operator SNCF, the Bi-modal locomotives for the French operator RATP, and the trams for Lisbon.

The most significant products manufactured in 2022 were as follows:

	NO. CARS
Additional medium-distance cars – NIR	3
Medium-distance DMU West Midlands (four-car unit)	4
Medium-distance DMU Wales and Borders (2-car unit)	20
Medium-distance DMU Wales and Borders (3-car unit)	3
Commuter trains for NS (3-car unit)	48
Commuter trains for NS (4-car unit)	32
Commuter trains for Euskotren	8
Metro for Brussels	36
Metro for Napoles	24
Metro for Volturno	24
Metro for Amsterdam	12
Metro for Docklands	30
Metro for Istanbul	24
Metro for Helsinki	20
LRV for Maryland	85
LRV for Schönbuchbahn	3
LRV for Manila	80
Trams for Luxembourg	7
Trams for Amsterdam	25
Trams for Utrecht (Extension)	7
Trams for Parramatta	84
Trams for Liège	35
Trams for Lijn	5
Trams for Antwerp	100
Trams for Birmingham	15
Trams for Oslo	110
Trams for Jerusalem	100
Trams for Stockholm	30
Trams for Sydney	5
Trams for Malaga	10
TOTAL	**989**

BOGIES	
With mechanic-welded chassis	1,051

WHEEL SETS AND COMPONENT UNIT - MiiRA	
Wheelset (power car + push-pull car)	3,077
Axle bodies	8,044
Monoblock wheels	64,454
Elastic wheels	2,407
Gear units	2,693
Wheel tyres	1,419

RAILWAY SEGMENT

R&D+i ACTIVITY

In the last months of the 2021 financial year, the new CAF Group Innovation Plan for the 2022 period was defined, aligned with the Strategic Plan.

The Innovation Plan, defined according to the Innovation Process, includes the innovation projects of the following businesses: CAF Rolling Stock, CAF I+D, Rail Services, MiiRA, CAF Power & Automation, CAF Signalling, CAF Turnkey & Engineering and Cetest.

The Innovation Plan envisages a total of 144 projects, grouped into the following Innovation Programmes:

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

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

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

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

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.

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

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

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

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

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

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

- REALTRAIN, part of CAF's strategic digitisation initiative, 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 train operating data.

- 5GRAIL, a communications project that aims to verify the first set of FRMCS (Future Railway Mobile Communication System) specifications and standards, which will ultimately become the global 5G standard for railway operational communications both in Europe and for the obligations of railway organisations outside Europe.

The Innovation Plan encompasses a total of 144 projects grouped into the following Innovation Programmes: Zero Emissions, Autonomous and Automatic Vehicle, Digitisation and competitiveness and Portfolio Extension.

- 5GEuskadi, a project formed by a total of 19 agents, technology centres, universities and companies from the Basque industrial fabric that have come together to experiment with 5G network deployments, provide network management techniques that enable 5G technology and develop use cases.

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

- EURAIL, in 2022 CAF signed its participation as a founding member in the EU RAIL initiative. This programme promotes R&D in the railway sector in Europe with the dedication of more than 1,200 million euros. In this regard, it participates in five major projects that have been signed this year, whose operations will begin in January 2023.

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

- Projects based on consolidated platforms: Tel Aviv tram, regional trains for VRR (Germany) and units for SJ (Sweden), mainly.
- Double deck train units for NS (the Netherlands)
- LRVs for Germany (Hanover and Bonn)
- LRVs for Boston (United States)
- Units for RENFE medium distance
- Trams for France (Montpellier)
- Trains for Etihad (United Arab Emirates)
- Athens Underground Refurbishment and Canberra Tram System

BUS SEGMENT - SOLARIS

Solaris maintains the position as European e-mobility leader

- **Solaris sold a total of 1,492 vehicles in 2022**
- **The company's revenues stood at EUR 696 million**
- **The manufacturer maintained its no. 1 position in the e-bus aggregated market shares in years 2012-2022 with 14.1%[(1)].**
- **The company had position no. 2 in the zero emission bus market in 2022 with 11.2%[(2)] market share.**
- **Battery vehicles, hydrogen vehicles, trolleybuses and hybrid buses, for the first time in the company's history, exceeded more than half of the share in the sales mix and amounting 55%.**

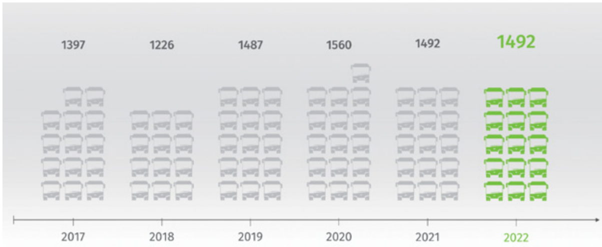
In 2022, just as in 2020-2021, most of the world's economies faced unprecedented challenges. The past few months have been difficult for the European public transport sector and companies that manufacture vehicles. Firstly, Solaris followed procedures, which were established to ensure business continuity due to the Covid-19 pandemic and related restrictions. Secondly, the global electronic components crisis caused a major disruption in supply chains.

In addition to the above, in 2022 global economy and the company also had to face a new situation caused by the war in Ukraine. While Solaris itself and most of its suppliers were not involved in business in Ukraine or Russia, some indirect suppliers were already affected by the impact of this conflict, which required special adaptation to the new conditions.

Another factor affecting the market environment was last year's unprecedented high inflation, which in Poland reached an average level of 14.4%[(3)] in 2022.

Despite these challenges, Solaris has proved with its production and sales results that it is an organization well prepared for the dynamically changing market environment and is a company that is resilient to market turbulence. In this period, the company sold 1,492 vehicles and generated revenues of EUR 696 million.

SALES OF SOLARIS VEHICLES
in 2017-2022, in units

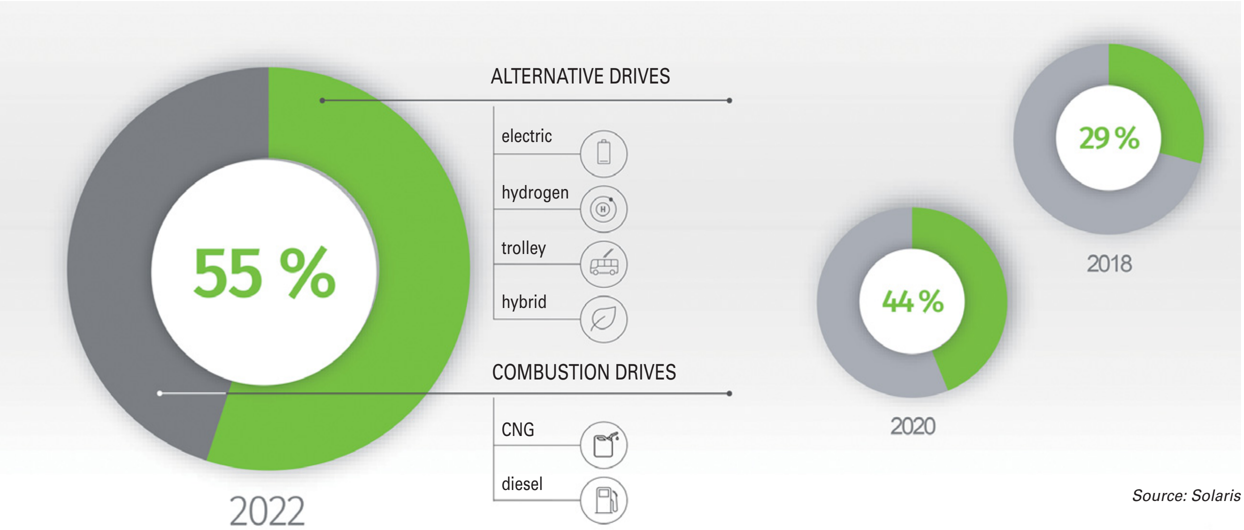


Consolidated sales of Solaris; source: Solaris

1. *Based on battery/electric and hydrogen buses registrations in 2022, in EU27 (excluding U.K. and Ireland), Norway and Switzerland, source: Chatrou/CME Solutions*
2. *Based on battery/electric and hydrogen buses registrations in 2022, in EU27 (excluding U.K. and Ireland), Norway and Switzerland, source: Chatrou/CME Solutions*
3. *https://stat.gov.pl*

For the first time in the company's history, electric buses, hydrogen buses, trolleybuses and hybrid buses accounted for more than half of the share in the sales mix, coming to 55%.

SHARE OF ALTERNATIVE DRIVES IN THE SALES STRUCTURE



Source: Solaris

It is worth emphasizing that the vast majority of contracts executed in 2022 were for the supply of vehicles with completely zero-emission or low-emission drives. Battery vehicles, hydrogen vehicles, trolleybuses and hybrid buses, for the first time in the company's history, exceeded more than half of the share in the sales mix and amounted to exactly 55%.

The growing share of low- and zero-emission vehicles in Solaris' sales mix, shows good recognition of the market and the companies' adjustment to market expectations. In most EU countries, the share of e-mobility vehicles in the transport mix has been growing dynamically in the last few years. Solaris, building its portfolio in this segment for many years, is very well prepared for the changing expectations of end users.

This is confirmed by the company's maintenance of the position of the European leader in zero emission bus segment in the years 2012-2022 at the end of 2022 with a cumulative share of 14.1%.

Based on registrations of vehicles in 2022, Solaris had position no. 2 in the zero emission bus market with 11.2% market share.

In the reported period, Solaris delivered its products to customers from 18 countries. Major recipients of Solaris vehicles included, among other carriers, operators from Spain, Poland, Italy, Belgium, Germany, Romania, Estonia, and Latvia as well as Austria and Czech Republic.

In the reported period Solaris delivered in total 401 units of battery electric buses. Also worthy of note is the fact that Solaris sold 42 hydrogen buses in 2022. The Solaris Urbino 12 hydrogen bus was launched in 2019. Since then, interest in this technology has soared, which is reflected in the

BUS SEGMENT - SOLARIS

Despite these challenges, Solaris has demonstrated through its production and sales results that it is an organisation that is well placed to face continually changing market environments and is resilient to market turmoil. During this period, the company sold 1,492 vehicles and generated sales of 696 million euros.

number of orders for this type of vehicle in 2022 and units commissioned for 2023 and later.

Solaris´ most relevant contracts in 2022 stand out:

- 2022 started for Solaris by signing a contract for the delivery of 183 battery buses. Unibuss AS, one of the biggest Norwegian carriers, has again opted for Solaris' quality and contracted delivery of 183 Urbino 18 electric buses to the Norwegian capital. Such a large one-time order for electric buses was a breakthrough in the company's history. The largest contract for Solaris for battery articulated vehicles completed so far was the contract with MZA Warsaw for the supply of 130 vehicles. The zero-emission Urbino 18 electric buses will replace the older Solaris Urbino model that is used in the city traffic in Oslo. The new buses will be in operation in April 2023. The partnership between Solaris and Unibuss AS dates back to 2006. Since then, the Norwegian carrier has ordered almost 300 vehicles from the manufacturer. All in all, there are over 500 Solaris Urbino units driving around Norway.

- In 2022 the Italian operator ATM Milano has again placed an order for electric buses made by Solaris, going for another batch envisaged in the framework agreement for 250 vehicles. The first two batches, 140 electric Urbino buses in total, have already been delivered to the client. This time the operator has ordered another 78 units of Urbino 12 electric buses.

- In 2022 Solaris has signed its first contract for the delivery of trolleybuses to the Dutch market. Dutch operator Hermes, part of Transdev/Connexxion, has signed a contract for the delivery of 10 Trollino 18 trolleybuses featuring our unique MetroStyle design. These emission-free trolleybuses will significantly contribute to boosting innovative public transport in the Arnhem Nijmegen region as well as in the entire province of Gelderland. The vehicles will make their way to Arnhem in the first half of 2024 and they will be the first Solaris trolleybuses driving in the Netherlands.

- City of Poznań's investments in green public transport are gathering pace. The city's public transport operator MPK Poznań has purchased 25 innovative hydrogen-fuelled buses that will be supplied by Solaris Bus & Coach. The tender was for 15 vehicles, but the carrier exercised its option of extending the order by another 10 buses. These cutting-edge, zero-emission hydrogen units will join the fleet of MPK in the second half of 2023. This is the largest order for hydrogen Urbino hydrogen buses obtained to date. MPK Poznań already boasts 58 electric Solaris buses, which account for nearly 20% of its fleet.

- Another contract for the delivery of hydrogen buses was signed by Solaris in Italy. Solaris will deliver four Urbino 12 hydrogen buses to Venice. The 12-metre hydrogen-fuelled buses will arrive in Italy in mid-2023, and the total value of the contracts exceeds EUR 2.5 million. The Urbino 12 hydrogen buses will serve the residents of Venice and its surroundings thanks to contracts signed with carriers AVM Venezia and ACTV SPA Venezia, which provide public transport services in Venice as well as within the communes of Venice and Chioggia.

- In 2022 Solaris has won a tender for the delivery of five hydrogen-powered Urbino 12 hydrogen buses to Palma de Mallorca, the capital of the island of Mallorca. This investment is part of the "Green Hyslan" project, financed with EU funds. The project objective seeks to promote the development of clean energy as part of initiatives aimed at combating climate change by 2050. As a result of the planned activities, the Spanish island is to become a European benchmark in terms of using zero-emission energy.

- In the reported period, Solaris Bus & Coach sp. z o.o. signed a contract with Latvian operator Rīgas Satiksme to deliver 35 Solaris Urbino 12 electric buses. In addition, the

contract can be extended via the supply of another 17 e-vehicles. The vehicles will arrive in Riga at the end of 2023. This is yet another investment by Riga in zero-emission public transport. Latvia is naturally a major export market for the manufacturer. Over 20 years ago, Riga's fleet was expanded by the first Solaris trolleybuses. Since then 560 Solaris vehicles, including over 160 Trollinos, with 10 units featuring a technologically-advanced hydrogen range extender, have been delivered to the country's capital. Riga will be the third city in Latvia to boast Solaris e-buses in regular use. Six battery electric Solaris buses already operate in Jūrmala and in Jelgava.

- On the very last days of 2022, Solaris Bus & Coach sp. z o.o. and the Romanian Municipality of Bucharest (Municipiul Bucuresti) signed a contract for the supply of trolleybuses. The order is for 100 Solaris Trollino 12 trolleybuses. The purchased zero-emission vehicles represent yet another investment by Bucharest in improving the quality of life in the city. The trolleybuses will be handed over by the city to the transport company STB SA (Societatea de Transport Bucuresti), which will perform transport services for the city and its residents. Bucharest is one of 8 cities in Romania with Solaris' zero-emission vehicles - trolleybuses and electric buses. Since 2002, the manufacturer has already delivered almost 500 buses to the local transport operators, including more than 180 vehicles of the Trollino series and more than 100 battery-powered Urbino electric.

- In 2022 city of Tallinn extends its order by another 50 Urbino CNG buses. Estonia's largest public transport operator, Aktsiaselts Tallinna Linnatransport (TLT), which provides transport services in the Estonian capital, has ordered 20 Urbino 12 and 30 Urbino 18 CNG buses from Solaris. Tallinn has thus decided to exercise the option provided in the contract concluded in July 2021, under which 100 Solaris gas vehicles had already been purchased. Ince the order will

BUS SEGMENT - SOLARIS

be completed a total of 350 gas-powered Solaris buses will be running along the streets of Tallinn.

- Moreover, it is worth mentioning that in 2022 a consortium comprised of Solaris Bus & Coach, Solaris Czech and Škoda Electric submitted a winning bid in a tender concerning the delivery of 20 bi-articulated Trollino 24 trolleybuses, held by the Prague public transport operator. This is the first such large order for vehicles of this type. The deliveries shall be carried out within 24 months of the signing of the contract.

Just as they are for the whole CAF Group, sustainable development and ESG issues are also for Solaris extremely important components of its development strategy. In 2022 Solaris published Sustainability Report which has been drawn up by the GRI Standards guidelines, which are an international standard for reporting on both responsible business and sustainable development issues. The report is the publication to present the full range of data and information on the company's ESG-related initiatives in a comprehensive manner. It is an extensive description of the company's impact on the economy, environment and society. Its three main chapters correspond to the pillars of the company's activities: "Responsibility along the value chain", "People – the greatest value", and a "Zero-emission future". The topics addressed in the document were selected during internal workshops as well as suggested by stakeholders. The report is available on the company's website.

Another important achievement in 2022 in the area of ESG was to obtain the Environmental Product Declarations (EPD) for two bus models, the Solaris Urbino 18 electric and the Solaris Urbino 12 hybrid. EPDs are a recognised and reliable source of information on the environmental profile of products. An Environmental Product Declaration is an international eco-label that provides clients with solid data on the whole life-cycle environmental impact of a given product. Solaris has obtained its first EPDs for the Solaris Urbino 18 electric and Solaris Urbino 12 hybrid vehicles and will apply for further declarations for other products from its offering, one by one. To obtain an EPD, it is necessary to go through a very extensive verification process, performed by an independent expert. This assessment process is based on verifying whether the LCA analysis, which is the starting point for the preparation of the EPD certificate, has been carried out in compliance with the PCR (Product Category Rules UN CPC 49112 and 49113), the GPI (General Programme Instructions) and the ISO 14025, ISO 14040, ISO 14044 standards.

Hydrogen technology has played a substantial role in the company's development and sales strategy. In 2022 Solaris unveiled its Urbino 18 hydrogen bus. The Urbino 18 hydrogen bus is now Solaris's second hydrogen bus in its zero-emission offer. As with the shorter version, the main energy source in this vehicle is hydrogen. With this 18-metre model, the manufacturer is responding to the growing market for vehicles of this type. This also reflects

the commitment of Solaris when it comes to the development of zero-emission solutions and its desire to provide its clients with the widest possible range of environmentally friendly vehicles. The first deliveries of the 18-metre articulated vehicle will be possible as early as the second quarter of 2023. Clients will be offered the possibility of customising the bus to cater to their individual preferences. The 12-metre version of the Solaris Urbino hydrogen bus was launched in 2019. Since then, nearly 100 hydrogen buses have already been delivered to customers in Italy, Germany, the Netherlands, Sweden and Poland. New deliveries to clients in Spain, France, and Slovakia, amongst other countries, will start soon.

In 2022, Solaris after almost two years of slowdown caused by the coronavirus pandemic – resumed its market activity in terms of trade fairs and exhibitions. The most important fairs in which Solaris has participated this last year and in which it has presented the hydrogen bus have been: the European Mobility Expo 2022 held in Paris, the Electric Bus Conference held in Berlin, Innotrans in Berlin and "Next Mobility" in Milan.

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

As for the future, the company has a healthy order book. At the end of 2022, it contained 1,419 buses.

INVESTMENTS

The CAF Group's investments in property, plant and equipment in 2022 amounted to 36 million euros. The most salient investments in 2022 are as follows:

In the MiiRA filming activity, it is worth highlighting the development of the engineering phase and the preparation of the infrastructure for the implementation of a new wheel heat treatment facility. The facility will be equipped with state-of-the-art technology for the wheel manufacturing process, and will feature automated handling along the entire line, right up to the final output of the wheels after the hardening process. This investment will yield various benefits, both from a technical standpoint thanks to greater homogeneity in the heating and temperature control of the treatment, and in terms of greater cost efficiency of the process itself. Likewise, of note was the improvement carried out at the test facilities for reducers, which will make it possible to carry out tests with greater demands in terms of temperature and tightness, thus complying with the highest market requirements.

In terms of train manufacturing, within the processing of the production model, among the main investments, it is worth highlighting the automation of the aluminium box welding process, which will bring greater performance in the execution cycles, and the acquisition of a new tube bending machine necessary to meet the requirements in terms of the cost and quality of the projects to be developed. Mention should also be made of the expansion and fitting out of the kitting area in the Beasain vehicle finishing division, which provides assembly kits for the areas for the manufacture of structures, piping, painting and finishing.

In the Digital area, investments were made in IT infrastructure to ensure the highest levels of availability, through the expansion and upgrading of hardware to enable the Group to adapt to the new needs of the organisation. Alongside this, the technology that offers the highest levels of security and availability in the performance of the Company's activity is being incorporated. One year more, the Company is focusing heavily on cybersecurity, mainly by improving the technical safeguards deployed and extending them to international head offices and subsidiaries.

In relation to the national subsidiaries, highlighting the work carried out in Trenasa to extend robotic facilities for the production of boxes, which will increase the percentage of production automation and increase the plan's capacity. As well as the expansion of facilities and offices of subsidiaries such as CAF Signalling and CAF Turnkey Engineering, due to the growth of the signalling business and integral projects respectively, to accommodate the inclusion of new recruits this year.

Abroad, the Huehuetoca plant in Mexico began the necessary investments to expand its production capacity through the integration of new assets and improvements in current resources and facilities, as well as the adaptation of the plant to manufacture new vehicle platforms, with these investments mainly focusing on painting and testing. Also, mention should be made of the investments at the French Bagnères-de-Bigorre plant, to modernise its production lines and to ensure adequate production facilities to deal with the factory's different projects. In another order of things, mention should also be made of the investment that began last year at the Newport plant in the United Kingdom to install the new warehouse that will optimise the facility's logistics capacity.

Lastly, in relation to the bus business, Solaris, in its commitment to remain a benchmark company and at the forefront of the transition towards a more sustainable public transport system, of the many initiatives that it has implemented in recent months, two deserve special attention: a new warehouse space, equipped with state-of-the-art logistics systems and solutions, and the new charging park for electric vehicles.

Both Solaris investments commenced in 2022, and both the warehouse and the charging park have been built on the factory premises in Bolechowo, near Poznań, at which the Company's headquarters are located. The new warehouse has a surface area of 10,000 m2 and plays a fundamental role in the supply chain of the parts and components necessary to manufacture Solaris buses and trolleybuses. The ship is equipped with a modern fully automated multi-level storage platform, with almost 25% of the total space allocated to offices and common spaces. It has the most advanced smoke detection systems and is equipped with special acoustic panels to

Solaris, as part of its commitment to remaining a benchmark company and at the forefront of the transition towards more sustainable public transport, amongst its many initiatives, made a particularly noteworthy investment in a new warehouse space, equipped with the latest generation logistics systems and solutions, and the new charging park for electric vehicles.

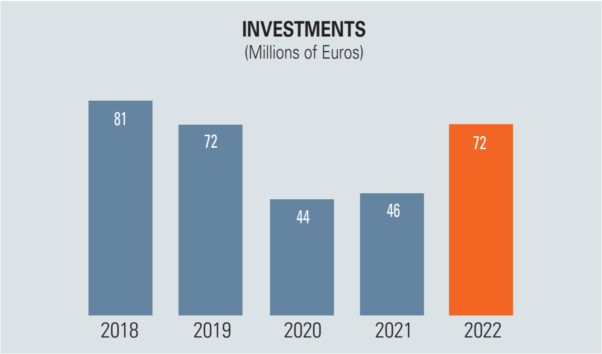
muffle the noise generated by daily operations. In addition to this, the new warehouse has a reinforced roof, with 572 photovoltaic cells with a total capacity of 260 installed Kw.

The charging park is an innovative station with various charging points for battery-powered vehicles: electric buses, hydrogen buses and trolleybuses. This investment in a unique, proprietary central facility for charging electric buses marks a natural step in the dynamic development of Solaris' zero-emissions range. The facility consists of eight charging points, pantograph mechanisms, plug-in charging stations, a section for trolleybuses and a technical room. It is the first charging park in Poland that supports Vehicle-to-Grid (V2G) functionality, that is, it allows a bidirectional energy flow between vehicles and the grid. This technology makes it possible to flexibly load and unload buses by allowing buses to be unloaded for test purposes and used as mobile energy storage facilities, resulting in more effective cost management.

Likewise, we can also refer to the investments in the welding area to increase production capacity and process automation, mainly through the acquisition of robotic workstations. Likewise, the construction of a new warehouse for the production of gas-powered vehicles begun, with the aim of effectively dealing with the increase in manufacturing needs, as well as the demands of this type of vehicle with regard to the required safety conditions.

Furthermore, investments in intangible assets in 2022 amounted to 36 million euros.

The most significant investments correspond to the implementation process for the new ERP that is being carried out in the Group's activity, the deployment of the measures established in the corporate cybersecurity policy, as well as the activation of development projects, which are detailed in Note 7 to the consolidated financial statements.



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 may prevent it from meeting its objectives.

With the commitment to address this matter, the CAF Group's Board of Directors establishes the mechanisms and basic principles to appropriately control and manage risks through the General Risk Management and Control Policy. This policy, which is aligned with the Group's mission, vision and values, expresses its commitment to providing greater certainty and security in:

- Achieving the strategic objectives set by the CAF Group with a controlled volatility;
- Providing shareholders with the highest level of assurance;
- Protecting results and the reputation of the CAF Group;
- Defending the interests of its stakeholders; and
- Guaranteeing sustained corporate stability and financial strength.

To do so, the General Risk Management and Control Policy is deployed throughout the entire CAF Group by means of an Integrated Risk Management and Control System. This system constitutes a series of standards, processes, procedures, controls and information 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, establishing, among others, the level of risk that the Group considers acceptable.

2. Identification of the different types of risks the Group faces in line with the main risks detailed in the Policy.

3. Analysis of the identified risks and involvement in the CAF Group as a whole.

   – Corporate Risks – Risks that affect the Group as a whole.
   – Business Risks – Those that specifically affect each of the businesses/projects and that vary according to the singularity of each of them.

4. Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).

5. The measures planned for the treatment of the identified risks.

6. Regular monitoring and assessment of current and potential risks through the use of internal control and information systems.

The Integrated Risk Management System adopted by the CAF Group is aligned with international standards regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines Model on the assignment of responsibilities in risk management and control.

The Integrated Risk Management System adopted by the CAF Group detailed above is aligned with international standards regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines Model on the assignment of responsibilities in risk management and control.

In this regard, the Board of Directors is ultimately responsible for the General Risk Management and Control Policy, and approves the appropriate procedures to identify, measure, manage and control risks. It is also responsible for establishing clear lines of authority and responsibility, and requires the existence of appropriate methodologies to measure the various types of risks and the effective internal controls to manage them. It is the body responsible for establishing and monitoring the Integrated Risk Management and Control System implemented at the Group, and verifies whether the significant risks for the Group are consistent and fall within the defined risk tolerance level.

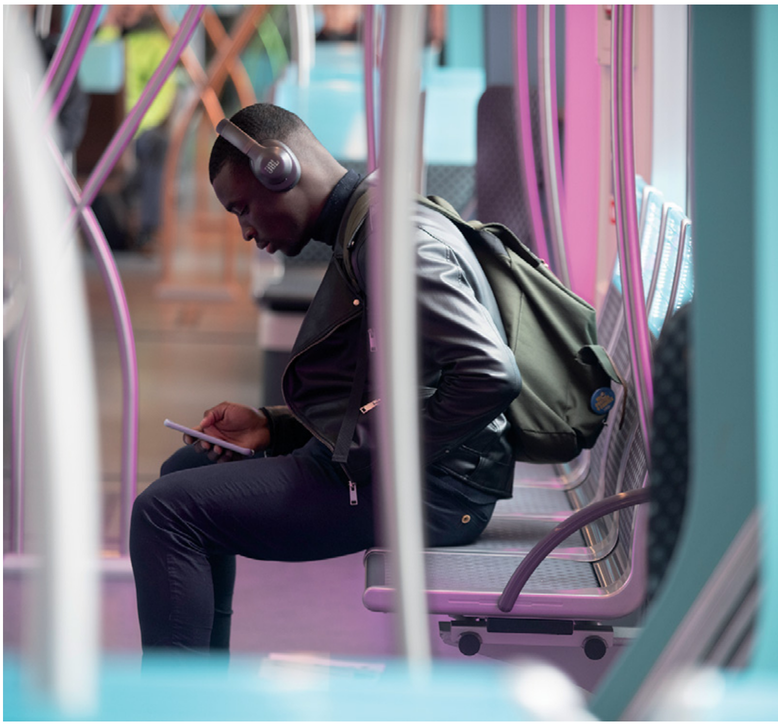
The Audit Committee is responsible for the independent oversight or assessment of the effectiveness of the Integrated Risk Management and Control System implemented and of the procedures designed to monitor it. In doing so, it will be supported by the Risk Management Department and, additionally, by the Internal Audit function.

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

Strategic risks: risks derived from the uncertainty of macroeconomic and geopolitical conditions, in addition to the characteristics of the sector and markets in which the Group operates and the strategic and technological planning decisions adopted.

Financial risks: from market fluctuations (financial and raw materials), contractual relations with third parties (customers, debtors) and counterparties related to investment in financial assets and liabilities (finantial institutions, investors). The subcategories of risks that are included are the following:

- Market risk, considering the following typologies:
  - Interest rate risk: risk of changes in interest rates that may cause variations in both the results and the value of the Group’s assets and liabilities.
  - Exchange rate risk: risk derived from the variation in the exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of monetary assets and liabilities.



  - Risk of variation in raw materials prices: risk derived from variations in prices and market variables in relation to necessary raw materials in the businesses supply chain.
- Credit risk: it is the risk of insolvency, bankruptcy or possible non-payment of quantifiable monetary obligations by counterparties to which the Group has effectively granted net credit and are pending settlement or collection.
- Liquidity and financing risk: in relation to the liability, it is the risk linked to the impossibility of carrying out transactions or to the breach of obligations arising from operatinal or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the credit quality (rating) of the company or for other reasons. In relation to the asset, it is the risk of not being able to obtain at any given time purchasers to the asset, for sale at market price, or the lack of market 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 17 "Derivative financial instruments", to the consolidated financial statements. Liquidity risk is addressed further in the following section.

MAIN RISKS AND UNCERTAINTIES

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

Operational Risks: are those inherent in all the activities, products, systems and processes of the Group that cause economic and reputational impacts caused by human/technological errors, internal processes not sufficiently robust, or the intervention of external agents.

Corporate Governance Risks: risks arising from the potential breach of the Group's Corporate Governance System that regulates the design, integration and operation of the Governing Bodies and their relationship with the company`s stakeholders; and that in turn are based on the commitment to ethical principles, good practices and transparency, articulating around the defense of social interest and the creation of sustainable value.

Compliance and Regulatory Risks: risks arising from the violation of national and international regulations and laws that are applicable regardless of the activity itself, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and regulations regulating the stock market, defense of competition and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (between others, 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 setting or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and controlling the system.

Wary about the path that COVID-19 will take from here, and the complex scenario following the outbreak of war in Ukraine, with direct repercussions on energy prices, inflation and the supply chain, the Group has deployed a raft of actions to mitigate the impact of these risks. Firstly, measures aimed at reducing price increases include: (i) monitoring of commodity markets; (ii) monitoring of current orders with suppliers; (iii) indexing of prices in new contracts; (iv) reviewing current contracts with customers; and (v) taking out price insurance. Secondly, the actions undertaken by the Group to reduce the risk of component stock-outs include: (i) technical modifications; (ii) stockpiling of electronic components; and (iii) advance deliveries and safety stock.

The contingencies managed in the realm of Compliance are part of the overall risks supervised within the system and a description of the material topics for 2022 can be found in Note 26 to the consolidated financial statements and in the Non-Financial Statement — Sustainability Report.

LIQUIDITY AND CAPITAL RESOURCES

Availability of short-term liquidity

The CAF Group constantly assesses its available liquidity, including cash balances, short-term liquid investments, the availability of credit lines, access to short-term capital market instruments and the generation of cash flows from operating activities, in order to meet the Group's liquidity needs at all times.

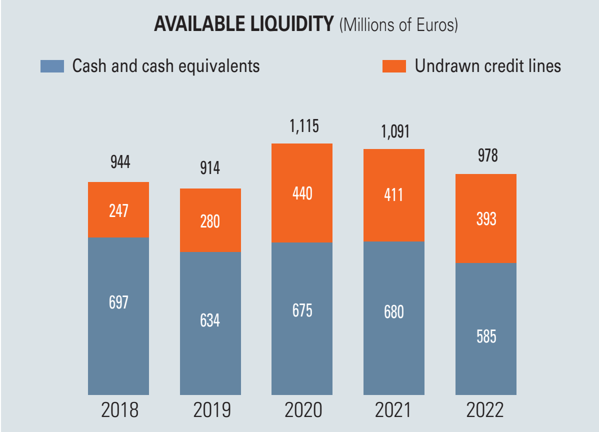
When assessing the CAF Group's short-term liquidity needs, the following factors, among others, are taken into consideration: the historic volatility of the Group's liquidity needs, their seasonality, the maturity profile of the liabilities, the needs arising from investment plans, the expected level of customer advances and the evolution of working capital. To define target levels of available liquidity worse-than-base-case scenarios are taken into consideration.

In December 2017, Construcciones y Auxiliar de Ferrocarriles, S.A. registered a short-term commercial paper issuance programme on the Irish Stock Exchange, renewed for annual periods in December 2018 and December 2019. In December 2020, the programme

The stability during 2022 of both the Net Financial Debt figure and the Net Financial Debt / EBITDA ratio is noteworthy, in a temporary environment in which the effects of inflation and supply chain problems have had a negative impact on the global macroeconomic climate.

registered on the Irish Stock Exchange was replaced, as it was not renewed upon maturity, by a commercial paper note issuance programme with similar characteristics, incorporated on 21 December 2020 in the Alternative Fixed Income Market ("MARF"), for a maximum volume of 250 million euros, subsequently renewed for annual periods in December 2021 and 23 December 2022. Since 2018, placements have been made within the framework of these programmes, used by the Group as an alternative source of financing to existing credit lines, diversifying the source of financing and adding an additional source of liquidity.

Sources of short-term available liquidity include liquid assets, current financial assets and undrawn credit lines. The evolution of the Group's available liquidity in recent years is as follows:



MAIN RISKS AND UNCERTAINTIES

Capital structure

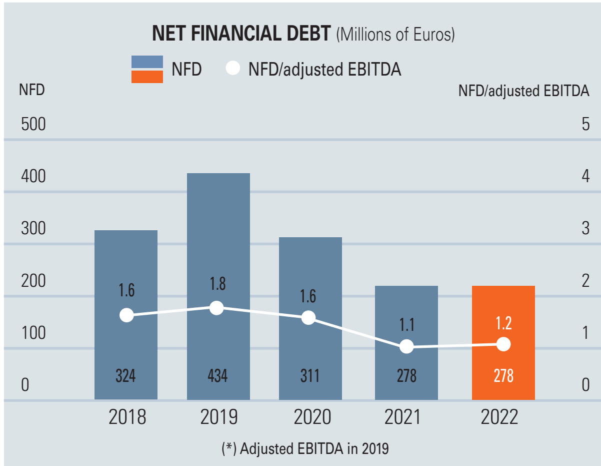
The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring a sound financial position. This policy makes it possible to make the creation of value for shareholders compatible with access to financial markets at a competitive cost, in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the business cash generation.

The Group sets as an objective maintaining a leverage ratio and creditworthiness in line with the profile of its businesses.

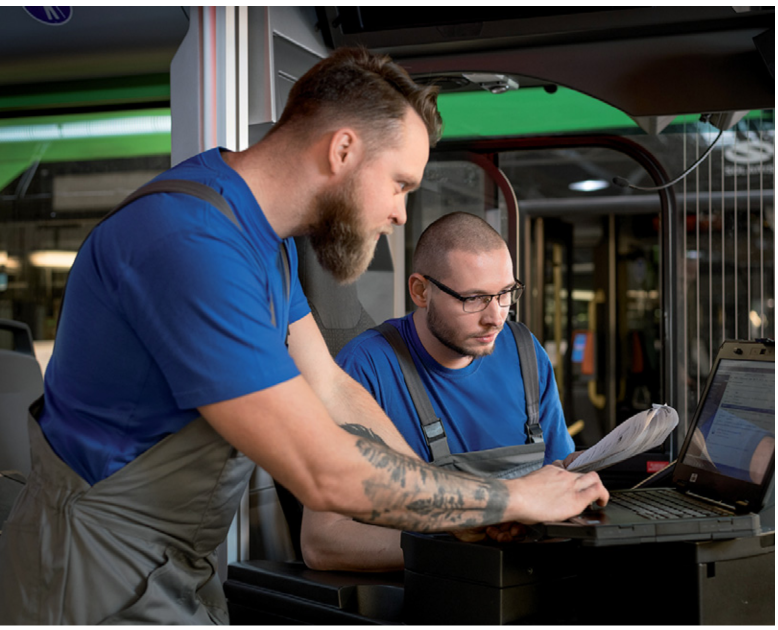
The CAF Group regularly assesses the appropriateness of its liability structure, and takes into consideration the projected cash flows, the maturity profile of its debt, the foreseeable evolution of its working capital and other future liquidity needs.

In 2018 Construcciones y Auxiliar de Ferrocarriles, S.A. acquired all the share capital of the Polish bus manufacturer Solaris. Also, in 2019 it acquired all the shares of EuroMaint, a leading Swedish train maintenance company. The cost of these acquisitions was financed primarily with additional long-term debt of the Group's Parent. These acquisitions have had a significant impact on the Group's gross financial debt figures, both due to the increase in debt at the Group's Parent Company used in the share acquisition, and to the inclusion of the Solaris Group in the Group's consolidation scope.

The main aggregates of the Group's liability structure have performed as follows in recent years:



Millions €	2018	2019	2020	2021	2022
Gross debt concessions	239	203	142	113	80
Gross debt Solaris	145	168	164	171	197
Gross debt Corporative	650	708	689	682	597
Total	**1,034**	**1,079**	**995**	**967**	**874**

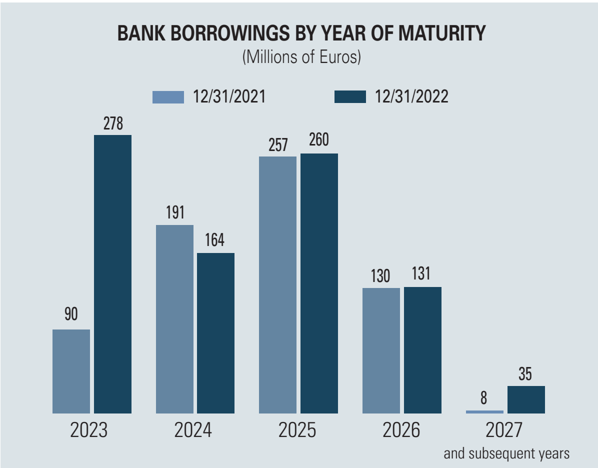


The stability during 2022 of both the net financial debt figure and the Net Financial Debt / EBITDA ratio is noteworthy, in a time frame in which the effects of inflation and supply chain disruptions have had a negative impact on the global macroeconomic framework.

The CAF Group is constantly renegotiating its financial liability structure, in order to minimise borrowing costs and bring maturities into line with its needs, within the possibilities offered by financial markets.

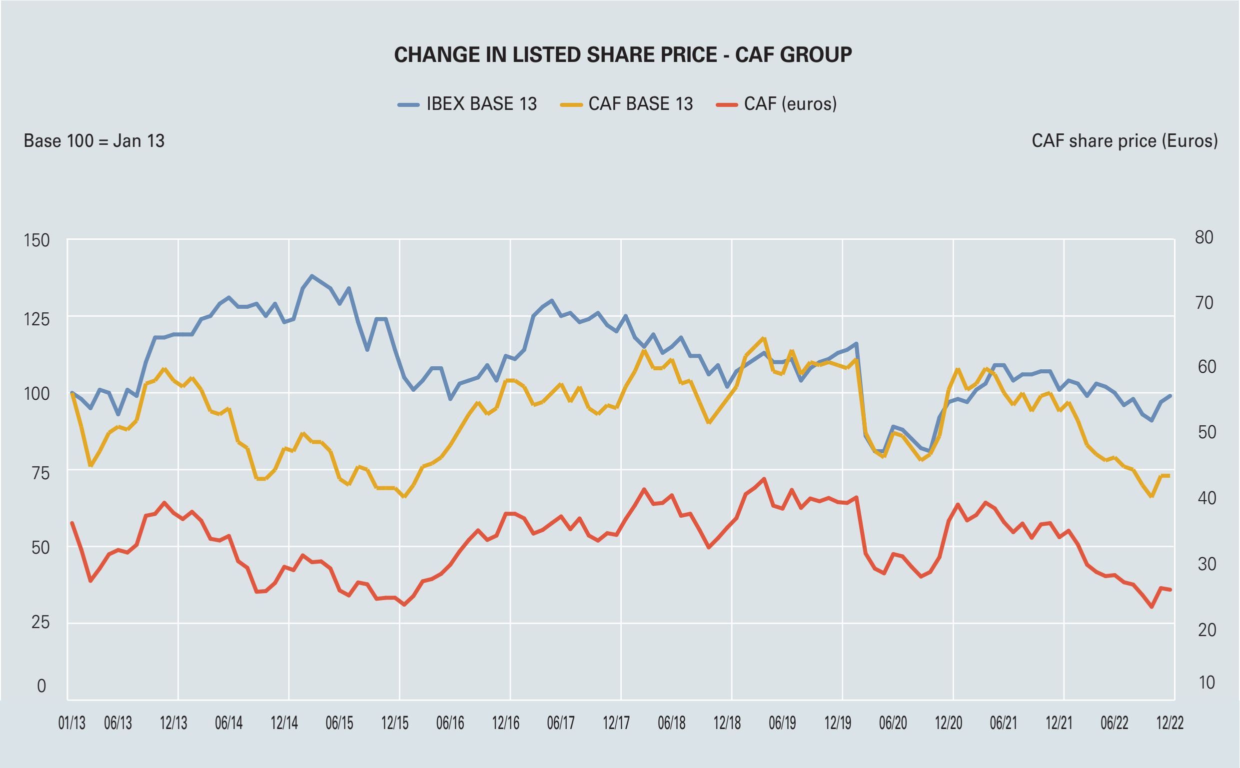
The maturity schedule of the Group's borrowings at 31 December 2022, compared with 2021 year-end is as follows:

In 2016, Solaris Bus & Coach, sp. z.o.o. (Solaris) arranged various financing facilities with a consortium of Polish banks. This financing comprises a loan tranche and a credit facility tranche which, at 31 December 2022, had been drawn down in the amount of 124.5 million euros. The contracts that cover these debt tranches establish compliance with certain financial covenants. These conditions were not met at 31 December 2022, with the exception of positive equity and the maximum amount of investments made during the year. Therefore, the entire debt was reclassified to short term, although its maturity remains at December 2024. The Company is working with the borrowers to obtain the necessary waivers to cure this default situation.



STOCK MARKET INFORMATION

	2022	2021	2020	2019	2018
Market price					
Market capitalisation at year-end (millions of euros)	908	1,255	1,346	1,406	1,241
Closing price (euros)	26.50	36.60	39.25	41.00	36.20
Low (euros)	22.30	33.05	25.20	35.30	31.30
High (euros)	38.00	42.10	43.30	44.90	43.60
Data per share (euros)					
Earnings per share (EPS)	1.52	2.51	0.26	0.72	1.27
Dividend per share	0.86	1.00	0.00	0.842	0.765
Stock market ratios					
PER (average market price/EPS)	18.56	14.88	127.70	56.34	30.14
Average market price/adjusted EBITDA	4.18	5.02	5.71	5.72	6.50
PBV (average market price/BV)	1.25	1.76	1.82	1.90	1.74
Dividend yield	3.04%	2.68%	0.00%	2.07%	2.00%
Pay-out ratio (Dividend/EPS)	56.43%	39.90%	0.00%	116.65%	60.34%
Liquidity ratios					
Free-float rotation	83%	51%	70%	47%	65%
Traded volume (millions of shares)	13.4	8.6	11.3	8.4	10.8


CHANGE IN LISTED SHARE PRICE - CAF GROUP
IBEX BASE 13
CAF BASE 13
CAF (euros)
Base 100 = Jan 13
CAF share price (Euros)
150
125
100
75
50
25
0
80
70
60
50
40
30
20
10
01/13
06/13
12/13
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OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

At 31 December 2022, the Group had a firm backlog of approximately 13,250 million euros (31 December 2021: 9,640 million euros) (Note 12).

ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2022, various transactions in own shares were carried out on the continuous market. The breakdown of own shares held by Construcciones y Auxiliar de Ferrocarriles, S.A. is as follows:

Treasury shares at 31 December 2022	
No. of shares	46,947
Nominal value (thousands of euros)	14
Average purchase price (euros)	27.53
Total cost (thousands of euros)	1,292

Note 14.b to the consolidated financial statements provides additional information on the treasury share operations carried out in 2022.

PAYMENTS TO SUPPLIERS

The average period of payment to suppliers 2022 was 85.5 days. In order to reduce this period to the maximum payment period established by Law 11/2013, the Group 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.

ALTERNATIVE PERFORMANCE MEASURES

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

APMs are important to those who rely on the financial information because they are the measures used by the CAF Group's management to assess its financial performance, cash flows or financial position in making financial, operational or strategic decisions for the Group. In 2022, there were changes in the parameters of certain APMs that refer to the management balance sheet, to align these indicators with the Group's management and with the Consolidated Statement of Cash Flows presented in these Consolidated Financial Statements, and to ensure a better comparability with competitors. The APMs affected by this change were as follows: Investments in working capital, Fixed assets and Other assets and liabilities. The detail of each of them indicates the impact of this modification on the comparative figures for 2021.

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

Order intake: includes firm orders received during the period and modifications that may have been made to orders from prior periods. This measure does not include the backlog acquired through business combinations in the year.

Millions of euros	31/12/22	31/12/21
+ Backlog at end of period	13,250	9,640
– Backlog at beginning of period	(9,640)	(8,807)
+ Revenue	3,165	2,943
– New additions to the consolidation scope	(570)	-
Order intake	**6,205**	**3,776**

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

Millions of euros	31/12/22	31/12/21
Order intake in the year	6,205	3,776
Revenue	3,165	2,943
Book-to-bill ratio	**2.0**	**1.3**

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

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

Millions of euros	31/12/22	31/12/21
Backlog – current period	**13,250**	**9,640**
Revenue for the period	3,165	2,943
Revenue for the period - New additions (*)	138	-
Revenue	**3,303**	**2,943**
Order backlog / Revenue ratio	**4.0**	**3.3**

(*) Corresponds to the revenue for 2022 for the period prior to joining the Group.

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

Millions of euros	31/12/22	31/12/21
Profit/(Loss) from operations	139	165
Depreciation and amortisation charge	95	87
Impairment and gains or losses on disposals of non-current assets	(2)	3
EBITDA	**232**	**255**
Other adjustments	-	-
Adjusted EBITDA	**232**	**255**

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

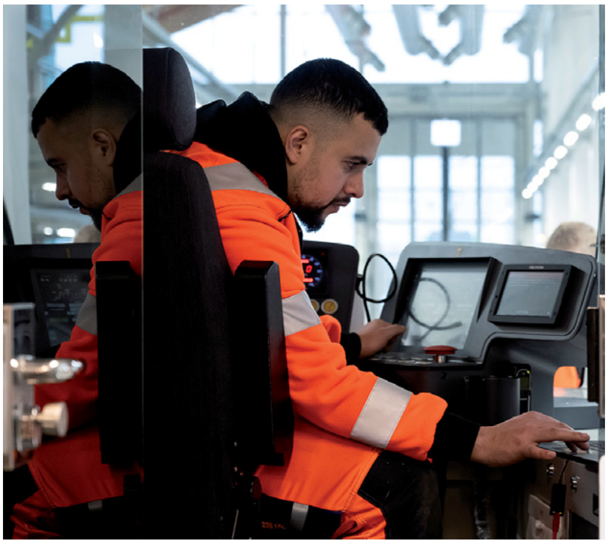
Millions of euros	31/12/22	31/12/21
Adjusted EBITDA	232	255
Revenue	3,165	2,943
Adjusted EBITDA Margin	**7.3%**	**8.7%**

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

Millions of euros	31/12/22	31/12/21
Consolidated profit/(loss) for the period attributable to the Parent	52	86
Revenue	3,165	2,943
Net margin	**1.6%**	**2.9%**

Investment in working capital: calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items that are classified as Net financial debt, Fixed assets and Other assets and liabilities. This measure is used by the CAF Group management when managing and making decisions related to the cash conversion cycle of the business, as effective working capital management enables an optimal level of investment in working capital so as not to jeopardise the company's solvency and ability to honour its

OTHER INFORMATION



Millions of euros	31/12/22	31/12/21*
Total Non-current assets	1,540	1,353
– Financial assets – Non-current assets (Notes 9-b.2 and 14)	(11)	(9)
– Non-current hedging derivatives – Non-current assets	(12)	(35)
– Deferred tax assets	(151)	(145)
– Assets for non-current refund rights	(5)	(5)
– Right-of-use assets (Note 8)	(87)	(54)
+ Other receivables – Concessions (current assets) (Notes 9-b.2 and 12)	126	98
– Payable to non-current asset suppliers (Note 15)	(2)	(5)
+ Other current financial assets at amortised cost (Note 13)	26	3
Fixed assets	**1,424**	**1,200**

(*) The modification in the parameters used to calculate this indicator led to an increase of 58 million euros and 36 million euros in Fixed assets at 31 December 2022 and 2021, respectively.

short-term payment obligations. The following table provides a breakdown:

Millions of euros	31/12/22	31/12/21*
+ Other non-current assets	5	5
+ Inventories	586	487
+ Trade and other receivables	2,135	1,690
- Other receivables - Concessions (current assets) (Notes 9-b.2 and 12)	(126)	(98)
- Current tax assets	(16)	(10)
+ Other current assets	14	9
- Other non-current liabilities	(105)	(82)
- Current provisions	(326)	(286)
- Trade and other payables	(2,374)	(1,733)
+ Current tax liabilities	15	20
- Other current liabilities	(3)	(6)
Investment in working capital	**(195)**	**(4)**

(*) The change in the parameters used to calculate this indicator led to a reduction of 222 million euros and 144 million euros in Working Capital Investment at 31 December 2022 and 2021, respectively.

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

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

Millions of euros	31/12/22	31/12/21*
+ Right-of-use assets (Note 8)	87	54
+ Non-current hedging derivatives - Non-current assets	12	35
+ Deferred tax assets	151	145
+ Current hedging derivatives - Current assets	29	48
+ Current tax assets	16	10
– Total non-current liabilities	(1,076)	(1,103)
+ Bank borrowings and debt instruments or other marketable securities	590	676
+ Non-current interest-bearing advances (Notes 14 and 15)	5	6
+ Other non-current liabilities	105	82
– Current financial liabilities - Other financial liabilities	(36)	(49)
+ Payable to non-current asset suppliers (Note 15)	2	5
+ Current interest-bearing advances (Notes 14 and 15)	1	2
– Current hedging derivatives - Current liabilities	(33)	(69)
– Current tax liabilities	(15)	(20)
Total Other assets and liabilities	**(162)**	**(178)**

(*) The modification in the parameters used to calculate this indicator led to an increase of 190 million euros and 108 million euros in Other assets and liabilities at 31 December 2022 and 2021, respectively.

CAPEX: calculated as the sum of additions in the year to "Other intangible assets" and "Property, plant and equipment", excluding rights of use, which are detailed in Notes 7.b and 8.a to the consolidated financial statements.

Millions of euros	31/12/22	31/12/21
Additions to Other intangible assets	36	24
Additions to Property, plant and equipment	36	22
CAPEX	**72**	**46**

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

Millions of euros	31/12/22	31/12/21
+ Net Financial Debt at the beginning of the period	278	311
– Net Financial Debt at the end of the period	(278)	(278)
+ Dividends paid to shareholders in the period	36	29
Cash-Flow	**36**	**62**

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

Millions of euros	31/12/22	31/12/21
+ Payment deferrals with public entities (Note 19)	-	1
+ Interest-bearing refundable advances (Note 15)	6	8
+ Bank borrowings – Non-current liabilities (Note 16)	590	676
+ Bank borrowings and debt instruments – Current liabilities (Note 16)	278	283
- Financial assets – Non-current assets (Note 9-b.2)	(11)	(9)
- Current financial assets (Note 13)	(112)	(129)
- Cash and cash equivalents	(473)	(551)
Net Financial Debt	**278**	**278**

Net Financial Debt/Adjusted EBITDA: "Net Financial Debt" divided by Adjusted EBITDA. This ratio gives an indication of the Group's ability to meet its Net Financial Debt with the cash flows generated by its ordinary activities.

Millions of euros	31/12/22	31/12/21
Net Financial Debt	278	278
Adjusted EBITDA	232	255
Net Financial Debt/Adjusted EBITDA	**1.2**	**1.1**

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

Millions of euros	31/12/22	31/12/21
Net Financial Debt	278	278
+ Financial assets - Non-current assets	11	9
+ Current financial assets	112	129
+ Cash and cash equivalents	473	551
Gross Financial Debt	**874**	**967**

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

Millions of euros	31/12/22	31/12/21
Current financial assets – Current financial investments (Note 13)	112	129
Cash and cash equivalents	473	551
Credit facilities and other undrawn financial balances (Note 16)	393	411
Available liquidity	**978**	**1,091**

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

	31/12/22	31/12/21
Number of shares issued (in millions of shares)	34.28	34.28
Quoted price at close	26.50	36.60
Stock market capitalisation (millions of euros)	**908**	**1,255**

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Dividend per share: obtained by dividing the amount of dividends paid out in the year by the number of shares of the Parent issued on the stock exchange at the end of the period.

	31/12/22	31/12/21
Dividend distributed (in million euros)	29.48	34.28
Number of shares issued (in millions of shares)	34.28	34.28
Dividend per share (in euros)	**0.86**	**1.00**

PER ratio: obtained by dividing the current period's average share price by "Net earnings per share".

	31/12/22	31/12/21
Average price for the year (in euros)	28.29	37.29
Net earnings per share (in euros)	1.52	2.51
PER	**18.56**	**14.88**

Average share price/adjusted EBITDA: obtained by dividing the product of the number of shares issued by the average share price for the current period by adjusted EBITDA for the period.

	31/12/22	31/12/21
Number of shares issued (in millions of shares)	34.28	34.28
Average price for the year (in euros)	28.29	37.29
Average capitalisation (in millions of euros)	**969.70**	**1,278.30**
Adjusted EBITDA (in million euros)	232	255
Market average price/EBITDA adjusted	**4.18**	**5.02**

PBV ratio: obtained by dividing the current period's average share price on the stock exchange by the book value of the shares, where the book value is obtained by dividing "Equity attributable to the Parent" by the number of shares issued.

	31/12/22	31/12/21
Average price for the year (in euros)	28.29	37.29
Equity attributable to the Parent (in million euros)	776	727
Number of shares issued (in millions of shares)	34.28	34.28
Book value per share (in euros)	22.63	21.21
PBV ratio	**1.25**	**1.76**

Dividend yield: obtained by dividing the Dividend per share by the current period's average share price on the stock exchange.

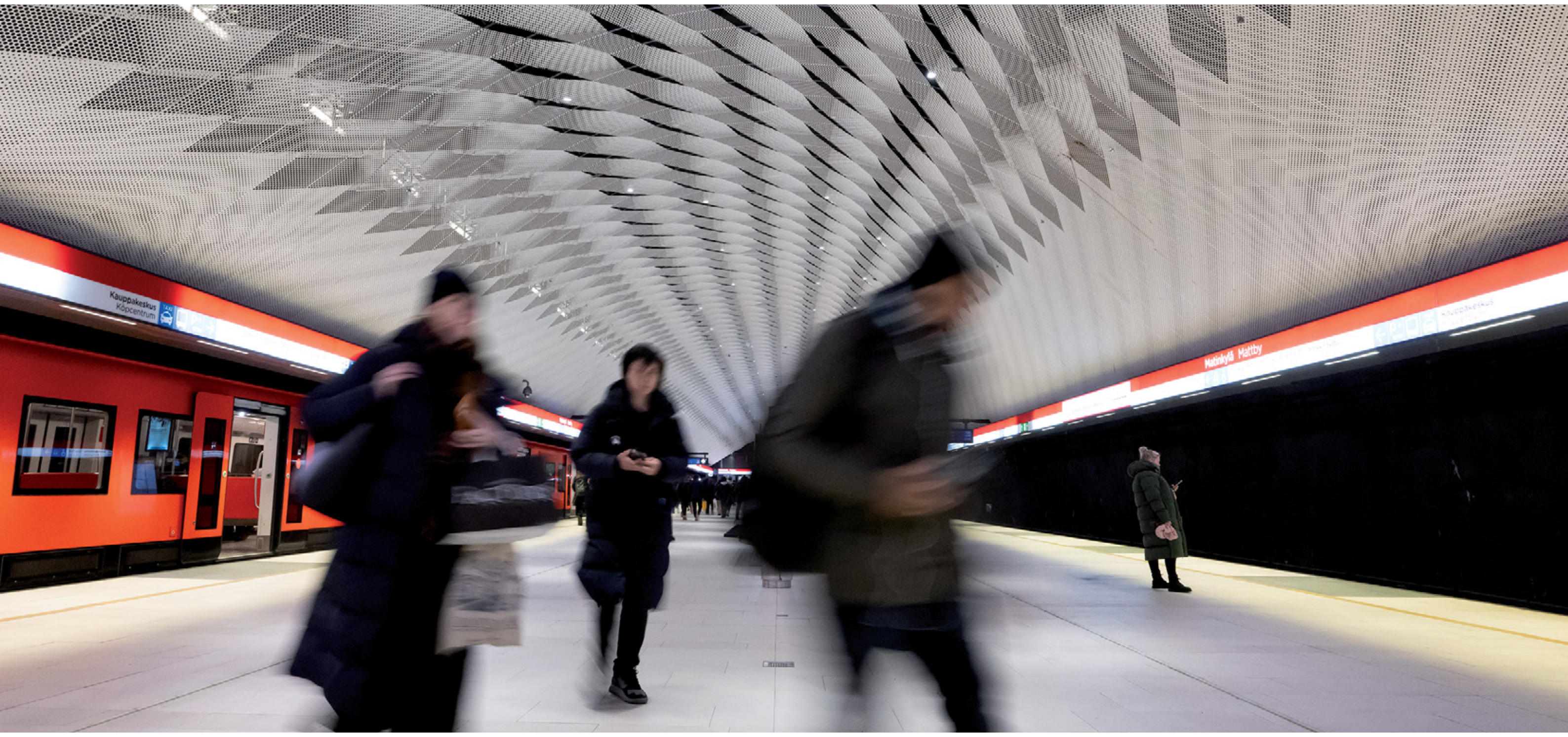
	31/12/22	31/12/21
Dividend per share (in euros)	0.86	1.00
Average price for the year (in euros)	28.29	37.29
Dividend yield (%)	**3.0%**	**2.7%**

Pay-out: obtained by dividing Dividend per share by Net earnings per share.

	31/12/22	31/12/21
Dividend per share (in euros)	0.86	1.00
Net earnings per share (in euros)	1.52	2.51
Pay-out (%)	**56%**	**40%**

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).

	31/12/22	31/12/21
Volume of securities traded (in millions of titles)	13.45	8.58
Number of shares issued (in millions of shares)	34.28	34.28
Free-float (%)	47.55%	48.66%
Number of estimated floating shares (in millions of shares)	16.30	16.68
Free-float rotation (%)	**83%**	**51%**



ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2022 forms part of the Directors' Report and is published on CAF's website (www.caf.net), following notification to the Spanish National Securities Market Commision.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

The Annual Report on Directors' Remuneration for 2022 forms part of the Directors' Report and is published on CAF's website (www.caf.net), following notification to the Spanish National Securities Market Commision.

I.2 NON-FINANCIAL INFORMATION STATEMENT SUSTAINABILITY REPORT

1 HOW WE UNDERSTAND SUSTAINABILITY

"CAF's main objective in terms of Sustainability is to conciliate the execution of its mission with the balanced meeting of the needs and expectations of the Stakeholders for the creation of value in a sustainable and long term manner. All of this is carried out in compliance not only with legal obligations, but also with best practices in Good Corporate Governance, Risk Management, Regulatory Compliance, and Sustainability."

CAF Sustainability Policy
17 December 2020

1.1 CAF's Overall Vision and Sustainability

[2-6, 2-14]

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

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

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

In the field of buses, CAF, through Solaris, has been a pioneer in the development of new products and currently has the most complete range of low and zero emission solutions. It is also well positioned in electromobility as it is one of the leaders in zero-emission mobility in Europe due to its unique real experience in electromobility, its strong proposal for zero-emission technologies (electric and hydrogen) and for having all the advantages of conventional technologies, but without business or industrial activity in the production of internal combustion engines. All in all, Solaris, and thus CAF, maintains a good position vis-à-vis its European competitors in terms of portfolio, actual experience and market share.

In both cases, CAF serves the most diverse range of customers worldwide: from municipalities and regional or national public or private administrations, to other railway manufacturers and private companies operating or maintaining systems or even consortium structures accompanied by financially oriented entities.

Experience in global sustainable mobility

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

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

The Group has a strong presence in the international market, focusing heavily on Europe, with production plants in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico and Brazil. It also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. All this information can be found 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. Further information on the Group's business model and prospects can be found in chapter one of the Management Report.

CAF's Mission reflects the added value in sustainable mobility of the Group's integrated transport systems and aligned with the Mission; the Vision refers to the Group's comprehensive offer to respond to the new social needs for sustainable mobility.

MISSION *Approved by the Executive Committee on 23 December 2016*	We are a multinational group with over 100 years of experience in the supply of comprehensive transit solutions positioned at the forefront of technology for high value-added sustainable mobility The company is a leader in the railway industry, offering one of the most comprehensive and flexible arrays of products in railway-related markets, such as rolling stock, components, infrastructure, signalling and services (maintenance, refurbishing and financial services). CAF's committed personnel and the cooperation with our business partners enable us to enhance customer satisfaction and create value for our shareholders.
VISION *Approved by the Executive Committee on 23 December 2016*	Thanks to our human and technical potential, we will grow in the railway sector, strengthening our presence in the largest, most demanding world markets. We will increase and diversify our all-encompassing transportation range beyond the railway sector so as to meet society's new sustainable mobility needs. Thanks to the culture that is shared by all the people that make up CAF, we will meet the needs of our Stakeholders in a balanced manner.

Similarly, the corporate values applied to all the Group's activities reflect the commitment to the principles set out in the Sustainability Policy and make them more present in day-to-day business.

Honesty and Integrity	Acting in the right way, conforming to the rules.
Responsibility and Commitment	Taking charge, honouring commitments.
Results and Perseverance	Providing solutions to the situations that arise and establishing actions to do so. Achieving what you set out to do by overcoming the difficulties that may arise.
Excellence and Learning	Doing things well, improving the activity and providing new solutions. Being open to learn and undertake new activities.
Cooperation and Teamwork	Working with others brings greater value.
Health and Safety of People and the Environment	Working in safe environments by reinforcing the health and safety of all people

On 10 November 2022, the Board of Directors approved the business vision or ambition, which was made public on 1 December as part of the Strategic Plan: grow as a provider of comprehensive rail and bus mobility solutions, maximising its digital proposal. Four strategic pillars will enable the business vision to be achieved, the commercial focus that will bring recurrence and scalability to the Group, operational efficiency to guarantee profitability and competitiveness, innovation ensuring that it is at the forefront of technology and sustainability, leading the transition of mobility solutions towards the goal of achieving zero net emissions by 2045.

During 2023, the Mission, Vision and Values will be updated and the Company's Purpose will be defined in coherence with the new 2026 Strategic Plan.

As a result of its commitment to sustainability and the environment in which it carries out its activities, the CAF Group (hereinafter CAF) has an updated Sustainability Policy approved on 17 December 2020 by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter CAF, S.A.). This policy defines the objective, principles and commitments that the organisation promotes while undertaking its activities and is available on the corporate website.

CAF's main objective in terms of Sustainability is to reconcile undertaking its mission with the balanced satisfaction of stakeholder needs and expectations for creating value in a sustainable and long-term manner. CAF undertakes this task, complying not only with its legal obligations but also with best practices in the areas of Corporate Governance, Risk Management, Regulatory Compliance and Sustainability.

To achieve its stated objective, CAF follows the following principles of action when carrying on its activities:

1	Legal compliance and prevention of corruption and other illegal conduct,
2	Respect for Human and Basic Rights
3	Compliance with best practices in Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability
4	Transparency and Confidentiality
5	Responsible Communication
6	Fiscal responsibility
7	Innovation and Sustainability
8	Environment

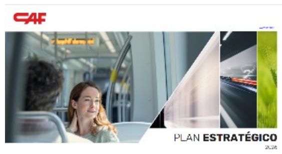
CAF continues to take steps to reinforce and consolidate the work carried out to meet the objectives set out in the Sustainability Policy, which are promoted through the Sustainability Committee. This forum is made up of a multidisciplinary team representing the areas with the greatest impact on sustainability, who are responsible for ensuring compliance with the commitments, as well as monitoring activities in this area, under the coordination of the Human Resources Department. The main responsibility of each member of the Committee is to ensure the deployment of Sustainability activities with a corporate scope in their respective areas of expertise. In this regard, he or she is the point of reference and interlocutor in this field in the areas he or she represents and the voice of these areas within the Committee. In addition, the members are responsible for communicating relevant aspects in this area to the Committee that require a shared vision to be established and for bringing relevant aspects to the executive and/or decision-making bodies in their area. In this regard, the Committee evaluates the matters submitted to it and may issue recommendations on the substance and on the most appropriate channel for processing them.

The Nomination and Remuneration Committee has been assigned the functions of evaluating and supervising the policy and practices in environmental and social matters so that it fulfils its mission of promoting the social interest and also the processes of relations with the different Stakeholders, taking into account the legitimate interests of the latter. In compliance with the above, it is responsible for monitoring and controlling the Sustainability Policy. The Board of Directors is regularly informed of activities in the area of sustainability and stakeholder relations in accordance with the provisions of this policy.

The preparation of this report was led and coordinated by the Human Resources Department and reviewed by the Nomination and Remuneration Committee for subsequent approval by the Board of Directors.

During 2022, CAF has continued to improve its process management in line with its growing sensitivity to ESG issues, as well as the increasing requirements of Stakeholders in the different activities. In this period, it is worth highlighting the work carried out in the following areas of action:

- Incorporation of Sustainability in the 2026 Strategic Plan among the four pillars, together with a commercial focus, operational efficiency and innovation.
- Drafting the first Sustainability Plan that integrates specific initiatives in this area with corporate scope and direct impact on ESG.
- Monitoring of the Sustainability Scorecard, which includes the Group's main non-financial targets and which is published in this report in chapter 1.4 Scorecard.
- Progress in implementing the Corporate Management Model aligned with ISO 26000:2012 with the deployment of corporate policies on ESG matters, verified by the accredited external entity LRQA.
- Incorporation of relevant aspects of non-financial information in interim earnings releases alongside financial information.
- Improved perception of the Group's performance by rating agencies in the area of Sustainability. An example of this has been obtaining the prestigious platinum medal in the sustainability management assessment carried out by Ecovadis, placing the CAF Group among the best-performing companies in the sector; the B score in the first CDP (Carbon Disclosure Project) climate change index report carried out by the CAF Group throughout 2022, a score that is above the average for the railway sector; as well as the maintenance of the "BBB" rating in the MSCI valuation update for the CAF Group.
- Continued adherence to the United Nations Global Compact by CAF, S.A., the Group's main company, confirming its commitment to the Ten Principles contained therein,



which are derived from United Nations declarations on human rights, labour, the environment and anti-corruption and enjoy universal consensus.

- Verification of the carbon footprint (scopes 1 and 2) for 2019, 2020, 2021 and 2022 by the external accredited entity LRQA, and definition of the GHG emission reduction targets based on the SBTi methodology; targets that have been integrated and communicated in the 2026 Strategic Plan.
- Certification of the model of excellence in environmental management based on the European EMAS Regulation for CAF S.A. (Eco-Management and Audit Scheme).
- First EDP declaration (Environmental Product Declaration) for Solaris: Urbino 18 electric and Urbino 12 hybrid buses.
- Busplanner Innovation Award 2022 for Solaris for its Urbino 9 LE bus.
- Obtaining the "Silver" level under the IRIS international quality standard for the Signalling activity, in addition to those obtained in 2021 by Rail Vehicles and Maintenance.
- KOMP SARIAK distinction awarded to the CAF Group by the Basque Competition Authority for its Corporate Competition Compliance System.
- CRS Silver Leaf distinction awarded to Solaris by "Polityka" for its support in achieving the Sustainable Development Goals.
- Entering into a liquidity contract, the sole purpose of which is to promote liquidity and regularity in the listing of the Group's parent company's shares on the stock exchange.
- Solaris obtained certification under ISO 45001 "Occupational Health and Safety Management Systems".

The main objective for the next period is to continue to make progress in fulfilling the commitments included in the Sustainability Policy with the various Stakeholders in the different areas: environmental, social and governance aspects and work fronts: management, reporting and results.

1.2 Value creation and Stakeholders

[2-29]

CAF's Strategic Framework is based on two pillars. The Business Strategy, which sets out which products, markets, customers and technologies to address. And the Management Strategy, which defines how this business strategy will be implemented (Company governance; policies, procedures, management committees, processes, etc.). The combination of both strategies results in creating value, in the form of Results. For CAF, creating value means satisfying the needs and expectations of its Stakeholders.

Specifically, and in the case of Shareholders, CAF seeks to generate value through the positive trend of Earnings per Share, an adequate distribution of this, and constant communication with the market that ultimately contributes to shareholder return.

	2022	2021	2020	2019	2018
Earnings per share (euros)	1.52	2.51	0.26	0.72	1.27
Dividend per share (euros)	0.86	1.00	0.00	0,842	0,765
Dividend yield	3.0%	2.7%	0.0%	2.1%	2.0%
Pay-out ratio (Dividend/EPS)	56%	40%	0%	117%	60%

The execution of the order backlog and the Group's result in 2022 were impacted by the effects of the pandemic and the aftermath of Russia's invasion of Ukraine, which aggravated instability in the component supply chain, higher raw material and energy prices, and historically high inflation, with a corresponding monetary policy derivative. As a result of the above, CAF's earnings per share amounted to 1.52 euros, and the dividend per share that the Board proposes to the General Shareholders' Meeting is 0.86 euros per share. This shows the Company's commitment to distribute a good part of its profits to its shareholders, despite the complex economic and sector scenario.

CAF maintains fluid and continuous communication with the market through numerous channels and makes available to shareholders general information regarding share and dividend performance, communications of relevant events for the business (contract awards, corporate operations, strategic milestones), economic-financial information, documentation related to the Shareholders' Meeting, as well as diverse documentation on corporate governance.

In addition to the above, at the end of 2022, 15 financial analysts maintain active coverage on CAF. Financial analysts issue independent reports on the value of CAF on a recurring basis based on close monitoring of business performance and published results. 90% of analysts recommend to buy/overweight CAF shares, with a potential of around 30%[1].

Stakeholders, whose first formal identification was carried out in the definition of the Code of Conduct in 2011, are therefore at the centre of CAF's strategy, and the Sustainability Policy confirms their validity and defines the commitments made to each of them, namely shareholders, customers, people, suppliers and society.

[1] Data source: FactSet, 21 February 2023.

These commitments are applied in the ordinary course of business in accordance with the corporate social responsibility guidelines included in the ISO 26000:2012 standard through CAF's Management Model, which establishes the policies, initiatives and objectives specific to each type of stakeholder. This model contains the CAF Group's Management Strategy, which, together with the business strategy, forms part of the Group's global strategic framework.

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 record backlog and repeat business from our customers.

CAF Group has a Policy on Communication of Economic-Financial, Non-Financial and Corporate Information, and Contacts with Shareholders, Institutional Investors and Voting Advisors (in compliance with the principles of good corporate governance set out in the Good Governance Code for listed companies, approved by the National Securities Market Commission in February 2015 and revised in June 2020 and applicable legislation). This Policy, initially approved by CAF's Board of Directors on 28 October 2015 as the Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisers, and last amended on 17 December 2020, sets out CAF's commitment to the participation of, and dialogue with, stakeholders, and specifies the responsible communication practices that constitute a principle of the Sustainability Policy.

Likewise, the Manual that sets out this Policy aims to implement the basic corporate principles and criteria indicated in the General Communication Policy.

CAF aims to build a relationship of trust with the stakeholders. It, therefore, promotes continuous and effective communication with its Stakeholders through the following communication channels, with the aim of encouraging their participation and involvement in corporate objectives and in those areas in which their activities are affected.

Stakeholders	Communication channels
Shareholders[2]	- Shareholders and Investors Services Office - Spanish National Securities Market Commission (CNMV) communications - Annual General Meeting - Regular informative meetings - CAF Website (www.caf.net) - Whistleblowing channel - Shareholders and investors Survey
Customers	- Meetings with potential customers - Customer meetings on projects - Customer audits - Quality and Safety Management System Audits - CAF Website (www.caf.net)

[2] The information on shareholders is included in CAF's Annual Corporate Governance report, available on the corporate website. Communication channel for both the institutional investor and the minority shareholder.

	- Whistleblowing channel - Customer Satisfaction Surveys - Online platforms
Individuals	- CAF Portal - Internal communication channels - Direct communication - Union representation - Corporate magazine - Whistleblowing channel - CAF Website (www.caf.net) - Organisation Health Survey
Suppliers	- Supplier portal - CAF Website (www.caf.net) - Supplier audits - Whistleblowing channel - Supplier Satisfaction Surveys
Company	- CAF Website (www.caf.net) - Direct relationship with public authorities - Participation at forums and in associations - Whistleblowing channel - Statement of Non-Financial Information - Sustainability Report - Society communication assessment survey

In addition to helping maximise the dissemination and quality of the information available to the market and the CAF Group's stakeholders, these channels are central to ascertaining the latter's concerns and interests in relation to Sustainability and are key to defining CAF’s strategy and action in this area.

For that purpose, CAF has a systematise communication process which defines the relevant indicators for each type of stakeholder and establishes the related action plans for subsequent communication through the above channels. To ascertain stakeholders’ perceptions, their satisfaction is measured and monitored, and the communication with stakeholders is assessed. The following table shows both the trend and the scope of the measurement:

Satisfaction of all stakeholders

Stakeholder type	Measure	Scope	Change	Outlook
Shareholders	% of affirmative votes in the approval of the financial statements and the directors’ report (Annual General Meeting)	≥ 75% of subscribed share capital with voting rights	Positive Above target	Unchanged
Customers	Annual Railway Satisfaction Survey Biennial Bus Satisfaction Survey	≥ 82% sales	Positive In line with the target	Increase of scope Stable result
Individuals	Organisational Health Index	≥ 90% workforce	Positive.	Range stability Improved result
Suppliers	Annual Satisfaction Survey	≥ 72% purchases	Positive	Scope extension Stable result
Company[3]	Satisfaction Survey	≥ 69% workforce	Positive	Scope extension Stable result

[3] The Society Interest Group for CAF Group is identified with the communities in which it operates with presence of industrial and service activities, as well as the geographies where it delivers its products and services, considering both the economic and environmental impact. In addition, CAF Group promotes a positive impact with activities in collaboration with agents that contribute to economic development (public administrations, business associations, clusters, groups of companies, etc.), knowledge generation (innovation-oriented associations, knowledge centres, research and/or technological centres, etc.), promotion of education (educational entities or entities for the promotion of employment) and social and cultural promotion (public and/or private entities supporting social and/or cultural projects), in the regions in which it operates.

Assessment of communication with stakeholders

Stakeholder type	Measure	Scope	Change	Outlook
Shareholders	Communication Assessment Survey	≥ 75% of shareholders and investors with recent contact	No variation Below target	Scope extension Improved result
Customers	Communication Assessment Survey	≥ 83% sales	Positive Extended scope	Stable result
Individuals	Communication Assessment Survey	≥ 90% workforce	Positive. Extended scope	Maintain scope Improved result
Suppliers	Communication Assessment Survey	≥ 72% purchases	Positive	Scope extension Stable result
Company	Communication Assessment Survey	≥ 69% workforce	Positive. Extended scope	Scope extension Stable result

In addition to improving the performance of the indicator, we are also working to increase the scope of the measurement to the entire Group and all Stakeholders. To this end, there is a communication process in which measurement indicators have been defined for each Stakeholder group, which have become second-level objectives and have been included in the Sustainability Scorecard.

These are monitored through the Sustainability Committee, and appropriate actions for improvement are established.

1.3. Materiality

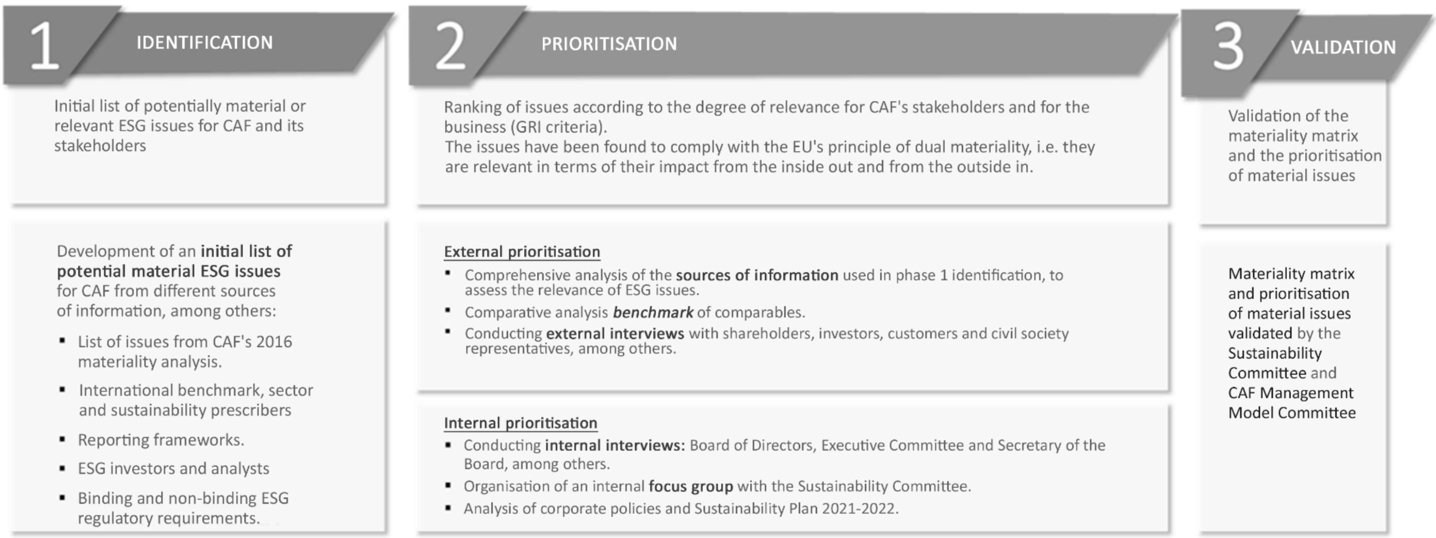
[3-1, 3-2]

In the context of CAF and its sectors of activity, multiple economic, environmental and social factors intervene and define the Group's sustainability strategy and commitments. CAF's Sustainability Policy defines the Company's actions with respect to these factors under a sustainable development approach.

This Sustainability Report has been prepared on the basis of the expectations and requirements of the Stakeholders identified in this Policy, with special attention to those issues that are most relevant to them and have the greatest impact on the Group's strategy.

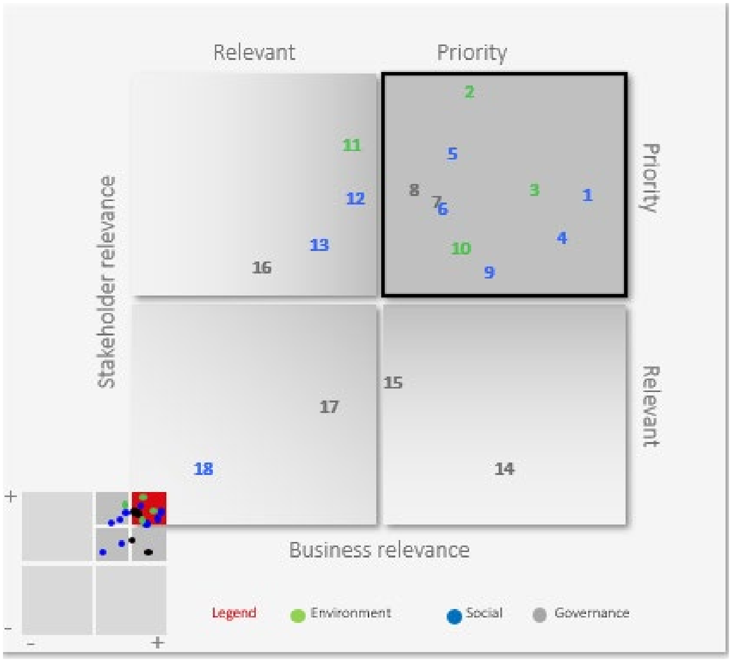
CAF updated the materiality analysis in 2021 following the guidelines defined by the Global Reporting Initiative (GRI) standard, as well as Law 11/2018[4] and the Reports on the supervision by the CNMV of the annual financial reports and main areas of review for the following year. The result of this analysis was published in July 2021 in the ESG Equity Story.

In this materiality analysis, an initial list of potentially material ESG issues for CAF and its stakeholders was identified from different sources of information and taking into account the long term as a time horizon. These issues were subsequently prioritised according to the degree of relevance to CAF's stakeholders and to the business. When defining the degree of relevance of each subject in the interviews carried out in the prioritisation phase, the concept of double materiality was considered, taking into account both the relevance due to its impact from the outside-in and the relevance due to its impact from the inside-out. This resulted in a prioritised list of material issues for CAF, as well as a materiality matrix, which were validated by CAF's Sustainability Committee and Management Model Committee.



As a result of the materiality analysis, we set out below the 18 aspects that are relevant to CAF and its Stakeholders in the area of sustainability. Throughout this report, the significant risks and impacts in relation to each of them are exhaustively described.

[4] Spanish Non-Financial Information and Diversity Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July.



Priority
1 Quality and safety of products and services
2 Climate strategy
3 Sustainable and efficient mobility
4 Respect for Human Rights
5 Occupational health and safety
6 Responsible and sustainable supply chain
7 Compliance and business ethics
8 Good corporate governance
9 Excellence in the relationship with stakeholders
10 Environmental management

Relevant
11 Circular economy and sustainable use of resources
12 Talent development
13 Diversity and equal opportunities
14 Fiscal responsibility and transparency
15 Risk and opportunity management
16 Innovation and technology
17 Information security
18 Contribution and social development

The various sections of this report respond to the issues identified, as set out in the table below. Likewise, chapter "*7. Additional information*" contains the table of contents of the Statement of Non-Financial Information, the GRI content index and the content index in relation to the Global Compact Principles.

MATERIAL ISSUES	CHAPTERS
1 Quality and safety of products and services	3.1 Quality and safety of products and services
2 Climate strategy	5.2 Climate strategy
3 Sustainable and efficient mobility	5.3 Sustainable and efficient mobility
4 Respect for Human Rights	4.3 Respect for Human Rights
5 Occupational health and safety	4.4 Occupational risk prevention
6 Responsible and sustainable supply chain	3.4 Responsible and sustainable supply chain
7 Compliance and business ethics	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law
Good corporate governance	2.1 Good Governance System
9 Excellence in the relationship with stakeholders	1.2 Value creation and our stakeholders
10 Environmental management	5.1 Environmental management
11 Circular economy and sustainable use of resources	5.4 Circular economy and sustainable use of resources
12 Talent development	4.1. Talent development
13 Diversity and equal opportunities	4.2 Diversity and equal opportunities
14 Fiscal responsibility and transparency	2.4 Fiscal responsibility
15 Risk and opportunity management	2.2 Risk management
16 Innovation and technology	3.3 Innovation and technology
17 Information security	3.2 Information security
18 Contribution and social development	6. The social value of our activity

1.4 Sustainability Scorecard

		Real				Target
Indicator	Unit	FY20	FY21	FY22		FY22
E. CO_2 emissions intensity	kg Co_2 eq./HHT	-	2.2	1.59	●	< 2
E. Energy consumption per hour worked	kwh/hour	3.5	3.5	2.9	●	< 3.3
E. ISO 14001 Coverage	% of the workforce	65	70	80	●	> 70
E. Sustainable solutions order book	% electric, hybrid, hydrogen	72	79	87	●	> 76
S. Number of accidents with personal injuries in passengers	number	0	0	0	●	0
S. Number of Human Rights non-compliance cases	number	0	0	0	●	0
S. Preventive culture index	1 – 4	2.8	–[5]	2.96	●	> 2.9
S. Frequency rate	No. of accidents with sick leave per million hours worked	18.0	17.3	15.2	●	< 17
S. ISO 45001 coverage	% of the workforce	47	52	68	●	> 60
S. Suppliers assessed out of the total Risk Mapping to be assessed	% Suppliers	89.6	84.8	77.7	●	>90
S. Purchases from high/medium-risk suppliers	% Purchases	2.2	3.9	2.0	●	< 1.8
S. Customer satisfaction rating	survey 0 – 10	7.5	7.7	7.8	●	> 7.6
S. Net Promoter Score Index (loyalty)	survey 0 – 10	8.1	8.0	8.0	●	> 8.0
S. Shareholder satisfaction rating	% favourable vote management report at AGM	99.9	99.0	99.9	●	> 98.0
S. Supplier satisfaction rating	survey 0 – 10	8.1	7.9	8.3	●	> 8.0
S. Organisational health index (persons employed)	survey 0 – 10	6.3	6.4	6.6	●	> 6.5
G. Administrative penalties arising from actions in the securities markets and related to Competition Law	Millions €	0	1.7[6]	0	●	0
G. Sustainalytics sustainability assessment	Risk level	Medium	Low	Low	●	Low
G. MSCI Sustainability Rating	Level	BBB	BBB	BBB	●	AA
G. S&P Sustainability Rating	0 – 100	23	56	[7]		> 60
G. Ecovadis Sustainability Assessment	Level	Bronze	Silver	Platinum	●	Silver
G. ISO 9001 certification coverage	% of the workforce	89	92	93	●	> 90
G. ISO TS 22163 (IRIS) certification coverage	% applicable railway workforce	82	86	91	●	> 85

[5] Not evaluated in 2021.
[6] Amounts appealed in court.
[7] The 2022 rating will be received during Q1'23

1.5 Sustainable Development Goals

On 25 September 2015, the United Nations General Assembly unanimously adopted the 2030 Agenda for Sustainable Development, which contains the 17 Sustainable Development Goals (hereinafter SDGs). These goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of people everywhere.

SUSTAINABLE DEVELOPMENT GOALS

Below are the SDGs to which CAF contributes most through its activity, aligned with the Railsponsible proposal.

Following the preparation of the 2026 Strategic Plan this year and the materiality analysis, this reflection exercise will be reviewed next year.

Environmental Axis

Promotion of sustainable mobility

- Continuous research and development of products and services to respond to the global trend of increasing mobility, climate change and the limitation of fossil fuels.
- Designing greener means of transport, with lower noise emissions, consuming less energy in use and generating less pollution.
- Involvement with the network of national and international innovation-oriented associations.

More information in chapters 3.3 and 5.3.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 11 SUSTAINABLE CITIES AND COMMUNITIES · 13 CLIMATE ACTION · 17 PARTNERSHIPS FOR THE GOALS

Reducing the environmental footprint of operations

- Developing strategies to combat climate change by increasing energy consumption and promoting energy efficiency.
- Efficient management of natural resources in production.
- Reduction, reuse and recycling of the waste produced.

More information in chapters 5.1 and 5.4

7 AFFORDABLE AND CLEAN ENERGY · 12 RESPONSIBLE PRODUCTION AND CONSUMPTION · 13 CLIMATE ACTION

Promoting Responsible Purchasing

- Sustainability commitment requirements in the Supplier Code of Conduct.
- Requirement to comply with REACH Regulation and UNIFEa Railway Industry Substance List of suppliers.
- Assessment of supplier sustainability management through the Ecovadis platform.
- Participation in the Railsponsible sector initiative for the development of sustainable practices along the rail industry value chain.
- Employee training and awareness-raising on sustainability issues.
- Development of small and medium-sized local suppliers.

More information in chapter 3.4.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 12 RESPONSIBLE PRODUCTION AND CONSUMPTION · 17 PARTNERSHIPS FOR THE GOALS

Social and Ethical Axis

Professional development and business ethics

- Commitment to scrupulous respect for basic rights, equal treatment and non-discrimination.
- Promotion of high standards of professional ethics, prevention of fraud and corruption and respect for competition law.
- Implementation of people development and occupational health and safety policies, shared among all the Group's activities in the different geographical areas.

More information in chapters 2 and 4.

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Contribution to society

- Economic promotion of the environment through the hiring of local workers and suppliers.
- Provision of products and services in accordance with high quality and safety standards for customers and users.
- Support for entrepreneurship, through collaboration with start-ups and entrepreneurs.

More information in chapter 6.

8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

1.6 Sustainable Taxonomy of the European Union

Introduction

In its Communication of 8 March 2018, the European Commission published its "Action Plan: Financing sustainable growth", with which it launches an ambitious and comprehensive strategy to make finance a key driver in moving towards an economy that ensures compliance with the objectives of the Paris Agreement and the European Union's (EU) 2030 Agenda for Sustainable Development.

In this context, the package of measures presented defines ten concrete actions that have as one of their main objectives to redirect capital flows towards sustainable investments. As a consequence of the first of these actions, the Taxonomy Regulation, Regulation (EU) 2020/852, was published, which aims to establish a classification system that, based on objective criteria, determines which economic activities are sustainable.

As indicated in article 8 of the Taxonomy of Sustainable Finance Regulation, for reports published from 1 January 2022 onwards on information for the 2021 financial year, non-financial companies that are public interest entities and have a number of employees exceeding 500 (as is the case of CAF Group), must disclose the proportion of eligible and non-eligible economic activities according to the Taxonomy in their total turnover, their investments in fixed assets (CapEx) and their operating expenses (OpEx), hereinafter KPIs (article 10.2 of the delegated act supplementing article 8 of the Taxonomy Regulation).

In accordance with the provisions of the Sustainable Finance Taxonomy Regulation, in 2021, CAF published the degree of eligibility and non-eligibility of its activities for "Climate Change Mitigation" and/or "Climate Change Adaptation" objectives, which were the Delegated Acts published so far.

This year, however, the disclosure requirements for the 2022 financial year are increased, not only for reporting on Climate Change eligibility but also for reporting on alignment.

- An activity is eligible if it is included among the activities listed in those Delegated Acts
- An activity is considered aligned if it is eligible, and:
  - meets the criteria for substantial contribution to climate criteria
  - does not cause a significant harm on the other objectives
  - meets minimum social safeguards

Scope of the report

All the companies that make up CAF Group's consolidation scope have been considered in the analysis carried out to establish the eligible activities under the European Commission's Taxonomy criteria.

Results

Below, we detail the eligibility and non-eligibility of our activities, as well as an explanation of our results in terms of the contribution of CAF's activity to the "Climate Change Mitigation" objective.

The Turnover indicator shows 97% eligibility and 76% alignment, the Opex indicator amounts to 97% eligibility, and 82% alignment and the Capex indicator amounts to 99% eligibility and 87% alignment. This demonstrates the high degree of eligible activities that CAF Group has and, consequently, that CAF Group is a key player in driving the transition to a decarbonised economy.

In the preparation process, the absence of any double counting has been ensured by obtaining Turnover, CapEx and OpEx (excluding intra-group movements) from the consolidation tool, a single and complete source which is subject to continuous internal control reviews established by the Group.

Turnover:

Economic activities	Code(s)	Absolute turnover (thousands of €)	Proportion of turnover (%)	Substantial contribution criteria: Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Pollution (%)	Biodiversity and ecosystems (%)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Biodiversity and ecosystems	Minimum guarantee	Taxonomy-aligned proportion of turnover, year N	Taxonomy-aligned proportion of turnover, year N -1	Category (enabling activity)	Category (transitional activity)
A. Taxonomy eligible activities																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
3.3 Manufacture of low-carbon technologies for transport	3.3	2,044,375 €	65%	100%	-	-	-	-	-	S	S	S	S	S	65%	-	E	
6.14 Infrastructure for rail transport	6.14	355,173 €	11%	100%	-	-	-	-	-	S	S	S	S	S	11%	-	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2,399,547 €**	**76%**	**100%**											76%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
3.3 Manufacture of low-carbon technologies for transport	3.3	653,122 €	21%															
6.14 Infrastructure for rail transport	6.14	4,304 €	0.1%															
8.2 Data-driven solutions for GHG emissions reductions	8.2	1,804 €	0.1%															
Turnover of Taxonomy-eligible but not environmentally sustainble activities (not Taxonomy-aligned activities) (A.2)		**659,230 €**	**21%**															
TOTAL (A.1. + A.2)		3,058,778 €	97%												76%	-		
B. Taxonomy-Non-Eligible activities																		
Turnover of Taxonomy-non-eligible activities (B)		106,692 €	3%															
TOTAL (A + B)		**3,165,470 €**	**100%**															

OpEx:

Economic activities	Code(s)	Absolute OpEx (thousands of €)	Proportion of OpEx (%)	Substantial contribution criteria: Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Pollution (%)	Biodiversity and ecosystems (%)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation	Adaptation to climate change	Water and marine resources	Pollution	Biodiversity and ecosystems	Minimum guarantee	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
A. Taxonomy eligible activities																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
3.3 Manufacture of low-carbon technologies for transport	3.3	30,626 €	65%	100%	-	-	-	-	-	S	S	S	S	S	65%		E	
6.14 Infrastructure for rail transport	6.14	7,640 €	16%	100%	-	-	-	-	-	S	S	S	S	S	16%		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**38,267 €**	**82%**	**100%**											82%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
3.3 Manufacture of low-carbon technologies for transport	3.3	6,412 €	14%															
6.14 Infrastructure for rail transport	6.14	98 €	0%															
8.2 Data-driven solutions for GHG emissions reductions	8.2	816 €	2%															
OpEx of Taxonomy-eligible but not environmentally sustainble activities (not Taxonomy-aligned activities) (A.2)		**7,326 €**	**16%**															
TOTAL (A.1. + A.2)		45,592 €	97%												82%	-		
B. Taxonomy-Non-Eligible activities																		
OpEx of Taxonomy-non-eligible activities (B)		1,180 €	3%															
TOTAL (A + B)		**46,773 €**	**100%**															

CapEx:

Economic activities	Code(s)	Absolute CapEx (thousands of €)	Proportion of CapEx (%)	Substantial contribution criteria: Climate change mitigation (%)	Substantial contribution criteria: Climate change adaptation (%)	Substantial contribution criteria: Water and marine resources (%)	Substantial contribution criteria: Pollution (%)	Substantial contribution criteria: Biodiversity and ecosystems (%)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation	DNSH criteria ("Does Not Significantly Harm"): Climate change adaptation	DNSH criteria ("Does Not Significantly Harm"): Water and marine resources	DNSH criteria ("Does Not Significantly Harm"): Pollution	DNSH criteria ("Does Not Significantly Harm"): Biodiversity and ecosystems	Minimum guarantee	Taxonomy-aligned proportion of CapEx, year N	Taxonomy-aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
A. Taxonomy eligible activities																		
A.1 Environmentally sustainable activities (Taxonomy-aligned)																		
3.3 Manufacture of low-carbon technologies for transport	3.3	272,973 €	84%	100%	-	-	-	-	-	S	S	S	S	S	84%		E	
6.14 Infrastructure for rail transport	6.14	9,934 €	3%	100%	-	-	-	-	-	S	S	S	S	S	3%		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**282,907 €**	**87%**	**100%**											87%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
3.3 Manufacture of low-carbon technologies for transport	3.3	38,965 €	12%															
6.14 Infrastructure for rail transport	6.14	14 €	0%															
8.2 Data-driven solutions for GHG emissions reductions	8.2	210 €	0%															
CapEx of Taxonomy-eligible but not environmentally sustainible activities (not Taxonomy-aligned activities) (A.2)		**39,189 €**	**12%**															
TOTAL (A.1. + A.2)		322,096 €	99%												87%	-		
B. Taxonomy-Non-Eligible activities																		
CapEx of Taxonomy-non-eligible activities (B)		3,165 €	1%															
TOTAL (A + B)		**325,261 €**	**100%**															

Description of activities

From the analysis carried out, it is established that according to the Delegated Regulation (EU) 2020/852, the eligible activities[8] within CAF Group are the following:

CAF Group Activity	Climate Change Mitigation
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	3.3 Manufacture of low-carbon technologies for transport
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	6.14 Infrastructure for rail transport
Data-driven digital solutions for efficient performance and sustainable mobility	8.2 Data-driven solutions for GHG emissions reductions

Description of eligibility and alignment indicators

Turnover: The turnover ratio referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the share of net turnover derived from products or services, including intangibles, associated with economic activities that comply with the taxonomy (numerator), divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU.

Specifically, in the case of the CAF Group, the denominator corresponds to the net turnover of the Consolidated Financial Statements for 2022.

For the eligibility calculation, the numerator corresponds to the net turnover of the Consolidated Annual Accounts of the activities considered eligible in the Taxonomy. For the Climate Change Mitigation objective, the table below shows the activities that CAF carries out and the activities included in the taxonomy that have been considered eligible.

CAF Group Activity	Mitigation of Climate Change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	3.3 Manufacture of low-carbon technologies for transport As explained in the description of this activity in Annex 1 of the Climate Delegated Act, this includes manufacturing, repair, maintenance, refurbishment and modernisation. The CAF Group has analysed the activity or activities carried out by each Group company, identifying the aforementioned activities.
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	6.14 Infrastructure for rail transport As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the construction, upgrading, operation and maintenance of surface and underground railways, bridges and tunnels, stations, terminals, railway service facilities, safety and traffic management systems, including the provision of architectural, engineering, draughting, building inspection, surveying and mapping services, as well as services performing physical, chemical and other analytical testing of all types of materials and products.

[8] This year's review has concluded that activity 6.1. Passenger interurban rail transport is not among the Group's eligible activities.

	The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.
Data-driven digital solutions for efficient performance and sustainable mobility	8.2 Data-driven solutions for GHG emissions reductions As explained in the description of this activity in Annex 1 of the Delegated Climate Act, it is defined as the development or use of ICT solutions for the collection, transmission, storage, modelling and use of data, where these activities are primarily aimed at providing data and analysis to reduce GHG emissions. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities.

For the calculation of alignment or fit with the Taxonomy, the numerator meets, in addition to the above, the criteria of substantial contribution to the climate change mitigation objective, does not cause significant bias to the other objectives (climate change adaptation, water protection, circular economy, pollution prevention and biodiversity) and meets the minimum social safeguards.

OPEX: The OpEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the latter includes non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of tangible fixed assets, by the company or a third party to whom activities are outsourced, and which are necessary to ensure the continuous and efficient operation of those assets.

Specifically, for the CAF Group, the denominator corresponds to the 2022 consolidated operating expense accounts associated with R&D, short-term leases, and maintenance and repairs.

For the calculation of eligibility, the numerator corresponds to R&D expenditure, and the amount of expenditure accounts for short-term leases and maintenance and repairs associated with the activities that have been considered as eligible in the Taxonomy.

For the calculation of alignment or fit with the Taxonomy, the numerator meets, in addition to the above, the criteria of substantial contribution to the climate change mitigation objective, does not cause significant bias to the other objectives (climate change adaptation, water protection, circular economy, pollution prevention and biodiversity) and meets the minimum social safeguards.

CAPEX: The CapEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the denominator is the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any revaluations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator shall also include additions to tangible and intangible assets resulting from business combinations.

Specifically, in the case of CAF Group, the denominator corresponds to the total additions to cost in 2022 of tangible fixed assets and intangible fixed assets reflected in the movement of fixed assets in the Consolidated Financial Statements.

For the calculation of eligibility, the numerator corresponds to the amount of additions in cost to tangible fixed assets and intangible fixed assets of the activities that have been considered eligible in the Taxonomy.

For the calculation of alignment or fit with the Taxonomy, the numerator meets, in addition to the above, the criteria of substantial contribution to the climate change mitigation objective, does not cause significant bias to the other objectives (climate change adaptation, water protection, circular economy, pollution prevention and biodiversity) and meets the minimum social safeguards.

Finally, it should be noted that, given the evolving nature of the EU regulatory framework and the level of complexity of the legislation, CAF expects the reports to evolve over time. The methodology will therefore be regularly reviewed on the basis of updates to the guidance received from the European Commission.

1.7 External ESG ratings

As mentioned above, sustainability is one of the four strategic axes of the 2026 Strategic Plan, and one of the defined objectives is to significantly improve the rating of ESG rating agencies for investors. To this end, it has resources earmarked for this purpose and is making steady progress towards meeting the requirements of these agencies, improving its performance year by year.

The main external evaluations of CAF Group in this area in force at the end of 2022 are set out below.

Agency	Scope	Qualification	Change
Ecovadis	CAF, S.A.	Gold	Improved
Ecovadis	CAF Group	Platinum	Improved
Sustainalytics	CAF Group	Low risk	Unchanged The agency has not updated the assessment of CAF in 2022.
MSCI	CAF Group	BBB	Unchanged The agency has not updated the assessment of CAF in 2022.
S&Ps	CAF Group	-	The 2022 rating will be received during Q1'23
CDP	CAF Group	B	First evaluation, meeting the defined objective (B)

S&P Global Corporate Sustainability Assessment (CSA and Dow Jones Sustainability Index)

S&P Global CSA (November 2021): Rating 54/100 (23 in 2020) and 94th percentile, belonging to the IEQ Machinery and Electrical Equipment sector. CAF obtained a score of 53/100 in the Environment dimension (compared to the sector average of 24) and a Governance score of 55 (compared to the sector average of 27) and a score in the Social area of 60 (compared to the sector average of 22).

CAF scored particularly well in the following areas: Environmental Reporting, Innovation Management, Information Security/Cybersecurity and System Availability, Social Reporting, Materiality, Risk Management, Environmental Policy and Management Systems, Labour Practices Indicators and Human Rights.

During the 2022 financial year, CAF has made a special effort to improve the S&P's rating by dedicating special resources to this end.

Sustainalytics

CAF received an ESG rating of 18.6 from Sustainalytics in 2021 and was assessed as "Low Risk" when it comes to experiencing financial impacts from ESG aspects. The spread between manageable and managed risk is therefore considered to be minimal. That is why CAF ranks 2/122 in the "Heavy machinery and lorries" industry compared to companies in its sector.

During 2022 the agency has not upgraded CAF's rating.

MSCI ESG

CAF received an ESG rating of BBB (on a scale of AAA-CCC) in the MSCI ESG assessment in February 2021.

During 2022 the agency has not upgraded CAF's rating.

CDP

During 2022, the CAF Group prepared its first report on the CDP (Carbon Disclosure Project) climate change index, achieving a B score on its scale. This was the score that was set as a target for this first report. The score obtained is above the average for the railway sector and at the same level as the results obtained by our benchmark competitors.

CDP is regarded as the world's most prestigious climate change index, which, through a ranking, assesses the completeness of disclosure, awareness and management of environmental risks and best practices associated with the environment, as well as the setting of ambitious and meaningful targets in the fight against climate change.

This milestone reinforces the company's commitment to the challenge of decarbonisation, which has been included in the new Strategic Plan as one of the main objectives.

ECOVADIS

In 2022, the CAF Group obtained the platinum medal in the sustainability management assessment carried out by the Ecovadis entity, positioning itself among the best-performing companies in the sector.

The Group's performance in recent years has been on the rise, confirming its firm commitment to sustainability as one of its strategic pillars. The company has been assessed on policies, activities and performance in environmental issues, labour practices and human rights, ethics and sustainable procurement.

2 GOOD CORPORATE GOVERNANCE

"Follow the best and most recognised practices of Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability in general and in particular the practices described in the CAF Group Code of Conduct, as well as in the Code of Good Governance of the Spanish National Securities Market Commission (CNMV), in the Guidelines of the Organisation for Economic Cooperation and Development (OECD), in the United Nations Global Compact, and others."

CAF Sustainability Policy
17 December 2020

2.1 Good Governance System

[2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-16, 2-18, 2-19, 2-20, 2-23, 2-26, MA 405, 405-1]

The CAF Group carries on its activity mindful of the importance of appropriate and transparent management as an essential factor for generating value, enhancing economic efficiency and strengthening the trust of its shareholders and investors, which is implemented through a Corporate Governance System based on the principle of "Good Corporate Governance".

This Group's Corporate Governance System is based on the commitment to ethical principles, best practices and transparency, built around the protection of corporate interests and the creation of sustainable value for CAF stakeholders. At the same time, the system provides for the implementation of these principles and best practices across the CAF Group's entire internal regulatory system, as described elsewhere in this report.

The CAF Group's Corporate Governance System comprises a set of principles and rules that regulate the design, integration and operation of the governing bodies and their relationship with the company's stakeholders.

In relation to the governing bodies, their definition and composition in light of this regulatory framework makes the following distinctions: (i) the corporate governance bodies (Annual General Meeting and Board of Directors of the CAF Group parent company) that adopt the decisions incumbent on the highest level of governance and decision-making bodies; and (ii) the management bodies (the Management Team as a whole) that are entrusted with the ordinary management of the Company, which, in any case, must abide by the general policies and strategies established by the Board of Directors.

This provides for the adoption and maintenance of an internal regulatory system in which ethics and sustainability govern and underpin all Group activity, aimed at achieving business objectives and complying with legal obligations as well as the implementation of widely recognised best practices.

To this end, CAF takes into account the relevant national and international benchmark principles and best practices, integrating them into its activities, at the internal regulatory level through its regulatory framework, at the organic level through the composition and distribution of functions of the governing bodies, and at the operational level through their integration into systems and processes.

As an example of CAF's commitment to the best and most widely recognised corporate governance practices, we highlight the degree of compliance of CAF S.A., in its capacity as the listed parent company, with the recommendations of the CNMV Good Governance Code for listed companies ("GGC"), revised in June 2020.

Recommendation	Complies	Complies partially	Explanation	Not applicable
1 – Statutory limitations	✓			
2 – Listing of companies integrated in groups				✓
3 – Information to the board on the most relevant aspects of corporate governance	✓			
4 – Policy on communication and contacts	✓			
5 – No issues with exclusion of pre-emptive subscription rights for an amount greater than 20% of share capital	✓			
6 – Publication on the website of reports for the board	✓			
7 – Live webcast of AGMs	✓			
8 – Annual accounts without limitations or caveats	✓			
9 – Publication on the website of requirements and procedures to attend AGMs and exercise voting rights	✓			
10 – Shareholder proposals to complete the agenda or new proposals				✓

11 – Policy on attendance premium payments				✓
12 – Social interest	✓			
13 – Appropriate size	✓			
14 – Selection policy	✓			
15 - Majority of proprietary and independent directors and percentage of female directors		✓		
16 – Proportion between proprietary and non-executive directors	✓			
17 – Half independent directors			✓	
18 – Information about directors on the website	✓			
19 – Explanations about proprietary appointments by shareholders < 3%				✓
20 – Resignation of proprietary directors on disposal of ownership interest	✓			
21 – Non-dismissal of independent directors before the end of the mandate	✓			
22 – Information on indictments and trials	✓			
23 – Opposition to proposals contrary to the corporate interest	✓			
24 – Explanation of the reasons for dismissal before the end of the mandate	✓			
25 – Sufficient availability and max. no. of directors	✓			
26 – At least 8 meetings a year	✓			
27 - Absences	✓			
28 – Record of unresolved issues in the minutes	✓			
29 – Advice to directors	✓			
30 – Knowledge refresher programmes	✓			
31 – Clear agenda on points for decision	✓			
32 – Information on changes in shareholding and opinions of shareholders and others	✓			
33 – Chairman's duties	✓			
34 – Additional powers of coordinating director	✓			
35 – Secretary applies good governance recommendations	✓			
36 – Board evaluation	✓			
37 – Executive committee structure similar to the board and has the same secretary				✓
38 – The board is aware of matters dealt with and decisions adopted by the executive committee				✓
39 – Audit committee members with expertise in the matter and majority independent	✓			
40 – Existence of internal audit	✓			
41 – Audit committee is aware of the work plan and incidents detected by the internal audit	✓			
42 – Additional audit committee functions	✓			
43 – Audit committee can summon any employee or manager	✓			
44 – Audit committee has information on structural or corporate changes	✓			
45 – Content of risk control and management policy	✓			
46 – Existence of risk control and management function	✓			
47 – Members of the Nomination and Remuneration Committee with expertise in the matter and majority independent	✓			
48 – Separate nominations and remuneration committees				✓

49 – Nominations committee consults the chairman on matters related to executive directors	✓		
50 – Additional functions of the remuneration committee	✓		
51 – Remuneration committee consults the chairman on matters related to executive directors and senior managers	✓		
52 – Supervision and control committees have rules consistent with all other mandatory committees	✓		
53 – Supervision of compliance with corporate governance rules, internal codes of conduct and Sustainability policy	✓		
54 – Minimum Sustainability policy content	✓		
55 – Information on Sustainability in the management report or special report	✓		
56 – Adequate remuneration that does not compromise the independence of non-executives	✓		
57 – Variable remuneration only for executives	✓		
58 – Remuneration policy ensures that variable remuneration is linked to professional performance and not to general market trends	✓		
59 – Deferral of variable remuneration	✓		
60 – Results-based remuneration takes into account the auditor's caveats			✓
61 - % Significant variable remuneration of executives in shares or financial instruments		✓	
62 – Limits to the transfer of shares or exercise of options linked to remuneration			✓
63 – Existence of clawback clauses	✓		
64 – Payment for termination of contract not exceeding 2 years of total remuneration and deferred payment	✓		

As can be seen from the above table, CAF maintains a very high level of compliance with the Good Governance Recommendations.

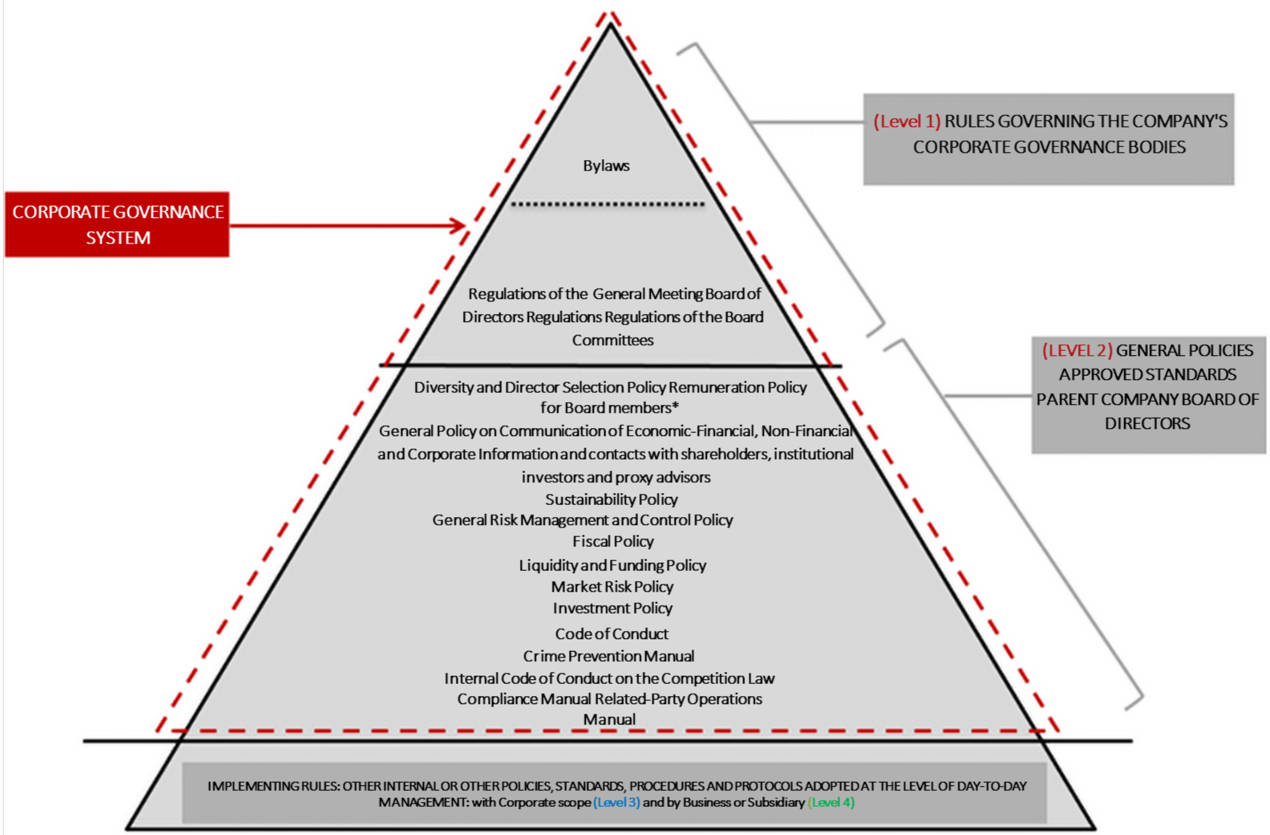
In accordance with the provisions of Article 540 of the Capital Companies Act, the Company publishes an annual corporate governance report which, approved by its Board of Directors, provides information about its ownership structure, organisation structure, related-party transactions, risk control systems, internal control and risk management systems in relation to the financial reporting process (ICFR), degree of compliance with corporate governance recommendations, and other information of interest.

The CAF Annual Corporate Governance Report forms part of the Management Report and is available on the CNMV website and the Company's own website from the date on which the latest consolidated financial statements are published.

Regulatory Framework for Corporate Governance

General regulatory framework

The general regulatory framework for corporate governance comprises the Internal Regulatory System, divided into four hierarchical levels of standards: (i) those that regulate the composition and operation of the corporate governance bodies, i.e. the Annual General Meeting and the Board of Directors of the parent company (Level 1), (ii) the general policies and specific standards that apply to the entire CAF Group, which are approved by the Board of Directors of the parent company (Level 2; these first two levels make up the "Corporate Governance System"); and (iii) the implementation standards which, at the ordinary management level and in accordance with the previous standards, may, in turn, be approved by the Management Team to ensure the effectiveness and integration of the good governance standards into the Group's systems and processes, and which may have a corporate scope (Level 3) and also be implemented by different activities or subsidiaries (Level 4).



*In the case of the Directors' Remuneration Policy, its approval corresponds to the General Meeting, at the proposal of the Board of Directors.

At both at the strategic and ordinary management levels, the CAF governing bodies apply and, where appropriate, develop the standards of the Internal Regulatory System at their respective levels, informing and raising awareness among the Group's various stakeholders through communication initiatives and regular training.

They also strive to adapt and update the corporate governance system as soon as possible to new legislation and the good practice codes and guidelines for listed companies, which regulatory and supervisory bodies periodically publish.

The standards that regulate CAF corporate governance bodies and general policies are available to the general public on the corporate website, where they are regularly updated in line with the applicable regulations.

Effectiveness and application of the Corporate Governance System

The Code of Conduct and the Sustainability Policy approved at Group level define objectives, principles of action and commitments which, ultimately, crystallise in tangible and verifiable compliance with Good Corporate Governance standards.

CAF's Board of Directors is highly committed to maintaining a Corporate Governance System that is fully updated and aligned with the legitimate expectations of the different stakeholders. As evidence of this, internal rules are regularly reviewed in order to improve or update their content.

In this context, Law 5/2021 of 12 April, which amended the Consolidated Text of the Capital Companies Act, introduced a series of amendments, among other aspects, to the minimum content of the remuneration policy, requiring listed companies to adapt their policy to the new wording of article 529r and submit it for approval at the first General Meeting held after the entry into force of this amendment.

In view of the foregoing, the Company's Board of Directors, at the proposal of the Nomination and Remuneration Committee, resolved to submit to the Ordinary General Meeting of Shareholders in 2022 the approval of a new Remuneration Policy, to be applied from the date of its approval and during the following three financial years, i.e. during the remainder of 2022 and 2023, 2024 and 2025.

The Nomination and Remuneration Committee issued the mandatory report justifying the proposal, in which it concluded that its content was in line with current legislation and good practice in this area, and was in line with the interests of the shareholders.

Both the proposal and the supporting report were made available to shareholders on the Company's website, together with the rest of the documents relating to the General Meeting, from the date the meeting was convened.

The current Directors' Remuneration Policy was approved by resolution of the Ordinary General Meeting of Shareholders on 11 June 2022 and incorporates the amendments indicated in subsequent sections of this report.

Beyond this update, it has not been deemed necessary to amend any regulations, policies or internal rules of the Company's Corporate Governance System during the year under review, as it is considered that they are in accordance with legal and good governance requirements and serve the Company's corporate purpose.

It should be noted that, in accordance with the provisions of its Regulations, the Nomination and Remuneration Committee is entrusted with supervising compliance with the Company's corporate governance rules, as well as the evaluation and periodic review of its Corporate Governance System. In compliance with this function, after the appropriate analysis, the Committee has submitted to the Board of Directors, at the end of the 2022 financial year, the corresponding report confirming the alignment of the System with the corporate interest and the legitimate interests of the stakeholders, in accordance with the strategy set, as well as the effective compliance with the rules of corporate governance, during the financial year reported.

Equally noteworthy is the progress made in 2022 in relation to the deployment of the rules of the Code of Conduct, through the development and strengthening of the Criminal Compliance and Business Ethics and Competition Systems, respectively, which are also referred to in the section 2.3. of this report.

Government Structure

The governance and administration of the Group and the parent company are entrusted to the Annual General Meeting and the Board of Directors.

The Company also has two committees of the Board of Directors: The Audit Committee and the Nomination and Remuneration Committee.

The Annual General Meeting

The Annual General Meeting (AGM) represents all the Company's shareholders and is the highest decision-making body for the matters that fall within its scope.

These include the approval of the Statement of Non-Financial Information - Group Sustainability Report, as a separate agenda item.

The rules governing the organisation and operation of AGMs are contained in the Bylaws and the Annual General Meeting Regulations, which are available at all times on the corporate website.

In 2022, the Company held the General Shareholders' Meeting, enabling both physical and telematic attendance. The following main indicators are highlighted:

Main indicators (2022 AGM)	
Share capital	10,318,505.75 €
Shares	34,280,750
Voting rights	34,280,750
Minimum number of shares to attend the AGM	1,000
Attendance quorum	75.87 %
Average percentage of votes in favour in the approval of resolutions	83.73 %
Percentage approval of the Statement of Non-Financial Information - Sustainability Report.	100%

The Board of Directors and its Committees

The Board of Directors

Except for business that falls within the scope of the Annual General Meeting, the Board of Directors is the competent body for adopting resolutions on all kinds of matters pertaining to the corporate purpose. The Board acts as the Company's decision-making centre at a strategic level and therefore focuses its activity on providing general guidance and supervision, establishing general strategies and controlling the ordinary management delegated to the Management Team, notwithstanding the powers attributed to it by Law which cannot be delegated.

As specified below, the Committees not only exercise the powers legally entrusted to them but have other functions assigned in accordance with best corporate governance practices and recommendations.

CAF's Board of Directors is currently composed of ten members, with one vacancy to be filled, as described below. This number of directors is considered adequate to ensure the due representation and the efficient operation of the Board, within the range provided for in the internal regulations.

CAF has a specific and verifiable Diversity and Director Selection Policy, the purpose of which is 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 of the Board members by following criteria that ensures adequate diversity among the members and the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation. Specifically, the Nominations and Remuneration Committee is responsible for verifying compliance with this Policy on an annual basis, through a specific report submitted to the Board, which is additionally reported on in the Annual Corporate Governance Report, as provided for in Recommendation 14 of the GGC.

The Policy promotes a balanced composition of the Board of Directors and its Committees that enriches decision-making and provides a diversity of viewpoints, in full compliance with the conditions of suitability, both individually and as a whole of the Board and its Committees. For this purpose, the selection processes are based on the Board's competency matrix, which the Nominations and Remuneration Committee keeps permanently updated.

Accordingly, the professional expertise of a candidate, based on their academic background or professional experience, or a combination of both, is taken into account to guarantee the presence of a diversity of specialist profiles on the Board of Directors who can offer contrasting perspectives and encourage multidisciplinary and constructive discussions regarding the decisions to adopt, and ultimately to enhance the performance of the Board as a whole.

The Board members have up-to-date knowledge of the Company at all times. Directors are also invited to follow knowledge refresher programmes when considered appropriate.

The members of the Committees are appointed from among the directors, taking into account the profiles best suited to the each Committee.
In particular, wherever possible the directors who form part of the Audit Committee all have the requisite knowledge of accounting, auditing and the management of financial, non-financial and

business risks. Likewise, the designation of members of the Nominations and Remuneration Committee takes 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.

With regard to gender diversity, the Company has for years been directly committed to the under-represented gender on the Board, which has resulted in significant progress in the appointment of female directors. Thus, from 2017 to 2022, CAF has continuously met the target set for 2020 in Recommendation 14 of the GGC, to reach at least 30% of women on the Board, standing at that percentage at the date of issue of this report. In any event, CAF's Diversity and Director Selection Policy expressly promotes as an objective that the number of female directors should represent at least the percentage of the total established in the good governance recommendations or, where applicable, in the applicable legislation.

It should also be noted that, in line with best practice in corporate governance, the positions of Chief Executive Officer and Chairman of the Board of Directors are separated.

The main actions with an impact on the composition of the Board during 2022 have been the following (as a consequence of the resolutions adopted by the General Meeting of Shareholders on 11 June 2022):

- Re-election of Mr Andrés Arizkorreta García as Director, with the category of Other External, for the statutory term of four years.

- Re-election of Mr Luis Miguel Arconada Echarri as Director, with the category of Other External, for the statutory term of four years.

- Re-election of Mr Juan José Arrieta Sudupe as Director, with the category of Other External, for the statutory term of four years, and;

- Fixing the number of Directors at eleven.

On 11 June, the Board resolved to appoint Mr Ignacio Camarero García as a new member of the Nomination and Remuneration Committee and to designate Mr Julián Gracia Palacín as Chairman of the same.

Following the resolutions adopted at the 2022 Annual General Meeting, a vacancy was created on the Board of Directors.

As regards the current composition of the Board of Directors from the perspective of the categories of Directors, of the ten members, two are classified as executive, two as proprietary, three as independent, and three as other external.

The Company aims to maintain an appropriate balance in the management body as a whole and to restore the previous situation as soon as possible.

Accordingly, the composition of the Board of Directors of CAF, S.A. at the end of 2022 was as follows:

Name	Gender	Category	Position on the Board	Years on Board	Positions in Board Committees
Andrés Arizkorreta García	M	Other External	Chairman	Over 8 years	-
Javier Martínez Ojinaga	M	Executive	Executive Director	4-8 years	-
Marta Baztarrica Lizarbe	W	Executive	Director – Secretary of the Board	4-8 years	-
Carmen Allo Pérez	W	Independent	Director	4-8 years	Chairwoman of the Audit Committee
Julián Gracia Palacín	M	Independent	Director	4-8 years	Chairman of the Nomination and Remuneration Committee
Ignacio Camarero García	M	Independent	Director	Less than 4 years	Member of the Audit Committee, and of the Nomination and Remuneration Committee
Luis Miguel Arconada Echarri	M	Other External	Director	Over 8 years	Member of the Nomination and Remuneration Committee
Juan José Arrieta Sudupe	M	Other External	Director	Over 8 years	Member of the Audit Committee
Ms. Idoia Zenarrutzabeitia Beldarrain	W	Proprietary Director	Director	Less than 4 years	-
Manuel Domínguez de la Maza	M	Proprietary Director	Director	Less than 4 years	-

In accordance with Recommendation 18 of the GGC, the Public Information on Directors, which contains further details, in particular about their training and experience and their positions in other listed or unlisted entities, is permanently updated and available to the general public on the corporate website.

CAF's Annual Corporate Governance Report available on the corporate website contains this information in greater detail, as well as other relevant information about the Company.

Remuneration of Directors

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 trend of the Company's results and an adequate distribution of profits to shareholders.

As indicated above, the Board of Directors of the Company, at the proposal of the Nomination and Remuneration Committee, resolved to submit to the Company's Ordinary General Shareholders' Meeting a new Directors' Remuneration Policy, in accordance with the new wording of article 529r of the LSC, to be applied from the date of its approval and for the following three financial years.

The Directors' Remuneration Policy, applicable for the financial years 2022 (from its approval in June 2022 until the end of the year), 2023, 2024 and 2025, was approved by a majority of 60.30 % at the Ordinary General Shareholders' Meeting held on 11 June 2022.

This Policy incorporates the following main modifications:

- The inclusion of life insurance among the remuneration items for directors in their capacity as such, in view of the amendment of article 39 of the Articles of Association approved by the General Meeting held on 5 June 2021.

- The introduction of a long-term savings scheme for all executive directors.

- Extending the non-financial parameters to which the accrual of variable remuneration is linked, including other ESG indicators that contribute to the long-term sustainability of the Company.

- The inclusion of a more specific mention of the possibility to apply the "malus" clause before paying variable remuneration to executive directors.

- The updating of the annual fixed remuneration of the chief executive officer.

Furthermore, the current Remuneration Policy, which is of a continuous nature, takes into consideration the remuneration applied by comparable companies, using them as a reference when setting the remuneration of its directors, while at the same time taking into account the commitment acquired with its stakeholders.

The remuneration of non-executive directors is set at a level that in no case compromises their independence of judgement.

In relation to executive directors, and as set out in the Directors' Remuneration Policy in greater detail, the parameters chosen to determine, where appropriate, their variable remuneration must be of both an economic-financial and non-financial nature that promote sustainability and the creation of long-term value for the Company.

These parameters are predetermined and defined in advance, and their level of fulfilment is verified by the Board of Directors once the definitive figures obtained at year-end are known. Every attempt is also made to ensure an adequate balance between variable remuneration and fixed components, therefore offering an appropriate incentive without distorting its complementary nature with respect to the fixed amounts. The maximum amount of variable remuneration is set by the Board at the beginning of the financial year.

The payment of such variable remuneration shall be deferred in time as from two months after the end of the financial year, so that the Board of Directors has sufficient time to verify the degree of compliance with the objectives and can assess whether any circumstances arise that make it advisable to reduce the variable remuneration to be received by the executive directors, such as serious breaches of their obligations, the introduction of qualifications in the audit report or the need to restate the Company's financial statements.

In the event that, after payment, any error is identified in the calculation of the variable remuneration or in the measurement of the degree of achievement of the objectives, the beneficiaries of such remuneration shall be obliged to reimburse the excess that they have received.

CAF considers that this procedure reduces exposure to excessive risks and that the remuneration mix represents a balance between fixed and variable items and meets the Company's long-term objectives, values and interests.

The Annual Report on Remuneration of CAF Directors available on the corporate website includes this information in greater detail, as well as other relevant information about the Company.

The Annual Report on Remuneration of Directors for 2021, put to a consultative vote at the Ordinary Annual General Meeting held on 11 June 2022, was approved by a majority of 60.16% of the votes of the shareholders present or represented.

Performance assessment of the Board of Directors and its Committees

In accordance with its Regulations, the Board of Directors must perform an annual assessment of its own operation and that of its Committees, and on the basis of its findings it must propose an action plan to correct any deficiencies found. To this end, the Board uses the reports prepared by the Committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment. In line with the mandate contained in GGC Recommendation 36, every three years this process must be carried out by an external consultant, whose independence is verified by the Nomination and Remuneration Committee.

The assessment process is designed to annually determine the degree of compliance with legal requirements, Corporate Governance guidelines and best practices, and the Internal Regulatory System related to the operation of the bodies examined, and to monitor the action plans drawn up each financial year. The results of these assessments lead to the definition of new improvement initiatives to help the Board and its Committees design and comply with the Corporate Governance System.

The Board of Directors has positively evaluated its work and that of its members and Committees during 2022, and has noted that action plans set for the year under review have been satisfactorily fulfilled, approving the corresponding reports.

Supervision of the Board of Directors in matters of Sustainability/ESG

As the Sustainability Policy sets out, the main objective of the CAF Group is to reconcile the development of its mission with the balanced satisfaction of stakeholders' needs and expectations for the creation of value in a sustainable and long-term manner.

This has been formalised through public agreements and adherence to external initiatives, gradually leading to better results and increasing transparency.

The Sustainability Function consists of a Sustainability Committee made up of a multidisciplinary team that is representative of the material issues in this area and is responsible for ensuring compliance with, deployment and/or monitoring of the commitments set out in the Sustainability Policy.

In accordance with the provisions of the GGC, through its Committees the Board supervises all material aspects related to sustainability/ESG, drawing up specific reports requested during the year and an annual report for the year, as described below.

In any case, the Internal Audit, Compliance, Risk, Sustainability and Corporate Governance functions are able to inform the highest governance body of any concerns within the framework of their individual reports. In the respective report of each Function, the most relevant aspects have been prioritised and no critical concerns have been communicated to the highest governance body.

Committees of the Board of Directors

Audit Committee

The Audit Committee is made up of three non-executive directors, two of whom are independent, including the committee chairwoman who was appointed on the basis of her knowledge and experience in accounting and auditing. For more details about the composition of the Audit Committee, see the section on the composition of the Board of Directors.

The Audit Committee is basically regulated in article 37 bis of CAF's Articles of Association. These regulations are set out in the Regulations of the Board of Directors and, in particular, in its own Regulations, which determine in detail the most relevant aspects of the same, such as, among others: its nature, composition, functions and scope, operating rules, powers and relations with third parties. Both standards are published on the corporate website and have remained unchanged during the year under review.

Specifically, in relation to the Internal Control Systems, the following functions of the Audit Committee may be highlighted, among others:

- 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 submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity;

- Supervise the effectiveness of the Company’s internal control and in particular of the internal control of financial reporting (ICFR);

- 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;

- Supervise the Company's internal risk control and risk management function;

- In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice;

- Supervise compliance with the internal codes of conduct of the Company; and

- 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.

- 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; and,

- Check that the financial information published on the Company's corporate website is permanently updated and that it coincides with that which has been approved or formulated by the Board of Directors and published on the website of the 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.

For the Committee to be able to carry out its functions of supervising compliance with the internal codes of conduct and the whistle-blower channel, as well as the associated internal control systems, the Compliance Function reports annually to the Audit Committee about these matters.

In the same way, the Risk Function reports to the Audit Committee every six months on the Financial and Non-Financial Risk Control and Management System and the situation of the risk map and the main risks of projects underway.

In line with the above, the Committee periodically requires information on the management of Sustainability risks and receives an annual report on the application of the General Policy regarding the communication of economic-financial, non-financial and corporate information, as well as the communication with shareholders and investors, proxy advisors and other stakeholders.

The annual performance assessment of the Audit Committee carried out in 2022 yielded a positive result, confirming that it had discharged its functions properly.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (hereinafter N&RC) is composed of three non-executive directors, two of whom are independent, including the Chairman of the Nomination and Remuneration Committee. For more details about the composition of the Appointments and Remuneration Committee, see the section on the composition of the Board of Directors.

As in the case of the Audit Committee, the legal regime of the N&RC is contained in the Articles of Association, in the Regulations of the Board of Directors and in its specific Regulations.

Specifically, Article 37 ter of the Articles of Association refers to the composition and functions of the Committee. The Regulations of the Board also lay down certain rules on its composition and functioning. Finally, the Committee's Regulations regulate in greater detail critical aspects of this body, such as its powers, operating rules and relations with other bodies of the Company in Chapters II, V and VI, respectively.

Among the functions of this Committee in the area of appointments and remuneration, the following may be highlighted:

- 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.

- 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.

- 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.

- Draw up a report for the Board of Directors recommending the set 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; and

- Draw up a report for the Board of Directors recommending the individual remuneration of each Director based on their performance of the executive functions assigned to them within the framework of the remuneration policy and in accordance with the provisions of their contract.

In relation to the Corporate Governance System and Sustainability, the following stand out:

- Supervise compliance with the Company's corporate governance rules and ensure that the corporate culture is aligned with the Company's purpose and values;

- Verify compliance with the Director Selection and Diversity Policy on an annual basis and report on it in the Annual Corporate Governance Report;

- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy to ensure that they fulfil the mission to promote the corporate interest and take into account, as applicable, the legitimate interests of the other stakeholders;

- Supervise the Company's environmental and social practices to ensure alignment with the established strategy and policy; and

- Supervise and evaluate the way in which relations with the various stakeholders are handled.

For the purposes of exercising its functions in relation to the Sustainability Policy and practices, this Committee receives an annual report on the matter from the Sustainability Function and analyses the contents. Based on the report for 2022, the Committee concluded that both the activities and the results indicate significant degrees of progress and positive levels of achievement in relation to sustainability, confirming that the Sustainability Policy is being properly deployed.

Likewise, in relation to the supervision and evaluation of the CAF Corporate Governance system and rules, the Committee receives an annual report from the Corporate Governance Function.

Based on the report for 2022, the Committee concluded that the evaluation of the Corporate Governance System must be considered favourable and positive and in accordance with the highest standards of corporate governance, therefore benefiting the corporate interest and stakeholder expectations, in line with the Company's strategy in this area.

The Reports on the Functioning of the Committees, which are published annually in compliance with Recommendation 6 of the GGC, give an account, among other aspects, of the activities carried out by each Committee during the year, the agenda of the meetings held during that period and the attendees at those meetings. The latest versions of both reports are available on the Company's website.

2.2 Risk management

[2-12, 2-13]

CAF's Board of Directors approved and updated the General Risk Control and Management policies on 20 December 2016 and 12 November 2019, respectively, to create a comprehensive risk control and management system and ensure that the risks of all the Group's activities are managed effectively.

The implementation of the General Risk Control and Management Policy sets out the basic mechanisms and principles for adequate management with a level of risk that makes it possible to:

- Achieve the strategic objectives set by the CAF Group with a controlled volatility;
- Provide the utmost level of guarantees to shareholders;
- Protect the CAF Group’s results and reputation;
- Defend the interests of its stakeholders; and
- Ensure business stability and financial strength in a sustained way over time.

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

The functions and powers of the Board of Directors, the determination of the General Risk Control and Management Policy, as well as the supervision of internal information and control systems, are matters of exclusive competence of the full Board. The Audit Committee is also the body responsible for supervising and evaluating the group's risk management and control systems, as well as supervising the internal risk management and control function of the company.

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

- To ensure 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,
- Actively participating in drawing up the risk strategy and in important decisions regarding risk management and
- Ensure that the comprehensive risk management and control system adequately mitigates risks within the framework of the policy defined by the Board of Directors..

A uniform risk management model is applied across the entire company and all for all risk types. It consists of the following activities:

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 to which the Group is exposed, in line with the main risks detailed in the Policy
3	Analysis of the risks identified and their impact on the CAF Group as a whole: – Corporate Risks – Risks affecting the Group as a whole – Business Risks – Risks specifically affecting each activity/project, which vary in accordance with the particularities in each case
4	Risk assessment based on the level of risk that the Group considers acceptable (risk appetite)
5	The measures envisaged to address the risks
6	Regular monitoring and control of current and potential risks through the use of information and internal control systems

Additionally, there is a single catalogue of risks for the whole Group. This catalogue defines a first hierarchical level consisting of strategic, financial, legal, operational, corporate governance and compliance risks. These are subdivided into more specific risks within each of the categories. Each category or subcategory of risk clearly defines the level of risk, type of management (corporate or business) and the management measures envisaged.

The main risks related to sustainability, due to their intrinsic nature, are operational, corporate governance and compliance with Human Rights, people, the environment and the commission of crimes. For these risks, all actions must be lawful and adhere to the values and standards of conduct contained in the Code of Conduct and the principles and best practices contained in corporate policies, with a "zero tolerance" approach to the commission of unlawful acts and fraud.

Regarding the Code of Good Governance for Listed Companies, CAF complies with all the recommendations concerned with the "risk control and management function".

During the 2022 financial year, the focus is on further advancing the risk methodology in the area of occupational health and safety (OSH) and unifying the dynamics of risk management in the Human Resources area of work.

In addition, in-depth work has been done on the preparation of the Climate Change Risks and Opportunities Methodology. This methodology is integrated into the CAF Group's Integrated Risk Control and Management System and has a consolidated scope for the organisation. The details of this new methodology are specified in section 5.1 Climate Strategy of this document.

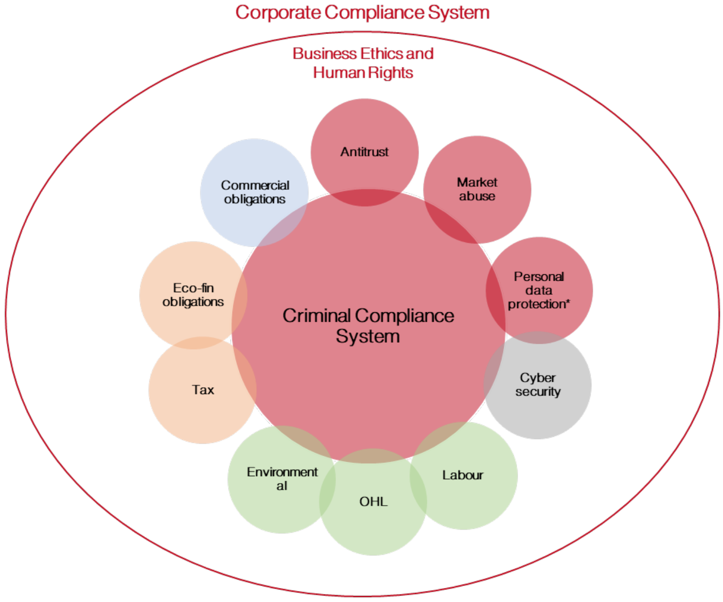
Furthermore, in the area of Occupational Risk Management, the unification of criteria of the single methodology for the entire Group has begun.

2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for Competition Law

[2-13, 2-15, 2-23, 2-24, 2-26, 2-27, MA 205, 205-2, 205-3, MA 206, 206-1, MA 415, 415-1]

Regulatory Compliance or Corporate Compliance System

The ethical principles that govern CAF's actions in the market are consistent with international standards, which is especially important in companies like CAF with global operations. The Regulatory Compliance or Corporate Compliance System comprises all the rules of the Internal Regulatory System, formal procedures and material actions that are intended to guarantee the CAF Group's actions in accordance with ethical principles and applicable legislation, and to prevent unethical or unlawful conduct, or conduct that contravenes the Internal Regulatory System, committed by the professionals within the organisation. The Code of Conduct is the essential rule and it is implemented through a specific system for each area managed directly by the Compliance Function (i.e. Business Ethics and Human Rights, Criminal Compliance System and Competition Law Compliance System, which are referred to in later sections of this report) and through the supervision of other areas managed by other officers.



* Partially outsourced managment on DPO

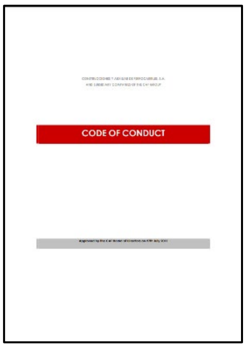
For all these reasons, it may be concluded that CAF carries out its activities in accordance with ethical principles, with special emphasis on the prevention of fraud and corruption, scrupulous respect for the law, Human Rights, public freedoms and Fundamental Rights, the principles of equal treatment and non-discrimination, protection from the exploitation of child labour, and other principles contained in the Universal Declaration of Human Rights, in the OECD Guidelines for Multinational Companies and in the United Nations Global Compact on Human Rights, which CAF, S.A. has joined, and with full respect for the principles and laws on competition.

These are priorities for CAF and therefore a fundamental aspect of its good governance and Sustainability practices.

Code of Conduct

A good reputation is an essential intangible resource that favours a relationship of trust and value, both internally and externally, with all the agents with whom CAF interacts. This can only be achieved by fostering ethical conduct that promotes the relationship between the Group and the agents involved.

CAF Code of Conduct



Drawn up in 2011, the CAF Code of Conduct sets out the general rules and principles of corporate governance and professional conduct applicable to all the Group's professionals and any other entity or party that collaborates or has a relationship with the Group. Furthermore, it serves as the basis for all other codes of conduct on specific matters that may be drawn up to supplement the Group code.

The Code of Conduct is built around three pillars (ethical structural principles, behavioural criteria for CAF professionals, and implementation mechanisms), which in turn translate into a set of specific mandatory regulations.

The contents of the Code of Conduct are as follows:

Ethical structural principles ➡	Behavioural criteria ➡	Implementation mechanisms
- Scrupulous compliance with the law and Human Rights - Involvement of shareholders - Quality and excellence as our core pillar - The reputation and prestige of CAF as calling card - Protection and development of our human resources - Respect and commitment of CAF to the community and the environment - Confidentiality and transparency in all CAF's relationships	- Relations with shareholders, seeking to maximise the creation of value and the transmission of accurate, complete, current and homogenous information - Relations with customers based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interest - Relations with suppliers and other partners, considering the value of competitiveness and quality in the choice of these, subject to rigorous quality, compliance and excellence control - Human resources that recruit and manage staff according to criteria of equality and integrity, encourage training and promote health and safety - Relations with public bodies, with strict respect for legality and integrity, as well as compliance with all regulations on Political Party Financing and Competition Law - Relations with the community and the environment, whose bases have been defined in the environmental policy and with a commitment to improve the quality of life of the people in the communities - Operations in organised markets, underpinned by information transparency and control	- Compliance function as a delegated body responsible for advising on the adoption and updating of policies that promote ethical behaviour and compliance with the Code of Conduct - Training related to the Code of Conduct in the annual training plan - Whistleblowing channel - Measures to be taken in case of violation of the Code of Conduct

The Code of Conduct is available on the CAF corporate website and has been disseminated to all employees through the Portal and internal corporate communication application. It is also made available to new recruits to the Group on a systematic basis through the Onboarding Plan as compulsory training.

Internal regulations

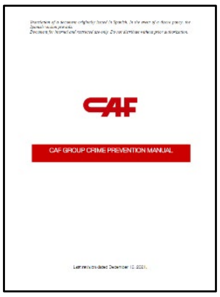
In the further development of the Code of Conduct, a crime prevention programme was established in the CAF Group's Crime Prevention Manual, which was approved by the Board of Directors of CAF, S.A. on 29 April 2015 (in its initial version), in line with the new provisions of the Criminal Code.

Both documents are adapted to the local legislation of each country in which CAF has subsidiaries, depending on the requirements, as detailed below.

The Crime Prevention Manual has been developed to include the Due Diligence Manual for Contracting with Third Parties, which defines the minimum due diligence mechanisms that CAF Group professionals must apply in advance and systematically to assess the Compliance aptitude of Third Parties (i.e. Business Partners, Commercial Consultants and Suppliers) who contract with a CAF Group company, and which must be interpreted in conjunction with the CAF Group's Competition Law Compliance Manual and any implementing regulations.

In order to facilitate the implementation of the basic controls foreseen in the Manual, a new quick guide for commercial departments (including Human Rights, Competition Due Diligence and Business Ethics and Criminal Compliance) was approved in 2022.

CAF Crime Prevention Manual



International adaptation of the Criminal Compliance and Business Ethics System

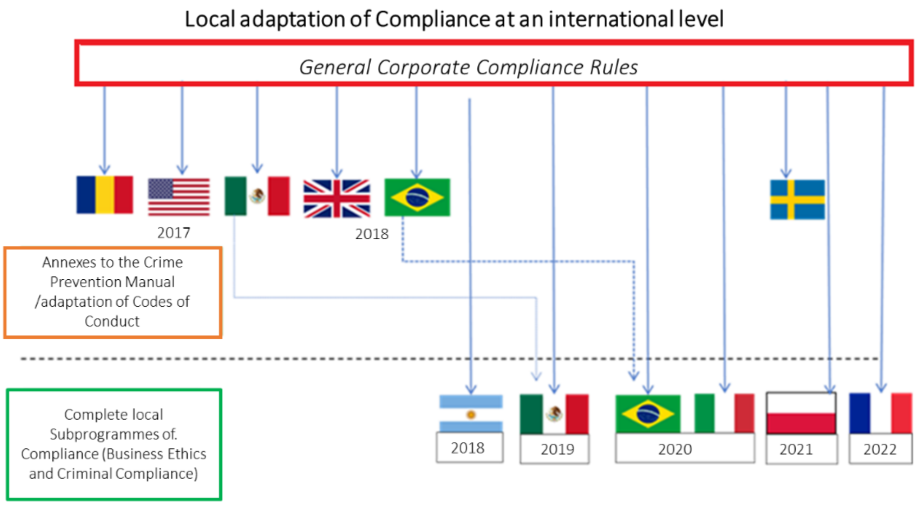
The Code of Conduct and the Crime Prevention Manual, in their successive updates, represent a common framework of good practices and basic action policies that must be systematically observed as a minimum established at corporate level, without prejudice to the specifics approved for each case derived from the requirements of the applicable legal system to international subsidiaries, and which will prevail where applicable.

The international rightsizing of the CAF Group on 31 December 2022 resulted in 78 foreign subsidiaries in 40 countries across the five continents.

The basic adaptation of the Crime Prevention Manual in the different activities and subsidiaries of the CAF Group is carried out systematically whenever a new subsidiary is created and within the integration plan framework when an existing company joins the CAF Group.

At the international level, crime prevention materials can be adapted for a specific country – and in certain cases for a specific subsidiary – by adapting the general corporate guidelines contained in the Crime Prevention Manual and by developing a Compliance sub-programme to set more specific guidelines, all of which will depend to a large extent on the existing legislation in the country in question and on the degree of flexibility provided by those regulations to maintain the common corporate model or not.

Internationally, in 2022, CAF continued to develop the Compliance sub-programmes that feed the Criminal Compliance System, especially in Poland, Mexico and Italy, and a new Compliance System for France was addressed:



Revision of the Crime Prevention Manual

It should be also highlighted that the Crime Prevention Manual is regularly revised and updated. More specifically, the Manual was revised in 2016 and 2018. Likewise, it was revised in 2021 to adapt it to the last legal developments in the criminal law since the previous version, as well as to make minor adjustments that allowed better reception of the Manual from a corporate point of view. They also incorporated new developments in the structure of the Compliance Function in line with best practice in this area. When any new version or development of the manual is approved, the appropriate dissemination and training measures are adopted.

Without limiting the foregoing, the Crime Prevention Manual establishes that, as long as circumstances require, the risks of committing the crimes laid down in the Manual should be reassessed, with the consequent risk map updating, , and, in any case, the aforementioned reassessment should be carried out at least every four years.

Successive improvements and extensions have enabled the development of the Group's current highly robust Corporate Criminal Compliance System.

Business Ethics Compliance Culture and Criminal Compliance System

The CAF Group’s corporate internal communication application, which can be accessed from any device at any time, has a specific section on Compliance that gives all CAF Group employees access, in a single common place, to the most important rules and working documents on Criminal Compliance and Business Ethics, Competition Law Compliance and Market Abuse, distinguishing between the corporate area and specific sub-programmes by countries.

The Compliance documents are translated systematically into the languages in use at corporate level and, on occasion, to other additional languages of companies in which the CAF Group operates, including, inter alia: Spanish, Basque, English, Polish, French, Brazilian Portuguese, Swedish, Italian and German, among others.

Meanwhile, lifelong learning actions continued throughout 2022 in a bid to raise awareness and disseminate and implement the Code of Conduct and Crime Prevention Manual among CAF Group personnel.

At year-end, training on the Code of Conduct and the Crime Prevention Manual had been launched throughout the entire Group's consolidation perimeter. 90% of the employees included in the training plan in this connection completed it. Since the start of the programme, more than 7,000 people have received training (more than 6,300 people in 2021). More than 623 people received training in 2022. Similarly, there is a system in place for training new employees, and the aforementioned programme is included in the new employee onboarding plans. Training materials are constantly revised and updated.

Furthermore, during 2022, a new additional e-learning module was launched to homogenise internal training on Due Diligence for contracting with Third Parties, obtaining a better understanding for the application of the procedures approved by the Compliance Committee in this area. As of the date of this report, 70% of the people included in the training plan have completed the training, which is equivalent to more than 283 people trained in this area.

In addition to the above, numerous meetings have been held with different areas, departments and divisions to resolve practical doubts arising from the application and integration of the aforementioned controls, which is indicative of the high level of acceptance, awareness and effective execution of the different Due Diligence procedures of the CAF Group. Likewise, the treatment of these controls has been expressly addressed in the meetings held with the Compliance Officers, for their proper integration into the enterprise processes of the various businesses.

In addition, 100% of the CAF Group's activity partners, in all the regions in which the Group operates, are informed of the existence and mandatory nature of their compliance with the General Principles of the CAF Code of Conduct.

Furthermore, CAF Group employees have at their disposal the Corporate Compliance Department as well as Compliance Officers responsible for providing support to the various business units, subsidiaries or geographical areas, as the case may be, to resolve any queries regarding the application of internal regulations on Compliance matters.

In this sense, the CAF Group's compliance culture has evolved favourably and with significant backing, as shown for example by the annual figures for internal enquiries about Business Ethics and Criminal Compliance:

	2022	2021	2020
Number of enquiries	135	107	80

As regards the number of consultations on Competition Law, see the corresponding section of this report.

Risk management

CAF carries out regular analysis of the different activities in the exercise of which risk situations may arise that may lead to the commission of any of the offences that have been classified as "Relevant Offences", generating a Criminal Compliance risk matrix. This matrix allows the identification of actions that merit further attention from the perspective of crime prevention and the development of the inventory of controls and other risk management measures.

From the list of Relevant Offences, the following are specifically related to the fight against corruption and bribery: (i) corruption between individuals; (ii) bribery; (iii) corruption in international transactions; and (iv) influence peddling. Money laundering is also included in the catalogue of significant offences for the CAF Group.

The CAF Group's activities that deserve particular attention for the aforementioned purposes can be summarised as follows: (i) public calls for tender; (ii) performance of public and private contracts; and (iii) integrated projects.

The risks identified in the risk map are specifically managed: (i) through the implementation of the guidance policies and the introduction of controls and risk mitigation measures; (ii) by raising the awareness of all the individuals in the CAF Group to which the Criminal Compliance System applies through training and dissemination activities; (iii) by managing a whistleblowing channel that enables detection of behaviours that breach the Code of Conduct or the Crime Prevention Manual; and (iv) by adapting the corporate Criminal Compliance System to the CAF Group subsidiaries to ensure the implementation of the general guidelines across all the Group companies as well as compliance with local regulations in countries that require the establishment of specific guidelines in accordance with their own legislation.

The impacts arising from such risks are economic penalties and other more serious penalties in relation to the offences described above, in addition to damaging CAF's brand image or reputation. These impacts have a direct effect on corporate activities in the medium- to long term.

In 2022, the review of the criminal risk map for the railway segment has been carried out for updating simultaneously with the review of the bus segment processes and their comparison with the relevant offences in order to homogenise both systems.

Progress has also been made in a second phase of a complete reassessment of the criminal risk maps for each activity in the railway segment, consisting of a review of the preventive controls and their possible future integration into an IT tool.

The third phase will address the technological deployment to manage these matters in line with the CAF Group's IT strategy.

There were no confirmed cases of corruption in 2022.

With regard to the management of significant contingencies during 2022, as described in note 26 to the consolidated financial statements, the following should be noted:

CAF Brasil 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.

Different administrative and judicial procedures have been generated in relation to this project where, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of damages, fines and penalties are being analysed. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. 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 precautionary measure while continuing its defence in the proceedings.

In addition, in another administrative procedure initiated by the authorities of the State of Mato Grosso in relation to this project, in the second half of 2021, the administrative body fined the Consortium and its members R$ 96,170,604.55 (the subsidiary holds a 36.8% stake in the Consortium), and banned them from contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts have been asked to suspend the effectiveness of this decision as a precautionary measure. The subsidiary is also monitoring the potential involvement of any of the subsidiary's employees in alleged corrupt practices.

Meanwhile, in a lawsuit into the validity of a contractual extension for the supply of several additional units, CAF and its subsidiary in Brazil, together with other railway material manufacturing companies, have been ordered in first instance to pay a fine of BRL 10,000,000 (plus its update) each, and have been banned from taking part in public tenders in Brazil and from claiming tax incentives or borrowing relief for five years. According to the external legal advisors, the sanctions imposed are not considered to be effective until the judgement becomes final (i.e. no longer appealable). Both CAF and its subsidiary in Brazil have since lodged an appeal against the court’s findings in relation to the facts of the case and the grounds for the conviction.

Finally, the management of contingencies during 2022 regarding competition law is described below.

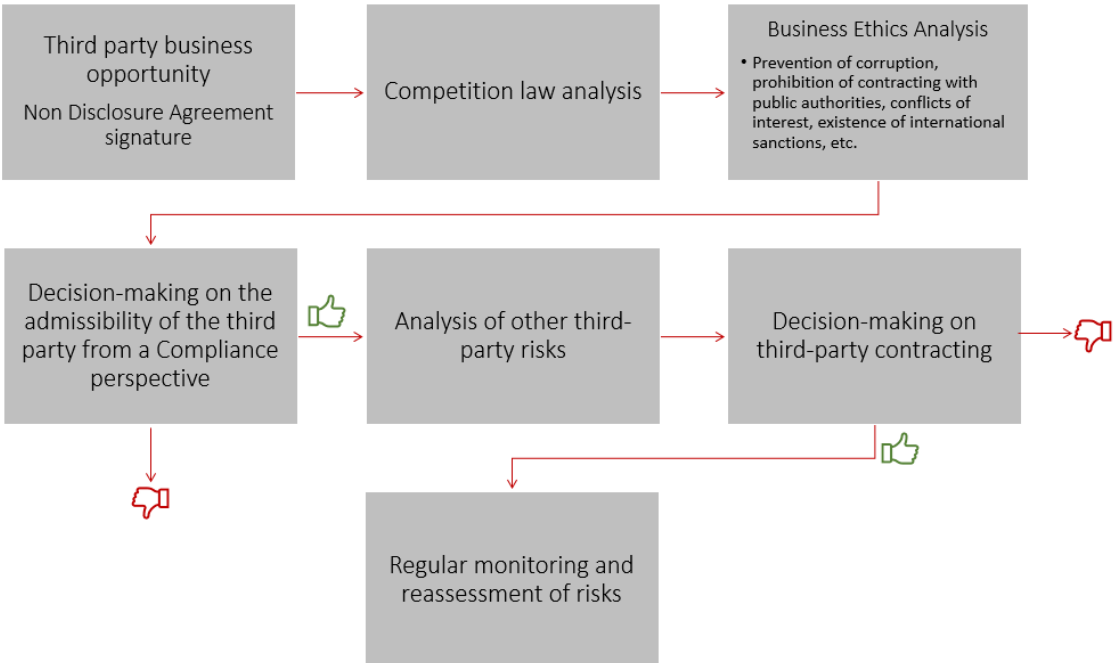
Due diligence with third parties

As mentioned above, the General Principles of the CAF Code of Conduct are mandatory rules of conduct and ethical standards based on a scrupulous respect for the law, Human Rights, public freedoms and Fundamental Rights, the principles of equal treatment and non-discrimination, protection from the exploitation of child labour, and any other principles contained in the Universal Declaration of Human Rights and in the United Nations Global Compact on Human Rights, labour and environmental rights, and fighting corruption.

The Code of Conduct establishes the obligation for both the legal and professional representatives of the CAF Group, as well as third parties contracting with CAF Group companies, to respect these General Principles.

In this regard, the CAF Group's Due Diligence Manual for contracting with third parties formalises and standardises the due diligence measures that allow the verification of the degree of compliance with the General Principles of the Code of Conduct prior to establishing a contractual relationship with a third party.

The basic controls included in the CAF Group's Due Diligence procedure are, in summary:



In this respect, 100% of the third parties with which the CAF Group contracts are previously evaluated in accordance with the procedure described, since the CAF Group can only contract with third parties that obtain a favourable evaluation as "suitable" from a Compliance perspective.

As regards the monitoring and development of the usual due diligence controls in this respect, the following actions were carried out during the year:

- The Corporate Compliance Department has gathered the evidence that accredits the control carried out in the bids and pre-qualifications on the effective application of the different internal Due Diligence procedures in matters of contracting with third parties, which has been supervised by the Compliance Committee.

- In addition, as part of the supplier management tool deployment project, a complementary IT tool has been contracted to check the possible inclusion in international sanctions lists of third parties with which CAF has relations as business partners, agents and suppliers.

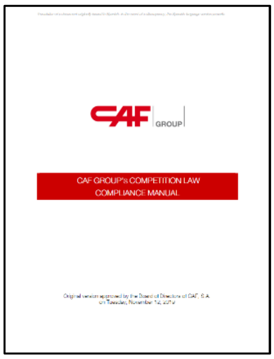
– At the same time, automatic Compliance controls have been generated for the registration process of suppliers in the supplier management tool, in accordance with the provisions of the CAF Group Manual for Contracting with Third Parties, for the proper execution of the basic Due Diligence controls.

With reference to Human Rights Due Diligence, see the relevant section of this report.

Competition Law Compliance System

Internal regulations

Competition Law Manual



The CAF Group Code of Conduct establishes the Company's commitment to comply with any local, national or international regulations on Competition Law.

To honour this commitment and effectively prevent the risks of regulatory non-compliance in matters of Competition Law, the Group has implemented a corporate Competition Law Compliance System.

The design and implementation of the Competition Law Compliance System took into account the criteria of the corporate risk control and management methodology and the existing harmonised regulations, resulting in the creation of a model similar to the one related to Crime Prevention and Business Ethics.

In 2019 the Board of Directors of CAF, S.A. approved the CAF Group Competition Law Compliance Manual, which establishes the premises of the Competition Law Compliance System and which scope is defined at corporate level.

Specifically, the Manual responds to the need to draw up an initial content (which may be subsequently developed and expanded) in accordance with the commitment established in the CAF Group's Code of Conduct to comply with any local, national or international regulations on Competition Law and to collaborate with the authorities that regulate the market. To this end, European regulations have been taken as a reference, without prejudice to the peculiarities and requirements of local legislation that may be applicable.

Within the framework of this Competition Law Compliance System, in 2020 the CAF Compliance Function approved a corporate model procedure for competition inspections (known as dawn raids) to supplement the system, all of which represented significant progress in Compliance matters at the corporate level. The Competition Manual was also supplemented with an evaluation procedure for consortiums with competitors, to be applied systematically if any business partners with which the CAF Group plans to contract are also competitors.

In connection with the latter, it should be noted that on 13 June 2022, the CAF Group received the KOMP SARIAK distinction from the Basque Competition Authority (BCA), in recognition of its Competition Law Compliance System.

Competition law compliance culture

Training related to the Competition Law Compliance Manual was carried out through the usual channels, starting with Senior Management and working down through all the other levels.

Specifically, there are three thematic e-learning modules corresponding to the three aforementioned corporate-level Competition Compliance internal regulations.

At the date of this report, 92% of the employees included in the Competition Compliance training plan had completed it. Since the start of the programme, more than 930 people have received training (more than 880 people in 2021). More than 45 people received training in 2022.

With regard to awareness-raising measures, the CAF Group corporate communication app has a specific compliance section with a competition sub-section that provides all employees with access, in a single common place, to the most relevant standards and models. The app also contains the forms and other work tools for employees to help them carry out the mandatory competition controls properly.

The CAF Group's culture of compliance in competition matters has been manifested by the awareness shown internally by professionals who face this problem, most notably in the way they assess potential consortiums with competitors and any interaction with them.

The internal enquires regarding Competition are shown below:

	2022	2021	2020
Number of enquiries[9]	10	13	17

Risk management

Regarding risk management in this field, during 2022, the Competition risk maps for each activity in the railway segment, remained in force. These maps were updated in the previous year in the first phase of complete reassessment. The start of the second phase, which will consist in revising the preventive controls, will depend on the evolution and approach adopted for the Business Ethics and Criminal Compliance systems.

As far as due diligence measures in the field of competition law are concerned, as mentioned above, once a business opportunity with a third party that is a competitor is identified, the professional must comply with the provisions of the evaluation procedure for consortiums with competitors.

In this regard, it should be noted that 100% of the consortiums entered into with competitors are previously analysed and evaluated in accordance with the provisions of the aforementioned procedure.

The main topics or specific contingencies in this area that were managed in 2022 are explained below:

As described in note 26 to the consolidated financial statements, in March 2014, following the completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices.

In July 2019 the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 and advised the competent authorities not to grant the subsidiary certain tax benefits for a period of five years. The subsidiary has appealed CADE's decision in court, following the completion of CADE's administrative process. Also, as a result of the investigations carried out by CADE, other authorities, including the State Public Prosecutor's Office of Sao Paulo-MP/SP, initiated legal proceedings, either against CAF Brasil, CAF S.A. or any of its employees.

With regard to the penalty proceedings initiated in December 2017 by the Spanish National Markets and Competition Commission (CNMC), as of the date of this report the case concluded with notification of the resolution on 30 September 2021, bringing to a close the administrative route that has been the subject of a contentious-administrative appeal before the National High Court. The main aspects of the case and the resolution, which affect CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary allegedly joined the cartel initiated in 2002 by other entities, consisting of distribution agreements between the various companies involved. The subsidiary company was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017) and received a fine of 1.7 million euros. 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

[9] Only includes consultations not linked to or embedded in other Business Ethics and Criminal Compliance consultations.

former directors of CAF Signalling were also fined. At the time of this report, CAF, S.A. and CAF Signalling have filed a contentious-administrative appeal against the CNMC resolution, having accepted the precautionary suspension of payment of the fine until the National High Court rules on the merits of the matter. The proceedings relating to the prohibition on public tendering is also suspended.

Compliance Function

The Compliance Function is the CAF Group's body, with autonomous powers of supervision and control, which is responsible for the supervision and operation of the Corporate Compliance System as a whole, the direct management of some areas (i.e. Business Ethics and Human Rights, Criminal Compliance System and Competition Law Compliance System) and the supervision of other areas managed by other heads.

The members of the Compliance Function are appointed, replaced and dismissed by the Board of Directors or by the Chief Executive Officer, and they report their activity to the CAF Board of Directors, either directly or through a report to the relevant Board Committee, depending on the nature, scope and content of the report.

In any case, the Compliance Function approves at least one activity report for the year as an annual report.

The members of the Compliance Function must have integrity, autonomy and independence to be able to exercise their Compliance Function powers and avoid possible conflicts of interest (the Rules of Procedure of the Compliance Function describe various safeguard mechanisms for such situations), and no member may remain in the position if any convictions for unethical or illegal behaviour are directly attributable to them. The operating rules contained in the Crime Prevention Manual constitute in themselves the basic Rules of Procedure of the Compliance Function. Notwithstanding the fact that it has the power to approve separate Rules of Procedure within the framework of the functions and powers conferred upon it by the Board of Directors of CAF, which must be reviewed whenever circumstances so require.

The Compliance Function may also appoint Compliance Officers in CAF Group subsidiaries or branches located in jurisdictions where demanded by the local legislation, or where recommended due to the size or characteristics of the subsidiary or branch.

Whistleblowing channel

The Code of Conduct and the CAF Group's Crime Prevention Manual establish a general whistleblowing channel for reporting complaints, which is managed 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 merits more attention, 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 CAF Group internal regulations establish the possibility of setting up other channels to receive complaints in jurisdictions where demanded by the local legislation.

The Audit Committee is responsible for supervising the functioning of the whistleblowing channel.

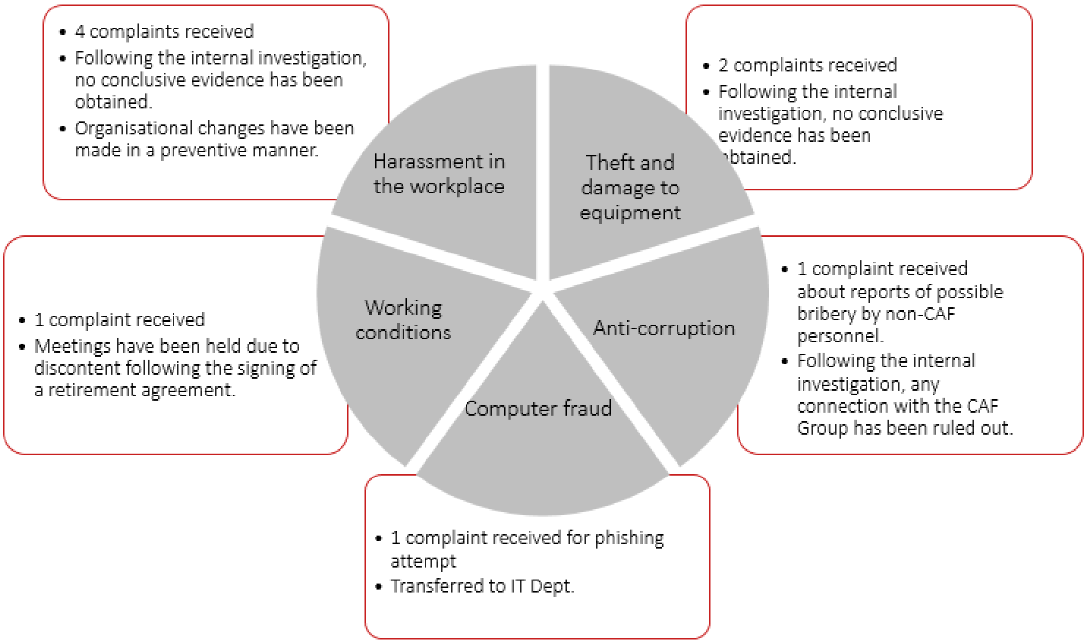
The general whistleblowing channel is available to all of the Company’s stakeholders and any third party, allowing employees and others related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors, to report potentially significant irregularities, whether financial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

The rules for the functioning of the aforementioned whistleblowing channel and the procedure for managing the offences or suspected offences that may have been disclosed are permanently available on the corporate website and encompass the verification of possible breaches of the CAF Group’s Corporate Governance System in general and, in particular, (i) the CAF Group’s Code of Conduct and any other breaches of internal rules or legislation regarding (ii) 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 take any direct or indirect retaliatory measures against the professionals who have reported an irregular action that might be investigated, unless they have acted in bad faith. The Compliance Function also coordinates with the person responsible for receiving complaints through other special channels which affect CAF employees, such as those related to situations concerning discrimination, harassment, bullying or safety at work and which are mentioned in the relevant section of this report.

In the event that any of the queries received on Compliance matters were of a whistleblowing nature, they would be handled as such, regardless of whether or not they were received through the general whistleblowing channel.

Throughout 2022, the complaints mailbox was permanently monitored and a periodic check of its proper functioning was carried out, with 7 formal complaints registered in CAF's general whistleblowing channel. For its part, the Compliance Committee has received details of the 2 complaints received through the special whistleblowing channels in the labour scope. All the complaints received have been subject of internal investigation, with the following actions being highlighted:



In addition, an internal investigation has been carried out without previous complaint:

– Data and evidence have been collected in relation to two managers, for their alleged link to criminal acts committed (completely unrelated to CAF's activity due to a possible match in a database). After analysis, it was concluded that both cases were false positives attributable to the similarity in the names of these persons and those who actually had some involvement in the events.

Issues from previous years were also monitored.

The breakdown and trends in complaints and internal investigations carried out in the CAF Group in recent years are shown below:

	2022	2021	2020
Complaints general channel and relevant in the subsidiaries	7	0	0
Internal investigations without prior complaint	1	3	2
Complaints in special whistleblowing channels (HR)	2	5	1

Contributions to foundations and non-profit organisations and contributions to political parties and/or political representatives

In relation to the legal obligation to report on contributions to foundations and non-profit entities, in 2022, as in the previous period, the CAF Group did not make any significant contribution to such organisations[10].

Furthermore, no political contributions of a direct or indirect nature with significant scope were made during the reporting period. CAF is a party-neutral company.

[10] Contributions to foundations, non-profit organisations and political parties are less than 0,05% of CAF Group sales.

2.4 Fiscal responsibility

[MA 207, 207-1, 207-2, 207-3]

Mission and Commitment in tax matters

The approval by the Board of Directors of a Corporate Tax Policy in 2017 enabled, inter alia, the principles that were already applicable internally to be expressly embodied and crystallised in the drawing up of CAF's tax objective and commitments; all of this was made accessible to all stakeholders through the publication of the aforementioned Policy on the corporate website, together with the other Corporate Policies.

A second element, designed to supplement the previous one, was the Tax Policy Implementation Handbook, approved on 4 December 2018 and updated in May 2022, which is published on the CAF Group's corporate website and is applicable to all the Group companies in all the countries in which the Group operates.

CAF's tax objective consists essentially of ensuring compliance with the tax legislation in force in each territory in which it operates, thus avoiding tax contingencies and fostering cooperation with the tax authorities.

CAF's ultimate objective is to build trust and distribute value in the domestic and international market through responsible action, particularly with regard to taxes; this objective also makes it possible to design a corporate strategy and ensure consistent tax behaviour throughout the organisation, which ultimately makes it possible to: (i) satisfy the stakeholders; (ii) maintain a relationship based on mutual trust with the tax authorities; and (iii) contribute to improving communities by paying taxes.

Principles of action in tax matters

The following principles for CAF's actions in tax matters are a development of the fundamentals of the Code of Conduct, the Sustainability Policy and the General Risk Control and Management Policy, and should guide the actions of all those persons and entities to which they are applicable:

1. Comply at all times with its tax obligations, always endeavouring to comply with the deadlines set out by tax regulations, both for the payment of taxes and for other tax obligations. To this end, CAF will ensure the quality, veracity and security of the information and data, as well as the accuracy of its tax returns.

2. To collaborate at all times with the Tax Authorities, providing the information and documentation of tax importance requested by the competent tax authorities and other regulatory bodies, in a complete and truthful manner, and in the shortest possible time.

3. Avoid the use of opaque structures, processes or systems designed exclusively for tax purposes, or for the purpose of preventing the Tax Administrations from knowing who is ultimately responsible for the activities or the ultimate owner of the assets and rights.

4. Avoid investments or transactions in or through territories classified as tax havens under Spanish law, or territories with low or zero taxation, for the sole purpose of reducing the tax burden. Investments or operations in these territories will only be permitted when they respond to business reasons and are aimed at undertaking the activity included in CAF's corporate purpose, subject to prior approval by the Board of Directors in the cases provided for by law and regulations.

5. Commit to ensure that there is always a valid economic rationale for tax actions.

6. Prevent and reduce, as far as possible, tax risks in the course of its activities, while maintaining a prudent risk profile. In this framework, investments and operations that may represent a particular tax risk will be carefully assessed.

7. Ensure compliance at all times with the obligations relating to related party transactions, maintaining a responsible transfer pricing policy in accordance with the arm's length principle, thus avoiding the erosion of tax bases through non-arm's length pricing.

8. Manage its intangible assets responsibly, avoiding the use and generation of intangible assets for purely tax purposes.

CAF's Tax Policy specifies that all the principles mentioned above will be implemented in accordance with CAF's general principles, specifically those relating to good faith and integrity vis-à-vis all stakeholders.

Monitoring and control

It generally lies with the Audit Committee and, ultimately, the Board of Directors, to ensure that the whole of the CAF Group complies with the Tax Policy, to which end internal control mechanisms have been expressly established within the latter, in addition to flows of information from the Economic and Financial Department to the Audit Committee, and subsequently to the Board.

Tax risk is managed within the Comprehensive Risk Management and Control System and it is headed by the Corporate Tax Function, which controls and monitors the main corporate tax risks affecting all the activities and geographical areas.

The Corporate Tax Function reports the Group's tax performance to the Audit Committee on a regular basis and at least once a year.

In addition, the Audit Committee and the Board of Directors must approve any investment transaction of the Group in non-cooperative jurisdictions to ensure that the CAF Group's activity in these countries is strictly business driven.

Stakeholder engagement and concerns management in tax matters

The Sustainability Policy approved by CAF's Board of Directors defines the Sustainability objective, principles and commitments to stakeholders that CAF adopts in the course of its activities. These principles specifically include tax responsibility.

The CAF Group has a cooperative relationship with the various tax authorities with which it has dealings as a result of its activity, based on the principles of transparency and good faith.

It thus promotes transparent, clear and responsible reporting of its main tax aggregates. The CAF Group is committed to preparing and filing the Country-by-Country Report in due time and form. This annual report discloses key aspects of the financial statements for each of the jurisdictions in which the Group is present, and they provide the local tax authorities with visibility as to the earnings, tax paid, employees and other significant information regarding the business activities.

The tax commitments undertaken by the CAF Group in its Corporate Tax Policy with respect to compliance with its tax obligations in all the territories and jurisdictions in which it operates, where a prudent tax policy is always observed, also applies to its relationship with external tax policy advisers.

Country-by-country reporting

Below follows significant information regarding the earnings obtained on a country-by-country basis, and the corporation tax paid in the main locations in which the CAF Group operates:

-	2022 (thousands of euros)		2021 (thousands of euros)	
	Profit (Loss) before tax[11]	Income tax paid (recovered)[12]	Profit (Loss) before tax	Income tax paid (recovered)
Germany	2,723	1,253	2,822	430
Saudi Arabia	2,577	5,480	17,422	1,718
Australia	1,204	537	1,112	508
Brazil	43,126	8,940	25,632	6,703
Chile	2,476	492	2,401	(25)
Colombia	(264)	704	339	598
Spain	(1,924)	6,104	7,826	987
Israel	1,567	119	1,301	653
NAFTA[13]	35,199	12,414	38,594	10,212
Poland	(21,663)	15,961	24,485	12,318
United Kingdom	5,800	927	5,031	86
Sweden	(10,905)	311	(7,312)	899
France	3,762	-	102	(85)
Italy	1,250	319	287	385
Norway	(8,215)	34	(1,609)	27
Other	1,492	1,013	3,347	1,312
Adjustments[14]	32,910		8,052	
	91,115	**54,609**	**129,832**	**36,726**

Of note regarding the government grants received is the support of the public authorities for the Group's activity, particularly in terms of research, development and innovation activities, as indicated in the relevant section of the Directors' Report. The amount of the grants related to income recognised in the accompanying consolidated statement of profit or loss totalled EUR 6,686 thousand in 2022 (2021: EUR 5,238 thousand).

[11] Profit or loss before tax in each country, including additional consolidation adjustments to eliminate dividends and internal margins, among others.
[12] Tax payments in 2022 obtained from the consolidated statement of cash flows of the consolidated financial statements. These tax payments include payments on account of tax accrued in the year, as well as the settlement and adjustment of taxes accrued in previous years. Note 18 of the consolidated annual report details the significant tax adjustments that determine the tax bases of each country, being mainly the tax credits held by the Group in Spain and the temporary adjustments to the tax base in Brazil and NAFTA due to accelerated depreciation.
[13] This group includes countries in respect of which the related disclosures would involve revealing information that is protected by means of confidentiality clauses. With the current breakdown and that included in the individual and consolidated financial statements, investors and other stakeholders receive sufficient information to understand the Group's performance, results and situation and the impact of its activities.
[14] Profit or loss of entities accounted for using the equity method with elimination of the provision of investees on consolidation.

3 RESPONSIBLE BUSINESS AND INNOVATION

"Maintain and increase both its internal technological capacity and the quality and safety of the projects, products, and services it provides to its clients, ensuring that these guarantee the Sustainability of the company."

CAF Sustainability Policy
17 December 2020

3.1 Quality and safety of products and services

[MA 416, 416-1, 416-2]

At CAF we believe that in order to provide safe products and services to our customers and achieve maximum customer loyalty, we must involve all stakeholders of our operating processes (design, supply, manufacturing, validation, delivery, warranty and maintenance).

Thanks to its extensive experience in the development and implementation of the Management System, CAF collaborates with other stakeholders (operators, maintainers, suppliers, integrators, etc.) in working groups led by UNIFE with the aim of evolving and improving international regulations on quality and safety.

Product and service quality

In accordance with the provisions of CAF's Sustainability Policy and Vision, the Group defined the Excellence in Quality Policy at corporate level to establish the basic principles that will enable us to meet the needs and expectations of customers by offering products and services of high quality, safety, reliability and availability. It is the responsibility of the Economic and Financial and Strategy Department (CFSO) to ensure compliance with this Policy, which is monitored and controlled every month by the Corporate Management Model Committee with the participation of the Group's Executive Committee, all of whom are responsible for the materialisation of this policy.

The main risks CAF faces should it not be able to fulfil the commitments acquired in this area are: (i) difficulty in establishing a trust-based relationship with its customers, (ii) breach of contract and possible customer claims, and (iii) customer dissatisfaction with both the product/service and with the development process thereof with CAF.

The impacts of these risks would ultimately lead to claims related to projects committed to customers, reputational damage to CAF's image and a fall in the number of orders in the future. These impacts will have a direct short-, medium- and long-term effect, respectively. The management of these risks is integrated into the corporate risk control and management system described in the chapter "*2.2 Risk management*".

Process quality management systems

CAF management also undertook to implement process quality management systems in our organisations to ensure complete customer orientation and maximise customer satisfaction and loyalty, balanced with the results obtained by other stakeholders. This management system is certified or accredited under various standards, including the quality standards listed below.

Certificate	Field	Scope	Outlook
ISO 9001	Quality Management	93% of Group workforce certifiable	Unchanged
ISO TS 22163 (IRIS)	Railway applications — Quality management system	91% staff of the railway activity (design and manufacturing)	Unchanged

The Management Model was rolled across the entire Group and the actual scope of the system in each field therefore exceeds the scope of the certificates. The Model is adapted to local legislation, customer requirements or the specific nature of the activity.

In addition to the project audits carried out by the customer to guarantee that CAF complies with contractual requirements, every year CAF conducts internal audits in order to continuously improve the Management System and guarantee fulfilment of the requirements of the standards under which CAF is certified or accredited.

It should also be noted that CAF is a founding member of the International Rail Quality Board (IRQB), a global consortium that brings together leading companies in the railway sector: operators (customers), system integrators (competitors) and equipment manufacturers (suppliers). Established in September 2018, the IRQB aims to foster a global culture of quality throughout the rail sector, especially by promoting the use of the IRIS Certification® system worldwide, to ensure high product quality. We believe that better quality will ultimately improve daily mobility in sustainable and collective transport, rail and bus.

Communication with customers and guarantee of supply

In the market prospecting phase and before a project or order is awarded, the main channels of communication with potential customers are the website, trade fairs, magazines, social media, meetings, etc., usually included in the Marketing Plan.

CAF's contracts include numerous requirements related to meeting delivery deadlines, approval needs, manufacturing sourcing requirements, and other operational risks. Accordingly, once the project is awarded a multidisciplinary project team is formed, led by a manager, to execute the contract in line with the agreed quality, safety, cost and deadline, and also to maintain constant communication with the customer. This relationship makes it possible to anticipate the resolution of possible unforeseen events in an effective and coordinated manner.

The documentation provided to the customer in the project phase usually includes product safety manuals and documentation accompanied by specific training on the correct use of the product.

The specific communication channels with each customer are usually agreed at the beginning of the project or order. They typically include monthly reports, manager-level project follow-up meetings, and quarterly high-level project follow-up meetings. Additionally, the document management tool to be used for official project communications is agreed with the customer, as well as the approval flows and valid interlocutors (for example: Minutes of official meetings with the customer, project management plan, scorecard, project indicators, etc.).

In recent years, the use of online platforms has spread as a useful and effective tool for customer communication. The railway sector makes use of the Aconex platform, an online customer collaboration system, where the information created on each project and by all parties is managed within the system. It includes the management and distribution of all controlled documents and all formal correspondence. It ensures consistency and traceability for all parties and improves the flow of communication.

In the Bus segment, the following online platforms are offered to customers:

Magbus. Web platform https://www.magbus.global/ used by 100% of customers, with full documentation, instructions and full access to the parts catalogue and spare parts, with an online shop where the customer can place orders in a quick, easy and intuitive way.

eSNOTE. Platform created to facilitate daily cooperation with customers. It allows monitoring of the bus status, as well as reporting and visualisation of faults. It also informs about the necessary maintenance services and allows you to see the status of the requested repairs. It is used by customers, their external administrations and a large part of the component suppliers, to whom requests are redirected.

eSCONNECT Online platform for bus fleet management and telediagnosis.

In addition, CAF continues to promote its presence at the main sector trade fairs, both rail and bus, where it promotes and communicates the Company's image and its range of products and services, being an important channel for contact with customers, suppliers and other actors related to the sector, as well as the ideal framework for carrying out important commercial work. The main fairs in which CAF has participated during 2022 have been:

Rolling stock segment:

- AUSRAIL PLUS, SYDNEY. Australia's most important rail fair (Feb22)
- GO MOBILITY BY MUBIL, IRUN. Fair on electromobility in collaboration with the Provincial Council of Guipuzcoa, the Basque Government and the Basque Energy Agency (April 22)
- MIDDLE EAST RAIL, ABU DABI. Fair focused on Middle East rail projects with Etihad Rail as a partner (May 22)

- EUROPEAN LIGHT RAIL CONGRESS, ZARAGOZA. Congress on urban transport in Spain (May 22)
- EUROPEAN MOBILITY EXPO, PARIS. Main public transport congress in France (June 22)
- INNOTRANS, BERLIN. Leading international trade fair for the railway industry (Sept 22)
- SITCE, SINGAPORE. Congress jointly organised by UITP and LTA (Land Transport Authority) (Nov 22)
- RAIL LIVE, MALAGA. Congress with institutional support from ADIF, RENFE, Junta de Andalucía, Malaga City Council and Malaga Metro (Nov 22)

Bus Segment:

- EUROPEAN MOBILITY EXPOSURE, PARIS: Fair focusing on public transport and sustainable mobility (Jun 22)
- NEXT MOBILITY EXHIBITION, MILAN: Exhibition focusing on public and collective transport, and in particular on low- and zero-emission solutions (Oct 22)
- FIAA, MADRID: One of Europe's largest trade fairs for the wide range of products, technologies and services available in the public transport market (Oct 22)
- PERSONTRAFIK, STOCKHOLM: Event for the public transport industry in Europe (Nov 22)

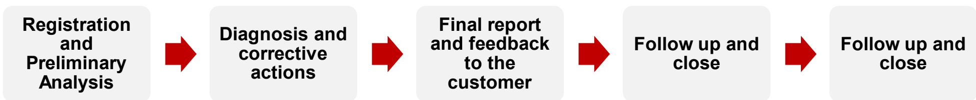
In accordance with the "General policy for communication of economic-financial, non-financial and corporate information, and contacts with shareholders, institutional investors and proxy advisors", CAF uses annual satisfaction surveys with its customers to assess the efficiency of its communication channels, as indicated in the section "*1.2 Value creation and Stakeholders*". In 2022, as well as expanding the coverage of the survey, the result was positive and sustained over time. The objective is to consolidate this position and further expand the coverage of the survey.

Customer complaint management

To meet customer expectations throughout the entire life cycle and ensure compliance with the applicable legal requirements, a proprietary quality and safety management system has been implemented, which includes the assessment of all of the Group's significant product and service categories. This system defines the customer claim and complaint procedures, which describe the mechanisms for following up on and resolving such claims and complaints, and for monitoring specific indicators.

CAF understands a customer complaint to be any formal complaint received from the customer about contractual aspects that cannot be classified as any of the following: (i) deviation report, (ii) pending points or customer cautions, (iii) deviations from customer audits, or (iv) quality lists shared with customers, with open points derived from product or process quality inspections.

Once the complaint is received, CAF follows the procedure for managing customer complaints, which comprises the following phases:



- Preliminary analysis or pre-diagnosis: A preliminary analysis of the complaint is carried out, initiating the complaint process and recording the initial information.

- Diagnosis and corrective actions: The complaint is shared with the technical team, who analyse and discuss the information received and then prepare the diagnosis, jointly defining the following aspects:
    - The need or not for immediate or remedial action. If needed, immediate/remedial actions are established with those responsible and deadlines.
    - The root-cause analysis of the complaint, using different problem-solving techniques such as the "5 Whys", "Ishikawa", 4D, 8D, etc.
    - The definition of corrective actions, establishing those responsible and deadlines.

- Final report and feedback to the customer: Once the analysis has been carried out, the complaint report is drawn up and sent with initial feedback to the customer by the agreed deadline.
- Follow-up and closure of the complaint: Active customer complaints (pending closure) are regularly monitored, as well as the status of immediate/remedial actions and corrective actions derived from them. Once all the actions of a complaint have been carried out, the complaint is formally closed and the Non-Conformity Report (NCR) is prepared.

To evaluate the correct implementation of this process, in addition to the previously mentioned customer satisfaction indicator, CAF also has a Non Quality Costs indicator. Customer complaints form part of the Non Quality Costs, among other aspects.

Indicator	Measure	Scope	Change	Outlook
Non-Quality Costs	Internal	>74% sales	Positive. Above target	Scope extension. Stable result

Product and service safety

In accordance with the provisions of the Sustainability Policy, in 2020 the Group defined the Safety Policy, which is corporate in scope, with the aim of establishing the basic principles that enable us to offer safe products and services for users, customers and other stakeholders.

For these purposes, product and service safety is considered to be everything that relates to the physical safety of individuals using our products and services, as well as the IT security of our products, services and facilities. The scope therefore excludes everything related to occupational health and safety, for which there is a separate policy.

As this policy addresses two distinct areas (Security and Cybersecurity), two corporate manuals have been deployed in 2022, (i) the first to deploy the principles of user security and (ii) the second to deploy the principles of Cybersecurity.

Health and physical safety

During the current 2022 financial year, the newly defined Security Policy Development Manual was applied for the first time, thus beginning the practical deployment of the principles of user safety. In addition, continuity has been given to the Corporate Security Committee established to oversee (among other things) the deployment of the Policy.

The Technology Department is responsible for ensuring compliance with the Safety Policy. Failure to comply with the commitments regarding safety in the area in which CAF carries out its activities can have a direct impact on the health and physical safety of people. The risks that CAF faces in this area are, among others, and ordered by the time horizon of the impact: (i) stoppage of operations if a safety problem arises or is suspected, (ii) return of products and services suspected of not being safe, (iii) fines and/or lawsuits initiated by customers or other affected parties, and (iv) reputational damage impacting the Company's relationship with all the stakeholders. The management of these risks is integrated into the corporate risk control and management system described in the chapter "2.2 Risk management".

As stated in the Safety Policy, CAF's objective is to continuously promote and improve safety management to ensure compliance with legal and contractual obligations and to satisfy the needs and expectations of customers and other stakeholders.

The Group's Businesses each have their own safety management system, although these are integrated into the Group's management system. All systems have undergone mandatory (and, more usually, voluntary) certification process that certify their solvency and compliance with the basic regulatory and legislative benchmarks on which they are based. The Corporate Security Committee, for its part, ensures that synergies are established to align these systems.

In general, therefore, the activities associated with the railway sector verify the conformity of their safety management systems with the EU 402/2013 and/or 779/2020 Regulations (and subsequent amendments), which refer respectively to the adoption of a common safety method for risk assessment and the mandatory certification of entities in charge of vehicle maintenance. Most of them comply with the provisions of the European reference standard on rail safety: EN 50126: 1999 (or its most recent version of 2017) "Railway Applications - Specification and Demonstration of Reliability, Availability, Maintainability and Safety (RAMS)".

In the current 2022 financial year, all existing mandatory certifications have been maintained, while voluntary certifications have been increased (and in some cases renewed).

Certificate	Field	Scope	Outlook
EU 779/2020 (Rail Europe)	Maintenance Safety Management	100% on certifiable activity	Unchanged
EU 402/2013 - EN 50126 (Rail)	Operational Safety Management	97% on certifiable activity	Unchanged

It should be noted that it is also common for customers and/or relevant authorities to require the assessment of all projects prepared for the railway sector according to processes regulated either legally or in accordance with the relevant prescribed regulations. These project conformity assessments require the additional participation of independent bodies to judge the degree to which the safety management systems apply specifically to the development of each product (or provision of each service).

In the bus sector, products are subject to international legally established approval processes which on their own guarantee safety. Even so, these are supplemented by the Group's commitment to establish its own safety management system (currently in the process of development), which is also based on compliance with the ISO 26262 standard "Road Vehicles – Functional Safety".

The CAF policy also establishes a commitment to protect people from both physical and IT accidents and incidents originating with or relating to our products and services.

As can be seen in the following indicators, the early identification of safety incidents is evidence that the safety system in place aims to achieve the objective of 0 accidents. The safety incident indicator shows a stable trend over time.

Any safety incident or accident requires immediate remedial actions, a root-cause analysis and definitive corrective actions.

Health and physical safety indicators	Measure	Scope	Change	Outlook
Security incidents	Safety incidents without personal injury per year caused by our products/services	Group	Unchanged.	Unchanged
Accidents	Accidents per year caused by our products/services, with bodily injuries	Group	0 accidents	Unchanged

Lastly, it should be noted that CAF is a member of UNIFE's "Safety Assurance Mirror Group". This group monitors the activities of the ERA, maintaining continuous contact with the ERA, in relation to the Railway Safety Directive (EU) 2016/798, which lays down provisions to ensure the development and improvement of the safety of the Union's rail system. It contributes to the development and application of the Common Safety Methods (CSM) and Entities in Charge of Maintenance (ECM) Regulations, as well as the activities of the ERA in Safety Culture and Human and Organisational Factors.

The Group also shares topics related to standardisation, such as railway safety standards EN50126, EN50128 and EN50129.

Product cybersecurity

Digital transformation is bringing substantial benefits in the efficiency and reliability of operations in the transport sector, as well as a better experience for passengers, but it is also inevitably increasing the vulnerability to cyber threats. Systems are increasingly based on networks (signalling, passenger information, control centre, etc.) that use standard communications (IP-based) and other digital technologies (sensors, etc.)

Likewise, the standards and regulations regarding cybersecurity, such as the European NIS2 directive and other technical specifications such as TS50701 (IEC62443) for the railway sector, or the new UNECE R155/R156 regulation for the automotive industry, require compliance with current legislation as well as the organisation's adaptation to market trends and requirements.

CAF is also a member of the "IEC PT 63452" forum which aims to establish IEC 63452, the Railway Cybersecurity Standard based on TS50701.

Consequently, and based on the principles set out in the Security Policy, CAF has established a product cybersecurity management model that is being deployed through a "Master Plan" to ensure cybersecurity by design. To this end, work is being done on integrating cybersecurity throughout the life cycle of products and services, from design, manufacturing, testing to operation and maintenance.

3.2. Information security

[MA 418, 418-1]

The information security management model is based on the Security Policy and the international standard ISO27001. During the year, the "Cybersecurity Policy Development Manual" and the information security management regulations approved by the Executive Directorate were deployed.

In addition, the Group's information security governance model has been consolidated, with roles and responsibilities, and monitoring indicators both at corporate level and at the level of each of the Group's activities.

The Corporate Cybersecurity Committee, with the presence of executive management, oversees all cybersecurity activities together with the Corporate Cybersecurity Officer. All of this greatly reinforces information security management and its continuous improvement, guaranteeing the deployment an information security culture across the entire organisation and establishing all the necessary organisational and technical measures to guarantee the confidentiality, completeness and availability of information.

CAF adopts a zero-tolerance approach to security to guarantee compliance with legal and contractual obligations, in addition to satisfying the needs and expectations of our customers and other stakeholders.

CAF has an Information Security Management System based on and certified by the ISO27001 standard. The scope of the certificate and the future outlook are shown below:

Certificate	Field	Scope	Outlook
ISO 27001	Information security	40% on certifiable activity	Unchanged

Together with the Information Security Management System, the management model improves information security and privacy and establishes controls to identify, prevent, detect and respond to any information security incidents. All of this addresses the Group's digitisation process, the greatest existing threats and the increase in cyber attacks from outside the organisation.

Zero risk does not exist, which is why CAF continues to increase the necessary resources to deploy security measures that mitigate existing risks and reduce the possibility and impact of serious incidents. CAF does this by carrying out a risk analysis of its most significant assets and establishes an acceptable level of risk that maintains a balance between functionality and cybersecurity.

Information security breaches

One of the main objectives of the information security management model implemented at CAF is to reduce the probability and impact of potential security breaches. To meet this objective, the Group has defined a series of processes and procedures to manage security breaches, from prevention and detection to mitigation and recovery.

CAF periodically carries out technical audits of systems and applications to detect vulnerabilities, prevent the generation of security breaches and, consequently, mitigate the risks they generate. In addition to these technical audits, CAF has established a SOC (Security Operations Centre) to monitor cybersecurity events generated by systems and applications. This central unit manages and coordinates the monitoring and detection of possible security incidents, alerting the relevant managers and reducing response and management times.

CAF understands the need to promote a culture of information security as a key process for detecting and reducing the impact of security breaches, and it therefore regularly carries out training actions and awareness plans for employees.

In 2022, the serious incident indicator remained positive:

Cybersecurity indicator	Measure	Scope	Change	Outlook
Serious cybersecurity incidents	Actual serious information security incidents per year (IT leaks or ransomware)	CAF	0 actual serious incidents In line with the target.	Unchanged

Any cybersecurity incident or accident requires immediate remedial actions, a root-cause analysis and definitive corrective actions.

Security of personal data

CAF has created and deployed a personal data protection policy to guarantee compliance with current legislation in all the territories in which it operates. This policy and the accompanying manual set out the organisational and technical measures necessary to guarantee the correct management of personal data processed by CAF staff and third parties that engage with any Group company.

The organisational measures adopted this year include the creation of a Privacy Compliance Committee aimed at ensuring the correct management and deployment of the policy and manual across the CAF Group. A Data Protection Officer (DPO) was also appointed to guide CAF on compliance with the applicable regulations, supervise general compliance with these regulations, advise employees, and cooperate with and act as a point of contact for the supervisory authority.

Each CAF company ensures correct compliance with local regulations on the protection of personal data. In any case, the CAF regulatory framework on data protection places special emphasis on European privacy regulations, specifically on Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/CE ("GDPR"). In recent years, the GDPR has become a worldwide benchmark for data protection, setting global standards and serving as the basis for the development of local privacy regulations worldwide.

In 2022, the indicator for the number of serious data protection incidents was 0:

Cybersecurity indicator	Measure	Scope	Change	Outlook
Serious incidents related to personal data protection	Actual serious security incidents related to the protection of personal data	CAF	0 actual serious incidents	Unchanged

CAF has established the necessary mechanisms to ensure coordination with the information security area in the event of information breaches affecting personal data.

Security of confidential and sensitive information

The information security management model establishes the guidelines that define the correct classification of information, as well as the necessary measures for its handling and management. The Group carries out a risk analysis of the organisation's most important assets, which could lead to the introduction of new security measures to reduce the probability and impact of a possible information leak.

As mentioned above, raising awareness and training CAF staff in information security is one of the commitments made in the policy. As part of this culture, staff are trained in the correct use of confidential and sensitive information, as well as in the measures to be taken to manage it.

3.3 Innovation and technology

In recent decades innovation has become a key process for CAF, enabling the Company to grow and supply products at the forefront of technology. This growth has occurred both by developing proprietary components for critical vehicle subsystems such as electric traction, energy storage systems and an electronic control and diagnostic system for trains, and by developing new products and services to complete a range of global transport systems that includes feasibility studies, civil works, electrification, signalling, maintenance and operation.

Aware that the key to innovation lies in knowledge and in the people who develop it, CAF remains committed to increasing internal technological development capabilities.

Innovation in products and services

CAF attaches great importance to continuous innovation in its product and service offerings to respond to the global trend of increased mobility, the limitation of fossil fuels and climate change, which directly influence the sustainability of the transport sector.

This determination is materialised in activities to generate new knowledge and develop new technologies and products aimed at offering more advanced transport solutions, considering both the needs currently perceived as well as the global mega-trends and the visions of future passenger transport that will lead to more efficient, accessible and ecological solutions.

The CAF Group channels and coordinates its product and service innovation activities through its corporate innovation strategy. The innovation strategy is designed and reviewed annually following an established process that aligns the technological and product/service development activities with the Company's main strategic challenges identified by the management, aimed at developing sustainable solutions for our customers while simultaneously guaranteeing our competitiveness.

The key lines of action in the CAF Group's innovation strategy are:

- **Zero emissions:** This line of action encompasses activities aimed primarily at the development of alternative propulsion systems to diesel and the reduction of consumption and emissions of its products and services.
- **Connected and automated mobility:** This line of action is focused on the development of vehicles that operate in an automated manner and increase the safety and efficiency of transport systems.
- **Passengers and operator:** The activities of this axis aim to provide the market with better products and services for both CAF's customers and end users.
- **Competitiveness:** This axis encompasses several activities aimed at reducing the life cycle cost of the CAF Group's products and services, as well as their delivery times. In this area, digitalisation is a major enabler of developments that increase the Group's competitiveness and that of its customers.

The CAF Group's innovation strategy is materialised in an annual innovation plan.

The CAF Group's Innovation Plan combines activities for the development and advancement of products and services, as well as activities for the generation of the Group's own knowledge and technology, which allow it to differentiate itself from its competitors and supply products with high added value in sustainable mobility.

Within the variety of activities and lines of work included in the Innovation Plan, we highlight the following that are particularly aligned with the current and future priorities of society.

Zero emissions

Within the framework of a coordinated strategy aimed at reducing environmental impact, the Group pursues several areas of work:

- Development of new vehicles with propulsion systems based on batteries and hydrogen. Both solutions have applications in the circulation of vehicles on infrastructures without continuous electrical power supply, as an alternative to hydrocarbon-based mobility. These vehicle types reduce direct CO_2 emissions to zero on lines currently operated by diesel vehicles. In this area, Solaris has the most complete range of low and zero emission buses on the market, with more actual experience and market share than its competitors. As far as rail vehicles are concerned, CAF has been awarded the world's largest contract for battery-powered vehicles and in mid-2022 it has put on track one of the first hydrogen-powered trains that can also operate by capturing electricity from the catenary on electrified sections.

- Optimisation of on-board energy accumulation systems based on batteries. Approximately every two years a new generation of batteries appears with clearly superior performance to that of its predecessor. For example, in high-capacity energy storage batteries, the energy density per kg of battery has increased by 77% between 2014 and 2020. The performance improvement of batteries providing high power is also significant, with major advances seen in increasing charging power, which allows for shorter battery charging times and recovering more energy from braking. All these improvements have a crucial impact on the performance of vehicles and considerably increase their autonomy.
- Development of specific technologies aimed at reducing the energy consumption of vehicles by improving the energy efficiency of their components (e.g. power equipment based on new Silicon Carbide - SiC transistors) or by reducing drag and lightening the vehicle (e.g. new more aerodynamic geometries, new lighter materials, simplification of architectures, lighter components, reduction of wiring, etc.). CAF was the first train manufacturer to put a European metro into commercial service with SiC technology. This technology allows trains to reduce their consumption by between 8 and 10%. In addition, in recent years Solaris has achieved fuel consumption reductions of more than 20% in its 12 and 18-metre electric buses.
- Intelligent management of the energy consumed by the vehicle, including driving assistance systems, efficient automatic driving systems and intelligent systems for managing the operation and consumption of the different systems that make up the vehicles. The driving assistance systems developed by CAF provide reductions in consumption of around 15% and a target has been set to reduce train consumption by 30% through efficient automatic driving systems.
- Reduction of both exterior and interior noise levels and reduction of vibrations transmitted to the ground, as well as electromagnetic emissions (EMI/EMC). As an example, Solaris has achieved interior noise reductions of around 5 dB in its 9-metre electric bus model due to innovations in this field in recent years.

In this area, it is worth highlighting the European collaboration projects FINE, PINTA, X2RAIL, PIVOT, IN2STEMPO, IN2SMART, FR8RAIL, FCH2RAIL, ASSURED, TRUSTONOMY, VIRTUAL-FCS and STASHH described in the following section.

Connected and automated mobility

Smart mobility delivers significant benefits to operators and increases safety and comfort for passengers. The development of automatic and autonomous vehicles is also a key element for increasing transport capacity, energy efficiency, punctuality and the fluidity of door-to-door travel.

In this field, the CAF Group is carrying out activities in the following work areas:

- Cybersecurity
- 5G communications and the future railway mobile communication system (FRMCS)
- Interior and exterior perception of vehicles through vision and artificial intelligence developments.
- Safe positioning of vehicles without the need for infrastructure equipment.
- On-board control and diagnostic system capable of performing critical safety functions.
- Automatic train protection systems: ERTMS Baseline 3.
- Automatic train operation systems: ATO on ERTMS and ATO on Class B signalling systems.
- Communications-based train control (CBTC) system.
- Advanced driving assistance systems (ADAS).

In this area, we should highlight the European and national collaboration projects CONNECTA, X2RAIL, LINX4RAIL, TAURO, 5GRAIL, UP2DATE, SELENE, CBTC-2020 and ADAS, described in the following section.

Digitalisation

CAF is aware of the immense importance of the digital transformation process that is currently taking place in all areas of society, and it, therefore, dedicates a significant part of its R&D efforts to developing its own vision of digitisation for rail and bus transport, focused on the following work lines:

- Development of technology to provide an infrastructure for capturing and transmitting data throughout the entire transport system, including aspects such as sensorisation and communications between the vehicle and the infrastructure.
- Management and analysis of large amounts of information using big data techniques.
- Application of advanced data analysis techniques (Artificial Intelligence, Machine Learning, Deep Learning, etc.).
- Use of these technologies for the development of applications in areas of particular relevance such as diagnostics, maintenance, energy consumption and operation.
- On-board real-time vehicle monitoring systems (LeadMind Platform) and infrastructure-installed vehicle monitoring systems (Wayside LeadMind).
- Model-based systems engineering (MBSE) to support system requirements, design, analysis, verification and validation activities, beginning in the conceptual design phase and continuing through development and later phases of the cycle of life.
- Development of BIM (building information modelling) to centralise all the construction project data in a digital information model created by all the agents involved.

In this area, we should highlight the European collaboration projects CONNECTA, X2RAIL, LINX4RAIL, IN2STEMPO and IN2SMART, described in the following section.

Featured innovation projects underway or completed in 2022

The CAF Group participates in the main collaborative R&D initiatives in the sector and is therefore playing an active role in evolving the entire mobility sector.

Listed below are some of the key projects carried out in 2022 within technology and product/service innovation activities and that have an impact on all CAF Group's activities.

Of particular importance in this area is the European Shift2Rail initiative, one of the main agents for change in the railway sector. This is a major European initiative, within the Horizon 2020 Framework Programme, dedicated to collaborative research and innovation between the different agents in the sector (operators, infrastructure managers, manufacturers, technology centres, etc.) aimed at accelerating the integration of new technologies in the railway sector. Shift2Rail brings together the major players in the European railway sector. CAF is playing a key role as one of the eight founding members of the initiative, and it also responsible for the coordination of the "Innovation Programme 1: Rolling Stock", which includes all developments related to vehicles. The key Shift2Rail projects are indicated below:

European project FINE-2

FINE-2 was launched within the framework of Shift2Rail and aims to develop improvements in the areas of noise and energy. Specifically, experts will explore innovative technology solutions to **reduce the noise and energy consumption** of railway systems.
CAF is playing a key role in the project.

European Project CONNECTA -3

CONNECTA was launched within the Shift2Rail initiative with the aim of overhauling the train control, diagnosis and monitoring system (TCMS). It will incorporate advanced capabilities such as wireless communication in the train network, the ability to execute high safety functions (SIL4), and the validation of the system's performance before it is deployed. These developments are in line with the trends towards **digitalisation** and **automation** in the railway sector.
In addition to being one of the main technical contributors, CAF coordinated the CONNECTA-2 project for the entire consortium. In 2021, the CONNECTA-3 project was launched aimed at validating the developments of previous projects in an urban demonstrator vehicle.

European project PINTA-3

The PINTA projects were launched within the framework of Shift2Rail with the aim of developing the next generation of railway traction systems. Teams of experts are working on new technologies for power electronics components (Silicon Carbide – SiC) aimed at **reducing their volume and weight while increasing their energy efficiency**. Methods are also being developed to increase the reliability and availability of traction equipment, as well as to reduce the time and cost of validation and certification processes. The PINTA-3 project was launched in 2020 and will end in 2023.
CAF Power & Automation is playing a key role in the consortium as one of the members with the highest volume of activities. Thanks to this project, CAF Power & Automation has put the first European metro into commercial service with SiC technology.

European Projects X2RAIL-4 and X2RAIL-5

X2RAIL-1, X2RAIL-2, X2RAIL-3, X2RAIL-4 and X2RAIL-5 were launched within the framework of Shift2Rail with the aim of developing a control, command and communication **system which rather than simply contributing to the control and safe separation of trains will become a smart and flexible real-time traffic management and automation system**. Work is currently underway to overcome the limitations of existing communication systems, improve usable track capacity, create innovative signalling architectures to transition to less centralised and less expensive systems, **minimise energy consumption** and develop **new cybersecurity systems**.
CAF Signalling is playing a key role in the project.

European project PIVOT-2

The PIVOT projects launched within the framework of Shift2Rail focus on the development of new technological concepts for the next generation of rolling stock, applied to key sub-systems such as structure, bogie, brakes, doors, modular interiors and HVAC.

The aim of the PIVOT-2 project is to create **lighter and more energy-efficient passenger trains** that are more comfortable and have less impact on the track to **reduce the life cycle cost** of the entire railway system.
CAF Signalling is playing a key role in the project.

European project IN2STEMPO

The IN2STEMPO project launched within the framework of Shift2Rail aims to reduce life cycle costs and improve reliability and punctuality while increasing capacity, improving interoperability and enhancing the passenger experience.
The activities of IN2STEMPO Smart Power Supply will contribute to the development of a smart railway network based on a single **more efficient rail power grid** in an interconnected system.
CAF Turnkey & Engineering is playing a key role in the project related to energy measurement and the energy efficiency of railway infrastructure. Infrastructure monitoring systems and Big Data analysis techniques were developed to improve energy efficiency and define condition-based maintenance (CBM) criteria.

European project IN2SMART2

The management of rail sector assets needs to improve considerably to ensure their sustainability, which can be done through innovative technologies, new economic possibilities and legislative improvements. With this in mind, the EU-funded IN2SMART2 project within the framework of Shift2Rail has developed a multi-action plan called the Intelligent Asset Maintenance Pillar to deliver **innovative asset management**. The project team aims to achieve this by creating new and optimised strategies, tools, products and systems for holistic, prescriptive and risk-based asset management. By focusing primarily on the tactical and operational plane, **the project will contribute to the increased efficiency of the railway sector**.
CAF Turnkey & Engineering is heavily involved in the project with significant activity around the development of a sustainable tramway depot in BIM.

European projects FR8RAIL-II, FR8RAIL-III and FR8RAIL-IV

The key aim of the FR8RAIL project proposal, launched within the framework of Shift2Rail, is to develop the functional requirements for **attractive and sustainable European rail freight transport**.

The objectives of FR8RAIL are a 10% reduction in the cost of freight transport measured in tonnes per km, a 20% reduction in time variations during freight transport, and the increased attractiveness of logistics chains by making all information on rail freight transport available to the information systems of the logistics chain.
CAF is playing a key role in the project, for example by developing a thermostable wheel design that helps to **reduce noise** in freight transport.

European Projects LINX4RAIL and LINX4RAIL2

The LINX4RAIL and LINX4RAIL2 project, launched within the framework of Shift2Rail, is to develop a common advanced functional rail system architecture for the sector supported by a conceptual data model (CDM). The project will also create a standard to ensure **sustainable interoperability** between systems.
CAF Signalling is playing a key role in the project.

European project TAURO

The TAURO project, launched within the framework of Shift2Rail, will shape the future of European rail transport by developing the **technologies to make autonomous rail transport** a reality. This will be achieved by working on state-of-the-art systems for environmental perception, remote operation, automatic monitoring and diagnostics, and easing the transition to these new autonomous control systems.
CAF is playing a key role as coordinator of the project.

In November 2021 the Europe's Rail EU-Rail Partnership, successor to Shift2Rail, was established within the Horizon Europe programme (2020-2027). The partnership aims to accelerate the research and development of innovative technologies and operational solutions to lead the transformation of the rail sector, working towards the dual green and digital transition of Europe.

As with Shift2Rail, CAF is playing a key role as one of the founding members of the initiative.

Throughout 2022, CAF has outlined its participation in the programme and has submitted 5 collaborative project proposals that have been approved. These projects will start in 2023 and will run until 2026. The objectives of the projects are briefly described below:

European Project MOTIONAL

Through the development of functional requirements, associated specifications and operational or technological solutions, and by exploiting the potential of digitalisation, the MOTIONAL project is paving the way towards the implementation of the **future European Rail Traffic Management System** to make rail the backbone of a sustainable multimodal transport system for passengers and freight.
CAF Signalling is playing a key role in the project.

European project R2DATO

The goal of R2DATO is to take advantage of the great opportunity offered by the digitisation and automation of rail operations and develop the **next generation of ATC** (Automatic Train Control) **and rail operations**, up to the GoA4 target (no personnel on board) by 2030, with the in order to improve infrastructure capacity on existing rail networks.
CAF Signalling has played an important role in the project by developing, among others, an ATO (Automatic Train Operation) and ETCS (European Train Control System) Hybrid Level 3 prototype.

European project IAM4RAIL

The IAM4RAIL project aims to provide requirements techniques, regulations, methods, solutions and innovative services based on the latest cutting-edge technologies to **minimise life cycle costs** of assets and **extend their useful life**, while meeting safety requirements and improving the reliability, availability and capacity of the rail system. Both infrastructure and rolling stock are addressed.
CAF Rail Services, Cetest and CAF Turnkey & Engineering have an important participation in the project.

Rail4EARTH European Project

The scope of the four-year Rail4EARTH project consists of **improving the sustainability of railways**, creating a more attractive and resilient mode of transport and **contributing to the objectives of a climate neutral Europe by 2050**.
The activities cover complete railway systems, including rolling stock, infrastructure, stations and all related subsystems (traction, bogies, brakes, energy storage systems, HVAC, etc.).
CAF has a leading role in the project, mainly developing technologies to improve the energy efficiency of trains and a new generation of trains to replace diesel fleets with battery-electric trains. One of the main objectives of this project is to increase the catenary-free range of these trains from the current 80 km to 200 km.

European project FutuRe

The FutuRe project aims to provide new technical requirements, regulations, methods, solutions, developments and innovative services based on the latest cutting-edge technologies to make the **regional rail profitable**, while meeting safety standards and improving the reliability, availability and capacity of the rail system.
This provides an opportunity to revitalise regional lines by addressing infrastructure, rolling stock and services.
CAF Signalling is heavily involved in the project focusing on the development of an optimised signalling solution for regional lines.

CAF is also involved in a number of other innovation projects at European and national level in collaboration with external business partners:

European project FCH2RAIL

The FCH JU, an agency of the European Commission engaged in promoting the development of hydrogen and fuel cells, selected the FCH2RAIL project, for which CAF is the technical lead, to **develop a prototype railway powered by hydrogen.**

The main objective of the FCH2RAIL project is to design, prototype and standardise the next generation of hydrogen trains based on a new concept of dual-mode electric-hydrogen traction. These trains will be able to operate with the electricity provided by the catenary and, in non-electrified sections, with the energy obtained from the hydrogen cells and the hydrogen on board. The train also uses batteries, which will significantly reduce consumption.

Another key objective of the project is to collaborate in the definition of the regulatory framework to put this type of vehicle into service.

European project 5GRAIL

The global 5G standard for railway operational communications will be the future railway mobile communication system (FRMCS). This means that the European Railway Agency will need to update the interoperability technical specifications of the control-command and signalling system by the end of 2022. In order to meet this challenge, the EU-funded 5GRAIL project aims to **develop and test prototypes of the FRMCS ecosystem**. The project will verify the first set of FRMCS specifications and standards, as well as potentially updating the FRMCS V1 specifications and identifying technical limitations related to application issues.
CAF is playing a key role in the project.

European project UP2DATE

The computer systems of cars and trains contain mixed criticality cyber-physical systems (MCCPS) which, along with the wireless delivery of new software or data for their routine functions, need constant updates and repairs. Over-the-air software updates (OTASU) provide improvements in functionality and resolution of bugs and threats; however, update processes cause security problems for user data, or are impractical. The aim of the EU-funded UP2DATE project is to develop a new security update model (SASE) for software in MCCPS systems. The consortium of knowledge generators (IKL, BSC, OFFIS) and technology integrators (IAV, TTA), as well as end users in the automotive and railway sectors (MM, CAF), will test two examples of this new architecture.
CAF Signalling is playing a key role in the project.

European project SELENE

High-performance computing using off-the-shelf components offers an alternative path to increasing the computational capacity of critical security applications. Despite their potential in various fields, the use of these systems is limited due to the lack of certified and reliable hardware platforms. The EU-funded SELENE project aims to change this by creating a safety-critical cognitive computing platform (CCP) with self-aware and self-adaptive capabilities. SELENE's CCP uses artificial intelligence techniques to maximise the effectiveness of the critical safety system and adapt its behaviour in different fields such as automotive, space, avionics, robotics and factory automation.
CAF Signalling is playing a key role in the project.

European Project FRACTAL

The goal of FRACTAL is to create a reliable computing platform node, making the so-called Cognitive Edge a reality under industrial standards. This computing platform node will be the building block of a decentralised and scalable Internet of Things (from low-power intelligent computing systems to high-performance computing edge nodes).
CAF Signalling is one of the project partners.

European project VALU3S

VALU3S will investigate and refine several state-of-the-art V&V (Verification and Validation) methods, as well as implement new ones aimed at reducing the time and cost required to perform V&V of automated systems. The investigated V&V methods will be used to design improved workflows for the V&V process of automated systems. Several tools will be implemented to support the improved processes, which will be evaluated through the qualification and quantification of security, safety and privacy, as well as other evaluation criteria, using demonstrators. VALU3S will also influence the development of safety, security and privacy standards through active participation in related standardisation groups. VALU3S will provide guidance to the testing community, including engineers and researchers, on how the V&V of automated systems could be improved taking into account the cost, time and effort involved in testing.
CAF Signalling is one of the project partners.

European Project ASSURED

ASSURED research and innovation project aimed at **boosting the electrification of urban commercial vehicles** and their integration with high-power fast-charging infrastructures, evaluating various infrastructures in different cities throughout Europe. The key objective of the project is for each of these solutions to be capable of charging different types of vehicles and supplying power to an entire fleet of buses.
Solaris is involved in the research on the stability, safety, reliability and standardisation of the electrical grid by contributing vehicle data.

European project TRUSTONOMY

The TRUSTONOMY project was launched under the Horizon 2020 Framework Programme. Its key objective is **to maximise the safety, trust and acceptance of autonomous vehicles**. Trustonomy investigates different relevant technologies and approaches, such as the driver condition monitoring system, HMI design, risk models and driver training methodologies, from the perspective of performance, ethics, acceptability and trust.
Solaris is playing a key role in the consortium as the partner responsible for testing the Trustonomy system on the test track. It is also helping to create test procedures and define the guides for integrating the system into the vehicle.

European project VIRTUAL-FCS

The general objective of the VIRTUAL-FCS project is to develop an open-source software-hardware tool that can be adopted as a global standard for the **design of hydrogen fuel cells for the transport sector**. The platform will give the integrator confidence that the system will meet the required performance, reliability and durability requirements.
Solaris is contributing its experience in the field of hydrogen buses.

European project StasHH

The StasHH project is developing an **open standard for hydrogen fuel cell modules** in terms of size, interfaces and control and testing protocols, with the aim of promoting the use of hydrogen fuel cells in the heavy mobility sector when battery electrification is not feasible.
Solaris is contributing its experience in the field of hydrogen buses.

Innovative Train Leger project

The ambition of this project is to re-launch low-traffic regional lines by using state-of-the-art technologies to develop an innovative vehicle to offer a service with a controlled life-cycle cost. The Train Léger innovant project led by the SNCF has numerous industrial partners, including CAF.

AVOGRADRO project

In 2022, a research project was launched called AVOGADRO, about hydrogen refuelling stations. Several partners are carrying out research activities on different components of the refuelling station. CAF Turnkey & Engineering is developing a model for the thermodynamic and functional simulation of the operation of a hydrogen refuelling station. This model will be used to optimise the design of hydrogen refuelling stations: storage capacity, pressure, refuelling sequence, etc.

Second Life ESS project

The Second Life ESS project in which Solaris is participating aims to create a prototype for **an electrical energy storage system based on used bus batteries**. The key goal is to use lithium-ion cells whose parameters are no longer optimal for powering vehicles but can still serve as energy storage. The project is co-funded by the NCBiR (Polish National Centre for Research and Development).

Hybrid Beams project

The Hybrid Beams project focuses on a new concept of bus structure based on the addition of layers of carbon fibre and foam padding, used as local reinforcement of the entire structure. This makes the new lightweight structure more useful and effective for buses with added masses (electric, hydrogen and CNG buses). The key objective of the project, in which Solaris is participating, is to investigate the suitability of these hybrid joints in the construction of buses (hybrid beams and structural nodes). The advantages of these solutions are: - **reduce vehicle weight** - **reduce energy demand** - **increase the stiffness of the structure against overturning, and** - maintain or **increase the fatigue behaviour** of the structural nodes. The project is co-funded by TA ČR Starfos (Czech National Centre for Research and Development).

ADAS project

Devised jointly by engineers at Solaris and Poznań University of Technology, the system will not only make it easier to perform simple and complex manoeuvres, such as driving forward, reversing and parking, but will also be of invaluable support when performing more precise movements, such as connecting the pantograph at the charging point, which can be particularly difficult in the case of articulated vehicles. The objective of the ADAS project is **to improve the safety of bus passengers and drivers** in urban traffic. It will also help operators to perform manoeuvres bus depots. The new system will also guarantee **optimal energy consumption** by vehicles.

CBTC-2020 project

Collaborative consortium of five companies, including CAF Signalling, for the development of a CBTC GoA2 system aimed at increasing the **safety and sustainability of rail transport**. This is a project within the CIEN Strategic Programme funded by the Centre for the Development of Industrial Technology (CDTI).

Innovation in processes

The CAF Group constantly works to optimise its processes to achieve the excellence required by its stakeholders. Two key initiatives developed for this purpose are the global transformation programmes and the lean manufacturing methodologies adopted by several Group companies.

In 2018, CAF launched a global transformation programme called MOVE within the vehicle activity with the aim of encouraging all areas to think about how to improve their efficiency in terms of cost, quality and time. This programme has continued in 2022 with a focus on improving competitiveness, ensuring continuous innovation in business processes. All MOVE initiatives are grouped along various workflows covering Operations, Quality and Contract Management, from the bidding phase to guarantees.

MOVE
Rolling to Excellence

The programme has generated more than 1,000 improvement initiatives that have subsequently been implemented. Within this list of initiatives, many of the organisation's processes have been innovated, for example:

- Performance management of the engineering area, innovating the task management system and governance and reaching productivity improvements of up to 5%.
- Development of electronic equipment validation benches for URBOS platforms and other product lines with an improvement of up to 0.5% in project costs.
- Automation of wiring continuity ("ringing") and vehicle stiffness tests online, obtaining up to 0.2% cost reduction for a project.
- Standardisation of TCMS variables and alarms with a cost reduction of up to 0.1% in a project.
- Quality door reinforcement and project rework procedures with up to 0.5% savings for projects.
- Definition of ideation processes to ensure continuous improvement with a 2% annual improvement in competitiveness.

Cost reduction was not the only reason for the improvements implemented in the processes during this period. The following additional factors were also taken into account during the transformation: product quality, customer satisfaction, digitalisation of processes, improvement of technical capacity and technical specialisation, increase in both production capacity and engineering, and improvements in deadlines. The fact of having several workflows covering the entire activity was what made it possible to include all these factors, which are essential for process innovation.

Meanwhile, the lean manufacturing concept applied in the CAF Group's production facilities focused on the layout of those facilities and adaptation of the manufacturing processes to the lean manufacturing methodology. Lean manufacturing is a management model focused on minimising losses in manufacturing systems while maximising value creation for the end customer. It therefore uses the minimum amount of resources, i.e. only the ones strictly necessary for growth. The main objectives for applying this methodology were to reduce manufacturing costs, improve product quality, reduce delivery times, increase manufacturing capacity, improve working conditions (safety and ergonomics), reduce the emission of harmful substances (VOC), and reduce environmental impact by reducing waste. The use of this methodology has led to changes in multiple production processes and the introduction of new generation solutions which have made it possible to improve and reduce the cost of these processes.

CAF has also automated several activities in its production process in recent years, most notable of which is the automation carried out in the manufacturing process of railway axles, leading to the implementation of the following stations:

- Automatic station for axle forging.
- Station for the laser geometric measurement of axle forging performs.
- Cold rolling station for axles.

Digitalisation

The development and growth of CAF Group in recent years has led to a digital transformation in terms of processes, technology and management aimed at improving efficiency, robustness and flexibility, therefore laying the foundations for meeting the challenges defined in the strategic plan for the different areas and activities of the Group.

As part of the digital transformation currently underway in terms of product, production and management, the adoption of a new ERP is enabling the transformation of all management tools. The implementation of a new resource planning system or ERP will facilitate global, corporate, integrated, flexible and evolving management. This digital transformation supports other transformation initiatives that are being carried out at CAF and is the technological benchmark for accommodating new needs.

The implementation of the new ERP will be key to the development of existing services, processes and communications, as well as integrated relationships with digital continuity between the different functions and activities of the Group. It will also deliver greater agility and flexibility in the monitoring and management of the CAF Group's end-to-end projects. The implementation of the new ERP will involve changes from the point of view of the integration and standardisation of many business processes, improving information management and the centralised real-time control of the entire budget of an end-to-end project.

This change will also improve the harmonisation, standardisation and visibility of all activities related to supplier management, for both direct and indirect purchases, with the consequent optimisation of costs in this area.

Another far-reaching implication, but which due to its complexity will be gradually rolled out over the course of several years, is the digital continuity between design tools (PLM) and operations management tools (ERP), with all the processes that carried out in that environment (purchasing, quality, manufacturing and testing).

The new system should enable us to achieve solid data governance, resulting in both a unified coding of materials and suppliers (single data) as well as more accurate and reliable analytical reports in the new business intelligence tool.

The ERP adopted, a leading tool in the market, offers the possibility of incorporating the best practices of leading companies as well as permitting the development of a global map of applications with total connectivity and integration.

The project to implement the new ERP called Ziaboga started in 2019 with the selection and signing of the contract with the ERP supplier. During 2021, the Correction and Exploration phases were carried out, reviewing and completing the processes and sub-processes to be implemented in the tool, as well as working on the detailed design of the ERP based on its functional specification, specifying aspects related to configuration and user experience. During 2022, design aspects were optimised until the optimal configuration was found and the unit and integrated testing phase was started, as well as the training of trainers. All of this will come together in a start-up during 2023.

In addition to the adoption of different computer programs to digitalise and automate multiple Group processes, the CAF Group launched the following digitalisation measures to improve the Company's processes:

- Virtual validation and approval processes to limit the dependence on physical tests to test, approve and certify different properties of the products supplied by the Group.
- Automated test and validation environments that drastically reduce the time and personnel required to test and validate safety-critical software (SIL4).

- Systems and tools for digitising logistics, manufacturing, quality and maintenance documentation.
- Developments aimed at digital continuity between different IT systems.
- Graphical programming languages to simplify code generation activities.

In addition, CAF Rail Services has launched a transformation programme to develop a new operating model called SOM (Smart Operation Management) that leverages digitalisation. Its main objective is to improve the profitability of contracts by improving the efficiency of operations.

The SOM project has 6 domain-driven work streams:

1) Integration of LeadMind (Tren Digital Platform) in the execution of maintenance.
2) Optimisation of the Maintenance Plan
3) Boosting Productivity.
4) Efficiency in Purchasing.
5) Centres of Excellence.
6) Data Governance and Reporting.

Open innovation

For more than a decade, CAF has been collaborating with various suppliers, business partners, technology companies and research centres to accelerate the Group's innovation capabilities. European and national R&D funding programmes, such as Shift2Rail and EU-Rail mentioned above, also value and promote this type of collaboration.

As an example of the multiple collaborations with research centres, in recent decades CAF has been working closely with the Ikerlan Technology Centre. The relationship began in 2006 with the development of CAF's own traction inverters. Ikerlan's contribution has covered the development of traction systems for all catenary voltages, different topologies, cooling technologies, control strategies and semiconductors. Ikerlan has also participated in the development of CAF's onboard energy storage system (OESS) and its evolution in recent years. However, in addition to the field of electric traction, the collaboration with Ikerlan has covered activities related to signalling and railway infrastructure.

CAF has set up several subsidiaries to market the products developed after several years of R&D. Early examples are Traintic (2002) and Trainelec (2007). Traintic and Trainelec, now CAF Power & Automation, were created to supply traction equipment and Train Control and Monitoring Systems (TCMS) developed by CAF's R&D Department. These CAF Group subsidiaries have since improved and increased their range of products, and today they are benchmarks in their sector, again thanks to significant investments in innovation.

The most recent example of a subsidiary created by CAF is CAF Digital Services. Founded in 2020, the company markets LeadMind, CAF's data-based digital platform. This product was the result of several years of R&D projects for the digitalisation of trains (Digital Train). The Digital Train projects were focused on data acquisition, data management (big data, data transmission and storage) and data analysis.

The CAF Group's collaborations also extend to the startup ecosystem. In 2015 CAF launched CAF Ventures as a corporate investment initiative, and in 2020 it launched the Venture Client CAF Startup Station .

CAF Startup Station is designed to partner with top-tier startups working on relevant and innovative solutions for the rail and bus sectors. The key objective is to build and consolidate customer-supplier relationships between the different startups and the CAF Group.

CAF Startup Station follows the Venture Client model, which focuses on achieving a real impact on the business. This model allows the Group to acquire and test the startup's solutions through a pilot project. As a result of the success cases, a long-term customer-supplier relationship is established with the startups, which could ultimately lead to an eventual purchase. A CAF Startup Station success story is to implement software for the management and reporting of non-financial information in an agile and accurate way by collaborating with a local startup.

The CAF Group also collaborates through technological licences, both by giving access to developments carried out by the Company to other companies (e.g. the licensing of interlocking technology for TEXMACO, India), and by adopting development licences from other companies to incorporate them into its own processes and products, such as Straton's Graphical Programming Environment. These collaborations permit faster product development and commercialisation with proven solutions and proven reliability levels.

3.4 Responsible and sustainable supply chain

[2-6, 2-26, MA 204, MA 308, 308-2, MA 414, 414-2]

The sustainable management of CAF Group's supply chain covers environmental, social and governance aspects. The Group monitors sustainability risks to avoid negative impacts derived from the supply chain and encourages suppliers to comply with all the legal requirements of the sector and country in which they operate and to incorporate sustainability into all their operations.

This management approach is based on the Corporate Procurement Policy, the Environmental Policy, the Safety Policy, the Occupational Health and Safety Policy and the Supplier Code of Conduct all of which incorporate the principles of the United Nations Global Compact on Human Rights, the Environment and the Fight Against Corruption and provide guidance for the organisation and its suppliers.

In 2022 the CAF Group spent approximately 1,829 million euros on nearly 8,000 Tier-1 suppliers (i.e. suppliers that deal directly with and invoice the CAF Group directly) located in more than 60 countries, although most of the suppliers are located in the European Union.

Most of the products and services provided by CAF's suppliers have a predominantly technological component, while the labour component is concentrated in subcontractors, maintenance service providers and civil works.

The following risks relating to social, ethical and environmental matters have been identified in this area: (i) violation by suppliers of business ethics; (ii) breach by supplier of laws and regulations; (iii) disregard for the protection of Human Rights; and (iv) involvement in acts of corruption (bribery).

The impacts arising from these risks could result in loss of suppliers and penalties/breaches of contract with customers and damage to the image or reputation of the CAF brand. These impacts have a direct short-term effect; however, they may extend to the medium term due to the search for replacement suppliers.

These risks are covered by the corporate risk control and management system described in Chapter 2 which includes a series of activities aimed exclusively at managing such risks.

Meanwhile, sustainability management in the supply chain has provided the following opportunities: (i) participation in the Railsponsible sector initiative, where the main operators and manufacturers in the sector collaborate to develop sustainable practices and share best practices throughout the value chain of the railway industry; and (ii) continuous improvement of suppliers in matters of sustainability also improves their resilience and competitiveness.

RAILSPONSIBLE

The CAF Group is aware of the seriousness of the potential economic and reputational impacts of these risks. To mitigate them, the Sustainability Committee and the Corporate Purchasing Committee have established the strategy described below.

Supply chain strategy and objectives

The CAF Group is committed to promoting and supervising sustainability in its supply chain. The Sustainability Committee has established the following objectives for the Responsible Purchasing Programme in 2022:

- More than 90% of the suppliers identified in the risk map as risk suppliers must have been evaluated or audited.
- Spending on suppliers assessed as medium or high risk must be less than 1.8% of total spending.

In 2022 the Corporate Purchasing Committee continued to implement the Purchasing Policy in the Group's main activities. In 2022, the main activities transferred to their respective processes the requirements for due diligence and supervision of the sustainability of the supply chain established by the Purchasing Policy.

Within the framework of the Purchasing Committee's Sustainability Plan for 2022, the Responsible Purchasing Programme has been extended to the Railway Services activity, as well as to the Power and Automation Equipment activity. The Bus segment has also laid the foundations for its own programme through 2022 thank to the collaboration within the Purchasing Committee.

Another of the pillars of the Sustainability Plan that has made significant progress during 2022 is the implementation of a supplier risk qualification and monitoring process that integrates due diligence requirements in terms of solvency and sustainability and facilitates real-time monitoring of alerts from different sources of information. It is planned to extend this process to the Bus segment during 2023.

Communication with suppliers

CAF is aware that good communication and sharing of information between the Company and its suppliers are key to maintaining efficient processes and long-term business relationships, and it has opted to ensure this two-way dialogue through supplier satisfaction surveys. The result of this survey showed a remarkable level of satisfaction (8.3/10) as well as a remarkable (8/10) evaluation of the communication with CAF Group professionals. However, the identified improvement opportunities will be analysed and addressed during 2023.

Additionally, all suppliers have a specific separate communication channel for raising any questions regarding the General Code of Conduct and the Supplier Code of Conduct, procurement@caf.net, as well as another channel to report to the CAF Compliance Committee any current or potential conflict of interest or breaches of the principles of business ethics by CAF professionals: whistleblowerchannel.suppliers@caf.net. In 2022 no conflicts of interest or breaches of the principles of business ethics were received through this reporting channel.

Supplier Code of Conduct

The CAF Group requires all suppliers to comply with the ethical principles set out in the CAF Code of Conduct published on the corporate website, including social, ethical and environmental commitments.

In addition, the commitments to comply with the general principles of the Code of Conduct, working conditions, health and safety, the environment, commercial ethics and confidentiality are implemented in the Corporate Supplier Code of Conduct available on the corporate website and via the usual means of internal communication. The Supplier Code of Conduct, or a supplier code approved by CAF's Compliance Department, must be subscribed by all Group suppliers without exception and establishes the requirement that CAF's suppliers transfer the same sustainability requirements to their own supply chain.

CAF reserves the right to verify compliance by its direct suppliers. This verification may be through assessments conducted by ESG rating agencies, self-assessment questionnaires or audits at supplier facilities. If a supplier's behaviour does not comply with the principles of the general Code of Conduct or the Supplier Code of Conduct, either in its activity with CAF or in the market with third parties, CAF is entitled to take the appropriate measures and may refuse to collaborate with the supplier in the future, or even terminate the current relationship depending on the circumstances.

Sustainability in supplier management

The supplier qualification processes guarantee that our suppliers contractually commit to the Supplier Code of Conduct and incorporate sustainability checks of the following aspects:

- Sustainability, Environment and Occupational Health and Safety management certifications, among others[15]
- Product Quality Management related to IRIS certification[16]
- Compliance with the CAF Code of Conduct

[15] SA8000 Social Responsibility Certification, ISO 14001 Environmental Management System Certification, OSHAS 18001 Occupational Health and Safety Management System Certification, ISO 22301 Business Continuity Management Systems Certification, etc.

[16] Risk analyses, quality certificates and supplier management are evaluated, among others.

- Compliance with the Sustainability Policy

During 2022, it should be noted that in the Rolling Stock activity, the company continued to check sustainability aspects in 46 on-site approval audits of equipment, material and subcontractor suppliers. In the Rail Services activity, environmental management assessments were carried out on 12 suppliers, and in the Bus segment, a life cycle assessment was carried out on suppliers with the greatest environmental impact, including a Life Cycle Analysis of their products.

Meanwhile, quality inspections at origin make it possible to identify any deviations from the principles of the Supplier Code of Conduct.

Supply chain monitoring methodology

In the monitoring of sustainability criteria in the supply chain, the evaluation effort prioritises those that represent the greatest environmental, social and ethical risks, whether due to the potential environmental, social or gobernance impact of the product/service or because they are located in countries with a higher level of exposure to such risks.

During 2022, the Rolling Stock business has maintained the focus of its Responsible Procurement Programme on the supervision of suppliers of railway equipment and material, subcontractors and suppliers of legal and consultancy services.

Based on these criteria, the evaluation effort focuses on 349 target suppliers out of a total of approximately 6,000 suppliers. The evaluations are carried out by Ecovadis, the world leader in this field. Ecovadis adapts the evaluation questionnaire to each supplier based on the locations in which it operates, its sector and its size to evaluate 21 aspects of sustainability alligned with the most demanding international norms, regulations and standards, including those of the Global Reporting Initiative (GRI), the International Labour Organisation (ILO), the UN Global Compact and ISO 26000. Suppliers' responses are evaluated by specialised analysts who check whether the documentary evidence is consistent, recent and evidences a dynamic review of the policies, actions and results in the different subjects. This analysis results in a general rating with a maximum score of 100 points, which represents excellent sustainability management.

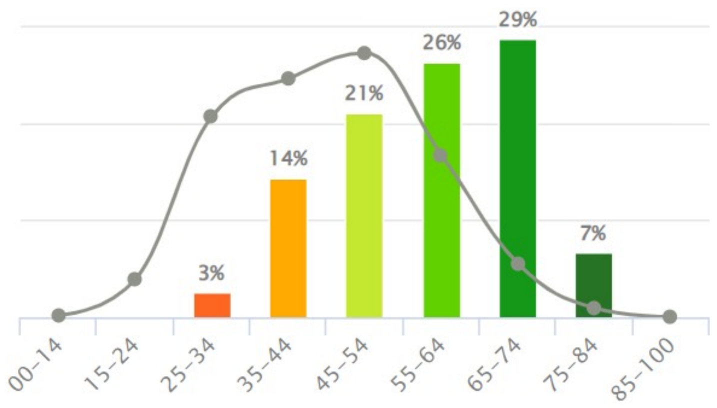
If the result of an evaluation does not meet the requirements established by CAF (a general score of 45 out of 100 in sustainability management), the supplier is required to implement an action plan to improve the weaknesses identified. If the supplier does not raise its assessment to acceptable levels or does not show a commitment to improve, it is audited by experts in the field. In this regard, the first specialised sustainability audit was carried out in 2022, thereby mitigating the risk detected by the Ecovadis indicators.

Results of the responsible purchasing programme

By the end of 2022, the activities of Rolling Stock, Rail Services and Power & Automation Equipment have assessed in terms of their sustainability management, i.e. their environmental, social and governance management, 78% of the prioritised suppliers (118 business groups[17]) which represents the 75% of the spend of these activities.

The assessed suppliers have an average overall rating of 58.6 out of 100, representing a medium-high level of sustainability management, which is 13 percentage points higher than the average of all suppliers assessed by Ecovadis worldwide (45/100). In addition, 71% of CAF suppliers reassessed in the last year improved their general rating.

The following graph shows the distribution of the overall rating of the suppliers assessed by the CAF Group in the columns and the grey line shows the distribution of the overall rating of all companies assessed by Ecovadis:



		2022	2021	2020
General Sustainability indicator[18]	Of CAF Group suppliers	58.6/100	58/100	56/100
	Of all suppliers evaluated by Ecovadis at worldwide level	45/100	44/100	43/100
Change in the Sustainability indicator of CAF's suppliers	Improved	71%	61%	65%
	Unchanged	10%	16%	19%

As a result of these assessments it has also been identified that 2% of the Group's total purchases are made from suppliers with average or lower sustainability management and an improvement plan has been agreed with all of them. Furthermore, no relevant negative impacts on the supply chain have been identified and no sustainability audit has been required during 2022 for this reason.

[17] Comprising a total of 271 companies.

[18] Assessment scale: 0 – 25: Low; 25-45: Medium/low; 45-65: Medium/high; 65-100: High

The following table summarises the results of the 2022 supplier assessment campaign:

	2022	2021	2020
Number of business groups assessed in terms of their sustainability/ESG management	118	67	46
Coverage of sustainability assessments on the amount of expenditure covered by the Responsible Purchasing Programme	75%	56%	57%
Purchases from high or medium risk suppliers: Total Group volume of expenditure on suppliers with a medium or lower sustainability management rating	2%	4%	2%
The percentage of suppliers with an average or lower management evaluation with whom improvements have been agreed as a result of an evaluation.	100%	100%	100%
Number of suppliers identified as suppliers with significant negative environmental, social or governance impacts	0	0	0

4 THE EXCELLENCE OF OUR TEAM

"CAF is committed to promoting the professional development of its employees and using the necessary means to eliminate or reduce occupational risks, encouraging a preventive culture among all the people who carry out their professional activities at CAF. Furthermore, CAF is committed to respecting diversity, the right to equal treatment and opportunities in access, training, promotion and working conditions, and the inclusion of people with disabilities."

CAF Sustainability Policy
17 December 2020

4.1 Talent development

[2-7, 2-30, MA 401, 401-1, 401-2, MA 402, MA 404, 404-1, 404-3]

The people who make up the CAF Group are key to developing a sustainable project, as reflected in the Sustainability Policy and Code of Conduct.

These commitments are rolled out as part of the Corporate People Management Process, which defines a proprietary standard common to all the Group companies. The standard's comprehensive nature endows it with a broad scope, from ensuring organisational adequacy, through hiring and internal mobility, and the assessment and qualification of its professionals, to their training and development. It also includes policies on remuneration and labour relations.

The main activities in 2022 were the definition and deployment of the initiatives included in the corporate people plan with the aim of improving talent management in all Group activities and on every work front: Within this framework, actions have been deployed to ensure legal compliance and corporate policies, the promotion of values within the Group, progress in the measurement of organisational health, improvements in talent recruitment and development activities and the deployment of occupational health and safety commitments.

Furthermore, in 2022, special attention continues to be paid to the deployment of organisational health studies and the monitoring of the organisational health index as one of the key management elements in the area of people within the Group. Since 2018 and at least every two years, studies have been systematically launched in all relevant Group activities. In 2022, results accounting for more than 90% of the scope of consolidation are in force. Based on the results, specific action plans are defined that promote cultural dimensions and elements that are helpful in the execution of business activities. The trend of the organisational health index has been positive in the previous year overall. This measurement makes it possible to evaluate the action plans put in place and adjust them for further improvement. This area, together with other actions, contributes to the generation of a shared culture within the Group, which should be one of the cornerstones of these initiatives.

In this area, the following risks relating to both occupational risk prevention and adequate professional development of employees have been identified: (i) staff turnover; (ii) insufficient training and professional development; (iii) lack of diversity and equal opportunities; (iv) accidents and the effects on health.

The impacts arising from these risks may result in reduced employee productivity, accidents, impairment of employee health and motivation, and fines relating to employee occupational safety. Since these risks and their impacts materialise gradually over time, this will occur in the medium term.

The aforementioned policies, Code of Conduct and procedure constitute the main corporate principles, procedures and controls required in order to address matters relating to personnel.

The corporate risk control and management system covers the risks described above and provides a series of activities aimed exclusively at managing them. This process meets the risk and opportunity analysis of the frame of reference.

Talent attraction

In 2022 the Group's average workforce totalled 13,769, and at 31 December 2022, the workforce was 14,526 people.[19] In this respect, the average workforce of the CAF Group has increased. The workforce at the end of the period increased by 1,242 people, thus adapting to the Group's needs in its various activities and geographies. This increase is largely due to the incorporation of Alstom's Reichshoffen plant into the Group, which had 700 employees at the end of the year.

Provided below there is a breakdown of employees by the following diversity criteria: gender, age, occupational group, country of enterprise and country of origin of the worker.

CAF Group headcount
(At year-end)

	2022		2021		2020	
	Number	%	Number	%	Number	%
By gender						
Male	12,159	84%	11,235	85%	11,080	85%
Female	2,367	16%	2,049	15%	1,977	15%
By age						
Under 30 years of age	1,982	14%	1,746	13%	1,785	14%
Between 30 and 50 years of age	9,833	68%	9,219	70%	9,050	69%
Over 50 years of age	2,711	19%	2,319	17%	2,222	17%
By professional group						
Employee	7,958	55%	6,794	51%	6,386	49%
Operators	6,568	45%	6,490	49%	6,671	51%
By company country						
Europe	13,033	90%	11,699	88%	11,460	88%
Spain	6,960	48%	6,572	49%	6,483	50%
Poland	2,546	18%	2,641	20%	2,451	19%
Sweden	974	7%	1,015	8%	996	8%
United Kingdom	949	7%	784	6%	672	5%
Rest of Europe	1,604[20]	11%	687	5%	858	7%
America	976	7%	1,113	9%	1,157	9%
Mexico	436	3%	504	4%	423	3%
Brazil	209	1%	220	2%	250	2%
US	126	1%	203	2%	301	2%
Rest of America	205	1%	186	1%	183	1%
Rest of the world	517	3%	472	3%	440	3%
By country of origin						
Europe	12,940	89%				
Spain	7,100	49%				
Poland	2,514	17%				
France	905	6%				
Sweden	852	6%				

[19] The data were obtained from the information systems of each company, and employees involved in furlough-type arrangements on a full working day and full year basis were included in the calculation since the impact thereof was not generally considered to be significant. In order to perform the activities that the company considers it is necessary for outsourced personnel to carry out at its facilities, CAF enters into service contracts, which define the type of activity to be performed. CAF monitors outsourcing activities carried out and maintains statistics on outsourced personnel, where this is considered significant.

[20] Among the workforce located in the rest of Europe, France stands out with 865 employees at the end of the year.

Rest of Europe	1,569	11%		
America	1,024	7%		
Mexico	441	3%		
Brazil	223	2%		
Chile	124	1%		
Rest of America	236	2%		
Rest of the world	562	4%		
Total				
	14,526		13,284	13,057

At CAF, talent management is a key factor in the organisation's success. The attraction, development and retention of talent are therefore critical phases for the Company. As a global company, CAF has a specific recruitment activity, included in the people management process, which defines the common corporate framework for recruitment and internal mobility made up of a first phase consisting of approval of the appointments plan, a selection process that can be both internal and external, recruitment and, lastly, the onboarding plan. This process guarantees equal opportunities as regards access.

CAF is currently carrying out a series of activities to provide adequate resources to the different activities in the different geographical areas, of which the main ones are: presence at national and international job fairs, open days, and the publication of vacancies on various employment platforms, social media and the corporate portal.

During 2022, 2,731 recruitment processes were carried out in the Group's different activities. It is worth noting that growth has occurred mainly in Europe due to the incorporation of the Reichshoffen plant, which has led to 700 people being hired. The details of this process are shown below:

New hires				
	2022		2021	
	Number	Rate[21]	Number	Rate
By gender				
Male	2,207	18%	1,412	13%
Female	524	22%	289	14%
By age				
Under 30 years of age	864	44%	627	36%
Between 30 and 50 years of age	1476	15%	934	10%
Over 50 years of age	391	14%	140	6%
By company region				
Europe	2,383	18%	1,155	10%
America	187	19%	439	39%
Rest of the world	161	31%	107	23%
By region of origin				
Europe	2,325	85%		
America	226	8%		
Rest of the world	180	7%		
Total				
	2,731	19%	1,701	13%

[21] New hires/workforce at the end of the period.

In terms of turnover, the following is a breakdown between voluntary and non-voluntary turnover.

	Turnover %
Voluntary	6%
Non - voluntary	4%
Total	
	10%

Within non-voluntary turnover, dismissals are the main reason for departures as shown in the table below. Such non-voluntary departures account for 3% of the workforce (in 2021 they accounted for 2%). In relative terms, the rate is higher in men than in women, in terms of age, the rate has increased compared to the previous year in the group up to 50 years of age, but has decreased in the case of workers over 50 years of age, and in terms of professional group, the rate for employees has remained the same, while in the case of operators, it has increased by three percentage points. The matching of capacity to the needs of ongoing projects is the main reason for this type of non-voluntary disengagement.

	2022		2021	
	Number	Rate[22]	Number	Rate
By gender				
Male	396	3%	211	2%
Female	43	2%	41	2%
By age				
Under 30 years of age	88	4%	39	2%
Between 30 and 50 years of age	262	3%	117	1%
Over 50 years of age	89	3%	96	4%
By professional group				
Employee	127	2%	132	2%
Operators	312	5%	120	2%
Total				
	439	3%	252	2%

[22] Non-voluntary terminations/employees at the end of the period.

Quality employment

CAF is committed to quality, stable employment. Employee experience and knowledge constitute one of the cornerstones of CAF's competitive position in all its current activities. The percentage of permanent employees at the end of the period in the CAF Group stood at 93%, an increase over the previous year (91%). Looking at the distribution by gender, age, occupational group and region, the percentage of permanent contracts has increased in all groups[23]. In terms of gender, the increase in the percentage of permanent contracts among men was one percentage point higher than among women. In terms of age, the group under 30 years of age was the group with the highest percentage increase in permanent contracts, in terms of occupational group the blue-collar workers and in terms of region the workers located in the Americas.

Workforce by type of contract
(At year-end)

	2022				2021				2020			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
By gender												
Male	11,384	94%	775	6%	10,316	92%	919	8%	10,291	93%	789	7%
Female	2,143	91%	224	9%	1,836	90%	213	10%	1,783	90%	194	10%
By age												
Under 30 years of age	1,545	78%	437	22%	1,284	74%	462	26%	1,366	77%	419	23%
Between 30 and 50 years of age	9,365	95%	468	5%	8,631	94%	588	6%	8,560	95%	490	5%
Over 50 years of age	2,617	97%	94	3%	2,237	96%	82	4%	2,148	97%	74	3%
By professional group												
Employee	7,384	93%	574	7%	6,219	92%	575	8%	5,850	92%	536	8%
Operators	6,143	94%	425	6%	5,933	91%	557	9%	6,224	93%	447	7%
By company region												
Europe	12,341	95%	691	5%	10,950	94%	749	6%	10,601	93%	859	7%
America	764	78%	213	22%	826	74%	287	26%	1,127	97%	30	3%
Rest of the world	422	82%	95	18%	376	80%	96	20%	346	79%	94	21%
Total												
	13,527	93%	999	7%	12,152	91%	1,132	9%	12,074	92%	983	8%

[23] The annual average number of part-time contracts is not broken down by gender, age and professional classification, as they do not represent a significant proportion of the Group's workforce.

Workforce by type of contract
(Average workforce)

	2022				2021				2020			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
By gender												
Male	10,736	93%	816	7%	10,278	93%	824	7%	10,183	91%	957	9%
Female	1,989	90%	228	10%	1,813	90%	198	10%	1,724	89%	218	11%
By age												
Under 30 years of age	1,277	76%	407	24%	1,187	75%	406	25%	1,272	73%	466	27%
Between 30 and 50 years of age	8,915	94%	537	6%	8,616	94%	534	6%	8,442	93%	634	7%
Over 50 years of age	2,533	96%	100	4%	2,288	97%	82	3%	2,193	97%	75	3%
By professional group												
Employee	6,778	92%	592	8%	6,065	96%	548	4%	5,716	91%	578	9%
Operators	5,947	93%	452	7%	6,026	96%	474	4%	6,191	91%	597	9%
By company region												
Europe	11,562	94%	722	6%	10,742	94%	745	6%	10,434	91%	1050	9%
America	761	77%	224	23%	964	84%	181	16%	1,141	97%	35	3%
Rest of the world	402	80%	98	20%	385	80%	96	20%	332	79%	90	21%
Total												
	12,725	92%	1,044	8%	12,091	92%	1,022	8%	11,907	91%	1,175	9%

The generation of quality employment also implies the need to organise work in accordance with the labour legislation of each country and the applicable collective bargaining agreements. Each Group company therefore determines matters relating among other things to working hours, rest periods, work calendars, holidays, special leave and leave of absence, as well as social welfare benefits in accordance with market practices, such as contributions to pension funds and medical insurance. This is included in the defined labour relations policy applicable to the Group. Also, each company establishes measures aimed at facilitating the work-life balance, certain of which relate to the regulation of working hours, which are generally monitored by means of the clock-on/clock-off register.

The regulation of telecommuting is regulated in some of the most relevant legal entities. This new regulation allows for certain activities to be carried out from home, on a voluntary basis and to a greater or lesser degree depending on the situation, mainly related to work-life balance. It also includes measures concerning the right to digital disconnection.

In this chapter, progress has been significant in recent years. During 2022, practices in this area of remote working have been consolidated within the Group's activities. As well as consolidating previous practices, progress has been made in this area. At the moment there are regulations that facilitate the possibility of carrying out the activity remotely in a percentage that ranges between 20% and 60% of the working calendar. In some cases it links this possibility to the promotion of conciliation.

The training and evaluation process as a cornerstone of professional development

The training process is a cornerstone of the training activities and this is evident both in the parent company and in all the national subsidiaries linked to its main activities.

In order to ensure that the training plan is efficient and effective, three main blocks of activity have been defined within the process, which are monitored regularly using a series of indicators. The initial phase consists of carrying out a training needs assessment, integrating both the vertical perspective of each function, as well as the horizontal perspective in cross-cutting training subjects (for example: occupational health and safety, quality, product safety, regulatory compliance, etc.). Once this training plan has been approved and announced, it can begin to be implemented and assessed on three levels (satisfaction, effectiveness and annual review) so that it can be brought further into line with the activity's priorities and rendered more effective.

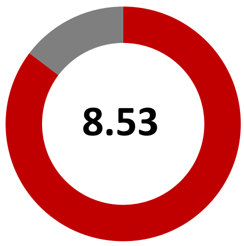
This process has been systematically reviewed over the years under a dynamic of continuous improvement, integrated into process management in some cases and always in response to the activity's needs.

In 2022, further progress has been made in the deployment of a more flexible learning model by combining different formats. The development of content on the "CAF E-learning" platform, launched in 2020, has been promoted. During 2022, face-to-face training coexisted with virtual training, complying with the health measures required at any given time as a result of the health crisis. Asynchronous access to training content has also been made possible.

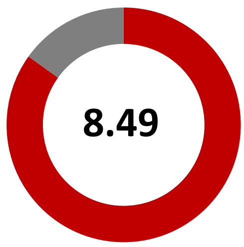
At Group level, more than 190,000 training hours were received[24], with each person having received an average of 18 hours of training, which was the same as the previous year. In terms of gender, women have received on average 2 hours more training than men. The average number of training hours for employees has been higher on average, receiving 19 hours of training, three hours more on average than operators.

	2022		2021	2020
	Total hours	Average hours per person	Average hours per person	Average hours per person
By gender				
Male	159,410	17	17	-
Female	33,313	19	22	-
By age				
Under 30 years of age	21,891	18	-	-
Between 30 and 50 years of age	140,768	18	-	-
Over 50 years of age	30,064	14	-	-
By professional group				
Employee	102,650	19	22	14
Operators	90,073	16	14	12
Total				
	192,723	18	18	13

Training Satisfaction



Training Effectiveness



Similarly, the results of satisfaction and the effectiveness of all training activities exceed the objectives set for in the people process for the 2022 period, standing at 8.53 and 8.49 points, respectively[25].

Integrated in the same process is the performance evaluation as one of the elements that stimulate the development of the people in the organisation. Eighty-six percent of people from both the parent company and all national and international companies[26] have received an evaluation, following the defined systematic approach (85% by 2021). The distribution of assessed workers according to gender and occupational groups, 78% of women have received an assessment and 87% of men. In addition, 92% of the operators have been assessed by 2022, as well as 80% of the employees.

The corporate people management process defines a model for assessing both general and technical competencies associated with each person's position. In addition, university graduates and middle management are included in an evaluation system through which individual objectives are set for them. Throughout 2022, evaluation processes have been launched in all of the Group's

[24] Data representative of 80% of the CAF Group workforce.
[25] Data relating to those sites where the system of evaluation of the training received is implemented.
[26] Data relating to those sites where the performance appraisal system is in place.

main activities and will continue to be rolled out in the following period. The evaluation processes launched have been adapted to the needs of the different activities and groups.

It highlights the new evaluation process deployed in the activity linked to railway rolling stock. The new model aims to align all people with the values by deploying specific behaviours according to the type of responsibility in the organisation. It also aims to clarify what is expected of people and what their contribution to the objectives is.

In this chapter and in different activities of the Group, we have continued to develop actions to promote leadership for those responsible for people and projects or programmes. The programmes aim to clarify the role as a leader and improve communication or team management, among others. Linked to these activities is the progress in some of the main activities in the teams' perception of the type of leadership in CAF. There is a growing need for leadership that focuses on meeting business challenges while supporting teams. The improvement in the results on the perception of the communication and information received has also been relevant in the period. Lastly, and in this chapter, the use of tools to promote the development of people such as coaching and mentoring has been consolidated.

In addition, as in the previous period, various training actions were carried out this year to align the people management systems required by the Group's activities in the transformation programmes being undertaken and in the integration processes underway.

Internal mobility as a development tool

In addition to providing flexibility to respond to the needs of ongoing projects, internal mobility is regarded as a fundamental tool for the development of employees during their working lives. Mobility is facilitated through training programmes included in the training plans as well as through ad-hoc training activities designed to provide people with the skills they need to take on new responsibilities. All the main activities of the CAF Group include internal mobility processes.

In this area, and with a medium-term vision, the defined development activities derived from the exercises to identify talent with potential carried out in previous years have been deployed. The aim of these actions is to have people prepared for the challenges of the different activities. During 2022, the basis for the processes to be implemented in the following periods has been defined.

In 2022, the dynamic started in 2021 has been continued with the publication of internal vacancies in some of the Group's main activities and the definition of career plans associated with the evaluation processes. In this chapter, in addition to the deployment of development plans, this dynamic has been extended within the Group. It is worth remembering that career plans in CAF allow people to be directed towards one of these pathways: leadership of people and projects/programmes, functional versatility and technical specialisation.

Social dialogue

With respect to the organisation of social dialogue, we should mention the permanent communication between employees, their representatives and the Company with a view to discovering their interests and expectations and reaching agreements that benefit all parties. The procedures for informing and consulting employees and negotiating vary across the Group, which provides greater flexibility to use the most appropriate routes based on the traditions and customs in each region and legal jurisdiction.

All the employees of the Parent Company and the Spanish subsidiaries of all the Group’s business lines are covered by industry-specific or company-specific collective agreements, which together are generally applicable to all employees. At the international level, collective bargaining on different issues (pay, working time and working hours) is also noteworthy in different geographies. 68% of the CAF Group's workforce is subject to a collective bargaining agreement. The breakdown of this figure by geographical area is shown in the following table.

Percentage of employees covered by collective bargaining agreements by country

		2022	2021
Europe		72%	73%
	Spain	100%	100%
	Poland	0%[27]	0%
	Sweden	100%	100%
	United Kingdom	13%	32%
	Rest of Europe	43%	19%
America		40%	41%
	Mexico	12%	80%
	Brazil	100%	100%
	Rest of America	37%	29%
Rest of the world		14%	14%

Additionally, various initiatives were carried out in 2022 to promote extended, systematic and agile internal communication in line with current customs.

In 2022, the manual for the development of the general communication policy has been approved. The revised internal communication guidelines for all Group activities have been integrated into this manual. These general internal communication guidelines are intended to ensure consistency in internal communication, thus ensuring that all people have relevant up-to-date information and that there are smooth and constant interactions, both face-to-face and indirect, at all levels of the organisation.

Additionally in 2022, internal communication plans were deployed at different levels in conjunction with e-learning activities and the implementation of collaborative tools.

Furthermore, with the aim of facilitating channels and ways for fluid interaction to take place and ensure that each person in the organisation has constantly updated information, in 2022 the Group continued to make intensive use of the corporate internal communication application available to all CAF employees, providing remote access to relevant information at all times.

As in 2021, direct communication activities continued to be promoted both in virtual and face-to-face format. Employees' perceptions of communication matters are systematically collected.

[27] Working conditions in Poland are set out in what are called "Work Regulations" which are not considered collective agreements according to the GRI definition.

4.2 Diversity and equal opportunities

[MA 202, 202-1, MA 405, 405-1, MA 406, 406-1]

Equal opportunities

One of the cornerstones of CAF's commitment to people, as indicated in CAF's Code of Conduct, Sustainability Policy and Diversity and Director Selection Policy, is respect for diversity and the right of men and women to equal treatment and opportunities. To this end, the Group does not tolerate any kind of harassment and actively rejects any direct or indirect discrimination, especially on the grounds of gender, and the defence and effective application of the principle of equality between men and women in the workplace, making progress in the establishment of measures that favour the reconciliation of work and family life.

The CAF, S.A. collective bargaining agreement (for the Beasain, Irún and Madrid centres) seeks to promote the access of women to employment and the effective implementation of the principle of equal treatment and non-discrimination in working conditions between men and women.

Recruitment and selection processes guarantee the same access opportunities, upholding non-discriminatory principles through recruitment drives open to everyone, the use of objective selection requirements and without taking into account situations not related to the job. In 2022, women represented 19% of new hires to the CAF Group, raising the overall presence of women in the Group's workforce that has increased slightly to 16%.

Likewise, equal access to training is guaranteed for men and women in order to promote career development and adaptability to job requirements, thus improving internal employability.

The Group is committed to promoting equal opportunities through internal policies and strategies, and to ensuring that employees have the same opportunities to develop their potential. Consequently, it adopts the appropriate measures and decisions in response to any action that might constitute or cause gender discrimination.

In order to maintain comprehensive control of these commitments and their respective initiatives, at year-end all Group companies comply with the legal regulations regarding the development of equality plans[28] and they have different management mechanisms such as the action protocol in case of sexual harassment or gender harassment and equality committees on which the Company and employees are represented, the aim of which is to prevent and, where applicable, resolve cases of sexual harassment and gender-based discrimination. Noteworthy due to its size at the Parent Company[29] is the existence of an equality commission that is responsible for the preparation, implementation and monitoring of equality plans and analysing possible measures and actions to contribute to the work-life balance. This commission analyses and monitors equality indicators each year, analysing issues such as periodic monitoring of selection processes, monitoring of staff who request and/or avail themselves of the work-life balance measures that apply to the headcount as a whole, broken down by gender, and monitoring of the promotion system for operators and employees.

Similarly, in recent years the Company has been taking steps to disseminate the equality plans and sexual and gender-based harassment protocols internally through the usual means and to promote the use of egalitarian and inclusive language both in internal and external communications.

The principles of non-discrimination and equal opportunities applied at the CAF Group are included in the Code of Conduct. Within this framework, in 2022, a gender-based harassment action has been initiated, which has been investigated internally, dealt with and resolved by applying the relevant labour measures. In the previous period, five cases were detected in this area.

[28] The companies affected have started adapting their equality plans to Royal Decrees 901/2020 and 902/2020.
[29] The parent company CAF, S.A. represents 28% of the total workforce at year-end 2022.

Remuneration and gender pay gap

Remuneration is set and managed at the CAF Group on the basis of the remuneration management policy applicable to the Group. The purpose of this corporate regulation is to ensure that remuneration is addressed appropriately in terms of internal consistency while taking into account external competitiveness and the alignment of remuneration with the challenges and needs of the lines of business. The Group usually refers to information prepared by specialist consultants to establish salary levels on the basis of the market and role.

These general criteria have given risen to appropriate remuneration levels and in 2022 the average remuneration of employees[30] amounted to €41,127.71.

Average Remuneration (2020[31]–2022)

	2022	2021	2020
Average remuneration	41,127.71 €	38,353.28€	37,015.01€

The pay gap in all the Group's activities[32] is 1.4%. Changes in the configuration of the workforce with less male operators have had an impact on the average pay of this gender.

Average remuneration by gender, age and employee category

	2022		2021	2020
	Average remuneration €	Gender pay gap[33]	Gender pay gap	Gender pay gap
By gender				
Female	40,647.41 €	1.4%	(0.5%)	(0.2%)
Male	41,221.21 €			
By age				
Under 30 years of age	26,917.87 €	(7%)	(8%)	(8%)
Between 30 and 50 years of age	41,922.15 €	(3%)	(5%)	(5%)
Over 50 years of age	48,634.94 €	9%	7%	4%
Professional group				
Employee	48,493.71 €	17%	16%	16%
Operators	32,202.82 €	16%	10%	27%

The average remuneration by age at the CAF Group reveals a correlation between age and remuneration earned, as shown in the table. Likewise, in terms of the gender pay gap, if we analyse the data by age group it is negative (-7%) in the under 30 years of age segment and the remuneration of women is higher than the remuneration of men. The gap is also negative in the 30–50 years-of-age segment (-3%). However, in the over 50 years of age segment women's remuneration is lower, with a positive gap of 9%.

Remuneration in the CAF Group for professional groups is organised into two broad categories: employees[34] and operators. The average remuneration for employees is €48,493.71 compared with €32,202.82 for operators. In both cases, the pay gap is positive, as in previous periods. In the employees' category, the pay gap is 17%, remaining stable compared to previous periods. The pay gap in the blue-collar sector has increased to 16%. This increase is due to changes in the

[30] All annual fixed remunerative items for full-time employees available to all the Group's employees were used. Variable concepts were not included since they are treated as non-material due to the amount they represent over the total. The average exchange rate for the year was used to translate the data to euros.
[31] The 2020 and 2021 pay gap data are as published in the Non-Financial Information Statement for 2021.
[32] The gender pay gap was calculated on the basis of all employees, including senior management and executive directors and senior managers.
[33] (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.
[34] The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.

configuration of the workforce due to the adaptation of capacity to ongoing projects and the acquisition of assets in France and Germany.

If we analyse the data by groups, length of service is a one of the factors affecting the gender pay gap. On average, men's length of service across all CAF activities is 24% higher among employees and 31% among operators.

General pay gap by gender, professional group and length of service

	2022	
Professional group	Gender pay gap[35]	Difference in length of service[36]
Employee	17%	24%
Operators	16%	31%

The data relating to the pay gap are also influenced by the asymmetrical nature of the gender distribution of the various socio-demographic groups. Although the average remuneration of women as a whole is only 1.4% lower than the average total remuneration of men, when comparing the averages of both groups by professional category, the difference widens. This is because there are fewer women than men (women account for 16% of the total) and their distribution by professional group is asymmetrical.

Distribution of the workforce by professional group and gender
(At year-end)

	2022	
Professional group	Female	Male
Employee	89%	48%
Operators	11%	52%
Total	100%	100%

This is due to the fact that the majority of women belong to the employees' category (specifically 89%) and the average remuneration for this category is higher than that of the operators' category. Meanwhile, 52% of the men at CAF belong to the operators' category, the average remuneration of which is lower than that of the employee's category.

In any case, the collective agreements in force, together with the regulations relating to remuneration applicable at the CAF Group companies, nevertheless guarantee equal treatment by setting salary conditions without taking gender into account.

The treatment of remuneration of the Parent's directors responds to transparency criteria applicable to a listed company. In this regard, the details and individual breakdown of the conditions for the group of directors, which includes the only female senior executive, are reflected in the remuneration report prepared for this purpose and published in accordance with the regulations in force. In addition, the remuneration of the other members of senior management is included in the Annual Corporate Governance Report of Listed Companies.

Universal accessibility

With a view to encouraging diversity, CAF respects universal accessibility by taking into account criteria that enable both its working environment and its manufactured products to respect human diversity and to be safe, healthy, functional, understandable and aesthetically pleasing.

CAF promotes physical access to its facilities by ensuring that all new investments in industrial buildings and services, and all refurbishments and fitting out of general service facilities are conducted pursuant to the accessibility regulations and standards of the location.

[35] (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.
[36] (Average Length of Service of Men by Group – Average Length of Service of Women by Group) / Average Length of Service of Men by Group.

As regards the accessibility of its products and services, CAF's priority from the design stage is the accessibility of its products and services to guarantee universal use for the entire population. The designs must be usable, without special adaptations or modifications, by disabled and able-bodied people alike.

All products manufactured by CAF are designed to meet, and in some cases exceed, the accessibility requirements laid down in the legislation of each country in which tender processes are held, as well as the requirements of reference EU legislation.

Railway rolling stock manufactured by CAF meet the requirements set out in the 2014 EU technical specifications for interoperability relating to accessibility for persons with reduced mobility, while urban buses are built in accordance with the specifications indicated in Annex IV of Directive 2007/46, which creates a framework for the approval of motor vehicles, recently amended by EU Regulation 2017/2400. These provisions include the requirements of Regulation No. 107 of the Economic Commission for Europe of the United Nations (UNECE) on uniform provisions concerning the approval of category M2 or M3 vehicles with regard to their general construction and in particular their accessibility for passengers with reduced mobility.

CAF's extensive experience in the implementation of accessibility projects enables the Group to offer maximum quality in this regard, guaranteeing ease of use, since any passenger can use its transport without the need for prior experience, usability, as the vehicles' access points are perfectly signposted and there are mechanisms that ensure that all types of passengers can use them, and simplicity, since physical ability or disability does not affect the user experience.

In terms of information accessibility, CAF is firmly committed to the accessibility of its website and wants its contents to reach as many users as possible, regardless of their disability status. For this purpose, it uses standard technologies established by W3C and follows the WAI 1.0 Accessibility Guidelines. The use of web standards established by the W3C, such as XHTML 1.0 Transitional for valid semantic markup and cascading style sheets (CSS) for design, allows the website to be viewed on various devices and platforms and also enables its content to be printed properly.

Lastly, it should be noted that the CAF Group meets the requirements of the legislation relating to the rights of people with disabilities and their social inclusion in each country. This is achieved through the direct hiring of workers with a certified disability[37] and through the adoption of alternative measures envisaged in current legislation.

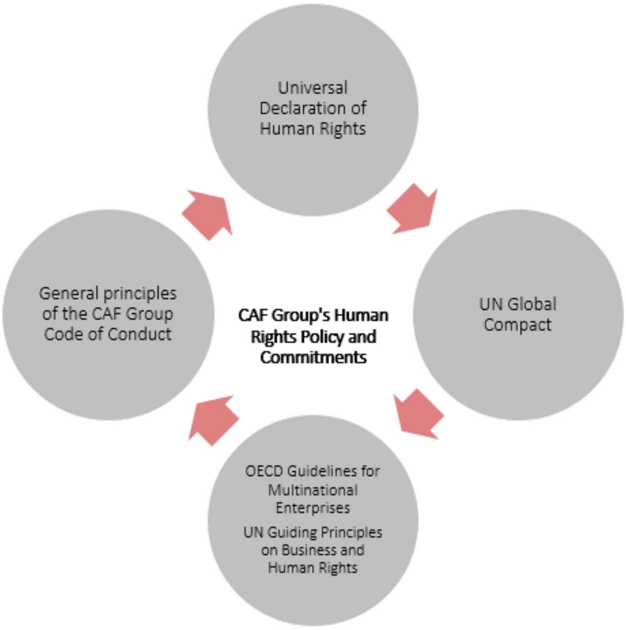
[37] The CAF Group employs 149 people with certified disabilities (85 in 2021).

4.3 Respect for Human Rights

[2-23, 2-24, 2-25, MA 407, MA 408, MA 409, MA 411, MA 412, 412-2]

CAF Group's Human Rights Policy and Commitments

CAF, in addition to its commitment to the strictest respect for the legal system in force in all the territories in which it carries out its activities, includes in its Code of Conduct, Sustainability Policy and Crime Prevention Manual its commitment to adopt measures that guarantee scrupulous respect for fundamental rights, the principles of equal treatment and non-discrimination, as well as any other principles contained in the Universal Declaration of Human Rights, in the OECD Guidelines for Multinational Enterprises (whose content on Human Rights is identical to that of the United Nations Guiding Principles on Business and Human Rights) and in the United Nations Global Compact, which CAF, S.A. has joined.



Without prejudice to the management of Human Rights matters in every area and in accordance with the circumstances, CAF has adopted measures that are systematically applied in two ways: (i) due diligence in the field of business ethics, by implementing due diligence mechanisms that allow previous and early management of potential impacts linked to Human Rights in the context of each project or contract in which a CAF Group company participates and also with third parties with which it is involved; and (ii) people management, which is deployed through the corporate people management process, which incorporates labour and occupational risk prevention policies to ensure compliance with the commitments in this area in all the Group's activities.

Internal regulations

The requirement to comply with Human Rights is a priority issue in the CAF Group's activity and as a development of the CAF Group's Policy and commitments in this area, the CAF Group's Human Rights Due Diligence Procedure was approved by the Compliance Function, thus ensuring better management and control of the related risks.

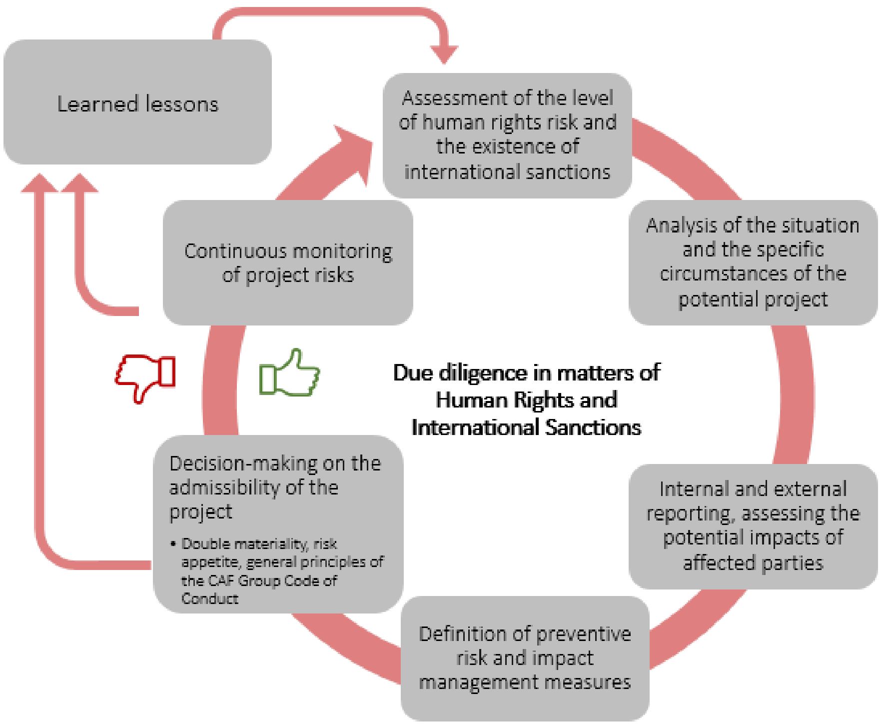
In line with this corporate procedure, all potential projects (defined as any business activity) must be systematically evaluated in advance so that the CAF Group can ensure that its participation does not give rise to a breach of Human Rights, either through its own activities or as a direct result of its operations, or due to the sale of its products or the services provided. At the same time, the possible existence of international sanctions is checked on a general basis.

During 2022, in order to reinforce the aforementioned Procedure, the Compliance Function has approved a new Human Rights risk assessment questionnaire that allows identifying the specific circumstances of each project in order to define measures to manage potential Human Rights impacts and/or to comply with the applicable international sanctions regime in various areas.

Due Diligence on Human Rights

The CAF Group's Human Rights Due Diligence procedure is an example of the CAF Group's priorities and ethical approach in the way it conducts its business.

In this way, from the very outset of the business opportunity and prior to the presentation of the initial offer, an analysis of compliance with the United Nations Guiding Principles on Business and Human Rights is carried out, including the risk matrices that have been adjusted and updated over the years, ultimately giving rise to the continuous analysis of risks and impacts on Human Rights that, in summary form, is described below:



At the same time, all third parties that enter into contracts with CAF Group companies are required to, inter alia, scrupulously respect the law, Human Rights, public freedoms and fundamental rights, the principles of equal treatment and non-discrimination, protection against child labour and any other principles included in the Universal Declaration of Human Rights and in the UN Global Compact in relation to Human Rights.

Training and dissemination

During 2022, the CAF Group continued to undertake training and dissemination activities on Human Rights Due Diligence commitments among the Group's employees as part of general Compliance training.

A new additional e-learning module has been launched to specifically train those employees in charge of carrying out Human Rights Due Diligence. As of the date of this report, 70% of the people included in the training plan have completed their training, which is equivalent to more than 283 people trained in this area and more than 140 hours of training.

Human Rights risk management

Within the framework of the continuous development of the Corporate Risk Management and Control and Compliance Systems, the management and control of human rights risks is included specifically in accordance with the principle of dual materiality.

Since its initial approval, the above-mentioned CAF Group's Human Rights Due Diligence procedure has maintained a key difference in the approach to risk assessment in this area, which means that the risks analysed must necessarily take into account the interests of the affected parties, i.e. those of the holders of human rights (and not only those of the company itself).

To this end, the first step is to analyse whether the country, region or city in which the project is located, or the characteristics of the project, have a level of risk that a priori requires the adoption of special measures on potential associated impacts. In a second step, a tailor-made study of the specific circumstances of the case is carried out in order to determine the specific risks and, if necessary, the preventive risk and impact management measures to be adopted if the project is classified as admissible.

In terms of respect for human rights, the associated risks can manifest themselves in different areas, which is why a series of essential aspects have been defined for the initial analysis, such as the following: (i) the prevention of all forms of slavery or forced labour, (ii) the prevention of discrimination against women and vulnerable groups, (iii) the prohibition of undue restrictions on the movement of persons, (iv) the avoidance of forced evictions, (v) aspects of local recruitment, (vi) the prevention of severe environmental risks and (vii) the prevention of discrimination against minorities and indigenous peoples.

The impacts of such risks could result in sanctions related to human rights violations and/or international sanctions in addition to sector-specific regulations and reputational impact. Regulatory breaches are reflected in the short term, but the reputational impact has an impact in the medium term due to its more progressive materialisation.

Similarly, in human rights risk management, during the 2022 financial year:

- The country-risk list on human rights and international sanctions has again been updated.

- IT tools have been developed to introduce automatic and semi-automatic controls in Due Diligence with third parties, including the checking of sanction lists and watchlists for the detection of possible contingencies, among others, those related to Human Rights violations.

- In line with the above and in accordance with a criterion of prudence, work has been carried out to assess the risks arising from the international sanctions imposed against Russia and certain occupied territories because of the conflict in Ukraine, and the corresponding instructions have been issued to avoid potential breaches.

In application of the above, 100% of the CAF Group's projects and offers are analysed from a human rights perspective:

	2022	2021	2020	Target
Projects analysed from a Human Rights perspective (%)	100	100	100	100

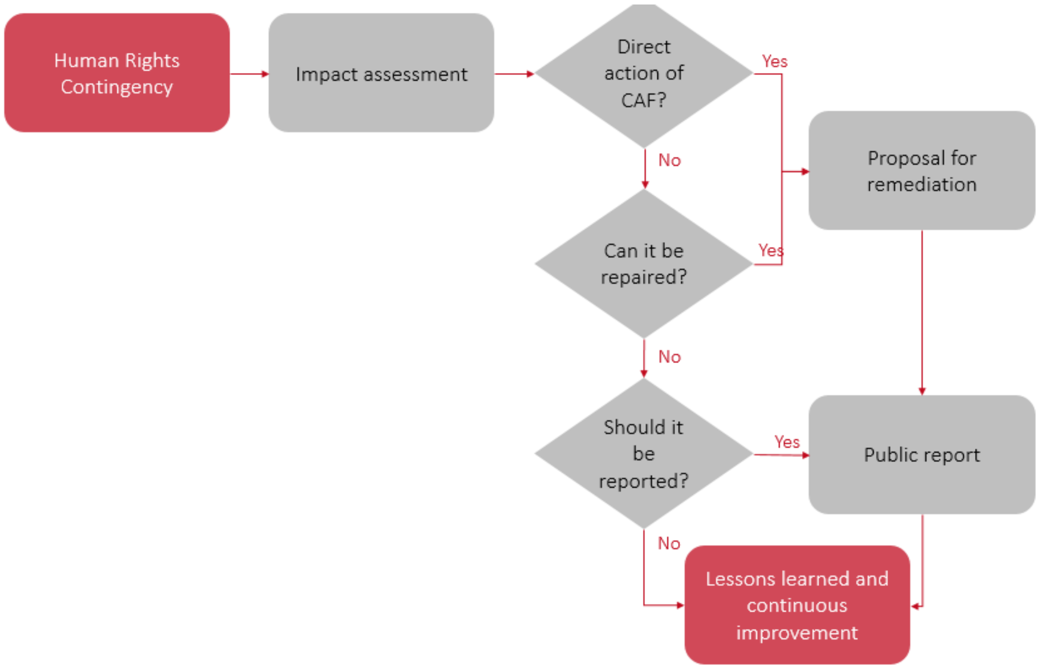
Thanks to the application of the internal procedures established, no Human Rights violations arising from the CAF Group’s involvement in any project were detected in 2022.

Remedial measures for potential impacts

The CAF Group assumes the provisions of the United Nations Guiding Principles and the OECD Guidelines for Multinational Enterprises regarding measures to remedy potential human rights impacts.

Therefore, if at any point in a project a human rights impact materialises, appropriate actions will be analysed and taken to remedy the negative consequences on human rights that have been caused or contributed to by the direct actions of the CAF Group. Depending on the circumstances, it may be possible for CAF Group to play a role in the remediation process even if it has not caused or contributed to the negative consequences of its activity.

The management of potential contingencies would be carried out in accordance with the following scheme:



Handling of human rights complaints

No human rights complaints have been received in 2022.

The following table summarises the monitoring and progress of the complaints received regarding Human Rights within the CAF Group over the last few years:

	2022	2021	2020	Target
Number of complaints received	0	0	1	0
Cases of Human Rights violations detected	0	0	0	0

As a follow-up to what was reported in the Statement of Non-Financial Information - Sustainability Report in the previous two years, in reference to the complaint received in 2020 regarding a project developed in Jerusalem to the National Contact Point ("NCP") based on an alleged misapplication of the OECD Guidelines, in 2022 CAF has received the final report of the NCP.

The NCP report does not identify any regulatory or legal non-compliance with CAF's participation in the Project, nor any violation of any rights, nor any breach with the UN Guiding Principles on Business and Human Rights or the OECD Guidelines for Multinational Enterprises.

The NCP concludes its report with three recommendations, two of which have already been fulfilled by CAF (improvements in internal regulations and in aspects related to the disclosure of information) without prejudice to the commitment to maintain continuous improvement in all areas and, in particular, in relation to its Corporate Governance and Compliance Systems.

The third recommendation was related to request asocial impact assessment of the project to an independent third-party, which was duly commissioned. For the preparation of the report, the independent consultant carried out an extensive analysis of the systems, processes and internal controls adopted by the company in relation to the Jerusalem project. It also carried out a first-hand verification of CAF's activities and the operation of the tramway through an on-site visit to Jerusalem. After all this, the independent expert has issued his final report with favourable conclusions, confirming the following:

> *"CAF's activities in Jerusalem show a high level of compliance with the main international standards for corporate social responsibility and sustainability in its three dimensions (governance, social and environmental). All this suggests a positive social impact of CAF's activities in the city of Jerusalem."*

This report has been duly forwarded to the NCP, following its recommendation, and the procedure has been closed.

Human Rights in people

In relation to the human rights aspect of people management, which is deployed through the aforementioned corporate people management process, and in addition to all that is applicable in the preceding section on due diligence, the Labour Relations Policy and the Guidelines that develop it establish minimum requirements that ensure internal coherence in aspects such as labour regulations, collective bargaining and legal representation of workers, fundamental rights, equality and non-discrimination and employment contracts and Social Security.

Risk management of Human Rights in people

Risks that could potentially jeopardise the fulfilment of these commitments are identified: (i) violation of the principles of equality and/or non-discrimination in the workplace; (ii) a lack of freedom of association or the right to collective bargaining at own and/or third-party workplaces; (iii) child exploitation at own and/or third-party workplaces; (iv) forced labour at own and/or third-party workplaces; (v) violation of the rights of indigenous peoples; (vi) psychological harassment; (vii) insufficient integration of people with disabilities; and (viii) other risks that are analysed on a case-by-case basis depending on the particular features of the project in question.

The CAF Group adopts the measures it deems necessary to guarantee both in its own operations and among its suppliers, compliance with the provisions of the fundamental conventions of the International Labour Organization (ILO) relating to:

- The ability of workers to exercise their rights to freedom of association and collective bargaining in all the countries in which they carry out their activities;

- Avoidance of child labour, forced or compulsory labour, and the assignment of hazardous work to young people.

- Equality and non-discrimination in working conditions, prohibiting the adoption of decisions that may lead to direct or indirect discrimination of workers based on gender, origin, including racial or ethnic origin, marital status, social status, religion or convictions, political ideas, sexual orientation, union membership or not, family ties with people belonging to or related to the company, and language.

- Ensuring a safe and healthy working environment is one where risks are eliminated or where all reasonable and practicable practical measures are taken to reduce risks to an acceptable level and where prevention is integrated as part of the organisational culture.

In relation to this, two specific protocols are defined: (i) the Protocol for action in the event of sexual harassment or gender harassment, and (ii) the Psychological Harassment Prevention Protocol, included in the Occupational Risk Prevention Management System. Both Protocols include a statement by management in relation to these areas, are aimed at establishing the measures required in order to prevent and avoid the aforementioned situations, and establish procedures so that the Group's employees will know how to proceed in the event that such situations arise.

As in the previous section, the impacts of these risks could result in sanctions related to the violation of human rights and/or international sanctions in addition to sector-specific regulations, especially those related to occupational safety or social security, and reputational impact. Regulatory breaches are reflected in the short term, but the reputational impact has an impact in the medium term due to its more progressive materialisation.

In 2022 no case involving a breach of Human Rights was detected among the workers employed by the Group directly or through business relationships.

Matters relating to non-discrimination and equal opportunities are detailed in the chapter on the working environment.

Compliance with Modern Slavery Act 2015 (UK) and Modern Slavery Act 2018 (Australia)

For the purposes of the *Modern Slavery Act 2015 (UK*), CAF is required to publish on its corporate website a report detailing the Slavery and Human Trafficking Policy, Slavery and Human Trafficking Due Diligence Processes in Business and Supply Chains and Slavery and Human Trafficking Training available to staff, together with the other content suggested by the Act and the Secretary of State's guidance.

In relation to the provisions of the *Modern Slavery Act 2018* (Australia), this statement is used by the Company in its capacity as the parent entity of the CAF Group operating in Australia, although it covers all the activities carried out by the various companies comprising the CAF Group in Australia and is therefore in the nature of a Joint Declaration. This is irrespective of whether the entity is a reporting entity or a voluntary one.

Compliance with the Transparency Act (Norway)

For the purposes of the provisions of *Section 5* of *Transparency Act* (Norway), the content of the information to be reported on Human Rights and decent working conditions is detailed in this section 4.3, as well as in section 1.1 of this report.

Human Rights due diligence procedures apply to all CAF Group entities without exception. However, the entities referred to in *Section 2* of *Transparency Act* will indicate so in their respective individual management reports.

4.4 Occupational Health and Safety

[MA 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9]

As a result of the activities carried out by the CAF Group in the field of integrated transport systems, the Group's own employees, as well as its subcontractors, are exposed to different occupational health and safety risks.

The activities carried out by the various companies of the Group can be undertaken in own facilities, in customer facilities, in the testing of supplied transport products (trains and buses), as well as in infrastructure and signalling projects. In other words, activities are carried out in different geographical areas and workplaces of different owners, with very different levels of Occupational Health and Safety culture, as well as on the part of clients, partners, subcontractors or the destination country itself.

This diversity of activities and locations means that the safety, ergonomic, hygiene and psycho-sociological risks to which workers and subcontractors are exposed vary in nature.

Given the current context of diversity of activities and locations in which they are carried out, and the Health and Safety of workers being one of the main challenges of the CAF Group, it has a corporate Occupational Health and Safety Policy and controls that aim to guarantee compliance with the applicable legislation in this area in the different geographies where it is present.

Occupational Health and Safety Policy

The CAF Group is aware that its activities can generate risks for the safety and health of people, and it is therefore developing actions to build safety by promoting measures to protect people from occupational risks.

During 2022, the Corporate Occupational Health and Safety (OHS) Policy has been updated to specifically state that this policy applies to all persons, including both employees and subcontractors. The main objective of the policy is to guarantee the health and safety of people, highlighting its commitment to use the necessary means to eliminate or reduce occupational risks by promoting a preventive culture among all the people who carry out their professional duties at CAF. This Policy applies to all the companies that make up CAF and is applicable to all the Group's employees, both workers and subcontractors. Likewise, this Policy complies with international standards and regulations on Health and Safety at Work, taking as a reference international organisations such as the World Health Organisation and the International Labour Organization, among others.

Through the deployment of the Corporate Occupational Health and Safety Policy that is being implemented in the Group, we are responding to the commitments established in the Corporate Value of Occupational Health and Safety, as well as in the Vision of Occupational Health and Safety. In order to carry out this deployment, the basic principles of action set out in the Corporate Health and Safety Policy and developed in the Manual for the Development of the Corporate Health and Safety Policy are taken as a reference. The basic principles of Occupational Health and Safety defined in the Corporate Policy are as follows:

- Build a positive preventive culture through the leadership of management and the line of command, in consultation with and the participation of employees and workers.
- Establish or reinforce the occupational health and safety management systems that are focused on continuous improvement and that contribute to integrating the preventive culture into all activities.
- Respect current occupational risk prevention regulations in the countries where the Group operates and, as far as possible, anticipate the introduction of new regulations and comply with the occupational health and safety commitments voluntarily acquired by the Group.
- Continuously identify and evaluate the working conditions of the activities carried out to generate safe and healthy work environments.

- Report clearly on the results and actions in the area of occupational health and safety, maintaining the appropriate channels to promote communication with employees and workers and with stakeholders in general.

Both the Corporate Policy and the Development Manual have been developed within the Corporate Forum on Occupational Health and Safety, composed of the various people responsible for occupational health and safety management in the Group's main activities, and have subsequently been approved by CAF's Management. It is in this same forum that the Group's corporate policy is being driven.

Throughout 2022, improvement action plans have been implemented to achieve the objectives set to achieve alignment with the Policy. Through these action plans, significant progress has been made against the principles defined in the Policy in the Group's businesses. To give continuity to this process, at the end of the period, and within the framework of the Corporate Forum on Occupational Health and Safety, a new GAP analysis was carried out with respect to the Corporate Policy of each of the CAF Group's activities, and the objectives for 2023 were defined. Likewise, in 2023, the Reichshoffen vehicle manufacturing plant will carry out the GAP analysis and will define the improvement objectives to advance in the alignment of this site with respect to the Corporate Policy.

In addition, during 2022, the unified occupational health and safety risk management methodology for the CAF Group was updated and is expected to be deployed during 2023.

OHS management systems

One of the principles of the occupational health and safety policy is to establish or reinforce the occupational health and safety management systems that are focused on continuous improvement and that contribute to integrating the preventive culture into all activities. These management systems identify and evaluate the applicable legal requirements and establish periodic controls to check compliance. The effectiveness of the measures adopted is also evaluated to ensure achievement of the stated objectives. Through the occupational health and safety policies defined in the management systems of the Group's activities, CAF management expressly declares its firm commitment to maintain and improve the systems in a way that guarantees compliance with current legislation, assuming the protection of workers against occupational risks. These policies integrate prevention management into all Group activities and decisions, both in technical processes and in the organisation of the work and with respect to the conditions in which it is performed, boosting integration at all hierarchical levels: executive, management, employee and trade union representative. To this end, the human and material resources necessary to achieve these objectives are made available.

With the aim of achieving zero accidents and improving occupational health and safety conditions, and in accordance with the principles of the occupational health and safety policy, CAF has implemented and promotes the extension of occupational health and safety management systems.

In the field of occupational health and safety, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which it is present. Along these lines, in 2022 the target was achieved, with 68% of the Group's total workforce covered by an occupational health and safety management system certified under the requirements of the ISO 45001:2018 standard (in 2021 the workforce covered was 52%). The achievement of this goal is largely due to the certification obtained at the Solaris Bus & Coach manufacturing plant in Poland and at a subsidiary in Mexico.

By 2023, the aim is to extend this certification to other subsidiaries with manufacturing activities, such as CAF Reichshoffen, CAF France and CAF Rolling Stock UK, as well as other international subsidiaries of the Group.

Certificate	Field	Scope 2022	Scope 2021	Scope 2020	Scope target 2022	Scope target 2023 [38]
ISO 45001:2018	Occupational Health and Safety Management	68% of the workforce	52% of the workforce	45% of the workforce	>60% of the workforce	75% of the workforce

Internal audits are conducted every year at all the plants in order to perform an internal follow-up of the management system implemented, or in the process of being implemented, pursuant to the requirements of the ISO 45001:2018 standard, and of the legal requirements applicable according to the legislation in force in each country. Likewise, the list of qualified internal auditors evaluates the effectiveness of the management system and, in particular, the correct application of CAF policies. The results of the internal audits give rise to corrective measures to rectify any non-conformities that might have been identified and measures to improve the management system.

In addition, beyond the audits of the management systems that are carried out, legal audits are carried out in those companies in which they are applicable, in compliance with the legal requirements applicable in those countries.

The occupational health and safety management system is structured to facilitate the development, implementation and monitoring of a series of activities which, together, constitute a system for the prevention of occupational accidents, occupational illness and material damage. This management system establishes the management principles and the system procedures and processes that implement the prevention activities.

The management system implemented at CAF not only ensures the health and safety of employees but addresses issues aimed at preventing or mitigating the risks of workers from other companies who carry out activities at CAF facilities, as well as those who visit these facilities. The management system, therefore, establishes the measures and means of coordination with these companies as regards the application of the regulations on the prevention of occupational risks and the coordination of business activities with them. It also includes procedures for managing visits to CAF facilities in terms of information on the risks and prevention measures to be adopted.

Preventive activities and prevention plans

Risk assessment

One of the main activities of the management system is risk assessment, a process aimed at estimating the magnitude of risks that could not be avoided and obtaining the necessary information to adopt preventive measures. Risks for workplaces, job positions and activities, whether related to health, safety, ergonomics or psychosociology, are identified and then assessed. Among others, these risks the ones that can cause a work-related injury with significant consequences[39]. Risk assessment is carried out in all workplaces where activities are carried out, both in the company's own facilities and in those of third parties, such as activities carried out at the destination. This process includes the activities carried out by the company's own workers as well as those of subcontracted companies, the latter being managed through the coordination of business activities.

If the outcome of an assessment reveals situations of risk, preventive and corrective measures are proposed. The measures adopted aim to eliminate or reduce the risk through actions at source, at the organisational level, for collective and/or individual protection, and training and information for workers, or a combination of all or some of these measures. The hierarchy for proposing control measures is as follows, in this order: elimination, replacement, engineering controls, signalling/warning and/or administrative controls and finally the provision of PPE.

[38] The target for 2023 is based on the current workforce for 2022.
[39] Work-related injury with significant consequences: work-related injury resulting in death or injury such that the worker cannot or does not fully recover their pre-accident health, or the worker is not expected to fully recover their pre-accident health within six months.

Once the risk assessment has been carried out, both employees and workers who are not employees but whose work or workplace is controlled by CAF are informed of the risks arising from the risk assessment, as well as of the safety, prevention, protection and emergency measures to adopt.

The people who carry out the risk assessment process are people all have the necessary training and skills based on the provisions of the relevant legislation in each case. The procedures related to this process designate the team entrusted with the task and describe the methodology and frequency of the process and how to document it.

Occupational health services

CAF has occupational health services in the Group's companies in compliance with the legal requirements applicable in each of the corresponding countries.

In particular, the parent company has its own prevention service for its Beasain and Irun plants, offering the specialities of occupational safety, industrial health and health monitoring, as well as its own prevention service at the Zaragoza plant, where the specialities of occupational safety, industrial hygiene, ergonomics and applied psychosociology are undertaken, the rest of the specialities being contracted out to external prevention services. These services have competent and qualified personnel to carry out the relevant functions, as well as health services authorised by the competent authority in each case to guarantee the provision of a quality service for workers.

The annual Occupational Risk Prevention Plans of the Group companies set out the guidelines to be followed with regard to health surveillance, both individual and collective, health promotion, as well as other activities such as emergency management and the management of training and information activities. The annual plans include lines of action and specific actions to be carried out to ensure health surveillance that covers all workers and complies with all applicable legal requirements.

The occupational health services of each of the Group companies are responsible for the development of health surveillance of workers, in compliance with the corresponding legislation applicable in each country. This surveillance is carried out by means of a set of activities whose objective is the early detection of health alterations, mainly related to work, both at individual and collective level, derived from exposure to risk factors (physical, chemical, biological, ergophysical or psychosocial) to which the different groups of professionals are exposed, depending on the activity they carry out and the place where they work. All identified risk factors can lead to some health damage, illness or injury that can be detected by different diagnostic methods. For each professional group exposed to certain risk factors, a periodicity is established for the application of diagnostic methods, and as a conclusion, the aptitude or non-aptitude of the workers is established. The basis of these activities is "programmed health screening"; "health consultations on demand" and "epidemiological studies" among others.

For scheduled health examinations and taking into account the results of the risk assessment carried out by the competent personnel in each case, protocols are defined to monitor the health of workers, which are set out in specific procedures or documents. They set out all the details of its development and cover all the factors involved in the health surveillance of workers. These documents take into account the legislation in force in each case, as well as the guides and protocols published by the health authorities of each country, and serve as a reference for carrying out periodic health check-ups as an essential tool for health monitoring.

These Protocols are reviewed and updated periodically, adapting them to the new working conditions of the different professional groups.

Likewise, and within the health monitoring activities carried out in the Group companies, as an example to be highlighted, there are procedures for action in situations of pregnancy and breastfeeding, which have the general purpose of adopting a set of measures aimed at protecting women and their children at work during pregnancy and breastfeeding situations. Specifically, the risk for pregnancy or breastfeeding to which the worker is exposed is determined, a medical certificate is drawn up stating whether the conditions of the job position have a negative influence or not on the health of the worker, foetus or infant, and recommendations are established regarding the adaptation, limitation, change of job position or application of the risk allowance during pregnancy.

There are also procedures for handling situations where workers are especially sensitive to risk factors in the workplace or have psycho-physical limitations in order to assign them to jobs that are suitable to preserve their health and/or safety and that of third parties.

Annually, in the Occupational Risk Prevention Plans or planning of the preventive activity of each head office, the objectives to be met in this area are defined, in the terms considered appropriate, as well as the specific content and manner of carrying out the examinations to achieve them.

Regarding health promotion activities, the objective is to collaborate with the national health system in promoting healthy lifestyles that improve the physical and mental well-being of workers. The parent company includes these activities in the annual occupational risk prevention plan and reports on them through the meetings of the Occupational Health and Safety Committees. The activities promoted focus on encouraging a healthy diet and physical exercise, the prevention of infectious diseases, medical check-up, and training and information in the area of first aid, health and ergonomics. Of particular note is a new pilot initiative that has been launched in the course of 2022 at the parent company's head office. This is an individualised programme of prevention and rehabilitation of the musculoskeletal system based on the DAVID methodology, which is fundamentally aimed at improving mobility and strength, and reducing back pain, specifically in the cervical and lumbar area. The experience has been very well appreciated by the participants, and the data extracted from the measurements taken of different factors related to mobility, outside and pain perception have been very positive. This experience will continue throughout 2023.

With regard to health promotion, the rest of the Group's subsidiaries are also undertaking health promotion activities with campaigns to promote and provide guidelines for employees to acquire healthy habits both at work and in their personal lives.

Regarding the management of the pandemic caused by the SARS-CoV-2 coronavirus (COVID-19), and maintaining the objective of first and foremost protecting workers from the risk of exposure to this agent, in 2022 the Group monitored the epidemiological situation and the incidence of cases at each plant and location to adopt and implement the necessary preventive measures at all times, updating and communicating the action protocols when necessary to reduce the risk of infection among workers.

Making an assessment of 2022, bearing in mind the effect of COVID-19 on the CAF Group's main activities, the preventive measures implemented in managing the pandemic could be considered to have been effective as they have allowed the Group to continue with its activity while ensuring compliance with the minimum health and safety conditions established in the work places.

OHS Social Dialogue and Communication

In the field of occupational health and safety there is a social dialogue managed through formal worker/company committees. All Vehicle and Bus manufacturing plants as well as CAF Turnkey & Engineering, CAF Signalling and CAF Rail Services has an occupational health and safety committee made up of representatives from management, prevention officers, the prevention service and the managers of the activity in question. These committees gather information from the various operating levels and approve the occupational risk prevention plans, with input from workers regarding the definition of the plans. These committees also adopt the appropriate decisions and follow up on the proposed actions, pursuing achievement of the objectives set.

In other Group companies, there are defined forums for employee consultation and participation that serve as a channel of communication with interested parties, through which proposals and relevant issues of interest are collected.

All these mechanisms together make it possible to represent 92%[40] of the Group's total employees in the field of occupational health and safety.

In addition, within the framework of the occupational health and safety management system, there are tools and communication channels that are used to notify situations of danger and/or incidents, and to propose measures and actions to reduce risks and prevent incidents or accidents from occurring and causing damage to people's health. These are specific working and management forums where issues relating to health and safety at work are discussed, where workers can report dangerous situations, both directly and through workers' representatives in the various consultation and participation bodies available. In these same forums and through existing communication channels, informative campaigns are carried out on the need to report this type of incident as part of a process of continuous improvement, and to prevent damage to people's health.

Prevention Plans

Based on collaboration with social agents and social dialogue in matters of health and safety aimed at reducing accidents and improve working conditions at the different plants, every year different lines of action are drawn up for inclusion in the occupational risk prevention plan, which constitutes the planning of the preventive activities to be carried out in each of the Group's companies.

This planning of the preventive activity includes specific objectives, with dates for their achievement and periodic evaluation of the fulfilment of these objectives. The Annual Occupational Risk Prevention Plan is presented for consultation in the Occupational Health and Safety Committees, which is the body that carries out the monitoring and adopts the decisions in each case, for the best fulfilment of the objectives set. Where there is no Occupational Health and Safety Committee, it is carried out through the forums defined for the consultation and participation of workers.

Preventive risk control activities

In addition to risk assessment or health monitoring, there are other preventive risk control activities such as safety inspections, work observations, safety walks, management of personal protective equipment, development of safety procedures and instructions, emergency preparedness and response, and mechanisms to control risks arising from the supply of equipment or materials that may be integrated into CAF's manufacturing processes, among others. All these activities are included in the annual Occupational Risk Prevention Plans.

With regard to safety inspections of working conditions or workplaces, this is a tool that allows for the dynamic and effective evaluation, control and elimination of occupational hazards in the different work areas. They are carried out periodically, in accordance with the annual plans and the planning of preventive activities, and subsequently, the corrective measures and anomalies identified in them are monitored.

As a complement to safety inspections and in order to complete an effective control of the risks present in the workplaces, work observations are carried out. The objective of this activity is to observe the performance of tasks for the detection and notification of unsafe situations or behaviour in the processes, which may result in damage to people or things. Analogous to safety inspections, task analysis is carried out periodically, with the aim of verifying that the worker's way of doing things, the safety instructions or any specific instruction received by the workers, is being carried out correctly.

In addition, in several Group companies, safety walks are being carried out by managers at workplaces to observe tasks and identify the improvements needed to perform work safely, to encourage participation and communication with workers, and to demonstrate management's commitment to prevention and improve its relationship with workers. This type of activity is one of the levers that favour the generation of a positive preventive culture.

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[40]In 92% of the total employees of the Group are included the companies that have productive activities and the most representative companies of the Group. The companies that are left out have office activities.

In addition, and within the framework of the annual prevention plans, personal protective equipment is managed. Based on the assessment of the risks at the workstations, both from a hygiene point of view (presence of contaminants) and from a safety point of view (situations that could lead to an accident), the degree of protection required is defined in order to be able to specify the necessary equipment. Once defined, the workers are trained and informed about the correct use and maintenance of these, and through the different preventive activities of the system, the use of these by the workers is monitored.

In addition, through devising and defining procedures and safety instructions, the preventive measures to be adopted in the work processes and operations that are considered critical are established. These specific documents are available together with the rest of the management system documentation, and the information on the risks and preventive measures contained in them is transmitted to the workers through the workers' information procedure.

With regard to action in emergency situations, at each of the Group's manufacturing sites and in the other companies where it is applicable, specific procedures are in place to identify the situations that could lead to an emergency, as well as the specific points or facilities where they could occur, and to develop the measures to be adopted in the different emergency situations. In order to train and inform the organisation's personnel in emergency preparedness and response, in addition to the emergency drills carried out on the basis of the annual Drill Plan included in the annual Occupational Risk Prevention Plan at each headquarters, training actions are carried out both in the environmental awareness talks and in the training given on Health and Safety at Work, fire extinction and first aid.

Regarding the risks derived from the supply of equipment or materials for integration into CAF manufacturing processes, CAF's commercial relations with its suppliers include control mechanisms and procedures to identify and assess these risks and define prevention and protective measures to reduce or eliminate them. In the specific case in which a chemical product or substance is to be incorporated into the production process, methodologies are established to control and manage the purchase and introduction of these, where the criteria for the technical definition and purchase of chemical products and substances are established. Furthermore, in the case of the incorporation of new work equipment, machinery or installations subject to industrial regulations, as well as their subsequent modifications, mechanisms are established to ensure that they comply with the minimum conditions required to guarantee the health and safety of both operators and other persons who may be affected by their operation. The development of this activity is defined in the specific procedures for the control of machinery and installations defined at each site. Similarly, there are specific procedures for the design of new workplaces which set out the considerations to be taken into account for the design of workplaces in order to eliminate or reduce occupational health and safety risks at source.

OHS training

The training of workers in health and safety at work is derived from the risks identified in the risk assessment of the jobs and activities carried out, and from the corresponding sectoral regulations in each case. This training is part of CAF's annual training plan. The onboarding programme for new hires includes a training/information process on the risks, prevention measures, protection and emergency measures to be adopted in the workplace. In addition, depending on the tasks to be carried out by the worker and the risks to which he/she is exposed in his/her job, specific training in occupational risk prevention is given, and is updated in cases where new risks appear or there are changes that require the training to be updated.

At the same time, awareness-raising actions are carried out through training, awareness-raising talks, welcoming plans, workers' meetings, etc.

Incident management

Another key activity of the management system is the investigation of any accidents and incidents that occur, the purpose of which is to adopt the necessary measures to prevent their recurrence by obtaining data to define the event, identify the hazards, assess the risks and establish the root causes that generated them. The investigation process is carried out in accordance with the criteria set out in the specific procedures defined for this process. Accidents and incidents are analysed as a whole to detect the organisation's critical points and repetitive root causes, and corrective actions are followed up. Regular statistical analyses of accidents that have occurred in Group companies are carried out. Finally, the same hierarchy as indicated above is used to adopt the relevant measures and determine the necessary improvements to the occupational health and safety management system.

With regard to the reporting of incidents and in order to convey the importance of reporting such situations, information campaigns are carried out on the need to report this type of incident as part of a process of continuous improvement, and to prevent damage to people's health.

Preventive culture

In line with one of the basic principles of action of the Corporate Occupational Health and Safety Policy, in relation to building a positive preventive culture, projects to improve the preventive culture have continued throughout 2022 in several Group companies. In the specific case of the parent company, and after carrying out a diagnosis and having defined a plan for the improvement and development of the preventive culture in previous years, in 2022 the implementation of the plan has continued, giving priority to the definition of the desired and shared model for Occupational Health and Safety in CAF, having resulted from this exercise, the drafting of a new version of the Corporate Occupational Health and Safety Policy, and the review of the Prevention Plan of the parent company, where a review of the functions and responsibilities of the different levels of the organisation has been carried out. The current systems were also reviewed to ensure that they are conducive to generating a preventive culture within the organisation. This action plan will be continued in 2023.

With respect to the rest of the Group's companies, and after having performed the GAP analysis with respect to the Corporate Occupational Health and Safety Policy, they have defined their objectives and have started to implement improvement action plans, which included actions aimed at improving their level of preventive culture, and which have been developed throughout 2022. To this end, several companies have implemented processes to diagnose the situation of the preventive culture, using the NOSACQ-50 questionnaire (Nordic Occupational Safety Climate Questionnaire), which is used to determine the preventive climate of an organisation. Through these processes, improvement plans are being developed and implemented.

Occupational risk prevention in figures

The occupational risk prevention plans are implemented annually and define the annual programme of preventive activities and occupational health and safety objectives.

In relation to the accident rate objectives, three main indicators are measured: the frequency index, the severity index and the absolute frequency index. The table below shows these indicators for CAF Group employees, the most significant national and international CAF Group operations, and the number of occupational illness cases identified.

CAF Group (CAF workforce) [41]									
	2022			2021			2020		
	H	M	T	H	M	T	H	M	T
Frequency rate[42]	17.66	2.70	15.16	19.68	2.20	17.28	20.09	4.28	17.98
Severity rate[43]	0.41	0.09	0.35	0.46	0.05	0.40	0.50	0.06	0.44
Absolute frequency rate[44]	60.0	8.91	51.44	68.29	8.43	60.09	72.72	16.71	65.25
Occupational illness rate[45]	18.17	0.00	15.26	10.60	0.00	9.10	10.74	0.00	9.18

As can be seen in the table above, if we take into account the tendency over the last few years, there is a trend towards a reduction in the accident rate among employees at group level, both in terms of the frequency rate, the severity rate and the absolute frequency rate. In order to reduce the accident rate in the Group companies, action plans have been established with specific objectives and actions aimed at reducing risks and, consequently, the accident rate.

As for the rate of occupational diseases, last year there was an increase compared to previous years, as more cases of occupational diseases were recorded this year. No events or situations have been identified that have led to this increase, and this indicator is in line with comparative data for the sector.

The same indicators are also shown for workers not employed by CAF but whose jobs or workplaces are controlled by the organisation. In this case, there is a significant downward trend in all indicators, both accident rates and occupational illness rates. Compared to the previous year, the reduction has been considerable.

Workers who are not direct employees of CAF [46]						
	2022			2021		
	Male	Female	Total	Male	Female	Total
Frequency rate	9.53	7.40	9.09	21.74	17.36	20.50
Severity rate	0.20	0.49	0.26	0.47	0.11	0.37
Absolute frequency rate	14.76	12.95	14.39	48.06	26.04	41.82
Occupational illness rate	0	0	0	0	0	0

[41] This includes indicators for 95% of the CAF Group's total workforce representing the Group's main activities, excluding those companies whose activities are mainly branches and generate less risk. For the coming years, the intention is to continue to broaden the scope of the data reported. In 2021, the reported indicators were 91% of the Group's total workforce, so this scope has increased. The number of hours worked in the indicated scope amounted to 22,103,717. When segregated data by gender were not available, an estimate was made based on the distribution of the headcount.

[42] $IF=\frac{\text{Número de accidentes con baja*1.000.000}}{\text{Horas trabajadas}}$

[43] $IG=\frac{\text{Número de días de trabajo perdidos*1.000}}{\text{Horas trabajadas}}$

[44] $F2=\frac{\text{Número de accidentes totales*1.000.000}}{\text{Horas trabajadas}}$

[45] $EP=\frac{\text{Número de enfermedades profesionales*10.000}}{\text{Número de trabajadores}}$

[46] The number of hours worked in the stated perimeter of workers not employed by CAF has risen to 2,640,306. With regard to external companies, data is available for 2 financial years, with the collection of information having commenced in 2021. In previous years, relevant incidents/accidents occurring at CAF facilities were reported and monitored, and it was not considered necessary to keep statistics on this group as there were no significant accidents in volume.

The work-related injuries for CAF employees recorded in the last three years are shown below.

CAF Group (CAF workforce)										
		2022			2021			2020		
		H	M	T	H	M	T	H	M	T
Fatalities as a result of a work-related injury[47]	No.	0	0	0	0	0	0	0	0	0
	Rate	0	0	0	0	0	0	0	0	0
Serious work-related injuries (excluding fatalities)[48]	No.	0	0	0	0	0	0	3	0	3
	Rate	0	0	0	0	0	0	0.16	0	0.16
Recordable work-related Injuries[49]	No.	1,104	33	1,137	1,173	23	1,196	1,216	43	1,259
	Rate	60.0	8.91	51.44	68.29	8.43	60.09	72.72	16.71	65.25
Occupational illnesses[50]	No.	20	0	20	11	0	11	9	0	9
	Rate	18.17	0.00	15.26	10.60	0	9.10	10.74	0	9.18

With regard to the data reflected in the table above, there is also a trend towards a reduction in the accident rate among employees at group level, with fewer recordable work-related injuries recorded, and no serious work-related injuries recorded in 2022. In terms of occupational diseases, there was an increase in the number and rate compared to the previous year.

The same data are also shown for workers not employed by CAF but whose jobs or workplaces are controlled by the organisation.

Workers who are not direct employees of CAF							
		2022			2021		
		Male	Female	Total	Male	Female	Total
Fatalities as a result of a work-related injury	No.	0	0	0	0	0	0
	Rate	0	0	0	0	0	0
Serious work-related injuries (excluding fatalities)	No.	0	0	0	0	0	0
	Rate	0	0	0	0	0	0
Recordable work-related Injuries	No.	31	7	38	42	9	51
	Rate	14.76	12.95	14.39	48.06	26.04	41.82[51]
Occupational illnesses	No.	0	0	0	0	0	0
	Rate	0	0	0	0	0	0

Regarding the data reflected in the previous table on CAF's non-employee workers, there is also a trend towards a reduction in the accident rate among employees at group level, with fewer recordable work-related injuries recorded, and no serious work-related injuries recorded in 2022. The reduction in recordable work-related injuries, both in rate and total number, has been very significant in the last period. As for occupational diseases, just like last year, no occupational diseases were recorded.

The main types of work-related injuries that occurred in 2022 among CAF workers were due to overexertion of the musculoskeletal system, falls and trips, blows and cuts with tools, and particle projections, while the injuries of workers not employed by CAF were due to blows and cuts with

47 $\frac{\text{Nª de Muertes como resultado de una lesión relacionada con el trabajo*1,000,000}}{\text{Horas trabajadas}}$

48 $\frac{\text{Nª de Lesiones graves relacionadas con el trabajo (excluidas las muertes)*1,000,000}}{\text{Horas trabajadas}}$

49 $\frac{\text{Nª de Lesiones relacionadas con el trabajo registrables*1,000,000}}{\text{Horas trabajadas}}$

50 $\frac{\text{Nª de Enfermedades profesionales*10,000}}{\text{Número de trabajadores}}$

51 2021 data is adjusted.

tools, and particle projections. No work-related injuries with significant consequences were recorded in 2022.

Occupational illnesses recorded in 2022 were mainly due to musculoskeletal complaints and some hearing loss.

A common employee indicator at organisations is the absenteeism rate. This indicator measures the hours lost in relation to the theoretical hours. In 2022 this rate was 5.9%[52] at the corporate level (in 2021: 6.6%).

[52] This absenteeism rate corresponds to 88% of the Group's average workforce and takes into account the hours lost due to accidents and illness, amounting to 1,285,398 hours lost. The 2021 data related to 89% of the Group's workforce.

5 CONTRIBUTING TO THE CARE OF THE ENVIRONMENT

"Define climate change strategies focused on reducing CO_2 emissions and promoting the use of renewable energies, investment in R&D&i for the development of sustainable products and technologies, and the implementation of environmental management systems."

CAF Sustainability Policy
17 December 2020

5.1 Environmental management

CAF management is aware that the Group's industrial activities have an impact on the natural environment and that it operates in an increasingly challenging environment. In line with the provisions of the United Nations Global Compact for the 2030 Agenda for Sustainable Development, the Group has therefore established a commitment to undertake actions to mitigate the causes of global warming and adapt to climate change by implementing measures that contribute to environmental sustainability.

To this end, the CAF Group's Corporate Environmental Policy and its Development Manual, which were defined within the Corporate Environmental Forum and approved by CAF's Management, have been maintained in 2022. The main objective of the Corporate Policy is to define the general principles and criteria that should govern CAF at corporate level in environmental matters, and to project to stakeholders the environmental commitments established within CAF's Sustainability Policy, considering the environment as a main element of the concept of sustainability and in particular of the development of integral, more efficient and respectful sustainable mobility solutions. Accordingly, CAF adopts a transparent communication and information strategy to meet stakeholder expectations regarding environmental conservation, the increasingly demanding regulatory requirements and the constant analysis of management by analysts, evaluators and different agents of civil society. The purpose of the two documents is to unify policies, approaches and management tools and define and monitor environmental guidelines across the Group’s various activities.

In addition, the principle of environmental care through the prevention of the environment impact of all activities is an integral part of the Group's Environmental Policy, and CAF therefore adopts the necessary and economically viable measures to control and, where applicable, minimise emissions into the atmosphere, waste generation and energy consumption to preserve natural resources.

Throughout 2022, improvement action plans have been implemented to achieve the objectives set to achieve alignment with the Policy. Through these action plans, significant progress has been made against the principles defined in the Policy in the Group's activities. To give continuity to this process, at the end of the period, and within the framework of the Corporate Environmental Forum, a new GAP analysis was carried out with respect to the Corporate Policy of each of the CAF Group's activities, and the objectives for the year 2023 were defined. Likewise, in 2023, the recently acquired Reichshoffen vehicle manufacturing plant will carry out the GAP analysis and will define the improvement objectives to advance in the alignment of this site with respect to the Corporate Policy.

Likewise, following the deployment of the unified environmental risk management methodology for the CAF Group, during 2022 progress was made in extending the scope of the organisation's environmental risks and work was carried out to improve the maturity of existing or new mitigation measures or controls.

In addition to the Corporate Environmental Forum, CAF has a Corporate Environmental Committee, made up of the parent company management and environmental managers, which coordinates and promotes all the actions considered necessary to ensure and improve environmental performance, as well as coordinating aspects related to the Group's environmental management.

Externally, CAF also maintains environmental communications channels open to the exterior in a fluid manner, with public authorities, communities and associations, among others.

One of the principles of the environmental policy is the implementation of environmental management systems the purpose of which is to minimise the environmental impact of operations. These management systems identify and evaluate the applicable legal requirements and establish periodic controls to check compliance. The effectiveness of the measures adopted is also evaluated to ensure achievement of the stated objectives.

In the field of environmental management, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which it is present. Accordingly, in 2022 the Group achieved its target of 80% of the total workforce covered by an environmental management system certified under the requirements of the ISO 14001:2015 standard. The objective for 2023 is to continue to extend this certification to other manufacturing plants and international subsidiaries of the Group.

In all cases, annual internal audits are carried out through which the CAF Group's list of qualified auditors assesses progress in the implementation and certification of the environmental management system, the efficiency of the environmental management system and, in particular, the proper application of CAF's policies, as well as compliance with legal environmental requirements and the customer's environmental requirements, among others. The results of the internal audits give rise to corrective measures to rectify any non-conformities that might have been identified and measures to improve the management system.

In order to monitor and improve these management systems, environmental programmes are established with their respective targets, goals and actions. In this way, the centres specifically control the environmental aspects of their activity and minimise the impacts generated, with the aim of continuous improvement.

Likewise, continuing with the implementation of effective systems for the management and continuous improvement of environmental performance, during 2022, the Group's parent company has implemented and certified the environmental management model of excellence, based on the European Regulation EMAS "Eco-Management and Audit Scheme", fulfilling the objective set.

Performance,
Credibility,
Transparency

Certificate	Field	Scope 2021	Scope 2022	2023 target
ISO 14001:2015	Environmental management	70% of the workforce	80% of the workforce	81% of the workforce
EMAS	Environmental management	-	Group's parent company	Maintain

Likewise, as a result of the implementation of the environmental policy, the environmental risk management procedure for compliance was created. In the process of identifying environmental risks, all significant impacts for the Group are considered. As a result of this identification, the following environmental risks associated with both the products and services offered and the industrial activities carried out by the Company are identified. That is, environmental risks with an effect on the environment: (i) use of polluting materials; (ii) non-optimisation of energy consumption and natural resources (electricity, fuel, water, etc.); (iii) pollution of water and soil; (iv) impact on biodiversity; (v) air pollution and global warming; (vi) impact on natural resources due to inadequate waste management; (vii) environmental impact of products and services on technological development; (viii) noise pollution; (ix) non-compliance with the requirements established by customer specifications; (x) extreme weather conditions related to climate change; (xi) other environmental impacts related to incorrect management of waste and products in production and/or from machinery.

In relation to the environmental risks of climate change that may affect the CAF Group, both physical and transitional risks, these are analysed in section 5.2 below entitled "Climate strategy".

The impacts arising from such risks can focus on irreversible damage to the ecosystem and its effect on society, resulting from environmental mismanagement, as well as fines and inspections related to non-compliance with environmental laws. Although these impacts have a direct short-term effect, the first impact mentioned may have a medium-term effect since environmental impacts are lasting. In this regard, it is worth noting that, as in 2021, no provisions or guarantees were recognised for environmental risks, since there have been no legal proceedings or contingencies relating to environmental protection or improvement, or environmental pollution incidents.

The corporate risk control and management system covers environmental risks and provides a series of activities aimed exclusively at managing these risks.

5.2 Climate strategy

[201-2, MA 305, 305-1, 305-2, 305-3, 305-4, 305-5]

Risks and opportunities derived from climate change

Context

CAF, aware that it is in an increasingly demanding environment and in accordance with the United Nations Global Compact for Sustainable Development 2030, is committed through the Sustainability Policy and the Environmental Policy to develop actions in relation to the mitigation of the causes of global warming and adaptation to Climate Change, promoting measures that contribute to environmental sustainability.

During the 2022 and 2021 financial years, and with the aim of responding to the development of actions to mitigate the risks and opportunities of climate change, work has been carried out to implement the corporate framework for the Management of Risks and Opportunities derived from the emerging risk of Climate Change. In doing so, the organisation has drawn on the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), as well as other guidelines/supplements related to non-financial reporting of the European Commission.

Climate Change Risks and Opportunities Methodology

The new Climate Change Risks and Opportunities methodology is part of the CAF Group's Integrated Risk Control and Management System. This system is underpinned by its General Risk Control and Management Policy and is grounded in the Risk Control and Management Procedure. If you wish to go more deeply into this system and its principles, these are detailed in section 2.2 of this document.

The main focus of the new methodology has been to make an initial identification of the risks and opportunities arising from climate change for CAF's areas of activity based on the expected trends, in order to prevent and reduce the impacts of the risks and take advantage of the opportunities that this phenomenon will entail, defining how to address them.

For CAF's risk identification and management process, the following categories of risks, opportunities and their corresponding analysis are considered:

2.1 Physical Hazards

The organisation has identified the following physical hazards:

- Acute threats: whose impact is sudden and rapidly evolving, as is its resolution. It includes: extreme precipitation and hurricanes/monsoons
- Chronic threats: whose impact grows gradually over time and lasts for several periods. It includes: rising temperatures, rising sea levels (ANM) and decreasing precipitation.

These risks have been identified on the basis of projections from scientific institutions such as IPCC reports, environment ministries or national meteorological agencies.

In order to assess the physical risks, the (i) degree of exposure and (ii) degree of vulnerability have been analysed. Firstly, (i) the degree of exposure identifies the elements of the company exposed to these climate hazards in each country. Exposure elements should be identified for each region in which the company operates in order to subsequently relate these elements to the identified hazards (next step), thereby establishing the associated physical impacts and risks. The selected items include: (i) offices and headquarters; (ii) railway works and infrastructure and personnel employed.

Secondly, (ii) the degree of vulnerability includes the sensitivity or susceptibility to harm and the lack of capacity to cope and adapt to these physical hazards. That is, the conditions in which the exposed elements are found, and their predisposition to be adversely affected by physical hazards in each country where they are active, have been taken into account. In addition, aspects related to the state of the country's infrastructure have been taken into account, as well as the vulnerability of the population or the socio-economic situation of the country in which the exposed element is located, as these external vulnerabilities could have a direct impact on the organisation.

The combination of the result of the degree of exposure and degree of vulnerability generates an overall assessment of the degree of threat in each country and for each physical hazard. In developing the risk treatment, however, the organisation has focused the results by encompassing the overall impact of the degree of threat by physical hazard.

2.2 Transition risk

The organisation has identified the following transition risks in the following families:

- Current and emerging regulation: refers to policy or legislative/regulatory actions that seek to limit actions or activities that contribute to the adverse effects of climate change or that seek to promote climate adaptation.
- Technology: refers to the development and use of technologies such as renewable energy sources, battery storage, energy efficiency, among others, which will affect the competitiveness of organisations, their production and taxation costs, and even the demand for their products and services.
- Market: refers to changes in the supply and demand for certain products and services, as well as in the availability of sufficient inputs and raw materials.
- Reputation: these are linked to the perceptions of customers and other stakeholders about an organisation's contribution to exacerbating climate change through climate inaction or detracting from the transition to a low or carbon neutral economy.

The assessment of the transition risks detailed above has been carried out using a qualitative method in which the organisation has used external references such as i) analysis of rail sector peers and (ii) subject-specific studies.

2.3 Opportunity

Efforts to mitigate and adapt to climate change also create opportunities for organisations, for example through resource efficiency and cost savings, adoption of low-emission energy sources, development of new products and services, access to new markets and building resilience along the supply chain. Climate-related opportunities vary depending on the region, market and sector in which the organisation operates.

In the case of CAF, climate change opportunities were identified based on the opportunities described by the TCFD and on the definition of the risks identified for the organisation. In addition, after analysing the actions of the competition and identifying trends in the sector, those that could have the greatest impact on the organisation were contextualised.

The most relevant climate opportunities for CAF's areas of activity are presented below:

- Resource efficiency: In the transport sector and its production, where CAF designs, manufactures and maintains rolling stock and vehicles, there is great potential for efficiency improvements at both production and consumption levels, favouring greater efficiency and quality of customer service.
- Power source: There are several opportunities for CAF to increase the sustainability of its processes and operations mainly by reducing emissions on the production line, and using its products with renewable electricity generation.
- Products and services: Innovation and the development of new low-carbon products and services represent opportunities for CAF mainly related to the reduction of its environmental impact (through the reduction of its carbon footprint), adaptation to new market needs and its reputation.
- Markets: The new markets arising from the diversification of fossil fuels and the promotion of sustainable transport represent various opportunities for the business at a cross-cutting level, such as increasing its production and therefore maintenance activities, as well as improving its positioning as a company at national and international level.

- Resilience: adaptive capacity to respond to climate change presents CAF with several opportunities related to innovation and creation of new products, increasing after-sales maintenance services, and working more closely with its value chain stakeholders to reduce vulnerability to climate change.

Impacts and response plans for Climate Change risks and opportunities

Once the analysis of risks and opportunities has been carried out, the most relevant ones for CAF have been identified, taking into account the time horizon and impact, and specific response plans have been defined for each of them.

Greenhouse gas (GHG) emissions

Decarbonisation strategy

CAF continues on the path towards the challenge of decarbonisation as one of the main axes of its strategy, with a commitment to sustainable growth focused on the environment, and leading the transition towards zero net emissions mobility.

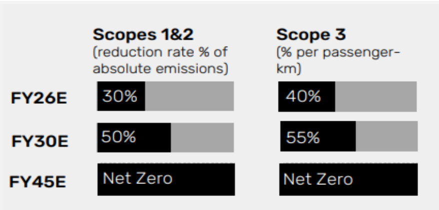
After adhering in 2021 to the alignment initiatives against climate change and with the Paris Agreement, SBTi (Science Based Targets Initiative) and Race to Zero, in 2022 the company has ratified this commitment in the new 2026 Strategic Plan it has presented. To this end, firstly, it has incorporated the decarbonisation of its products within the main milestones of the Innovation strategic axis and, secondly, it has maintained Sustainability as one of its 4 strategic axes.

During 2022, the CAF Group has defined short and long-term emission reduction targets, taking into account the SBTi methodology and using the carbon footprint calculations of previous years as a reference. In this definition, it has stated its commitment to achieve "Net Zero" by 2045. During 2023, these objectives will be rolled out across the Group's activities.

In defining the reduction targets, the company's main sources of Greenhouse Gases (GHG) have been taken into account, which are included in the emissions generated during the life cycle of the products, associated with energy consumption in their use phase, as well as emissions from the energy consumption of the activities carried out in the Group. The Group is therefore concentrating its efforts on gradually reducing its greenhouse gas (GHG) emissions intensity by the following means: improving energy efficiency in productive activities and facilities, increasing the consumption of renewable energies and research and development of sustainable zero-emission transport solutions.

In this last line, the product life cycle impact analysis is carried out for both bus and train, reflected in the Environmental Product Declarations (EPD) indicated in section *"5.3. Sustainable and efficient mobility"*.

The reduction targets indicated above[53] have been included in the CAF Group's 2026 Strategic Plan, and are presented below:



[53] During 2023, these reduction targets will be sent to SBTi for validation.

The reduction targets for Scope 1 and 2 are set taking into account the absolute contraction method, with an absolute emission reduction target derived from the two scopes. In addition, the reduction targets for scope 3 are set taking into account the physical intensity method, in relation to the emissions derived from the use of the product during its useful life, due to the relevance that this chapter has in scope 3. The base year or reference year for the reduction targets is set as 2019.

In response to the reduction targets set and in order to promote strategies against Climate Change focused on reducing Greenhouse Gas (GHG) emissions and promoting renewable energies, the Group has carried out various activities during 2022 within the "Zero Net Emissions" Initiative, within the scope of the Sustainability Committee.
The main activities carried out during 2022 include the following:

- Calculation and external verification of the carbon footprint of the entire CAF Group Organisation, including Scope 1, 2 and 3, and corresponding to 2021 and 2022. For this purpose, the guidelines and approach of the GHG Protocol and the IPCC have been followed, and the requirements developed in the ISO 14064:2018 standard have been met.
- Completion of the CAF Group's first CDP (Carbon Disclosure Project) climate change report, achieving a B score on the CDP scale, which is the target score for this first report.
- Definition of the CAF Group's short- and long-term reduction targets for the three scopes.

In addition, throughout 2022, the following actions have been carried out with the aim of reducing GHG emissions in the Group:

- Development of the sustainable mobility plan in the Group's parent company and implementation of car-sharing schemes.
- Promotion of sustainable mobility (cycling, public transport, walking) through participation in an inter-company challenge and improvement of bicycle parking facilities.
- Expansion of the scope of sites consuming 100% renewable electricity with guarantee of origin (e.g. Solaris Bus & Coach and Euromaint Rail AB).
- Development of engineering and construction (EPC) of photovoltaic plants in Chile and Italy, with 141 MWp of installed solar power capacity and avoiding emissions of around 10,000 tCO_2equivalents.
- Start on mitigation of emissions from the business travel chapter in Scope 3, by Sustainable Aviation Fuel (SAF) reserve, collaboration with airline.

Likewise, during 2023, the activities included in the CAF Group's "Net Zero Emissions" initiative will continue to be addressed, which will be mainly aimed at the deployment of the business reduction plans, in order to comply with the reduction targets set. In particular, work will focus on the following aspects:

- Plans to reduce the energy consumption of production facilities (investment in more efficient facilities).
- Purchase of electricity with a guarantee of origin, extending the scope of national companies with guarantees of origin for electricity.
- Product innovation plan - zero emissions.
- Start-up of the installation of charging points for electric vehicles at the headquarters of the parent company.
- Continue to calculate the CAF Group's carbon footprint and to produce the CDP report.

The resources allocated to achieving the reduction targets will be defined in the relevant management plans of the Group's activities.

Emissions results and trend

The calculation of the carbon footprint has been carried out following the criteria of the ISO 14064:2018 standard and the GHG Protocol, having previously carried out a materiality analysis of the activities carried out by the Group. As a result of this analysis, the following are taken into consideration:

- Direct emissions (Scope1): emissions from fuel consumption in stationary and mobile installations, as well as fugitive emissions from the recharging of fluorinated gases.
- Indirect emissions (Scope 2): derived from electricity consumption and thermal energy consumption.
- Other indirect emissions (Scope 3): product use, production and transport of materials to the Group's sites, transport of the product to the customer, waste management and transport, water consumption, in itinere transport of employees and business trips.

The greenhouse gases (GHG) included in the calculations are expressed in equivalent tonnes of CO_2 and refer to emissions of carbon dioxide, methane and nitrous oxide (CO_2, CH4 and N2O, respectively), in addition to the hydrofluorocarbons (HFCs) associated with refrigerant gas leaks.

Below are the results of the calculation of the CAF Group's carbon footprint and its trend, verified by an external accreditation body and calculated using the methodology defined in the previous points. As an improvement in the information reported, for the first time information on all activities carried out by the Group is included.

The data presented are actual emissions data for the CAF Group's scope in each of the periods. In this regard, it should be noted that 2022 includes data for the Reichshoffen site since its acquisition in August 2022, which is not included in 2019.

In order to monitor the trend of the reduction targets and due to the modification of the scope considered in the base year 2019, these targets will be recalculated during 2023 and communicated to SBTi.

Scope 1 and 2 emissions

Field	Scope	t CO_2 eq 2022	t CO_2 eq 2021	t CO_2 eq 2019
CAF Group[54]	Scope 1	28,115	28,665	31,463
	Scope 2[55]	7,089	16,407	18,809
	Total 1 + 2	**35,205**	**45,072**	**50,272**
	% Δ 2019	**-30%**	**-10%**	**-**

As can be seen in the table above, emissions from Scopes 1 and 2 have generally been decreasing. Specifically, for the financial year 2022, the expected reduction target for Scopes 1 and 2 was 12.6%, and a reduction of 30%[56] has been achieved compared to the base year 2019, which is a much higher result than expected for the financial year. As for the 2021 financial year, the emissions reduction result obtained was also higher than the expected target for that period, for Scopes 1 and 2, which was 8.4%, with the result obtained being 10%[57].

[54] Consolidation method: operational control. Data for 2020 is not included as it is not considered a representative year in terms of emissions for the company's actual activity.

[55] The calculation method used to calculate the carbon footprint has been a market approach, with the exception of foreign countries where no guarantees of origin are available, where a national/local approach has been used.

[56] Reduction obtained without taking into account the recalculation of the base year, resulting from the acquisition of Reichshoffen.

[57] Calculated without taking into account the recalculation of the base year due to the acquisition of Reichshoffen.

With the aim of reducing GHG emissions and specifically indirect emissions (Scope 2) derived from electricity consumption, the main companies of the Vehicles, Bus and Services activities consume 100% renewable electricity with a guarantee of origin, thus achieving a 61% reduction in Scope 2 emissions in 2022 compared to the base year (2019).

In this regard, it should be noted that 72% of the Group's electricity consumption currently comes from renewable sources, with guaranteed origin. This indicator has increased by 41% in 2022 compared to the previous year and is expected to continue to increase in the coming years, as the company has established an action plan aimed at increasing the percentage of companies that consume electricity from renewable sources, with the objective for 2023 being that 78% of the electricity consumed by the Group should come from renewable sources, with a guarantee of origin.

Emission Intensity Scope 1 and 2

In addition, in relative terms, the following table shows the emissions intensity ratio, which includes the Scope 1 and 2 emissions of all the activities carried out by the Group:

Emission intensity (kg CO_2 eq. /MHW)	2022	2021	2019
Emissions intensity of the CAF Group	1.59	2.2	2.69

As can be seen in the table above, the trend of the emissions intensity ratio, taking into account the emissions derived from Scope 1 and 2, has been favourable, as there has been a considerable reduction in this ratio over the last 3 years, especially during the 2022 financial year. This is mainly due to the reduction in Scope 2 emissions that has taken place in the last year derived from the increase in renewable sources in the Group's electricity consumption, as well as the extension of the scope of the data provided in the hours worked, which currently accounts for 95% of the Group. The target for 2023 is set at 1.66 $kgCO_2eq$/HHT because a relative increase in production activity is expected, which will lead to an increase in emissions.

Scope 3 emissions

In relation to Scope 3, the trend of the ratio (g eq CO_2 2/passenger-km) of emissions generated in the product use phase of the vehicles delivered during 2022 (both Rail and Bus) is shown, taking the base year of 2019 as a reference.

The reduction of the ratio in 2022, compared to 2019, is presented.

Field	Scope	Real % Δ 2019-2022	2022 target
CAF Group	Scope 3, product use	-14.8%[58]	-19.6%

As can be seen in the table above, the ratio of emissions from product use in Scope 3 in 2022 has been reduced compared to 2019 by 14.8%, with an expected reduction target of 19.6%. This is due to the fact that more fossil-fuelled vehicles have been delivered during 2022 than projected in the reduction targets. For the coming years, a reduction in the delivery of fossil fuel vehicles is expected, accompanied by the zero emission initiatives of the Innovation Plan, which will result in a reduction of emissions to this extent.

Moreover, with regard to the emission of Volatile Organic Compounds (hereinafter VOCs), the CAF Group, in addition to complying with the regulations on the limitation of emissions of volatile organic compounds due to the use of solvents in certain activities[59], has reduced its emissions by 30% in the last 10 years, which is equivalent to a reduction of 75 grams of Volatile Organic Compounds per square metre of surface area and in the bus painting activity it has reduced its

[58] Calculated without taking into account the recalculation of the base year due to the acquisition of Reichshoffen.
[59] Council Directive 1999/13/EC, of 11 March, the purpose of which is to prevent or reduce the harmful effects on human health and the environment arising from certain activities that use significant amounts of organic solvents in their manufacturing or working processes, and its transposition into Spanish legislation by means of Royal Decree 117/2003, of 31 January, on the limitation of emissions of volatile organic compounds due to the use of solvents in certain activities.

emissions by 25% in the last 2 years[60]. These results were achieved as a result of the replacement or reduction of the solvents used in the production process. Certain examples of this are the use of water-based paints for painting the trains, which do not contain solvent, and the replacement of glue by self-adhesive in the carpet gluing process.

[60] Data relating to the report made on this matter to the administration up to the date of publication of this report.

5.3 Sustainable mobility and eco-efficient products

Between 1990 and 2017, greenhouse gas emissions from transport increased by around 28% in the European Union. Today, transport accounts for nearly 25% of global CO_2 emissions, with rail transport contributing a mere 0.5%.[61]

At the same time, due to current urban population growth trends, the collapse of mobility infrastructure has become even more of a problem and the quality of the air in cities has worsened significantly. In order to avoid these problems, the authorities are often taking measures to restrict the circulation of private vehicles.

Faced with this reality, the European Green Deal of the European Commission sets a target of 90% fewer CO_2 emissions from transport by 2050, which will require exceptional efforts in the coming years.

In this context, rail and bus transport, as environmentally friendly and high-capacity means of transport, offer tremendous potential for contributing significantly to this fight against climate change and city congestion, thereby reducing the environmental impact, improving citizens' quality of life and contributing actively to the protection of the ecosystem.

CAF prioritises activities aimed at replacing fossil fuels and reducing the energy costs of transport by providing highly efficient mobility alternatives to point the way to a sustainable, clean, ecological and emissions-free future.

In this regard, as mentioned in section 5.2 Climate strategy, CAF has achieved a 14.8% reduction in the g $eqCO_2$/km-passenger ratio of emissions generated in the product use phase (Scope 3) of the vehicles delivered (both Rail and Bus) during 2022 compared to the base year of 2019. A significant decrease in this ratio is expected in the coming years due to the reduction in sales of fossil fuel vehicles accompanied by the zero-emission initiatives of the Innovation Plan.

In addition, emissions from electric passenger transport solutions (buses, trolleybuses and rail vehicles) delivered in 2022 are equivalent to an average of 2.8 g $eqCO_2$/passenger-km[62], which confirms that CAF's solutions are among the most efficient in the transport sector for mobility.

Sustainable solutions

The CAF Group offers fully customised vehicles to transport operators keen to transition to zero- and low-emission mobility. There is no single answer to the challenges of public transport in the future. The zero-emission portfolio includes electric vehicles and vehicles powered by hydrogen. These vehicles successfully meet the diverse needs of transport operators, passengers and drivers.

In this area, Solaris has the most complete range of low and zero emission buses on the market, with more actual experience and market share than its competitors. As far as rail vehicles are concerned, CAF has been awarded the world's largest contract for battery-powered vehicles and in mid-2022 it has put on track one of the first hydrogen-powered trains that can also operate by capturing electricity from the catenary on electrified sections.

The key solutions in the CAF Group's sustainable product portfolio are described below:

[61] European Environment Agency. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - the European Green Deal - Brussels, 11.12.2019 COM (2019) 640 final.
[62] For the calculation of this ratio, in the absence of specific sector regulations, CAF has established its own calculation methodology which has been validated by audit. This new methodology varies from the criteria used in 2018 to provide a more uniform and representative calculation in line with industry recommendations.

Urbos tram: CAF's Urbos trams are electric propulsion vehicles that can be fitted with an EVODRIVE or FREEDRIVE accumulation system (ultracapacitors and/or batteries) to operate without external power supply (catenary) and/or recover braking energy. CAF is a pioneer in this type of solution with trams operating on non-electrified sections in passenger service since 2010 and the first tramway system in the world without any catenary sections (full catenary-less) operating since 2018.

Urbos

Inneo metro: CAF's metros are electric and have been adopted in Europe's main cities (London, Amsterdam, Brussels, Rome, Madrid, Barcelona, etc.) due to their competitive values in terms of capacity, consumption and reliability.

Inneo

Civity regional trains: Civity mainline trains are among the most efficient on the market. As with the other platforms, CAF has reduced the weight of these trains, optimised the efficiency of their equipment and simplified the architecture to minimise consumption. The more sustainable (zero-emission) Civity trains include electric, battery electric, and hydrogen powertrains (currently undergoing on-track testing).

Civity

In June 2021, CAF was awarded the world's largest contract for the supply of battery-powered electric trains for the delivery of 63 units for the German transport authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe). These units are joined by another 10 units ordered by NWL in June 2022 and a further 28 battery-equipped electric trains awarded by Renfe in October 2022.

Moreover, CAF has started on-track testing of the hydrogen train prototype in mid-2022. CAF's hydrogen vehicles (both train and bus) use hydrogen fuel cells. The hydrogen is stored in gaseous form in several state-of-the-art tanks. This hydrogen is converted into electricity which, in turn, directly powers the powertrain consisting of inverters and electric motors. These vehicles are also equipped with batteries that act as an additional electrical energy storage facility. The only by-products generated during the operation of CAF hydrogen vehicles are heat and steam. These vehicles therefore do not generate any type of harmful substance.

Urbino Electric: Exceptionally quiet and emission-free bus distinguished by its modern design and low operating costs. Thanks to their innovative technical solutions, these electric buses can run for an unlimited time (up to 24 hours a day). Furthermore, their low noise and vibration levels make battery-powered buses particularly suitable for use in city centres. The vehicle is available in low-floor and low-entry versions.

U Electric

A wide range of possibilities in terms of vehicle length (9, 12, 15, 18 and 24 metres), engine, battery type, as well as battery charging methods, make Solaris electric buses perfectly suited to the specificities of different cities: climate, urban traffic characteristics, line occupancy and even orography. More than 1,300 such vehicles are currently in operation in more than 100 European cities.

Urbino Hydrogen: The hydrogen technology used for power generation allows hydrogen buses to travel even longer distances without emissions than electric models. Hydrogen-fuelled buses form a complementary zero-emission family of buses that enable Solaris to meet contemporary challenges and diverse customer needs regarding vehicle range, flexibility and operability. Currently, the Urbino family of hydrogen buses includes 2 models: 12 and 18 metres.

U. Hydrogen

Hydrogen buses have all the advantages of an electric bus - i.e. emission-free, silent and vibration-free driving - with an even longer range and extremely fast refuelling. These vehicles are particularly useful in areas of transport where a high degree of autonomy and flexibility of operation is required.

It should be stressed that hydrogen fuel cells complement electric vehicles, not compete with them. The synergy of the development of all pillars of electromobility will accelerate the transformation of public transport to zero emissions and ensure the effective decarbonisation of transport. This is the key to ensuring a favourable and safe urban space in the future.

Trollino: These low-floor vehicles are characterised by their quiet and emission-free operation. In addition to trolleybuses that work exclusively with an external power supply, Solaris also offers hybrid trolleybuses equipped with storage equipment and hydrogen fuel cells that operate without the need for traction lines (external power supply) for distances of up to 100 km.

Trollino

Solaris trolleybuses are perfectly adapted to the specificities of different cities: climate, urban traffic characteristics, occupation of lines and even land, thanks to a wide range of possibilities in terms of vehicle length (12, 18 and 24 metres), engine, battery/hydrogen fuel cell capacity or type of catenary connection. The low environmental impact, proven technology, low infrastructure development costs, as well as quiet and comfortable driving, offered by the versatile usage possibilities of trolleybuses make them an important element in making urban transport more environmentally and resident-friendly.

LOW EMISSIONS

Urbino Hybrid: Solaris Urbino hybrids are equipped with a driveline consisting of one or more electric motors and a conventional transmission system. The energy storage unit in Urbino hybrids can be either through batteries or supercapacitors. This solution reduces fuel consumption by between 20% and 30% on average, compared to a vehicle that runs on diesel. Solaris hybrid buses can also be adapted to cover a certain distance completely emission-free. The Solaris hybrid bus portfolio includes 12- and 18-metre models.

U Hybrid

Mild-Hybrid solutions are also available to recover braking energy and reduce emissions beyond the strict EURO 6 emission standards for diesel engines.

Urbino CNG: Urbino low-floor urban buses are also supplied in the form of vehicles with compressed natural gas (CNG) propulsion. This solution has made it possible to significantly reduce the emission of harmful substances and provide more eco-friendly transport.

U. CNG

An internationally recognised product portfolio

Solaris's portfolio of emissions-free products have effectively contributed to changing the image of public transport worldwide and in the last three years have received the following international awards:

- 2022 - Busplaner Innovation Award (International): The Solaris Urbino 9 LE electric won in the category "Electric bus: Interurbano" the award from one of the most influential industry magazines in Europe.
- 2022 - Kielce Trade Fair Medal (Poland): Award for the Solaris Urbino 18.75 electric bus.
- 2022 - Solaris has been awarded the Green Eagles of the "Rzeczpospolita" newspaper (Poland) in the Company category for its innovative green solutions on an industrial scale, in particular for its electric and hydrogen buses.
- 2022 – Polityka weekly (Poland): CSR Silver Leaf awarded to Solaris and Urbino 9 LE electric bus award for actions supporting the achievement of the Sustainable Development Goals by 2021.
- 2021 - Sustainable Bus Award (International): The Solaris Urbino 15 LE electric bus received the Sustainable Bus Award (International) in the Urban category. The main motivation of the Sustainable Bus Award is to popularise the idea of sustainability in public transport and build a positive image of public transport as an area that plays a key role in climate change action.
- 2021 - Busplaner Sustainability Award (Germany): Award for the Solaris Urbino 15 LE electric bus in the Electric Bus category.

- 2021 – Kielce Trade Fair Medal (Poland): Award for the Solaris Urbino 12 Hydrogen bus as the best product in the bus category.
- 2020 - E-mobility Leader (Poland): Award for its contribution to the development of zero-emissions transport worldwide.
- 2020 - Top Design Award (Poland): Award for the unique and innovative design of the Trollino 24 bi-articulated electric trolleybus.

In terms of rail vehicles, in 2020, CAF received a Highly Commended mention from the Global Light Rail Awards to recognise and reward the outstanding commitment of the workforce in a project related to sustainable mobility: renovation of the Birmingham tramway to incorporate an on-board energy storage solution. Moreover, in 2019 CAF won the Manufacturer of the Year and Project of the Year (in the under-50 million euros category under) prizes for the supply of six state-of-the-art vehicles for the first catenary-free light rail system in passenger operation in Oceania (Newcastle Light Rail in New South Wales, Australia).

Meanwhile, CAF Power & Automation won Supplier of the Year at the 2018 Global Light Rail Awards, thanks to its modular and flexible traction systems that can be integrated into both new trains and trams as well as vehicles already in service. In addition, CAF Power won The Technical Innovation of the Year (Rolling Stock) award for its ambitious Greentech on-board power initiative. Greentech products (EVODRIVE and FREEDRIVE) are the most efficient and environmentally friendly products optimising energy consumption and reducing the visual impact of trams in urban centres thanks to catenary-free propulsion technology.

Main innovations adopted to improve the sustainability of products

At the design and development stage, CAF pays particular attention to innovative solutions to ensure that its products are environmentally friendly. CAF continuously implements modern solutions and expands its knowledge and competence, among other things by cooperating with research centres and educational institutions.

The main innovations aimed at improving the sustainability of CAF's products revolve around the following areas which are applicable, to a greater or lesser extent, to all its products (vehicles and their components, signalling systems, infrastructure, etc.) and services: 1) Eco-design methodology, 2) Improvements in energy efficiency, 3) Deployment of sustainable alternative fuels, 4) Increased useful life and recyclability, and 5) Reduction of noise and vibrations.

Eco-design methodologies

CAF has played an active role in the development and implementation of methodologies aimed at transforming the sector from an ecological standpoint. For example, through its participation in the "Life Cycle Assessment Topical Group" of the rail industry association UNIFE, aimed at defining optimal ways to implement the legislative and regulatory aspects related to ecology in the various processes that define product life.

With the aim of offering more efficient and environmentally friendly means of transport, CAF is immersed in the implementation of the Product Sustainability Function, introducing eco-design methodologies in engineering processes to optimise and control the environmental impact of products throughout their life cycle from their conception: - energy efficiency; - use of environmentally friendly, recycled, recyclable or natural materials and minimise their use; - reduction of noise and vibrations; - reduction of atmospheric emissions and - circular economy.

Making the ecological footprint visible

CAF determines the environmental footprint of its products using life cycle analyses (LCAs). Based on this information, CAF generates environmental product declarations (EPD) for its customers.

In 2011 CAF developed the world's first verified environmental product declaration (EPD) for a tram, according to the ISO 14025 standard, for the Urbos Tram in the city of Zaragoza. This environmental impact study was quantified by means of a life cycle analysis (LCA) in accordance with ISO 14040 and ISO 14044 standards. From this point onwards, CAF has continued to certify representative trains from practically its entire product portfolio (tram, metro and regional train), being one of the rolling stock manufacturers with the highest number of EPDs registered at present.

During 2022, CAF has systematised the life cycle analysis of new products developed in accordance with the principles and procedures of the ISO 14025:2006 standard to assess their environmental performance. It has also published the environmental product declaration (EPD) for the Oslo tramway and, in addition, has set a target of publishing at least one EPD for each of the vehicle families (tram, metro and regional train) by 2023. Also in 2022, Solaris has published its first EPDs for Urbino 18m Electric and Urbino 12m Hybrid buses.

As a responsible company, CAF is aware of its impact on the environment and complies with the European Regulation EC 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

List of EPDs obtained by CAF's rolling stock and bus unit:

- URBOS 100 tram for the city of Zaragoza
- URBOS AXL for Stockholm Lokaltrafik A35 Tram Units
- CIVITY EMU regional electric train for the Friuli-Venezia Giulia region
- URBOS AXL for Stockholm Lokaltrafik A36 Tram Units
- Metro Units M300 for Helsinki Metro Transport
- URBOS 100 tram for the city of Kaohsiung
- URBOS 100 tram for Oslo
- Urbino 18m Electric
- Urbino 12m Hybrid

Improvements in energy efficiency

Improving the energy efficiency of products and services is a priority challenge for CAF. Some of the measures adopted in its vehicles for this purpose are:

REDUCTION OF TRACTION ENERGY CONSUMPTION

Energy recovery in braking	High-efficiency traction equipment
Energy recovery during braking is an essential component in the operation of railway and trolleybus networks because it helps to reduce consumption and achieve high rates of energy efficiency. CAF trains and trolleybuses are specifically designed so that regenerative braking has priority over rheostatic and friction braking. In this way, the energy recovered in the braking process, not used by the vehicle itself, is returned to the catenary so that it can be used by another train/trolleybus. All CAF electric vehicles first use the energy regenerated during braking to power their auxiliary equipment or batteries.	CAF trains, electric buses and trolleybuses incorporate systems to obtain maximum performance from the energy consumed during operation, both in acceleration and braking. The use of highly efficient traction equipment makes it possible to minimise energy loss and optimise energy use. CAF has developed advanced control strategies for variable flux in motors to minimise energy losses. These control strategies actively manage the motor flow according to the required operating conditions (torque, speed, drift, etc.), therefore reducing consumption when the flow required is lower. Silicon carbide (SiC) transistor technology is another innovative technology to maximise the efficiency of the traction system and reduce energy losses that CAF is currently rolling out in both trains and buses. These transistors allow higher switching speeds, which reduces power losses. SiC technology can reduce the total energy consumed by a train by between 8 and 10%.

Modular & customisable accumulation systems	Smart BTMS in battery systems
CAF accumulation systems make it possible to: 1) operate vehicles on sections without electricity, and 2) store the energy generated during braking. The equipment is modular and customisable so the accumulation and loading solution can be optimised according to the needs of each customer, thus minimising life cycle costs. CAF Group is a pioneer in energy storage vehicles and is continuously optimising its equipment by implementing optimal solutions at the forefront of technology.	Operating batteries at temperatures that are either too high or too low has a critical impact on their capacity, the energy available for use and the useful life of the batteries. CAF uses a battery thermal management system (BTMS) in its vehicles for optimal control of battery temperature, therefore ensuring that they operate in optimal conditions and maximising performance and useful life.
Efficient energy management based on journey times	**Reduction of journey times**
The driving mode has a decisive influence on the vehicle's energy consumption. The vehicle control system calculates in real time the level of performance that minimises the vehicle's energy consumption based on the characteristics of the route and the target travel time. This information makes it possible to optimise driving from an energy point of view. In addition, CAF vehicles adopt strategies to optimise energy consumption such as partial shutdown of the powertrain in situations of low power demand. The solutions available to the CAF Group in the field of energy-optimised operations are: the DAS (Driver Advisory System) solution described in the previous paragraph and CAF Signalling's AURIGA solution that optimises energy consumption in automatic train operation (ATO). These solutions make it possible to reduce the energy consumed by vehicles by 15% to 30%.	Several CAF technological developments have delivered new advantages for the general reduction of energy consumption in trains. Systems such as the SIBI smart tilting system allow for higher speed on the bends in a route without loss of comfort for passengers, reducing journey times by 30%. The ability to travel at higher speeds on bends also reduces the need to modify the speed of the trains (brake and accelerate), which contributes to greater energy efficiency.
Weight reduction	**Reduced drag**
The design of the vehicles is focused on their weight, which is an effective way of optimising energy demand. This objective applies both to the structural elements of the vehicle and to all of the equipment and components, while guaranteeing the highest quality and safety standards. During the vehicle manufacturing process, the mass of the components and of the vehicle itself is controlled to ensure that the planned weight is not exceeded.	The CAF Group optimises the geometry of its vehicles to reduce drag by means of CFD (Computational Fluid Dynamics) simulations using models that have been correlated in tests.

Maximum reduction of energy consumption can only be achieved through the adoption of global measures that also take into account the auxiliary equipment of trains and buses, the control of their operation and their state of conservation.

REDUCTION OF ENERGY CONSUMPTION OF AUXILIARY EQUIPMENT	
Management of energy consumption while stationary	Management of energy consumption while in service
Different operating modes are defined to reduce the energy consumption of the stationary vehicle, cleaning, maintenance, parking, etc. These modes establish the optimal working conditions for the auxiliary equipment to reduce energy consumption. For example, carrying out an individual control per carriage rather than per train means that only the equipment of certain carriages is active at any given time, according to the needs in case. This measure achieves significant energy savings. Likewise, the introduction of the "Start/Stop" system in buses significantly reduces fuel consumption and therefore CO_2 emissions.	To reduce energy consumption while in service, CAF has introduced strategies that combine 1) the best use of internally generated energy flows and 2) the operation of the different systems at their optimal operating point (eco-mode). For example, these strategies make optimal use of the energy regenerated during braking by avoiding its dissipation in the form of heat.
Efficient air conditioning	Thermal insulation
Air conditioning equipment is the second largest consumer of energy in vehicles, second only to traction equipment. To reduce this consumption, CAF uses the high-performance refrigerants and adopts various measures to improve the energy efficiency of the air conditioning system: heat pump, external air intake adjustable according to CO_2 level, etc. At the same time, in order to reduce energy losses due to heat transfer between the interior and exterior of the train/bus, the design of the vehicles aims to maximise their thermal insulation.	To increase the thermal insulation of its vehicles, CAF installs insulating panels on the entire surface of the carbody and establishes maximum values for thermal transmission in components such as windows, doors and corridors. In some contracts, CAF has achieved very low thermal transmittance values (e.g. 1.1 W/m2K) substantially below the limits required in these contracts.
Equipment sizing based on real needs	
Each project contains an equipment sizing process according to the specific project needs, therefore avoiding the construction of oversized equipment could lead to greater weight and higher consumption than necessary.	

With these measures, the CAF Group has managed to substantially reduce the consumption of its vehicles. By way of example, between 2018 and 2022, the Urbino 12 Electric bus achieved a 23% saving in energy consumption, and between 2019 and 2022 the Urbino 18 Electric bus reduced its consumption by 24%. These values have been validated by testing according to the requirements of the UITP E-SORT2 standard.

But it is not only CAF vehicles that have evolved in recent years to reduce their consumption. With regard to buildings designed by CAF Turnkey & Engineering, the key example is the benchmark design of the tram depot, which includes the following measures to reduce its consumption:

- A green roof to improve the temperature regulation of the building. This improves energy efficiency due to its high water retention capacity (cooling in summer) and the contribution of thermal mass (heating in winter).
- A photovoltaic power plant on the roof.
- A sawtooth roof that creates skylights for natural light to enter the building, therefore reducing electricity consumption and providing a more comfortable and healthy space for workers.

CAF Signalling and CAF Turnkey & Engineering have also carried out a joint development to power track elements installed in remote locations via a photovoltaic energy system and controller batteries. These systems are remotely monitored to guarantee correct operation and ensure their availability and safety in accordance with strict sector requirements.

Deployment of sustainable alternative fuels

In recent years, the CAF Group has been working on the development of vehicles that run on environmentally friendly alternative fuels to diesel for non-electrified journeys. Offering customers environmentally friendly alternatives to diesel propulsion is a key challenge that the CAF Group has set itself.

Buses and trains with on-board energy storage systems (batteries) stand out in this respect. At present, more than 1,300 such Solaris buses are in operation in more than 100 European cities. Moreover, in 2021, CAF was awarded the world's largest contract for battery electric trains (BEMUs) for the German transport authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe).

In addition, Solaris has put into service buses powered by Hydrogen and Compressed Natural Gas (CNG) in various European cities. Hydrogen-powered vehicles are considered zero-emission as they emit only water vapour into the atmosphere and CNG vehicles reduce the emission of harmful particulate matter.

Solaris has been a pioneer in offering these state-of-the-art solutions to the market and this has translated into results for the company. In 2020, Solaris became the European leader in the zero-emission bus segment and today, buses with alternative propulsion account for more than 50% of the company's deliveries.

As far as trains are concerned, CAF is developing a prototype train powered by hydrogen which is being tested on track since mid-2022. This project (FCH2RAIL) has been promoted by the FCH JU, the European Commission agency dedicated to promoting the development of hydrogen and fuel cells, and has significant funding from European funds (around 10 million euros) through the H2020 programme.

The CAF Group also supplies diesel vehicles equipped with batteries to reduce fuel consumption (hybrid solutions). This consumption reduction is generally around 20%-30%.

Furthermore, the diesel engines of the bi-mode trains (trains operating in electric mode when catenary is present and in diesel mode when catenary is not present) supplied for the Nordic market can operate on paraffinic diesel or B30 biodiesel.

But the development of alternatives to diesel has not been confined to cars alone. CAF Turnkey & Engineering has carried out several developments aimed at charging infrastructures for both battery electric and hydrogen vehicles.

During 2020, it developed a tool to simulate the impact of smart management of the charging process of an e-bus fleet.

During 2021, a tool was developed to simulate hydrogen dynamics during refuelling of heavy hydrogen-powered vehicles (buses and trains).

A research project (AVOGADRO) on hydrogen refuelling stations (HRS) was launched in 2022. This project is developing a thermodynamic and functional simulation model of the operation of a hydrogen refuelling station. This model will be used to define optimal H2 refuelling protocols that fit the operational needs of some predefined H2 train fleet scenarios. In addition, a generic safety analysis is being conducted for hydrogen refuelling stations that currently lack specific regulations.

Increased useful life and recyclability

Useful life

The CAF Group's trains and buses have been designed to meet the market's most demanding useful life requirements. Trains have a useful life of approximately 35 years compared with 15 years for buses. These useful lives are achieved through continuous improvement in the durability of the components since their conception.

The structural components of trains (carbody structure, frame and bogie axles) are designed, calculated, manufactured and tested to guarantee their useful life. All the other train systems (couplers, propulsion system, brakes, HVAC, APS, doors, TCMS, etc.) are subjected to shock and vibration tests based in line with the IEC 61373 standard (Shock and vibration tests) to ensure adequate durability in service.

As far as buses are concerned, new models or those that have undergone significant modifications are subjected to a 1 million km test; an endurance test on the road. The test is carried out in extremely difficult conditions on various road surfaces. Its objective is to perfect the vehicle to achieve the parameters expected by our engineers and customers and to ensure maximum safety with optimum energy consumption. The behaviour of the propulsion systems is also observed and adapted so that the buses can take full advantage of their capabilities.

The CAF Group also works continuously to improve the useful life of elements subject to wear and tear since these suffer unavoidable degradation during use: batteries, wheels, tyres, brake discs, brake linings, bearings, shock absorbers, floor coverings, rubber gaskets and elastic elements, filters, etc.

The useful lives of the vehicles indicated above are achieved by following the assigned maintenance plan. CAF has a department focused on improving the reliability, availability, maintainability (RAM) and life cycle costs (LCC) of its vehicles, which has launched more than 70 initiatives. Approximately half of these initiatives are aimed at extending the useful life of equipment and components in service: wheels, bearings, motors, brake cylinders, etc. For example, due to the knowledge acquired, the tools developed and the optimised processes defined within the Wheel Life Optimisation project of CAF's Innovation Plan, it has been possible to achieve improvements in wheel life of between 20 and 200% in several projects. The established monitoring system allows deviations to be identified quickly and effectively at very early stages of the projects in service, which, together with the knowledge generated through the different analytical studies on the data collected over the years, allows mitigating actions and optimised maintenance strategies to be established, resulting in the aforementioned improvements in the life of the wheels.

Recyclability

CAF selects the materials during the design phase in line with ecodesign principles and recyclability rate while respecting the technical and functional requirements. Products are also designed for easy dismantling at the end of their useful life. Based on the experience accumulated in the supply and maintenance of its vehicles, CAF guarantees the optimisation of consumables (lubricants, sand, brake linings, etc.) and the factors that make it possible to reduce their consumption.

CAF trains have a high rate of recyclability and recoverability. According to the EPDs (Enviromental Product Declaration) mentioned above, the recyclability rate ranges between 90.8 and 93.6 and the recoverability rate between 94.66 and 98.7.

The dismantling criteria of the VDI 2243 standard are followed in the design of the trains. Due to the maintainability criteria established for CAF products, the components of the vehicles are easy to replace and dismantle, in most cases using screw connections.

CAF also creates recycling/end-of-life manuals for customers on request. The purpose of the recycling or end-of-life manual is to provide instructions on how to proceed at the end of the vehicle's life and of the materials used in its operation and maintenance (consumables, spare parts, etc.). The manual includes instructions for the proper dismantling of every part of each item, in line with the steps described in ISO 22628, the dismantling criteria of the VDI 2243 standard, and the appropriate end-of-life management applicable for the composition.

Each dismantled part that cannot be reused is identified with a waste code in accordance with the European Directive 2000/532/CE European Waste Catalogue (Order MAM/304/2002), proposing the appropriate end-of-life management for its disposal according to its composition (in accordance with European Commission Decision 96/350/CE). In order of preference, this end-of-life management can take the following form: a particular known and applicable recycling process, energy recovery, or final disposal in a landfill or with an authorised manager.

In addition, Solaris buses have a high rate of recyclability and recoverability. According to the EPDs (Enviromental Product Declaration) mentioned above, the recyclability rate ranges between 94.9 and 95.1 and the recoverability rate between 95.9 and 96.1.

Solaris guarantees the recyclability of vehicle components by labelling the parts made of metals, plastics and elastomers in accordance with applicable legislation. The requirements of these standards have been transposed into company regulations and suppliers are required to comply with them. The marking of the materials allows their correct recycling at the end of the vehicle's life.

In the field of battery recycling, the CAF Group has signed an agreement with a partner that has the corresponding authorisations and expertise to manage battery and accumulator waste and carries out the entire recycling process in accordance with ISO 9001 and ISO 14001 (quality and environmental management standards, respectively) and the Batteries and Accumulators Act of 29 April 2009.

Processing batteries according to applicable standards permits the recover of metals (aluminium, zinc, cadmium, cobalt, lithium, copper, nickel, lead, manganese, brass, mercury, etc.), plastics and paper for the production of refuse-derived fuel (RDF). These materials can be reused in many industrial production processes, saving natural resources, fossil fuels, energy and water.

The second life of batteries used in vehicles is also take into account. For example, Solaris is currently implementing a second-life project with an energy holding company that will reuse the batteries previously installed in the Urbino electric buses.

Reduction of noise and vibrations

Apart from the effects on humans, noise can also influence nature, altering the habitat of animals and ecosystems.

The noise is mainly generated by the equipment, rolling and friction with the wind.

CAF has a noise and vibration unit dedicated to reducing interior and exterior noise levels, as well as the transmission of vibrations from its vehicles to the ground. This unit is involved in a project from the outset to achieve an optimal design that complies with regulatory and contractual requirements while improving the noise and vibration aspects of CAF's product portfolio. The CAF's technical team has developed the knowledge, tools and methodologies for predicting the noise levels of the different vehicle solutions.

To reduce both interior and exterior noise levels, CAF's technical team examines the causes (through preliminary calculations and tests, studies on wheel-rail contact and interaction, etc.) and adopts the most effective mitigation measures: use of insulating and absorbing materials, construction solutions for the different train components, optimised rolling profile, optimised aerodynamic shapes, variable speed fans, etc. Specifically, two tools have been developed to minimise the rolling noise generated by trains and the vibrations they transmit to their surroundings: CRoNoS and DARDAR. The CRoNoS tool has become an international benchmark. CAF makes similar continuous improvements to the other prediction tools and methodologies it uses, such as the modelling of public address systems to guarantee the effective transmission of messages, especially for people with hearing impairment. In 2022, the development of the CAF Virtual Noise Suite, which brings together the various tools developed so far for the simulation of exterior and interior noise, rolling noise, vibrations transmitted to the vehicle floor and interior, and speech intelligibility, has started.

Besides, once the trains have been manufactured they are subjected to noise tests while stationary and on the track to demonstrate compliance with contractual and regulatory requirements.

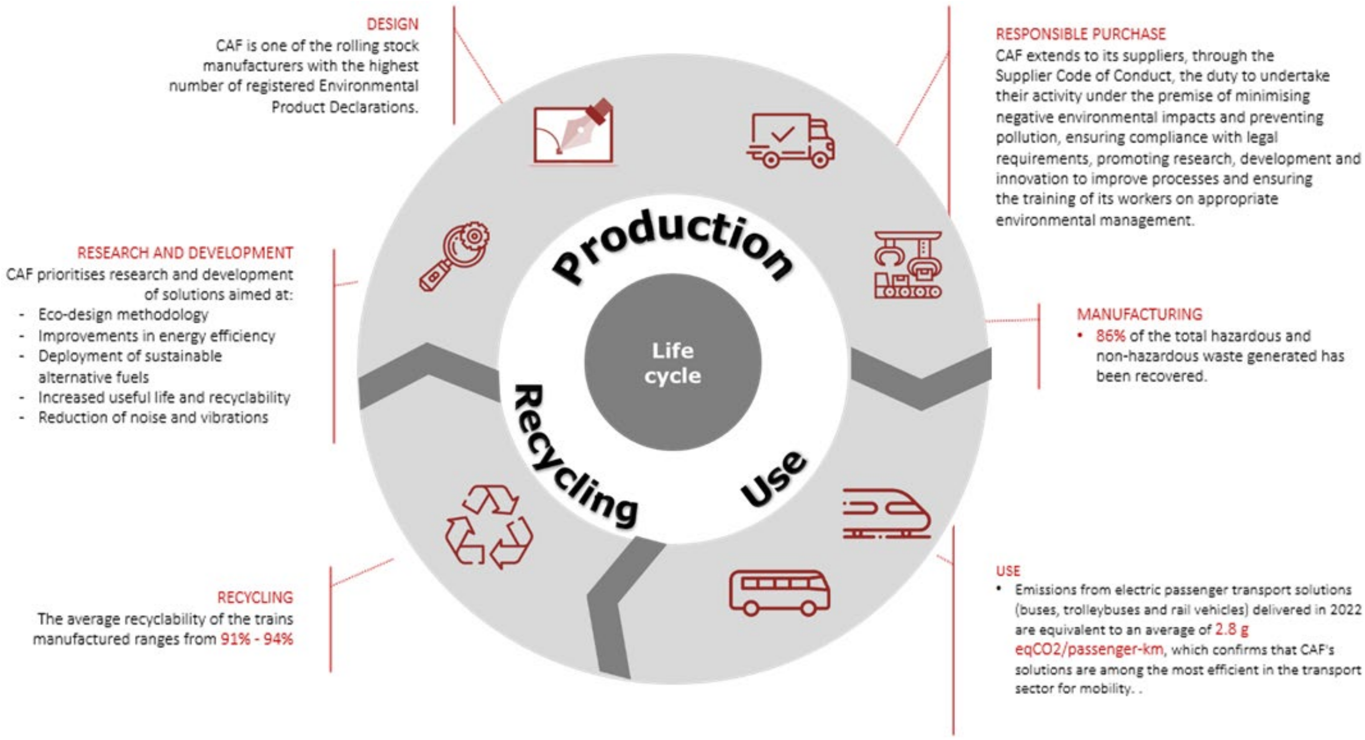
Buses undergo a "1 million kilometre test", i.e. the road endurance test that is carried out for each significant design modification. The test is carried out under extremely harsh conditions on different types of road surfaces to refine the vehicle design and meet the expectations of both the Company and its customers. The monitoring and optimisations carried out in these tests also serve to improve the driving dynamics of the vehicle and minimise the noise and vibrations. The main measures adopted between 2019 and 2021 to improve the noise levels of electric buses affected the cooling system and the battery thermal management system.

These tests also revealed that zero-emission buses equipped with an electric motor generate significantly less noise than their conventional counterparts.

5.4 Circular economy and sustainable use of resources

[MA 301, 301-1, MA 302, 302-1, 302-3, 302-4, MA 303, 303-1, 303-2, 303-3, MA 306, 306-1, 306-2, 306-3, 306-4, 306-5]

CAF is aware that its industrial activities have an impact on the natural environment and it therefore incorporates the life cycle approach into its management as a pillar of sustainability. The phases that make up this cycle are research and development, design, responsible purchasing, manufacturing, use and, lastly, recycling of the product. This approach demonstrates CAF's support for the transition to an efficient economy in the use of resources.



Consumption of natural resources

Environmental criteria are taken into account when purchasing materials for manufacturing processes, with particular emphasis on the selection of reusable and recyclable materials. Most of the purchases made are of processed materials, i.e., components, with metal being the most common component. However, raw materials, all of which are recyclable, for manufacturing components are also acquired. Among these, metals stand out for their higher consumption, specifically steel and aluminium profiles and sheets and steel ingots consumed in the manufacture of rail vehicles and buses. These materials are classified as non-renewable.

Raw materials (t)	2022	2021	2020	2019
Steel and aluminium profiles and sheets	16,249	15,605	14,756	19,211
Steel ingots	54,965	46,014	47,964	57,086
Other[63]	939	994	1014	960

Apart from the acquisition of these materials, CAF, S.A. includes in its technical processes materials that contribute to environmental Sustainability. For example, recycled steel is used for manufacturing wheels and axles.

Likewise, a product recyclability analysis is carried out in accordance with the ISO 22628 standard. The trains and buses manufactured by the CAF Group have a high rate of recyclability and recoverability. As mentioned in section, "5.3. Sustainable and efficient mobility" according to the EPD (Environmental Product Declaration) carried out by the CAF Group, the recyclability rate for

[63] Wood consumption for floors and adhesives (Bus).

trains ranges between 90.8 and 93.6% and the recoverability rate between 94.66 and 98.7% and for buses the recyclability rate ranges between 94.9 and 95.1% and the recoverability rate between 95.9 and 96.1%.

With respect to the purchase and use of chemical substances, the CAF Group operates under the scope of the REACH Regulation and, in turn, requires its suppliers to comply therewith. On the one hand, train equipment suppliers are requested to comply with the requirements of UNIFE's Railway Industry Substance List (RISL) which lists the materials and substances that are prohibited by European and international legislation specifically for the railway industry. On the other hand, information has been transferred throughout the entire supply chain of substances, chemicals and articles subject to the REACH Regulation.

The main actions performed by the Group for a more sustainable use of raw materials consist of the reduction in the designed weight of products, the reuse of materials and packaging and the use of greener materials. Specifically, during 2022, the Group's parent company has managed to generalise the use of four alternative cleaning and degreasing products and has managed to replace the use of an anti-corrosive in aerosol format, thereby reducing the hazardous nature of the product as well as the consumption of raw materials and the generation of waste.

Water and effluents

Most of the water used by CAF is for domestic consumption. As for the use of water in the manufacturing processes, it is mainly used in the cooling of equipment and in the installation to ensure the watertightness of the trains. To this end, both mains water and river water (only in the Group's matrix) are used, in accordance with local limitations and limiting the consumption of the latter to its use in closed circuits.

The Group is aware that water is a scarce natural resource that should be preserved and it has therefore carried out a series of actions to encourage a more sustainable use of water. The most notable of these actions are as follows: implementing and promoting the rational use of water by installing closed circuits and raising environmental awareness among staff; establishing and monitoring the consumption of all water resources by implementing procedures defined according to the particular government authorisations and permits; avoiding the collection of water in areas with water stress; and, lastly, checking leaks and the airtightness of facilities to reduce consumption and impact.

Aimed at encouraging the sustainable use of water by suppliers, the ECOVADIS tool evaluates the Group's key suppliers and the measures they implement in relation to water management. The tool also analyses the suppliers that have a potentially significant impact on water, such as suppliers of batteries and tyres.

The water consumption of the CAF Group is shown below, being for the first time information on all the activities carried out by the Group:

Water consumption (ML)	2022	2021	2020	2019
Third party consumption	105[64]	86.75	76.94	93.17
Surface water consumption	51.89[65]	45.58	30.33[66]	54.12

All the water used by the Group is water with a concentration of dissolved solids ≤ 1000 mg/l and 99% of the water used is from areas without water stress.

With regard to discharges, CAF has the corresponding authorisations to discharge into sewers or watercourses (where applicable) and stores chemical products and materials in places fitted out

[64] Increased consumption by including the Group's global information. Broader scope than previous years (previous editions only included information from manufacturing plants).
[65] The increase in surface water consumption is due to increased production in the main water consumption area.
[66] The significant reduction in river water consumption is mainly due to the special impact generated by the COVID-19 pandemic in the production area where the highest consumption of river water takes place.

for this purpose in order to prevent pollution of rainwater. Likewise, the cleaning of the train units carried out during maintenance operations is carried out in appropriate facilities to guarantee the quality of the water discharged.

It also reviews and monitors the parameters of the discharged water, defining improvement objectives. The offices have fluid communication with the authorities that manage the discharged water in each location.

Power systems

Within the Group's Sustainability Policy and the Corporate Environmental Policy that develops it, the Group is committed to "defining strategies against Climate Change focused on reducing CO_2 emissions and promoting renewable energies", the main objectives of this commitment: the promotion of renewable energies, savings in energy consumption generated by its activity and the promotion of environmental policies within the Group and at all the sites where it operates and collaborates.

In 2022, as a result of the action plans for the reduction of energy consumption in the CAF Group, several measures have been taken, which are developed below.

- In terms of lighting, presence detectors have been installed, natural light has been used as much as possible, luminaires have been replaced with more efficient ones, and timers and presence sensors have been installed.
- Environmental awareness days have been held for the rational use of energy in offices.
- New KPIs and energy targets have been defined in order to identify possible energy efficiency savings.
- Equipment temperatures and the use of heating have been adjusted.
- A new heat treatment line has been designed at the Group's headquarters, with a renovated layout, which will substantially improve the energy efficiency of the wheel forging workshop in the coming years.

Likewise, in order to improve the control and optimisation of energy consumption, energy meters (gas and electricity) have been installed, the operation of air conditioning equipment has been programmed, key elements in energy efficiency in production processes have been replaced (e.g. forklift trucks) and leak controls have been carried out in pneumatic installations.

Promotion of renewable energies

During 2022, the CAF Group has maintained its environmental commitment beyond the manufacture and implementation of sustainable mobility solutions, supplying photovoltaic energy to cities and industries in different geographies throughout the world, through the Group's company, CAF Turnkey & Engineering (CAF TE). CAF TE develops engineering and construction (EPC) solutions for photovoltaic plants and provides operation and maintenance services. Specifically, during 2022, the company has developed several photovoltaic panel projects in Chile and Italy, increasing the installed solar power capacity, which now totals more than 200 MWp installed worldwide.

The CAF Group has also maintained systems for the generation of renewable energies at its facilities. Accordingly, in 2022, the headquarters of the parent company has enabled the generation of renewable energy, equivalent to 9% of the factory's annual electricity consumption, from the solar panels installed on the roof of the workshops and the hydroelectric plant belonging to the CAF Group. In addition, a photovoltaic installation (340 kWp) has been built at the Group's main bus manufacturing site and will be commissioned in the first quarter of 2023, which is expected to provide the equivalent of 2.5% of the site's annual electricity consumption. Similarly, a feasibility analysis of photovoltaic projects has begun at some of the Group's sites, which will be defined and consolidated in the coming months.

Below are the tables with the energy consumption of the CAF Group, being for the first time information on all the activities carried out by the Group:

Direct and indirect energy consumption (MWh)	2022	2021	2020	2019
Renewable energy				
Electricity	54,090	27,746	-	38,705
Thermal energy	766[67]	-	-	-
Hydrogen	55	83	8	5
Non-renewable energy				
Natural gas [68]	122,438	122,972	114,390	134,681
Diesel[69]	8,283	8,168	8,204	10,097
LPG and Petrol	3,342	4,483	3,278	2,737
Electricity	16,851	60,678	87,038	52,082
Thermal energy	16,048	18,901	24,611	24,309
Total electricity	70,941	88,424	87,038	90,787

As mentioned above, 76% of the Group's electricity consumption comes from renewable sources, with a guarantee of origin. This indicator has increased by 45 percentage points in 2022 compared to the previous year and is expected to continue to increase in the coming years, with the objective for 2023 being that 78% of the electricity consumed by the Group will come from renewable sources, with a guarantee of origin.

Direct and indirect energy consumption (MWh)	2022	2021	2020	2019
Total electricity	70,941	88,424	87,038	90,787
Rest of energies	150,932	154,606	150,485	171,830
Total energy consumption (MWh)	221,873	242,930	237,523	262,616
Energy intensity (kWH/MHW)	10	11.9	12.3	14.1

The Group's overall electricity consumption, both renewable and non-renewable, has been reduced by 19% in the last year, as a result of the measures implemented to reduce energy consumption.

As can be seen in the table above, the trend of the energy intensity ratio, taking into account the total energy consumption, has decreased over the last 4 years. This is due to a reduction in energy consumption and a broadening of the scope of the data provided in the hours worked, which now accounts for 95% of the Group. The Group's energy intensity target for 2023 is established at 12.1 kWh/MHW, as production activity will increase and this will lead to an increase in energy consumption.

[67] Fourteen percent of thermal energy consumption comes from renewable sources, with a guarantee of origin.
[68] The consumption of natural gas to heat the facilities represents approximately 18% of the total consumption This includes CNG consumption.
[69] Consumption related to material transport equipment.

Waste

The Group aims to reduce, reuse and recycle the waste produced by the activities carried on, and to this end it has expressed its commitment to the circular economy by signing up to the Circular Economy Pact of the Spanish Ministry of Agriculture and Fisheries, Food and Environmental Affairs (MAPAMA) in 2017.

Waste is managed on the basis of the following premises: 1) Reducing waste generation at source, e.g. by the use of returnable tools and return of surplus material to the supplier; 2) Maximising the reuse, recycling and recovery of waste. Along these lines, by 2022, 86% of the total amount of hazardous and non-hazardous waste generated will have been recovered, with the aim of improving the amount of waste recovered. 3) Promoting awareness campaigns on waste segregation and minimisation and 4) Proper waste treatment and management, based on defined waste management procedures, with managers close to the facilities and evaluating our supply chain partners in terms of their environmental performance.

During 2022, it is worth highlighting the target for the reduction of expired materials defined and controlled at several of the Group's railway maintenance sites. Likewise, with the same objective, at the train manufacturing sites, a 78% reduction has been achieved in the indicator of expired glues and paints, in the last two years, by changing the adhesive supply method with a local supplier, in order to reduce stocks and expired adhesives. This indicator is monitored in the procurement process of the railway activity.

Below are the CAF Group's waste generation data, with information for the first time on all the activities carried out by the Group and with information on the type of waste generated from 2021 onwards:

Waste for recovery (t)	2022				2021			
	Reuse[70]	Recycling	Other operations	TOTAL	Reuse	Recycling	Other operations	TOTAL
Non-hazardous waste	**22**	**27,823**	**1,136**	**28,981**	**86**	**7,643**	**9,538**	**17,267**
Packaging waste (wood, paper, cardboard and plastic)	22	4,188	133		86	2,478	5,547	
Metal waste	0	23,207	175		0	4,151[71]	3,701	
Other	0	427	828		1	219	290	
Dangerous residues	**0**	**1,468**	**427**	**1,895**	**32**	**391**	**649**	**1,072**
Paint residue	0	10	166		4	0.6	21	
Oily residues	0	142	111		21	72	138	-
Packaging waste	0	15	41		1	12	26	-
Batteries and batteries	0	1,114	1.7		0.1	90	3.5	-
Other	0	187	108		6	50	460	-

Waste for recovery (t)	2020				2019			
	Reuse	Recycling	Other operations	TOTAL	Reuse	Recycling	Other operations	TOTAL
Non-hazardous waste	175	5,702	3,791	9,619	153	6,702	5,234	12,089
Dangerous residues	33	201	2,033	2,266	36	212	1,114	1,362

[70] During 2022, the differentiation of waste reused on site from waste recycled by the waste manager has been improved.

[71] During 2021, the control and monitoring of metal waste in the matrix was improved through the implementation of an integrated scrap control system.

Waste destined for disposal (t)	2022				2021			
	Incineration	Landfill	Other operations	TOTAL	Incineration	Landfill	Other operations	TOTAL
Non-hazardous waste	715	2,504	622	3,840	322	706	3251	4,279
Packaging waste (wood, paper, cardboard and plastic)	198	194	424		287	407	162	
Metal waste	0	1,929	21		0	0	2,019	
Other	518	381	178		34	299	1,070	
Dangerous residues	370	244	603	1,216	204	172	1,070	1,445
Paint residue	81	39	109		67	81	106	
Oily residues	95	60	234		0.5	0.1	400	
Packaging waste	6.4	16	17		5.3	3.3	33	
Batteries and batteries	0	0.02	110		0	1.2	0.4	
Other	188	128	133		131	86	530	

Waste destined for disposal (t)	2020				2019			
	Incineration	Landfill	Other operations	TOTAL	Incineration	Landfill	Other operations	TOTAL
Non-hazardous waste	428	608	3,042	4,078	392	1,370	2,378	4,140
Dangerous residues	68	167	914	1,148	69	189	958	1,217

Protection of biodiversity:

With reference to the actions carried out by the CAF Group in relation to the protection of biodiversity, the Group is aware of its responsibility for biodiversity and the non-deforestation of the places in which it operates, and therefore controls this impact by carrying out environmental impact assessments (in the places/projects that require it) and developing products that respect the environment (for more information, see section *"5.3 Sustainable mobility and eco-efficient products*").

At present, the Group's sites are not located in protected areas where there may be a particular impact on biodiversity.

During 2023, the corporate environmental policy will be updated to include the CAF Group's commitment to the protection and restoration of biodiversity.

6 THE SOCIAL VALUE OF OUR ACTIVITY

"CAF is committed to the socially and environmentally sustainable development of the communities in which it operates, through the reduction of the environmental impact of its operations and the products/services it offers, and the promotion of activities that contribute to economic development, knowledge generation, education and social promotion and culture"

CAF Sustainability Policy
17 December 2020

CAF is aware that its activities have a direct and indirect impact on the development of the local communities where it operates and on the well-being of society at large, through sustainable and environmentally friendly mobility solutions, as indicated throughout the report.

As established in its Sustainability Policy, the CAF Group is committed to the socially and environmentally sustainable development of the communities in which it operates, through the reduction of the environmental impact of its operations and products/services and the promotion of activities that contribute to economic development, the generation of knowledge, the promotion of education, and social and cultural promotion.

This commitment is articulated through the Manual for the development of social commitments, which defines the areas of contribution of CAF's social commitments with the Stakeholder Company, and aims to ensure that CAF's collaboration activities that impact local communities in the area of social commitments are in accordance with the provisions of the Code of Conduct, Sustainability Policy, as well as with the measures set out in the Crime Prevention Manual.

In addition to respecting the social, economic, cultural and linguistic environments in which the Group carries on its activity, the following risks are associated with these commitments: (i) the adverse impact of its activities on local communities; (ii) lack of alignment between the corporate objectives of the CAF Group and respect for the various communities; (iii) the difficulty in establishing sustainable, enduring relationships with local communities; (iv) ineffective cooperation with the public authorities and local entities; and (v) lack of respect for social, economic, cultural and linguistic scenarios.

These risks are covered by the corporate risk control and management system described in Chapter 2 which includes a series of activities aimed exclusively at managing such risks. This process meets the risk and opportunity analysis of the frame of reference.

6.1 Economic promotion of the community

[2-28, MA 203, 203-2, MA 413]

There is a commitment to the local economy on three basic levels: the creation and maintenance of local employment, the contribution to the industrial transformation and competitiveness of the territory and the promotion of new business models.

Creation and maintenance of local employment

CAF is committed to supporting quality employment wherever it carries on its activities, both in Spain and abroad. This commitment manifests itself in the creation and conservation of direct employment, through the encouragement of the recruitment of local staff in the geographical areas in which the CAF Group carries on its activities, and of indirect employment, through the contracting of products and services from local suppliers.

Evidence of the former is the fact that over the last five financial years more than 90% of the workers were local[72], working under general conditions aligned with the Remuneration and Labour Relations Policies applicable at the Group companies. Along these lines, the CAF Group also guarantees equal conditions in starting salaries for men and women, through the application of the Remuneration and Labour Relations Policies in the Group's companies. For more details, see chapter "*4. The excellence of our team*".

"More than **90%** of workers are local"

Industrial transformation and territorial competitiveness

The CAF Group contributes to the promotion of industrial transformation and competitiveness in the area by collaborating with a different intensity and scope with specific initiatives and actions that can affect the economy of the localities in which it operates at domestic and international level.

Among these initiatives, it is worth highlighting the collaboration at regional level that began more than 10 years ago and which has led to the creation of Goierri Valley and CAF's participation in the project as a trailblazing company and member of the committee of driving companies. Created in 2017 with the vision of being the driving force behind the industrial transformation of the Goierri region, its aim is to promote the development of industry in the Goierri region by encouraging collaboration between companies and other public agents in areas that affect their competitiveness (diversification of markets and products, innovation and training).

Goierri Valley Future making Industrial Alliance

With regard to the activities carried out by CAF in the Association during 2022, the following are noteworthy:

- Participation in the various forums organised by the Association (Driver Committee, Driver Forums, Multilevel Forums), sharing experiences and needs, to collaborate in solving common problems detected.

- Participation in several of the sessions of the Hydrogen Round Table, analysing the opportunities and possible collaborations that may result in the coming years between the companies of the Association.

- Participation in the Industry 4.0 project, sharing with the Association the best practices and technologies implemented in the production centres, so that the Association can have the support and knowledge of the trends in these technologies.

Furthermore, within the initiative promoted by the Regional Development Agency, GOIEKI, and led by the Lehendakari Agirre centre on the Future Governance Model for Goierri, CAF has participated in the working groups on ENERGY.

[72] This includes the available data relating to the Group's employees, understood as local when they are located in a Group company located in the same country of birth.

CAF continues to participate in the activities of economic entities with business or sectoral relevance to a different extent. The following are some of the entities in which it has participated throughout 2022.

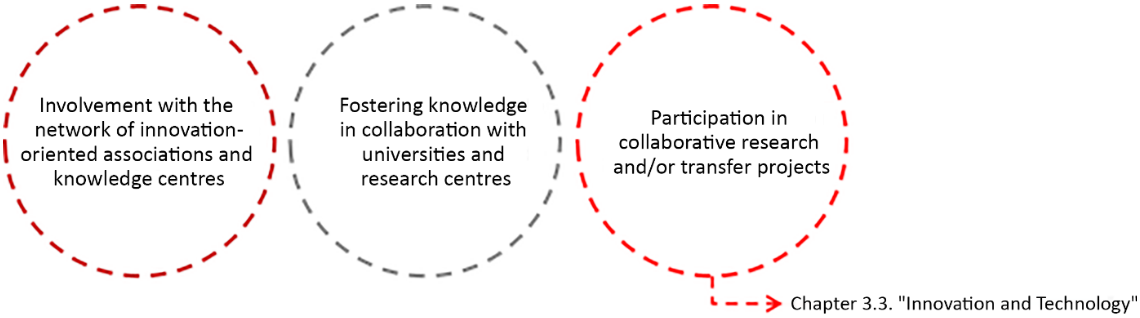
Gipuzkoa Business Association (ADEGI)	New Economy Forum
Spanish Confederation of Business Organisations	Chamber of Commerce
Entrepreneurs' Circle	MAFEX Spanish Railway Association
Exporters club	Union Internationale des Transports Publics - UITP
Asociación Progreso Dirección (APD)	European Railway Industry - UNIFE
Federation of Metal Companies of Zaragoza	Alamys (Latin American Association of Metros and Undergrounds)
UIMM (Union of Metallurgy Industries and Trades)	FEMEL (Metal Federation of Lleida)
RESILIAN (Réseau d'Industriels Innovants d'Álsace du Nord)	AECIM (Association of Metal Companies of the Community of Madrid)

In these entities, CAF has the vocation both to represent the company's interests and to contribute from its position and to draw attention to aspects that may be of general interest.

6.2 Knowledge generation

[2-28, MA 203, 203-2, MA 413]

In addition to participation in collaborative research and/or transfer projects, as described in section 3.3. Innovation, as in previous years, CAF continues to collaborate in generating knowledge in its operating environment through participation in the network of innovation-oriented associations and standardisation committees, as well as the promotion of knowledge in collaboration with technology centres and universities. Below is a list of some of the activities in this area.



Involvement with the network of innovation-oriented partnerships

Europe's Rail Joint Undertaking EU-Rail JU

EU-Rail JU is the new European partnership in rail research and innovation established under the Horizon Europe programme (2020-2027) and successor to Shift2Rail. This partnership aims to accelerate research and development of innovative technologies and operational solutions.

CAF is a founding member of EU-Rail and sits on the board of directors.

European Rail Research Advisory Council (ERRAC)

ERRAC is the European technology platform for the rail sector. The European Commission participates in this platform, along with the Member States, the European Railway Agency (ERA) and all relevant actors in the railway sector, including industry, operators, infrastructure managers, technology centres and universities. ERRAC's main objective is to provide the European institutions with a common vision to guide R&D in the railway sector.

CAF actively participates in ERRAC working groups and is also a member of the initiative's steering committee.

KDT JU (formerly ECSEL JU)

KDT brings together stakeholders from the EU public sector, industry and academic institutions. It supports research, development and innovation in essential applications in electronics.

CAF is a member of this EU Joint Undertaking.

UNIFE

The UNIFE association represents European train manufacturers and railway equipment suppliers. The association advocates on behalf of more than 100 of Europe's leading rail supply companies, from SMEs to large enterprises, active in the design, manufacture, maintenance and renewal of rail transport systems, subsystems and related equipment. UNIFE also brings together national railway industry associations from 11 European countries.

CAF participates in the association's working groups and committees and is a member of the board of directors.

UNISIG

Under the umbrella of UNIFE, UNISIG actively contributes to the activities of the European Union Railway Agency in the field of ERTMS/ETCS technical specifications.

UNISIG is composed of nine UNIFE member companies, one of which is CAF Signalling.

ERWA

Under the umbrella of UNIFE, ERWA (European Railway Wheels Association) aims to promote the benefits of use, the reduction of life cycle costs and the standardisation of railway wheels and axles. Its mission includes the development of standards and the promotion of safety and environmental innovation.

ERWA is composed of four UNIFE member companies, one of which is CAF.

MAFEX

Mafex is the association that represents the Spanish railway industry and serves this industry by helping companies in their internationalisation processes, as well as by defending the general interests of the associated companies in order to achieve, in cooperation, the highest possible level of competitiveness for them.

CAF is a member of the General Assembly and the Innovation Committee.

UITP

UITP (Union Internationale des Transports Publics) is the International Association of Public Transport promoting sustainable urban mobility. Founded in 1885, with more than 135 years of history, it is the only global network that brings together all public transport actors and all modes of sustainable transport.

CAF is a member of the R&D-oriented Mobility Innovation Committee and the standardisation-oriented Urban Rail Platform. As part of our activities in UITP, CAF has signed up to the Charter for Sustainable Development. One of the main areas of activity of the Charter signatories and UITP members is SDG Target 11.2: "by 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, in particular by expanding public transport, paying special attention to the needs of people in vulnerable situations, women, children, persons with disabilities and older persons".

VDV

About 600 companies operating public passenger and rail freight transport in Germany are organised in the "Verband Deutscher Verkehrsunternehmen" (VDV = Association of German Transport Companies). The VDV advises and supports its member companies and politicians, supports the exchange of experience and knowledge between members and prepares technical, operational, legal and economic principles.

Solaris is a member of this association.

Information Technology for Public Transport (ITxPT)

The non-profit ITxPT partnership enables open architecture, data accessibility and interoperability between IT systems. ITxPT members develop together IT architecture for public transport and other mobility services, based on standards and best practices.

Solaris is a member of the association.

Clean Bus Deployment Initiative

The European Declaration is an initiative based on the following three pillars: (1) the commitment of cities and manufacturers to pursue a joint mission to advance the emission reduction process, (2) the creation of a platform for information exchange between municipal authorities, transport operators and financial organisations, and (3) the creation of a group of experts to provide professional analysis in the fields of technology, economics and logistics. The document was signed by the European Commission and the industry's largest manufacturers. It is an expression of support for the large-scale deployment of full zero emission buses with alternative propulsion systems.

Solaris has been a member since 2017.

Hydrogen Europe (NEW – IG)

Leading association representing European industry, national associations and research centres active in the hydrogen and fuel cell sector, who work to accelerate the market introduction of this clean technology in the energy and transport sectors.

Solaris is a member of this association.

European Clean Hydrogen Alliance

This alliance aims for an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the partnership, the EU aims to consolidate its global leadership in this area, in support of the EU's commitment to achieve carbon neutrality by 2050.

CAF Group has joined this alliance.

BH2C: Basque Hydrogen Corridor

Association with the aim of advancing in the decarbonisation of the energy, industrial, residential and mobility sectors through the generation of a hydrogen ecosystem in the Basque Country based on specific projects and actions, with a public-private collaboration strategy.

CAF Group is a member of this association.

Masovian Hydrogen Valley

The objective of the Mazovia Hydrogen Valley is to boost the hydrogen-based industry in the region and to establish a hydrogen centre in Mazovia by fostering cooperation between the participants in the initiative on innovative technologies enabling the deployment of hydrogen in transport, energy, utilities, agriculture and other sectors of the economy.

Solaris is a member of this association.

Wielkopolska Hydrogen Valley

An initiative involving the development of the Wielkopolska Hydrogen Valley and the Polish national ecosystem based on hydrogen technologies. Signatories to the Wielkopolska Hydrogen Valley letter of intent include officials from the Wielkopolska region, mayors of its largest cities, university rectors and the business community. The synergy of the activities carried out by the parties involved will enable them to establish a coordinated and integrated system of relationships to foster the development of technology, expertise, enterprise and education. The objective of the signatories is to contribute to the decarbonisation of the economy with a view to achieving climate neutrality. The project also aims to strengthen the competitive position of the Wielkopolska Region.

Solaris is a member of this association.

PTNSS

The main objective of the Polish Combustion Engine Scientific Society (PTNSS) is the promotion and development of scientific and technical activity in the field of combustion engines.

Solaris is a member of the association.

RIH Railway Innovation Hub

Railway Innovation Centre with the mission of promoting technology and knowledge in the rail sector at an international level, through generating collaborative R&D projects, commercialising technology and know-how, promoting entrepreneurship and providing specialised services.

CAF is a member of the association.

Cybersecurity Forums

CAF collaborates in various national and international forums related to cybersecurity. CAF is integrated in CENELEC WG23 for the creation of TS50701, a specific European standard for cybersecurity in the rail sector. It also participates in the UNIFE Cybersecurity Subgroup and in the National Rail Sector Cybersecurity Working Group coordinated by INCIBE, in which RENFE and ADIF also participate.

Research and innovation committees

CAF is a member of various research and innovation committees such as, for example, the committee organised by the Confederation of Employers and Industries of Spain (CEOE) or that promoted by the Chamber of Commerce, in which discussions are held on the research, development and innovation situation and talks are held with the public authorities and various bodies and entities in relation to R&D&I activities and policies.

Participation in standardisation committees

AENOR/UNE

The Spanish Association for Standardisation and Certification (AENOR) is an organisation engaged in developing standardisation and certification in all industrial and service sectors.

CAF is well represented in this key standard-setting body.

CEN/CENELEC/IEC

European (CEN, CENELEC) and International (IEC) Standardisation Organisations.

CAF has representatives in several working groups.

PKN

The Polish Committee for Standardisation (Polski Komitet Normalizacyjny - PKN) is a national body responsible for the organisation of standardisation activities.

Solaris is a member of Technical Committee 17 on Vehicles and Road Transport.

Promoting knowledge in collaboration with technology centres

BAIC

BAIC is a public-private collaboration space for the promotion of Artificial Intelligence in the Basque Country. CAF is one of the organisations promoting this centre.

CEIT

CAF collaborates with this technology centre, engaged in research applied to the service of industry. CAF is a member of CEIT's Board of Trustees and participates in its governing bodies as a member of its Strategic Council.

CiC Nanogune

CAF collaborates with CiC Nanogune, a centre for research excellence in nanoscience and nanotechnology, by serving as a member of its board of directors.

CITEF

The Centre for Research in Railway Technologies (CITEF) was created for the purposes of research, innovation, experimentation, study and teaching in the area of railway knowledge. All of this on a non-profit basis and in pursuit of general interest purposes within any technological area of rail transport. CAF Signalling has collaborated with this centre in the development of training and simulation systems for the CBTC system.

DLR

DLR is the aeronautics and space research centre of the Federal Republic of Germany. This centre carries out research and development activities in the fields of aeronautics, space, energy, transport, security and digitalisation. CAF collaborates with DLR on several projects related to hydrogen-based mobility.

Donostia International Physics Center

CAF collaborates with this centre whose objective is scientific research in the field of basic and applied physics in areas of interest for Basque society and for international scientific development. CAF is a founding member of the Board of Trustees.

FCITIGG

The Fundación Centro de Investigación en Tecnologías de la Información y las Comunicaciones de Galicia (FCITIGG) is an own instrumental and technical service means that aims to contribute to the strengthening, empowerment, growth and improvement of the competitiveness of the ICT sector in Galicia. CAF Signalling collaborates with this centre in the development of software for LTE communications.

Foundation for the development of new Hydrogen Technologies in Aragon

Foundation promoting the development of new Hydrogen Technologies and as such, organises, manages and executes all types of actions related to hydrogen as an energy vector, with the aim of generating, storing and transporting hydrogen for its use in fuel cells, transport applications or distributed energy generation. CAF is a member of the Board of Trustees.

IIT

The Institute for Research in Technology (IIT) is a University Institute belonging to the Higher Technical School of Engineering (ICAI) of the Comillas Pontifical University. Its main objective is to promote research and the training of postgraduates in various technological fields through their participation in specific projects of interest to industry and government. CAF collaborates with this centre on several projects related to the characterisation and dimensioning of high-performance railway lines.

Ikerlan

Ikerlan is a centre dedicated to the transfer of knowledge specialising in electronics, information and communication technologies; energy and power electronics and advanced manufacturing. CAF collaborates with Ikerlan in R&D projects and in identifying interesting strategic lines of research.

Lortek

Lortek is an innovative research centre with a strong expertise in joining technologies. CAF collaborates with Lortek as a member of its Board of Trustees and participates in its governing bodies as a member of its Governing Council.

Tecnalia

CAF is a collaborating partner of the Tecnalia Research & Innovation foundation, a technology centre of great dimension and multidisciplinary orientation, and is also a member of its board of trustees and chairs the board of the industry and transport unit.

Vicomtech

Vicomtech is a technology centre specialising in Artificial Intelligence and Computer Vision. CAF collaborates with Vicomtech in the development of interior and exterior perception systems for autonomous vehicles as well as other solutions based on Artificial Vision aimed at inspection and monitoring.

Other Technology Centres

The list of technology centres with which the CAF Group collaborates is very extensive and some of them are listed below: Austrian Institute Of Technology (AIT) - Austria, CiCenergiGUNE - Spain, Cidetec - Spain, Consejo Superior de Investigaciones Científicas (CSIC) - Spain, IDEKO - Spain, IDONIAL - Spain, Institut français des sciences et technologies des transports (IFSTTAR) - France, Institute of Communication and Computer Systems - Greece, ITAINNOVA - Spain, Research and Testing Institute Plzen - Czech Republic, SINTEF - Norway, Tekniker - Spain, TNO - Netherlands, Virtual Vehicle Research GmbH - Austria, VTT - Finland, etc.

Promotion of knowledge in collaboration with universities

Tecnun Classroom - CAF

CAF has collaborated with the Tecnun School of Engineering continually for decades. Such collaboration has taken the form of activities such as undertaking collaborative research projects, the joint organisation of courses and seminars, and teaching tasks. On this last point, the permanent presence of CAF engineers on the teaching staff of Tecnun is noteworthy.

CAF Classroom - Mondragon Unibertsitatea (MU)

CAF has had a collaboration agreement with the Higher Polytechnic School of Mondragón for several years, which takes the form of a Collaborative Research and Transfer Programme.

This framework includes collaboration in the design of teaching programmes (participation in teaching and evaluation), definition of projects or design of in-company experiences. The aim of this is to ensure that there are relevant studies aligned with the real needs of society that enhance students' knowledge and professional skills and ultimately promote knowledge transfer.

The Classroom has adequate space and equipment to carry out these functions.

CAF Classroom - University of the Basque Country (UPV)

This Business Classroom deals with scientific research or technological development programmes and projects in areas related to the train, with special interest in IT, telecommunications, cybersecurity, electrical engineering, civil engineering, project management and renewable energies. Through this agreement, various end-of-degree and master's degree projects have been set up and it is hoped to organise complementary seminars and railway training days.

CAF – Deusto Classroom

In September 2022, the University of Deusto and CAF signed a collaboration agreement to promote the development of young engineers in the industrial sector and their incorporation into projects related to the current challenges of transforming the mobility sector. Thanks to this agreement, engineering students and CAF professionals will work together on projects related to the new challenges of sustainable mobility. Projects linked to software development, artificial intelligence and data analytics are currently being developed.

University of Oviedo

CAF Turnkey & Engineering has collaborated with the University of Oviedo over the last few years to develop several simulation tools that allow the correct dimensioning of the power supply infrastructure for trains and trams.

AGH University of Science and Technology in Krakow

Also, of note in Poland is the doctoral thesis programme implemented by Solaris together with AGH University of Science and Technology in Krakow. The aim of this programme is to create conditions for cooperation between the scientific community and the socio-economic environment, thereby enabling various employees to complete their doctoral thesis under a trilateral agreement between the employees, the university and the company.

Poznań University of Technology (Politechnika Poznańska)

Solaris collaborates with the Poznań University of Technology on key projects such as the ADAS project for the development of driver assistance systems. This collaboration also extends to student internships at Solaris.

University of Huddersfield - Institute of Railway Research

The Institute of Railway Research (IRR) at the University of Huddersfield's School of Informatics and Engineering is a world-leading centre in the field of railway engineering and safety. CAF collaborates with this University in innovation activities related to railway dynamics.

University of Melbourne

The CAF Group, through its subsidiary CAF Digital Services, collaborates with the University of Melbourne in activities related to Data Science.

Other Universities

The list of universities with which the CAF Group collaborates is very extensive and some of them are listed below: Université Burgundy Franche-Comté (UBFC) - France, University of Patras - Greece, Politecnico di Torino - Italy, University of Leeds - United Kingdom, Vrije Universiteit Brussel (VUB) - Belgium, University of West Bohemia - Czech Republic, Universidad pública de Navarra - Spain, etc.

6.3 Collaboration in the educational field

[2-28, MA 203, 203-2, MA 413]

CAF remains committed to training future professionals and with this in mind establishes a number of agreements to collaborate with educational institutions or entities that foster youth employment in the area in which it operates.

Educational entities or entities for the promotion of employment

State-owned

- Novia Salcedo Foundation
- University of Navarra Foundation
- Guipúzcoa Chamber of Commerce
- Goierri Eskola
- La Salle FP
- FP Bidasoa
- Universidad de Deusto
- University of Mondragon
- University of Navarra (Tecnun)
- University of the Basque Country
- University of Zaragoza
- University of Zaragoza Business Foundation

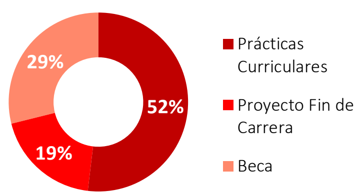
international

- Corning Community College
- ENIT Tarbes (School Engineer)
- Autonomous Mexico State University
- University of the Valley of Mexico
- Anahuac Technological University of Monterrey
- Technological Institute of Tlalnepantla
- La salle university
- Faculty of Higher Studies of Cuautitlán Izcalli
- College of Public Accountants of Mexico
- University of Science and Technology in Krakow (AGH), Poland
- Austrian Institute of Technology (AIT), Austria
- University of Science and Technology in Krakow (AGH), Poland
- University Burgundy Franche-Comté (UBFC), France
- The French Institute of Science and Technology for Transport, Development and Networks, Ifsttar, France
- Institute of Communication and Computer Systems, Greece
- Motor Transport Institute, Poland
- University of Patras, Greece
- Poznan University of Technology, Poland
- Polytechnic University of Turin, Italy
- University of Leeds, England
- Free University of Brussels (VUB), Belgium
- University of West Bohemia in Pilsen, Czech Republic

These collaboration agreements can provide access to training programmes for CAF employees, but their main objective is to offer opportunities for transition between education and the world of work through placements at the various CAF Group sites both locally and internationally.

With this objective, the CAF Group encourages managing placements to facilitate completing studies through curricular internships, undertaking final projects for university degrees and master's degrees, as well as scholarships for postgraduates, providing students with their first work experience complemented by training. More than 600 placements have been offered this year. To carry out this activity, both the parent company and some of the Group's subsidiaries collaborate with the Novia Salcedo Foundation with the aim of accompanying young people in their professional integration from a vocation of anticipation and collaboration.

"More than 600 company placements"



Internationalisation Scholarship Programmes

CAF is clearly committed to internationalisation and is aware of the need for people with an international profile. It is considered important to promote this profile in society and, to this end, CAF collaborates annually with the Basque Government in the Global Training scholarships. This programme provides young people with university degrees and higher vocational training with a powerful mechanism that allows them to carry out paid internships in companies and organisations abroad, in activities and projects related to their academic and professional profile for at least six months.

In 2022, the international activity promoting scholarships for graduates at CAF Group headquarters has been developed in countries such as Sweden, Germany, Chile, Finland, Hungary, the Netherlands and Belgium.

European initiatives coordinated by UNIFE

During 2022 CAF has continued its participation in the "Staffer" initiative promoted by the European Commission and coordinated by UNIFE, which brings together 32 partners from across the European Union and its railway community.

The railway is one of the main engines of the European strategic objective of smart, ecological and sustainable growth. This has been endorsed when the European Commission defined 2021 as the European Year of the Railway. The industry is currently suffering from a considerable lack of expertise, as a large part of its workforce will retire over the next 10 years, just when technological progress will require greater capability.

The consortium's aim is to develop a holistic strategy that identifies current and emerging needs regarding competencies, while at the same time cooperating with the industry and vocational and educational training institutions to design specific training and education programmes. They will improve employability and the professional opportunities in the railway industry by establishing trans-European mobility programmes and creating employment practices for students, apprentices and staff. "Staffer" expects to offer human capital solutions at all levels of the railway value chain, covering the needs of both the supply industry and the railway operators community. In 2022, CAF has continued to work on identifying the professional skills most in demand in the future in the sector, defining professional profiles and defining training programmes.

6.4 Collaboration with social and/or cultural initiatives

[2-28, MA 203, 203-2, MA 413]

In addition to the various initiatives mentioned above, the CAF Group collaborates with public and/or private entities to support social, knowledge and cultural projects that have a positive impact on the communities where it is located.

Below are some of the institutions with which CAF has actively collaborated throughout 2022, contributing to its development.

Collaboration in social activities

SuEskola Foundation

CAF collaborates with this foundation, which is a training centre for fire prevention and extinguishing, using innovative technology with real fire.

Green Dachshund Foundation

Foundation created in 2012 by Solaris Bus&Coach to help the most vulnerable. It aims to help people and animals in need close to the company, implementing aid programmes for children and young people, spreading the culture of animal protection and popularising the volunteer service by involving employees and external stakeholders.

Promotion of culture and linguistics

Bikain Certification

CAF promotes the use of the Basque language in its work centres, which has made it possible to obtain the Bikain certification awarded by the Basque Government in the Silver category in the Beasain and Irun work centres. This recognition is a certificate of quality in the linguistic management of Basque in the professional environment.

CAF Award - Elhuyar

Every year the Board of Trustees of the Elhuyar Foundation awards the CAF-Elhuyar merit prize. The aim of this award is to pay tribute to people who have excelled in the normalisation of the Basque language and the dissemination of science and technology.

This year, coinciding with the 50th anniversary of Elhuyar, the Board of Trustees has awarded this recognition to the founders of Elhuyar: Iñaki Azkune Mendia, Felix Azpiroz Arrillaga, Juanjo Gabiña Carrera, Jesus Mari Goñi Zabala, Andoni Sagarna Izagirre, Mikel Zalbide Elustondo, Xabier Larrea, Luis Mari Bandres Unanue and Kepa Zalbide Elustondo.

The Board of Trustees has praised the contribution of the work started 50 years ago by these engineering students to the standardisation of the Basque language and the dissemination of science and technology.

Igartza Awards

Founded in 1994 by the city of Beasain, with the support of the CAF company in Beasain and with the help of the ELKAR publishing house, the aim of this initiative is to expand Basque culture and support the work of young writers, through the Igartza Literary Creation Grant for new writers. The prize or scholarship consists of a financial award, together with a commitment to publish the work.

This year was the 25th edition and to celebrate it, on 8 October at the Igartza palace, an event was held in which people could enjoy a literary bertso-saio session set to music with texts created from the passages of the books that have won prizes during all these editions.

Euskaraldia

Euskaraldia is a mass social exercise lasting fifteen days with the aim of changing oral linguistic habits and making more use of the Basque language. CAF has participated in this initiative since its launch by promoting spaces to express oneself in Basque, called "Arigunes".

The 2022 edition was held between 18 November and 2 December.

7 ADDITIONAL INFORMATION

"To report information truthfully, honestly, and with absolute respect for people's integrity and honour, always ensuring the use of clear, responsible language that helps Stakeholders make an informed decision".

CAF Sustainability Policy
17 December 2020

7.1 About this report

[2-2, 2-3, 2-4, 2-26]

CAF's Sustainability Report is one of the main communication tools in this area and in the relationship with its Stakeholders.

Scope

This report, which covers the period from 1 January to 31 December 2022, is the seventh annual Sustainability Report published by CAF.

The information provided therein covers CAF's activities at Group level. In cases of limitations in scope, coverage or other aspects of the information, appropriate specifications have been made in the chapter itself. The reasons for omission in these cases have been that the content is not appropriate, as it is not considered material, confidentiality or the data is not currently of sufficient quality to be included in the report, in which case work is being done to improve it.

This report also draws on other reports to report more specifically on certain matters, such as CAF's Consolidated Financial Statements for the year ended 31 December 2022, in this case to reinforce the information in the economic area; or the Annual Corporate Governance Report 2022 to reinforce those issues related to CAF's Corporate Governance Model.

International standards used in preparing this Report

This report has been prepared with reference to the international standards of the Global Reporting Initiative (GRI) in the selected GRI option.

Relevant aspects and participation of stakeholders

CAF maintains an active dialogue with all its stakeholders to identify and respond to issues that are of interest to them. In this regard, the materiality analysis carried out to identify the most relevant aspects to be addressed has been taken into account in preparing this report.

For any clarification, doubt or suggestion related to the report or the subjects included in it, please contact:

esg@caf.net

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Economic performance (2016)			
GRI 3-3	Management Approach	1.3 Materiality + Consolidated Group Management Report 2022	15, Business performance and results
GRI 201-2	Financial implications and other risks and opportunities due to climate change	5.2 Climate strategy	120 – 122
GRI 201-3	Defined benefit plan obligations and other retirement plans	Consolidated Group Financial Statements for 2022	Note 20 to the Financial Statements.
GRI 201-4	Financial assistance received from the government	Consolidated Group Financial Statements for 2022	Note 15, Note 16 and Note 22 d) to the Financial Statements.
Diversity and equal opportunities (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	15, 96 – 98
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The salaries of all CAF employees are established in accordance with the collective bargaining agreements in force together with the remuneration regulations applicable in each of them, always being higher than the minimum established by law and guaranteeing equitable processing by setting salary conditions regardless of gender.	165
Indirect economic impacts (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 6. The social value of our activity	15, 147 – 159
GRI 203-2	Significant indirect economic impacts	6. The social value of our activity	147 – 159
Procurement practices (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 3.4 Responsible and sustainable supply chain	15, 81

GRI 204-1	Proportion of spending on local suppliers	Local suppliers accounted for 68% of the Group's spending in countries with significant operations	166
Anti-corruption (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	15, 42 – 53
GRI 205-2	Communication and training about anti-corruption policies and procedures	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	45 – 46
		2022 Annual Corporate Governance Report	Section F.1.2.
GRI 205-3	Confirmed cases of corruption and measures taken	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	47
		Consolidated Group Financial Statements for 2022	Note 26) to the Financial Statements
Unfair Competition (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	15, 49 – 51
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	50
		Consolidated Group Financial Statements for 2022	Note 12 a), Note 20 and Note 26 a) to the Financial Statements
Tax (2019)			
GRI 3-3	Management Approach	1.3 Materiality + 2.4 Fiscal responsibility	15, 54 – 56
GRI 207-1	Tax approach	2.4 Fiscal responsibility	54 – 56
GRI 207-2	Tax governance, control and risk management	2.4 Fiscal responsibility	55
GRI 207-3	Stakeholder engagement and management of concerns related to tax	2.4 Fiscal responsibility	55
CATEGORY: ENVIRONMENT			
Materials (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	15, 138
GRI 301-1	Materials used by weight or volume	5.4 Circular economy and sustainable use of resources	138 – 139
Energy (2016)			
GRI 3-3	Management Approach	1.3 Materiality. + 5.4 Circular economy and sustainable use of resources	15, 140 – 141
GRI 302-1	Energy consumption within the organisation	5.4 Circular economy and sustainable use of resources	141
GRI 302-3	Energy intensity	5.4 Circular economy and sustainable use of resources	141
GRI 302-4	Reduction of energy consumption	5.4 Circular economy and sustainable use of resources	141
Water and effluents (2018)			
GRI 3-3	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	15, 139
GRI 303-1	Interactions with water as a shared resource	5.4 Circular economy and sustainable use of resources	139
GRI 303-2	Management of water discharge-related impacts	5.4 Circular economy and sustainable use of resources	139
GRI 303-3	Water extraction	5.4 Circular economy and sustainable use of resources	139
Emissions (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 5.2 Climate strategy	15, 122 – 126
		Consolidated Group Financial Statements for 2022	Note 2 g)
GRI 305-1	Direct (Scope 1) GHG emissions	5.2 Climate strategy	124
GRI 305-2	Energy indirect (Scope 2) GHG emissions	5.2 Climate strategy	124
GRI 305-3	Other indirect (Scope 3) GHG emissions	5.2 Climate strategy	125 – 126
GRI 305-4	GEI emissions intensity	5.2 Climate strategy	125
GRI 305-5	Reduction of GHG emissions	5.2 Climate strategy	125
Waste (2020)			

GRI 3-3	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	15, 142 – 143
GRI 306-1	Waste generation and significant waste related impacts	5.4 Circular economy and sustainable use of resources	142 – 143
GRI 306-2	Management of significant waste-related impacts	5.4 Circular economy and sustainable use of resources	142 – 143
GRI 306-3	Waste generated	5.4 Circular economy and sustainable use of resources	142 – 143
GRI 306-4	Wastes not destined for disposal	5.4 Circular economy and sustainable use of resources	142 – 143
GRI 306-5	Waste destined for disposal	5.4 Circular economy and sustainable use of resources	142 – 143
Environmental assessment of suppliers (2016)			
GRI 3-3	Management Approach	1.3 Materiality. + 3.4 Responsible and sustainable supply chain	15, 81 – 85
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	3.4 Responsible and sustainable supply chain	81 – 85
CATEGORY: SOCIAL			
Employment (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.1 Talent development	15, 88 – 92
GRI 401-1	New employee hires and employee turnover	4.1 Talent development	89
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1 Talent development	92
Worker-company relations (2016)			
GRI 3-3	Management Approach	1.3 Materiality. + 4.1 Talent development	15, 92
GRI 402-1	Minimum notice periods regarding operational changes	The provisions of the applicable agreement or, subsidiarily, the relevant local legislation are complied with in this regard.	167
Occupational health and safety (2018)			
GRI 3-3	Management Approach	1.3 Materiality + 4.4 Occupational health and safety	15, 106 – 116
GRI 403-1	Occupational health and safety management system	4.4 Occupational health and safety	107 – 108
GRI 403-2	Hazard identification, risk assessment and incident investigation	4.4 Occupational health and safety	106 – 116
GRI 403-3	Occupational health services	4.4 Occupational health and safety	109 – 110
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	4.4 Occupational health and safety	110 – 111
GRI 403-5	Worker training on occupational health and safety	4.4 Occupational health and safety	112 – 113
GRI 403-6	Promotion of worker health	4.4 Occupational health and safety	109 – 110
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.4 Occupational health and safety	112
GRI 403-8	Coverage of the occupational health and safety management system	4.4 Occupational health and safety	107 – 108
GRI 403-9	Work-related injuries	4.4 Occupational health and safety	113 – 116
Training and teaching (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.1 Talent development	13, 92 – 94
GRI 404-1	Average hours of training per year per employee	4.1 Talent development	93
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1 Talent development	93
Diversity and equal opportunities (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	15, 96 – 98
GRI 405-1	Diversity of governing bodies and employees	2.1 Good Governance System	32-35
		4.2 Diversity and equal opportunities	98
		2022 Annual Corporate Governance Report	Sections C.1.5, C.1.6,

			C.1.7, C.2.1
Non-discrimination (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	15, 96 – 98
GRI 406-1	Incidents of discrimination and corrective actions taken	4.2 Diversity and equal opportunities	96 – 97
Freedom of association and collective bargaining (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	15, 100 – 105
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No significant affected sites and suppliers have been identified in this regard.	168
Child Labour (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	15, 100 – 105
GRI 408-1	Operations and suppliers with significant risk for incidents of child labour	No significant affected sites and suppliers have been identified in this regard.	168
Forced or compulsory labour (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	15, 100 – 105
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	No centres or providers have been identified as having a significant risk in this regard.	168
Indigenous peoples' rights (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	15, 100 – 105
GRI 411-1	Incidents of violations involving rights of indigenous peoples	No such cases have been detected.	168
Human rights assessment (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	15, 100 – 105
GRI 412-2	Employee training on Human Rights policies or procedures	4.3 Respect for Human Rights	101 – 102
Local communities (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 6. The social value of our activity	15, 14 – 159
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No centres have been identified with significant negative effects in this regard.	168
Social assessment of suppliers (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 3.4 Responsible and sustainable supply chain	15, 81 – 85
GRI 414-2	Negative social impacts in the supply chain and actions taken	3.4 Responsible and sustainable supply chain	81 – 85
Public Policy (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 42 – 53
GRI 415-1	Contributions to political parties and/or representatives	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	53
Customer health and safety (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 3.1 Quality and safety of products and services	15, 61 – 63
GRI 416-1	Assessment of the health and safety impacts of product or service categories	3.1 Quality and safety of products and services	61 – 62
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.1 Quality and safety of products and services	62
Customer privacy (2016)			
GRI 3-3	Management Approach	1.3 Materiality + 3.2 Information security	15, 64 – 66
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.2 Information security	65

7.4 Table of contents in relation to the Global Compact Principles

As stated throughout the Report, CAF, S.A. maintains its adherence to the Global Compact and as such complies with the corresponding requirements, i.e. the annual renewal of the CEO's declaration of commitment where the commitment to the initiative and its Ten Principles is renewed and the annual publication of the Progress Report.

In this regard, the new updated UN Global Compact Progress Report (COP) comes into force in 2023, replacing the narrative reporting format with a standardised questionnaire. This questionnaire has a first section on Governance, which provides a cross-cutting view of the governance structure of corporate sustainability, and four other sections: Human Rights, Labour, Environment and Anti-Corruption. Within each section, questions are incorporated that address the process and policies that demonstrate a company's commitment to progress, efforts made to prevent negative social and environmental impacts, performance and remediation indicators, and reporting mechanisms to address grievances and reflect on lessons learned. In doing so, the organisation aims to:

- Measure and demonstrate progress to stakeholders in a coherent and harmonised way with the rest of the initiative's participants.
- Be mentored, learn and continuously improve performance by identifying challenges and setting sustainability targets.
- Benchmark progress against other companies by accessing a comprehensive corporate sustainability database.
- Build credibility and brand value by showing the company's commitment to the Ten Principles and the Sustainable Development Goals.

CAF will complete the questionnaire by the deadline set by the Global Compact for this launch year (27 March to 30 June) and it will be publicly accessible through the Global Compact website. However, additionally and for the purposes of this Report, the following table identifies the chapters of the Sustainability Report - EINF where the information relating to compliance with the 10 Principles of the Global Compact is included.

THE 10 GLOBAL COMPACT PRINCIPLES	REFERENCE
HUMAN RIGHTS	
PRINCIPLE 1. Businesses should support and respect the protection of internationally proclaimed Human Rights	1. CAF's overall Vision and Sustainability 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 4.3 Respect for Human Rights
PRINCIPLE 2. Businesses should make sure that they are not complicit in Human Rights abuses	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
LABOUR STANDARDS	
PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.1 Talent development 4.3 Respect for Human Rights
PRINCIPLE 4: Businesses should support the elimination of all forms of forced and compulsory labour.	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
PRINCIPLE 5: Businesses should support the effective abolition of child labour	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
PRINCIPLE 6: Businesses should support the elimination of discrimination in respect of employment and occupation	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 4.1 Talent development 4.2 Diversity and equal opportunities 4.3 Respect for Human Rights
ENVIRONMENT	

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges	5.1 Environmental management 5.2 Climate strategy
PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.	3.4 Responsible and sustainable supply chain 5.1 Environmental management 5.2 Climate strategy 5.3 Sustainable and efficient mobility 5.4 Circular economy and sustainable use of resources
PRINCIPLE 9: Companies should encourage the development and diffusion of environmentally friendly technologies	3.3 Innovation and technology 5.3 Sustainable and efficient mobility
ANTI-CORRUPTION	
PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and briber.	1. CAF's overall Vision and Sustainability 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law

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AUDIT REPORT ON CONSOLIDATED 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.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2022 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

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 consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited. C.I.F. B-78970506.

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

Description

The Group 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 consolidated 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 2022 in relation to this type of contract by applying the progress method amounted to 1,401,479 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 Group'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 disclosed in Note 6.b of the attached notes to the consolidated 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 Group 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 Group 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 consolidated 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 Group has recorded provisions as of December 31, 2022, under the headings "Non-current provisions" and "Current provisions", to meet obligations for guarantees, contractual responsibilities and others that are detailed in Note 20 of the attached notes to the consolidated financial statements amounting to 57,615 and 238,589 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 Group'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 Group, 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 consolidated balance sheet and profit and loss account.

The information regarding the criteria applied by Group Management and the main assumptions considered in determining the corresponding provisions and their amounts, as well as their movement during the year, is disclosed in Notes 3.f, 3.m and 20 of the attached notes to the consolidated 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 Group'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 Group 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 consolidated financial statements in accordance with the applicable regulatory framework for financial information.

Recording and valuation of the business combination carried out in the year

Description

As indicated in Note 2.f of the attached consolidated financial statements, during the year ended December 31, 2022, the CAF Group has acquired the entire share capital of the company currently called CAF Reichshoffen, SAS for an amount of 46,600 thousand euros.

Group's Management has recorded the business combination by the acquisition method, which means accounting for the identifiable assets acquired and the liabilities assumed at their fair value on the acquisition date, having recognized several intangible assets in the consolidated balance sheet, among which a provisional goodwill is included for a net book value of 83,333 thousand euros.

The determination of the fair values of the identifiable assets acquired and the liabilities assumed in this business combination requires complex estimates to be made by the Group's Management, which entails the application of judgments in establishing the assumptions considered in relation to with such estimates, which include, among others, the allocation of the price paid in the business combination.

We have considered this area as a key matter in our audit due to the inherent complexity of the estimation process, the significant impact that changes in the assumptions made could have on the accompanying consolidated financial statements, as well as the relevance of the amounts involved.

The information regarding the valuation rules applicable to business combinations and the assets and liabilities acquired as a result of the combination carried out during the year, as well as the corresponding breakdowns, is disclosed in note 2.f of the attached consolidated 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 Group´s Management for the recording and valuation of business combinations.
- Review of the acquisition contract to obtain an understanding of the transaction and its key clauses, as well as the review of the supporting documentation of the amount paid.
- Review of the methodology used by the Group's Management to determine the fair value of the identifiable assets acquired and the liabilities assumed in the business combination, verifying its consistency with the applicable financial reporting regulatory framework, covering, in particular, its clerical accuracy and the evaluation of the reasonableness of the financial assumptions considered.
- Carrying out, with the involvement of our valuation specialists, a calculation to contrast the provisional valuation of the main assets carried out by the Group's management.
- Review of the financial information of the acquired company that supports the main figures included in the consolidated balance sheet.

- Review of the accounting impacts derived from the business combination and verification of its proper recording in the consolidated financial statements.
- Review of the disclosures included in the notes to the consolidated financial statements in accordance with the applicable regulatory framework for financial information.

Valuation of goodwill and other intangible assets

Description

As indicated in Note 7 of the accompanying notes to the consolidated financial statements, the net book value of the headings "Goodwill" and "Other intangible assets" as of December 31, 2022 amounts to 187,470 and 255,439 thousand euros, respectively.

The Group's Management assesses goodwill and intangible assets with indefinite useful lives to impairment tests annually and when circumstances indicate that their book value may be affected and, for the rest of the intangible assets, it evaluates, at least closing of each financial year, the existence of evidence that they could be impaired. If there is evidence, it estimates their recoverable amounts based on the present value of the future cash flows generated by the cash-generating units to which said assets are assigned.

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

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

The information regarding the valuation standards applied and the main assumptions considered in determining the impairment of intangible assets is included in Notes 3.a and 3.c of the attached notes to the consolidated 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 Group's Management to identify signs of impairment and determine the recoverable amount of goodwill and other intangible assets, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- Review of the model used by Group 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 projected cash flows and discount rates 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.
- Analysis of the reasonableness of the allocation of assets to the different cash-generating units.
- Review of the sensitivity analyzes carried out by the Group's Management with respect to 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 consolidated financial statements in accordance with the applicable regulatory framework for financial information.

Other information: consolidated management report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

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

a) Checking only that the consolidated 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 consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated 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 consolidated management report is consistent with that provided in the 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent 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 parent 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, we determine those matters that were of most significance in the audit of the consolidated 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 files of the European single electronic format (ESEF) of Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries for the 2022 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, 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 2022 financial year, in accordance with the formatting and mark-up 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 files prepared by the directors of the parent 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 consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, 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 24, 2023.

Building a better working world

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 24, 2023


euskotren

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

Translation of a report 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.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2022, of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and its subsidiaries (hereinafter, the Group), which is part of the Consolidated Management Report of the Group.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in section 7.2 "Table of contents of the Non-Financial Information Statement" included in the accompanying NFS.

Directors' Responsibility

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. are responsible for the approval and content of the NFS included in the Consolidated Management Report of the Group. The NFS has been prepared in accordance with the contents established in prevailing mercantile regulations and following *Sustainability Reporting Standards* selected criteria of the *Global Reporting Initiative* (GRI standards), as well as other criteria described in accordance with that indicated for each subject in section 7.2 "Table of contents of the Non-Financial Information Statement", included in the accompanying NFS.

This responsibility also includes the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

The Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control

We have complied with the independence and other ethics requirements of the International Code of Ethics for Accounting Professionals (including international standards on independence) issued by the International Standards Board on Ethics for Accounting Professionals (IESBA) which is based on the fundamental principles of integrity, professional objectivity, competence and diligence, confidentiality and professional behaviour.

Our firm applies current international quality standards and maintains, consequently, a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards and legal provisions and applicable regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our work has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Guidelines on assurance engagements on the Non-Financial Statement issued by the Spanish Institute of Chartered Accountants.

The procedures carried out in a limited assurance engagement vary in nature and timing and are less in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Group personnel to gain understanding of the business model, policies and management approaches applied, and of the main risks related to these matters, and obtaining the necessary information for our external review.
- Analysing the scope, relevance and integrity of the content included in the NFS for the year ended December 31, 2022 based on the materiality analysis made by the Group and described in section "Materiality", considering the content required by prevailing mercantile regulations.
- Analysing the processes for gathering and validating the data included in the NFS for the year ended December 31, 2022.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFS for the year ended December 31, 2022.
- Checking, through tests, based on a selection of a sample, the information related to the content of the NFS for the year ended December 31, 2022 and its correct compilation from the data sources.
- Obtaining a representation letter from the Board of Directors and Management.

Paragraph of emphasis

Regulation (EU) 2020/852 of the European Parliament and the Council, June 18 2020, on the establishment of a framework to facilitate sustainable investments settles the obligation to disclose information on how and to what extent the company's activities are associated with economic activities that are considered aligned in relation to climate change mitigation and adaptation objectives for the first time for the financial year 2022, additionally to the information related to eligible activities required in financial year 2021. Consequently, comparative information about alignment has not been included in the accompanying Consolidated Management Report. Moreover, while information about eligible activities in the financial year 2021 was not required with the same level of detail than in 2022, the accompanying NFIS does not include information about eligibility is not strictly comparable. Additionally, information has been included, for which the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.. have chosen to apply the criteria that, in their opinion, best enable compliance with the new obligation and which are defined within the "Sustainable taxonomy of the European Union" chapter of the accompanying Consolidated Management Report/NFS. Our conclusion has not been modified in relation to this matter.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, no matter has come to our attention that would lead us to believe that the NFS of the Group for the year ended December 31, 2022 has not been prepared, in all material respects, in accordance with the contents established in prevailing mercantile regulations and following the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in section 7.2 "Table of contents of the Non-Financial Information Statement", included in the NFS.

Use and distribution

This report has been prepared to comply with prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(signed on the original version In Spanish)

Alberto Castilla Vida

February 24th, 2023

FINANCIAL STATEMENTS OF THE CONSOLIDATED GROUP

Consolidated Balance Sheets

at 31 December 2022 and 2021 (Thousands of Euros)

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

Assets	Note	31-12-22	31-12-21 (*)
Non-current assets:			
Intangible assets	**7**		
Goodwill		187,470	109,655
Other intangible assets		255,439	222,682
Total intangible assets		**442,909**	**332,337**
Property, plant and equipment	**8**	**483,208**	**388,289**
Investments accounted for using the equity method	**9**	**33,116**	**17,073**
Non-current financial assets	**9**	**413,198**	**429,902**
Non-current hedging derivatives	**17**	**12,455**	**35,408**
Deferred tax assets	**18**	**150,662**	**144,530**
Other non-current assets	**21**	**4,689**	**5,129**
Total non-current assets		**1,540,237**	**1,352,668**
Current assets:			
Inventories	**11**	**585,551**	**486,824**
Trade and other receivables			
Trade receivables for sales and services	12	1,903,938	1,511,392
Other receivables	12	214,610	168,441
Current tax assets		16,083	10,335
Total Trade and other receivables		**2,134,631**	**1,690,168**
Current financial assets	**13**	**137,982**	**131,372**
Current hedging derivatives	**17**	**28,510**	**48,477**
Other current assets	**21**	**13,874**	**9,013**
Cash and cash equivalents		**473,344**	**551,372**
Total Current assets		**3,373,892**	**2,917,226**
Total Assets		**4,914,129**	**4,269,894**

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

Equity and liabilities	Note	31-12-22	31-12-21 (*)
Equity:	**14**		
Shareholders' equity			
Registered share capital		10,319	10,319
Share premium		11,863	11,863
Other accumulated reserves and profit for the year attributable to the Parent		930,787	919,051
Interim dividend		-	(13,712)
Treasury shares and equity investments		(1,292)	-
Total Shareholders' Equity		**951,677**	**927,521**
Valuation adjustments			
Hedges		12,544	2,508
Translation differences		(188,302)	(203,367)
Total Valuation Adjustments		**(175,758)**	**(200,859)**
Equity attributable to the Parent		**775,919**	**726,662**
Non-controlling interests		**12,406**	**13,798**
Total Equity		**788,325**	**740,460**
Non-current liabilities:			
Non-current provisions	**20**	**117,741**	**91,298**
Non-current financial liabilities	**15 & 16**		
Bank borrowings and debt instruments or other marketable securities		589,703	675,569
Other financial liabilities		89,324	76,606
Total Non-current financial liabilities		**679,027**	**752,175**
Deferred tax liabilities	**18**	**161,881**	**141,337**
Non-current hedging derivatives	**17**	**12,494**	**36,292**
Other non-current liabilities	**21**	**104,531**	**82,079**
Total Non-current liabilities		**1,075,674**	**1,103,181**
Current liabilities:			
Current provisions	**20**	**326,187**	**286,319**
Current financial liabilities	**15 & 16**		
Bank borrowings and debt instruments or other marketable securities		278,339	282,703
Other financial liabilities		36,351	48,707
Total Current financial liabilities		**314,690**	**331,410**
Trade and other payables			
Payable to suppliers	26	988,730	780,287
Other payables	19	1,369,948	932,435
Current tax liabilities		15,053	20,115
Total Trade and other payables		**2,373,731**	**1,732,837**
Current hedging derivatives	**17**	**32,617**	**69,347**
Other current liabilities	**21**	**2,905**	**6,340**
Total Current liabilities		**3,050,130**	**2,426,253**
Total Equity and liabilities		**4,914,129**	**4,269,894**

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

The accompanying Notes 1 to 28 are an integral part of the consolidated balance sheet at 31 December 2022.

Consolidated Statements of Profit or Loss

for the years ended 31 December 2022 and 2021 (Thousands of Euros)

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

(Debit) Credit	Note	2022	2021 (*)
Continuing operations:			
Revenue	6, 9 & 10	3,165,470	2,942,685
+/- Change in inventories of finished goods and work in progress		99,321	54,152
In-house work on non-current assets		2,413	875
Procurements	22	(1,829,523)	(1,642,321)
Other operating income	22	27,951	19,752
Staff costs	23	(801,469)	(714,665)
Other operating expenses	22	(431,982)	(406,467)
Depreciation and amortisation charge	7 & 8	(95,394)	(87,141)
Impairment and gains or losses on disposals of non-current assets	7, 8 & 9	1,857	(2,721)
Other results		-	793
Profit/(Loss) from operations		**138,644**	**164,942**
Finance income	9, 10 & 13	11,252	7,055
Finance costs	9, 15, 16 & 17	(62,545)	(42,924)
Changes in fair value of financial instruments		1,145	82
Exchange differences		(2,952)	(2,296)
Impairment and gains or losses on disposals of financial instruments	9	9	20
Financial profit/(loss)		**(53,091)**	**(38,063)**
Result of companies accounted for using the equity method	9	5,562	2,953
Profit/(Loss) before tax		**91,115**	**129,832**
Income tax	18	(36,251)	(41,061)
Profit/(Loss) for the year from continuing operations		**54,864**	**88,771**
Consolidated Profit/(Loss) for the year		**54,864**	**88,771**
Attributable to:			
The Parent		52,188	85,920
Non-controlling interests	14	2,676	2,851
Earnings per share (in euros)			
Basic		1.52	2.51
Diluted		1.52	2.51

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

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of profit or loss for 2022.

Consolidated Statements of Comprehensive Income

for 2022 and 2021 (Thousands of Euros)

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

	Note	2022	2021 (*)
A) Consolidated profit/(loss) for the year:		**54,864**	**88,771**
B) Other comprehensive income - Items not reclassified to profit or loss:		**(6,079)**	**(2,762)**
Arising from actuarial gains and losses	20	(3,104)	(2,788)
Equity instruments at fair value through other comprehensive income	9	(2,975)	96
Tax effect	18	-	-
Other income and expenses taken directly to equity		-	(70)
C) Items that may be reclassified subsequently to profit or loss:		**24,990**	**24,175**
Cash flow hedges:		**(1,568)**	**1,442**
Revaluation gains/losses	17	(1,784)	1,183
Amounts transferred to profit or loss		216	259
Translation differences:		**14,926**	**7,625**
Revaluation gains/losses	14	14,926	7,625
Amounts transferred to profit or loss		-	-
Share of other comprehensive income recognised for investments in joint ventures and associates:		**11,256**	**15,454**
Revaluation gains/losses			
Cash flow hedges	9 & 17	10,104	14,365
Translation differences		28	467
		10,132	14,832
Amounts transferred to profit or loss			
Cash flow hedges	17	1,124	622
Translation differences		-	-
		1,124	622
Tax effect		**376**	**(346)**
Total comprehensive income (A+B+C)		**73,775**	**110,184**
Attributable to:			
The Parent		71,210	107.,405
Non-controlling interests	14	2,565	2.,779

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

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of comprehensive income for 2022.

Consolidated Statements of Changes in Equity

for 2022 and 2021 (Thousands of Euros)

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

	Equity attributable to the Parent								
	Shareholders' equity								
	Share capital	Share premium	Other accumulated reserves and profit for the year attributable to the Parent	Treasury shares and equity investments	Interim dividend	Hedges	Translation differences	Non-controlling interests	Total equity
Balances at 31 December 2020 (*)	**10,319**	**11,863**	**835,893**	**-**	**-**	**(13,575)**	**(211,531)**	**11,234**	**644,203**
Total comprehensive income	**-**	**-**	**83,158**	**-**	**-**	**16,083**	**8,164**	**2,779**	**110,184**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(13,712)**	**-**	**-**	**(215)**	**(13,927)**
Dividends payable (Note 14)	-	-	-	-	(13,712)	-	-	(215)	(13,927)
Balances at 31 December 2021 (*)	**10,319**	**11,863**	**919,051**	**-**	**(13,712)**	**2,508**	**(203,367)**	**13,798**	**740,460**
Total comprehensive income	**-**	**-**	**46,109**	**-**	**-**	**10,036**	**15,065**	**2,565**	**73,775**
Transactions with shareholders or owners	**-**	**-**	**(34,373)**	**(1,292)**	**13,712**	**-**	**-**	**(3,957)**	**(25,910)**
Dividends payable (Note 14)	-	-	(34,281)	-	13,712	-	-	(1,949)	(22,518)
Other transactions with non-controlling interests (Note 2-f)	-	-	-	-	-	-	-	(2,008)	(2,008)
Transactions in treasury shares (net) (Note 14)	-	-	(92)	(1,292)	-	-	-	-	(1,384)
Balances at 31 December 2022	**10,319**	**11,863**	**930,787**	**(1,292)**	**-**	**12,544**	**(188,302)**	**12,406**	**788,325**

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

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of changes in equity for 2022.

Consolidated Statements of Cash Flows

for 2022 and 2021 (Thousands of Euros)

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

	Note	2022	2021 (*)
Cash flows from operating activities:			
Profit/(Loss) before tax		91,115	129,832
Adjustments for			
Depreciation and amortisation charge	7 & 8	95,394	87,141
Impairment losses	7, 8 & 9	847	225
Other income and expenses		(5,481)	(4,956)
Gains and losses on disposals of non-current assets	8	(1,857)	2,721
Investments accounted for using the equity method	9	(5,562)	(2,953)
Finance income		(11,252)	(7,055)
Finance costs		62,545	42,924
Changes in working capital	3-d, 11 & 12	(46,497)	(53,190)
Other cash flows from operating activities			
Income tax paid	18	(54,609)	(36,726)
Other amounts paid relating to operating activities		(13,673)	(4,413)
Net cash (used in)/from operating activities (I)		**110,970**	**153,550**
Cash flows from investing activities:			
Payments due to investment			
Group companies and associates	2-f	33,760	(9,527)
Property, plant and equipment, intangible assets and investment property	7 & 8	(77,546)	(44,593)
Other financial assets	9 & 13	(14,631)	(36,509)
Proceeds from disposal			
Group companies and associates	9	442	277
Property, plant and equipment, intangible assets and investment property	7 & 8	4,674	1,620
Other financial assets	9 & 13	69,297	22,860
Dividends received		2,387	-
Interest received	9 & 13	9,218	4,646
Net cash (used in)/from investing activities (II)		**27,601**	**(61,226)**
Cash flows from financing activities:			
Purchase of equity instruments – non-controlling interests	15	(5,371)	-
Purchase of equity instruments – treasury shares	14	(1,384)	-
Proceeds/(Payments) relating to financial liability instruments			
Issue	15 & 16	647,173	396,504
Repayment	15 & 16	(778,266)	(454,699)
Dividend payments and returns on other equity instruments paid	14	(36,230)	(29,086)
Other cash flows from financing activities			
Interest paid	16	(46,672)	(39,823)
Net cash (used in)/from financing activities (III)		**(220,750)**	**(127,104)**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**(82,179)**	**(34,780)**
Cash and cash equivalents at beginning of year		551,372	573,928
Effect on cash of foreign exchange rate changes		4,151	12,224
Cash and cash equivalents at end of year		**473,344**	**551,372**

(*) Presented for comparison purposes only (Note 2-e).
The accompanying Notes 1 to 28 are an integral part of the consolidated statement of cash flows for 2022.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

1. DESCRIPTION AND ACTIVITIES OF THE PARENT

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") was incorporated in 1917, for an indefinite period of time, in San Sebastián (Gipuzkoa) and its registered office is located at Calle José Miguel Iturrioz 26, Beasain (Gipuzkoa) (Spain).

The Parent did not change its name in the last financial year.

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

The Group currently engages mainly in the sale of rail and bus mobility solutions, and its main centre of activity is in Beasain (Gipuzkoa) (Spain).

The Parent, Construcciones y Auxiliar de Ferrocarriles, S.A., as part of its business activities, holds majority ownership interests in other companies (Note 2-f).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Basis of presentation

The 2022 consolidated financial statements of the CAF Group have been authorised for issue by the directors:

- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, including International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the Group's accompanying consolidated financial statements are summarised in Note 3.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3.
- So that they present fairly the CAF Group's consolidated equity and consolidated financial position at 31 December 2022 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The CAF Group's 2021 consolidated financial statements were approved by the shareholders at the Annual General Meeting of CAF held on 11 June 2022. The consolidated financial statements of the Group and the financial statements of the Group companies for financial year 2022 are pending approval by shareholders at their respective General Meetings. However, CAF's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Adoption of new standards and interpretations issued

In 2022, various amendments and/or interpretations took effect in relation to IFRS 3, on the update of the reference to the Conceptual Framework; IAS 16, in relation to revenue prior to intended use; IAS 37, regarding onerous contracts; and IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments, relating to the improvements to IFRSs 2018–2020 Cycle. These amendments did not have a significant impact on the preparation of these consolidated financial statements.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the most significant new standards, amendments and interpretations that had been published by the IASB but which had not come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

New standards, amendments and interpretations	Obligatory application in annual reporting periods beginning on or after
Approved for use in the European Union	
New standards	
Insurance Contracts (IFRS 17)	1 January 2023
Amendments and/or interpretations	
Amendments to IAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 — Presentation of Financial Statements and Changes in Accounting Policies	1 January 2023
Deferred taxes (Amendments to IAS 12)	1 January 2023
Amendments to IFRS 16 — Lease Liabilities	1 January 2024
Not yet approved for use in the European Union	
Amendments and/or interpretations	
Amendments to IAS 1 — Classification of Current and Non-current Liabilities	1 January 2024

The Group performed a preliminary assessment of the impact that the future application of the standards that come into force in annual reporting periods beginning on or after 1 January 2023 will have on the consolidated financial statements. The Group considers that the application of the new standards and amendments will not have a significant impact on its consolidated financial statements.

c) Presentation currency

These consolidated financial statements are presented in euros, since it is the currency of the main economic area in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 2-f.

d) Use of estimates

Estimates were occasionally made in the consolidated financial statements of the CAF Group for 2022. These estimates, which were made on the basis of the best information available, relate basically to the following:

– The assessment of possible impairment losses on certain assets (Notes 7, 8, 9, 10, 11, 12 and 13);

– The assumptions used in the actuarial calculation of pension and other obligations to employees (Note 20);

– The useful life of the property, plant and equipment and intangible assets (Notes 3-a and 3-b);

– The fair value of certain financial assets (Note 3-d);

– The calculation of provisions and penalties that reduce the selling price (Notes 12, 20 and 26-a);

– The assessment of the probability of having future taxable profits against which unused recognised tax assets can be utilised (Note 18);

– Changes in estimated costs in the budgets for construction projects performed and percentage of completion (Note 3-f).

Although these estimates were made on the basis of the best information available at 31 December 2022 on the events analysed, 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 in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated statement of profit or loss.

e) Comparative information and correction of errors

As required under IAS 1, the information relating to 2022 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2021.

The 2021 consolidated financial statements, which are included for comparison purposes, were also prepared in accordance with IFRSs as adopted by the European Union on a basis consistent with that applied in 2022. In 2022, changes were made to certain Alternative Performance Measures (APMs) relating to the balance sheet for management purposes, in order to align these indicators with the management of the Group and to provide more reliable comparative information with competitors. Changes were made to the groupings of the consolidated statement of cash flows (under the heading "Net cash (used in)/from operating activities") and the figures for 2021 were modified to ensure that the comparative information is reliable.

In addition, with a view to performing an appropriate comparison between the consolidated financial statements for 2022 and 2021, the changes in scope described in Note 2-f should be taken into account.

f) Consolidated group and basis of consolidation

Scope of consolidation

The accompanying consolidated financial statements include the Parent and the companies over which it exercises control; control is defined as the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The accompanying consolidated financial statements for the year ended 31 December 2022 have been prepared on the basis of the separate accounting records as at that date of Construcciones y Auxiliar de Ferrocarriles, S.A. (Parent – Note 1) and of the subsidiaries and associates listed below:

Rolling stock segment	% of control or influence	Location	Line of business
Fully consolidated companies			
Construcciones y Auxiliar de Ferrocarriles, S.A	Parent	Gipuzkoa	Marketing and manufacture of rolling stock equipment and components
Actren Mantenimiento Ferroviario, S.A.	51%	Madrid	Maintenance
Aerosuburbanos, S.A.P.I. de C.V.	100%	Mexico City	Transport services
BWB Holdings Limited (**)	100% (*)	Nottingham	Engineering
CAF Arabia Company	100%	Riyadh	Manufacturing and maintenance
CAF Argelia (EURL)	100%	Algiers	Manufacturing and maintenance
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	100%	Buenos Aires	Repairs and maintenance
CAF Brasil Indústria e Comércio, S.A.	100%	São Paulo	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	100%	Brussels	Manufacturing and maintenance
CAF Chile, S.A.	100%	Santiago de Chile	Manufacturing and maintenance
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	100%	Medellin	Manufacturing and maintenance
CAF Deutschland GmbH	100%	Munich	Manufacturing and maintenance
CAF Deutschland Real Estate GmbH	100%	Munich	Maintenance
CAF Digital & Design Solutions, S.A.U.	100%	Jaén	Manufacturing and engineering
CAF Diversified Business Development, S.A.U.	100%	Gipuzkoa	Holding Company
CAF Egypt for Transportation Systems	100%	Cairo	Maintenance
CAF Engineered Modernizations, S.L.U.	100%	Gipuzkoa	Engineering
CAF France, SAS	100%	Paris	Manufacturing and maintenance
CAF Group UK Limited	100%	Coventry	Holding Company
CAF Hungary Kft	100%	Budapest	Manufacturing and maintenance
CAF I+D, S.L.U.	100%	Gipuzkoa	R&D
CAF Investment Projects, S.A.U.	100%	Gipuzkoa	Business development
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance
CAF Israel Rails Ltd.	100%	Tel Aviv	Construction, manufacturing and maintenance

Rolling stock segment	% of control or influence	Location	Line of business
CAF Italia, S.R.L.	100%	Rome	Repairs and maintenance
CAF México, S.A. de C.V.	100%	Mexico City	Manufacturing and maintenance
CAF Netherlands, B.V.	100%	Utrecht	Manufacturing and maintenance
CAF New Zealand Limited	100%	Auckland	Manufacturing and maintenance
CAF Norway AS	100%	Oslo	Manufacturing and maintenance
CAF Polska, s.p. z.o.o.	100%	Poznan	Engineering
CAF Portugal Unipessoal, Lda.	100%	Lisbon	Manufacturing and maintenance
CAF Power & Automation, S.L.U.	100%	Gipuzkoa	Electronic and power equipment
CAF Rail Australia Pty Ltd.	100%	Sydney	Construction, manufacturing and maintenance
CAF Rail Digital Services, S.L.U.	100%	Gipuzkoa	Maintenance
CAF Rail Luxembourg, S.À R.L.	100%	Luxemburg	Manufacturing and maintenance
CAF Rail Traincare, Ltd.	100%	Coventry	Manufacturing and maintenance
CAF Rail UK Limited	100%	Belfast	Manufacturing and maintenance
CAF Reichshoffen, SAS	100%	Reichshoffen	Manufacture and design
CAF Rolling Stock UK Limited	100%	Newport	Manufacturing
CAF Sisteme Feroviare S.R.L.	100%	Bucharest	Manufacturing and maintenance
CAF Signalling, S.L.U.	100%	Gipuzkoa	Signalling
CAF Signalling, S.L.S. Com.	100%	Bizkaia	Engineering
CAF Signalling Uruguay, S.A.	100%	Montevideo	Signalling
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	Istanbul	Signalling
CAF Taiwan Ltd.	100%	Kaohsiung	Manufacturing and maintenance
CAF Track Test Center, S.L.U.	100%	Navarre	Track testing
CAF Turnkey & Engineering, S.L.U.	100%	Bizkaia	Engineering
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	100%	Istanbul	Manufacturing and maintenance
CAF USA, Inc.	100%	Delaware	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	100%	Gipuzkoa	Tests
Ctrens - Companhia de Manutençao, S.A.	100%	São Paulo	Lease services
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid	Maintenance
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	100%	Mexico City	Building and Maintenance
Corporación Sefemex, S.A. de C.V.	100%	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	100%	Mexico City	Rendering of services
EuroMaint Bemanning AB	100%	Solna	Maintenance
EuroMaint Components and Materials AB	100%	Solna	Maintenance
EuroMaint Gruppen AB	100%	Solna	Maintenance
EuroMaint Rail AB	100%	Solna	Maintenance
EuroMaint Rail AS	100%	Oslo	Maintenance
Geminys, S.L.	100%	Gipuzkoa	Operating manuals
Lander Simulation and Training Solutions, S.A.U.	100%	Gipuzkoa	Simulators
Metro CAF (Mauritius) Ltd.	100%	Mauritius	Construction, manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L.U.	100%	Navarre	Aeronautical solutions
Orbital Aerospace, GmbH.	100%	Munich	Engineering
Provetren, S.A. de C.V.	100%	Mexico City	Lease services
Rail Line Components, S.L.U.	100%	Gipuzkoa	Marketing
Regiotren, S.A. de C.V.	100%	Mexico City	Lease services
Rifer SRL	100%	Milán	Component maintenance
Sermanbra - Serviços de Manutençao Brasil Ltda.	100%	São Paulo	Maintenance

Rolling stock segment	% of control or influence	Location	Line of business
Sermanfer, S.A.U.	100%	Madrid	Maintenance
Sermantren, S.A. de C.V.	100%	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	100%	Lleida	Repairs and maintenance
Tram Liège Maintenance S.A.	65%	Liege	Maintenance
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance
Trenes de Navarra, S.A.U.	100%	Navarre	Manufacturing
Companies accounted for using the equity method (Note 9)			
Arabia One for Clean Energy Investments PSC.	40%	Ma'an	Power generation
Asiris Vision Technologies, S.A.	22.33%	Gipuzkoa	Automated production
Blue and White - Blue Line Jerusalem Light Rail, Ltd.	50%	Petach Tikva	Manufacturing and maintenance
CFIR Light Rail Ltd (****)	50%	Petach Tikva	Lease services
Consorcio Traza, S.A. (***) (****)	25%	Zaragoza	Holding Company
Ferrocarril Interurbano S.A. de C.V.	49.63%	Mexico City	Manufacturing and equipment
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (****)	43.35%	Mexico City	Transport services
Great River City Light Rail Pty Ltd (****)	30%	Sydney	Operation and maintenance
LAVI Light Rail O&M Ltd.	50%	Petach Tikva	Operation and maintenance
Light LTV NTA Ltd.	50%	Petach Tikva	Lease services
Momentum Trains Holding Pty Ltd (****)	25.50%	Sydney	Lease services
Plan Metro, S.A. (****)	40%	Gipuzkoa	Lease services
PL Light Rail Maintenance, Ltd.	50%	Ramat Gan	Maintenance
Purple Line Transit Operators LLC	49%	Delaware	Operation and maintenance

(*) Considering the options described in Note 15 to these consolidated financial statements.
(**) This company owns all of the shares of Quincey Mason Practice, Ltd., BWB Consulting, Ltd. and BWB Regeneration, Ltd.
(***) This company holds an 80% stake in the Company. S.E.M. Los Tranvías de Zaragoza, S.A.
(****) These companies are engaged in concessions for the running of operating systems, the supply of fleet and subsequent maintenance and 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.

Buses segment	% of control or influence	Location	Line of business
Fully consolidated companies			
Solaris Bus & Coach, sp. z.o.o.	97.33%	Bolechowo	Solutions for urban transport
Solaris Austria, GmbH	97.33%	Vienna	Solutions for urban transport
Solaris Belgium, SRL.	97.33%	Villers-le-Bouillet	Solutions for urban transport
Solaris Bus Ibérica, S.L.U	97.33%	Navarre	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	97.33%	Riga	Solutions for urban transport
Solaris Czech spol. S.R.O.	97.33%	Ostrava	Solutions for urban transport
Solaris Danmark Bus A/S	97.33%	Padborg	Solutions for urban transport
Solaris Deutschland GmbH	97.33%	Berlin	Solutions for urban transport
Solaris Estonia OÜ	97.33%	Tallinn	Solutions for urban transport
Solaris France S.A.R.L.	97.33%	Ennery	Solutions for urban transport
Solaris Hellas, S.A.	68.13%	Athens	Solutions for urban transport

Buses segment	% of control or influence	Location	Line of business
Solaris Italia S.R.L.	97.33%	Rome	Solutions for urban transport
Solaris Netherlands, B.V.	97.33%	Riethoven	Solutions for urban transport
Solaris Norge AS	97.33%	Oslo	Solutions for urban transport
Solaris Schweiz GmbH	97.33%	Hausen	Solutions for urban transport
Solaris Slovakia S.R.O.	97.33%	Kosice	Solutions for urban transport
Solaris Sverige AB	97.33%	Malmö	Solutions for urban transport
Openaco Trading Co. Ltd.	100%	Cyprus	Holding Company
UAB Solaris Bus & Coach LT	97.33%	Kaunas	Solutions for urban transport

Changes in the scope of consolidation

2022

In November 2021, the CAF Group reached an agreement with Alstom to acquire the Reichshoffen plant in the Alsace region of France and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. On 1 August 2022, the transaction was completed, whereupon the CAF Group took effective control of the company currently known as CAF Reichshoffen, SAS, which is engaged in the design and manufacture of railway mobility solutions.

The costs incurred by the Group in connection with this transaction amounted to EUR 2,034 thousand and were recognised as an expense in the accompanying 2022 consolidated statement of profit or loss.

The following table presents the fair value of the assets and liabilities acquired in the transaction described above:

	Thousands of Euros
Non-current assets	
Intangible assets	38,768
Property, plant and equipment	71,563
Non-current financial assets	36
Current assets	
Inventories	14,184
Trade and other receivables	71,800
Current financial assets	45,000
Cash and cash equivalents	80,606
Non-current liabilities	
Non-current provisions	10,897
Deferred tax liabilities	17,500
Current liabilities	
Current provisions	16,097
Current financial liabilities	585
Trade and other payables	313,611
Total Net Assets	**(36,733)**
% aquired	100%
Total Net Assets acquired	(36,733)

At 31 December 2022 the business combination was provisionally recorded and determined within the one-year period provided for in prevailing regulations for determining the fair value of the assets and liabilities acquired. All work needed to obtain a market valuation of the assets and liabilities acquired will be completed within this period. The following table provides a breakdown of the provisional calculation of goodwill:

	Thousands of Euros
Cash paid	46,600
Net assets acquired	(36,733)
Goodwill (Note 7)	83,333

The components of goodwill relate mainly to the additional contracts to the legacy portfolio that the CAF Group expects to win in France in the coming years due to the increase in its production capacity in that country and the additional capacity and flexibility that the Reichshoffen plant has brought to the Group, which may subcontract certain services for that plant as and when required.

The following table shows the net cash flow generated by this transaction at 31 December 2022:

	Thousands of Euros
Cash paid under the operation	46,600
Cash acquired under the operation	80,606
Net cash transferred	**(34,006)**

The contribution made by CAF Reichshoffen, SAS to the consolidated statement of profit or loss for 2022 amounted to a profit of EUR 2,028 thousand and revenue of EUR 77,927 thousand.

Had the acquisition of CAF Reichshoffen, SAS taken place on the first day of the financial year, the Group's revenue would have increased by EUR 137,972 thousand and profit by EUR 1,921 thousand.

In 2022, the companies CAF Polska, s.p. z.o.o., CAF Deutschland Real Estate GmbH, CAF Portugal Unipessoal, Lda., CAF Signalling, S.L.S. Com., CAF Rail Traincare, Ltd. and CAF Egypt for Transportation Systems were formed, all fully controlled by the Group. The company Solaris Estonia OÜ, in which the Group holds a 97.33% stake, and the companies Blue and White - Blue Line Jerusalem Light Rail, Ltd. and PL Light Rail Maintenance, Ltd., in which the Group holds a 50% stake, were also incorporated during the period.

In addition, subsidiary company CAF Diversified Business Development, S.A.U. acquired the remaining 23.87% stake in subsidiary company Lander Simulation and Training Solutions, S.A.U. in 2022, and now holds a 100% stake (Note 15).

Lastly, the Group's 20.10% stake in the company JBM Solaris Electric Vehicles Private Limited was sold (Note 9) and the companies CAF Investment Projects Costa Rica, SRL and CAF Tiansheng Power System Limited Company were liquidated, without any significant impact.

On 11 November 2021, the subsidiary CAF Diversified Business Development, S.A.U. acquired the remaining 70% of the stake in Orbital Sistemas Aeroespaciales, S.L.U., a benchmark in the development of critical systems and solutions in the aeronautical, space and railway sector, in exchange for EUR 12,746 thousand, thus bringing its stake to 100% and affording it control over the company, as described in Note 2-f to the 2021 consolidated financial statements.

In 2022, the Group measured all of the assets and liabilities acquired with the collaboration of an independent expert. This process was completed within the periods established by applicable law and regulations. In view of the above, there now follows a breakdown of the assets and liabilities acquired under this transaction, measured at fair value:

	Thousands of Euros		
	Provisional amounts	Adjustments (Note 7)	Final amounts
Non-current assets			
Intangible assets	11,374	(2,141)	9,233
Property, plant and equipment	93	-	93
Non-current financial assets	54	-	54
Deferred tax assets	150	-	150
Current assets			
Inventories	1	-	1
Trade and other receivables	1,996	-	1,996
Cash and cash equivalents	2,169	-	2,169
Non-current liabilities			
Non-current financial liabilities	545	-	545
Deferred tax liabilities	3,175	(1,860)	1,315
Current liabilities			
Current provisions	10	-	10
Current financial liabilities	3	-	3
Trade and other payables	810	-	810
Total Net Assets	**11,294**	**(281)**	**11,013**
% acquired	100%		100%
Total Net Assets acquired	11,294		11,013

The following table provides a breakdown of the calculation of goodwill:

	Thousands of Euros
Consideration for the 70% acquired in 2021	
Cash paid	10,996
Fair value of the 30% previously acquired, at date of acquisition	5,032
	16,028
Net assets acquired	11,013
Goodwill (Note 7)	5,015

2021

The companies Solaris Netherlands, B.V. and Solaris Belgium, SRL were incorporated in 2021, both wholly owned by the subsidiary Solaris Bus & Coach, sp. z.o.o., as were the companies CAF Investment Projects Costa Rica, SRL, wholly owned by the subsidiary CAF Investment Projects, S.A.U., and Aerosuburbanos, S.A.P.I. de C.V., owned 50% by the Parent and 50% by the subsidiary CAF Investment Projects, S.A.U. In addition, as a result of the restructuring of the shareholding structure of the company Purple Line Transit Operators LLC, the CAF Group's stake in the company increased to 49%, through the stake held by the subsidiary CAF USA, Inc., compared with the 20% previously held at 31 December 2020.

Lastly, the companies CAF IP Colombia, S.A.S. and Solaris Bus Israel Ltd were liquidated and Solaris Bus & Coach, sp. z.o.o. sold its 100% stake in Solaris Bus & Coach Romania, S.R.L., without this generating any significant impacts.

Consolidation method

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; control exists when the Parent has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

Meanwhile, "associates" are companies over which the Parent is in a position to exercise significant influence, but not outright control or joint control. A "joint venture" is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In the consolidated financial statements, investments in associates and joint ventures are accounted for using the "equity method", i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations, less any impairment of the individual investments (in the case of transactions with an associate, the related profits or losses are eliminated in proportion to the Group's ownership interest).

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control, which exists only when decisions on significant activities require the unanimous consent of the parties sharing control. When a Group company carries on its activities under the framework of a joint operation, the Group as a joint operator will recognise the following in relation to its ownership interest in the joint operation:

– its assets and liabilities, including its share of any assets and liabilities held or incurred jointly;

– its share of the revenue and expenses arising from the joint operation.

Translation of foreign currency financial statements

The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which consists of translating all the assets, rights and obligations to euros at the closing exchange rates and the statement of profit or loss items at the average exchange rates for the year.

The difference between the amount of the foreign companies' equity translated at historical exchange rates (except for the profit or loss for the year, which is translated as stated above) and the asset value arising from the translation of the assets, rights and obligations at the closing exchange rates is presented in equity under "Translation Differences" in the consolidated balance sheet, net of the portion of the difference that relates to non-controlling interests, which is recognised under "Equity - Non-Controlling Interests".

g) Climate change

The Group continues on the path towards the challenge of decarbonisation as one of the main pillars of its strategy, with a commitment to sustainable growth focused on the environment, and leading the transition towards zero net emissions mobility.

After adhering in 2021 to the alignment initiatives against climate change and with the Paris Agreement, SBTi (Science Based Targets Initiative) and Race to Zero, in 2022 the Group ratified this commitment by unveiling its new 2026 Strategic Plan. To succeed, it is seeking to decarbonise its products as one of the main milestones under the Innovation strategic pillar. Sustainability also remains one of its four strategic pillars.

In 2022, the CAF Group has defined short and long-term emission reduction targets, taking into account the SBTi methodology and using the carbon footprint calculations of previous years as a reference. As part of this process, it has expressed a clear commitment to becoming "Net Zero" by 2045.

In response to the reduction targets set and in order to promote strategies against climate change focused on reducing greenhouse gas (GHG) emissions and championing renewable energies, the Group has carried out various activities during 2022 within the "Zero Net Emissions" Initiative, which falls within the remit of the Sustainability Committee.

The main activities carried out during 2022 include the following:

– Calculation and external verification of the carbon footprint across the entire CAF Group, following the guidelines and approach of the GHG Protocol, IPCC, and the requirements set out in the ISO 14064:2018 standard.

– Completion of the CAF Group's first CDP (Carbon Disclosure Project) climate change report, achieving a score of "B".

– Expansion of the scope of sites consuming 100% renewable electricity with guarantee of origin (e.g. Solaris Bus & Coach and Euromaint Rail AB).

Likewise, the activities included in the CAF Group's "Net Zero Emissions" initiative will continue to be addressed throughout 2023. This process will mainly focus on the deployment of business reduction plans, in order to comply with the reduction targets set.

During the 2022 and 2021 financial years, and with the aim of responding to the development of actions to mitigate the risks and opportunities of climate change, work has been carried out to implement the corporate framework for the Management of Risks and Opportunities derived from the emerging risk of Climate Change. In doing so, the organisation has drawn on the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), as well as other guidelines/supplements related to non-financial reporting of the European Commission.

The work that the Group carried out during 2022 in analysing risks and opportunities arising from climate change, as well as the process of measuring and setting targets to reduce greenhouse gas emissions, are described in chapter "5.2. Climate strategy" of the Non-Financial Statement – Group Sustainability Report. Following the analysis of the most relevant risks and opportunities, no significant impact on the consolidated financial statements is expected.

h) Ukraine and macroeconomic situation

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

The Group has no assets in Russia and Ukraine and the volume of business conducted with these countries in 2022 was immaterial.

Moreover, the increase in both inflation and interest rates in 2022 was duly considered in the assumptions used in the following cases: i) preparation of recoverability tests for non-financial assets, including goodwill, as well as the discount rates applied and the sensitivity analyses performed (Notes 7 and 8); ii) the updating of the value of actuarial obligations (Note 20); iii) the updating of budgets of contracts with customers, having reviewed and updated the cost of wages and raw materials (Note 12); and iv) the valuation of financial assets (Note 9).

3. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT BASES APPLIED

The principal accounting policies used by the CAF Group in preparing its consolidated financial statements as at 31 December 2022 and 2021 were as follows:

a) Intangible assets

Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. Instead, these cash-generating units are tested for impairment at least once a year using the methodology described in Note 3-c and, where appropriate, are written down.

Other intangible assets

Intangible assets (internal computer software developments and development projects for which there are no doubts as to their technical and commercial success) are measured at their acquisition cost or accumulated production cost applied in accordance with inventory measurement bases (Note 3-e).

Commercial relations, customer portfolio and trademarks arise mainly from business combinations (acquisitions of Solaris, EuroMaint, BWB, Rifer, Orbital and Reichshoffen) and are recognised initially at acquisition-date fair value, which is their deemed cost.

Other intangible asset items are amortised on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Commercial Relationships and Customer Portfolio	1.5 - 18
Patents, Licenses and Trademarks	20 - indefinite useful life
Development expenditure	3 - 8
Computer software and other	2 - 10

Development projects are amortised on a straight-line basis over five years from their acquisition or completion (Note 7).

b) Property, plant and equipment

Items of "Property, plant and equipment" are measured at acquisition cost. 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 an increase in the cost of the asset.

In-house work performed by the consolidated companies on 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	17 - 50
Plant and machinery	3 - 12
Transport equipment (Leasing)	5 - 10
Other fixtures, tools and furniture	3 - 10
Other items of property, plant and equipment	5 - 20

To determine the depreciation of leasing transport items recognised as a result of bus contracts with repurchase option and whose income is recognised as an operating lease (Notes 3-f and 3-k), the residual value of the assets concerned — calculated as the estimated fair value at the repurchase date— is deducted from their value. These assets are depreciated over the life of the operating lease contracts.

In general, for items of property, plant and equipment that necessarily take a period of more than a year to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans borrowed specifically or generally directly attributable to the acquisition or production of the assets.

c) Impairment of assets

At each balance sheet date, the CAF Group 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. Whether or not any indication of impairment exists, intangible assets with an indefinite useful life are tested annually for impairment. If such cases, 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.

The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income.

d) Financial instruments

In accordance with the classification criteria established by IFRS 9, the Group classifies its financial assets in the following categories:

Financial assets

The financial assets held by the Group are classified on the basis of the nature of the financial asset's contractual cash flows and the business model for managing its financial assets, in the following categories:

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 Group 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 Group calculates the loss allowance taking as a reference the expected life of the financial instrument.

In order to calculate this impairment, the Group uses as reference the creditworthiness of the borrowers, which is estimated using information available in the market (ratings) and adjusted following a case-by-case analysis of the collection guarantees available.

The Group 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.

2. Financial assets measured at fair value through other comprehensive income

Equity instruments that the Group has made the irrevocable election to classify as financial assets at fair value through other comprehensive income are recognised in this category.

The financial assets included in this category are initially recognised at fair value including any transaction costs. These assets are subsequently measured at fair value through other comprehensive income. The cumulative gain or loss is not transferred to profit or loss on disposal of these equity instruments. Dividends are recognised under "Finance Income" in the consolidated statement of profit or loss.

The Group has designated all its investments in equity instruments as measured at fair value through other comprehensive income (Note 9).

3. Financial assets at fair value through profit or loss

Assets that do not meet the requirements to be included in either of the other two categories are included in this category. The financial assets included in this category 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 consolidated profit or loss. After initial recognition, the assets in this category are measured at fair value through consolidated profit or loss.

Financial liabilities

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate. The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

The Group entered into supplier payment management arrangements (confirming or reverse factoring) with various financial institutions amounting to EUR 50,115 thousand at 31 December 2022 (31 December 2021: EUR 15,717 thousand), as recognised under "Trade and other payables – Suppliers" and "Trade and other payables – Other payables" in the consolidated balance sheet, as they are trade liabilities whose settlement is managed by financial institutions and for which the CAF Group has assigned only the payment management side, but remains the primary obligor for payment of the debts to the trade creditors, and without these arrangements changing the maturity date or granting additional collateral.

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.

The Group only derecognises financial liabilities when the obligations giving rise to them are cancelled, eliminated or expire.

Derivative financial instruments

The Group uses derivative financial instruments to hedge the foreign currency risk to which its project contracts and certain investments in investees are exposed, and to hedge the interest rate risk arising from loan drawdowns (Notes 5 and 17).

The fair value of the derivative financial instruments was calculated including the credit risk, the entity's own credit risk for liability derivative financial instruments, and the counterparty's credit risk for asset derivative financial instruments.

The Group 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 Group's risk management policy.

The CAF Group 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 "Financial Loss" in the accompanying consolidated statement of profit or loss. The Group recognises as fair value hedges the hedges arranged for construction work when the necessary conditions are met for hedges of this nature (existence of a firm commitment).

– 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 Group to hedge 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 a firm commitment, 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 portion of the hedging instrument qualifying as an effective hedge are recognised temporarily in equity under "Translation Differences".

Fair value measurements of financial assets and liabilities are classified according to the following hierarchy established in IFRS 13:

– 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 breakdown of the CAF Group's assets and liabilities measured at fair value according to the levels indicated above at 31 December 2022 and 2021 is as follows (in thousands of euros):

2022

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 9-b)	-	-	20,045	20,045
Derivatives (Note 17)	-	40,965	-	40,965
Other financial assets (Note 13)	90,902	-	-	90,902
Total Assets	**90,902**	**40,965**	**20,045**	**151,912**
Liabilities				
Derivatives (Note 17)	-	45,111	-	45,111
Other financial liabilities (Note 15)	-	-	5,577	5,577
Total liabilities	**-**	**45,111**	**5,577**	**50,688**

2021

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 9-b)	-	-	24,465	24,465
Derivatives (Note 17)	-	83,885	-	83,885
Other financial assets (Note 13)	86,078	-	-	86,078
Total Assets	**86,078**	**83,885**	**24,465**	**194,428**
Liabilities				
Derivatives (Note 17)	-	105,639	-	105,639
Other financial liabilities (Note 15)	-	-	10,116	10,116
Total liabilities	**-**	**105,639**	**10,116**	**115,755**

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).

To calculate the fair value of equity instruments, the Group uses appropriate measurement techniques based on the circumstances and on the volume of inputs available for each ownership interest, attempting to maximise the use of relevant observable inputs. These investments were measured at fair value using the business model of each one and the contractual terms and conditions thereof, assessing different scenarios and using discount rates checked with independent experts (Note 9-b).

e) Measurement of inventories

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 require a period of more than 12 months to be ready for sale, cost includes borrowing costs.

f) Recognition of revenue and profit

The Group'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

– Supply of bus fleet

– Maintenance of train and bus fleets (manufactured by the CAF Group or third parties) during their useful life (estimated on average at 10 years for buses and 25-30 years for trains), or in 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 and bus equipment and components: traction equipment, wheelsets, reductions 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

– Construction of trains and traction equipment

Revenues from performance obligations for the construction of trains and traction equipment 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. CAF therefore designs and manufactures vehicles tailored to the individual needs of each customer. Along with the delivery of the trains and traction equipment, 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 of all trains in operation.

Trains and traction equipment 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 and traction equipment, 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 Group 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 Group operates. The Group 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 may differ from the cost of 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 CAF Group identifies each set of units as a separate obligation, recognising the original contract and, if applicable, the option exercised separately.

For train and traction equipment construction contracts, the Group 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 Group 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 CAF Group 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 Group operates. Meanwhile, the Group 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 CAF Group analyses 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 price that reflects the cost plus margin incurred.

– Maintenance contracts

The CAF Group provides maintenance services for trains, buses and systems, in relation to material delivered by both CAF 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

– Sales of buses

CAF Group sells a wide range of diesel, electric, hydrogen and hybrid buses for urban transport.

This type of contract involves the manufacture of products which, depending on the type of customer, require small modifications that do not deviate significantly from the technical specifications. The asset is not transferred until actual delivery to the customer, whereupon the revenue is recognised. A delivery period is stipulated in the contractual conditions, and penalties may be imposed in the event of late delivery. In the event that the customer refuses to accept the buses at time of delivery for technical or other reasons, the CAF Group does not recognise the revenue until the buses are formally accepted.

The Group also undertakes to provide a warranty period for the buses, in accordance with the law and industry practice, without taking into account required maintenance work and normal product wear and tear. Management 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 may differ from the cost of future claims.

These contracts come with a short performance period, with invoicing to the customer being chiefly linked to the time of acceptance of the buses by the customer. As a result, there is no significant financing component.

In certain bus contracts there are repurchase options (buybacks) in which a case-by-case analysis is performed to determine whether control has been transferred to the customer. Such contracts can be performed as an obligation to repurchase the asset (forward contract), or as an obligation to repurchase the asset at the customer's request (put option).

The transfer criterion in these cases is based on whether or not the customer has a significant economic incentive to exercise that right. If it is considered that the customer has a significant economic incentive to exercise that right, the entity shall account for the revenue as an operating lease over the term of the transaction until the date of the repurchase option (Notes 3-k and 21).

The main factor taken into consideration in order to conclude as to whether there is an economic incentive for the client is the relationship of the repurchase price to the expected market value of the bus at the date of the repurchase.

If it is concluded that the customer does not have a significant economic incentive to exercise its right, the revenue is recognised as if it were the sale of a product with a right of return. In this case, a large proportion of the revenue is recognised when the bus is delivered. Also, a liability for the amount to be returned to the customer and an asset for the right of return are recognised in the consolidated balance sheet. If finally the bus is not returned at the right date, the Group recognises the liability as revenue and the asset as an expense (Note 21).

– Wheelsets, spare parts and minor refurbishments

The Group also sells other products such as assembled axles, wheels and reduction gearboxes for the railway market and other spare parts for both rolling stock and buses. It also provides refurbishment services upon the customer's request. In these cases, the Group 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 Group 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 consolidated statement of profit or loss and with a credit to "Inventories" on the asset side of the consolidated 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. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the consolidated statement of profit or loss.

g) Balance sheet balances relating to revenue recognition

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, "Contract assets" under "Trade and other receivables – Trade receivables for sales and services" (Note 12).
- If the difference is negative, "Contract liabilities" under "Trade and other payables – Other payables" and "Other non-current assets" (Note 12).

h) Current/Non-current classification

Items are classified under "Current assets" and "Current liabilities" (contract assets, contract liabilities and short-term provisions) which may be realised or settled in more than 12 months, since they form part of the Group's normal cycle as established in the applicable legislation. Considering the items as a whole, the directors estimate 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 12 months exceed the current assets that would be realised in more than 12 months (Notes 12 and 20).

i) Government grants

The Group companies recognise government grants received as follows:

- Grants related to assets are recognised at the amount granted, as a reduction of the value of the subsidised asset when they are definitively granted and are credited to profit or loss in proportion to the period depreciation on the assets for which the grants were received.
- Grants related to income are recognised in profit or loss when they are definitively granted.

j) Income tax

The expense for income tax and other similar taxes applicable to the foreign consolidated entities are recognised in the consolidated 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 the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be utilised, which at the consolidated CAF Group 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.

k) Leases

The Group as lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The Group recognises a right-of-use asset and a corresponding liability for all lease contracts that do not qualify as current leases (those with a maximum term of 12 months from the commencement date) or low value leases (based on the IFRS value of USD 5,000). In such cases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

In relation to the contracts identified, the Group has analysed whether they comply with the relevant requirements under IFRS for them to be recognised as leases, i.e:

(a) There must be an identified asset (either individualised or a "distinct portion" thereof) over which, in accordance with the terms of the contract, there is a right to direct the use of the asset.

(b) The use of the asset must grant the right to obtain substantially all the economic benefits from using the asset during the lease term.

The leases subject to this new standard relate mainly to commercial buildings, as well as various items of machinery for use in warehouses.

Lease liabilities are initially measured at the present value of the lease payments due at the initial date, discounted using the Group's incremental borrowing rate, as required by the standard, given the difficulty in determining the implicit interest rate on leases. A specific rate has been used in this regard for each lease contract, depending on the country where the company party to the contract is located and the terms of the contract.

The lease payments included in the calculation are as follows:

– Fixed lease payments (net of any incentives from the lessor).

– Amounts expected to be payable under residual value guarantees.

– The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

– Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing its carrying amount to reflect the interest on the liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The repayment of lease liabilities is presented as cash flows from financing activities in accordance with IFRS 16.

The Group remeasures its lease liability (and makes the corresponding adjustment to the right-of-use asset) when:

– There is a change in the lease term or the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured using a revised discount rate.

– There is a change in future lease payments resulting from a change in an index or a change in the residual value, in which case the lease liability is recalculated using an unchanged discount rate.

– A lease is modified and is not considered to be a separate lease, in which case the lease liability is remeasured using the new lease term and a revised discount rate.

The right-of-use asset consists of: the amount of the initial measurement of the lease liability; any lease payments made before the commencement date, less any lease incentives received; and any initial costs. This asset is subsequently measured at cost less any accumulated depreciation and impairment.

Right-of-use assets are depreciated on a straight-line basis over the term of the contract and are subject to impairment. If the asset reflects the value of the purchase option, the depreciation period will be the useful life of the leased asset. Depreciation begins at the commencement date of the lease.

The Group as lessor

The Group acts as lessor in certain bus contracts (Note 3-f). Leases in which the contract establishes that the risks and rewards of ownership are transferred to the lessee are classified as finance leases, and all others are classified as operating leases.

Revenue under operating leases is recognised on a straight-line basis over the lease term, less the repurchase option price. The initial direct costs incurred in negotiating and entering into the operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

l) Administrative concessions

Concessions represent arrangements between a public sector grantor and CAF Group companies to provide public services such as preventative, corrective and inspection services for various railway lines through the operation of infrastructure. Revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession and required to provide the service is returned to the concession grantor, generally for no consideration. The concession arrangement must provide for the management or operation of the infrastructure. Another common feature is the existence of obligations to acquire or construct all the items required to provide the concession service over the concession term.

These concession arrangements are accounted for in accordance with IFRIC 12, "Service Concession Arrangements". In general, a distinction must be drawn between two clearly different phases: the first in which the operator provides construction or upgrade services which are recognised as intangible or financial assets by reference to the stage of completion pursuant to IFRS 15 "Revenue from Contracts with Customers", and a second phase in which the operator provides a series of maintenance or operation services for the aforementioned infrastructure, which are recognised in accordance with the same standard.

An intangible asset is recognised when the demand risk is borne by the operator and a financial asset is recognised when the demand risk is borne by the grantor, since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. Finance income arising from measurement of the financial asset of concessions at amortised cost is recognised under "Revenue" in the consolidated statement of profit or loss. Since they meet the required conditions, the concessions recognised by the Group (Note 9) are classified as financial assets.

m) Provisions and contingent liabilities

When identifying obligations, the Parent distinguishes between:

– Provision: 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 Group'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 reported in the consolidated 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 THE PROFIT OF THE PARENT

The proposed distribution of the profit for the year that the Parent'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	62,956
Distribution	
To dividends	29,481
To voluntary reserves	33,475

5. FINANCIAL RISK MANAGEMENT

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 may prevent it from meeting 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 CAF Group focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the achievement of the Group's objectives.

The Group's Financial Department identifies, analyses, assesses and defines the treatment, and performs the monitoring and control, of the financial risks in accordance with the General Risk Management and Control Policy and the specific policies for the management of financial risk established by the Board of Directors.

a) Market risk

The CAF Group 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 Group's financial assets and liabilities as a result of 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.

In this regard, a significant portion of the financial debt at 31 December 2022 related, on the one hand, to the concessions obtained in Brazil and Mexico (Notes 9 and 16), and, on the other, to the Parent's debt for the financing of its activity, the debt relating to the Solaris Group, and the debt relating to other Group companies.

The exposure to interest rate risk of the Group's borrowings at 31 December 2022 and 2021 is as follows (Notes 16 and 17):

		Millions of Euros							
		31/12/22				31/12/21			
			Permanent				Permanent		
	Principal indexes	Variable	With insurance contract	Without insurance contract	Total	Variable	With insurance contract	Without insurance contract	Total
Ctrens – BNDES	TJLP	64.2	-	-	64.2	71.4	-	-	71.4
Provetren – Bank union	LIBOR	15.8	-	-	15.8	41.5	-	-	41.5
The Parent (CAF, S.A.)	EURIBOR	217.9	25.0	327.2	570.1	253.6	25.0	372.5	651.1
CAF Investment Projects, S.A.U.	EURIBOR	20.0	-	-	20.0	19.9	-	-	19.9
Solaris Group	EURIBOR+WIBOR	196.4	-	-	196.4	171.1	-	-	171.1
Other Group companies		0.4	-	-	0.4	1.6	-	-	1.6
Total		**514.7**	**25.0**	**327.2**	**866.9**	**559.1**	**25.0**	**372.5**	**956.6**

Taking into consideration the balance at 31 December 2022 and 2021, 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 5,146 thousand and EUR 5,591 thousand, respectively.

According to the valuation carried out by an independent expert, the fair value of the Group's fixed-rate debt would be EUR 23 million lower than its carrying amount at 31 December 2022 (31 December 2021: EUR 4 million lower).

In addition, the Group and those companies accounted for using the equity method arranged various swaps related to the nominal value of their financial debts. In the event of a 100 basis point increase in the interest rates to which these swaps are referenced, the positive impact on "Other comprehensive income – Hedging transactions" in the accompanying consolidated balance sheet would be EUR 4,267 thousand (31 December 2021: positive impact of EUR 6,980 thousand).

a.2) Foreign currency risk

The various companies belonging to the CAF Group operate internationally and are therefore exposed to exchange risk arising from foreign currency transactions.

The foreign currency risk to which the Group is exposed as a result of its operations in the international sphere is managed in accordance with the Market Risks 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 Group transfers to third parties, provided that the cost is reasonable, the foreign currency risk associated with its contracts denominated in currencies other than the functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various contracts entered into, so that the Group's results present fairly its industrial and services activity.

The impact on the consolidated statements of profit or loss for 2022 and 2021 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 17), would be as follows:

	Thousands of Euros			
	2022		2021	
Currency	**Exposure**	**Gain/ (Loss)**	**Exposure**	**Gain/ (Loss)**
Brazilian real	7,187	(719)	32,968	(3,297)
Pound sterling	(19,904)	1,990	(3,588)	359
US dollar	(6,548)	655	(988)	99
Polish zloty	75,590	(7,559)	(38,989)	3,899

The sensitivity of the consolidated statement of profit or loss to the other foreign currencies was not material.

At 31 December 2022 and 2021, the Group 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 the US dollar, the exposure to which is partially hedged.

The breakdown of the equivalent value in thousands of euros of the assets and liabilities of the subsidiaries with functional currencies other than the euro at 31 December 2022 and 2021 is as follows:

	Equivalent value in thousands of euros					
	31/12/22			31/12/21		
Currency	**Assets**	**Liabilities**	**Net exposure**	**Assets**	**Liabilities**	**Net exposure**
Chilean peso	24,128	20,643	3,485	16,734	14,276	2,458
Mexican peso	239,369	180,932	58,437	218,299	166,186	52,113
Brazilian real	305,606	170,482	135,124	282,108	167,596	114,512
US dollar (Note 3-d) (*)	399,153	165,126	57,754	395,860	172,358	39,048
Pound sterling	266,668	209,239	57,429	199,075	139,622	59,453
Algerian dinar	1,802	542	1,260	2,573	453	2,120
Turkish lira	1,916	864	1,052	3,750	2,375	1,375
Indian rupee	9,392	1,572	7,820	8,585	435	8,150
Australian dollar	158,273	155,672	2,601	100,474	98,676	1,798
Saudi riyal	27,259	24,709	2,550	51,713	27,891	23,822
New Zealand dollar	11,342	8,355	2,987	7,844	4,168	3,676
New Taiwan dollar	7,382	1,000	6,382	7,238	674	6,564
Mauritian rupee	4,921	2,674	2,247	3,295	1,712	1,583
Polish zloty	826,308	589,822	236,486	690,811	429,110	261,701
Swiss franc	4,122	1,402	2,720	8,329	5,791	2,538
Norwegian krone	42,331	44,479	(2,148)	6,549	8,582	(2,033)
Swedish krona	159,359	85,123	74,236	250,680	209,151	41,529
Israeli shekel	18,480	16,553	1,927	-	-	-
Other	13,624	10,860	2,764	33,228	29,294	3,934
Total	**2,521,435**	**1,690,049**	**655,113**	**2,287,145**	**1,478,350**	**624,341**

(*) At 31 December 2022, there were hedges of net investments in foreign operations (Note 17) amounting to EUR 176,273 thousand, applying the year-end exchange rate (31 December 2021: EUR 184,454 thousand).

In the event of a 10% appreciation or depreciation of all the foreign currencies, the effect on the Group's equity would be EUR 65,511 thousand at 31 December 2022, before considering the tax impact (31 December 2021: EUR 62,434 thousand).

The breakdown of the main foreign currency balances of subsidiaries according to the nature of the items comprising them is as follows:

	Equivalent value in thousands of euros			
	31.12.22		31/12/21	
Nature of the balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Goodwill	99,357	-	101,969	-
Other intangible assets	132,596	-	144,203	-
Property, plant and equipment	224,141	-	201,651	-
Non-current financial assets and deferred tax assets	484,269	-	458,794	-
Other non-current assets	4,689	-	5,129	-
Inventories	574,850	-	434,570	-
Trade and other receivables	740,342	-	619,327	-
Other current assets	146,628	-	155,088	-
Cash and cash equivalents	114,563	-	166,414	-
Non-current liabilities	-	483,179	-	565,946
Current liabilities	-	1,206,870	-	912,404
Total	**2,521,435**	**1,690,049**	**2,287,145**	**1,478,350**

a.3) Commodity price risk

For the most significant commodities, the Group'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 Group's accounts receivable and work in progress relate to customers located in different countries. Most railway contracts include progress billings.

The Group'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 2022 and 2021, the Group 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 14-i and 16).

The CAF Group 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.

6. SEGMENT REPORTING

a) Basis of segmentation

Segment reporting on the CAF Group in the accompanying consolidated financial statements is structured as follows:

– By business unit, distinguishing between the "Rolling Stock" and the "Buses" operating activities.

– Information based on the Group's geographical location and products and services group is also included.

b) Basis and methodology for segment information

Segment revenue and expenses relate to those directly attributable to the segment and, accordingly, do not include interest, dividends or gains or losses arising from the disposal of investments or on debt redemption or repayment transactions. Segment assets and liabilities are those directly related to the segment's operating activities or to the ownership interests in companies engaged in that activity.

In accordance with the basis for primary segment reporting set forth in IFRSs (IFRS 8 "Operating Segments"), the CAF Group considered the two business units operated by it as its primary segments, since it considers that its organisational and management structure and its system of internal reporting to its managing and executive bodies are such that the risks and returns are affected predominantly by the fact that its operations are performed in one or the other business area, taken to be all of the related products and services. Accordingly, the segmentation is made up of the CAF Group's identifiable components that are subject to risks and returns that are different from those of components operating in other economic environments.

Therefore, the Group defined the following segments, which it considers fulfil the internal consistency requirements with regard to the similarity of their economic conditions, policies or the risks arising from the applicable regulations, exchange rates or proximity of activities and are differentiated with respect to the other segments for the same reasons:

– Rolling stock

– Buses

Segment information about the businesses is as follows:

Segmentation by business unit	Rolling stock	Buses	General	Inter-segment	Total
	2022 (Thousands of Euros)				
External sales	2,469,758	695,712	-	-	3,165,470
Inter-segment sales	495	-	-	(495)	-
Total sales	**2,470,253**	**695,712**	**-**	**(495)**	**3,165,470**
EBITDA	**212,527**	**19,654**	**-**	**-**	**232,181**
Depreciation and amortisation charge (Notes 7 and 8)	(71,995)	(23,399)	-	-	(95,394)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 and 9)	1,852	5	-	-	1,857
EBIT	**142,384**	**(3,740)**	**-**	**-**	**138,644**
Financial loss	(31,803)	(21,288)	-	-	(53,091)
Share of net results of associates	5,440	122	-	-	5,562
Profit/(Loss) before tax	**116,021**	**(24,906)**	**-**	**-**	**91,115**
Income tax					(36,251)
Profit/(Loss) for the year from continuing operations					**54,864**
Profit/(Loss) attributable to non-controlling interests					2,676
Profit/(Loss) attributable to the Parent					**52,188**
ASSETS	**3,591,405**	**849,572**	**510,801**	**(37,649)**	**4,914,129**
LIABILITIES	**2,820,477**	**605,029**	**737,947**	**(37,649)**	**4,125,804**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	98,808	32,789	-	-	131,597

Segmentation by business unit	Rolling stock	Buses	General	Inter-segment	Total
	2021 (Thousands of Euros)				
External sales	2,221,832	720,853	-	-	2,942,685
Inter-segment sales	1,523	-	-	(1,523)	-
Total sales	**2,223,355**	**720,853**	**-**	**(1,523)**	**2,942,685**
EBITDA	**192,960**	**61,844**	**-**	**-**	**254,804**
Depreciation and amortisation charge (Notes 7 and 8)	(63,186)	(23,955)	-	-	(87,141)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 and 9)	(2,661)	(60)	-	-	(2,721)
EBIT	**127,113**	**37,829**	**-**	**-**	**164,942**
Financial loss	(26,264)	(11,799)	-	-	(38,063)
Share of net results of associates	2,953	-	-	-	2,953
Profit/(Loss) before tax	**103,802**	**26,030**	**-**	**-**	**129,832**
Income tax					(41.061)
Profit/(Loss) for the year from continuing operations					**88.771**
Profit/(Loss) attributable to non-controlling interests					2.851
Profit/(Loss) attributable to the Parent					**85.920**
ASSETS	**2,967,553**	**739,192**	**563,149**	**-**	**4,269,894**
LIABILITIES	**2,265,139**	**465,522**	**798,469**	**304**	**3,529,434**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	46,006	22,189	-	-	68,195

Assets and liabilities for general use, which notably include the Parent's net financial debt and deferred and current tax assets and liabilities, were not allocated to the other segments. Similarly, the reconciling items arising from the comparison of the result of integrating the financial statements of the various business segments (prepared using management criteria) with the CAF Group's consolidated financial statements were not allocated.

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

	2022	2021
High Speed, Regional and Commuter	801,102	541,319
Metros	215,396	243,657
Trams and light metros	365,907	495,503
Bogies and other	19,074	6,875
Trains	**1,401,479**	**1,287,354**
Services (*)	**543,116**	**570,591**
Buses (**)	**695,712**	**720,852**
Integral Systems, Equipment and Other (***)	**525,163**	**363,888**
Total	**3,165,470**	**2,942,685**

(*) Mainly includes all revenues from maintenance services and sales of railway spare parts.

(**) Includes, in addition to bus sales, revenue from after-sales services related to this segment (maintenance and spare parts).

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

The information based on geographical location is as follows:

1. The breakdown of sales by geographical area at 31 December 2022 and 2021, including the most significant countries (those accounting for more than 5% of total sales), is as follows (in thousands of euros):

	2022	2021
Spain	399,420	322,470
Sweden	235,529	162,023
France	192,738	121,682
The Netherlands	167,258	282,831
Belgium	162,789	189,789
Germany	149,005	161,550
Italy	132,832	188,891
Poland	128,794	201,751
Other European Union	267,384	235,845
European Union	**1,835,749**	**1,866,832**
United Kingdom	369,457	314,219
Australia	208,549	162,664
Other	751,715	598,970
Rest of the world	**1,329,721**	**1,075,853**
Total	**3,165,470**	**2,942,685**

In 2022 and 2021, no customers represented 10% or more of the Group's total revenue.

2. The breakdown of net investments in property, plant and equipment by geographical area at 31 December 2022 and 2021 is as follows (in thousands of euros):

Geographical area	2022	2021
Spain	171,136	173,439
France	82,037	9,992
Poland (*)	97,385	89,208
Rest of the world	132,650	115,650
Total	**483,208**	**388,289**

(*) Includes buses leased under the operating lease model not in operation in that country.

7. INTANGIBLE ASSETS

a) Goodwill

Changes in goodwill in the years ended 31 December 2022 and 2021 were as follows:

2022

	Thousands of Euros					
	Balance at 31/12/21	Changes in the scope of consolidation (Note 2-f)	Preliminary goodwill adjustments (Note 2-f)	Impairment	Translation differences	Balance at 31/12/22
BWB Holdings Limited	5,580	-	-	-	(294)	5,286
Solaris	86,435	-	-	-	(1,534)	84,901
Euromaint	9,955	-	-	-	(784)	9,171
Orbital	6,914	-	(1,899)	(1,007)	-	4,008
CAF Reichshoffen	-	83,333	-	-	-	83,333
Other	771	-	-	-	-	771
Total	**109,655**	**83,333**	**(1,899)**	**(1,007)**	**(2,612)**	**187,470**

2021

	Thousands of Euros			
	Balance at 31/12/20	Changes in the scope of consolidation (Note 2-f)	Translation differences	Balance at 31/12/21
BWB Holdings Limited	5,248	-	332	5,580
Solaris	87,152	-	(717)	86,435
Euromaint	10,168	-	(213)	9,955
Orbital	-	6,914	-	6,914
Other	771	-	-	771
Total	**103,339**	**6,914**	**(598)**	**109,655**

In 2022 and 2021, the recoverability of the goodwill of the Solaris, BWB Holdings Limited and Euromaint sub-groups was tested. The goodwill of the Orbital subgroup was also tested for recoverability in 2022.

The projections are prepared for each cash-generating unit on the basis of past experience and best available estimates, considering the time horizon that allows the business model to be normalised in each case. These estimates are consistent with the Company's business plans. The main components are:

– Earnings projections

– Investment and working capital projections

The main parameters used for this recoverability test, as well as the sensitivity analysis of the enterprise value of the companies to changes in the main assumptions in the model, are as follows:

2022

	Solaris	BWB Holdings Limited	Euromaint	Orbital (**)
Carrying amount at 01/01/22 (thousands of euros)	86,435	5,580	9,955	5,015
Value considered representative to determine the recoverable amount (*)	Value in use	Value in use	Value in use	Value in use
Estimated number of years covered by cash flow projections	5	4	8	4
% of residual value to recoverable amount	80%	74%	62%	79%
Long-term growth rate used	2%	2%	2%	2%
Discount rate used (*)	10.8%	10.5%	9.6%	12.1%

(*) The net carrying amount in the case of Orbital is as at 31/12/2022, after the revised valuation of all assets and liabilities acquired (Note 2-f).

(**) Cash flows and discount rate used after taxes. The application of pre-tax cash flows and pre-tax discount rate would not change the valuation obtained for each cash-generating unit.

Sensitivity analysis **2022**

Amounts in thousands of euros	Solaris		BWB Holdings Limited		Euromaint		Orbital	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
Growth rate:	(38,219)	48,046	(1,872)	2,370	(4,188)	5,461	(989)	1,207
Discount rate:	83,737	(66,522)	3,260	(2,574)	13,415	(10,292)	1,731	(1,417)

2021

	Solaris	BWB Holdings Limited	Euromaint
Carrying amount at 01/01/21 (thousands of euros)	87,152	5,248	10,168
Value considered representative to determine the recoverable amount (*)	Value in use	Value in use	Value in use
Estimated number of years covered by cash flow projections	5	5	8
% of residual value to recoverable amount	76%	74%	79%
Long-term growth rate used	1.5%	2.0%	2.0%
Discount rate used (*)	8.7%	9.4%	8.0%

(*) Cash flows and discount rate used after taxes.

Sensitivity analysis **2021**

Amounts in thousands of Euros	Solaris		BWB Holdings Limited		Euromaint	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
Growth rate:	(46,993)	62,241	(1,400)	1,836	(9,805)	13,737
Discount rate:	107,337	(81,061)	3,128	(2,381)	25,269	(17,914)

The analysis revealed that the estimated value of companies is higher than their carrying amount, except in the case of Orbital, for which an impairment charge amounting to EUR 1,007 thousand was recognised against "Impairment and gains or losses on disposals of non-current assets" in the 2022 consolidated statement of profit or loss (no impairment charge in 2021). In the worst case sensitivity scenarios shown above, the enterprise value is higher than its carrying amount, except for Euromaint and Orbital (a 100 bp increase in the discount rate would lead to impairment of EUR 6,844 thousand and EUR 1,417 thousand, respectively).

b) Other intangible assets

The changes in the year ended 31 December 2022 in "Other intangible assets" and in the related accumulated amortisation accounts were as follows:

	Thousands of Euros				
	Commercial relationships and customer portfolio	**Patents, licenses and trademarks**	**Development expenditure**	**Computer software and other**	**Total**
Cost at 31/12/21	**55,003**	**107,594**	**175,684**	**67,754**	**406,035**
Changes in the scope of consolidation (Note 2-f)	37,000	-	-	1,768	38,768
Additions or charge for the year	-	411	13,667	22,108	36,186
Transfers	(2,141)	-	-	2,051	(90)
Disposals or reductions	-	-	(19,903)	(632)	(20,535)
Translation differences	(2,363)	(1,927)	(411)	(735)	(5,436)
Cost at 31/12/22	**87,499**	**106,078**	**169,037**	**92,314**	**454,928**
Accumulated amortisation at 31/12/21	**(10,841)**	**(17,730)**	**(111,404)**	**(29,722)**	**(169,697)**
Additions or charge for the year	(6,398)	(5,278)	(16,376)	(7,714)	(35,766)
Disposals or reductions	-	-	4,487	632	5,119
Translation differences	464	303	157	333	1,257
Accumulated amortisation at 31/12/22	**(16,775)**	**(22,705)**	**(123,136)**	**(36,471)**	**(199,087)**
Impairment at 31/12/21	**-**	**-**	**(13,656)**	**-**	**(13,656)**
Recognised in 2022	-	-	(28)	-	(28)
Transfers in 2022	-	-	-	-	-
Disposals or reductions	-	-	13,286	-	13,286
Translation differences	-	-	(4)	-	(4)
Impairment at 31/12/22	**-**	**-**	**(402)**	**-**	**(402)**
Net – 31/12/22	**70,724**	**83,373**	**45,499**	**55,843**	**255,439**

The changes in the year ended 31 December 2021 in "Other intangible assets" and in the related accumulated amortisation accounts were as follows:

	Thousands of Euros				
	Commercial relationships and customer portfolio	Patents, licenses and trademarks	Development expenditure	Computer software and other	Total
Cost at 31/12/20	**45,450**	**108,368**	**185,930**	**62,573**	**402,321**
Changes in the scope of consolidation	9,141	-	2,215	18	11,374
Additions or charge for the year	-	-	9,130	14,343	23,473
Disposals or reductions	-	-	(21,412)	(9,036)	(30,448)
Translation differences	412	(774)	(179)	(144)	(685)
Cost at 31/12/21	**55,003**	**107,594**	**175,684**	**67,754**	**406,035**
Accumulated depreciation at 31/12/20	**(7,753)**	**(12,457)**	**(112,365)**	**(31,926)**	**(164,501)**
Additions or charge for the year	(2,912)	(5,412)	(16,124)	(6,878)	(31,326)
Transfers	-	-	(719)	28	(691)
Disposals or reductions	-	-	17,740	9,016	26,756
Translation differences	(176)	139	64	38	65
Accumulated depreciation at 31/12/21	**(10,841)**	**(17,730)**	**(111,404)**	**(29,722)**	**(169,697)**
Impairment at 31/12/20	**-**	**-**	**(17,146)**	**(20)**	**(17,166)**
Recognised in 2021	-	-	-	-	-
Transfers in 2021	-	-	719	-	719
Disposals or reductions	-	-	2,771	20	2,791
Translation differences	-	-	-	-	-
Impairment at 31/12/21	**-**	**-**	**(13,656)**	**-**	**(13,656)**
Net – 31/12/21	**44,162**	**89,864**	**50,624**	**38,032**	**222,682**

The research and development expenditure incurred in 2022 amounted to EUR 35,276 thousand (EUR 21,609 thousand was recognised in the consolidated statement of profit or loss and EUR 13,667 thousand were capitalised). Research and development costs incurred in 2021 amounted to EUR 27,002 thousand (EUR 17,872 thousand was recognised in the consolidated statement of profit or loss and EUR 9,130 thousand was capitalised). These amounts do not include basic engineering costs associated with contracts.

Additions recognised as developments in 2022 relate to costs incurred in the development of new products, notably signalling systems with high levels of automation, driver assistance and automation functions for trams and buses, hydrogen and battery technologies as an alternative to diesel propulsion, and virtual validation, modelling and digital twin environments aimed at reducing costs, testing and lead times in bringing vehicles into service. Additions relating to software relate to the implementation of the new ERP currently under way. At 31 December 2022, the Group had investment commitments of EUR 23,363 thousand (31 December 2021: EUR 31,373 thousand), mainly for the new IT system, which is expected to go live in 2023.

At 31 December 2022, the Group had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 47,596 thousand (31 December 2021: EUR 57,225 thousand).

After analysing the indicators, the directors are confident that there is no evidence of impairment of the Group's intangible assets at 31 December 2022.

8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The breakdown of "Property, plant and equipment" is as follows (in thousands of euros):

	31/12/22	31/12/21
Property, plant and equipment	396,058	334,010
Right-of-use assets	87,150	54,279
Total	**483,208**	**388,289**

a) Property, plant and equipment

The changes in the year ended 31 December 2022 in "Property, plant and equipment" and in the related accumulated depreciation were as follows:

	Thousands of Euros						
	Land and buildings	**Plant and machinery**	**Transport equipment (leasing) (Note 3-k)**	**Other fixtures, tools and furniture**	**Other items of property, plant and equipment**	**Advances and property, plant and equipment in the course of construction**	**Total**
Cost at 31/12/21	**362,239**	**339,691**	**26,728**	**45,216**	**46,861**	**10,416**	**831,151**
Changes in the scope of consolidation (Note 2-f)	50,518	18,102	-	-	88	2,275	70,983
Additions	4,744	6,902	-	4,240	2,182	18,291	36,359
Transfers	1,890	4,504	-	650	3,772	(12,664)	(1,848)
Disposals or reductions	(5,439)	(43,047)	(12,737)	(9,220)	(5,994)	(22)	(76,459)
Translation differences	597	987	(487)	(429)	(209)	(140)	319
Cost at 31/12/22	**414,549**	**327,139**	**13,504**	**40,457**	**46,700**	**18,156**	**860,505**
Accumulated depreciation at 31/12/21	**(136,282)**	**(274,165)**	**(12,436)**	**(29,091)**	**(35,116)**	**-**	**(487,090)**
Additions or charge for the year	(11,258)	(14,768)	(1,971)	(4,657)	(3,736)	-	(36,390)
Transfers	-	23	-	10	(4)	-	29
Disposals or reductions	5,385	42,095	8,325	8,291	5,996	-	70,092
Translation differences	(1,075)	(1,478)	227	89	49	-	(2,188)
Accumulated depreciation at 31/12/22	**(143,230)**	**(248,293)**	**(5,855)**	**(25,358)**	**(32,811)**	**-**	**(455,547)**
Impairment losses at 31/12/21	**(6,206)**	**(2,488)**	**-**	**(512)**	**(845)**	**-**	**(10,051)**
Recognised	-	-	-	(55)	79	-	24
Transfers	(286)	(93)	-	(3)	382	-	-
Disposals	28	873	-	219	(35)	-	1,085
Translation differences	23	-	-	4	15	-	42
Impairment losses at 31/12/22	**(6,441)**	**(1,708)**	**-**	**(347)**	**(404)**	**-**	**(8,900)**
Net balance at 31/12/22	**264,878**	**77,138**	**7,649**	**14,752**	**13,485**	**18,156**	**396,058**

The changes in the year ended 31 December 2021 in "Property, plant and equipment" and in the related accumulated depreciation were as follows:

	Thousands of Euros						
	Land and buildings	Plant and machinery	Transport equipment (leasing) (Note 3-l)	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
Cost at 31/12/20	**355,354**	**330,380**	**32,720**	**43,044**	**44,556**	**7,070**	**813,124**
Changes in the scope of consolidation (Note 2-f)	-	-	-	66	27	-	93
Additions	2,322	4,952	33	1,533	1,920	11,344	22,104
Transfers	1,727	4,200	-	953	1,343	(7,887)	336
Disposals or reductions	(1,273)	(1,324)	(5,797)	(470)	(1,060)	-	(9,924)
Translation differences	4,109	1,483	(228)	90	75	(111)	5,418
Cost at 31/12/21	**362,239**	**339,691**	**26,728**	**45,216**	**46,861**	**10,416**	**831,151**
Accumulated depreciation at 31/12/20	**(125,916)**	**(259,668)**	**(12,060)**	**(24,381)**	**(32,298)**	**-**	**(454,323)**
Additions or charge for the year	(9,593)	(14,208)	(4,194)	(4,802)	(3,323)	-	(36,120)
Transfers	(11)	(66)	-	(120)	21	-	(176)
Disposals or reductions	79	987	3,716	273	638	-	5,693
Translation differences	(841)	(1,210)	102	(61)	(154)	-	(2,164)
Accumulated depreciation at 31/12/21	**(136,282)**	**(274,165)**	**(12,436)**	**(29,091)**	**(35,116)**	**-**	**(487,090)**
Impairment losses at 31/12/20	**(6,148)**	**(2,488)**	**-**	**(502)**	**(1,133)**	**-**	**(10,271)**
Recognised in 2021	(28)	-	-	(12)	281	-	241
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Translation differences	(30)	-	-	2	7	-	(21)
Impairment losses at 31/12/21	**(6,206)**	**(2,488)**	**-**	**(512)**	**(845)**	**-**	**(10,051)**
Net balance at 31/12/21	**219,751**	**63,038**	**14,292**	**15,613**	**10,900**	**10,416**	**334,010**

In 2022, the most notable investments were geared towards the modernisation of the wheel business facilities, the automation of car welding processes, the expansion of the kitting area, and the acquisition of new equipment for the vehicle finishing areas, all part of the wider process of transforming the production model that is currently ongoing across the CAF Group's plants in Spain. Outside Spain, highlights include the investments initiated at the plant in Huehuetoca, Mexico, to expand its production capacity and adapt it for the manufacture of new vehicle platforms, the modernisation of the plant at Bagnères-de-Bigorre in France, and completion of the new warehouse at the Newport plant in Wales. Meanwhile, Solaris has been investing in its Polish plants to increase production capacity and automate operational processes. In 2021, the most significant investments were aimed at the modernisation and transformation of the production model, affecting all the manufacturing phases of the railway production plants, with highlights including the expansion of the plant located in the French town of Bagnères-de-Bigorre through the remodelling of the logistics and testing areas. A further highlight was the investment made in the bus business to increase the production capacity of its production facilities.

At 31 December 2022 and 2021, "Transport equipment (leasing)" included buses under operating leases (as indicated in Note 3-f), with a net carrying amount of EUR 7,649 thousand (EUR 14,292 thousand in 2021). Note 21 to the consolidated financial statements details the deferred income that will be recognised on a straight-line basis until the established repurchase date.

At 31 December 2022, the Group had firm investment purchase commitments of approximately EUR 12,977 thousand, mainly located in Spain and Germany (EUR 2,232 thousand at 31 December 2021, mainly located in Spain and Poland).

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2022 and 2021, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2022 and 2021, the gross cost of fully depreciated assets in use amounted to approximately EUR 298,964 thousand and EUR 338,146 thousand, respectively.

Gains on the disposal of property, plant and equipment in 2022 amounted to approximately EUR 2,034 thousand, mainly associated with the sale of assets related to the former steel plant at Beasain, and are recognised under "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss (2021: losses amounting to EUR 530 thousand). In 2022, the Group sold items of property, plant and equipment amounting to EUR 2,905 thousand (2021: EUR 1,620 thousand).

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 31 December 2022, the net amount of grants received not yet allocated to profit or loss totalled EUR 2,098 thousand (31 December 2021: EUR 2,340 thousand). A total of EUR 217 thousand was taken to profit or loss in this connection in 2022 (2021: EUR 225 thousand), and this amount was recognised under "Depreciation and amortisation charge" in the accompanying consolidated statement of profit or loss.

The directors consider that after evaluating the indicators used to assess whether there was any evidence of impairment in the Group's assets at 31 December 2022 —which essentially involve analysing the order book and assigning orders to the manufacturing run at each of the Group's production plants, while also analysing the valuations performed by independent experts— there is no evidence of impairment.

b) Right-of-use assets

The breakdown of and changes in "Right-of-use assets" in 2022 is as follows:

	Thousands of Euros				
	Land and buildings	**Plant and machinery**	**Other fixtures, tools and furniture**	**Other items of property, plant and equipment**	**Total**
Cost at 31/12/21	**62,225**	**29,277**	**9,398**	**1,254**	**102,154**
Changes in the scope of consolidation (Note 2-f)	96	407	77	-	580
Additions	36,171	18,203	4,330	348	59,052
Transfers	-	371	(344)	-	27
Disposals or reductions	(5,316)	(281)	(2,330)	(649)	(8,576)
Translation differences	(1,007)	(2,793)	(155)	(18)	(3,973)
Cost at 31/12/22	**92,169**	**45,184**	**10,976**	**935**	**149,264**
Accumulated depreciation at 31/12/21	**(26,407)**	**(15,982)**	**(4,687)**	**(799)**	**(47,875)**
Additions	(10,460)	(9,719)	(2,750)	(309)	(23,238)
Transfers	-	-	(27)	-	(27)
Disposals or reductions	4,923	76	1,752	517	7,268
Translation differences	239	1,437	75	7	1,758
Accumulated depreciation at 31/12/22	**(31,705)**	**(24,188)**	**(5,637)**	**(584)**	**(62,114)**
Net balance at 31/12/21	**35,818**	**13,295**	**4,711**	**455**	**54,279**
Net balance at 31/12/22	**60,464**	**20,996**	**5,339**	**351**	**87,150**

The breakdown of and changes in "Right-of-use assets" in 2021 is as follows:

	Thousands of Euros				
	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Total
Cost at 31/12/20	**53,716**	**26,801**	**6,995**	**1,286**	**88,798**
Changes in the scope of consolidation (Note 2-f)	375	-	54	-	429
Additions	10,453	8,766	3,083	316	22,618
Transfers	15	27	25	-	67
Disposals or reductions	(3,087)	(5,841)	(930)	(402)	(10,260)
Translation differences	753	(476)	171	54	502
Cost at 31/12/21	**62,225**	**29,277**	**9,398**	**1,254**	**102,154**
Accumulated depreciation at 31/12/20	**(18,262)**	**(11,512)**	**(3,110)**	**(827)**	**(33,711)**
Additions	(9,515)	(7,540)	(2,360)	(280)	(19,695)
Transfers	-	(42)	(25)	-	(67)
Disposals or reductions	1,763	2,879	875	345	5,862
Translation differences	(393)	233	(67)	(37)	(264)
Accumulated depreciation at 31/12/21	**(26,407)**	**(15,982)**	**(4,687)**	**(799)**	**(47,875)**
Net balance at 31/12/20	**35,454**	**15,289**	**3,885**	**459**	**55,087**
Net balance at 31/12/21	**35,818**	**13,295**	**4,711**	**455**	**54,279**

The Group leases various assets, including land, buildings, transport equipment and machinery. The average lease term of right-of-use assets for land and buildings is 13 years. Generally, lease terms were taken to be the minimum non-cancellable lease term, applying a specific rate to each lease.

The Group availed itself of the exemptions available for short-term leases, recognising the accrued expense under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss. The Group has no significant leases with variable lease payments.

The main additions in 2022 include an industrial facility for the company CAF Rail Traincare, Ltd., a warehouse for Solaris, and the rental of plant and machinery, mainly at Euromaint. There were no transactions relating to subleases to non-Group third parties and no sale & leaseback agreements. The main additions in 2021 related to the rental of a building for office use and a warehouse for Solaris, as well as the rental of plant and machinery, mainly at Euromaint.

In 2022, a loss of EUR 387 thousand was recognised with a charge to "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss as a result of the derecognition of right-of-use assets (2021: a loss of EUR 87 thousand).

Amounts recognised in profit or loss statement

	Thousands of Euros	
	2022	**2021**
Depreciation of the right-of-use assets	23,238	19,695
Interest expense on the financial liability	2,617	2,628
Short-term or low-value asset lease expense	11,526	9,407

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND NON-CURRENT FINANCIAL ASSETS

a) Investments accounted for using the equity method

The changes in the years ended 31 December 2022 and 2021 in "Investments accounted for using the equity method" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Beginning balance	**14,649**	**(829)**
Amounts charged to profit or loss	5,562	2,953
Hedges (Notes 17 and 26)	11,228	14,987
Additions	1,740	2,424
Disposals	(124)	(5,437)
Translation differences	61	551
Ending balance	**33,116**	**14,649**
Registered under assets	33,116	17,073
Registered in liabilities (Notes 20 and 26)	-	(2,424)

Relevant information on the investments in significant associates accounted for using the equity method is as follows (in thousands of euros):

2022

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the Parent	Non-controlling interests	Revenues	Profit (Loss) of the Parent	Other comprehensive income
Associates:									
Arabia One for Clean Energy Invest, PSC. (2)	16,625	2,529	13,413	780	4,961	-	3,218	355	273
Great River City Light Rail Pty Ltd	1,027	14,420	20	14,608	819	-	137,928	628	(22)
Plan Metro, S.A. (2)	236,797	7,404	240,366	41,895	(38,060)	-	62,093	8,660	-
Consorcio Traza, S.A. (2)(3)	202,230	44,722	253,076	6,015	(12,139)	(7,435)	25,220	(2,889)	1,281
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	155,289	20,787	228,826	43,599	(96,349)	-	41,556	(19,076)	(2,347)
Joint ventures:									
Ferrocarril Interurbano, S.A. de C.V.	24	25,688	-	18,018	7,694	-	3,150	481	721
Momentum Trains Holding Pty Ltd (2)	287,772	33,748	283,160	3,444	34,916	-	60,718	11,067	33,355
CFIR Light Rail Ltd (2)	462,323	118,655	259,527	314,391	7,060	-	294,673	2,041	(469)
LAVI Light Rail O&M Ltd	28,274	19,165	6,557	14,110	26,772	-	35,487	1,807	4,392

Name	Equity	% of share capital	Equity attributable to CAF Group	Investment accounted for using the equity method	Recognised profit (loss)
Associates:					
Arabia One for Clean Energy Investments PSC. (2)	4,961	40	1,984	1,984	142
Great River City Light Rail Pty Ltd	819	30	246	246	188
Plan Metro, S.A. (2)	(38,060)	40	(15,224)	-	-
Consorcio Traza, S.A. (2) (3)	(12,139)	25	(3,035)	-	(320)
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	(96,349)	43.35	(41,767)	-	-
Joint ventures:					
Ferrocarril Interurbano, S.A. de C.V.	7,694	49.63	3,819	3,819	239
Momentum Trains Holding Pty Ltd (2)	34,916	25.50	8,903	8,903	2,822
CFIR Light Rail Ltd (2)	7,060	50	3,530	3,530	1,021
LAVI Light Rail O&M Ltd	26,772	50	13,386	13,386	905
Other investments (4)			1,248	1,248	565
			(26,910)	**33,116**	**5,562**

(1) After adjustments and unifying entries for consolidation purposes (in thousands of euros).

(2) The shares of these companies are pledged to certain banks. In addition, these companies hold collateral bank balances in favour of certain financial institutions and must comply with a number of covenants.

(3) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

(4) Dormant companies or companies with no significant activity.

In 2022, the loan granted by the Parent to LAVI Light Rail O&M Ltd., for a total amount of EUR 1,740 thousand, was capitalised. As a result of this capitalisation, the CAF Group's stake in this company remains at 50%.

2021

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the Parent	Non-controlling interests	Revenues	Profit (Loss) of the Parent	Other comprehensive income
Associates:									
Arabia One for Clean Energy Invest. PSC. (2)	16,768	2,845	14,271	1,009	4,333	-	2,959	250	298
Great River City Light Rail Pty Ltd	1,951	5,603	-	7,341	213	-	53,065	37	3
Plan Metro, S.A. (2)	288,896	6,673	303,845	38,444	(46,720)	-	60,123	2,379	-
Consorcio Traza, S.A. (2)(3)	204,808	40,766	249,611	6,495	(10,531)	(6,366)	22,045	(2,158)	1,281
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	68,736	24,223	142,343	25,542	(74,926)	-	25,135	(12,437)	(3,679)
Joint ventures:									
Ferrocarril Interurbano, S.A. de C.V.	44	23,666	-	17,218	6,492	-	3,187	(292)	254
Momentum Trains Holding Pty Ltd (2)	208,550	19,496	216,895	20,657	(9,506)	-	46,906	(4,222)	26,868
CFIR Light Rail Ltd (2)	143,650	229,981	278,665	89,278	5,488	-	160,873	5,638	417
LAVI Light Rail O&M Ltd	24,247	20,674	5,186	22,645	17,090	-	24,898	1,314	15,776

Name	Equity	% of share capital	Equity attributable to CAF Group	Investment accounted for using the equity method	Recognised profit (loss)
Associates:					
Arabia One for Clean Energy Investments PSC. (2)	4,333	40	1,733	1,733	100
Great River City Light Rail Pty Ltd	213	30	64	64	11
Plan Metro, S.A. (2)	(46,720)	40	(18,688)	-	-
Consorcio Traza, S.A. (2) (3)	(10,531)	25	(2,633)	-	(320)
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	(74,926)	43.35	(32,480)	-	-
Joint ventures:					
Ferrocarril Interurbano, S.A. de C.V.	6,492	49.63	3,222	3,222	(145)
Momentum Trains Holding Pty Ltd (2)	(9,506)	25.50	(2,424)	(2,424)	(1,077)
CFIR Light Rail Ltd (2)	5,488	50	2,744	2,744	2,819
LAVI Light Rail O&M Ltd	17,090	50	8,545	8,545	657
Other investments (4)			765	765	908
			(39,152)	**14,649**	**2,953**

(1) After adjustments and unifying entries for consolidation purposes (in thousands of Euros).

(2) The shares of these companies are pledged to certain banks. In addition, these companies hold collateral bank balances in favour of certain financial institutions and must comply with a number of covenants.

(3) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

(4) Dormant companies or companies with no significant activity.

In 2021, the loans granted and the invoices issued as advances to Ferrocarril Interurbano S.A. de C.V. by the companies that make up the Consortium and hold a stake in that company were capitalised. Following this capitalisation, the percentages of participation of each consortium member have been maintained, while the participation in the CAF Group has increased by EUR 2,424 thousand.

In 2021, the investment in Orbital Sistemas Aeroespaciales, S.L.U. accounted for using the equity method was derecognised, as the CAF Group acquired all of its shares (Note 2-f).

In consolidating the ownership interests, the Group took the necessary fair value adjustments into account and eliminated the sales margins on rolling stock material in proportion to its ownership interest. Since the CAF Group has not incurred any legal or explicit obligations or made payments on behalf of the associates it is not necessary to consolidate the additional losses incurred by these associates valued at zero. At 31 December 2022, the additional unrecognised losses exceeding the cost of the investment amounted to EUR 53,342 thousand (31 December 2021: EUR 46,543 thousand).

In 2019, the Group acquired a 25.50% stake in the company Momentum Trains Holding Pty Ltd. The shareholders agreement provides for the future contribution of AUD 28 million in 2024, in proportion to the Group's stake in that associate (Note 26).

The Company also holds a 50% stake in CFIR Light Rail Ltd, and there is a commitment to make a further contribution in 2027 —either in the form of capital or as a subordinated loan— for approximately EUR 20 million, which is guaranteed by financial institutions (Note 26). Part of this contribution will be made in Israeli shekels and was hedged against the exchange rate exposure at year-end (Note 17).

b) Non-current financial assets

The breakdown of "Non-current financial assets" in the accompanying consolidated balance sheet is as follows:

	Thousands of Euros			
	31/12/22		31/12/21	
	% of Ownership	Balance	% of Ownership	Balance
Equity instruments				
Ferromovil 3000, S.L.	10%	13,713	10%	13,386
Plan Azul 07, S.L.	5.20%	313	5.20%	3,775
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	3,793	15%	5,000
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	513	3%	527
Leo Express Global, A.S.	5%	841	5%	913
Other		121		113
Total equity instruments		**20,045**		**24,465**
Other financial assets				
Amortised cost				
Guarantees and other financial assets		14,449		11,796
Loans to employees		2,986		3,314
Non-current tax receivables (Note 19)		20,682		26,948
Non-current trade receivables and loans		329,540		340,514
Loans to associates (Note 10)		34,842		32,714
		402,499		**415,286**
Provisions				
Provision for tax payables (Note 19)		(7,452)		(7,690)
Impairment losses		(1,894)		(2,159)
		(9,346)		**(9,849)**
Total other financial assets		**393,153**		**405,437**
Total		**413,198**		**429,902**

Changes in non-current financial assets in 2022 and 2021 are as follows:

	Thousands of Euros			
	Equity instruments	Other financial assets		
		Amortised cost	Provisions	Total
Balance at 31/12/20	**25,228**	**412,640**	**(8,800)**	**429,068**
Changes in the scope of consolidation	-	54	-	54
Changes in fair value with a charge to reserves	96	-	-	96
Translation differences	(9)	14,369	(97)	14,263
Additions	922	99,503	-	100,425
Charges to profit or loss for the year	-	-	(1,004)	(1,004)
Transfers (Note 3-l)	67	(108,841)	52	(108,722)
Disposals or reductions	(1,839)	(2,439)	-	(4,278)
Balance at 31/12/21	**24,465**	**415,286**	**(9,849)**	**429,902**
Changes in the scope of consolidation	-	36	-	36
Changes in fair value with a charge to reserves	(2,975)	-	-	(2,975)
Translation differences	(72)	31,051	(1,135)	29,844
Additions	-	113,620	-	113,620
Charges to profit or loss for the year	-	1,089	1,617	2,706
Transfers (Note 3-l)	8	(150,944)	21	(150,915)
Disposals or reductions	(1,381)	(7,639)	-	(9,020)
Balance at 31/12/22	**20,045**	**402,499**	**(9,346)**	**413,198**

b.1) Equity instruments

In 2021, the subsidiary EuroMaint Gruppen AB acquired 5% of the share capital of Leo Express Global A.S. through a capital increase.

b.2) Other financial assets

The detail, by maturity, of "Other Financial Assets" is as follows (in thousands of euros):

2022

	2024	2025	2026	2027 and subsequent years	Total
Assets at amortised cost	132,287	134,202	71,491	55,173	393,153
Total	**132,287**	**134,202**	**71.491**	**55,173**	**393,153**

2021

	2023	2024	2025	2026 and subsequent years	Total
Assets at amortised cost	127,576	117,133	84,180	76,548	405,437
Total	**127,576**	**117,133**	**84,180**	**76,548**	**405,437**

Guarantees and other financial assets

The breakdown of this heading at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Guarantees and other financial assets	3,277	2,773
Non-current deposits	11,172	9,023
Total guarantees and other financial assets	**14,449**	**11,796**
Non-current deposits	11,172	9,023
Impairment of non-current deposits	(129)	(151)
Total Non-current deposits (Note 14-i)	**11,043**	**8,872**

"Non-current deposits" mainly relate to guarantees linked to the financial debt of the subsidiary company Ctrens - Companhia de Manutençao, S.A. (Note 16), amounting to EUR 11,032 thousand (EUR 8,934 thousand at 31 December 2021). This guarantee, which bears interest at market rates and relates to six monthly repayments of the loan, will be discharged in the last six loan repayments from November 2025 to April 2026.

Loans to employees

In accordance with the agreements entered into with employees, the Parent grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Group does not discount these amounts since it considers that this effect is scantly material.

Non-current tax receivables

At 31 December 2022, the Group had recognised under "Non-current financial assets – Other financial assets" an amount of EUR 20,682 thousand in respect of receivables from foreign public authorities for tax equivalent to value added tax (EUR 26,948 thousand at 31 December 2021), with translation differences having increased by EUR 3,549 thousand in 2022 (2021: increase of EUR 273 thousand).

The above amounts may be recovered by offsetting them against the output VAT charged to customers or selling them to third parties once they have been claimed from the tax authorities. The Group is currently taking the steps required to claim and sell them and expects to recover them mainly through sales to third parties. At 31 December 2022 and 2021, the Group held a provision of EUR 7,452 thousand and EUR 7,690 thousand to adjust the nominal value of these loans to their recoverable amount, having recorded a net reversal of EUR 1,194 thousand in 2022 (provision of EUR 1,151 thousand in 2021), with a charge to "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss. The decrease in the balance during 2022 was largely due to the sale and subsequent collection of part of the receivables from third parties.

Non-current trade receivables and loans

The breakdown of this heading at 31 December 2022 and 2021 is as follows (in thousands of euros):

	31/12/22	31/12/21
Concessions – Financial assets	304,889	311,007
Non-current trade receivables (Buses)	17,836	20,572
Non-current grants receivable	4,548	7,048
Other non-current trade receivables and loans	2,267	1,887
Total	**329,540**	**340,514**

– Concessions – Financial assets

On 19 March 2010, Group company Ctrens - Companhia de Manutençao, S.A. and Companhia Paulista de Trens Metropolitanos (CPTM) entered into a 20-year concession arrangement for the manufacture of 36 trains and the provision of lease, preventative and corrective maintenance and general overhaul services, and services to modernise the trains on Diamante Line 8 in São Paulo (Brazil).

The main features of this arrangement, in addition to those indicated above, are as follows:

– The payments are guaranteed by CPTM through monthly bank deposits of BRL 11.6 million made to a bank account (in 2009 real terms, amounting to BRL 24.2 million at 31 December 2022 following an adjustment in line with the São Paulo State general inflation rate). This account is managed by a Security Agent and can be used to pay the concession operator in the event of default by CPTM on its payment obligations.

– The concession operator must meet certain minimum capital requirements, in both absolute terms and in terms of a percentage of assets.

– The concession company guarantees the full performance of its obligations vis-à-vis CPTM by means of a bank guarantee (Note 26.a), amounting to BRL 49,533 thousand (EUR 8,785 thousand) at 31 December 2022 (EUR 7,313 thousand at 31 December 2021).

– All the assets associated with the concession, except for the capital goods, acquired, produced or implemented by the concession operator to provide the services under the concession arrangement must be returned to CPTM at the end of the concession term for no consideration.

On 31 May 2010, the Group company Provetren, S.A. de C.V. and Sistema de Transporte Colectivo (STC) entered into a 15-year concession arrangement for the construction of 30 trains and the provision of lease and integral and general overhaul services for Line 12 of the Mexico City metro.

The main features of this arrangement, in addition to those indicated above, are as follows:

– The consideration payable by STC is secondarily guaranteed by a system of trusts with funds from the Federal Participation Surpluses (Federal District Government payment risk). In 2022 this guarantee comfortably fulfilled STC's payment obligations in the year.

– The concession operator must secure the correct performance of its obligations to STC with a bank guarantee of 10% of the payments expected to be received by it in the current year.

– All the assets associated with the concession, except for the capital goods, acquired, produced or implemented by the concession operator to provide the services under the concession arrangement must be returned to STC at the end of the concession term for no consideration.

These concessions are accounted for in accordance with IFRIC 12 Service Concession Arrangements, since the related requirements are met, and, pursuant to IFRIC 12, the various services provided (construction, operation/maintenance and financing) were separated.

Accordingly, the Group recognised a total of EUR 304,889 thousand and EUR 125,786 thousand under "Non-current financial assets – Other financial assets" and "Current assets – Other receivables", respectively, at 31 December 2022 (EUR 311,007 thousand and EUR 97,704 thousand at 31 December 2021) in relation to construction activities and services performed to date, net of billings made. There were no investing activities whatsoever in 2022 or 2021.

The lease and maintenance services started to be provided basically in the first half of 2011 in the case of the Line 8 (Brazil) concession and in the second half of 2012 in the case of the Line 12 (Mexico) concession.

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

On 3 May 2021, there was an interruption in the operation of Line 12 of the Mexico City Metro, where the Group, through a subsidiary, provides maintenance services for the trains in operation there. The service interruption was caused by the collapse of an overhead section of the line for reasons not attributable to the CAF Group. At the date of authorisation for issue of these consolidated financial statements, the Mexican authorities have completed their investigation into the events that took place and have identified the builder of the civil works as the party responsible for the collapse. Most of the repair work on the line has now been completed and it has been partially reopened. The contract envisioned a possible suspension and the parties availed themselves of this option by signing an agreement to temporarily suspend the effects of the contract. This agreement stated that the base consideration must continue to be paid by the Metro, while the variable consideration would be temporarily suspended until the passenger transport service is fully or partially resumed, which effectively took place on 15 January 2023.

– Non-current trade receivables (Buses)

In 2022 and 2021, long-term collection schedules were arranged with customers in the Buses segment. These loans accrue interest at market rates and are repaid on a straight-line basis over a term of between two and ten years.

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Balances and transactions with associates

Transactions performed with associates that were not eliminated on consolidation (Note 2-f) break down as follows:

	Thousands of Euros					
	2022			2021		
Company	**Services provided or sales recognised**	**Services received or purchases recognised**	**Finance income**	**Services provided or sales recognised**	**Services received or purchases recognised**	**Finance income**
Plan Metro, S.A.	14,261	-	2,493	13,472	-	2,314
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	43,745	6	-	13,309	17	-
Ferrocarril Interurbano S.A. de C.V.	43,740	1,017	-	12,305	-	-
Momentum Trains Holding Pty Ltd	79,282	-	-	73,984	-	-
CFIR Light Rail Ltd	98,499	-	-	64,541	-	-
Great River City Light Rail Pty Ltd	111,377	-	-	81,982	-	4
LAVI Light Rail O&M Ltd.	316	-	-	12	-	40
Light LTV NTA Ltd.	5,421	-	-	-	-	-
Other	1,864	-	10	-	8	30
Total	**398,505**	**1,023**	**2,503**	**259,605**	**25**	**2,388**

The margins earned on transactions performed with associates were duly eliminated on consolidation in proportion to the percentage of ownership therein (Note 9-a).

As a result of the transactions performed in 2021, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2022 and 2021 were as follows:

	Thousands of Euros							
	31/12/22				31/12/21			
Company	Accounts receivable/ Current loans	Accounts payable	Contract assets and liabilities	Non-current loans (Note 9-b)	Accounts receivable/ Current loans	Accounts payable	Contract assets and liabilities	Non-current loans (Note 9-b)
Plan Metro, S.A.	111	-	(1,448)	34,813	-	-	(1,426)	32,320
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	1,334	898	3,263	-	4,037	753	50	-
Ferrocarril Interurbano S.A. de C.V.	804	317	(60,400)	-	2,776	36	(23,988)	-
Momentum Trains Holding Pty Ltd	914	-	(129,952)	-	-	-	(75,113)	-
CFIR Light Rail Ltd	5,438	-	58,448	-	1,137	-	112,573	-
Great River City Light Rail Pty Ltd	-	-	(57,232)	-	190	-	(70,235)	-
LAVI Light Rail O&M Ltd.	1,324	-	1,341	-	1,889	-	-	-
Light LTV NTA Ltd.	-	-	2,410	-	-	-	-	-
Other	56	-	471	29	-	-	-	394
Total	**9,981**	**1,215**	**(183,099)**	**34,842**	**10,029**	**789**	**(58,139)**	**32,714**

In 2011, subsidiary company CAF Investment Projects, S.A.U. granted Plan Metro, S.A. an advance of EUR 15,104 thousand, to enable it to temporarily meet certain financial obligations incurred due to the change in the end client's payment profile. This loan does not form part of the net investment, since it has a set maturity date of 2029 and collection is sufficiently guaranteed with collateral. Plan Metro, S.A.'s current economic and financial model supports the recovery of the loaned amounts and the interest accrued thereon by the CAF Group. Also, the Group recognised finance income of EUR 2,493 thousand in relation to the interest accrued on the loan with a credit to "Finance income" in the accompanying consolidated statement of profit or loss (EUR 2,314 thousand in 2021).

b) Balances and transactions with shareholders

At 31 December 2022, the Group had the following financial transactions outstanding with shareholders holding 10% or more of the voting rights:

		2022		2021	
Shareholder	Type of transaction	Amount of transaction	Balance drawn at 31/12/22	Amount of transaction	Balance drawn at 31/12/21
Kutxabank, S.A.	Bank loans	40,000	36,500	40,000	38,000
Kutxabank, S.A.	Credit accounts	35,000	-	35,000	-
Kutxabank, S.A.	Bank guarantees	150,119	101,551	130,000	91,765

In addition, in 2022 the Group entered into non-recourse factoring arrangements with Kutxabank, S.A. and other subsidiaries of Bilbao Bizkaia Kutxa Fundación Bancaria, amounting to EUR 25,401 thousand (EUR 34,411 thousand in 2021) and also arranged professional services amounting to EUR 95 thousand (EUR 22 thousand in 2021).

11. INVENTORIES

The breakdown of "Inventories" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Trains, traction equipment, civil engineering, signalling	57,434	22,961
Spare parts, components and other	208,900	252,747
Rolling stock	**266,334**	**275,708**
Buses	**319,217**	**211,116**
Total	**585,551**	**486,824**

Changes in impairment allowances in 2022 and 2021 are as follows:

2022

	Thousands of Euros
Balance at 31/12/21	**37,190**
Changes in the scope of consolidation (Note 2-f)	1,999
Translation differences	(553)
Amount used	(3,145)
Net charge for the period	5,979
Balance at 31/12/22	**41,470**

2021

	Thousands of Euros
Balance at 31/12/20	**34,448**
Translation differences	(81)
Amount used	(3,807)
Net charge for the period	6,630
Balance at 31/12/21	**37,190**

At 31 December 2022, the Group had firm raw materials purchase commitments amounting to approximately EUR 857,753 thousand (31 December 2021: EUR 651,928 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2022 and 2021, the insurance policies taken out covered the carrying amount of the inventories at those dates.

12. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

The breakdown of "Trade receivables for sales and services" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Trade receivables - in euros	990,722	829,007
Trade receivables - in foreign currency	935,081	704,384
Write-downs	(21,865)	(21,999)
Total	**1,903,938**	**1,511,392**

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

	Thousands of Euros	
	31/12/22	31/12/21
Contract assets (Note 3-g)	1,315,785	1,004,812
Customers billed	610,018	528,579
Write-downs	(21,865)	(21,999)
Total	**1,903,938**	**1,511,392**

Contract assets and liabilities

The aggregate balance and change in contract assets and liabilities in 2022 and 2021 are as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Current contract assets	1,315,785	1,004,812
Current contract liabilities (Note 19)	(1,128,780)	(746,804)
Non-current contract liabilities (Note 21)	(91,374)	(65,889)
Net balance	**95,631**	**192,119**

	Thousands of Euros
Balance at 31/12/20	**(59,084)**
Changes in measure of progress	1,842,691
Billings	(1,621,773)
Penalties applied	32,320
Translation differences	(1,396)
Reclassifications and other	(639)
Balance at 31/12/21	**192,119**
Changes in measure of progress	2,118,073
Billings	(1,984,403)
Penalties applied	10,859
Changes in the scope of consolidation (Note 2-f)	(262,882)
Translation differences	24,301
Reclassifications and other	(2,436)
Balance at 31/12/22	**95,631**

Of "Current contract liabilities" at 31 December 2021, the sum of EUR 446,899 was recognised as revenue in 2022 (2021: EUR 546,494 thousand). Moreover, no significant revenue was recognised for performance obligations satisfied in prior periods.

The Group also recognised a total of EUR 288,756 thousand under "Trade and other payables – Suppliers" in the accompanying consolidated balance as costs for the provision of services related to train construction contracts, such expenses having accrued based on the measure of progress (31 December 2021: EUR 241,349 thousand).

The unrecognised revenue for performance obligations not satisfied at year-end relates to what is usually referred to as backlog (see definition in the Alternative Performance Measures section of the Directors' Report) (Note 27). 26% of that amount is expected to be recognised under "Revenue" in 2023, 19% in 2024 and the remainder in 2025 and subsequent years.

The provisions for third-party liabilities reducing contract assets and liabilities amounted to EUR 53,558 thousand at 31 December 2022 (31 December 2021: EUR 44,080 thousand).

Customers billed

At 31 December 2022, the Group had derecognised receivables amounting to EUR 148,242 thousand (31 December 2021: EUR 80,726 thousand) as a result of non-recourse factoring agreements.

At 31 December 2022, the balances billed included an amount of EUR 14,882 thousand (EUR 28,838 thousand at 31 December 2021), in relation to the contract signed in previous years with Metro de Caracas.

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. At the date of authorisation for issue of these consolidated annual financial statements, a total of EUR 44.7 million – equivalent to 75% of the indemnifiable amount – had been collected by the joint venture. The remaining 25% of the indemnity was paid to the joint venture in January 2023.

At 31 December 2022, 23% of billed but unpaid receivables related to the Group's five main customers (31 December 2021: 32%). "Trade receivables" included withholdings on collections at 31 December 2022 amounting to EUR 11,460 thousand (31 December 2021: EUR 10,070 thousand).

The amount of past-due balances under "Trade and other receivables" at 31 December 2022 and 2021 was as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Past due > 90 days	33,374	35,140
Past due > 180 days	147,541	128,358
Total	**180,915**	**163,498**

Approximately 61% of this balance is concentrated in three countries and five contracts in relation to which the Group is implementing active collection management measures, although no significant losses beyond those provisioned for are expected.

– At 31 December 2022, the Group had recognised EUR 51,320 thousand (31 December 2021: EUR 42,234 thousand), corresponding to billed and unbilled balances receivable for contracts already performed that have not yet been collected after securing arbitration awards favourable to the Group. At 31 December 2022, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to its recoverability.

– At 31 December 2022, the Group had recognised an amount of EUR 40,811 thousand (31 December 2021: EUR 42,182 thousand) 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. As at the date of authorisation for issue of these consolidated financial statements, two expert reports analysing the alleged delays have been issued as part of the legal proceedings and the parties are currently awaiting a decision by the court.

– At 31 December 2022, the amount past-due by more than 180 days and recognised under "Trade receivables for sales and services" in relation to a contract for the construction and supply of fleet in Brazil, amounted to EUR 14.3 million (31 December 2021: EUR 12.8 million), without counting the advance payments, impairment losses or provisions recognised, which cover the entire amount (Note 26) .

Write-downs

Changes in impairment allowances in 2022 and 2021 are as follows:

2022

	Thousands of Euros
Balance at 31/12/21	**21,999**
Translation differences	666
Amount used	(957)
Provisions reversed with a credit to "Other Operating Expenses"	44
Reclassifications	113
Balance at 31/12/22	**21,865**

2021

	Thousands of Euros
Balance at 31/12/20	**19,786**
Translation differences	211
Amount used	(873)
Provisions reversed with a credit to "Other Operating Expenses"	3,071
Reclassifications	(196)
Balance at 31/12/21	**21,999**

b) Other receivables

The breakdown of the heading "Other receivables" was as follows at 31 December 2022 and 2021:

	Thousands of Euros	
	31/12/22	**31/12/21**
Concessions (Note 9-b.2)	125,786	97,704
Other taxes receivable		
VAT	68,439	60,247
Grants	8,599	3,107
Other	4,215	1,903
Employee receivables	861	2,541
Sundry accounts receivable	6,710	2,939
Total	**214,610**	**168,441**

13. OTHER CURRENT FINANCIAL ASSETS

At 31 December 2022 and 2021, this heading breaks down as follows:

2022

		Thousands of Euros	
Financial assets: type/category	**At amortised cost**	**At fair value through profit or loss**	**Total**
Current financial assets (Note 14-i)	21,120	90,902	112,022
Other financial assets	25,960	-	25,960
Short-term/current	**47,080**	**90,902**	**137,982**

2021

		Thousands of Euros	
Financial assets: type/category	**At amortised cost**	**At fair value through profit or loss**	**Total**
Current financial assets (Note 14-i)	42,583	86,078	128,661
Other financial assets	2,711	-	2,711
Short-term/current	**45,294**	**86,078**	**131,372**

"Financial assets at amortised cost" includes the cash surpluses invested in government debt securities, repos, short-term deposits and term deposits. The Group also holds a receivable from Alstom amounting to EUR 22.5 million and falling due in 2023. The initial amount of the receivable (Note 2-f) was EUR 45 million, of which EUR 22.5 million had been collected as at 31 December 2022. The heading "Financial assets at fair value through profit or loss" includes fixed-income mutual funds.

14. EQUITY

a) Share capital of the Parent

At both 31 December 2022 and 2021, the Parent's share capital was represented by 34,280,750 fully subscribed and paid up shares, each with a par value of EUR 0.301, all represented in book entry form and all listed on the stock exchange.

At 31 December 2022 and 2021, the following companies or entities had notified the CNMV that they held voting rights of more than 3% of the Company's share capital:

	% 2022	% 2021
Cartera Social, S.A. (1)	24,04%	24,20%
Kutxabank, S.A. (2)	14,06%	14,06%
Indumenta Pueri S.L. (3)	5,02%	5,02%
Daniel Bravo Andreu (4)	5,00%	5,00%
Instituto Vasco de Finanzas (5)	3,00%	-
Santander Asset Management, S.A. S.G.I.I.C. (6)	-	3,07%

(1) The shareholders of this company are employees of the Parent.

(2) Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.

(3) 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.

(4) Daniel Bravo Andreu holds indirect ownership interest, although the indirect holder is Danimar 1990, S.L.

(5) On 28 December 2022, Instituto Vasco de Finanzas notified the CNMV of the acquisition of shares equivalent to 3% of the Group's share capital. Instituto Vasco de Finanzas is the indirect owner, with FINKATZE KAPITALA FINKATUZ, S.A.U. holding the direct stake.

(6) On 2 November 2022, Santander Asset Management, S.A. S.G.I.I.C. notified the CNMV that its stake had fallen below the 3% threshold. 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 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 Parent'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 consolidated financial statements.

Lastly, the Annual General Meeting held on 11 June 2022 resolved to vest powers in the Parent's Board of Directors, with express powers of delegation, for a term of five (5) years running from that date, to issue debt instruments and fixed income or other securities (including warrants) convertible into shares of the Parent or other Group companies, including the power to disapply shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This resolution supersedes the resolution previously adopted at the Annual General Meeting of the Parent held on 10 June 2017. No convertible securities have been issued from the date of that resolution through to the date of authorisation for issue of these consolidated financial statements.

b) Treasury shares and Earnings per share

The Annual General Meeting held on 13 June 2020 vested powers in the Parent's Board of Directors to acquire treasury shares for a period of five years running from that date. This authorisation superseded the authorisation granted by resolution of the Annual General Meeting held on 13 June 2015. By virtue of the powers vested in it, the Board of Directors of the Parent authorised the signing of a liquidity contract, the signing of which was disclosed to the market by filing a "Other material disclosure" with the CNMV on 26 April 2022. In order to perform that contract, a treasury stock transaction was carried out, thus allowing a total of 44,100 shares to be deposited and held in the securities account of the Financial Intermediary. In accordance with prevailing law and regulations, the Parent reports quarterly to the CNMV on all transactions carried out under that contract.

In 2022, various transactions in own shares were carried out on the continuous market. The breakdown of transactions with own shares held by the Group is as follows:

	No. of shares	Nominal value (thousands of euros)	Average purchase de adquisición (euros)	Total cost (thousands of euros)
Treasury shares at 31 December 2022	46,947	14	27.53	1,292

The following table breaks down changes in treasury shares in 2022:

	No. of shares
Treasury shares at 1 January 2022	-
+ Purchases	628,914
- Sales	(581,967)
Treasury shares at 31 December 2022	**46,947**

The nominal value of own shares acquired directly or indirectly by CAF did not exceed 10% of the share capital during the 12-month period ended 31 December 2022.

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

	2022	2021
Consolidated profit/(loss) for the period attributable to the Parent (thousands of euros)	52,188	85,920
Average number of shares issued (in thousands of shares)	34,246	34,281
Earnings per share (in euros)	**1.52**	**2.51**

c) Share Premium

The share premium account balance has no specific restrictions on its use.

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 31 December 2022 and 2021, the balance of this reserve had reached the legally required minimum.

e) Restricted and unavailable reserves

In the separate financial statements of the consolidated companies, there were reserves totalling EUR 86,371 thousand and EUR 87,416 thousand at 31 December 2022 and 2021, respectively and approximately, corresponding to the legal reserve, balance sheet revaluation reserve, reserve for depreciated capital and others, which are considered restricted and unavailable, respectively. Also, certain companies have reserves that are restricted as a result of financing agreements (Note 16).

In addition, 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. Accordingly, at 31 December 2022, a total of EUR 57,420 thousand of the reserves was restricted as to their use (31 December 2021: EUR 61,928 thousand).

f) Dividends of the Parent

On 6 October 2021, the Board of Directors resolved to distribute an interim dividend against 2021 earnings in the amount of EUR 13.7 million. At 31 December 2021, the Parent had recognised that amount under "Interim dividend" in the accompanying consolidated balance sheet. It was subsequently paid in January 2022.

Likewise, on 11 June 2022, the General Meeting of Shareholders resolved to pay a final dividend out of profit for financial year 2021 in the amount of EUR 20.6 million. It was subsequently paid in July 2022.

g) Translation differences

The breakdown, by company, of "Translation differences" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
CAF México, S.A. de C.V.	2,848	(1,344)
CAF Brasil Indústria e Comércio, S.A.	(51,931)	(57,867)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	(3,229)	(3,103)
CAF USA, Inc.	2,676	(190)
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	(1,351)	(2,815)
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	(3,303)	(2,977)
CAF Argelia (EURL)	(753)	(908)
CAF India Private Limited	(1,796)	(1,410)
Ctrens - Companhia de Manutençao, S.A.	(116,592)	(124,660)
Provetren, S.A. de C.V.	3,107	1,260
Solaris Bus & Coach, sp. z.o.o.	(20,918)	(16,528)
CAF Group UK Limited	228	258
CAF Rolling Stock UK Limited	(487)	1,562
EuroMaint Gruppen AB	1,350	2,888
EuroMaint Rail AB	(2,302)	(375)
CAF Arabia Company	2,738	792
Other companies	1,413	2,050
Total	**(188,302)**	**(203,367)**

h) Non-controlling interests

The breakdown of "Equity – Non-controlling interests" in the accompanying consolidated balance sheet and of changes therein in 2022 and 2021 is as follows:

	Thousands of Euros
Balance at 31 December 2020	**11,234**
Profit attributable to non-controlling interests	2,851
Translation differences	(72)
Dividends	(215)
Balance at 31 December 2021	**13,798**
Profit attributable to non-controlling interests	2,676
Translation differences	(111)
Purchase and sale from non-controlling interests of Lander (Note 15)	(2,008)
Dividends	(1,949)
Balance at 31 December 2022	**12,406**

i) Capital management

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

The directors of the CAF Group consider that the fact that the leverage ratio with recourse to the Parent is minimal is a good indicator that the objectives set are being achieved. They also believe that the Group's credit quality is commensurate to the profile of its businesses.

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

At 31 December 2022 and 2021, a substantial portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (Note 9-b.2) and Solaris (Note 16). Leverage is taken to be the ratio of gross/net financial debt to equity:

	Thousands of Euros	
	31/12/22	**31/12/21**
Net financial debt:		
Payment deferrals with public entities (Note 19)	-	513
Interest-bearing refundable advances (Note 15)	6,342	8,143
Bank borrowings - Non-current liabilities (Note 16)	589,703	675,569
Bank borrowings and debt instruments – Current liabilities (Note 16)	278,339	282,703
Gross financial debt	**874,384**	**966,928**
Financial assets – Non-current assets (Note 9-b.2)	(11,043)	(8,872)
Current financial assets (Note 13)	(112,022)	(128,661)
Current hedging derivatives	(473,344)	(551,372)
Net financial debt	**277,975**	**278,023**
Equity:		
Attributable to the Parent	775,919	726,662
Non-controlling interests	12,406	13,798
	788,325	**740,460**

15. OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES AND OTHER OBLIGATIONS

The breakdown of the Group's financial liabilities at 31 December 2022 and 2021, by type and category for measurement purposes, is as follows:

	Thousands of Euros					
	31/12/22			31/12/21		
	Non-current	Current	Total	Non-current	Current	Total
Refundable advances	21,854	6,194	28,048	26,988	9,646	36,634
Share purchase liabilities	187	5,390	5,577	6,312	3,804	10,116
Payable to non-current asset suppliers (Note 8)	-	1,959	1,959	-	5,102	5,102
Obligations under finance leases (Note 8-b)	67,216	22,512	89,728	39,310	17,194	56,504
Dividend payable (Note 14-f)	-	-	-	-	12,381	12,381
Other liabilities	67	296	363	3,996	580	4,576
Total	**89,324**	**36,351**	**125,675**	**76,606**	**48,707**	**125,313**

The detail, by maturity in the coming years, of other non-current financial liabilities is as follows (in thousands of euros):

2022

	Interest	Principal
2024	53	22,754
2025	40	16,811
2026	17	12,064
2027	2	9,119
2028 and subsequent years	-	46,129
Total	**112**	**106,877**
Accruals and discounting		(17,553)
Total carrying amount		**89,324**

2021

	Interest	Principal
2023	58	28,573
2024	43	14,943
2025	29	9,082
2026	14	6,278
2027 and subsequent years	1	29,817
Total	**145**	**88,693**
Accruals and discounting		(12,087)
Total carrying amount		**76,606**

Refundable advances

Through research and development programmes the Group has received certain grants to conduct research and development projects. These aids are recognised on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

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

– Refundable advances in the form of loans which are generally interest-free and which usually have an initial grace period of 3 years and are taken to income in a period of over 10 years.

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

Share purchase liabilities

This heading includes the amount expected to be paid for the cross call options on the remaining share capital of the company BWB Holdings Limited (26% of the remaining share capital). The strike price of this transaction is variable, depending on the certain financial parameters of the company on the date the options are exercised.

The put options granted to non-controlling interests for the remaining capital of Lander Simulation and Training Solutions, S.A.U. were exercised in 2021 and the transaction was completed on 28 September 2022. The price determining the exit options was based on a valuation carried out by an independent expert and amounted to EUR 5,968 thousand, of which EUR 597 thousand was outstanding at 31 December 2022 as variable consideration.

In 2022, a total of EUR 1,050 thousand corresponding to the variable consideration for the acquisition of Orbital recorded at year-end 2021 was derecognised, as the relevant conditions had not been met (Note 2-f).

Lease liabilities

In 2022, this heading includes all the liabilities that the Group holds as a lessee (Note 8-b). The weighted average rate used for discounting financial liabilities is approximately 4.4% (4.6% in 2021).

16. BANK BORROWINGS AND DEBT INSTRUMENTS OR OTHER MARKETABLE SECURITIES

The detail of this heading in the accompanying consolidated balance sheet is as follows:

		Thousands of Euros					
		31/12/22			31/12/21		
	Nominal currency	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Loans and credit accounts							
Ctrens - BNDES	BRL	46,562	17,667	64,229	56,730	14,669	71,399
Provetren – Bank union	USD	-	15,751	15,751	14,777	26,673	41,450
Parent (CAF, S.A.)	EUR	508,745	29,454	538,199	512,145	113,897	626,042
CAF Investment Projects, S.A.U.	EUR	16,486	3,500	19,986	19,935	-	19,935
Solaris Group	PLN/EUR	17,639	178,772	196,411	71,615	99,534	171,149
Actren Mantenimiento Ferroviario, S.A.	EUR	-	-	-	-	1,166	1,166
Other Group companies	EUR	271	114	385	367	85	452
		589,703	**245,258**	**834,961**	**675,569**	**256,024**	**931,593**
Debt instruments or other marketable securities							
Commercial paper issue	EUR	-	31,900	31,900	-	25,000	25,000
Accrued interest payable		-	1,181	1,181	-	1,679	1,679
Total		**589,703**	**278,339**	**868,042**	**675,569**	**282,703**	**958,272**

The change during 2022 and 2021 in "Bank borrowings and debt instruments or other marketable securities" and "Other financial liabilities" (Note 15) is as follows:

2022

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	**Other financial liabilities**	**Total**
Balance at 31 December 2021	**956,593**	**125,313**	**1,081,906**
Cash flows from financing activities			
New drawdowns	642,576	4,597	647,173
Payments at maturity	(742,608)	(35,658)	(778,266)
Transactions with non-controlling shareholders	-	(5,371)	(5,371)
Dividend payments	-	(12,381)	(12,381)
	(100,032)	**(48,813)**	**(148,845)**
Other changes (without cash flows)			
Translation differences	8,569	(3,616)	4,953
Changes in the scope of consolidation (Note 2-f)	-	585	585
Dividends accrued, new leases, other	1,731	52,206	53,937
	10,300	**49,175**	**59,475**
Balance at 31 December 2022	**866,861**	**125,675**	**992,536**

2021

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	**Other financial liabilities**	**Total**
Balance at 31 December 2020	**977,566**	**141,127**	**1,118,693**
Cash flows from financing activities			
New drawdowns	389,336	7,168	396,504
Payments at maturity (*)	(414,293)	(35,440)	(449,733)
Dividend payments	-	(25,616)	(25,616)
	(24,957)	**(53,888)**	**(78,845)**
Other changes (without cash flows)			
Translation differences	3,083	550	3,633
Dividends accrued, amortised cost adjustments and others	901	37,524	38,425
	3,984	**38,074**	**42,058**
Balance at 31 December 2021	**956,593**	**125,313**	**1,081,906**

(*) A total of EUR 4,966 thousand is also included in the statement of cash flows under "Proceeds/(payments) on financial liability instruments – Repayment and amortisation" as payment of deferred debts with foreign public entities.

The total amount of lease-related cash outflows in 2022 was EUR 26,263 thousand (2021: EUR 22,018 thousand).

The bank borrowings are presented in the consolidated balance sheet adjusted by the costs incurred in the arrangement of the loans.

Ctrens – BNDES

In relation to the CPTM train rental operation described in Note 9-b.2, on 10 May 2011 subsidiary company Ctrens - Companhia de Manutençao, S.A. (Ctrens) signed a financing agreement with Banco Nacional de Desenvolvimiento Econômico e Social (BNDES) for a maximum amount of BRL 946,890 thousand. The loan bears interest at TJLP (Taxa de Juros de Longo Prazo) plus a spread. The principal of the loan will be repaid in 160 successive monthly instalments, with the first repayment falling due in January 2013. In 2020, Ctrens applied for the Standstill COVID-19 offered by BNDES (similar to the agreement to extend the payment term with CPTM). Its request was accepted in July 2020, effectively suspending the repayment of the debt and interest payments over the period running from July to December 2020. Payments resumed under the normal arrangement in January 2021 and the final maturity date of the financing arrangement remains unchanged.

This contract includes certain restrictive clauses limiting the company Ctrens - Companhia de Manutençao, S.A., among others, from obtaining new bank loans, granting guarantees, making capital repayments, and distributing dividends if certain ratios have not been achieved, as well as the obligation to meet certain covenants as from January 2013, including the Debt Service Coverage Ratio (which must exceed 1.2) and the Minimum Capital Structure Formula (which must exceed 0.24), all of which were satisfied throughout 2022 and 2021. In addition, cash balances from the concession totalling EUR 11,032 thousand at 31 December 2022 (EUR 8,934 thousand at 31 December 2021) were pledged as security for debt service, with the remaining balances being released on a quarterly basis, once compliance with the relevant covenants has been verified.

Also, on 15 June 2011 the subsidiary entered into a "fiduciary" transfer of title agreement with BNDES whereby it assigned as a guarantee such collection rights as CTRENS might have vis-à-vis CPTM, as well as the guarantees provided by CPTM for the subsidiary and any amount claimable by the subsidiary from CPTM, the Parent and CAF Brasil Indústria e Comércio, S.A.

Provetren – Banking syndicate

In relation to the long-term train lease services agreement (PPS – Line 12) described in Note 9-b.2, on 7 December 2012 subsidiary company Provetren, S.A. de C.V. entered into a long-term financing agreement for a maximum sum of USD 300 million with a syndicate of banks comprising BBVA Bancomer, S.A., Banco Nacional de México, S.A., Banco Santander (Mexico) S.A., Sumitomo Mitsui Banking Corporation and Caixabank, S.A. The interest rate on the loan is referenced to LIBOR. To avoid fluctuations in the interest rate curve, and as is customary in this type of financing arrangement, Provetren entered into an interest rate hedging agreement for 80% of the financing and for 80% of the term, which was cancelled on maturity in 2021 and was not renewed (Note 17).

The loan principal will be repaid in 39 consecutive quarterly instalments, in line with the collection profile under the PPS, the first maturity date being October 2013.

This contract includes certain restrictive covenants limiting the ability of the company Provetren, S.A. de C.V., among others, to secure new bank loans, grant guarantees, make capital repayments, or distribute dividends if certain ratios are not achieved, while also maintaining certain covenants as of October 2013, including the Debt Service Coverage Ratio (which must be higher than 1.15), all of which were met during 2022 and 2021. In addition, cash balances from the concession totalling EUR 16,384 thousand at 31 December 2022 (EUR 13,970 thousand at 31 December 2021) were pledged as security for debt service, with the remaining balances being released on a quarterly basis, once compliance with the relevant covenants has been verified.

Also, on the same date, 7 December 2012, the subsidiary with Banco Invex acting as Trustee and BBVA Bancomer, S.A. acting as Primary Beneficiary, entered into a trust agreement, whereby it assigned as a guarantee such collection rights as Provetren might have under the PPS, any collection rights arising from the interest rate hedge agreement, any collection rights under the manufacture and maintenance agreements, any income from VAT refunds and amounts arising from insurance policies.

The shares of subsidiary companies Ctrens - Companhia de Manutençao, S.A. and Provetren, S.A. de C.V. are pledged in favour of BNDES and the aforementioned banking syndicate, respectively. In neither of the long-term financing agreements described above can the lenders have recourse to any of the companies composing the CAF Group other than those of a technical nature.

Loans of the Parent

At 31 December 2022, the Parent had 20 loans with 11 financial institutions, maturing between 2023 and 2027. None of this debt was subject to financial covenants linked to compliance with ratios.

Solaris

On 28 October 2016, Solaris Bus & Coach, sp. z.o.o. (Solaris) arranged financing facilities with a consortium of Polish banks. This financing comprises a loan tranche and a credit facility tranche, which were drawn down in the amount of EUR 124.5 million as at 31 December 2022 (31 December 2021: EUR 53.5 million). The maturity of both financing tranches remains unchanged at December 2024.

In addition, at 31 December 2022 Solaris had EUR 17 million of recourse factoring debt (EUR 23.2 million at 31 December 2021) and EUR 41.2 million drawn down under reverse factoring arrangements used as a financing alternative by the Group (31 December 2021: EUR 41.2 million).

The first of the above-mentioned debt packages establishes compliance with a series of financial covenants, including the need to maintain a debt ratio of less than 3 (or 4.5 counting recourse factoring in the debt), a debt service coverage ratio of 2 or more, an equity to assets ratio of 20% or more, positive equity and a maximum amount of investments. These conditions were not met at 31 December 2022, with the exception of positive equity and the maximum amount of investments made during the year. Therefore, the entire debt has been reclassified to current, although its maturity remains at December 2024. The subsidiary is working with the borrowers to obtain the necessary waivers to bring them out of their default status. Further, the terms of this debt limit the distribution of funds to shareholders until 2023. Therefore, Solaris' cash and equivalents, amounting to EUR 23,227 thousand at 31 December 2022 (EUR 35,389 thousand at 31 December 2021), was set aside to cove the Solaris Group's own needs. This entire financing package is secured mainly by guarantees on assets and receivables (property, plant and equipment, trademarks, current accounts and accounts receivable, among others) delivered by Solaris to the banks.

Aside from the financing package described above, Solaris arranged a loan in 2021 with financial institutions for a total of EUR 21.8 million, 80% of which was guaranteed by the Polish national bank. This loan was repaid in full in June 2022. The Company also had additional financing related to a leaseback contract amounting to EUR 4.2 million at 31 December 2022 (31 December 2021: EUR 2.6 million).

Lastly, at 31 December 2022 the subsidiaries of the Solaris Group had credit and factoring facilities with recourse of EUR 9.4 million (EUR 28.8 million at 31 December 2021).

CAF Investment Projects, S.A.U. and others

In July 2016, subsidiary company CAF Investment Projects, S.A.U. secured a loan worth a total of EUR 20,000 thousand. This loan is guaranteed by the Parent, has a term of eight years and a grace period of six years, and bears interest tied to Euribor. This loan imposes the obligation to maintain a minimum ratio between the contribution received from the lender and the amount invested by CAF Investment Projects, S.A.U. in foreign companies. At 31 December 2022 and 2021, this ratio was achieved.

The remaining bank borrowings relate to loans received by various subsidiaries and that are pegged to a market interest rate.

Commercial paper issue

The Parent, 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 and then again on 23 December 2022. In 2022, a total of EUR 429.6 million was issued under this programme (EUR 160 million in 2021). The Programme allows the Parent, under the terms and conditions set out in the Information Memorandum and for a period of 12 months, to issue commercial paper maturing within 730 days, which will be listed on the MARF. Of this total limit, at 31 December 2022 there was an outstanding issued volume of EUR 31.9 thousand (EUR 25 million at 31 December 2021).

Undrawn credit facilities and maturities

The CAF Group constantly assesses its available liquidity, including cash balances, short-term liquid investments, the availability of lines of credit, access to short-term capital market instruments and the generation of cash flows from operating activities, in order to meet the Group's liquidity needs at all times. To this end, the following factors, among others, are taken into consideration: the historic volatility of the Group's liquidity needs, their seasonality, the maturity profile of the borrowings, the needs arising from investment plans, the expected level of customer advances and the evolution of working capital. To define target levels of available liquidity worse-than-base-case scenarios are taken into consideration.

The Group's companies have undrawn credit facilities amounting to EUR 392,852 thousand (EUR 411,436 thousand at 31 December 2021), in the form of undrawn loans, credit facilities and factoring arrangements, which are tied mainly to Euribor plus a market spread.

The repayment schedule of non-current bank borrowings is as follows (in thousands of euros):

2022

	Interest	Principal
2024	18,434	164,427
2025	10,285	259,650
2026	2,557	131,558
2027	228	27,374
2028 and subsequent years	240	7,565
Total	**31,744**	**590,574**
Accruals		(871)
Total carrying amount		**589,703**

2021

	Interest	Principal
2023	13,830	90,818
2024	11,194	191,685
2025	5,063	256,667
2026	1,233	130,077
2027 and subsequent years	-	8,693
Total	**31,320**	**677,940**
Accruals		(2,371)
Total carrying amount		**675,569**

17. DERIVATIVE FINANCIAL INSTRUMENTS

The CAF Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates and interest rates (Note 5-a). The CAF Group arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned.

Also, certain fully consolidated companies and certain companies accounted for using the equity method have arranged interest rate hedges (Note 5-a).

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

2022

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

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

Currency call options at 31/12/22	Maturity (in currency) 2023	2024	2025 and subsequent years	Total	Equivalent value in Euros
					Figures in thousands
Fair value hedges					
USD currency forwards	45,795	9,800	4,573	60,168	56,412
EUR currency forwards	9,101	-	-	9,101	9,101
MXN currency forwards	138,347	467,500	-	605,847	29,049
JPY currency forwards	1,111,964	1,574,640	-	2,686,604	19,099
GBP currency forwards	90,915	-	-	90,915	102,506
AUD currency forwards (Notes 9-a and 26)	21,615	29,116	-	50,731	32,327
NOK currency forwards	147,376	-	-	147,376	14,017
ILS currency forwards	41,799	-	55,284	97,083	25,852
HUF currency forwards	635,728	-	-	635,728	1,586
NZD currency forwards	4,068	-	-	4,068	2,422
SAR currency forwards	40,000	-	-	40,000	9,944
SEK currency forwards	-	85,713	-	85,713	7,707
TRY currency forwards	14,500	-	-	14,500	726
CHF currency forwards	329	-	-	329	334
Cash flow hedges					
ILS currency forwards	5,500	-	-	5,500	1,465
JPY currency forwards	1,400,000	-	-	1,400,000	9,953
CAD currency forwards	13,800	-	-	13,800	9,557
TRY currency forwards	14,242	-	-	14,242	713
GBP currency forwards	3,500	-	-	3,500	3,946
AUD currency forwards	8,636	-	-	8,636	5,503
Total currency call options					**342,218**

Figures in thousands

Interest rate derivatives	Loan maturity (in currency) 2023	2024	2025 and subsequent years
Euribor swap	25,000	-	-

	Thousands of Euros			
	Fair value		Cash flow	
	31/12/22	31/12/21	31/12/22	31/12/21
Hedges:				
USD currency forwards	(22,386)	(16,278)	266	-
GBP currency forwards	3,363	(6,785)	(122)	-
MXN currency forwards	(1,661)	(815)	-	-
BRL currency forwards	(494)	(1,039)	-	-
EUR currency forwards	536	(830)	-	-
SEK currency forwards	(3,548)	(2,530)	2	-
SAR currency forwards	(2,441)	(378)	33	(96)
COP currency forwards	-	1,151	-	1,910
JPY currency forwards	(465)	893	241	-
AUD currency forwards	9,818	(4,610)	(154)	7
CAD currency forwards	7,755	8,094	(822)	-
NOK currency forwards	4,793	(220)	53	-
AED currency forwards	(1,887)	-	-	-
HKD currency forwards	1,154	1	-	-
TWD currency forwards	846	(435)	-	-
Currency forwards in other currencies	705	693	(66)	(131)
Forward rate agreements	-	-	335	(356)
Value at year-end (*)	**(3,912)**	**(23,088)**	**(234)**	**1,334**

(*) Before considering the related tax effect.

2021

	Figures in thousands				
	Maturity (in currency)				
Currency put options at 31/12/21	**2022**	**2023**	**2024 and subsequent years**	**Total**	**Equivalent value in Euros**
Fair value hedges					
USD currency forwards (*)	308,585	2,398	26,464	337,447	297,940
GBP currency forwards	302,052	62,692	966	365,710	435,224
EUR currency forwards	4,724	-	-	4,724	4,724
BRL currency forwards	100,956	-	-	100,956	15,999
SEK currency forwards	1,035,174	245,031	1,825,786	3,105,991	303,014
AUD currency forwards	369,585	284,359	118,231	772,175	494,509
SAR currency forwards	78,535	-	-	78,535	18,397
MXN currency forwards	367,603	-	-	367,603	15,883
CAD currency forwards	29,849	9,264	161,244	200,357	139,204
TRY currency forwards	1,125	-	-	1,125	74
JPY currency forwards	13,767,211	-	-	13,767,211	105,595
NZD currency forwards	1,907	-	-	1,907	1,151
HKD currency forwards	92,697	-	-	92,697	10,494
HUF currency forwards	191,073	-	-	191,073	518
NOK currency forwards	5,000	-	-	5,000	501
TWD currency forwards	1,180,757	-	-	1,180,757	37,528
ILS currency forwards	62,911	17,285	-	80,196	22,810
INR currency forwards	13,789	-	-	13,789	164
Cash flow hedges					
TRY currency forwards	6,663	-	-	6,663	437
SAR currency forwards	24,015	-	-	24,015	5,626
Total currency put options					**1,909,972**

(*) Includes the partial hedge of the net investment in CAF USA, Inc. of USD 22,300 thousand and the hedge of the net investment in Provetren of USD 186,618 thousand, whose functional currency is the US dollar.

Currency call options at 31/12/21	Maturity (in currency) 2022	2023	2024 and subsequent years	Total	Equivalent value in Euros
					Figures in thousands
Fair value hedges					
USD currency forwards	21,175	1,133	-	22,308	19,697
EUR currency forwards	8,782	-	-	8,782	8,782
MXN currency forwards	133,463	-	-	133,463	5,767
JPY currency forwards	388,186	174,960	1,574,640	2,137,786	16,397
GBP currency forwards	123,528	2,733	-	126,261	150,261
AUD currency forwards (Notes 9-a and 26)	9,072	7,761	28,079	44,912	28,762
NOK currency forwards	95,836	100,000	-	195,836	19,606
ILS currency forwards	41,799	-	-	41,799	11,888
Cash flow hedges					
COP currency forwards	39,982,352	-	-	39,982,352	8,636
TRY currency forwards	4,695	-	-	4,635	308
AUD currency forwards	1,000	-	-	1,000	640
Total currency call options					**270,744**

Figures in thousands

Interest rate derivatives	Loan maturity (in currency) 2022	2023	2024 and subsequent years
Euribor swap	-	25,000	-

At the end of 2022 and 2021, associate company S.E.M. Los Tranvías de Zaragoza, S.A. (Note 9-a) had arranged various swaps related to the nominal amount of its financial debts. These swaps were designated as cash flow interest rate hedges, and the negative value thereof attributable to the Group amounted to EUR 3,362 thousand at 31 December 2022, net of the related tax effect (31 December 2021: EUR 3,682 thousand). In addition, associates Momentum Trains Holding Pty Ltd and LAVI Light Rail O&M Ltd. (Note 9-a) had arranged derivatives designated as cash flow hedging instruments, for which the net positive valuation pertaining to the Group amounted to EUR 16,084 thousand at 31 December 2022 (positive valuation of EUR 5,176 thousand at 31 December 2021). These amounts were credited/debited under "Equity – Valuation Adjustments – Hedges" in the consolidated balance sheet as at 31 December 2022.

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):

	2022	2021
Non-current assets	12,455	35,408
Current assets	28,510	48,477
Non-current liabilities	(12,494)	(36,292)
Current liabilities	(32,617)	(69,347)
Balance sheet net total	**(4,146)**	**(21,754)**
Fair value	(3,912)	(23,088)
Cash flow	(234)	1,334
Total derivatives value	**(4,146)**	**(21,754)**

In 2022, the ineffective portion of hedging transactions credited to profit or loss represented an expense of EUR 1,141 thousand (2021: revenue of EUR 1,301 thousand), mainly as a result of changes in the estimated amounts of the hedged items.

Also, the settlement in the value of the fair value derivatives resulted in an expense of EUR 19,362 thousand and EUR 1,714 thousand in 2022 and 2021, respectively, which are similar to the changes in value of the hedged items.

The items hedged by the Group, as indicated in Note 5-a on Market Risks, are 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.

18. CURRENT AND DEFERRED TAXES

The Group calculated the provision for income tax at 31 December 2022 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

Since 2007, the Parent has been paying tax under the Consolidated Tax Regime within the Historical Territory of Gipuzkoa together with the following subsidiaries: CAF Investment Projects, S.A.U., CAF I+D, S.L.U., Geminys, S.L., CAF Signalling, S.L.U., Rail Line Components, S.L.U., CAF Turnkey & Engineering, S.L.U., CAF Power & Automation, S.L.U., Centro de Ensayos y Análisis Cetest, S.L., CAF Diversified Business Development, S.A.U., CAF Rail Digital Services, S.L.U. CAF Engineered Modernizations, S.L.U. and Lander Simulation and Training Solutions, S.A.U.

The reconciliation of the Group's accounting profit to its income tax expense is as follows:

	Thousands of Euros	
	2022	**2021**
Accounting profit before tax	**91,115**	**129,832**
Tax rate of the Parent	24%	24%
Income tax calculated at the tax rate of the Parent	**21,868**	**31,160**
Effect of the different tax rate of subsidiaries	7,996	3,231
Effect of exempt income and non-deductible expenses for tax purposes	11,985	5,853
Effect of tax credits and other tax relief recognised in the year	(7,407)	(4,686)
Effect of tax assets and deferred taxes not recognised in previous years	(914)	5,320
Adjustments recognised in the year relating to prior years' income tax	2,727	103
Change in tax rate	(4)	80
Total income tax expense recognised in the consolidated statement of profit or loss	**36,251**	**41,061**
Current tax expense (income) (*)	**44,673**	**39,404**
Deferred tax expense (income)	**(8,422)**	**1,657**

(*) Including prior years' adjustments and income tax.

The impact corresponding to "Effect of exempt income and non-deductible expenses for tax purposes" relates to those items that do not qualify as a tax expense. In 2022, a negative adjustment of EUR 12 million was recognised to reflect the non-deductibility of certain liability provisions, non-deductible depreciation and non-deductible foreign withholdings (2021: EUR 6 million).

The difference between the tax charge allocated and the tax payable is presented under "Deferred Tax Assets" and "Deferred Tax Liabilities" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet.

	31/12/21	Inclusions in the scope of consolidation (Note 2-f)	Additions regularizations and tax rate changes	Disposals	Translation differences	31/12/22
			Thousands of Euros			
Deferred tax assets:						
Tax credit and tax loss carryforwards (Note 3-j)	42,054	-	10,392	(2,812)	110	49,744
Provisions temporarily not deductible	95,240	-	11,882	(13,599)	551	94,074
Effect of asset revaluation- Gipuzkoa Regulation 1/2013	1,919	-	-	(135)	-	1,784
Elimination of profits on consolidation and other	5,317	-	(642)	(21)	406	5,060
	144,530	**-**	**21,632**	**(16,567)**	**1,067**	**150,662**
Deferred tax liabilities:						
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 and 9)	99,824	-	2,910	(3,606)	7,658	106,786
Revaluation of intangible and material assets (Notes 2-f and 14)	40,336	17,500	-	(2,259)	(900)	54,677
Exchange differences	436	-	70	(543)	-	(37)
Goodwill	16	-	-	-	-	16
Elimination of profits on consolidation and other	725	-	(317)	-	31	439
	141,337	**17,500**	**2,663**	**(6,408)**	**6,789**	**161,881**

	31/12/20	Inclusions in the scope of consolidation	Additions regularizations and tax rate changes	Disposals	Translation differences	31/12/21
			Thousands of Euros			
Deferred tax assets:						
Tax credit and tax loss carryforwards (Note 3-j)	55,775	-	1,946	(15,710)	43	42,054
Provisions temporarily not deductible	83,955	-	23,727	(12,313)	(129)	95,240
Effect of asset revaluation- Gipuzkoa Regulation 1/2013	2,069	-	-	(150)	-	1,919
Elimination of profits on consolidation and other	5,349	-	(68)	-	36	5,317
	147,148	**-**	**25,605**	**(28,173)**	**(50)**	**144,530**
Deferred tax liabilities:						
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 and 9)	93,497	615	2,463	(2,026)	5,275	99,824
Revaluation of intangible and material assets (Notes 2-f and 14)	39,937	2,560	(26)	(1,997)	(138)	40,336
Exchange differences	109	-	329	-	(2)	436
Goodwill	16	-	-	-	-	16
Elimination of profits on consolidation and other	674	-	88	(14)	(23)	725
	134,233	**3,175**	**2,854**	**(4,037)**	**5,112**	**141,337**

Deferred tax assets at 31 December 2022 and 2021 break down as follows:

	Thousands of Euros					
		31/12/22			31/12/21	
	Capitalised	Not capitalised	Total	Capitalised	Not capitalised	Total
Deductions yet to be applied	21,759	87,987	109,746	18,089	78,718	96,807
Tax loss carryforwards	27,985	88,265	116,250	23,965	91,194	115,159
Other deferred tax assets	100,918	26,492	127,410	102,476	13,121	115,597
Total	**150,662**	**202,744**	**353,406**	**144,530**	**183,033**	**327,563**

In 2022 the Group expects to take tax credits amounting to EUR 13,316 thousand (2021: EUR 6,995 thousand) mainly in relation to tax credits for R&D expenditure and international double taxation tax credits.

The Tax Credits and Tax Loss Carryforwards after forecast tax of 2022 and recognised under "Deferred Tax Assets – Tax Credit and Tax Loss Carryforwards" arise mainly from the Parent's tax group. In addition, and in view of the uncertainty inherent in the recoverability of deferred tax assets, the Group capitalises these assets based on an assessment of its order backlog. The tax credits and tax loss carryforwards that the Group had yet to capitalise at 31 December 2022 had largely arisen at the tax group of the Historical Territory of Gipuzkoa, CAF Brasil Indústria e Comércio, S.A., CAF France, SAS, Trenes de Navarra, S.A.U. and Solaris Bus Ibérica, S.L.U, and will be capitalised to the extent that they can be applied in subsequent years in accordance with the limits and deadlines established in prevailing legislation. All other unrecorded deferred tax assets do not have a defined maturity.

The amount of the (unrecognised) tax credits, tax loss carryforwards and deferred tax assets and their schedule for use by the Group is as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Expiring in 2022	-	392
Expiring in 2023	1,218	1,056
Expiring in 2024	687	421
Expiring in 2025	883	624
Expiring in 2026	1,515	1,530
Expiring in 2027	926	816
Expiring in 2028	688	680
Expiring in 2029	241	321
Expiring in 2030	378	409
Expiring in 2031–2052	132,089	128,146
No maturity	64,119	48,638
	202,744	**183,033**

At 31 December 2022, Provetren, S.A. de C.V. recognised deferred tax liabilities of EUR 62,724 thousand to reflect the temporary difference between the assets' carrying amounts in the financial statements and their tax bases measured by applying the 30% tax rate in accordance with current Mexican tax legislation (31 December 2021: EUR 61,045 thousand).

Lastly, at 31 December 2022 subsidiary company Ctrens had recognised a deferred tax liability amounting to EUR 40,177 thousand as a result of the difference between the tax base and the carrying amount of the concession's financial asset caused by differences in the timing of recognition of amortisation (31 December 2021: EUR 33,720 thousand).

In general terms, the assets or equity items subject to the aforementioned tax credits must remain in operation in the Group, and be assigned, where applicable, to their intended purpose, for a minimum period of five years, or of three years in the case of movable property, unless the useful life is less, without being transferred, leased or assigned to third parties for their use, with the exception of justified losses.

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 31 December 2022, the Group had 2018 and subsequent years open for review by the tax authorities for income tax and 2019 and subsequent years for the other taxes to which it is subject at the companies which file tax returns in Spain and, at the foreign companies, in accordance with local legislation. The Parent's directors consider that they have settled the aforementioned taxes adequately and, therefore, although discrepancies might arise in the interpretation of the tax legislation in force in terms of the tax treatment of transactions, the resulting liabilities, if any, would not have a material effect on the accompanying consolidated financial statements.

19. OTHER PAYABLES

The breakdown of the heading "Other payables" was as follows at 31 December 2022 and 2021:

	Thousands of Euros	
	31/12/22	**31/12/21**
Current contract liabilities (Note 12)	1,128,780	746,804
Other taxes payable	92,649	74,970
Sundry trade payables	78,737	60,903
Staff – Outstanding remuneration	69,782	49,758
Total	**1,369,948**	**932,435**

The breakdown of the receivables from and payables to public authorities at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Accrued social security taxes	24,458	23,638
Regular taxes		
VAT (Note 9-b)	47,071	34,826
Personal income tax withholdings	21,120	15,168
Withholding taxes on dividends	-	1,338
Total	**92.649**	**74.970**

In 2011 the Parent and certain subsidiaries were authorised to file consolidated VAT returns.

20. CURRENT AND NON-CURRENT PROVISIONS

The breakdown by item of "Non-current provisions" and "Current provisions" in the consolidated balance sheet at 31 December 2022 and 2021 is as follows:

	Thousands of Euros					
	31/12/22			31/12/21		
	Non-current	Current	Total	Non-current	Current	Total
Provisions for contractual obligations	-	67,938	67,938	-	42,500	42,500
Provisions for warranties and technical support	57,615	238,589	296,204	48,686	219,887	268,573
Provisions for litigation	38,274	2,221	40,495	30,200	1,183	31,383
Provisions for commitments with staff	19,924	4,067	23,991	8,352	3,105	11,457
Investments accounted for using the equity method (Note 9)	-	-	-	2,424	-	2,424
Other provisions	1,928	13,372	15,300	1,636	19,644	21,280
Total	**117,741**	**326,187**	**443,928**	**91,298**	**286,319**	**377,617**

Changes in these headings in 2022 and 2021 were as follows (in thousands of euros):

	Provisions					
	Contractual liability	Warranty and support services	Litigation	Employee benefit obligations	Other provisions	Total provisions
Balance at 31/12/20	**45,151**	**210,900**	**31,556**	**10,809**	**18,027**	**316,443**
Net charge for the period	12,639	140,796	(1,592)	4,852	(1,845)	154,850
Amounts used	(11)	(80,796)	(1,772)	(3,685)	(2,059)	(88,323)
Translation differences	3	471	294	196	(27)	937
Change in value of investments accounted for using the equity method	-	-	-	-	(5,775)	(5,775)
Transfers	(15,282)	(2,798)	2,897	(715)	15,383	(515)
Balance at 31/12/21	**42,500**	**268,573**	**31,383**	**11,457**	**23,704**	**377,617**
Net charge for the period	7,712	118,427	7,755	7,869	(1,131)	140,632
Actuarial gains and losses	-	-	-	(2,070)	-	(2,070)
Amounts used	(2,162)	(93,538)	(4,348)	(6,717)	(450)	(107,215)
Changes in the scope of consolidation (Note 2-f)	16,097	2,234	-	8,663	-	26,994
Translation differences	45	508	3,240	616	61	4,470
Change in value of investments accounted for using the equity method	-	-	-	-	(2,424)	(2,424)
Transfers	3,746	-	2,465	4,173	(4,460)	5,924
Balance at 31/12/22	**67,938**	**296,204**	**40,495**	**23,991**	**15,300**	**443,928**

Contractual liability and warranty and support services

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

– Contractual liability: 1–2 years

– Warranty: 1–4 years (varies on the basis of the contractual arrangement to which it relates)

The expenses incurred in 2022 and 2021 in connection with the provision of contractual warranty services were recognised under "Procurements" and "Staff costs" in the accompanying consolidated statements of profit or loss for 2022 and 2021.

Provisions for litigation

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

As a result of the administrative decision in July 2019, arising as a result of the investigation initiated in 2013 into the participation of various rolling stock manufacturers in possible anti-competitive practices described in Note 26, the Group holds a provision amounting to EUR 36.6 million (31 December 2021: EUR 29.1 million).

Employee benefit obligations

The breakdown of provisions for employee benefits at 31 December 2022, by the Group's main companies and geographies, is as follows:

	Thousands of Euros		
	Non-current provisions	**Current provisions**	**Total**
Parent	4,320	2,720	7,040
CAF Reichshoffen, SAS	7,263	-	7,263
Italy	2,432	902	3,334
Mexico	2,317	-	2,317
Other Group companies	3,592	445	4,037
Total	**19,924**	**4,067**	**23,991**

The Parent has recognised future commitments to employees under early retirement plans, which relate to the estimated present value of the future payments to be made to employees who had relief contracts in effect in December 2022.

Subsidiary company CAF Reichshoffen, SAS has recorded future commitments to employees to supplement their pensions, which have not been outsourced and whose present value is determined by independent actuaries.

Moreover, the Group has legal and contractual obligations vis-à-vis certain employees in relation to supplementary retirement and death benefits, which are met through the payment of premiums under defined contribution/benefit plans on external funds deposited, or in the process of being externalised, at independent insurance companies. The contributions made in 2022 and 2021 for various groups of employees amounted to EUR 7,294 thousand and EUR 7,213 thousand. The impact of these obligations on the consolidated statement of profit or loss for 2022 and 2021 amounted to EUR 4,130 thousand and EUR 7,512 thousand, with a charge to "Staff costs". In 2022 a net actuarial loss of EUR 5,174 thousand arising from changes in the actuarial assumptions was recognised directly in equity (net actuarial loss of EUR 2,788 thousand from changes in actuarial assumptions in 2021). Moreover, the effect of translation differences has increased the obligation by EUR 41 thousand. In accordance with the accrual basis of accounting, at 31 December 2022 the Group recognised a current asset of EUR 526 thousand and a non-current and current liability of EUR 5,568 thousand in the consolidated balance sheet, as calculated by an independent valuer. This amount is the difference between the present value of the defined contribution/benefit obligations accrued and the fair value of the assets qualifying as plan assets (asset of EUR 820 thousand and liability of EUR 3,811 thousand at 31 December 2021). The future modifications to the obligations assumed will be recognised in the consolidated profit or loss for the related years (Note 23).

The breakdown of the present value of the Group's post-employment and other long-term remuneration commitments and the assets assigned to cover them, which have been externalised, at the end of 2022 and 2021, is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Present value of the obligations assumed	44,439	44,799
Less – Fair value of plan assets	(39,397)	(41,808)
Other current (assets) liabilities, net	**5,042**	**2,991**

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	**2022**	**2021**
Discount rate	3.10%-3.75%	0.85%-1.02%
Mortality tables	PERM/F/2012, PER/2020 Col	PERM/F/2012
Annual salary or pension increase rate	2%	0.8%-2%
Retirement age	65-67	65-67

In the assumptions applied in the actuarial study, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past. The fair value of the plan assets was calculated at year-end using the projected unit credit method.

Lastly, in accordance with the applicable collective bargaining agreement, the Parent contributes 2.3% of the annual contributions (same percentage as in 2021) for all its employees from certain locations to an employee benefit entity (Notes 23, 24 and 25).

21. OTHER NON-CURRENT/CURRENT ASSETS AND LIABILITIES

The breakdown of the Group's "Other assets" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Assets for the right to recover (Note 3-f)	4,689	5,129
Other non-current assets	**4,689**	**5,129**
Prepayments	13,874	9,013
Other current assets	**13,874**	**9,013**

The breakdown of the Group's "Other liabilities" at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Non-current contract liabilities (Note 12)	91,374	65,889
Advances received on operating leases (Note 8)	8,086	10,520
Refund liabilities (Note 3-f)	5,071	5,670
Other non-current liabilities	**104,531**	**82,079**
Advances received on operating leases (Note 8)	99	4,663
Unearned income	2,204	1,262
Refund liabilities (Note 3-f)	602	415
Other current liabilities	**2,905**	**6,340**

The breakdown by maturity of the item "Advances received on operating leases" is as follows:

	Thousands of Euros	
Last year for deduction	31/12/22	31/12/21
1–2 years	1,784	120
2–3 years	4,969	2,455
3–4 years	1,333	6,361
4–5 years	-	1,584
Over 5 years	-	-
Total	**8,086**	**10,520**

As detailed in Note 3-f, certain bus sale agreements grant a right to recover to the customers. If it is determined that the contract is an operating lease, the billings received in advance are recognised under "Advances received on operating leases".

If, on the other hand, it is concluded that the contract is a sale with a right of return, the value of the asset to be repurchased by the company is recognised under "Assets for the right of return" and the amount expected to be paid to recover the asset is recognised under "Refund liabilities".

22. INCOME AND EXPENSES

a) Procurements

	Thousands of Euros	
	2022	2021
Materials used (*)	1,454,025	1,345,002
Work performed by other companies	375,498	297,319
Total	**1,829,523**	**1,642,321**

(*) 69% in euros, and the remainder mainly in US dollars, pounds sterling and Polish zlotys (2021: 67% in euros).

b) Other operating expenses

	Thousands of Euros	
	2022	**2021**
Outside services	391,341	332,234
Taxes other than income tax	5,557	3,622
Change in operating provisions and allowances and other (Notes 12 and 20)	35,084	70,611
Total	**431,982**	**406,467**

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 1,501 thousand in the period (2021: EUR 1,303 thousand). Of this amount, those incurred for the annual audits of the companies audited by firms belonging to the global organisation Ernst & Young amounted to EUR 952 thousand (EUR 770 thousand in 2021). In addition, fees for other professional services provided by the principal auditor amounting to EUR 149 thousand were billed in the period (2021: EUR 87 thousand), of which EUR 86 thousand was for audit-related attest services including six-monthly reviews (2021: EUR 75 thousand), EUR 42 thousand was for tax services (2021: EUR 7 thousand) and the remainder was for other services.

"Change in operating provisions and allowances and other" mainly reflects the change in provisions for warranty expenses and technical support services (Note 20).

c) Information on the environment

In 2022 investments made in systems, equipment and facilities designed for environmental protection and improvement amounted to EUR 3,640 thousand (2021: EUR 2,168 thousand).

The Group did not receive any environmental grants in 2022 or 2021.

At 31 December 2022 and 2021, the Group did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Group companies' directors do not expect any material liabilities to arise as a result of the Group's environmental activities and, accordingly, the accompanying consolidated balance sheet does not include any provisions in this connection.

In 2022 the Group incurred environmental expenses amounting to EUR 2,169 thousand (2021: EUR 1,857 thousand).

d) Grants related to income

Most of the grants transferred to profit or loss in 2022 and 2021 related to grants awarded under various Spanish ministerial and European programme calls, in respect of which all the costs to be supported were incurred.

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

The grants related to income recognised in 2022 and 2021 under "Other operating income" in the accompanying consolidated statement of profit or loss amounted to EUR 6,686 thousand and EUR 5,238 thousand, respectively.

23. AVERAGE HEADCOUNT AND STAFF COSTS

The average headcount in 2022 and 2021 was as follows:

	Average headcount	
Professional category	**2022**	**2021**
Board members	2	2
Senior executives	7	7
Employees	7,361	6,605
Manual workers	6,399	6,499
Total (*)	**13,769**	**13,113**

(*) At 31 December 2022 and 2021, there were 14,526 employees and 13,284 employees, respectively.

The breakdown, by gender, of the average headcount in 2022 and 2021 is as follows:

	2022		2021	
Professional category	**Men**	**Women**	**Men**	**Women**
Board members	1	1	1	1
Senior executives	6	1	6	1
Employees	5,401	1,960	4,872	1,733
Manual workers	6,144	255	6,223	276
Total	**11,552**	**2,217**	**11,102**	**2,011**

At 31 December 2022, the Parent's Board of Directors comprised 7 men and 3 women (2021: 7 men and 4 women).

The breakdown of staff costs is as follows (in thousands of euros):

	2022	**2021**
Wages and salaries (Note 20)	614,008	538,317
Social security costs	159,134	146,321
Other expenses (Note 20)	28,327	30,027
Total	**801,469**	**714,665**

24. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2022 and 2021, the overall remuneration of the members of the Parent's Board of Directors amounted to approximately EUR 2,197 thousand and EUR 7,232 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 2022, the Parent made contributions to long-term savings plans in the form of long-term savings insurance under the defined contribution system and under which the Parent is the policyholder, for a total of EUR 412 thousand (2021: EUR 1,500 thousand). At 31 December 2022 and 2021, neither the Board of Directors of the Parent nor the boards of the subsidiaries had granted any advances, guarantees or loans to their current or former directors.

In 2022, a total of EUR 176 thousand was paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2021: EUR 204 thousand).

b) Information regarding conflicts of interest involving the directors

In 2022 and 2021, 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 Parent.

25. REMUNERATION OF SENIOR EXECUTIVES

The remuneration of the Parent's senior executives, as per the binding definition of "Senior Executives" provided in the Corporate Governance Report, amounted to EUR 2,007 thousand in 2022 (2021: EUR 2,004 thousand). In 2022, the Parent made contributions to long-term savings plans in the form of long-term savings insurance under the defined contribution system and under which the Parent is the policyholder, for a total of EUR 1,014 thousand (2021: no contributions).

In 2022 and 2021 there were no other transactions with senior executives outside the ordinary course of business.

26. OTHER DISCLOSURES

a) Guarantees and other contingent assets and liabilities

At 31 December 2022, the guarantees provided to the Group by banks and insurance companies in favour of third parties amounted to EUR 4,360 million (31 December 2021: EUR 3,614 million), relating essentially to bonds to secure the performance of orders received. Of this total, an amount of EUR 6.1 million corresponds to guarantees and sureties for grants and reimbursable advances granted by the Ministry of Science and Technology (Note 15) and other public entities (EUR 7.2 million at 31 December 2021); and an amount of EUR 59.6 million corresponds to guarantees for future contributions to be made by the Group in 2024 and 2027 at investee companies Momentum Trains Holding Pty Ltd and CFIR Light Rail Ltd, respectively (EUR 61.3 million at 31 December 2021).

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. In July 2019, the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 (equivalent to EUR 29,627 thousand at 31 December 2022) and advised the competent authorities not to grant the subsidiary certain tax benefits for a period of five years. The Group posted a provision for this amount in 2019 with a charge to "Other operating expenses" in the consolidated statement of profit or loss and a credit to "Non-current provisions" in the consolidated balance sheet (Note 20). The amount of the fine was increased by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody (SELIC) interest rate and a total of EUR 4,180 thousand was recognised in 2022 with a charge to "Finance costs" in the accompanying consolidated statement of profit or loss (2021: EUR 1,215 thousand). At the date of authorisation for issue of these consolidated financial statements, the subsidiary has appealed the CADE's decision in court.

The subsidiary rejects CADE's assessment of the facts when imposing the aforementioned penalty and argues that, with respect to the facts under investigation, it has always acted in strict compliance with the applicable law. The subsidiary's legal advisers consider there to be a reasonable chance that the penalty will ultimately be reduced to an amount that is substantially lower than the one mentioned, and they do not rule out the total annulment of the fine. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to BRL 875 thousand. After the subsidiary had lodged the corresponding appeals against this block, the Brazilian courts ordered that the block be lifted, which was effectively carried out in 2022.

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

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

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

In addition, the CAF Group subsidiary in Brazil is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. Whatever the case may be, should the court find against the Consortium for breach of contract, since the breaches are mainly attributable to other members of the Consortium, CAF could claim the potential losses from such members (Note 12). Furthermore, in one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary is continuing to defend its interests in these proceedings. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the second half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 17,056 thousand at 31 December 2022) (the subsidiary holds a 36.8% stake in the Consortium, which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.3 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 this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts have been asked to suspend the effectiveness of this decision as a precautionary measure.

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 consolidated financial statements, the proceedings had concluded following notification of the ruling of 30 September 2021. While this decision marked an end to the administrative process, it has been the subject of an appeal for judicial review before the National Court (Audiencia Nacional). The main aspects of the case and the decision, which affect the subsidiary company CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary joined the cartel initiated in 2002 by other entities, consisting of distribution agreements between the various companies involved. The subsidiary was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017) 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 for issue of these consolidated financial statements, CAF, S.A. and CAF Signalling, S.L.U. had filed a contentious-administrative appeal against the CNMC's resolution, having accepted the precautionary suspension of payment of the fine until the Audiencia Nacional rules on the merits of the case. The proceedings relating to the prohibition on public tendering is also suspended.

The Group's legal advisors consider that an unfavourable outcome for the CAF Group is unlikely and that the outcome of the lawsuit will not materially affect the financial statements for the years in which the amounts are ultimately paid, if at all. Therefore, no provision was recognised in this respect at 31 December 2022.

b) Disclosures on the average period of payment to suppliers

Set forth below are the disclosures required by Final Provision Two of Law 31/2014, of 3 December (amended by Additional Provision Three of Law 18/2022, of 28 September), 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.

	2022	2021
	Days	**Days**
Average period of payment to suppliers	85.50	92.2
Ratio of transactions settled	85.53	87.93
Ratio of transactions not yet settled	85.43	104.52
	Thousands of Euros	**Thousands of Euros**
Total payments made	887,789	796,332
Total payments outstanding	373,357	276,143

Invoices paid to suppliers in a period shorter than the legal maximum period

Thousands of Euros	Number of invoices	% to total payments	% to the total number of invoices
133.902	80.414	15%	22%

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 accompanying consolidated balance sheet.

The statutory maximum payment period applicable to the Parent in 2022 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, was 60 days, unless no payment date or period has been agreed, in which case the maximum payment period would be 30 days.

27. EVENTS AFTER THE REPORTING PERIOD

At 31 December 2022, the Group had a firm backlog of approximately EUR 13,250 million (31 December 2021: EUR 9,640 million) (Note 12).

28. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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
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-Secretary

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 24 February 2023, the financial statements and directors' report of its consolidated Group for 2022, 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 D5D9A82ED4F7295290E47DA42A55F4315A4965D9B5BC728A0136BC2689DAE536.

The members of the Board of Directors of the Company hereby declare that the aforementioned financial statements (consolidated) and directors' report (consolidated) for financial year 2022 have been 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, 24 February 2023.

Approved by	Signed by
THE CHAIRMAN	THE SECRETARY OF THE BOARD
MR ANDRÉS ARIZKORRETA GARCÍA	MS MARTA BAZTARRICA LIZARBE

Resolutions submitted by the Board of Directors for approval by the Shareholders' meeting

By resolution of the Board of Directors, the Annual General Meeting shall be held at the company's registered office in Beasain, Gipuzkoa, on 10 June 2023, at 12:00, on first call and, if need be, on the following day at the same venue and time on second call, to consider and address the items included in the following.

AGENDA

One: Approval of the Annual Financial Statements and Directors' Report of Construcciones y Auxiliar de Ferrocarriles, S A. and of the Annual Financial Statements and Directors' Report of the consolidated group of companies for FY 2022.

Two: Approval of the management of the Board of Directors during the financial year ended on 31 December 2022.

Three: Approval of the consolidated Non-Financial Information Statement - Sustainability Report for FY 2022.

Four: Approval of the proposed appropriation of earnings for FY 2022, with a gross dividend payment per share of €0.86.

Five: Re-election and ratification of Directors:

5.1. Re-election of Mr. Javier Martínez Ojinaga as an Executive Director.

5.2. Appointment and ratification of Ms. Begoña Beltrán de Heredia Villa as an Independent Director.

Six: Advisory vote on the Annual Report on Directors' Remuneration for FY 2022.

Seven: Delegation of powers to the Board of Directors for the execution of the aforementioned resolutions.

Proposed distribution of income

Apply the Parent company's after-tax result of 62,956 thousand euros to Dividends of 29,481 thousand euros and Voluntary Reserves of 33,475 thousand euros.

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
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-Secretary

This information relates to the composition of the Company's Board of Directors at 24 February 2023, date on which the Financial Statements of the Company and its consolidated group for financial year 2022 were formally issued. At the aforementioned date, the members of the Company's Board of Directors held 0.089% of the share capital.

SUPPLEMENTARY INFORMATION 2018-2022

Consolidated Statements of Financial Position

as of December 31st 2022, 2021, 2020, 2019, 2018 (Thousands of Euros)

Assets	2022	2021	2020	2019	2018
Non-current assets:					
Intangible assets					
Goodwill	187,470	109,655	103,339	109,011	101,827
Other intangible assets	255,439	222,682	220,654	239,241	206,535
Total intangible assets	**442,909**	**332,337**	**323,993**	**348,252**	**308,362**
Property, plant and equipment	**483,208**	**388,289**	**403,617**	**449,263**	**365,084**
Investments accounted for using the equity method	**33,116**	**17,073**	**7,370**	**7,807**	**18,188**
Non-current financial assets	**413,198**	**429,902**	**429,068**	**538,303**	**537,061**
Non-current hedging derivatives	**12,455**	**35,408**	**41,736**	**45,001**	**10,720**
Deferred tax assets	**150,662**	**144,530**	**147,148**	**146,134**	**148,548**
Other non-current assets	**4,689**	**5,129**	**6,592**	**7,208**	**2,684**
Total non-current assets	**1,540,237**	**1,352,668**	**1,359,524**	**1,541,968**	**1,390,647**
Current assets:					
Inventories	**585,551**	**486,824**	**481,669**	**487,833**	**375,426**
Trade and other receivables					
Trade receivables for sales and services	1,903,938	1,511,392	1,357,136	1,372,394	1,311,835
Other receivables	214,610	168,441	170,794	216,940	205,122
Current tax assets	16,083	10,335	8,774	12,417	13,633
Total Trade and other receivables	**2,134,631**	**1,690,168**	**1,536,704**	**1,601,751**	**1,530,590**
Current financial assets	**137,982**	**131,372**	**102,000**	**95,151**	**94,293**
Current hedging derivatives	**28,510**	**48,477**	**15,589**	**40,010**	**5,849**
Other current assets	**13,874**	**9,013**	**9,737**	**17,130**	**6,343**
Cash and cash equivalents	**473,344**	**551,372**	**573,928**	**538,983**	**602,813**
Total Current assets	**3,373,892**	**2,917,226**	**2,719,627**	**2,780,858**	**2,615,314**
Total Assets	**4,914,129**	**4,269,894**	**4,079,151**	**4,322,826**	**4,005,961**

Equity and liabilities	2022	2021	2020	2019	2018
Equity:					
Shareholders' equity					
Registered share capital	10,319	10,319	10,319	10,319	10,319
Share premium	11,863	11,863	11,863	11,863	11,863
Other accumulated reserves and profit for the year attributable to the Parent	930,787	919,051	835,893	856,799	876,336
Interim dividend	-	(13,712)	-	-	-
Treasury shares and equity investments	(1,292)	-	-	-	-
Total Shareholders' Equity	**951,677**	**927,521**	**858,075**	**878,981**	**898,518**
Valuation adjustments					
Hedges	12,544	2,508	(13,575)	(11,062)	(5,024)
Translation differences	(188,302)	(203,367)	(211,531)	(134,682)	(141,782)
Total Valuation Adjustments	**(175,758)**	**(200,859)**	**(225,106)**	**(145,744)**	**(146,806)**
Equity attributable to the Parent	**775,919**	**726,662**	**632,969**	**733,237**	**751,712**
Non-controlling interests	**12,406**	**13,798**	**11,234**	**12,130**	**5,555**
Total Equity	**788,325**	**740,460**	**644,203**	**745,367**	**757,267**
Non-current liabilities:					
Non-current provisions	**117,741**	**91,298**	**100,195**	**47,789**	**6,877**
Non-current financial liabilities					
Bank borrowings and debt instruments or other marketable securities	589,703	675,569	808,849	868,072	766,464
Other financial liabilities	89,324	76,606	78,615	90,792	47,774
Total Non-current financial liabilities	**679,027**	**752,175**	**887,464**	**958,864**	**814,238**
Deferred tax liabilities	**161,881**	**141,337**	**134,233**	**159,145**	**177,191**
Non-current hedging derivatives	**12,494**	**36,292**	**42,547**	**45,777**	**11,206**
Other non-current liabilities	**104,531**	**82,079**	**93,914**	**86,637**	**82,186**
Total Non-current liabilities	**1,075,674**	**1,103,181**	**1,258,353**	**1,298,212**	**1,091,698**
Current liabilities:					
Current provisions	**326,187**	**286,319**	**216,248**	**237,378**	**224,970**
Current financial liabilities					
Bank borrowings and debt instruments or other marketable securities	278,339	282,703	170,760	199,979	255,416
Other financial liabilities	36,351	48,707	62,512	44,144	23,356
Total Current financial liabilities	**314,690**	**331,410**	**233,272**	**244,123**	**278,772**
Trade and other payables					
Payable to suppliers	988,730	780,287	710,496	688,104	664,865
Other payables	1,369,948	932,435	976,801	1,032,114	911,961
Current tax liabilities	15,053	20,115	15,044	9,113	6,447
Total Trade and other payables	**2,373,731**	**1,732,837**	**1,702,341**	**1,729,331**	**1,583,273**
Current hedging derivatives	**32,617**	**69,347**	**20,071**	**61,140**	**64,167**
Other current liabilities	**2,905**	**6,340**	**4,663**	**7,275**	**5,814**
Total Current liabilities	**3,050,130**	**2,426,253**	**2,176,595**	**2,279,247**	**2,156,996**
Total Equity and liabilities	**4,914,129**	**4,269,894**	**4,079,151**	**4,322,826**	**4,005,961**

Consolidated Statements of Profit or Loss

as of December 31st 2022, 2021,2020, 2019, 2018 (Thousands of Euros)

(Debit) Credit	2022	2021	2020	2019	2018
Continuing operations:					
Revenue	3,165,470	2,942,685	2,762,472	2,597,655	2,048,419
+/- Change in inventories of finished goods and work in progress	99,321	54,152	(39,347)	18,235	73,250
In-house work on non-current assets	2,413	875	2,381	13,901	14,488
Procurements	(1,829,523)	(1,642,321)	(1,478,806)	(1,388,778)	(1,089,940)
Other operating income	27,951	19,752	16,197	27,518	21,339
Staff costs	(801,469)	(714,665)	(695,039)	(654,607)	(518,473)
Other operating expenses	(431,982)	(406,467)	(366,379)	(370,226)	(347,605)
Other results	-	793	11	-	-
Adjusted Ebitda	**232,181**	**254,804**	**201,490**	**243,698**	**201,478**
Depreciation and amortisation charge	(95,394)	(87,141)	(89,494)	(80,667)	(46,738)
Impairment and gains or losses on disposals of non-current assets	1,857	(2,721)	8,899	(165)	(10,572)
Adjusted EBIT	**138,644**	**164,942**	**120,895**	**162,866**	**144,168**
Non-recurring items		-	-	(37,872)	-
EBIT	**138,644**	**164,942**	**120,895**	**124,994**	**144,168**
Finance income	11,252	7,055	6,121	17,402	7,627
Finance costs	(62,545)	(42,924)	(47,641)	(72,885)	(64,160)
Changes in fair value of financial instruments	1,145	82	(35)	33	7
Exchange differences	(2,952)	(2,296)	(26,106)	(6,120)	(6,673)
Impairment and gains or losses on disposals of financial instruments	9	20	22	(337)	9
Financial loss	**(53,091)**	**(38,063)**	**(67,639)**	**(61,907)**	**(63,190)**
Result of companies accounted for using the equity method	5,562	2,953	(4,179)	(1,949)	(403)
Profit/(Loss) before tax	**91,115**	**129,832**	**49,077**	**61,138**	**80,575**
Income tax	(36,251)	(41,061)	(38,824)	(36,048)	(40,955)
Profit/(Loss) for the year from continuing operations	**54,864**	**88,771**	**10,253**	**25,090**	**39,620**
Adjusted consolidated profit for the year	**54,864**	**88,771**	**10,253**	**62,962**	**39,620**
Consolidated profit for the year	**54,864**	**88,771**	**10,253**	**25,090**	**39,620**
Attributable to:					
The Parent	52,188	85,920	9,012	24,745	43,462
Non-controlling interests	2,676	2,851	1,241	345	(3,842)
Earnings per share (in euros)					
Basic	1.52	2.51	0.26	0.72	1.27
Diluted	1.52	2.51	0.26	0.72	1.27

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