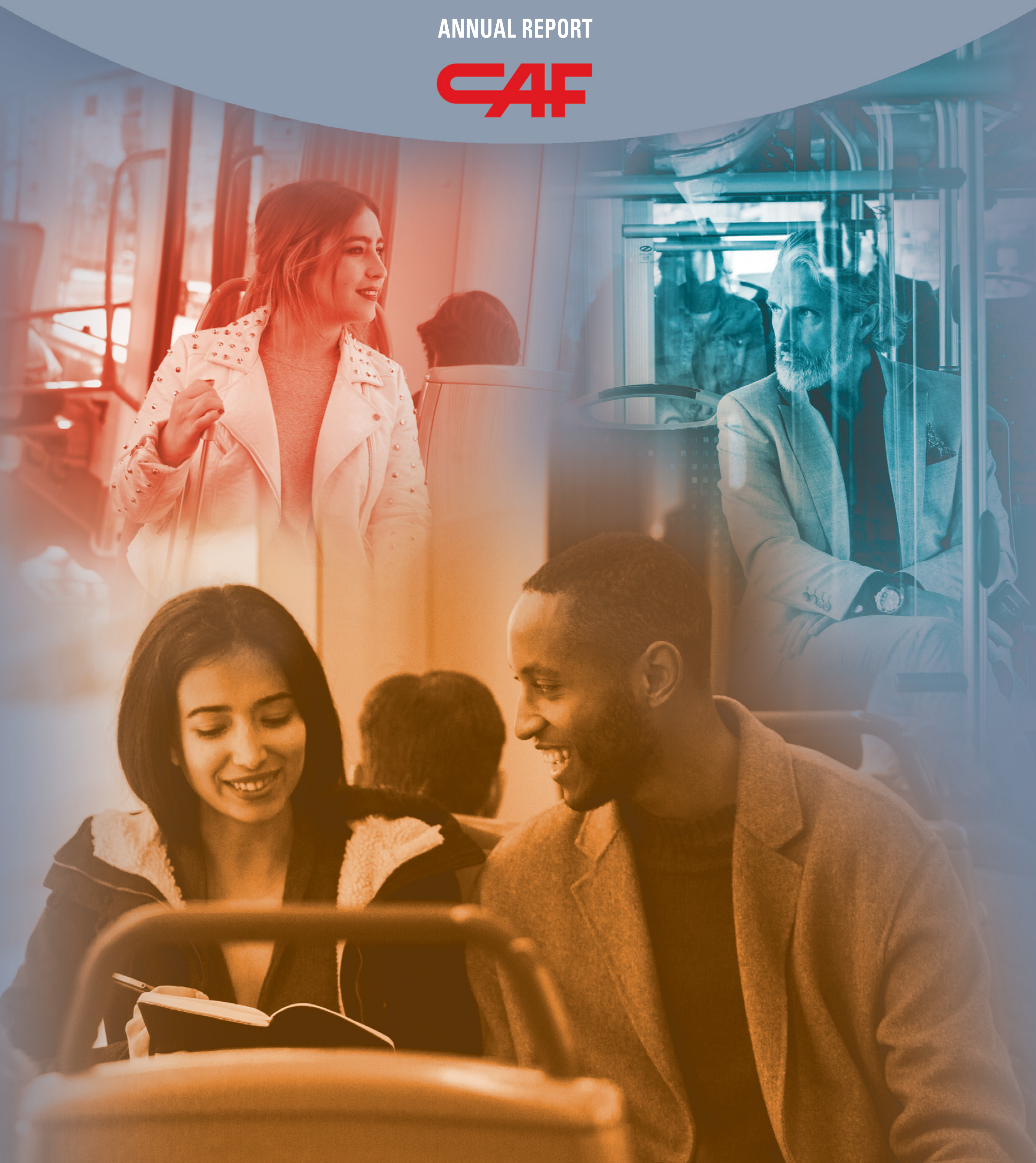
2023

ANNUAL REPORT



ANNUAL REPORT 2023

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.

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,

Last year (2023) was the first year in which we embarked on the path towards implementation of our 2026 Strategic Plan, in a context characterised by geopolitical instability and a complicated macroeconomic picture with high interest rates, persistent inflation and supply chain difficulties.

However, we can confirm that we have achieved the goals we set for 2023, while strengthening the foundations of our future strategy.

Based on social demand for sustainable mobility solutions, we achieved an order intake of €4,775 million, which represents a book-to-bill ratio of more than 1 and is the result of a consistently selective order intake. At the end of the year, our backlog reached a new all-time high of €14,200 million, four times the sales of the last financial year.

On the other hand, the CAF Group achieved a turnover of more than €3,825 million (+21% year-on-year growth), achieving a consolidated EBIT of €179 million (+29%), and, after effective management of financial income and expenses, this has ultimately allowed us to reach an attributable net profit of €89 million (+71%). All of this was achieved with a positive net financial position of €256 million at the end of the year, representing an EBITDA ratio of 0.9x.

Finally, our commitment to continuously improve our Sustainability profile was once again rewarded with above-industry-average scores. For example, we were awarded a "Low Risk" rating by the Sustainalytics rating agency and a "Platinum" medal by Ecovadis. We also made significant progress in reducing our Scope 1 and 2 emissions (32.6% compared to the 2019 baseline), as well as our Scope 3 (46.8%), in line with the targets defined in our Strategic Plan. These are all figures that we intend to improve 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.

As I have mentioned, despite the unstable environment, the financial year 2023 helped to strengthen the foundations of our future strategy in terms of the four strategic pillars defined in our 2026 Plan: commercial focus, operational efficiency, innovation and sustainability.

The distribution of commercial activity last year was concentrated in Europe, where order intake accounted for almost 85% of the annual total, with a focus on key regions. An example of this is France, where the Group backlog increased to €1,700 million, while the new assets in Reichshoffen (Alsace) were successfully integrated. It's also worth mentioning Italy, where we won several contracts, demonstrating our strong presence in this country in the field of urban mobility. Of particular note in this market is the city of Rome, which has signed a framework agreement for the purchase of 121 Urbos trams to replace the rolling stock currently operating on the city's six existing lines. In addition, other capitals and regions of the country have confirmed their support and confidence in Solaris through a series of contracts, collectively representing orders for over 800 units.

As part of its Strategic Plan, CAF intends to improve efficiency of its production, engineering and purchasing operations, and complement the current footprint with new industrial capacities that will support its commercial focus on the strategic geographies described in the Plan, while at the same time achieving cost efficiencies. Among the measures linked to this improvement, it is worth highlighting the preparation and implementation of the detailed plan to ensure the capacity and competitiveness of operations to execute the current railway backlog in terms of time, cost and quality.

Similarly, the improvement of the efficiency of maintenance operations is also being enhanced by the implementation programme of the new Digital Operating Model (SOM), and the RSNEXT transformation programme, which focuses on improving the operating profitability of services.

We should not forget the many other technological initiatives, aimed at improving the competitiveness of our products throughout their entire life cycle. The most notable examples are virtual validation and the digital twin, which are transversal tools for all the Group's businesses in their various phases, such as design, validation, approval and maintenance.

In terms of innovation, as part of our sustained efforts to invest in the development of advanced solutions, it is worth highlighting the progress made by the decarbonisation and zero emissions programme in 2023, which continues to advance on its various fronts. In particular, we have seen progress in the new generation of alternative propulsion systems (electric and hydrogen), in rail and bus, with the demonstrator train of the FCH2RAIL project completing the first of the planned routes (specifically, the arrival of the unit at Canfranc station, in the Aragon Pyrenees) as part of the circulation programme that will be rolled out over the next few months.

The autonomous and automated mobility programme has also made significant progress. For example, we can highlight the remote driving tests of the Oslo tram carried out in Zaragoza (autonomous tram), the remote and autonomous mainline driving test campaigns with Dutch operator NS, as well as the launch of Mass Transit signalling activities in Amorebieta.

Finally, it is worth noting the fully sustainable nature of last year's order intake, both in the rail sector (most notably, the contract to supply tri-mode trains for LNER in the United Kingdom, capable of running on both electrified and non-electrified tracks), and in the bus segment, where the backlog at the end of the year comprised 68% electric buses (battery and hydrogen), 15% trolley buses and 12% hybrids, with the remaining 5% for conventional fossil fuel propulsion.

In addition to the above, over the past year, we have made further progress in adopting best practices in terms of Sustainability governance. This includes the creation of the Strategic Sustainability Committee, chaired by the Chief Executive Officer, to which the Operational Sustainability Committee reports, both under the supervision of the Board of Directors through its Committees.

This is not only in response to CAF's main Sustainability objective, which is "to strike a balance between fulfilling its mission and satisfying the needs and expectations of its stakeholders in order to create long-term and sustainable value", but also to comply with both legal obligations and best practices in terms of Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability.

At CAF, we are highly committed to maintaining a Corporate Governance System that is fully updated and aligned with the legitimate expectations of the various stakeholders. For this reason, internal regulations are regularly reviewed with a view to improving or updating their content.

In this context, after consultation with the employees' legal representation, the Board of Directors approved the Policy on the Internal Information System and its Corporate Procedure, which establish basic rules for the management and operation of the same in compliance with the various international and national regulatory requirements for the protection of whistleblowers and the fight against corruption. This included and was based on standards that are in line with European regulations on the protection of whistleblowers. The company's Code of Conduct has also been reviewed and updated to reflect the latest Ethics and Compliance standards. In support of the above, the Board also approved the Human Rights Due Diligence Policy, through which CAF reaffirms its commitment to these Principles at the highest level and increasingly assumes its responsibility to respect internationally recognised Human Rights as part of its operations and value chain.

All of this is the result of the day-to-day commitment and contribution of all the people who make up the CAF Group, who have been able to respond to the challenges that various external factors have posed to the normal functioning of our activities, and to whom I would like to express my sincere gratitude.

I would also like to thank you, our Shareholder, for your continued support of our project. Your trust, together with that of our customers, suppliers and professionals, is essential in building an increasingly robust, competitive and sustainable CAF Group.

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)
- Department of Transportation (Philippines)
- 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)
- London North Eastern Railway (UK)
- 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)

CITY

STREETCARS

- Alcalá de Guadaíra
- 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
- Palermo
- Rome
- 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

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

BUSES

Solaris, a subsidiary of the CAF Group, is one of the main bus manufacturers in Europe. Having supplied more than 25,000 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.

2023 DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

I.1

I.2

NON-FINANCIAL INFORMATION STATEMENT
SUSTAINABILITY REPORT


SOLARIS

CAF GROUP BUSINESS MODEL AND OUTLOOK

At the end of the first year of the new strategic cycle (Strategic Plan 2023-2026), the Group has made positive progress with all workstreams defined and aligned with this plan. Looking ahead to 2024, the great ambition for profitable growth reflected in said Strategic Plan continues to be maintained.

At the end of the first year of the new strategic cycle (Strategic Plan 2023-2026), the Group has made positive progress with all workstreams defined and aligned with this plan to achieve the announced objective results.

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

- It is one of the international leaders in the implementation of integrated rail and bus mobility solutions, with extensive experience tackling projects throughout the entire project life cycle (analysis and feasibility studies, system design and engineering, system construction and manufacturing, installation and commissioning, operation and maintenance, and even financing) in a multitude of geographies.
  - In the railway sector, the Group offers its customers one of the broadest and most flexible product ranges on the market, from 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 positioning in electromobility, due to its leadership position in zero-emission buses, itsunique real experience in electromobility, its strong zero-emission technology proposal (electric and hydrogen) and for having all the advantages of conventional technologies but without its own internal combustion engine production activities that condition our decisive

transition towards electromobility. All in all, Solaris, and thus CAF, is ahead of its European competitors in terms of portfolios, actual experience and market share.

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

- It will be 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 60 countries in the world and has, in the railway sector, an industrial presence in Spain, France, the United Kingdom, the United States, Brazil and Mexico, with over 100 maintenance centres in the world and more than 200 projects executed worth c. EUR 30,000 million, over 4,800 trains delivered and more than 1,000 refurbished 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).

- Having a human team of more than 15,000 highly-qualified people, aligned with the project and with a shared culture, highlighting that, of the nearly 5,500 university graduates, more than 2,500 are engineering professionals in innovation activities, product design and project management.

- 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. And, furthermore, moving forward with a significant reduction of scope 1&2 and 3 emissions in line with the objectives defined in the Strategic Plan.

- Be solvent and have a proven financial capacity, with a controlled financial 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 EUR 14,000 million.

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

- Grow above the market and obtain total sales close to EUR 4,800 million

- To place the Operating Result in 2026 at around EUR 300 million

- Distribute dividends in progression with the results

- Maintain our financial stability, with a balanced Net Financial Debt / EBITDA ratio

- Reduce scope 1 and 2 emissions by up to 30%, and up to 40% in scope 3, compared to 2019, with the ultimate goal of becoming a net zero emissions company by 2045

Since the definition of the 2026 Strategic Plan in the second half of 2022, the hypotheses on which said plan was based have been evolving due to various changes in the context: geopolitical (for example, the conflicts in Ukraine and the Middle East) and macroeconomic (for example, high interest rates, persistent inflation and supply shortages), as well as on the domestic front (for example, record contracting at the end of 2022 exceeding expectations).

All the objectives defined for 2023 have been met:

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

In this regard, 2023 contributed to strengthening the foundations of its future strategy despite external conditions marked by instability.

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

1. Commercial focus:

- The distribution of last year's commercial activity is focused on Europe, where new order intake is close to 85% of the annual total, affecting key geographies such as Spain, France, the UK, Germany and Italy.
- Highlighting 2 examples of this:
  - In France, the Group increased its backlog to EUR 1.7 billion.
  - Strong presence in Italy with several contracts awarded, where the city of Rome stands out with a framework agreement through which it can acquire 121 trams in order to replace the rolling stock that currently provides service on the six existing lines. Furthermore, that same city, as well as five others in the country, have ratified their support and trust in Solaris with a current contract for 350 units that are in the manufacturing and delivery phase.

2. Operational efficiency:

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

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

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

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

3. Innovation:

- Decarbonization and zero emissions program progressing on its different fronts. Specifically, progress in the line of development of alternative propulsion means (electric and hydrogen), with the hydrogen demonstrator train of the FCH2RAIL project completing the first of the planned routes with the arrival of the train at the Canfranc station, in the Aragon Pyrenees.

- Autonomous and automatic mobility programme, highlighting (i) remote driving tests for the Oslo tram carried out in Zaragoza (autonomous tram), (ii) remote and autonomous mainline driving test campaigns with the Dutch operator NS and (iii) the launch of Mass Transit signalling activities in Amorebieta.

4. Sustainability:

As highlighted themes for 2023, we emphasise the definition of CAF's Purpose, "develop sustainable transportation solutions that improve people's lives", and update the Mission, Vision and Values, maintaining sustainability as an integral element and backbone for the success of the company's strategy.

Additionally, the Strategic Sustainability Committee has been launched, led by the CEO, to which the Sustainability Operational Committee reports; both under the supervision of the Board of Directors through its Commissions.

For further information, consult the Non-Financial Information Statement – Sustainability Report of this report.

Looking ahead to 2024, the great ambition for profitable growth of the Strategic Plan continues:

- Continue the growth path (maintaining a book-to-bill greater than 1) with a focus on strategic offers in prioritized geographies.

- Maintain focus on improving profitability, reinforcing the pipeline of 2024 transformation initiatives that contribute to these results.

- Initiate expansion into new markets in certain segments and products to strengthen our global presence in strategic markets.

- Execution of the 2024 Innovation Management Plan through the programmes to ensure the positioning and competitiveness of our products and services in the medium term.

- Accompany this growth with an optimal talent attraction and retention strategy.

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

BUSINESS PERFORMANCE AND RESULTS

In 2023 CAF reached a level of order intake of EUR 4,775 million, taking its backlog to a record high of EUR 14.2 billion. In terms of earning for the year, the evolution of all variables has been positive and the Group achieved an EBIT of EUR 179 million, up 29% on the previous year.

Main indicators (*)

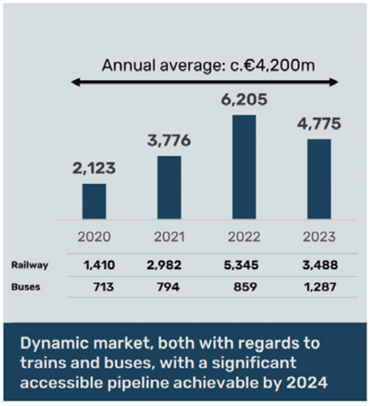
Figures in millions of euros	2023	2022	Change (%)
Order Intake			
Order Intake in the year	4,775	6,205	-23%
Book-to-bill ratio	1.2	2.0	-36%
Backlog	14,200	13,250	7%
Backlog / Revenue ratio	3.7	4.0	-7%
Profit and Cash flow			
Revenue	3,825	3,165	21%
EBIT	179	139	29%
Consolidated profit/(loss) for the period attributable to the Parent	89	52	71%
Working capital	(74)	(195)	62%
CAPEX	82	72	14%
Cash flow	55	36	50%
Capital management and liquidity			
Net Financial Debt	256	278	-8%
Net Financial Debt / EBITDA ratio	0.9	1.2	-25%
Available liquidity	956	978	-2%
Equity attributable to the Parent	855	776	10%
Proposed dividend per share	**1.11**	**0.86**	**29%**

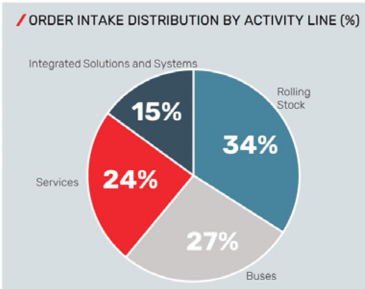
(*) Definitions of the indicators are provided in the "Alternative Performance Measures" section.

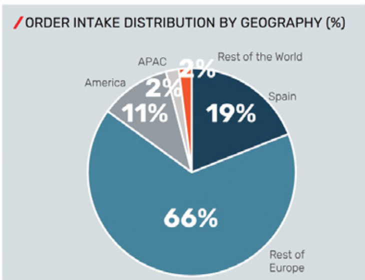
ORDER INTAKE

In 2023, CAF reached a level of order intake of EUR 4,775 million, 23% down on the previous year, due to the exceptional nature of the 2022 figures, but higher than the target announced. This has allowed the backlog to rise to EUR 14.2 billion, a new historical high. The group's Book-to-Bill ratio is 1.2: 1.2 in the railway segment and 1.6 in the bus segment.

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 market. The breakdown of order intake by line of activity and geographical area is as follows:







Sustained order intake during the year, with high contribution in Q4 23

Btb=1.2, well above the target for the FY

High order intake in both business segments:
- Btb=1.2 in the railway segment
- Btb=1.6 in the buses segment

Commercial successes in the Bus segment and in the Railway Maintenance Services activity are particularly noteworthy

The average annual intake over the last 4-year period has seen a **Btb consistently above 1**, in a cycle of extremely significant activity growth

Numerous contract extensions implemented over the course of the financial year (>50% of the order intake for Railway).

Renewed trust from existing customers

A significant proportion of contracts from Europe due to Solaris' significant contribution and the contribution of a number of rail contracts entered into in Spain and the UK.

Order intake has been historically high in Services and Buses, individually exceeding, for the first time in its history, the symbolic figure of EUR 1 billion of annual order intake.

BOOK-TO-BILL RATIO ~ 2 IN SERVICES

All-time record order intake for Services in all its various aspects (maintenance, spare parts, digital services, etc.)

Order intake **in line with Strategic Plan** both in terms of volume and profitability and in terms of target markets

High visibility of Services sales in the medium to long term (various maintenance contracts signed for a term of >15 years)

Most significant order intakes:
- Train supply-related maintenance - LNER (UK). 8 years.
- Train supply-related maintenance - Renfe MD (Spain). 15 years.
- Train supply-related maintenance - VRR (Germany). 33 years.
- Train maintenance renewal – FFSS (Mexico). 15 years.
- Train maintenance renewal – Renfe and Metro Madrid (Spain). 4 years.
- New train maintenance contract – CPTM (Brazil). 5 years.
- Various major order intakes through EuroMaint.

Contract renewal rate of >90%

Most of the fleets to be maintained include **CAF's LeadMind digital platform** for smart operation and maintenance.

Pipeline identified >€6bn for 2024-2025, mainly related to maintenance activity and in the target geographies, with a high volume of order intake expected in 2024. This suggests a **consolidation of Services order intake at around current levels.**

SOLARIS LEADERSHIP

Record number of bus orders, but more importantly in terms of their value

All-time record for zero emission orders, linked to the growth of the European zero emission market in 2023 (50% growth year-on-year), in which Solaris has a leading position.

	2022	2023
% electric buses (electric and hydrogen)	49%	68%
% trolleybuses	13%	9%
ZERO EMISSIONS TOTAL	62%	77%[1]

The increase in the average contract volume indicates continued technological development and customers' trust in the Solaris' approach.

A large number of tenders in the Italian market, where Solaris has a high market share, especially for electric buses. Confirmation of various contracts for >100 buses, with significant customer repeat business.

Continued improvement in profitability from the order backlog linked to the order profile of the last cycle.

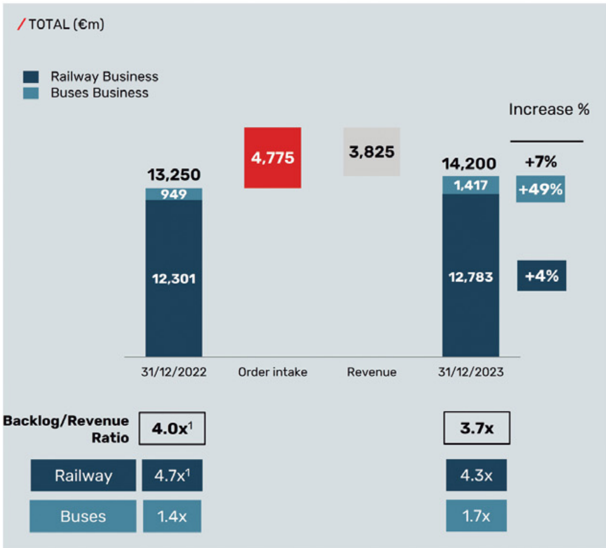
1. Adding low-emission or hybrid buses to this figures (15%) order intake for sustainable vehicles or e-mobility vehicles amounts to 91% of the total in 2023.

BUSINESS PERFORMANCE AND RESULTS

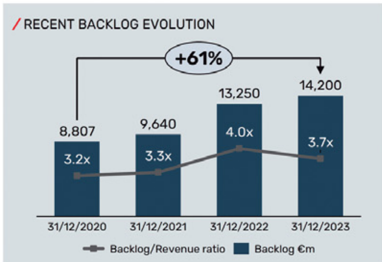
BACKLOG

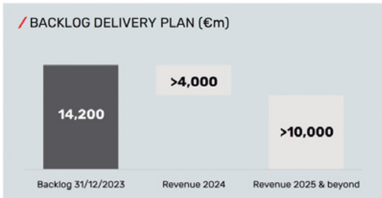
The foregoing has enabled backlog to rise by 7% on the previous year, despite the significant increase in revenue for the year, reaching a record level of EUR 14.2 billion. This favourable evolution continues the positive trajectory of recent years, which confirms the good moment the sector is experiencing and the Group's sound positioning.

The backlog at year-end represents 3.7 times revenue, providing a high visibility for future sales. Likewise, it is characterised by its broad diversification, both geographically and by business.



1. This includes full year 2022 revenue from the acquired perimeter (€216m).





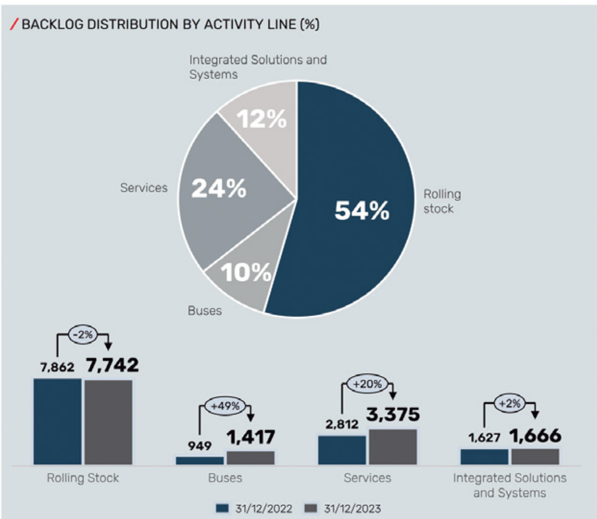
29% of the backlog at 31/12/2023 is expected to translate into revenue in 2024, with the addition of revenue from other recurring activities and those with a lead time<1 year.

STRONG BACKLOG GROWTH IN THE LAST THREE YEARS (+61%)

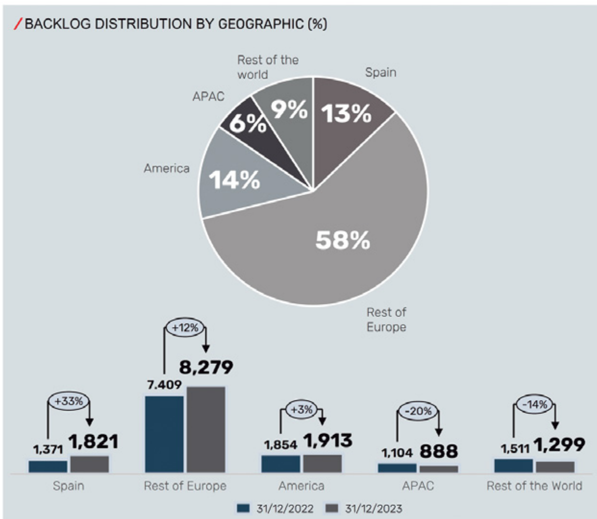
INCREASED **VISIBILITY OF FUTURE ACTIVITY** (increase in Backlog/Revenue ratio in the last 3 years)

STRATEGY PLAN **GOALS EXTENSIVELY** SUSTAINED BY THE CURRENT BACKLOG

€8bn IN FUTURE OPTIONS THAT ARE NOT INCLUDED IN THE CURRENT BACKLOG



- High order intake in **Bus and Railway Services is driving the backlog**.
- **The Rolling Stock backlog fell slightly** as a result of the high sales performance in the year, although **it continues to account for more than half of the Group's backlog**.



- **Europe increased** slightly its importance and **continues to account for the majority of the Group's order book** (71%).
- Order intake in Mexico and Brazil accounted for the **slight increase in America**, while in **APAC and Rest of the World, sales exceeded the order intake for the period**.

RESULTS

The evolution of all variables has been very positive, in all profit and margin lines.

(EUR million)	2022	2023	Var. 2023/2022
REVENUE	**3,165**	**3,825**	**+21%**
OPERATING RESULT - EBIT	**139**	**179**	**+29%**
% EBIT Margin	**4.4%**	**4.7%**	**-**
Financial result	(53)	(44)	-17%
Finance income	11	28	+149%
Finance costs	(63)	(69)	+10%
Exchange rate differences	(3)	(5)	+58%
Other financial Costs/Income	1	1	+23%
Result of companies accounted for using the equity method	6	6	+6%
PROFIT (LOSS) BEFORE TAX	**91**	**141**	**+54%**
Income tax	(36)	(48)	+33%
Net profit (loss) after tax	55	92	+68%
Non-controlling interests	3	3	+18%
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY	**52**	**89**	**+71%**

A significant increase in revenue, above the target for the year.

EBIT growth exceeding revenue, giving continuity to the recovery process from the recent impact of high inflation.

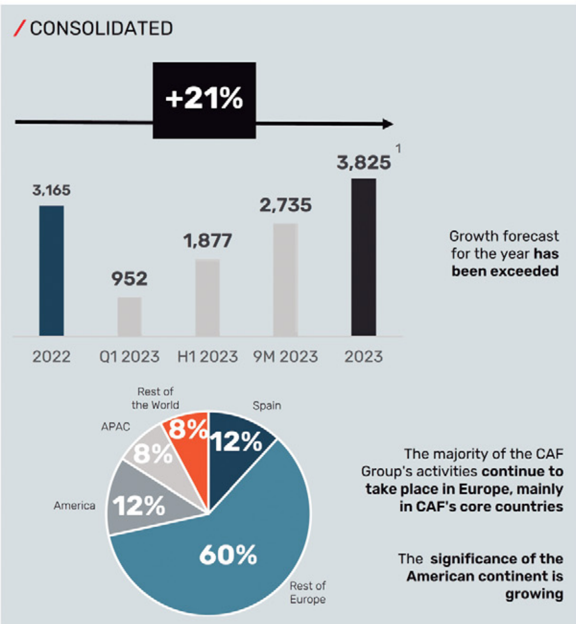
As a result, **operating profitability increased in line with the full-year projection.**

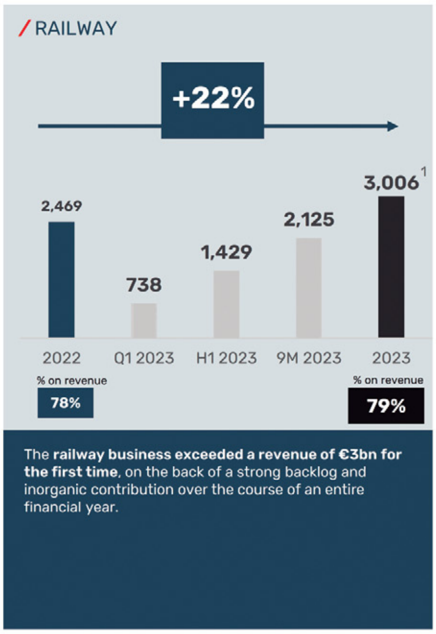
A significant improvement in the financial result, driven by the upturn in financial income, which more than offset the negative impact of the increase in the cost of debt.

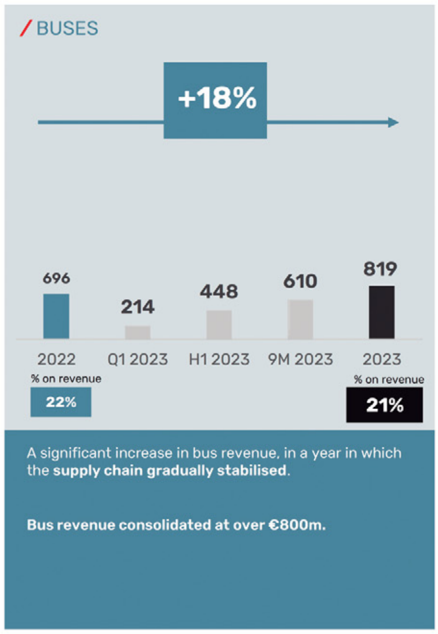
Accordingly, **the net consolidated profit increased significantly** in 2023.

Revenue

The Group's revenue is at its highest level, with significant growth in both segments:





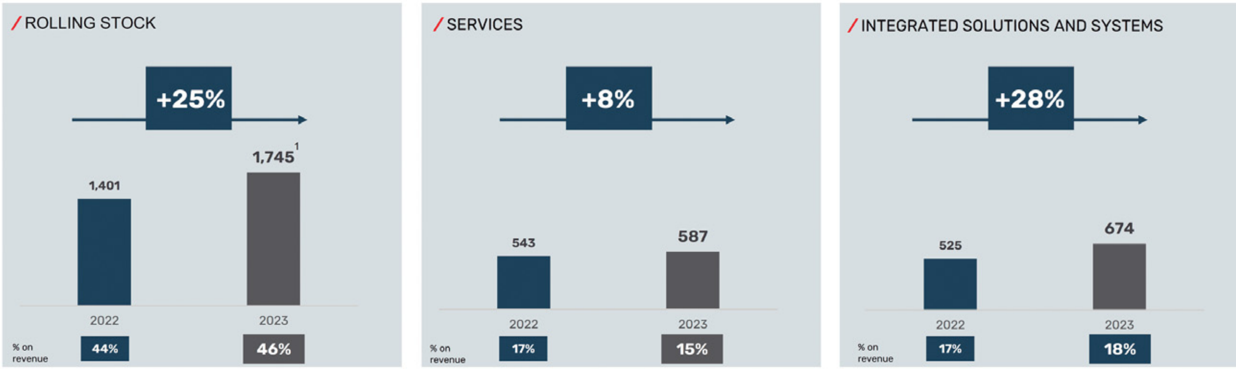


1. This figure includes €214m from the new perimeter acquired in August/2022. Not considering this impact, consolidated organic and railway revenue would have grown by 17% in both cases.

BUSINESS PERFORMANCE AND RESULTS

Railway segment revenue

The expansive trend in all railway activities stands out:



The projects that contributed most to revenue were metro units for Docklands Rail (UK), regional units for SNCF (France), trains for Myanmar, commuter trains for RATP (France), battery trains for VRR (Germany), trams for Jerusalem (Israel) and trams for Oslo (Norway), which **together accounted for 50% of revenue**.

Revenue in Q4 rose faster than expected.

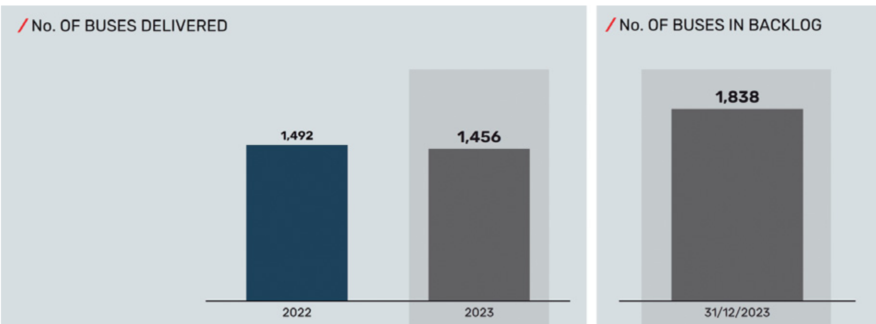
Close to double-digit growth driven by increased maintenance activities and spare parts sales in various geographic locations.

The **major projects in Mexico**, the **refurbishment business**, and the increased supply of rolling stock **components by MiiRA** contributed positively to the sales of Integrated Solutions and Systems during the year.

1. This figure includes €214m from the new perimeter acquired in August/2022. Not considering this impact, organic revenue of the Rolling Stock business would have grown by 16%.

Bus Segment revenue

It highlights the solid performance of bus deliveries in 2023, most of which were zero-emissions vehicles for the first time in history.



		2022	2023	31/12/2023
Zero Emissions	% **electric** buses (electric and hydrogen)	30%	53%	68%
	% **trolleybuses**	5%	14%	15%
Low emissions	% **hybrid** buses	21%	15%	12%
	TOTAL % **emobility** buses (zero and low emissions)	55%	82%	95%

The **gradual recovery of the supply chain** meant that the number of buses forecast at the beginning of the year could be delivered.

Operational stability, with a 50% year-on-year reduction in the number of buses in production.

More than half of the buses supplied were electric (with batteries or hydrogen), which is higher than the European market rate (40%[1]), illustrating Solaris' leadership in moving towards zero emission urban public transport.

For the first time ever, alternative fuel buses account for more than 80% of total deliveries in the year.

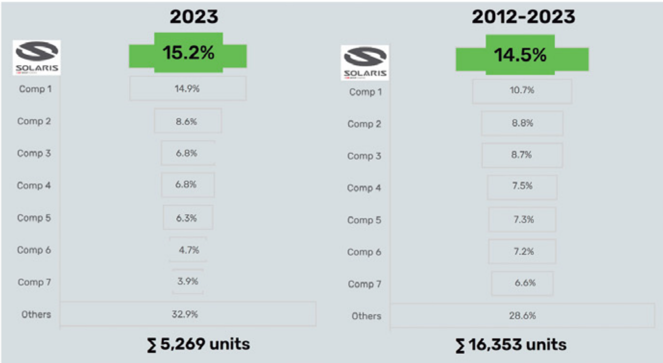
Poland, Spain, Italy, Norway and Germany were the main destinations for the fleets delivered in 2023.

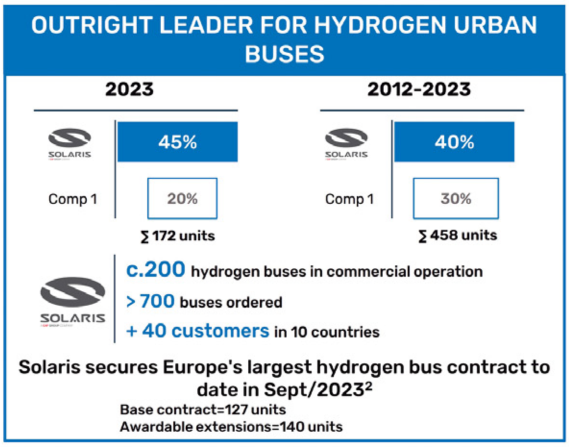
A significant number of buses in the year-end backlog, with an **all-time high proportion of zero-emission buses** to be delivered in 2024, 2025 and 2026.

1. Source: 5,269 zero emission buses registered of a total of 13,176 registered buses. CME Solutions. Year 2023. Registered urban buses. MMA > 8t. Includes EU27 (excluding UK and Ireland, where Solaris does not participate), Norway and Switzerland. This does not include Trolleybuses.

With a market share of more than 15%, Solaris consolidates its leadership in the European market for zero-emission urban buses.

EUROPEAN ZERO-EMISSION URBAN BUS MARKET (ELECTRIC AND HYDROGEN[1])





ALTHOUGH THE CURRENT PENETRATION RATE OF ZERO-EMISSION CITY BUSES IN EUROPE HAS REACHED 40% BY 2023, THERE IS STILL SIGNIFICANT POTENTIAL:

100% OF URBAN BUSES PURCHASED BY 2035 MUST BE ZERO EMISSION[3]

1. Registered urban buses, MMA > 8t. Includes EU27 (excluding UK and Ireland, where Solaris does not participate), Norway and Switzerland. This does not include Trolleybuses.

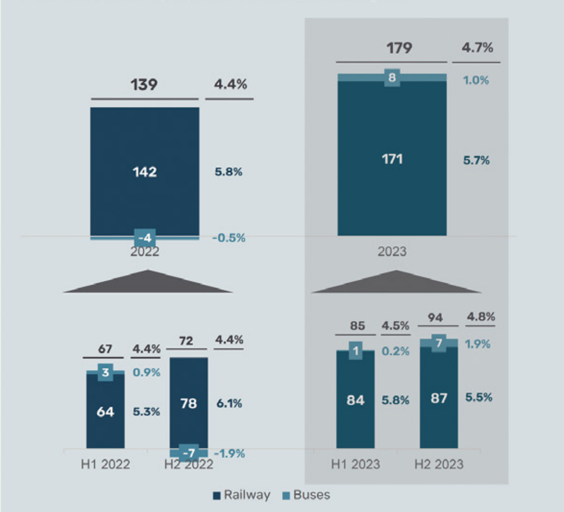
2. Contract entered into with the operator TPER, in Bologna.

3. https://www.consilium.europa.eu/en/press/press-releases/2024/01/18/heavy-duty-vehicles-council-and-parliament-reach-a-deal-to-lower-co2-emissions-from-trucks-buses-and-trailers/

EBIT

The Group's EBIT was EUR 179 million (4.7% of sales), 29% higher than the previous year. The EBIT of the Railway segment grows 20% compared to the previous year, while the EBIT of the Bus segment is once again positive with a year-on-year improvement of EUR 12 million.

Annual and Half-year EBIT (€m) and EBIT Margin (%)



RAILWAY

- The **Railway EBIT is up 20%** compared to 2022.
- **Profitability still affected** by cost increases in projects and activities affected by inflation in previous financial years, in line with the forecast.

∧ Activity expansion.
∧ A drop in energy costs.
∨ Progress of projects involving activities affected by inflation, with reduced profitability.

BUSES[1]

- **A positive EBIT over the course of 2023, improving** as backlog projects are renewed (removal of projects affected by cost increases and the addition of projects with no profitability impact).
- **H2 23 Mg EBIT already in excess of H1 22 Mg EBIT**.

∧ Increasing execution of projects signed with new conditions (prices updated to current cost context).
∧ Gradual recovery of the supply chain.
∧ Mix of products under execution.
∨ Supply of projects with deteriorating margins.
∨ PLN appreciation.

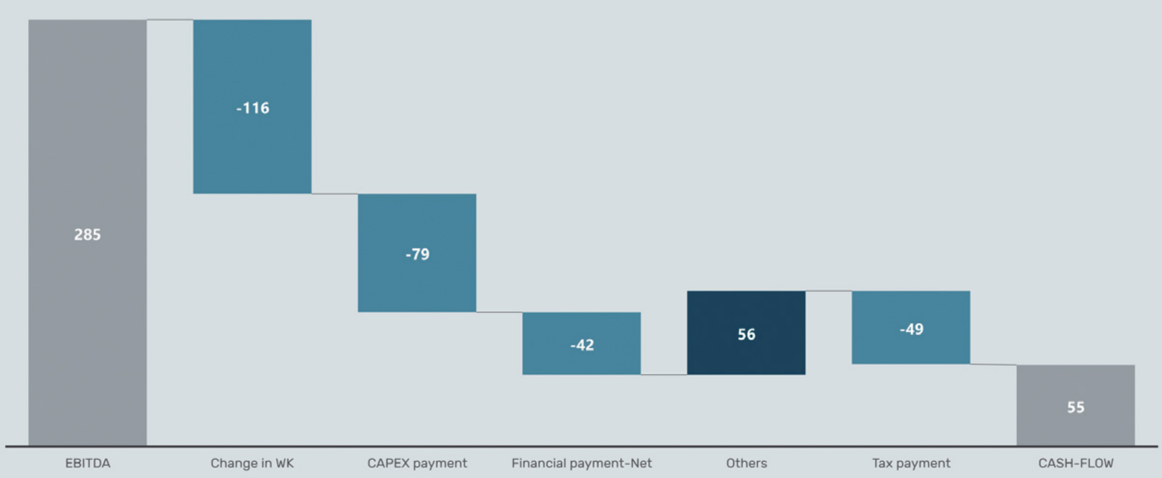
1. The Bus EBIT figure disclosed already excludes the amortisation of Solaris being taken by the CAF Group (approx. €6m/year).

BUSINESS PERFORMANCE AND RESULTS

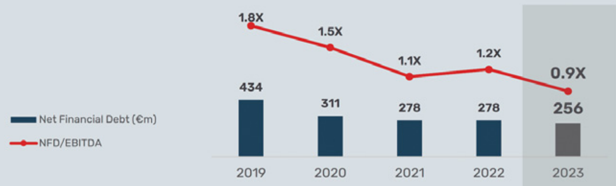
CASH-FLOW AND BALANCE SHEET

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, EUR 55 million. Hence, in a complex macroeconomic climate, Net Financial Debt fell by EUR 22 million in the year, to EUR 256 million. The Net Financial Debt/EBITDA ratio is 0.9 times, below the level prior to the acquisitions made by the Group in recent years (Solaris, EuroMaint, among others).

/ EBITDA-CASH FLOW BRIDGE (€m)



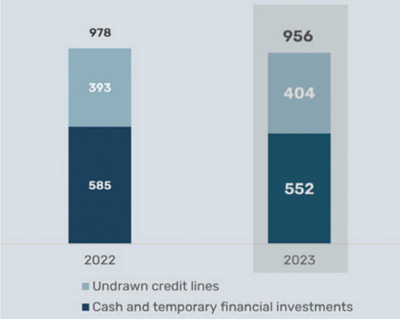
/ NET FINANCIAL DEBT (€m)



	2019	2020	2021	2022	2023
Gross Financial Debt	1,079	995	967	874	820
Treasury and Financial Investments	645	684	689	596	564
Net Financial Debt	**434**	**311**	**278**	**278**	**256**

GROSS DEBT CONTINUED TO DROP STEADILY IN 2023

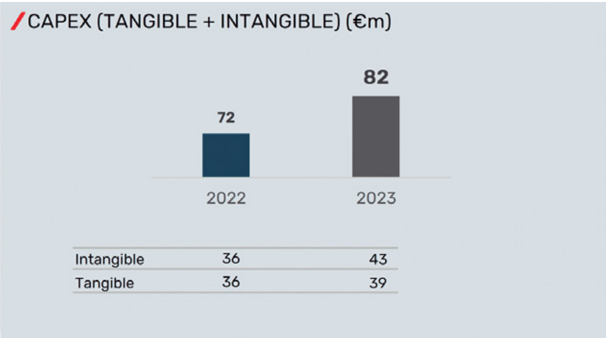
/ LIQUIDITY (€m)

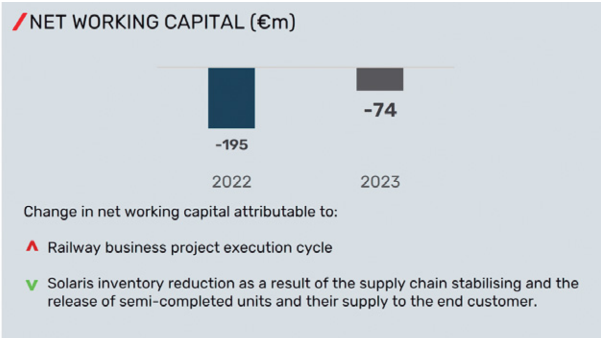


CAF HAS GENERATED APPROXIMATELY €300m OF CASH OVER THE LAST 4 YEARS, DESPITE THE COMPLEX SCENARIO SINCE 2019 AND THE INTENSIVE GROWTH OF ACTIVITIES (c+.50% OF REVENUE)

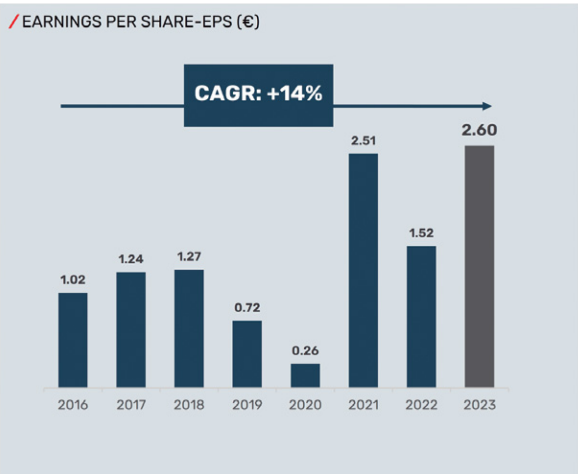
The strength of the balance sheet is maintained in a context of increased activity:

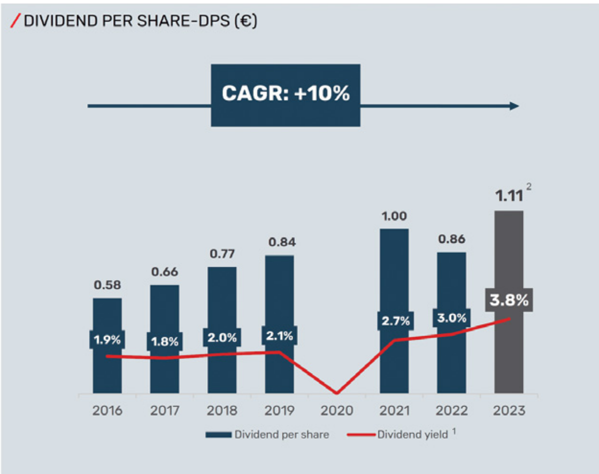
(EUR million)	2022	2023
Fixed Assets	1,437	1,371
Working capital	(195)	(74)
Net Assets	**1,242**	**1,297**
Equity	788	868
Net Financial Debt	278	256
Other assets and liabilities	176	173
Equity and Net Liabilities	**1,242**	**1,297**





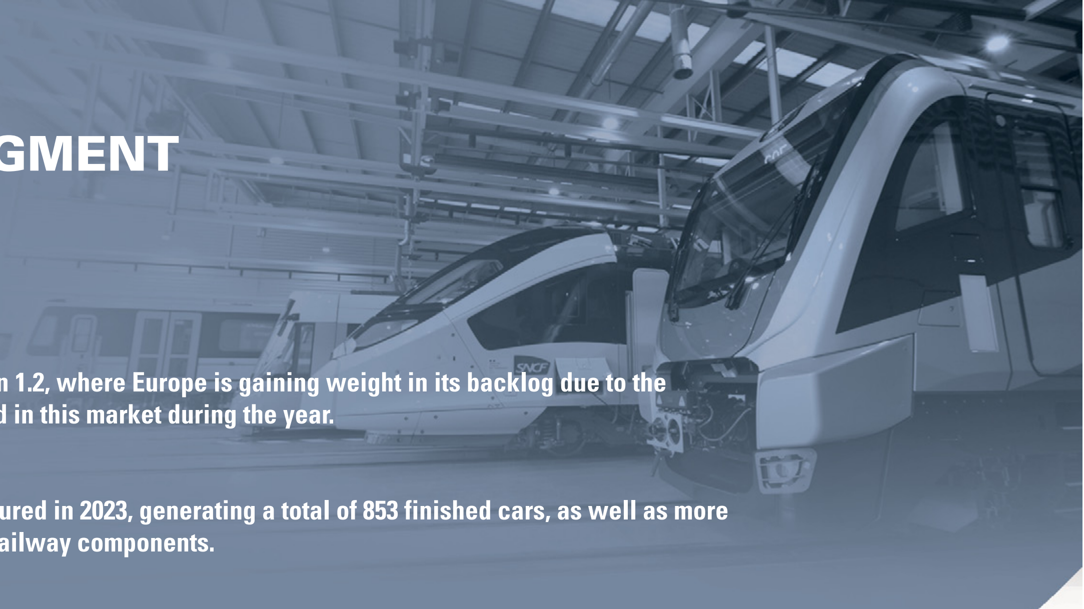
The financial strength of the Group allows it to maintain its commitments with shareholders. The proposed application of results consists of allocating EUR 38 million to the distribution of dividends, a figure that represents an amount of 1.11 euros per share and a dividend yield of 3.8%.





COMMITMENT TO SHAREHOLDER REMUNERATION

1. Calculated as: Dividend per share / Average share price for the year.
2. Proposed dividend per share to be charged to the 2023 financial year subject to approval at the 2024 Annual General Shareholders' Meeting.



RAILWAY SEGMENT

COMMERCIAL ACTIVITY
The Book-to-Bill ratio has been 1.2, where Europe is gaining weight in its backlog due to the considerable success obtained in this market during the year.

INDUSTRIAL ACTIVITY
Over 180 trains were manufactured in 2023, generating a total of 853 finished cars, as well as more than 61,000 wheels and other railway components.

R&D&i ACTIVITY
The Innovation Plan contemplates more than one hundred projects grouped into the following Innovation Programs: Zero emissions, Autonomous and automatic vehicle, Digitalisation and Product portfolio expansion. 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.

COMMERCIAL ACTIVITY

In 2023, CAF reached an order intake value in the railway segment of EUR 3,488 million, in line with the year's target, which increased the backlog to EUR 12,783 million, a new record high. The Book-to-Bill ratio is 1.2. Europe is gaining weight in its backlog due to the considerable success obtained in this market during the year.

The main contracts in the year are detailed below:

Europe

- In London, two important contracts have been formalized: the first for the supply of units that will provide commercial service on the East Coast Main Line, operated by London North Eastern Railway, and the second for the expansion of the fleet currently in production and that will provide service on the Docklands Light Railway managed by Transport for London.

  The operator London North Eastern Railway, together with Porterbrook in its role as provider of bespoke financing for safe, efficient and sustainable railway projects, have entrusted CAF to supply 10 tri-modal trains together with their maintenance over an eight-year period. London North Eastern Railway is a company committed to the environment and sustainability, and hopes to achieve its emissions reduction goal (67% by 2035) with the incorporation of these new units, and aspires to be a net zero emissions company by 2045. The units are based on the Civity UK platform, a train designed for intercity services, which has the latest advances in accessibility, comfort and passenger amenities. Its ability to circulate both on the electrified sections of the network and on non-electrified routes, in battery or diesel mode at the discretion of the operator, increases the efficiency and flexibility for the operation of its services, achieving more sustainable and environmentally-friendly transportation. The units will allow you to travel from London's King's Cross station to the capital of the Scottish Highlands, Inverness, with stops in important cities such as York, Newcastle or Edinburgh.

  On the other hand, Transport for London increased the number of units contracted in 2019 to 54, for the most in-demand light rail service in the United Kingdom, which will serve the east of London and the Docklands area.

- Regarding the national market, it should be noted that Renfe has formalised a contract for the commuter service, consisting of the manufacture and supply of 29 four-car electric trains with traction capacity in non-electrified areas or in the absence of electricity in the overhead lines. They are known in the sector as BEMU –Battery Electrical Multiple Unit- by its acronym in English.

  Additionally, Renfe, as an exercise of an option to extend the contract signed last year for the manufacture of 28 electric units for the medium distance service, has formalized the order for 32 additional units combining trains of 3 and 5 cars, as well as the comprehensive maintenance of 17 trains for a period of 15 years. Like the units referred to in the previous paragraph, they are BEMU units. As a result, the number of trains of the Spanish benchmark operator amounted to 89 units, capable of providing a service in an environmentally-friendly manner without catenary voltage.

On the other hand, the Government of Andalusia formalized the acquisition of six units for the Alcalá de Guadaíra tram that will serve the population of the northern area of the urban area of this Seville town. These units also have technology that allows circulation on non-electrified sections. This contract also includes maintenance work on the units for a two-year period, as well as the supply of spare parts for the units.

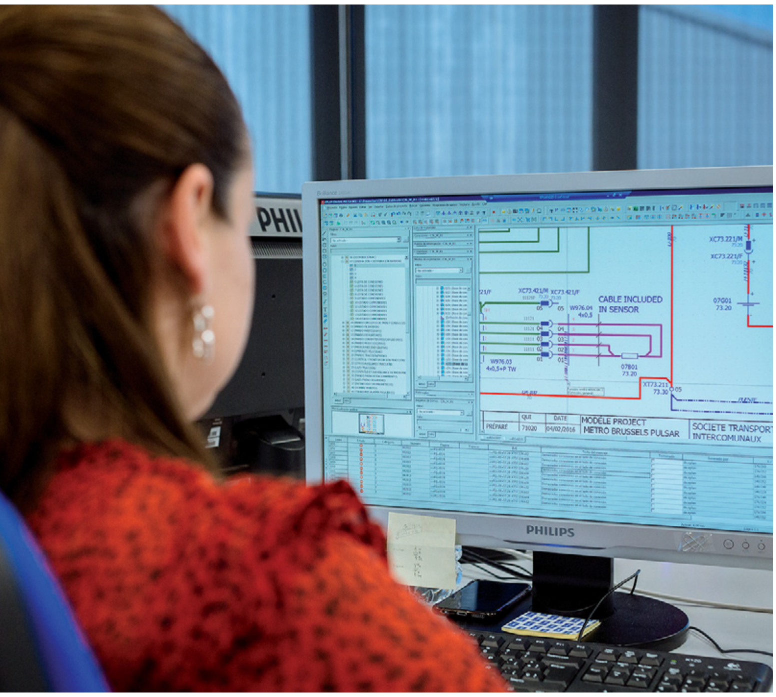
Still within the Andalusian autonomous community, the Malaga metro network acquired 3 units similar to those that currently make up its fleet and currently provide a service on Line 1 for the operation of Line 2 of the metro. Both lines converge at the El Perchel station, from where you can also access the AVE, the medium-distance, regional and commuter trains networks, as well as the intercity bus station, and Guadalmedina.

Euskotren has acquired 5 new electrical units that will provide service to the future line 5 of the Bilbao metro, which will connect Basauri with the center of Galdakao and the Usansolo Hospital. The supply of the new units is accompanied by work to increase the power of certain units in the existing fleet and the incorporation of the ERTMS 1 signalling system.

- In Italy, the Agenzia del Trasporto Autoferrotranviario del Comune di Roma, public transport concessionaire in the municipality of Rome, formalized an agreement with CAF for the supply of 40 trams in order to replace the rolling stock that currently provides service on the six existing lines. The agreement includes its maintenance for 5 years, as well as the corresponding spare parts. The agreement includes the possibility of increasing the number of project units by 81 additional vehicles. This award confirms the trust forged with Roma Capitale for more than 20 years, in which CAF has supplied more than 70 metro units that are currently in service on lines A, B and Roma-Lido.

Also, Ente Autonomo Volturno, the company in charge of the Naples regional rail and metropolitan public transport service, decided to increase the number of metro units that it had contracted with CAF to 10, together with their corresponding spare parts and the comprehensive maintenance of extended vehicles for a three-year period. These trains are expected to operate on the Piscinola/Scampia – Aversa line and, also in the future, on the line that will run from Piscinola to Miano, Secondigliano and Di Vittorio, with an interconnection with Line 1 of the Naples metro network. For this line 1, and with financing from European Next Generation funds, the fleet that provides commercial service has been reinforced, reaching 23 units.

Finally, in the city of Palermo, the joint venture formed by the Italian company Sis Scpa and CAF has been awarded the project for the construction of the new lines A, B and C of the Palermo tram and the supply of the units that will provide service in these



sections. CAF's scope includes the manufacturing and commissioning of 9 trams that will operate on the aforementioned sections of the city's tram network.

- In the French market, CAF has formalized contracts for the manufacture of 18 additional regional trains on the Coradia Polyvalent platform: one that involves the construction of 11 trains for the New Aquitaine Region, in the south of France, and another for 7 units, whose destination will be Senegal, specifically the Agency for the Promotion of Investments and Major Works (APIX), answerable to the Ministry of Transportation of the country. Both projects will be carried out in a consortium, with CAF being tasked with the design and manufacture of the trains, each consisting of four cars. These contracts allow the CAF Group to increase its backlog in France to EUR 1.7 billion and reinforce CAF's position as a reference company and long-term partner of local, regional and national public authorities for the development of public transport in France.

- In Budapest, the operator BKK (Budapesti Közlekedési Központ), responsible for transport management in the Hungarian capital, has formalized the expansion of its fleet of trams manufactured by CAF to 124 units. The latest expansion includes both units with five modules and nine modules – the latter being one of the longest in the world. These are low-floor vehicles, which facilitate access for people with reduced mobility, wheelchairs and pushchairs, and are designed to operate with a service speed of 50 km/h.

- Stadtwerke Bonn GmbH, operator of transport services in the city of Bonn and its surroundings, has renewed the trust placed in CAF by increasing by 5 the number of units of the fleet that it acquired jointly with Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises GmbH last year.

- In Belgium, De Lijn, the Flemish public bus and tram operator, has once again exercised one of the expansion options contemplated in the contract signed in 2017, increasing the number of tram units earmarked to provide a service in the city of Antwerp and in West Flanders to 108. This operator shares the Flemish objective of producing 35% less CO_2 by 2030 compared to 2005, purchasing environmentally-friendly units and trusting that every day more people will leave their cars at home and opt for forms of public transportation.

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

Other markets

- In the Philippines, Mitsubishi Corporation, winner of the tender of the Government of Philippines's Department of Transportation (DOTr) for the new North-South commuter railway line, has entrusted CAF with the manufacture of seven new electrical units, as well as the corresponding spare parts. This line will connect Clark International Airport – located northeast of Manila and serving as one of the country's main entry hubs for international flights – with the province of Laguna in the south of the island of Luzon. This project is funded by the Japan International Cooperation Agency.

  Once the new line is built, it will be managed by the Philippine Government's Department of Transportation together with the national operator Philippines National Railways (PNR), and is part of the national plan to improve mobility around the capital of the Philippines (in this case on the way to the airport), to reduce the volume of road traffic and avoid significant traffic jams in the metropolitan area, all within the framework of the policy being carried out by the Philippine government to achieve more sustainable mobility. It is worth highlighting the collaboration and mutual trust that has been generated between Mitsubishi Corporation and CAF in recent years, having developed numerous railway projects, including the supply of railway equipment for Line 1 of the Manila Light Rail Transit System, also in the Philippines, automatic units for the Istanbul metro or the construction of a transportation system in the Australian city of Canberra.

In addition to the order intake carried out during the year, regarding the chapter dedicated to hydrogen in the railway sector, we must highlight the leadership

jointly held by CAF and Renfe in the FCH2RAIL project, which has managed to place the first unit with hydrogen propulsion on commercial tracks. Renfe Operadora provides the train and the drivers and CAF as the manufacturer has carried out the transformation of the Civia unit and is leading the tests. The unit began its tests within ADIF's General Interest Railway Network, also involved in the project in May on the line connecting Zaragoza and Canfranc. On this line, the hydrogen-powered train has proven its potential, reliability and efficiency. After this stage, the unit is moved to the Torralba-Soria line, on which the reliability of the vehicle and the new technology is being demonstrated, marking a significant step towards the creation of a cleaner and more sustainable rail transport system.

Furthermore, in 2023, CAF joined the world of the dynamic monitoring of tracks and overhead lines. Adif High Speed has entrusted CAF and our very high-speed platform Oaris to provide itself with a new laboratory train approved for speeds up to 300 km/h.

INDUSTRIAL ACTIVITY

In total, there have been more than 180 trains, of different categories and compositions, manufactured during 2023, which completes a total of 853 finished cars.

To this we must add the manufacture of other railway components which, as in the case of wheels, have exceeded 61,000 units manufactured, or more than 2,700 gearboxes completed.

The projects that have been worked on throughout the year are spread throughout the world, some of which have come to an end, such as the contract for Maryland with the manufacture of the last of the 26 contracted trams, the completion of the last four-car train for the British operator West Midlands, the last four three-car trains and the last four-car unit that have completed the contract signed with the Dutch operator Nederlandse Spoorwegen, as well as two trains for Euskotren with which the order for the expansion of four trains has been finalised, the last two units of the 12 LRVs (Light Rail Vehicle) for the German operator Schönbuchbahn, 18 trams that complete the 40 trains of the contract signed with the Belgian city of Antwerp, the contract for 21 tram units signed with the city of Birmingham whose manufacturing has ended with the delivery of the last 10 units, as well as the completed expansion orders such as that of the four trams for the city of Sydney, four trams for Malaga and two trams for Zaragoza.

Another important part of industrial activity has been occupied by projects that have begun to be manufactured in 2023, or by those that, after commencing in previous years, have continued with their development, as is the case of the five trains delivered for the Brussels metro, the 11 metro units of the contract entered into with the city of Amsterdam, 16 metro units of the order for 54 vehicles for Docklands, as well as the 15 two-car and another 15 three-car DMU (Diesel Multiple Unit) trains for the operator Wales & Borders, 24 trams of the 87 contracted by the city of Oslo, 12 trams for Lisbon of the order for 15 trains entered into with this city, 27 trams for Jerusalem from a total order of 114 units, the first four trams of the total of 20 that make up the second lot for the Belgian city of Antwerp, the first three trams of the eight contracted by the city of Granada, as well as the first five trams of the eight contracted by the city of Freiburg, the first two six-car trains for the New South Wales region of the Australian continent, or the first train for the contract entered into with the French state operator SNCF.

As for the rest of the projects, already in the initial assembly phases, it is worth highlighting the progress in the manufacturing of the trains contracted by the Swedish operator AB Transitio, the German operator VRR or the electric units for Mallorca.

The most significant products manufactured in 2023 were as follows:

	No. CARS
Medium-distance DMU West Midlands (4-car unit)	4
Medium-distance DMU Wales and Borders (2-car unit)	30
Medium-distance DMU Wales and Borders (3-car unit)	45
Medium distance SNCF	10
Medium distance New South Wales (6-car unit)	12
Commuter trains NS (3-car unit)	12
Commuter trains NS (4-car unit)	4
Commuter trains EUSKOTREN	8
Commuter trains RENFE – RAMYA Lot 2	2
Commuter trains Myanmar	12
Brussels Metro	30
Amsterdam Metro	33
Docklands Metro	80
Maryland LRV	5
Schönbuchbahn LRV	6
Antwerp Tram	90
Antwerp Tram (Bidirectional)	20
Birmingham Tram	50
Oslo Tram	120
Jerusalem Tram	135
Sydney Tram	15
Lisbon Tram	60
Malaga Tram	10
Zaragoza Tram	10
Granada Tram	15
Freiburg Tram	35
TOTAL	853

BOGIES	
With mechanic-welded chassis	1,109

WHEEL SETS AND COMPONENT UNIT - MiiRA	
Wheelset (power car + push-pull car)	4,054
Axles	9,676
Monoblock wheels	61,433
Resilient wheels	2,729
Gearboxes	2,790
Wheel tyres	1,270

R&D&i ACTIVITY

In the last months of fiscal year 2022, the CAF group's new Innovation Plan for the year 2023 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 contemplates more than one hundred projects grouped into the following Innovation Programs:

- **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
- **Digitalisation**
  - 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
- **Product portfolio expansion**
  - 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 Gipuzkoa
- Basque Autonomous Community Government
- Government of Spain
- French Government
- European Commission

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

The CAF Group is participating in collaboration projects within the scope of national programs and also the European framework program Horizon Europe. Noteworthy projects included:

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

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

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

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

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

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

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

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

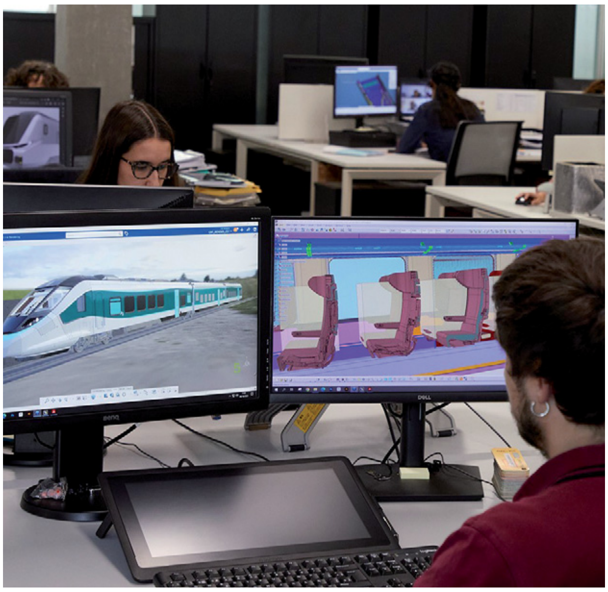
- **ERABIL+,** a project located within the Zero Emissions initiative that shares the objectives of the H2PLAN project and which also favours collaboration and guarantees the competitiveness and excellence of the agents of the Basque Research Network, around technologies for the use of hydrogen in industry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

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

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

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

- **VIRTREN,** a project that seeks to investigate calculation methodologies and simulation tools in two fundamental areas of knowledge, such as fluid mechanics and acoustics and vibrations, aimed at meeting the challenges of the train of the future:



comfortable, sustainable and digital. The VIRTREN project will serve to advance towards the virtualisation of trains (Digital Twin) in the areas of knowledge of Fluids, Noise and Vibrations.

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

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

- **DYNAMAIN**, a project included in the Digitalisation initiative to evolve the LeadMind platform, by adding predictive functionality through the development of an intelligent layer that will allow a paradigm shift in the maintenance of railway assets towards dynamic smart maintenance based on CBM (Condition Based Maintenance). A maintenance strategy for the vehicle and its systems will be enabled based on the actual and expected health status, instead of current strategies based on the kilometers traveled by the train.

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

- Projects based on consolidated platforms: the Tel Aviv, Budapest, Seville, Zaragoza, Alcalá de Guadaíra, Palermo and Rome trams, regional trains for VRR (Germany), units for SJ (Sweden) and Coradia Polyvalent units for Aquitaine (France) and Senegal.

- Double deck train units for NS (the Netherlands)

- LRVs for Germany (Bonn and Hannover)

- LRVs for Boston (United States)

- Units for RENFE (medium distance and commuter trains)

- Trams for France (Marseille and Montpellier)

- Trains for Etihad (United Arab Emirates)

- Tri-mode units for London North Eastern Railway (LNER)

- EMUs for the Philippines

- Athens Underground Refurbishment and Canberra Tram System

BUS SEGMENT – SOLARIS

Solaris held the nº 1 position in the zero-emission bus market in 2023 with a 15.2% market share and remains the leader in the aggregated market shares of zero-emission bus in the period 2012-2023.
In 2023, Solaris has demonstrated its strength in a constantly evolving market environment, achieving a sales volume of 1,456 vehicles. Electric, hybrid, hydrogen and trolleybus units exceeded 80% of the market share in the sales mix.

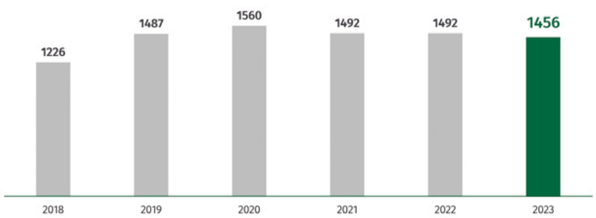
Solaris maintains the position as European e-mobility leader

- **Solaris sold 1456 vehicles in 2023, exceeding the year´s goal. Revenues stood at €819 million, representing a growth of over 18% compared to 2022.**
- **The level of order intake has been 1,288 million euros: an increase of 50% compared to 2022 and a Book-to-Bill ratio of 1.6.**
- **The company held the n.º 1 position in the zero-emission bus market in 2023 with a 15,2 %[1] market share and remains the leader in the aggregated market shares of zero-emission bus in the period 2012-2023 with a 14,5 %[2] quota.**
- **Electric vehicles, hydrogen buses, hybrid buses and trolleybuses, for the first time in the company's history, exceeded more than 80% of the share in the sales mix, exceeding 55% of the previous year.**
- **In 2023 company presented its product in Canada, as part of Solaris' strategy to enter the USA and Canada with its offer.**

In 2023 Solaris has proved with its production and sales results that it is an organization well prepared for the constantly evolving market environment and is a company that is resilient to the dynamically changing economic context. Solaris has sold a total of 1456 vehicles in 2023, reaching revenues of 819 million euros (+18% compared to 2022).

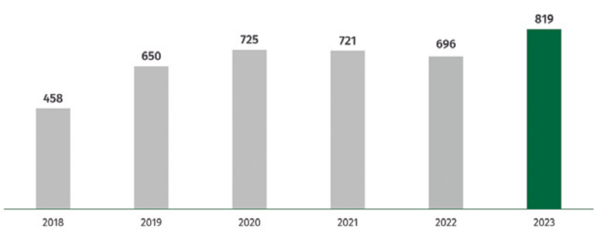
1. *Based on battery/electric and hydrogen buses registrations in 2023, source: Chatrou/CME Solutions.*
2. *Based on battery/electric and hydrogen buses registrations in 2023, source: Chatrou/CME Solutions.*

SALES OF SOLARIS VEHICLES
IN 2018-2023, IN UNITS



Consolidated sales of Solaris
Source: Solaris

SOLARIS REVENUE
IN 2019-2023, IN MILLION EUR



Source: Solaris

Electric, hybrid, hydrogen vehicles and trolleybuses exceeded 80% of the share in the sales mix.

The growing participation of both low and zero emission vehicles in Solaris' sales mix, shows good recognition of the market and the manufacturer's adjustment to market expectations. The current penetration rate of Zero Emission urban buses in Europe still shows great potential: the current rate is 40% while it should be 100% in urban buses purchased in 2035.

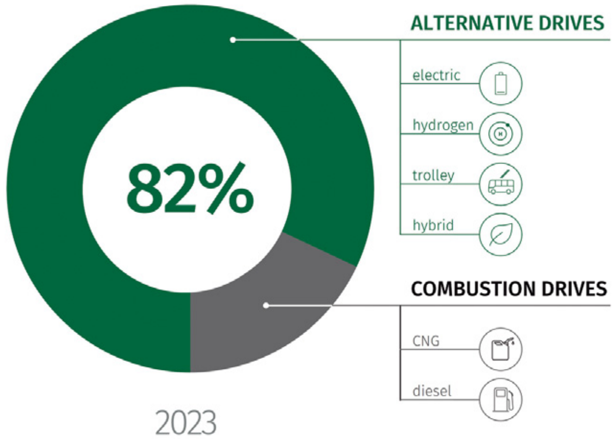
On the other hand, the increase in the average size of contracts shows the maturity of the technology and customer confidence in the Solaris proposal.

In 2023, Solaris delivered its products to customers from 17 countries. Major recipients of Solaris vehicles included, among other carriers, operators from Poland, Spain, Italy, Norway, Germany, the Czech Republic, Romania, and Hungary.

As for the future, the company has a solid backlog. At the end of 2023, Solaris had a backlog of 1,417 million euros (1,838 vehicles), of which 95% correspond to zero and low emission buses.

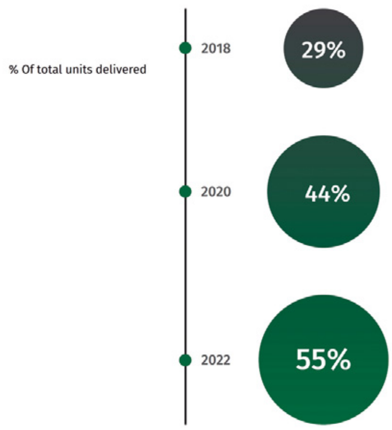
Among the main contracts for electric buses in 2023, the following stand out:

SHARE OF ALTERNATIVE DRIVES IN SOLARIS BUSES
IN 2018-2023, IN UNITS



Source: Solaris

GROWTH OF ALTERNATIVE DRIVE SHARE IN SOLARIS BUSES BETWEEN 2018-2022



- Solaris has secured another contract to supply electric vehicles to Milan. This time, the Italian metropolis will welcome 105 Urbino 18 electric buses. Consequently, the public transport operator ATM Milano has become one of the largest recipients of zero-emission buses featuring the Solaris brand. The delivery of the 105 articulated Solaris e-buses will start in first half of 2025 and finish for the second half of 2025.

- In 2023, Solaris has secured an order for 98 electric buses for Cagliari, Sardinia. CTM Cagliari, the public transportation operator in Sardinia, has selected Solaris as the supplier for 98 electric buses of the Urbino electric model. This contract is part of a framework agreement signed in 2023 with Consip S.p.A., a public limited company. Deliveries are partially scheduled for 2023 (18 units delivered) and for 2024 and 2025. Solaris already has over 1,600 vehicles driving on Italian roads. Nearly one-third of them are zero-emission buses, with Solaris being the main supplier of zero-emission public transport vehicles in Italy.

- It is worth highlighting the important contract for the supply of electric buses that Solaris obtained in 2023 in the Danish market. The operator AarBus, which manages transport in the Danish city of Aarhus, has ordered 56 units of the Solaris Urbino 18 articulated electric model. The zero-emission buses will be delivered to the city in two tranches: in 2024 and 2025. Aarhus, the second city largest in Denmark, aims to have fossil-free public transport by 2030.

- In 2023, Solaris also received an order from BVG Berlin for 50 electric buses. Berliner Verkehrsbetriebe (BVG), Berlin's public transport company, has placed an order for 50 next-generation Solaris Urbino 18 electric buses. The buses will be delivered in the years 2024 and 2025. Berlin public transport already has more than 120 battery-powered Solaris Urbino buses in its two most popular lengths: 12 and 18 meters.

In 2023, Solaris has significantly increased the order intake of hydrogen buses: from 91 units in 2022 to 511 units in 2023. In 2023 and over a cumulative period of several years, Solaris continues to be the undisputed leader in the commercialization of hydrogen technology in Europe in the urban bus segment. Until the end of 2023, Solaris has delivered a total of 180 fuel cell buses. For the years 2024-2026, the number of hydrogen buses ordered already exceeds 500 units. The most significant orders for fuel cell buses in 2023 include:

- Municipal public transport operator TPER in the city of Bologna has ordered up to 130 hydrogen buses from Solaris. The carrier will also have the right to expand the order with an additional 140 vehicles as an option. The vehicles will be delivered in the period 2024-2026.

- The Transport company Azienda Veneziana della Mobilita has ordered a total of 90 Solaris hydrogen buses to be delivered in 2025 and 2026. The contract also includes an option to increase the order quantity. Venice is another Italian city that is committed to developing emissions-free mobility, not only by purchasing electric buses but also hydrogen buses.

- Solaris received another order for hydrogen buses from Güstrow-based carrier Rebus Regionalbus Rostock. The German operator has ordered 52 Solaris Urbino hydrogen buses to be delivered in 2024. According to the regional government, public transport in the county of Rostock will focus on hydrogen mobility in the coming years.

- The carrier Transports Metropolitans de Barcelona (TMB) continues making important investments in zero-emission public transport. Solaris will deliver 36 Urbino 12 and two units of articulated hydrogen buses to the city. Deliveries are scheduled for 2024.

Last but not least, the company also closed significant orders for low-emission hybrid models in 2023. Worth mentioning are, in particular, two orders:

- ATAC, which is a carrier in Rome, placed an order for the suplly of 110 mild hybrid articulated buses. to be delivered in 2024.

- ARST S.p.A., the largest public transport company in Sardinia, has ordered 100 low-emission Urbino 12 hybrid buses from Solaris. This is a continuation of the 2021 framework agreement with Consip. The hybrid buses will be delivered to Cagliari and will enter service in 2024.

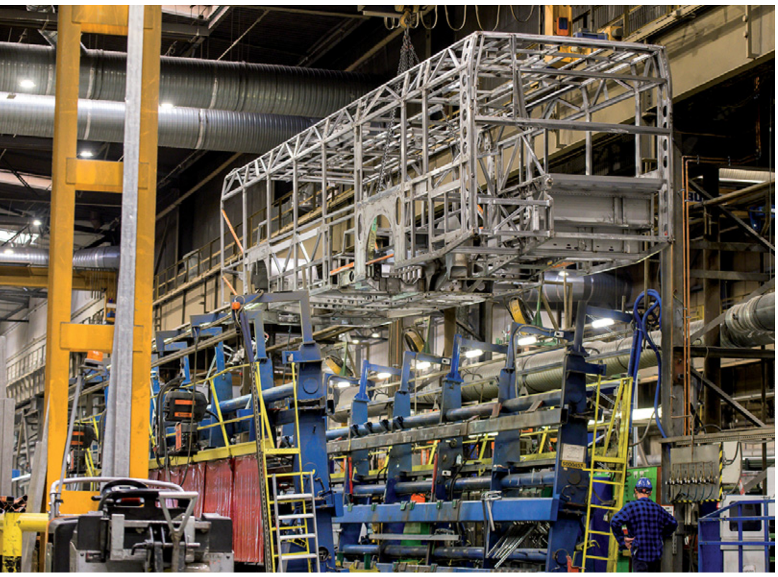
On the other hand, it is worth noting that in 2023 Solaris presented its product in the North American market. In August, the Solaris Trollino 12 trolleybus performed a test drive on the streets of Vancouver in Canada. The presentation of the vehicle overseas is one of the elements of the plan to enter the North American markets with a bus product portfolio, in accordance with the strategy of the CAF Group and Solaris, as announced at the end of 2022. The tests were an opportunity for North American authorities could become familiar with the Solaris product. This initiative also gave the manufacturer the opportunity to collect valuable feedback while road testing the vehicle in several service scenarios. This initiative was welcomed with excitement by the local community and trolleybus enthusiasts, who did not miss the opportunity to follow our vehicle around the city during the several days of testing.

Just as for CAF Group, sustainable development and ESG issues are also very important components of its development strategy for Solaris. In 2023, the Company continued to implement activities related to ESG and ensuring compliance with the highest standards of corporate governance in accordance with its strategic objectives and plan for 2023. The main ESG projects completed last year included:

- Commencement of adaptation of the entire organization to the requirements of the new EU CSRD (Corporate Social Responsibility Directive) as part of the European Green Deal, which imposes an obligation on Solaris, as a member of the CAF Group, to report on sustainable development for 2024. To this end, as part of the Solaris Strategic Plan 2026, work was continued as part of the strategic initiative called the "ESG Sustainable Development Strategy". In line with its assumptions, Solaris is working to improve processes that meet the ESRS standard indicators, as well as data collection and analysis systems at

all levels of its operations. In June 2023, the process of implementing the new ESG operating model began in three priority areas: procurement and logistics, research and development, and human resources.

- In 2023, the implementation of the LCA (Life Cycle Assessment) environmental analysis tool was completed. With its help, the company can independently analyze all stages of the life cycle of its products: from the extraction and transport of raw materials, through the production of components and the bus, and the transport of the finished vehicle to the customer, to the operation and maintenance phase (including consumption and origin of fuel and electricity, use of lubricants, spare parts, etc.) and disposal of the vehicle at the end of its useful life.



- In 2023, Solaris Bus & Coach was awarded in a competition related to its sustainable development activities. The company was awarded the CSR Silver Leaf of "Polityka" (Polish opinion magazine). In this way, the weekly "Polityka", Deloitte, and the Responsible Business Forum acknowledged leaders in sustainable development among Polish enterprises. Solaris' environmental projects for 2022 included an articulated hydrogen bus, EPD labels for two vehicle models, and the CityMission educational program.

With the rapidly growing market and demand for zero-emission buses, improving battery performance is a key area of focus. Alongside developing technologies and broadening its experience, the company has been working on battery solutions, concentrating on increasing energy density and extending the battery life cycle. To streamline and intensify these activities, a dedicated department, the Solaris Battery Hub was established in 2023. Research and adjustments to the parameters of state-of-the-art battery systems, allow for a significant extension of the driving range of vehicles. As a result of the latest work on battery solutions, Solaris showcased the articulated Urbino 18 electric bus in 2023. The vehicle, launched in October 2023, features a new driveline architecture and the latest battery technologies. The new generation Solaris High Energy batteries boast high energy density, which, in turn, means a longer range while maintaining a low battery weight. The manufacturer offers carriers different configurations of battery capacity, all of which are roof-mounted. The bus stands out due to its new design, which eliminates a conventional engine tower. Instead of it, the bus has been fitted with a modular driveline with components placed on the roof and in the rear of the vehicle. This solution maximizes passenger capacity, facilitates servicing, and provides a great deal of flexibility in roof arrangement options. The design of the 18-meter bus, with its modular drive and roof-mounted batteries, has been developed as part of the “Solaris Cybersecure Connectivity” project, pursuant to agreement no. POIR.01.01.01-00-0298/22-00, which is subsidized as part of the Smart Growth 2014-2020 Regional Operational Programme, co-financed through the European Regional Development Fund.

Simultaneously with developing battery solutions, new investments have been made in hydrogen-based drivelines. One of Solaris’s hydrogen-related projects in 2023 was to begin the construction of the Hydrogen

Hall, with a manufacturing line dedicated solely to hydrogen transmission systems. The 5500 m2 hall is being built to the highest safety standards and using state-of-the-art protection systems. The new production facility will start fully operating in 2024.

Regarding promotional activities in 2023, the most important events in which Solaris has participated are the following ones:

- Elekbu, 27-28.03.2023, Berlin, Germany , The Electric Bus Conference was held in Berlin.

- UITP, 4-7.06.2023, Barcelona, Spain. The UITP Public Transport Summit is one of the most important events in the industry.

- APTA Expo, 9-11.10.2023, Orlando, Florida, USA.

- Busworld 2023, 07-12.10.2023, Brussels, Belgium.

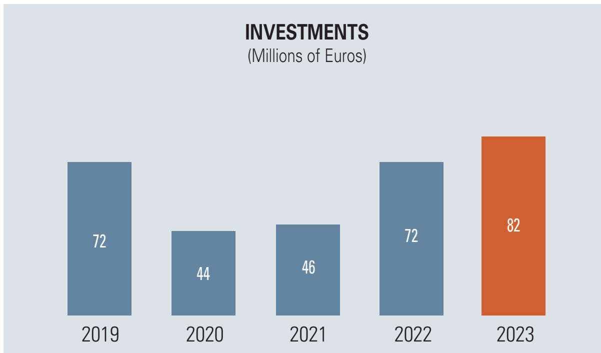
- RNTP 2023, 17-19.10.2023, Clermont-Ferrand, France.

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 perfecting solutions implemented in hydrogen buses. The manufacturer believes that the development of all e-mobility branches, whether 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 buses portfolio thanks to which Solaris is ready to face not only today's challenges of ensuring sustainable public transport but also the diverse needs of carriers, passengers, and drivers.

INVESTMENTS

The investments carried out within the plan designed to execute the Group's current high backlog stand out, with the objective of facing the numerous ongoing projects in an optimal way, achieving maximum efficiency in the activity.

The CAF Group's investments in property, plant and equipment during fiscal year 2023 have amounted to EUR 39 million. The most salient investments were as follows:



In the MiiRA wheelset activity, the investment that stands out above the others is the implementation of a new wheel heat treatment facility, equipped with the most modern technology and including automatic handling along its entire line. This investment, started in 2022, has completed the implementation phase and it is expected that, after the testing and fine-tuning period in the first months of 2024, it will be fully operational by the middle of next year. The new facility will offer a significant number of advantages, both from a technical standpoint, thanks to its homogeneity in the heating process and temperature control of the treatment, and in terms of greater cost efficiency of the process itself. In this same business area, of note are the investments undertaken in relation to the remodelling and modernisation of the elastic wheels production line, as well as the expansion of the test stands.

Furthermore, with regard to train manufacturing, encompassed within the plan designed to execute the backlog, of note was the improvement of the welding process through the automation of the production lines and the robotisation of the corundum activity at the Zaragoza plant and the new continuity testing and simulation machines in the test area, all to optimise execution times and achieve maximum efficiency. With regard to the vehicle fitting area, it is worth highlighting the completion this year of the extension and fitting out of the kitting area at the Beasain plant, an area that provides assembly kits for the production areas of boxes, pipes, painting and final assembly. This investment came about as a result of the expected increase in projects to be implemented at the plant. Without forgetting to also mention the transformation and updating of the Sand Blasting, as well as the implementation of new automatic welding lines equipped with the latest advances in the field.

In relation to the factories located abroad, of note were the investments made at the Huehuetoca (Mexico) and Newport (United Kingdom) plants, which began in both cases in the middle of last year. As regards the plant in Mexico, its production capacity is being extended through the implementation of new equipment, mainly in the testing and painting areas, thus adapting the facilities to the manufacture of new vehicle platforms, which are going to be developed at the factory. In the case of the plant located in the United Kingdom, the Group is focusing on the industrialization and expansion of new production lines to face new projects on the Urbos tram platform, also adapting the plant in terms of electrification and general facilities for the requirements and needs of the next planned projects. Likewise, attention should be drawn to the upgrading of the facilities, and to all the investments related to the transfer and standardisation of industrial processes at the French factory of Reichshoffen, acquired in the middle of 2022, to optimise the manufacture of different projects currently being implemented by the CAF Group within its backlog for the French market.

In the Services area, we must mention the commencement of investment in warehouses and workshops in Germany, related to the activity to be carried out in the coming years within the framework of the supply and maintenance project over 33 years involving BEMU units for VVR and NWL. During the 2023 financial year, the purchase of the land in Gelsenkirchen was carried out, as well as the related planning activities and first phases of the construction of the new facilities.

Lastly, within the bus business, of note were the investments made by Solaris at its Bolechowo and Sroda Wielkopolska plants in Poland. Of note was the construction of a new warehouse for the production of hydrogen and gas buses to satisfy the increase in the backlog of this type of units, and to ensure adequate compliance with the specific safety requirements and demands in the manufacture of these vehicles. Also worth noting is the implementation of the new central warehouse for after-sales activity at the Bolechowo plant, located next to the current production facilities, which will have an area equipped with the latest advances for carrying out this activity, with a capacity of up to 10 buses, as well as an area of new offices for business management.

Moreover, investments in intangible assets, mainly in the field of Information and Communications technologies in 2023, amounted to EUR 43 million. Of this amount, the most significant was that corresponding to the final phase of the implementation process of the new management software (ERP) carried out by the CAF Group, whose first completion milestone occurred with the close of this financial year. In the same way, the measures established in the corporate cybersecurity policy have continued to be deployed by improving technical measures and extending them to international offices and subsidiaries, a key area today in all organisations. Lastly, we also highlight the investments aimed at developing and improving the map of rolling stock applications, in line with the current challenges of the business, mainly with regard to the offer management tool, the integration of the different engineering offices and headquarters, the management of structures set up in 3D and the development of corporate tools related to the management of dashboards, including the different centres, product lines and operational processes.

MAIN RISKS AND UNCERTAINTIES

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

LIQUIDITY AND CAPITAL RESOURCES
It is worth highlighting the improvement during 2023 in both the net financial debt figure and the Net Financial Debt / EBITDA ratio, in a temporary environment in which the effects of inflation and supply chain problems still persist in the global macroeconomic environment.

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

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

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

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

2. Identification of the different types of risk faced by the Group.

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

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

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

5. The measures envisaged to address the identified risks.

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

The Integrated Risk Management System adopted by the CAF Group detailed above is aligned with international standards as regards the use of an effective methodology for the comprehensive analysis and management of risks and the Three Lines of Defence Model in relation to the allocation of responsibilities in the risk management and control area.

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

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

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

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

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

– Market risk, which includes the following risks:

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

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

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

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

– Liquidity and financing risk: in relation to liabilities, it is the risk tied to the impossibility of performing transactions or breach of obligations arising from operating or financing activities due to a lack of funds or access to financial markets, either because of a drop in the Parent’s credit rating or other reasons. In relation to assets, it is the risk of being unable to find at any given time parties to purchase an asset at the arm's length price or to obtain an arm's length price.

MAIN RISKS AND UNCERTAINTIES

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.

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

Operating Risks: inherent to all the Group’s activities, products, systems and processes that have an economic and reputational impact arising from human/technological errors, insufficiently robust internal processes, or the involvement of external agents.

Corporate Governance Risks: arising from potential non-compliance with the Group’s corporate governance system, which governs the design, integration and operation of the governance bodies and their relations with the Group's stakeholders and is rooted in the Group's commitment to ethical principles, best practices and transparency as the Group seeks to defend its interests and create sustainable value.

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

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

The Israeli-Palestine and Ukraine-Russia conflicts represent a risk of uncertainty on the markets in which the Group operates, affecting various aspects such as the execution of long-term contracts and their monitoring, possible embargoes or sanctions on companies operating in those markets, or possible additional disruptions along the supply chain. The current conflict is only affecting the pace of execution of several Israeli projects. Even so, the Group maintains continuous communications with its clients, working collaboratively to address the problems arising from this situation.

Although an improvement in the trend of prices and interest rates is observed, the supply chain continues to be part of the focus in businesses. Therefore, actions such as the signing of framework contracts with key equipment and supply providers continue to be deployed, ensuring price indexation for the medium term. In parallel, actions continue to be developed to alleviate the increase in prices and shortages of components.

The contingencies managed in the area of Compliance are part of the overall risks supervised within the system and a description of the material topics for 2023 can be found in Note 26 to the consolidated financial statements and in the Non-Financial Statement — Sustainability Report.

LIQUIDITY AND CAPITAL RESOURCES

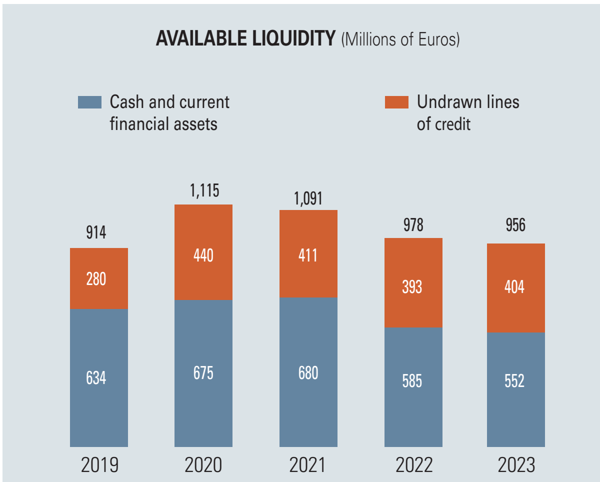
Availability of short-term liquidity

The CAF Group constantly assesses its available liquidity, including cash balances, short-term liquid investments, the availability of 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.

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 promissory note issuance programme on the Irish Stock Exchange, renewed for annual periods in December 2018 and December 2019. In December 2020, the programme registered on the Irish Stock Exchange was replaced, as it was not renewed upon maturity, by a promissory 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, 2022 and 2023. 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 lines of credit. The evolution of the Group's available liquidity in recent years is as follows:



MAIN RISKS AND UNCERTAINTIES

Capital structure

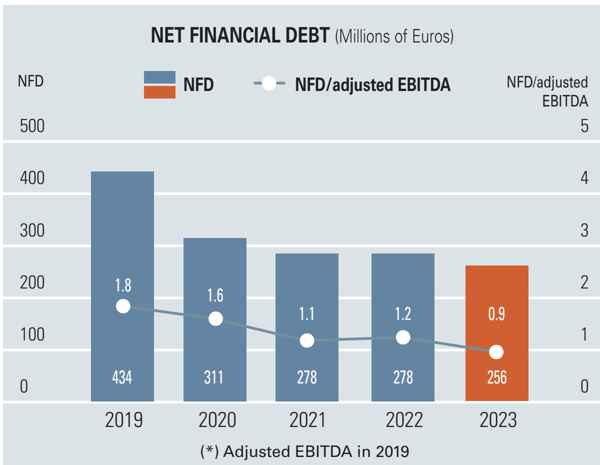
The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring a sound financial position. This policy makes it possible to make the creation of value for shareholders compatible with access to financial markets at a competitive cost in order to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

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 to purchase the shares, and to the inclusion in the scope of the Solaris Group.

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

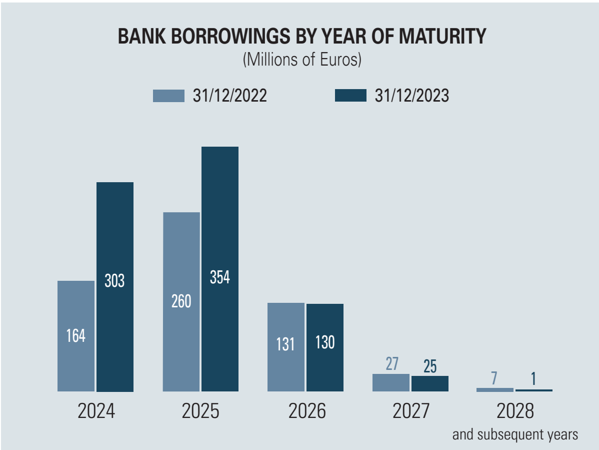


Millions €	2019	2020	2021	2022	2023
Gross debt concessions	203	142	113	80	50
Gross debt Solaris	168	164	171	197	117
Gross debt Corporative	708	689	682	597	653
Total	1,079	995	967	874	820

The improvement during 2023 in both the net financial debt figure and the Net Financial Debt / EBITDA ratio is notable, in a temporary environment in which the effects of inflation and supply chain problems still persist in the global macroeconomic environment.

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 bond markets.

The maturity schedule of the Group's borrowings at 31 December 2023, compared with that existing at the end of 2022 was as follows:

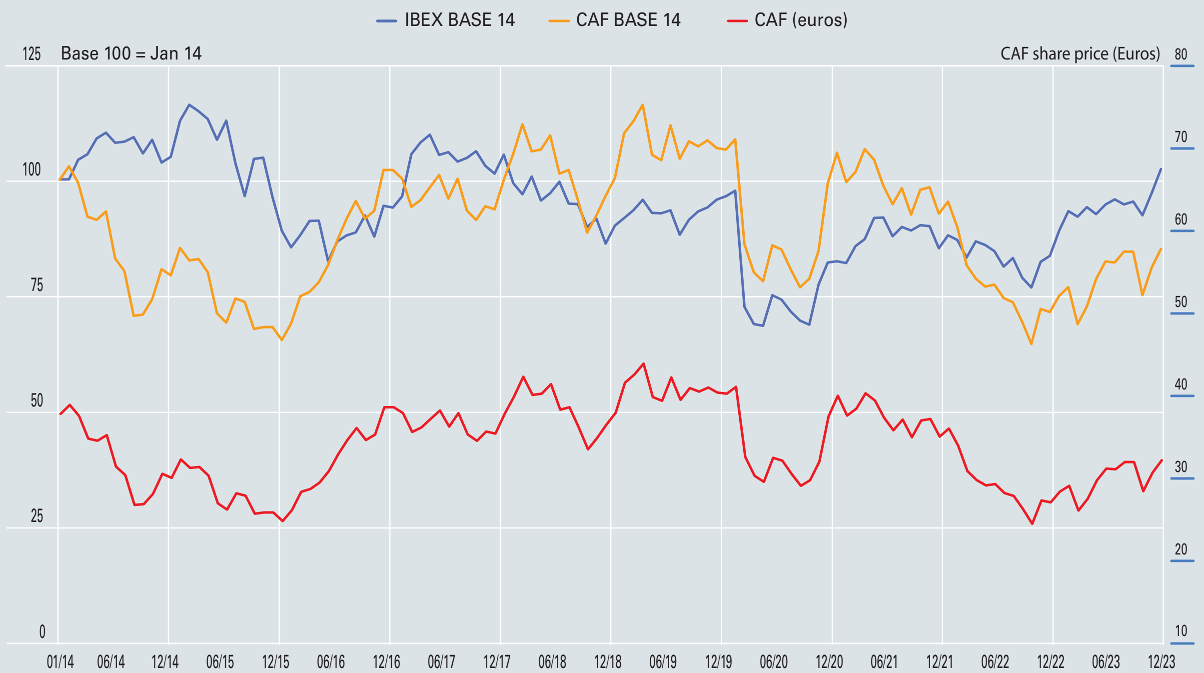


In 2016, Solaris Bus & Coach, sp. z.o.o. (Solaris) arranged various financing facilities with a consortium of Polish banks. This financing includes a tranche in the form of a loan and another in the form of credit facilities which, at 31 December 2023, together with other bilateral financing facilities, were drawn down in the amount of EUR 117 million. The contracts that cover the debt with the banking consortium establish compliance with certain financial covenants, which were being met at 31 December 2023. The debt with the banking consortium matures in December 2024, and Solaris intends to refinance this debt with long-term debt before it matures.

STOCK MARKET INFORMATION

	2023	2022	2021	2020	2019
Share price					
Market capitalisation at year-end (millions of euros)	1,118	908	1,255	1,346	1,406
Closing price (euros)	32.60	26.50	36.60	39.25	41.00
Low (euros)	24.05	22.30	33.05	25.20	35.30
High (euros)	33.50	38.00	42.10	43.30	44.90
Data per share (euros)					
Earnings per share (EPS)	2.60	1.52	2.51	0.26	0.72
Dividend per share	1.11	0.86	1.00	0.00	0.842
Stock market ratios					
PER (average market price/EPS)	11.28	18.56	14.88	127.70	56.34
Market average price/EBITDA adjusted	3.52	4.18	5.02	5.71	5.72
PBV (average market price/BV)	1.18	1.25	1.76	1.82	1.90
Dividend yield	3.8%	3.0%	2.7%	0.0%	2.1%
Pay-out ratio (Dividend/EPS)	43%	56%	40%	0%	117%
Liquidity ratios					
Free-float rotation	62%	83%	51%	70%	47%
Traded volume (millions of shares)	10.2	13.4	8.6	11.3	8.4

CHANGE IN LISTED SHARE PRICE - CAF GROUP



OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

At 31 December 2023, the Group had a firm backlog of approximately EUR 14,200 million (EUR 13,250 million at 31 December 2022) (Note 12).

ACQUISITION AND DISPOSAL OF TREASURY SHARES

During the year 2023, various operations with treasury shares have been carried out in the continuous market. The breakdown of treasury shares held by Construcciones y Auxiliar de Ferrocarriles, S.A. is as follows:

	No. OF SHARES	NOMINAL VALUE	AVERAGE PURCHASE PRICE	TOTAL COST
		(thousands of euros)	(euros)	(thousands of euros)
Treasury shares at 31 December 2023	43,318	13	29.26	1,268

Note 14-b to the consolidated financial statements provides additional information on the treasury share operations carried out in 2023.

PAYMENTS TO SUPPLIERS

In relation to the information on the average payment period 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 accordande with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016:

	2023	2022
	Days	Days
Average period of payment to suppliers	77.76	85.50
Ratio of transactions settled	75.94	85.53
Ratio of transactions not yet settled	83.43	85.43
	Thousands of euros	Thousands of euros
Total payments made	1,316,672	887,789
Total payments outstanding	424,205	373,357

2023

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
398,084	102,530	30%	27%

2022

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 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 2023, the review of the variation in the set of assets and liabilities acquired from Alstom in 2022 was performed, which led to the modification of the comparative figures of the consolidated balance sheet, as described in Note 2-e to the accompanying consolidated financial statements. Therefore, the comparative figures in the APMs affected by this change have been modified: Fixed assets and Other assets and liabilities. The detail of each of them indicates the impact of this modification on the comparative figures for 2022.

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	31/12/23	31/12/22
+ Backlog at end of period	14,200	13,250
– Backlog at beginning of period	(13,250)	(9,640)
+ Revenue	3,825	3,165
– New additions to the consolidation scope	-	(570)
Order intake	4,775	6,205

OTHER INFORMATION

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	31/12/23	31/12/22
Order intake in the year	4,775	6,205
Revenue	3,825	3,165
Book-to-bill ratio	1.2	2.0

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.

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	31/12/23	31/12/22
Backlog – current period	**14,200**	**13,250**
Revenue for the period	3,825	3,165
Revenue for the period - New additions (*)	-	138
Revenue	**3,825**	**3,303**
Backlog / Revenue ratio	3.7	4.0

(*) 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 "Operating result" 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	31/12/23	31/12/22
Profit/(Loss) from operations	179	139
Depreciation and amortisation charge	104	95
Impairment and gains or losses on disposals of non-current assets	2	(2)
EBITDA	285	232
Other adjustments	-	-
Adjusted EBITDA	285	232

EBIT margin: ratio obtained by dividing the “Operating result” by “Revenue” in the consolidated statement of profit or loss for the period. This indicator provides useful information about the Group's operating profitability.

MILLIONS OF EUROS	31/12/23	31/12/22
Profit/(Loss) from operations	179	139
Revenue	3,825	3,165
EBIT margin	4.7%	4.4%

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	31/12/23	31/12/22
Consolidated profit/(loss) for the period attributable to the Parent	89	52
Revenue	3,825	3,165
Net margin	2.3%	1.6%

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

MILLIONS OF EUROS	31/12/23	31/12/22
+ Other non-current assets	5	5
+ Inventories	477	586
+ Trade and other receivables	2,419	2,135
– Other receivables - Concessions (current assets) (Notes 9-b.2 and 12)	(122)	(126)
– Current tax assets	(13)	(16)
+ Other current assets	16	14
– Other non-current liabilities	(103)	(105)
– Current provisions	(365)	(326)
– Trade and other payables	(2,398)	(2,374)
+ Current tax liabilities	15	15
– Other current liabilities	(5)	(3)
Investment in current assets	(74)	(195)

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.

MILLIONS OF EUROS	31/12/23	31/12/22 (*)
Total Non-current assets	1,553	1,577
– Financial assets – Non-current assets (Notes 9-b.2 and 14)	(12)	(11)
– Non-current hedging derivatives – Non-current assets	(22)	(12)
– Deferred tax assets	(179)	(175)
– Assets for non-current refund rights	(5)	(5)
– Right-of-use assets (Note 8)	(86)	(87)
+ Other receivables – Concessions (current assets) (Notes 9-b.2 and 12)	122	126
– Payable to non-current asset suppliers (Note 15)	(5)	(2)
+ Other current financial assets at amortised cost (Note 13)	16	26
– Dividends pending collection	(11)	-
Fixed assets	1,371	1,437

(*) The modification of the comparative figures (Note 2-e) led to an increase of EUR 13 million in Fixed assets at 31 December 2022.

OTHER INFORMATION

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	31/12/23	31/12/22 (*)
+ Right-of-use assets (Note 8)	86	87
+ Non-current hedging derivatives - Non-current assets	22	12
+ Deferred tax assets	179	175
+ Current hedging derivatives - Current assets	19	28
+ Current tax assets	13	16
+ Dividends pending collection	11	-
–Total non-current liabilities	(1,020)	(1,081)
+ Bank borrowings and debt instruments or other marketable securities	509	590
+ Non-current interest-bearing advances (Notes 14 and 15)	6	5
+ Other non-current liabilities	103	105
– Current financial liabilities - Other financial liabilities	(78)	(68)
+ Payable to non-current asset suppliers (Note 15)	5	2
+ Current interest-bearing advances (Notes 14 and 15)	2	1
– Current hedging derivatives - Current liabilities	(15)	(33)
– Current tax liabilities	(15)	(15)
Total Other assets and liabilities	(173)	(176)

(*) The modification of the comparative figures (Note 2-e) led to the reduction of EUR 13 million in Other assets and liabilities at 31 December 2022.

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	31/12/23	31/12/22
Additions to Other intangible assets	43	36
Additions to Property, plant and equipment	39	36
CAPEX	82	72

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	31/12/23	31/12/22
+ Net Financial Debt at the beginning of the period	278	278
– Net Financial Debt at the end of the period	(256)	(278)
+ Dividends paid to shareholders in the period	33	36
Cash-Flow	55	36

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

MILLIONS OF EUROS	31/12/23	31/12/22
+ Interest-bearing refundable advances (Note 15)	8	6
+ Bank borrowings - Non-current liabilities (Note 16)	509	590
+ Bank borrowings and debt instruments - Current liabilities (Note 16)	303	278
– Financial investments - Non-current assets (Note 9.b.2)	(12)	(11)
– Current financial assets (Note 13)	(109)	(112)
– Cash and cash equivalents	(443)	(473)
Net Financial Debt	256	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	31/12/23	31/12/22
Net Financial Debt	256	278
Adjusted EBITDA	285	232
Net Financial Debt / Adjusted EBITDA	0.9	1.2

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

MILLIONS OF EUROS	31/12/23	31/12/22
Net Financial Debt	256	278
+ Financial assets - Non-current assets	12	11
+ Current financial assets	109	112
+ Cash and cash equivalents	443	473
Gross Financial Debt	820	874

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

MILLIONS OF EUROS	31/12/23	31/12/22
Current financial assets – Current financial investments (Note 13)	109	112
Cash and cash equivalents	443	473
Credit facilities and other undrawn financial balances (Note 16)	404	393
Available liquidity	956	978

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

	31/12/23	31/12/22
Number of shares issued (in millions of shares)	34.28	34.28
Quoted price at close	32.60	26.50
Stock market capitalisation (millions of euros)	1,118	908

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.

	31/12/23	31/12/22
Dividend distributed (in million euros)	38.05	29.48
Number of shares issued (in millions of shares)	34.28	34.28
Dividend per share (in euros)	1.11	0.86

OTHER INFORMATION

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

	31/12/23	31/12/22
Average price for the year (in euros)	29.37	28.29
Net earnings per share (in euros)	2.60	1.52
PER	11.28	18.56

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.

	31/12/23	31/12/22
Number of shares issued (in millions of shares)	34.28	34.28
Average price for the year (in euros)	29.37	28.29
Average capitalisation (in millions of euros)	**1,006.80**	**969.70**
Adjusted EBITDA (in million euros)	285	232
Market average price/EBITDA adjusted	3.52	4.18

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.

	31/12/23	31/12/22
Average price for the year (in euros)	29.37	28.29
Equity attributable to the Parent (in million euros)	855	776
Number of shares issued (in millions of shares)	34.28	34.28
Book value per share (in euros)	24.94	22.63
PBV ratio	1.18	1.25

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

	31/12/23	31/12/22
Dividend per share (in euros)	1.11	0.86
Average price for the year (in euros)	29.37	28.29
Dividend yield (%)	3.8%	3.0%

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

	31/12/23	31/12/22
Dividend per share (in euros)	1.11	0.86
Net earnings per share (in euros)	2.60	1.52
Pay-out (%)	43%	56%

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).

	31/12/23	31/12/22
Volume of securities traded (in millions of titles)	10.17	13.45
Number of shares issued (in millions of shares)	34.28	34.28
Free-float (%)	47.56%	47.55%
Number of estimated floating shares (in millions of shares)	16.30	16.30
Free-float rotation (%)	62%	83%

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2023 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 2023 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.

NON-FINANCIAL INFORMATION STATEMENT

SUSTAINABILITY REPORT 2023

CONTENTS

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.

1 LETTER FROM THE CHAIRMAN

1 LETTER FROM THE CHAIRMAN

"We develop sustainable transportation solutions that improve people's lives"

In the year 2023, armed conflicts in Europe and the Middle East, geopolitical instability and macroeconomic disruptions have marked the agenda of the international community, companies and society in general. Added to this is that it has been a year in which the dangers of climate change have been more apparent than ever, with the warmest year on record.

Against this global backdrop, and focusing on sustainability, companies, accompanied by an increase in regulatory pressure on ESG aspects[1] and in the run-up to the paradigm shift that will bring about the entry into force of the Corporate Sustainability Reporting Directive (CSRD) in 2024, have worked to strengthen their systems and continue to integrate sustainability into their day-to-day activities.

In CAF, aware of these challenges and in line with the principles defined in our Sustainability Policy, we have made progress on the commitments made in the 2026 Strategic Plan, based on three main pillars: Responsibility, transparency and alignment with best practices.

Although sustainability is and has been a key element for the development of the Company since our incorporation over one hundred years ago, the deployment of the 2026 Strategic Plan this year has undoubtedly marked a turning point in the integration of sustainability as a strategic driver to achieve our vision: "*To be a leading player of sustainable mobility, committed to a culture of excellence and reliability, whilst ensuring ultimate customer satisfaction and contributing to the progress of society..*"

Thus, in 2023 we have defined CAF's Purpose, *"developing sustainable transport solutions to improve people's quality of life.",* and updated our Mission, Vision and Values, maintaining sustainability as a cross-cutting and backbone element for the success of the company's strategy.

In addition, convinced of the need for leadership to drive our ESG commitments and foster a responsible business culture, we have set up the Strategic Sustainability Committee, led by the Chief Executive Officer, to which the Sustainability Operating Committee reports, both under the guidance of the Board of Directors through its Committees. Similarly, the Sustainability Function has been transferred to the Economic-Financial and Strategy Department, taking a further step in the search for coherence between economic-financial and sustainability information and reinforcing the internal control systems to ensure accurate, complete, auditable and quality non-financial information.

On the other hand, with the aim of leading the transition towards net zero emissions mobility, we have reiterated our commitment to achieving net zero emissions by 2045, establishing short and long term reduction objectives that are in the process of technical validation by SBTi. Additionally, together with the rest of the partners of the Railsponsible[2] sector initiative, we have signed the "*Railsponsible Climate Pledge* " by which we commit to leading the decarbonisation of the railway supply chain. In addition, there have been important advances in decarbonisation and the development of zero-emission technologies, such as the hydrogen train prototype, which has reached an important milestone by obtaining authorisation to run on a test basis on the General Interest Railway Network (RFIG).

1 Environmental, Social and Governance (ESG).
2 Railsponsible is a sectoral initiative in which the main operators and manufacturers in the sector, including the CAF Group, work on the implementation of sustainable practices and the exchange of best practices throughout the rail industry value chain.

As a result of these and other initiatives developed under the Sustainability Plan and presented in this Report, the results obtained are in line with the perspectives announced to the market regarding the reduction of emissions and assessments of the main ESG rating agencies, which are above the sector average.

We know that sustainability will continue to be a constant source of challenges and opportunities for the business sector in the coming years and this is a scenario for which CAF is well prepared. Thus, in 2024, we will address our first double materiality analysis and report for the first time as per the criteria set out in the new European Sustainability Reporting Standards (ESRS). In addition, we will continue to reinforce our responsible purchasing commitments throughout our value chain and our information and internal control systems to communicate transparent, truthful and quality information.

All in all, we are convinced that we are heading in the right direction and are poised to lead the future of sustainable, interconnected, multi-modal and safe mobility for our clients, while creating value for all our stakeholders and maximising our positive impact on the planet and people.

Because our work has purpose: a more sustainable and better connected world in which we can all travel efficiently, safely and comfortably thanks to technology, ultimately developing sustainable transportation solutions that improve people's lives. It is what drives CAF's people; committed to excellence, a job well done, constant innovation and achieving results, assuming our responsibility for sustainability, the long term, people's health and the environment.

Sincerely,

Andrés Arizkorreta

Chairman of the Board

2 ABOUT CAF

2.1 OUR SUSTAINABLE BUSINESS MODEL [GRI 2-6, 2-29]

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

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

/ RAILWAY	/ BUS
In the railway sector, we offer one of the broadest and most flexible product ranges on the market, from complete transport systems to rolling stock (components, vehicles, infrastructure), and services (maintenance, rehabilitation and financing). These capabilities and current range of solutions place us on par with the main competitors in the sector. Within this area, the rolling stock 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. We are also well positioned in electromobility as we are one of the leaders in zero-emission mobility in Europe due to our unique real experience in electromobility, 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 therefore CAF, maintain a good position compared to our European competitors in portfolio, real experience and market share.

	PRODUCT RANGE
RAILWAY VEHICLES	TRAM
	METRO
	COMMUTER LINES
	REGIONAL
	HIGH-SPEED
	VERY HIGH SPEED
	TRAILER CARS
SIGNALLING	ONBOARD ERTMS SIGNALLING
	TRACK SIGNAGE
	CBTC SIGNALLING
COMPREHENSIVE CAPABILITIES	INTEGRATION ENGINEERING

	PRODUCT RANGE
/ E-MOBILITY	HYBRID
	TROLLEYBUS
	BATTERY
	HYDROGEN

With a strong presence in the international market and a great focus on Europe, we have factories in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico and Brazil. Likewise, we have offices and maintenance centres for railway vehicle fleets in more than 20 countries on 5 continents, as shown on the corporate website. This proximity to the customer allows us to develop more efficient production and provide excellent coverage of assistance and maintenance services.

Both in the Railway and Bus Segments, the CAF Group provides services to a wide variety of clients all over the world: 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.

More information on geographical distribution and main operations can be found in 2.3. Main Figures.

Leader in sustainable urban mobility

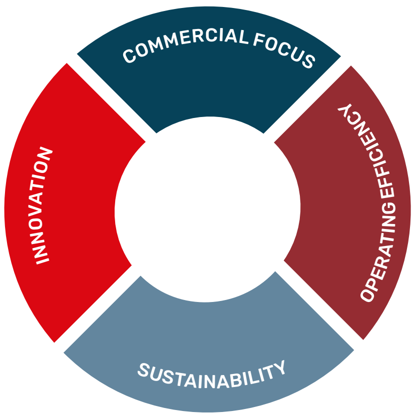
The growing number of routes in urban centres and the increase in air pollution have made sustainable public transport a necessity.

CAF systems are efficient and competitive, with great potential to reduce environmental impact and improve the quality of life of citizens. The e-mobility buses and city trams equipped with CAF's Greentech technology are the best examples of this philosophy.

The CAF GROUP stands out for being **versatile, flexible and capable of always adapting** to its clients' needs, in all areas.

2.2 A CULTURE GEARED TOWARDS SUSTAINABILITY [GRI 2-23, 2-29]

In the 2023-2026 Strategic Plan, presented to the market in December 2022, CAF takes a further step in the integration of ESG aspects into the Group's strategy and operations, including sustainability as one of the four strategic pillars on which the Company's development will be based in the coming years:



Thus, the Group defines its top-level objectives for the year 2026, considering sustainability objectives as business objectives:

- 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.**

Thus, aware of the importance of strengthening the corporate culture in order to be able to respond to the challenges set out in the 2026 Strategic Plan, during 2023, the CAF Group updated its Mission, Vision and Values, and defined the Company's **Purpose** for the first time:

Our Purpose is: "To develope sustainable transport solutions to improve people's quality of life"

Our Mission Statement also reflects the added value in sustainable mobility of the Group's integrated transport systems: "”We are a world benchmark when it comes to key transport solutions in transit to a more sustainable planet, and offer, with our dedicated team, innovative rail and bus mobility options.”

Aligned with our Mission, our Vision is: "To be a leading player of sustainable mobility, committed to a culture of excellence and reliability, whilst ensuring ultimate customer satisfaction and contributing to the progress of society.”

Similarly, our corporate values, which apply to all of the Group's activities, reflect our commitment to the principles set out in the Sustainability Policy and make them more present in our day-to-day activities, while at the same time constituting the backbone of our behaviour:

OUR VALUES

EXCELLENCE
We are committed to a well-done work, constant innovation and the achievement of results.

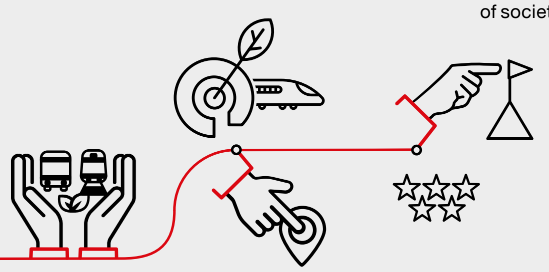
TRUST
We work with honesty, integrity and as a team to provide the best response to our stakeholders.

SUSTAINABILITY
We assume our responsibility for the long term, and for the well-being of people and the environment.

A CULTURE GEARED TOWARDS SUSTAINABILITY

MISSION
We are a world benchmark when it comes to key transport solutions in transit to a more sustainable planet, and offer, with our dedicated team, innovative rail and bus mobility options.

VISION
To be a leading player of sustainable mobility, committed to a culture of excellence and reliability, whilst ensuring ultimate customer satisfaction and contributing to the progress of society.



PURPOSE
We develop sustainable transport solutions to improve people's quality of life.

TRUST
IN MOTION

Through a culture shared by all the people who make up CAF, we seek to provide a balanced response to the needs of our stakeholders.

2.3 MAIN FIGURES

The CAF Group is made up of more than 100 companies[3] and over 15,000 employees worldwide dedicated to the transport sector which, together, offer a global mobility solution with activities related to technology, manufacturing, maintenance and other businesses.

LOCATION	AMERICA	REST OF THE WORLD	EUROPE	SPAIN
STAFF	**1,300**	**569**	**5,895**	**7,687**
%	**8%**	**4%**	**38%**	**50%**
SALES ME	**477** ME	**611** ME	**2,284** ME Excluding Spain	**453** ME

FACILITIES AND OFFICES

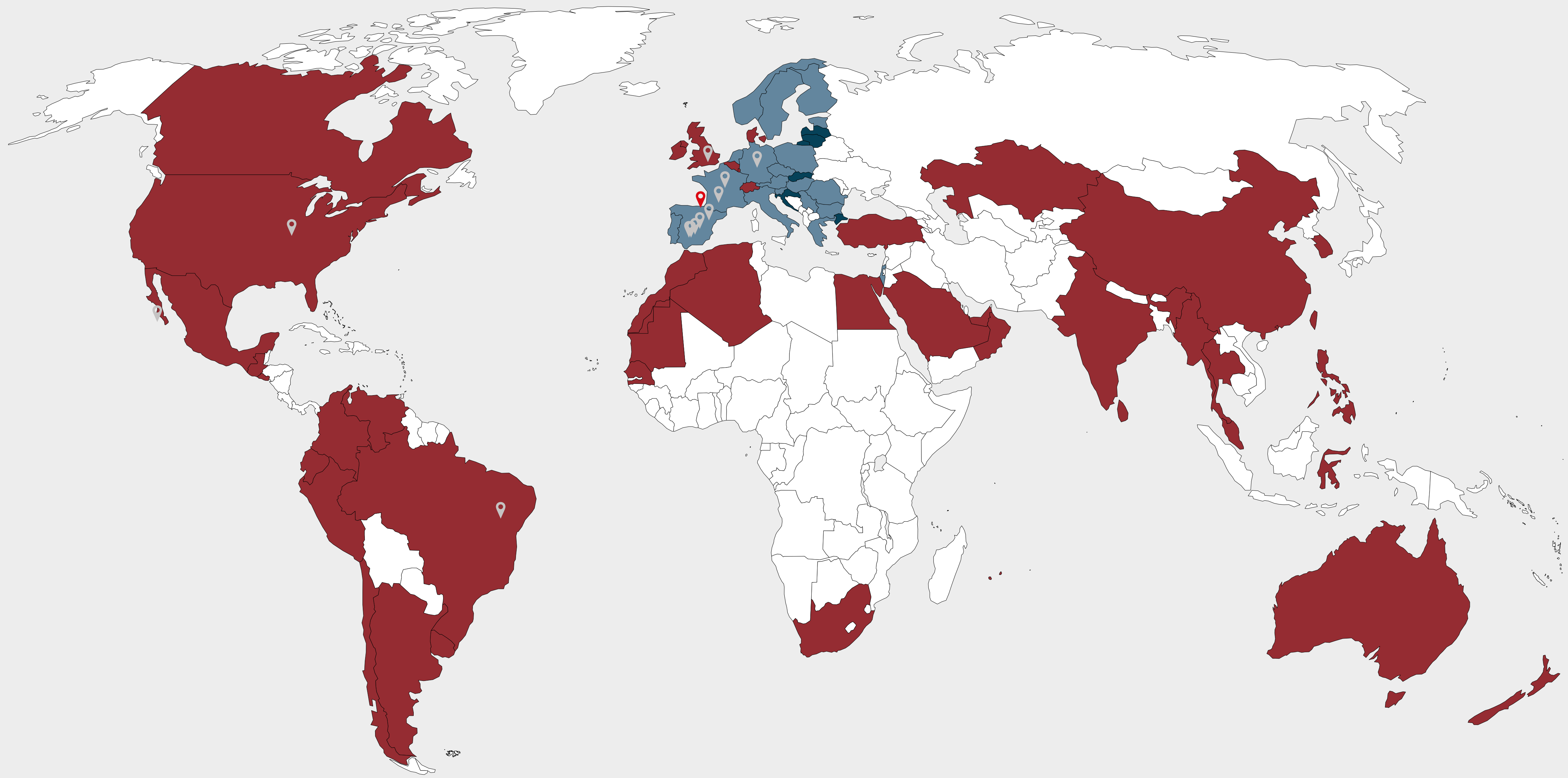
HEADQUARTERS

PRODUCTION PLANTS

RAILWAY
+ 60 COUNTRIES

BUSES
+ 30 COUNTRIES

RAILWAY + BUSES



3 Consolidated Annual Accounts of the CAF Group. Fiscal year 2023. Note 2.f.

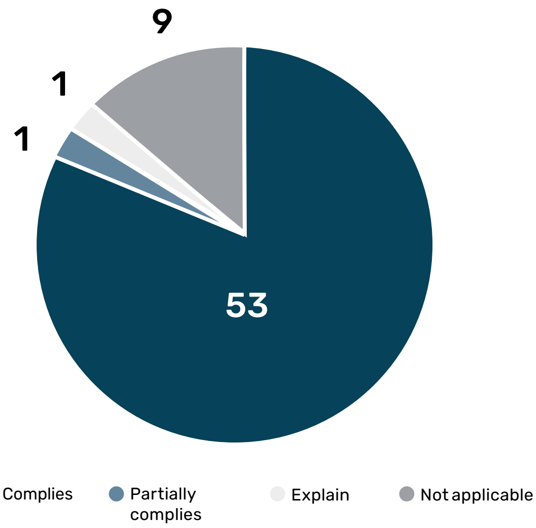
2.4 CORPORATE GOVERNANCE [GRI 2-9]

CAF carries out its activity bearing in mind the importance of appropriate and transparent management as an essential factor for generating value, improving economic efficiency and strengthening the confidence of its shareholders and investors, all of which is implemented through a Corporate Governance model based on the concept of "Good Corporate Governance".

Our Corporate Governance model is based on the commitment to legality, ethical principles, good practices and transparency, and is articulated around the defence of social interest and the creation of sustainable value for our stakeholders.

Proof of this commitment to the best and most recognised good corporate governance practices is CAF's high level of compliance, as a listed parent company, with the recommendations of the Code of Good Governance for listed companies of the Spanish National Securities Market Commission (CNMV) ("CGG" - Code of Good Governance), as detailed in Section G of the Annual Report on Corporate Governance ("ARCG"), and summarised below:

Degree of Compliance with the Recommendations of the Code of Good Governance applicable to CAF in 2023



During the fiscal year 2023, the Company fully complied with all the recommendations that were applicable to it, except for Recommendation 61 (on the settlement of variable remuneration through shares or instruments referenced to their value), and Recommendation 15 (which requires, at least, a third of independent directors and 40% of women on the Board of Directors) which was partially fulfilled.

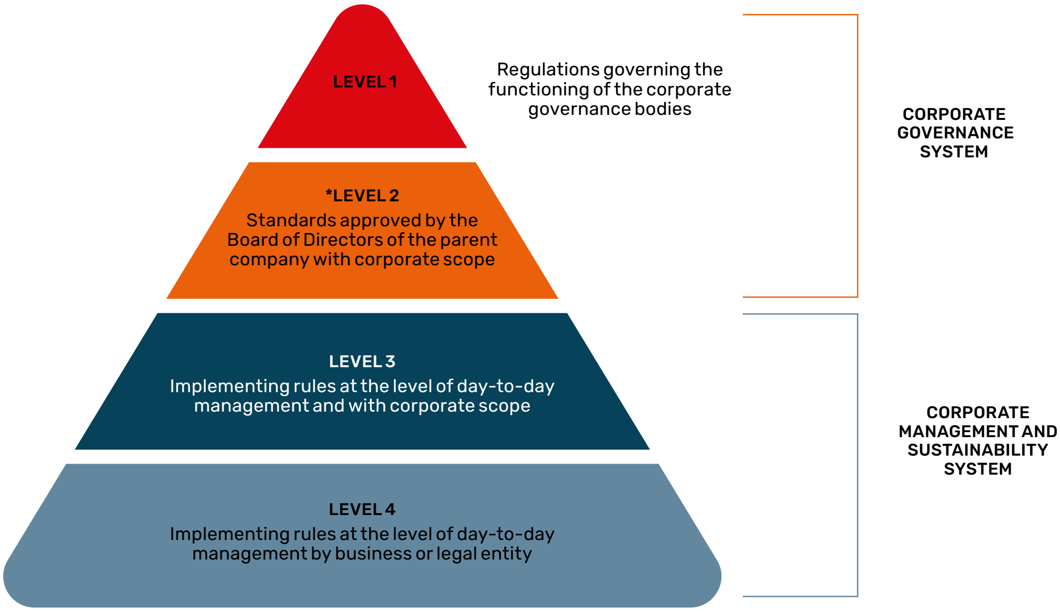
The reasons why these recommendations were not complied with and, if applicable, the alternative rules followed by the Company in these matters are specified in Section G of the ARCG.

The Chairman of the Board of Directors will also inform the General Meeting of Shareholders about this.

2.4.1 GENERAL REGULATORY FRAMEWORK

[GRI 2-9, 2-23]

The general regulatory framework for corporate governance is composed of the Internal Regulatory System, which is made up of four hierarchical levels of rules, as follows:



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

Specifically, the Corporate Governance System is the highest-ranking set of rules within the Internal Regulatory System (comprising all the Group's rules), which regulate the functioning of the Corporate Governance Bodies and are based on the commitment to ethical principles, good practices and transparency, as well as on the defence of the corporate interest (Levels 1 and 2).

2.4.2 EFFECTIVENESS AND APPLICATION OF THE CORPORATE GOVERNANCE SYSTEM [GRI 2-23]

At CAF we are highly committed to maintaining a Corporate Governance System that is fully updated and aligned with the legitimate expectations of the different stakeholders. Internal regulations are reviewed regularly in order to improve or update their content.

With this objective, the Board of Directors approved, in its session held on 5 May 2023 and after consultation with the legal representation of the workers, the Internal Reporting System Policy, and the Corporate Procedure for the Management of the Internal Reporting System, which establishes the basic rules for its management and operation.

The aforementioned Policy was developed in compliance with the different international and national regulatory requirements for the protection of whistleblowers and the fight against corruption, taking as a basis the standards aligned with European regulations on whistleblower protection and personal data protection, as well as with the ISO 37002:2021 standard on whistleblowing management systems.

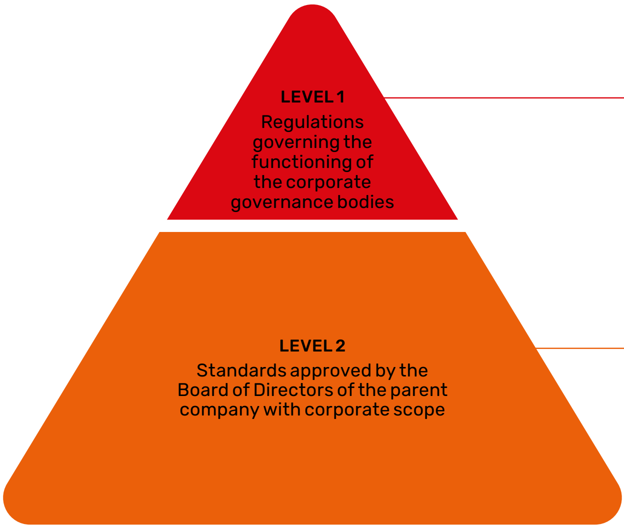
The Internal Reporting System replaces the pre-existing regulation of whistle-blowing channels in accordance with the new applicable legal framework, and is the preferred channel for reporting actions or omissions constituting a criminal, serious or very serious criminal or administrative offence (including breaches of European Union law), as well as breaches related to the Code of Conduct or any other rule of the Group's Internal Regulatory System.

At its December meeting, the Board also addressed the revision of the corporate Code of Conduct (the initial version of which was approved by the Board of Directors on 27 July 2011), ratifying the commitments acquired with the initial approval of the Code and bringing its content into line with the latest standards in the field of Ethics and Compliance.

Following on from the above, the Board also approved at this meeting a Due Diligence Policy on Human Rights, through which CAF ratifies its commitment at the highest level to these Principles, assuming in a more detailed manner its responsibility to respect internationally recognised Human Rights in the scope of its activity and value chain.

Below is a graphic detail of the CAF Group's Corporate Governance System, with an indication of the main milestones for the 2023 financial year:

Regulatory detail of the Corporate Governance System (Levels 1 and 2) and developments in 2023



- Bylaws
- Rules of the General Shareholders Meeting
- Rules of the Board of Directors
- Rules of the Board Committees

A Updated in 2023

N New in 2023

- Director Selection and Diversity Policy
- Directors' Remuneration Policy*
- General policy regarding communication of economic and financial, non-financial and corporate information, and contacts with shareholders, institutional investors and proxy advisors
- Sustainability Policy
- General Risk Assessment and Management Policy
- Fiscal Policy
- Liquidity and Financing Policy
- Investment Policy
- Market Risk Policy
- Code of Conduct A
- Crime Prevention Manual
- Internal Code of Conduct in the field of Securities Market
- Competition Law Compliance Manual
- Related- Party Transactions Manual
- Corporate Policy and Procedure for the Management of the Internal Reporting System N
- Due Diligence Policy on Human Rights N

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

The Code of Conduct, the Corporate Policy and Procedure for the Management of the Internal Reporting System and the Due Diligence Policy on Human Rights are available on the CAF Group's corporate website (www.caf.net) since their approval, in easily identifiable sections. Likewise, the Regulatory Rules of the Corporate Governance bodies and the General Policies of CAF are also available to the general public on the corporate website itself in an updated and permanent manner in accordance with the applicable regulations.

Equally noteworthy is the progress achieved in 2023 in relation to the deployment of the rules of the Code of Conduct, through the development and strengthening of the Corporate Compliance System, referred to in section 7.2 of this report.

Beyond the developments identified, it has not been deemed necessary to amend any regulations, policies or internal rules of the Company's Corporate Governance System during the year, 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 the Appointments and Remunerations Committee is expressly entrusted in its Rules with the supervision of 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, at the end of 2023, the Committee has submitted to the Board of Directors 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 reported financial year.

In addition, in the year under review, CAF was assisted by an independent external consultant for the annual assessment of the functioning of the Board and its committees, in accordance with Recommendation 36 of the CGG, as described below. In any case, in order to consolidate this trend of continuous improvement, the Board has defined different initiatives to undertake starting in 2024.

2.4.3 GOVERNANCE STRUCTURE

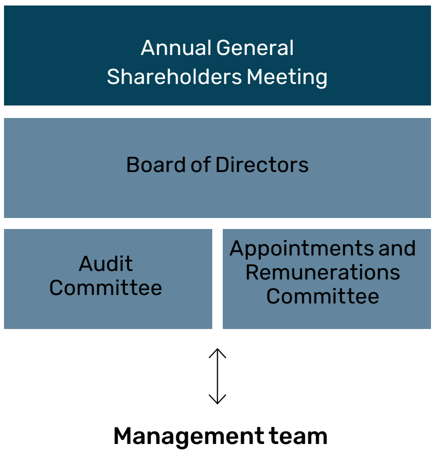
[GRI 2-9, 2-13]

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

The Company also has two Committees of the Board of Directors: The Audit Committee and the Appointments and Remunerations Committee.

The Management Team is the link between the Board of Directors and the rest of the company.

Corporate bodies



2.4.3.1 THE ANNUAL GENERAL SHAREHOLDERS MEETING

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

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

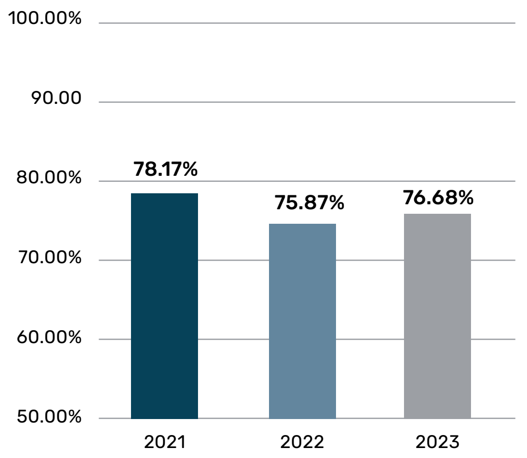
On 10 June 2023, the Company held the Annual General Shareholders Meeting, enabling both physical and online attendance. The following topics were discussed:

The Statement of Non-Financial Information - Group Sustainability Report was submitted to the General Shareholders Meeting for approval as a separate agenda item.

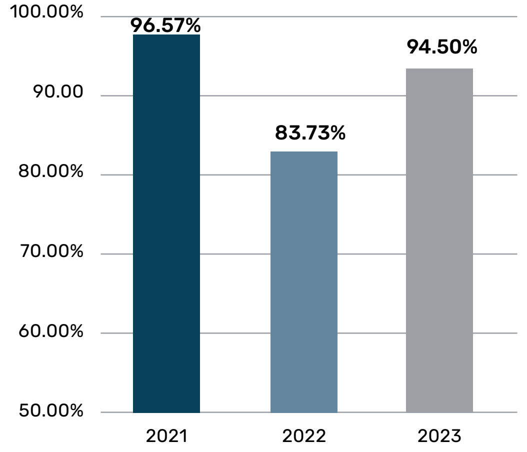
All resolutions proposed by the Board of Directors were approved by sufficient majorities, with an average of more than 94% voting in favour.

Some indicators of interest of the 2023 Annual General Shareholders Meeting

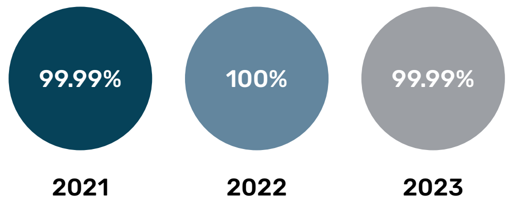
Attendance quorum



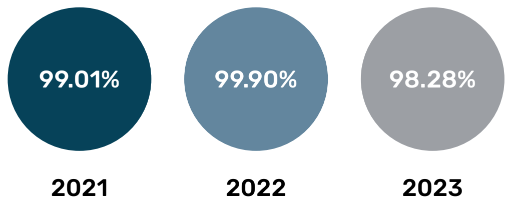
Average % of votes in favour in the approval of resolutions



Approval of the NFIS - Sustainability Report



Approval of the management of the Board of Directors



2.4.3.2 THE BOARD OF DIRECTORS AND ITS COMMITTEES

[GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-17, 405-1]

The Board of Directors

Except for business that falls within the scope of the Annual General Meeting of Shareholders, 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 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.

The organisation, functioning and functions of the Board and its Committees are regulated in the Articles of Association and in their respective Regulations, which are available on the corporate website.

In accordance with best practices in corporate governance, the positions of CEO and Chairman of the Board of Directors are separated.

The CEO of the Company has been granted all the powers that correspond to the Board, according to the Law and the corporate bylaws, with the sole exception of those that cannot be delegated in accordance with the Law.

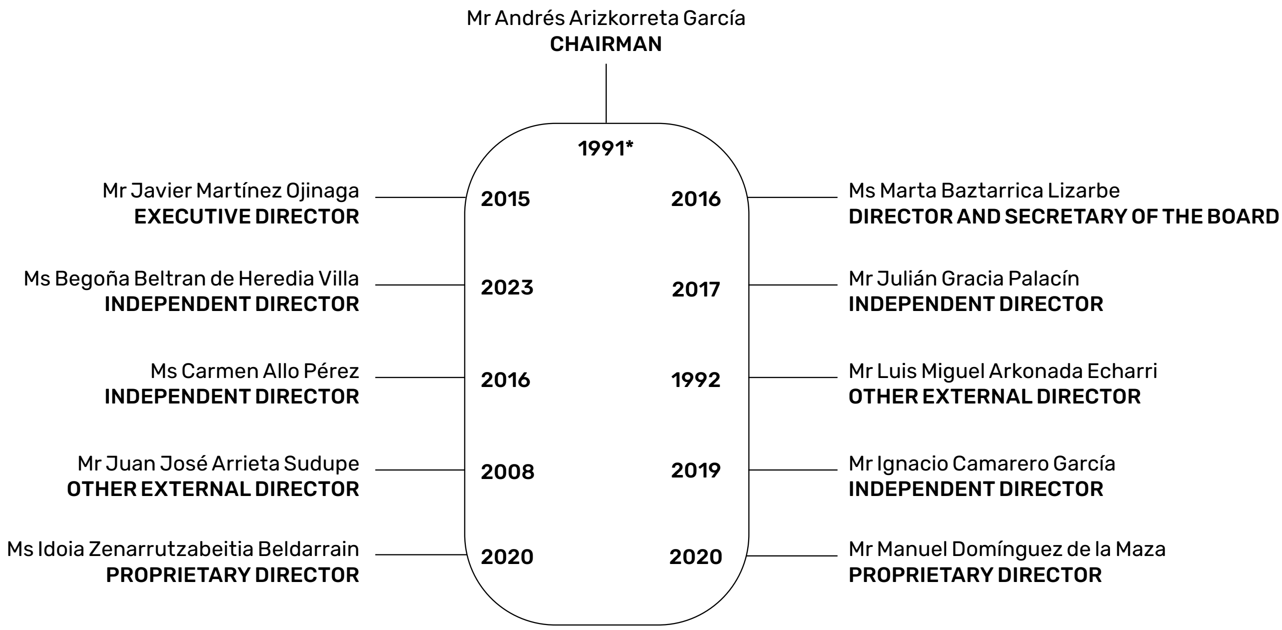
CAF has a specific and verifiable Director Selection and DIversity Policy, the purpose of which is to ensure that any proposals for the appointment and re-election of directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experience, 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 Appointments and Remunerations Committee verifies compliance with this Policy on an annual basis, through a specific report submitted to the Board, which is additionally reported on in the Annual Report on Corporate Governance, as provided for in Recommendation 14 of the Code of Good Governance (CGG).

The changes in the composition of these bodies during the year evaluated have been the following:

- The General Meeting of Shareholders on 10 June 2023 agreed to the re-election of Mr Javier Martínez Ojinaga, with the category of Executive, for the statutory term of four years. Subsequently, and on that same date, the Board unanimously agreed to re-elect him as CEO, with delegation in his favour of all the powers that correspond to the Board except those that legally or statutorily are of a non-delegable nature.
- The Board also submitted to the same Meeting the ratification of the appointment of Ms Begoña Beltrán de Heredia Villa as Independent Director, which she had agreed by co-option on 24 February 2023, date on which she was also appointed member of the Audit Committee. The Board ratified the appointment by a large majority.
  The addition of Ms Beltrán de Heredia to the Board in 2023 has increased both the number of independent directors and the number of female directors on the Board, as will be explained later in this report.
- Furthermore, in accordance with the provisions of article 529 quaterdecies 2 of the Capital Companies Act, which regulates the mandatory replacement of the Chairman of the Audit Committee every four years, on 4 October 2023, at the proposal of the Audit Committee, the Board of Directors unanimously agreed to appoint Ms Begoña Beltrán de Heredia Villa Chair of the Committee, in place of the previous Chair, Ms Carmen Allo Pérez, who remains on the Commission as a member.

The market was promptly informed of all the described changes through the corresponding communications of other relevant information to the CNMV, and via the corporate website.

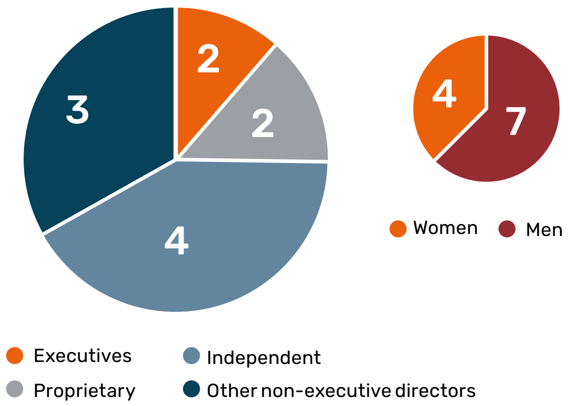
Accordingly, the composition of the Board of Directors of CAF, S.A. at the end of 2023 was as follows:



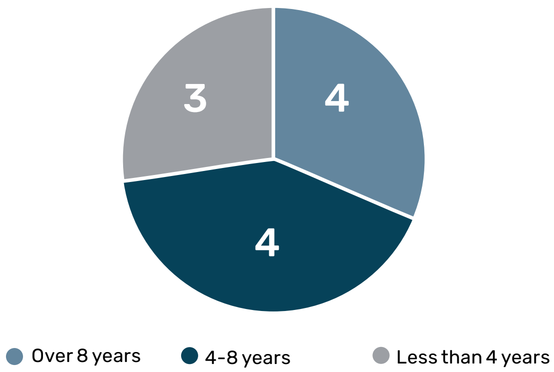
***Date of first appointment**

Thus, at the date of issue of this report, CAF's Board of Directors is composed of 11 members (2 executive, 2 proprietary, 3 "other external", and 4 independent), of which 4 are women (1 executive, 1 proprietary and 2 independent), as shown in the following chart:

Composition of the Board of Directors



Seniority of members on the Board of Directors



The composition of the Board and the Committees is proportionate and diverse in terms of category, gender, knowledge and experience, complies with the requirements of the Company's internal regulations and contributes positively to the quality of the decision-making process and its ability to fulfil the functions assigned to them.

Specifically, the CAF´s Board of Directors complies with the recommendations that guarantee the balanced presence of different categories of directors. Thus, after the appointment of Ms Beltrán de Heredia as director, filling the existing vacancy, the number of independent directors is again four, exceeding the minimum threshold of members in this category, which Recommendation 17 of the CGG sets at one third of the total number of board members in companies that are not large cap companies. Likewise, the board has a majority of proprietary and independent directors (Recommendation 15 CGG), as well as an adjusted proportion between the capital represented by proprietary directors and the rest of the capital (Recommendation 16 CGG).

With regard to gender diversity, the appointment of Ms Beltrán de Heredia has increased the number of women on the Board, which now has four female directors, representing 36.36% of the total number of members, a percentage very close to the 40% recommended by the CGG.

In any case, CAF will take into account and follow up on the diversity criteria defined in the CGG and in the Spanish regulations currently being processed and finally approved.

With regard to their profile, the Directors have a varied background, including Economics and Business Studies, Industrial Engineering, Exact Sciences, Physical Science and Law, among other degrees, and postgraduate training, as well as considerable professional experience, enriched with competencies that are relevant to the Company's future strategy, in line with the objectives of diversity of education and professional experience set out in the Director Selection and Diversity Policy.

CAF publishes permanently on its corporate website updated information on the personal and professional profile of the members of the Board of Directors, including other activities and positions on other boards of directors, the category of directors to which they belong, and the other information provided for in Recommendation 18 of the Code of Good Governance (CGG). It is also reported on in the ARCG.

Directors may obtain the necessary advice to fulfil their duties, including, if circumstances so require, external advice on specific matters. This is set out in article 21 of the Rules of the Board of Directors available on the company's website.

Prior to the meetings, the documentation necessary for the preparation of the items on the agenda and the presentations to be made at the meetings is circulated among the Board members.

In the ordinary meetings of the Board, space is reserved for updating topics related to the evolution of the business that are considered of interest to the directors.

Additionally, senior executives are frequently invited to these meetings, which favours access to the necessary information and continuous training in the Company's business areas.

Remuneration of directors [GRI 2-19, 2-20]

The CAF's Directors' Remuneration Policy, approved by the Annual General Shareholders meeting on 11 June 2022 and available on the corporate website, seeks to meet market criteria, taking as a basis the remuneration set for directors of listed companies of a similar size or activity to that of CAF, as well as compliance with the principles of moderation and prudence.

The remuneration system for Directors is based on the fundamental principle of attracting and retaining the best professionals, rewarding them based on their level of responsibility and their professional career, based on internal equity and external competitiveness. CAF also considers the remuneration system for its directors and executives as a fundamental factor that contributes to the business strategy, interests, sustainability and creation of long-term value for the Company, in particular to ensure that it corresponds to its results and an appropriate distribution of profits to shareholders, in the interest of both shareholders and employees.

In the case of directors who do not have executive status, the remuneration must be sufficient to compensate for their dedication, qualifications and responsibility, without under any circumstances compromising their independence of judgment.

With specific regard to executive directors, the Policy aims to offer remuneration that attracts, retains and motivates the most suitable professionals in order to facilitate the achievement of the Company's strategic objectives, taking into account the overall level of remuneration of comparable entities in the sector.

The Policy establishes a remuneration system for directors (i) for their status as such and (ii) for executive functions.

The members of the Board of Directors are remunerated in their capacity as such in one or more of the following ways:

- a fixed allowance for membership of the Board of Directors;
- a fixed allocation for membership on committees;
- allowances for attendance at meetings held by the Board of Directors or its committees; a fixed allowance for the performance of other duties or responsibilities;
- an assistance benefit consisting of life insurance; and
- the savings or pension systems that are considered appropriate where necessary.

The remuneration earned by the directors in their capacity as such during 2023 consisted of fixed remuneration for membership of the Board, allowances for attendance at Board meetings, remuneration for membership of Committees and fixed remuneration for Board positions in view of their special duties and responsibilities, and remained within the maximum figure provided for in the current Remuneration Policy.

In addition to the items contemplated in the preceding paragraph, executive directors may receive remuneration consisting of one or more of the following items:

- a fixed annual remuneration;
- variable remuneration with indicators or parameters linked to their performance and that of the Company or its group;
- an assistance benefit consisting of life insurance;
- a long-term defined contribution savings system;
- indemnities for termination, provided that it was not due to a breach of the duties of a director;
- compensation for the assumption of post-contractual exclusivity and non-competition obligations.

Variable remuneration should be linked to achieving specific economic-financial objectives defined in the Strategic Plan, quantifiable and aligned with the Company's social interest and strategic objectives. Furthermore, non-financial parameters that promote sustainability and long-term value creation for the Company should be established, such as the level of customer satisfaction, the organisational health index, the result of the rating agencies' evaluation or other ESG parameters and indicators that promote the sustainability of the Company.

It is planned that the payment of the variable components will be deferred over time to allow the Board of Directors to adequately measure the degree of achievement of the objectives and assess whether any circumstances arise that make it advisable to reduce (*malus*) the variable remuneration to be received by executive directors, such as serious breaches of their obligations, the introduction of qualifications in the audit report or the need to reformulate the Company's financial statements. The Company may also claim clawback of any variable remuneration paid on the basis of inaccurate data. With all this, the Company considers that the exposure to excessive risks is reduced and that the remuneration mix shows a balance between fixed and variable components and serves the long-term objectives, values and interests of the Company.

The Board of Directors is responsible for the individual determination of the remuneration of each director, within the framework of the Remuneration Policy, based on the corresponding proposal of the Appointments and Remunerations Committee.

In addition, the Committee has been assigned important functions in the design of the Company's remuneration policies in its specific Regulations, which can be consulted on the corporate website. Thus, in accordance with sections 13 and 14 of article 3 of the Regulations of the Committee, the Committee is responsible for proposing to the Board the remuneration policy for directors and general managers or those who perform senior management duties under the direct supervision of the Board, managing directors, as well as the individual remuneration and other contractual conditions of executive directors, ensuring compliance with them. The Committee is also responsible for periodically reviewing the remuneration policy applied to Directors and senior management and for ensuring that their individual remuneration is proportionate to that paid to other Directors and senior management of the Company.

In preparing its proposals, the Appointments and Remunerations Committee engages in a process of direct dialogue with major shareholders and institutional investors and the main providers of voting advisory services, in order to obtain prior opinions and align the proposals with the points of interest expressed, prior to their approval.

In the performance of its functions, the Commission relies on the advice of external consultants, specialists in matters of a technical or especially relevant nature. It is the Commission's responsibility to ensure that the independence of external advice provided to the Commission is not affected by conflicts of interest (Commission Regulation, Article 3(17) and Article 15(2)).

It is up to the shareholders gathered at the General Shareholders Meeting to approve the Directors' Remuneration Policy. In addition, the Annual Directors' Remuneration Report (ARR) is submitted annually to the consultative vote of the General Shareholders Meeting, and forms part of the Management Report that the Company prepares each year.

The ARRD for the 2022 financial year, submitted to a consultative vote of the Ordinary General Meeting of Shareholders held on 10 June 2023, was approved by a majority of 65.17% of the votes of the shareholders present or represented. In order to gain first-hand knowledge of shareholders' concerns about the remuneration system, to respond to them and, in general, to improve the effectiveness of communication on these matters, CAF maintains a constant and effective channel of collaboration with its shareholders and investors.

CAF's ARDD for 2023, available on the corporate website, contains detailed information on the remuneration earned by the members of the Board of Directors in the year under review, as well as other relevant information about the Company.

Evaluation of the performance of the Board of Directors and its Committees [GRI 2-18]

The Board of Directors carries out an annual evaluation of the quality and efficiency of the functioning of the Board itself and the Committees.

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.

In accordance with Recommendation 36 of the CGG, the annual evaluation of the functioning of the Board and its Committees in 2023 was carried out with the assistance of an independent external consultant, whose independence was verified by the Appointments and Remunerations Committee. The evaluation gave a positive assessment of the Board's work and that of its members and committees.

Specifically, the expert's report concluded that "*CAF has consolidated a complete body of internal regulations that guarantees respect for legal obligations and the principles and recommendations that make up corporate governance [...].* And adds: "*We can confirm that CAF has internalized the concern for corporate governance. It not only respects the rules literally but also embraces their spirit and the conviction that following them is useful for society, its shareholders, its workers, clients and suppliers.*"

For more details in this regard, please refer to ARCG.

2.4.3.3 COMMITTEES OF THE BOARD OF DIRECTORS [GRI 2-9, 2-12, 2-13]

For its better functioning, the Board has two committees: The Audit Committee and the Appointments and Remunerations Committee.

Both are made up of three members, two of whom are independent. The Audit Committee is also chaired by a woman.

The Reports on the Functioning of the Committees 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 the meetings. In compliance with Recommendation 6 of the CGG, both reports are published on the Company's website sufficiently in advance of the Annual Shareholders meeting.

Areas supervised by the Board Committees on Internal Control, Corporate Governance and Sustainability

BOARD OF DIRECTORS						
Audit Committee					Appointments and Remunerations Committee	
Economic-Financial and Strategy Management (Financial and Non-Financial Information)	TAX	Risks	Compliance	Cybersecurity	Corporate Governance	Sustainability

Audit committee. Breakdown

POSITION	NAME	CATEGORY
CHAIRWOMAN	Ms Begoña Beltran de Heredia Villa	Independent
MEMBERS	Ms Carmen Allo Pérez	Independent
	Mr Juan José Arrieta Sudupe	Other External Directors

Rules of operation and composition

The Audit Committee is basically regulated in article 37 bis of CAF's Articles of Association. These regulations are set out in the Rules of the Board of Directors and, in particular, in its own Rules, 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.

As provided for in Article 2 of its Regulations, the Commission is made up of three non-executive directors, two of whom are independent, including its President. As a whole, the members of the Committee have knowledge and experience in accounting, auditing and risk management, both financial and non-financial, as well as relevant expertise in relation to the business sector to which the Company belongs.

The Secretary of this Commission is the same as the Secretary of the Board of Directors.

The composition of the Committee is diverse in terms of age, gender, professional experience, personal skills and industry knowledge.

As indicated in previous sections, the Independent Director, Ms. Begoña Beltrán de Heredia Villa joined the Audit Committee as a member on 24 February 2023, and was appointed Chair of the Committee on 4 October of the same year, replacing Ms Carmen Allo Pérez, as the legally stipulated period for the compulsory rotation of the chairmanship of this Committee had elapsed.

Function monitoring

The Audit Committee met 8 times in the reported year. It has covered all the functions attributed to it in auditing, internal audit, financial and non-financial reporting, internal control and risk management systems, supervision of internal codes of conduct and the Internal Reporting System, corporate transactions and related-party transactions.

Specifically, the Head of Internal Audit reported regularly to the Committee during 2023 on the degree of compliance and adequacy of the Group's internal control, review of the information published, monitoring of the main financial and tax risks and conclusions of the audit work according to its annual activity plan.

In turn, the Compliance Function has reported to the Committee on compliance with internal codes of conduct and the Internal Reporting System (whistleblowing channels), as well as the associated internal control systems.

In the area of risks, the Committee receives from the Risk Function, on a half-yearly basis, the report on the main risks (financial and non-financial) of the Company in order to supervise its control and management systems. The Board, ultimately responsible for the General Risk Assessment and Management Policy, has been informed of this supervision.

The Head of the Tax Function has reported to the Audit Committee on tax-related activities in the year under review. The Committee has also been briefed on the implementation of the General policy regarding communication of economic and financial, non-financial and corporate information, and contacts with shareholders, institutional investors and proxy advisors.

In addition, the Committee monitored key issues relating to cybersecurity and their possible implications for the Board of Directors, including the publication of the 2023 Code of Good Governance on Cybersecurity, promoted and disseminated by the CNMV, and promoted the presentation of these issues to the full Board at its November meeting.

The actions carried out by the Commission in fiscal year 2023 are detailed in section C.2.1 of the Annual Report on Corporate Governance.

Appointments and remuneration committee. Breakdown

POSITION	NAME	CATEGORY
CHAIRMAN	Mr Julián Gracia Palacín	Independent
VOTING MEMBERS	Mr Luis Miguel Arkonada Echarri	Other External Directors
	Mr Ignacio Camarero García	Independent

Rules of operation and composition

As in the case of the Audit Committee, the legal regime of the Appointments and Remunerations Committee is set out in the Articles of Association, in the own Rules of the Board of Directors and in its Specific regulation. 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.

As provided for in article 4 of its Regulations, the Committee is made up of three directors. This dimension favours the effective functioning of the body, the participation of all its members and agility in decision-making. Two of its members have the status of independent directors, including its Chair.

The Secretary of this Commission is the same as the Secretary of the Board of Directors.

The composition of the Committee is diverse in terms of age, gender, professional experience, personal skills and industry knowledge.

Function monitoring

The Appointments and Remuneration Committee has met on 7 occasions in fiscal year 2023, and when it has considered it pertinent, it has required the presence of the CEO and senior management personnel. The main matters dealt with and analysed by the Committee during the year and which have made up its main areas of supervision have been, among others, issues of Corporate Governance and the composition of the Board, evaluation of the Board of Directors, those relating to Sustainability, as well as the analysis and preparation of proposals on remuneration.

In particular, for the purposes of exercising its functions in relation to the Sustainability Policy and practices, this Commission has received the report on this matter through the Sustainability Function. Based on the report for 2023, 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 2023, 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.

Additionally, the Committee has verified compliance with the Director Selection and Diversity Policy in said exercise. This report supervises the adequate application of the Policy in the re-election, ratification and appointment processes of the directors, resolved by the Ordinary General Meeting of Shareholders of 10 June 2023, concluding that the provisions had been satisfactorily complied with both in relation to the selection process and the conditions that the candidates must meet in terms of honourability, solvency, competence, experience, training, qualifications, dedication and commitment to the function of director.

The actions carried out by the Commission in fiscal year 2023 are detailed in section C.2.1 of the Annual Report on Corporate Governance.

2.4.4 SUPERVISION OF THE BOARD OF DIRECTORS ON SUSTAINABILITY [GRI 2-12, 2-14, 2-17, 2-16, 2-26]

Supervision of Sustainability by the Board of Directors.

According to the Sustainability Policy, approved by the Board of Directors on 20 December 2020, our main objective is to reconcile the development of our Mission with the balanced satisfaction of the needs and expectations of our stakeholders in order to create 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.

In accordance with the provisions of the CGG, the Board oversees, through its Committees, all material aspects related to Sustainability.

The Appointments and Remunerations Committee is responsible for monitoring the Sustainability Policy, to ensure that it fulfils its mission of promoting the social interest and takes into account the legitimate interests of stakeholders. This Committee is also responsible for supervising that the Company's practices in environmental and social matters are in line with the Policy and strategy established, reporting its conclusions to the Board of Directors and submitting, where appropriate, the proposals it deems necessary.

The Audit Committee is responsible, among other duties, for supervising the preparation process and the integrity of non-financial information, as well as supervising the risk assessment and management system, including sustainability risks, and the systems linked to the Company's internal codes of conduct; reporting to the Board and proposing, where appropriate, the measures it deems appropriate to implement within the scope of its duties.

The exercise of supervision by the Board of Directors is articulated through the reports presented by the Heads of the different Functions, either directly or through one of its Committees, within the framework of their respective powers.

In this regard, in the 2023 financial year, the full Board received the face-to-face report from the Group's Head of Sustainability, Management Model and Investor Relations, who reported on the activities carried out by the Sustainability Function in 2023 and on the initiatives defined for future financial years. These initiatives include the implementation of training measures for the Board on Sustainability.

For more information on Sustainability Governance, see section 4 of this report.

Communication of Critical Concerns

The Internal Audit, Compliance, Risk, Sustainability, and Corporate Governance Functions are competent to communicate critical concerns to the highest governance body 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.

Furthermore, as mentioned above, the CAF Group has implemented a computerised Internal Reporting System open to all its stakeholders and any third party, allowing employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report at any time any potentially significant irregularities, including financial and accounting irregularities, or of any other nature, related to the Company that they notice in any of the Group's companies.

For more details on the number of communications received through this channel and their nature, see section 7.2 of this Report.

2.5 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 said business strategy will be carried out (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.

	2023	2022	2021	OUTLOOK
Earnings per share (€)	2.6	1.52	2.51	Upward progression
Dividend per share (€)	1.11	0.86	1.00	Upward progression in line with results
Dividend yield	3.8%	3,0%	2.7%	-
Pay-out ratio (Dividend/EPS)	43%	56%	40%	-

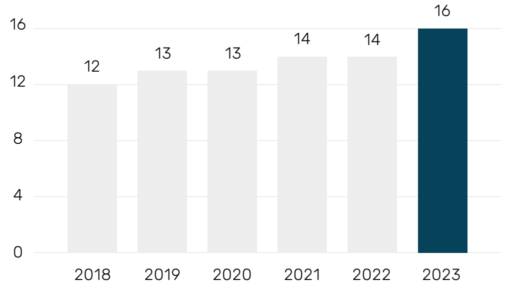
Even though the 2023 financial year also faced geopolitical and macroeconomic tensions, the impact of these factors was less severe compared to the previous year. The component supply chain has tended towards standardization, the escalation of costs has been more controlled and the cost of debt, although it has increased significantly, appears to have peaked. Thus, the 2023 financial year generated earnings per share of 2.6 euros and the dividend per share that the Board is proposing to the Annual General Shareholders meeting is 1.11 euros per share, giving a pay-out of 43% in a still 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.

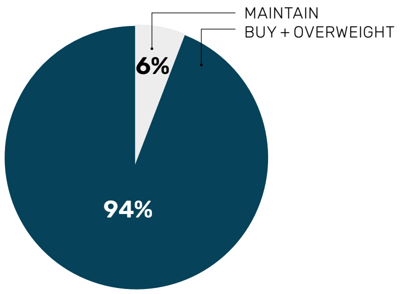
At the end of 2023, 16 financial analysts maintain active coverage on CAF, following the incorporation of Société Générale's coverage and the resumption of Bestinver's coverage in December 2023. The financial analysts issue independent reports on the value of CAF on a recurring basis, based on close monitoring of business performance and published results. At the end of 2023, 94% of analysts recommend buying/overweight CAF shares, with a potential upside of over 30%[4].

4 Source: FactSet, 29 January 2024.

NO. OF ANALYSTS WITH STABLE CAF COVERAGE



ANALYSTS' RECOMMENDATION AS AT 31/12/2023



ANALYSTS WITH STABLE CAF COVERAGE AT 31/12/2023

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, employees, suppliers and society.

SHAREHOLDERS
EMPLOYEES
SOCIETY
SUPPLIERS
CUSTOMERS

These commitments are deployed in the daily management following the guidelines included in the social responsibility guide ISO 26000:2021, through the CAF Management Model where specific policies, initiatives and objectives are established for each of the Stakeholders. This model is comprised of 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 60 countries in recent years, which have translated into a record backlog and repeat business from our customers.

CAF Group has a General policy regarding communication of economic and financial, non-financial and corporate information, and contacts with shareholders, institutional investors and proxy advisors (in compliance with the principles of good corporate governance set out in the Code of Good Governance 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[5]	• Shareholders and Investor Relations Office • Spanish National Securities Market Commission (CNMV) communications • Annual General Shareholders meeting • Regular briefings	• CAF Website (www.caf.net) • Internal Reporting System (Whistleblowing Channels) • Survey of shareholders and investors, and financial analysts
CUSTOMERS	• Meetings with potential clients • Customer meetings on projects • Client Audits • Audits of the Quality and Safety Management System • CAF Website (www.caf.net)	• Internal Reporting System (Whistleblowing Channels) • Customer Satisfaction Surveys • Online platforms • Industry trade fairs
EMPLOYEES	• CAF Portal • Internal communication channels Direct communication • Union representation • Corporate magazine	• Internal Reporting System (Whistleblowing Channels) • CAF Website (www.caf.net) • Organisational Health Survey
SUPPLIERS	• Supplier portal • CAF Website (www.caf.net) • Specific supplier relationship platforms	• Supplier audits • Internal Reporting System (Whistleblowing Channels) • Supplier Satisfaction Surveys
SOCIETY	• CAF Website (www.caf.net) • Direct relationship with public administrations • Participation in forums and associations	• Internal Reporting System (Whistleblowing Channels) • Non-Financial Information Statement / 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 systematised 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.

5 The information related to Shareholders is included in CAF's Annual Report on Corporate Governance, available on the corporate website. Communication channel for both the institutional investor and the minority shareholder.

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 our Stakeholders

				2023		2022	
STAKEHOLDER TYPE	**METRIC**	**OUTLOOK**	**TARGET (0 -10)**	**RESULT (0-10)**	**SCOPE (0-100%)**	**RESULT (0 -10)**	**SCOPE (0-100%)**
SHAREHOLDERS	% of affirmative votes in the approval of the financial statements and the directors' report (Annual General Shareholders meeting)	Stability	≥ 9.5	9.99	≥ 76% of subscribed share capital with voting rights	9.99	≥ 75% of subscribed share capital with voting rights
CUSTOMERS	Annual survey	Stable result Range stability	7.9	7.9	≥ 84% sales	7.8	≥ 83% sales
EMPLOYEES	Annual survey	Improved result Range stability	6.7	6.6	≥ 94% of the workforce	6.6	≥ 90% of the workforce
SUPPLIERS	Annual survey	Stable result Scope extension	≥ 8.0	8.4	≥ 81% of purchases	8.3	≥ 72% of purchases
SOCIETY[6]	Annual survey	Stable result Range stability	≥ 8.0	8.5	≥ 84% of the workforce	8.8	≥ 69% of the workforce

The overall assessment of stakeholder satisfaction in the 2023 financial year was positive. The scope has been extended in all measurements, and in all but the Society Stakeholder, the previous year's results have been maintained and even improved. Mention should be made of the effort made in 2023 to extend the scope of the Company's satisfaction survey, which has gone from being sent to 86 entities in 2022 to 216 in 2023. The overall result has risen from 8.8 in 2022 to 8.5 in 2023, which is still a good result above the target set.

It should also be noted that the scope of the survey has been extended to 94% of the people who make up the CAF Group. The result, having not reached the established target of 6.7, remains at the value of 6.6 in 2022.

6 The Society Stakeholder for CAF Group is identified with the communities in which it operates with 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

			2023		2022	
STAKEHOLDER TYPE	METRIC	OUTLOOK	RESULT (0 -10)	SCOPE (0-100%)	RESULT (0 - 10)	SCOPE (0-100%)
SHAREHOLDERS	Annual survey[7]	Improved result	7.1 1st measurement	≥ 85% of financial analysts with coverage	-	-
SHAREHOLDERS	Biennial survey	Scope extension Improved result	Does not apply because it is biennial	Does not apply because it is biennial	7.2	≥ 75% of shareholders and investors (year 2020)
CUSTOMERS	Annual survey	Stable result Range stability	8.0	≥ 84% sales	8.0	≥ 83% sales
EMPLOYEES	Annual survey	Improved result Maintain scope	6.7	≥ 94% of the workforce	6.7	≥ 90% of the workforce
SUPPLIERS	Annual survey	Stable result Scope extension	8.0	≥ 81% of purchases	8.0	≥ 72% of purchases
SOCIETY[8]	Annual survey	Improved result Range stability	7.4	≥ 84% of the workforce	8.0	≥ 69% of the workforce

With regard to the satisfaction with stakeholder communication, the overall assessment is also positive in 2023. The scope has been extended in the 4 stakeholders in which we have taken measurements, and only in one of them has the evaluation of communication been lower than in 2022. This is the case of the society stakeholder, where the increase in scope has led to a decrease in the result, going from an 8 in 2022 to a 7.4. There are entities with which communication must be improved and actions are planned to be taken during 2024 to do so.

Regarding to shareholder communication, in December 2023, a survey on CAF's communication to financial analysts with stable coverage of CAF was launched for the first time, with the aim of providing annual continuity to the biennial investor and shareholder survey. The result obtained was 7.1, a value that is expected to improve in 2024.

In summary, in addition to improving the evolution of the indicator, we are also working to increase the scope of the measurement to the entire Group and all Stakeholders.

The monitoring of these indicators is carried out through the Sustainability Committee, establishing the appropriate actions for their improvement.

7 In December 2023, a CAF communication assessment survey is launched for the first time to financial analysts with stable coverage of CAF, with the aim of providing annual continuity to the biennial investor and shareholder survey.

8 The criterion for measuring the scope in the Society stakeholder is the number of employees of the Group's legal entity that has a relationship with the surveyed entity. Thus, in 2023, the survey was sent to 200 entities, compared to 86 in 2022. The Group's legal entities that have a relationship with these 200 entities represent 84% of the CAF Group's total workforce.

2.6 INNOVATION AND TECHNOLOGY: KEYS TO SUSTAINABLE MOBILITY

Over the last few decades, innovation has been fundamental to CAF's growth and has allowed us to offer products at the forefront of technology. We have developed crucial systems for our vehicles, such as electric traction, energy storage systems and the electronic train control and diagnostic system. In addition, we have expanded our offering with new products and services, becoming global providers of sustainable transportation systems.

Recognising that innovation lies in knowledge and the people behind it, at CAF we prioritise strengthening our internal capabilities for technological development.

2.6.1 Innovation in products and services

CAF prioritises constant innovation in its products and services, responding to the growing global demand for increased travel, the reduction of fossil fuels and the impact of climate change on the sustainability of transport. Thus, innovation is one of the Group's 4 strategic axes in the Strategic Plan 2026, along with commercial focus, operational efficiency and sustainability.

The CAF Group's innovation strategy is implemented annually through our Innovation Management Plan. This plan combines activities to develop and evolve our products and services, along with activities to generate knowledge and proprietary technology. These activities differentiate the CAF Group from its competitors, allowing it to offer high-value products in the field of sustainable mobility.

Currently, CAF's innovation activity is structured into four innovation programmes:

- Zero emissions: It seeks to develop alternative propulsion systems to diesel, reduce fuel consumption and minimise emissions from our vehicles.
- Autonomous and automatic mobility: It focuses on the development of vehicles that operate in an automated manner, increasing safety and efficiency in transport systems.
- Digitalisation: It covers various activities that optimise internal and external processes through digitalisation, also including measures to guarantee cybersecurity in our products and services.
- Product portfolio: Includes activities aimed at offering better and more competitive products and services to both CAF clients and end users.

Among the multiple activities and lines of work of our plan, we list in the following sections those that stand out for their impact on sustainable mobility.

Zero emissions

Within the framework of a coordinated strategy to reduce environmental impact, we have addressed different areas of work:

- Development of vehicles with propulsion systems based on batteries and hydrogen. These alternatives aim to replace hydrocarbon-based mobility, eliminating direct CO_2 emissions on routes operated by diesel vehicles.
- Improvement in battery-based energy storage systems. Successive generations of batteries have shown notable advances in density and storage capacity, as well as charging and discharging power.
- Development of technologies to reduce the energy consumption of vehicles through improvements in the efficiency of components, such as power equipment based on new Silicon Carbide (SiC) transistors.
- Implementation of intelligent systems for energy management in vehicles, including Driving Advisory System (DAS) and efficient automatic driving systems.
- Reducing fuel consumption by reducing drag and vehicle weight.
- Reduction of noise and vibrations both inside and outside vehicles, as well as minimization of electromagnetic emissions.

In this field, we highlight the contribution of European collaborative projects such as FINE, PINTA, X2RAIL, PIVOT, IN2STEMPO, IN2SMART, FR8RAIL, Rail4EARTH, FCH2RAIL, Train Léger innovant, VIRTUAL-FCS, STASHH, AVOGADRO and Hybrid Beams described in the following section.

More information on the results of the Zero Emissions Programme can be found in sections 5.3.3 and 5.4.2. of Chapter 5, 'Our commitment to the environment'.

Autonomous and automatic mobility

Smart mobility brings significant benefits for operators and improves the safety and comfort of travellers. Progress towards autonomous and automatic vehicle operation is key to driving an increase in transportation capacity, improving energy efficiency and guaranteeing punctuality and fluidity in door-to-door movements.

In this sense, at the CAF Group we focus on various areas:

- Automatic protection systems for trains: ERTMS Baseline 3.
- Automatic train operation (ATO) systems over ERTMS and over Class B signalling systems.
- Communications-based train control (CBTC) system.
- Advanced driving assistance systems (ADAS).
- GoA4 autonomous driving on main line without passengers.
- Remote driving in depot.
- Advances in the interior and exterior perception of vehicles through Vision and Artificial Intelligence.
- Safe positioning of vehicles without the need to install specific equipment on track.
- Development of 5G communications and the Future Railway Mobile Communication System (FRMCS).
- Implementation of onboard systems for diagnosis and control capable of guaranteeing the safety of critical functions.

Within this programme, it is important to highlight the contribution of the collaborative projects, both European and national, CONNECTA, X2RAIL, LINX4RAIL, TAURO, MOTIONAL, R2DATO, FutuRe, 5GRAIL and ADAS, which are described in the following section.

Oslo tram remote driving

Within the activities of the European Shif2Rail TAURO project, CAF has developed a remote driving demonstrator using an SL18 tram from Sporveien (Oslo).

The aim of the demonstrator was to remotely control the tram both statically and dynamically. From a remote control centre, far from the unit and without direct vision, a remote connection to the vehicle is established. Through this connection, two video streams are transmitted from each cab, allowing the remote operator to select any cab.

Once the selection is made, the operator can launch static telecommands such as horn sounding, light switching, pantograph control, etc. Once the appropriate conditions are achieved, the remote driver can pull and brake at low speed from the remote control centre using the cameras as a visual reference.

The tram is set up for self-protection in such a way that, in the event of an untimely loss of communications or signal inconsistency, the vehicle brakes and ignores remote commands.

Digitalisation

At CAF we understand the enormous importance of the current digital transformation process that covers all areas of society. Therefore, we dedicate a considerable part of our innovation efforts to developing our vision of digitalisation for rail and bus transport. We are making progress in the following areas:

- Technology development to implement a complete data collection and transmission infrastructure throughout the transportation system, including sensorisation and communications aspects.
- Management and analysis of large volumes of information through Big Data techniques.
- Application of advanced data analysis techniques (Artificial Intelligence, Machine Learning, Deep Learning, among others).
- Use of these technologies to create applications in key areas such as diagnosis, maintenance, energy consumption and operations.
- Development of real-time vehicle monitoring systems, both on-board (LeadMind Platform and eSConnect) and in infrastructure (Wayside LeadMind).
- Implementation of model-based systems engineering (MBSE) to support requirements, design, analysis and validation during all phases of the lifecycle.
- Creation of BIM (Building Information Modelling) models to centralise construction project information in a single digital information model.
- Cybersecurity.

In this programme, it is important to highlight the contribution of European collaboration projects such as CONNECTA, X2RAIL, LINX4RAIL, IN2STEMPO, IN2SMART, IAM4RAIL and TCRINI that we describe in the following section.

FEATURED INNOVATION PROJECTS IN PROGRESS OR COMPLETED IN 2023

CAF Group actively participates in the main R&D partnerships in the sector, enabling it to make a significant contribution to the integral evolution of mobility.

Among the most relevant activities, it is worth highlighting the importance of *Shift2Rail*, a European initiative that acts as a key agent for the transformation of the railway sector. This programme, in which CAF is one of the eight founding members, is part of the Horizon 2020 framework programme and is dedicated to collaborative research and innovation between various players in the European railway sector with the aim of speeding up the adoption of new technologies. In addition, CAF Group plays a key role in coordinating the "Innovation Programme 1: Rolling Stock", which covers all developments related to vehicles.

Within the framework of *Shift2Rail*, the following projects addressed in 2023 stand out:

	FINE-2 In the FINE-2project we seek innovative technological solutions to significantly reduce the noise and energy consumption of our transportation systems.
	CONNECTA -3 CONNECTA projects aim to revolutionise the train control system (TCMS) by implementing advanced capabilities such as wireless communication and high security functions. These advances support the trends towards digitalisation and automation in the railway sector.
	PINTA-3 PINTA projects aim to develop the next generation of railway traction systems using more efficient Silicon Carbide (SiC) power electronics components. Thanks to this project, CAF has put into commercial service the first European metro to use SiC technology.
	X2RAIL-4 AND X2RAIL-5 The X2RAIL-1, X2RAIL-2, X2RAIL-3, X2RAIL-4 and X2RAIL-5 projects seek to evolve the railway control system towards intelligent, real-time traffic management, focusing on improving communication, increasing track capacity, innovating in decentralised signalling and reducing energy consumption, as well as developing cybersecurity.
	PIVOT-2 PIVOT-2 seeks to create lighter, more energy-efficient and comfortable passenger trains, reducing the impact on the track to lower the life cycle cost of the railway system.
	IN2STEMPO The activities of IN2STEMPO Smart Power Supply seek to develop a more efficient railway electrical network in an interconnected system.
	IN2SMART2 The IN2SMART2 project seeks to improve rail asset management through innovative technologies, new economic opportunities and legislative changes. Its Smart Asset Maintenance Pillar proposes innovative holistic, prescriptive and risk-based management.
	FR8RAIL-3 The FR8RAIL seeks to establish functional requirements for sustainable and attractive European rail freight transport.
	LINX4RAIL LINX4RAIL2 advances a common architecture for the railway system supported by a conceptual data model. The objective of the project is the creation of a pattern that ensures sustainable interoperability between systems.
	TAURO The TAURO project seeks to develop technologies for autonomous rail transport. It focuses on advanced systems for environmental perception, remote operation, automatic diagnosis and transition to autonomous control systems.

In November 2021, *Europe's Rail (EU-Rail)*, the successor to *Shift2Rail*, was created as part of the *Horizon Europe* (2020-2027) programme. Its focus is to accelerate the research and development of innovative technologies and operational solutions to lead the transformation of the railway sector, driving the green and digital transition in Europe. CAF has a relevant participation in this programme as one of its founding members.

In 2023, we started five collaborative projects (*Flagship Projects FP*) that will run until 2026. These projects focus on technologies and the design and validation of concepts that we will integrate into prototype vehicles in the final phase of *EU-Rail*. Starting in 2026, we will begin prototype projects to validate the technologies in representative environments.

	FP1-MOTIONAL The MOTIONAL project is working on developing requirements, specifications and operational solutions for the future European Rail Traffic Management System. This project promotes the railway as the backbone of a sustainable transport system for passengers and goods.
	FP2-R2DATO The R2DATO project seeks to advance towards the goal of complete train automation by 2030, taking advantage of digitalisation, in order to improve the capacity of the infrastructure in existing railway networks.
	FP3-IAM4RAIL IAM4RAIL focuses on developing innovative technologies that reduce costs, extend service life and improve efficiency of the railway system, covering infrastructure and rolling stock.
	FP4-RAIL4EARTH The Rail4EARTH project focuses on improving railway sustainability and contributing to the goals of a climate-neutral Europe by 2050. It advances technologies to increase energy efficiency and develops electric trains with batteries to replace current diesel fleets.
	FP6-FUTURE The FutuRe project seeks to improve the profitability of the regional railway through new innovative technologies, complying with safety standards and improving the reliability, availability and capacity of the system. It seeks to revitalise regional lines, addressing infrastructure, rolling stock and services.

In addition, we work on several innovative projects at European and national level, collaborating with external business partners:

	FCH2RAIL The European FCH2RAIL project seeks to develop a bi-mode electric/hydrogen railway prototype, capable of operating with electricity on catenary sections or with hydrogen fuel cells on non-electrified sections. In addition, the train includes batteries that allow it to reduce its consumption. It is also part of the scope of the project to work on establishing the regulations for operating this type of vehicle in Europe.
	TRAIN LÉGER INNOVANT SNCF's Train Léger innovant project aims to revive regional lines with an innovative vehicle, while keeping life-cycle costs under control. The new type of vehicle will be lighter and have zero direct emissions in order to replace the diesel trains currently in use.
	VIRTUAL-FCS The European project VIRTUAL-FCS seeks to create a global open-source standard tool for designing hydrogen fuel cells in transportation.
	STASHH The European StasHH project aims to establish an open standard for hydrogen fuel cell modules in heavy mobility.
AVOGRADRO	**AVOGRADRO** The AVOGADRO project focuses on developing high-performance hydrogen refueling stations.
	HYBRID BEAMS The Hybrid Beams project is investigating a new bus structure using carbon fibre and foams as local reinforcement, ideal for electric and hydrogen buses.
	5GRAIL The global standard for rail communications, the Future Rail Mobile Communication System (FRMCS), is under development for 5G. The European 5GRAIL project seeks to create and test prototypes of the FRMCS. This includes verifying and possibly updating technical specifications, as well as identifying possible technical problems.
	FRACTAL FRACTAL seeks to create a reliable computing node for the Cognitive Edge, following industrial standards. This node will be essential in a decentralised and scalable Internet of Things.
	VALU3S VALU3S researches and refines advanced Verification and Validation (V&V) methods to reduce time and costs in the development of automated systems. Improved workflows and supporting tools are designed and assessed for safety, security and privacy. In addition, it contributes to the development of standards and provides guidelines for improving the V&V of automated systems, taking into account costs and time.
	TCRINI The TRCINI 2 project aims to develop technologies to optimise maintenance work. The developments made within this project will take advantage of current developments in areas such as artificial intelligence, big data, digital twins, cloud computing, etc. in order to apply them to the field of maintenance of critical elements of railway and road infrastructure.

2.6.2 Innovation in processes

At CAF Group we are committed to continuous improvement and excellence in operations. To achieve these objectives, we have implemented a series of innovative programmes and adopted efficient methodologies, focused on optimising operational processes. These initiatives and methodologies have not only reduced costs, but have also promoted quality, customer satisfaction, operational efficiency and environmental commitment, reaffirming CAF's commitment to continuous improvement and excellence in its operations.

MOVE
Rolling to Excellence

In 2018, CAF launched the MOVE global transformation programme, aimed at the rail vehicle activity, with the purpose of stimulating all areas to reflect on improving their efficiency in terms of costs, quality and deadlines. MOVE's many initiatives are grouped into diverse workstreams spanning Operations, Quality and Contract Management, from the bidding phase to guarantees. The challenge for 2023 has been to adopt the working dynamics defined in MOVE, which identifies improvements, establishes a plan for their implementation, calculates their impact and ensures a follow-up until the last milestone is reached and the impact on the Company is guaranteed.

By 2023, the MOVE programme has generated more than 1,000 improvements implemented in the organisation, addressing key areas such as:

- Performance management of the engineering area, with productivity improvements of up to 5%.
- Development of validation banks for electronic equipment for URBOS platforms and other lines, reducing project costs by up to 0.5%.
- Automation of wiring continuity and vehicle rigidity tests, with up to 0.2% cost reduction in a project.
- Standardisation of TCMS variables and alarms, achieving cost reductions of up to 0.1% in a project.
- Reinforcement of quality gates and reprocessing procedures, with savings of up to 0.5% on projects.
- Definition of ideation processes for continuous improvement, increasing competitiveness by 2% annually.
- Standardisation and implementation in the design of vehicles of the necessary solutions for their transport (€0.7 M/year).
- Redefinition of the design of the driving cabins with the aim of making them reusable in different projects (€0.6 M/year).

However, MOVE does not only focus on cost reduction, but prioritises product quality, customer satisfaction, digitalisation of processes, improvement of technical capacity and technical specialisation, increase of both production and engineering capacity and improvements in lead times, among others. This comprehensive approach has allowed holistic innovation in operational processes, covering multiple aspects that contribute to efficiency and competitiveness.

Other transformation initiatives similar to MOVE are being carried out in the railway services activities and in the bus segment.

In addition, the Lean Manufacturing methodology has been a key pillar in CAF's strategy to optimise its facilities and operations. This approach focuses on minimising waste and maximising customer value. As a result, significant improvements in cost, quality, lead times and manufacturing capacity have been achieved, while prioritising safety and occupational well-being, reducing the emission of harmful substances and environmental impact.

Improved safety and ergonomics have been decisive in the development of production processes. We have implemented new assembly stations and platforms, integrated cranes, manipulators, hoists and clamping devices, and reorganised production processes. We have replaced tools with more advanced ones and we have redesigned fixtures to make them easier to manipulate, all with the aim of achieving these improvements in production processes.

At the same time, we have taken significant steps in the implementation of automation in our production processes. Automated stations for handling, measuring and rolling of railway axles have proven to be innovative and efficient, not only optimising processes, but also ensuring precision and efficiency in production. In the bus segment, increased automation in tasks such as the cutting of floorboards, felts and foams, the polishing of exterior panels, hydrogen refuelling and welding by welding robots have been particularly relevant.

Digitalisation

At the CAF Group, we are immersed in a comprehensive digital transformation that covers products, production and management. The cornerstone of this change is the implementation of a new ERP (Enterprise Resource Planning) system, acting as a catalyst to modernise all management tools. This ERP not only seeks global and flexible management, but also adapts to emerging needs, being the technological engine for other transformative initiatives.

The implementation of this system will be crucial to evolve services, processes and communications within CAF, facilitating continuous digital integration between various functions and activities of the Group. It is expected to provide greater agility and flexibility in project management and monitoring, integrating and standardising business processes to significantly improve information management and budget control in real time.

This new system will also improve the harmonisation, standardisation and visibility of activities related to supplier management, optimising costs. The digital continuity between the Design (PLM) and Operations Management (ERP) tools will allow the integration of processes in Purchasing, Quality, Manufacturing and Testing.

The ultimate goal is to achieve robust data governance, with unified coding of materials and suppliers, as well as accurate analytical reporting through a new Business Intelligence tool. The selected ERP, a market leader, offers the possibility of incorporating the best practices of leading companies and developing a global map of applications with full connectivity and integration.

ZIABOGA

The new ERP implementation project, called Ziaboga, began in 2019 with the selection and signing of the contract with the ERP provider. During 2021, we carried out the Correction and Exploration phases and worked on the detailed design of the ERP based on its functional specification. In 2022, we focus on optimising the design to the optimal configuration.

In 2023, we started the year immersed in unit and integrated testing, user acceptance testing and end-user training, all geared towards the launch of the ERP system in the power and control equipment business. This implementation was carried out successfully in the month of May, as a prior step to the rail vehicle activity. Subsequently, we have worked intensively on several fronts, including among others data migration, cutover tasks and end-user training, to launch the system in the rail vehicle segment with the new year.

In addition to the implementation of the new ERP, at CAF we have adopted various measures to improve the company's processes through digitalisation. These include the introduction of virtual validation and approval processes, automated test and validation environments, digitisation of documentation in logistics, manufacturing, quality and maintenance, developments aimed at digital continuity between IT systems, as well as the adoption of graphical programming languages to simplify code generation.

On the other hand, in the railway segment, in the services activity, we have launched a program to develop a new operating model called SOM (*Smart Operation Management*), based on digitisation. Its main objective is to improve the profitability of contracts by improving efficiency in operations. This project is deployed through six workflows that focus on integrating train data into maintenance, optimising the maintenance plan, boosting productivity, procurement efficiency, creating Centres of Excellence, and data governance and reporting.

2.6.3 Open innovation

In recent years, CAF's collaboration with various suppliers, business partners, technology companies and research centres has been key to promoting innovation in the Group. European and national R&D funding programmes such as *Shift2Rail* and *EU-Rail*, also recognise and encourage such partnerships.

An outstanding partnership has been with the Ikerlan Technology Centre, initiated in 2006 for the development of its own traction equipment. Ikerlan has contributed in multiple aspects, from traction systems to the onboard energy storage system (OESS), even covering signaling and railway infrastructure.

In addition, at CAF we have established subsidiaries such as Traintic (2002), Trainelec (2007) (now CAF Power & Automation) and CAF Signalling (2010), to market products developed in the Group's R&D department. These subsidiaries are leaders in their sector and have expanded and improved their range of products thanks to significant investments in innovation.

LeadMind
EASING THE WAY TO FUTURE MOBILITY

A recent example is CAF Digital Services, founded in 2020, which markets LeadMind, CAF's data-driven digital platform. This subsidiary emerged after years of R&D projects focused on the digitalisation of trains, including data acquisition, management and analysis.

CAF STARTUP STATION

The CAF Group's collaboration also extends to the startup ecosystem. CAF Ventures, launched in 2015, and the Venture Client unit CAF Startup Station, created in 2020, seek to partner with startups offering innovative solutions in the rail and bus sectors. This approach allows us to build long-term relationships and has generated successes such as the implementation of software for the accurate and agile management of non-financial information.

In addition, CAF collaborates through technology licences, facilitating access to its own developments to other companies and adopting third-party developments to improve its processes and products. This strategy expedites the commercialisation of proven and trusted products.

3

2023 A YEAR OF ACTIVITY AT A GLANCE

JANUARY

- Sustainability function reporting to the Economic and Financial and Strategy Department
- Implementation and certification of the ISO 14001:2015 standard at CAF UK headquarters

FEBRUARY

- NFIS Publication - 2022 Sustainability Report (Approved by the Board of Directors)
- Inclusion of CAF in ASCOM, one of the main associations in the area of Compliance in Spain

MARCH

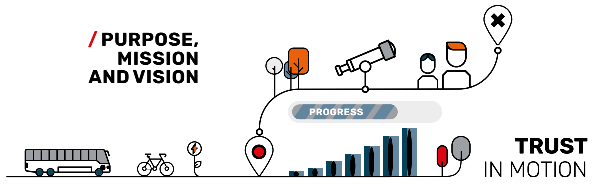
- Improvement MSCI rating from BBB to A

MAY

- Improvement Sustainalytics Low Risk Rating (17.2)

JUNE

- New ISO27001 certification obtained by the Railway Signalling activity
- Arrival of the hydrogen prototype train in Canfranc
- Definition of the Purpose and updating of CAF's Mission, Vision and Values, where sustainability continues to be a cross-cutting and backbone element for the success of the Company's strategy
- FTSE Russell rating improves with a score of 4.1/5, positioning us among the best 10% in our subsector (Commercial vehicles & trucks).



JULY

- New ISO27001 certification obtained by the Railway Services activity
- Update of the Corporate Environmental Policy
- Signing of Railsponsible's Climate Pledge

AUGUST

- Start of the installation of new heat treatment furnaces in the wheel forge at CAF Miira's Beasain production plant (commissioning in 2024).

SEPTEMBER

- New Sustainability Governance Model approved by Executive Committee

OCTOBER

- Improved Ecovadis Rating 83/100 (Platinum) Top 1% of the industry

NOVEMBER

- Launching of the Operational Sustainability Committee

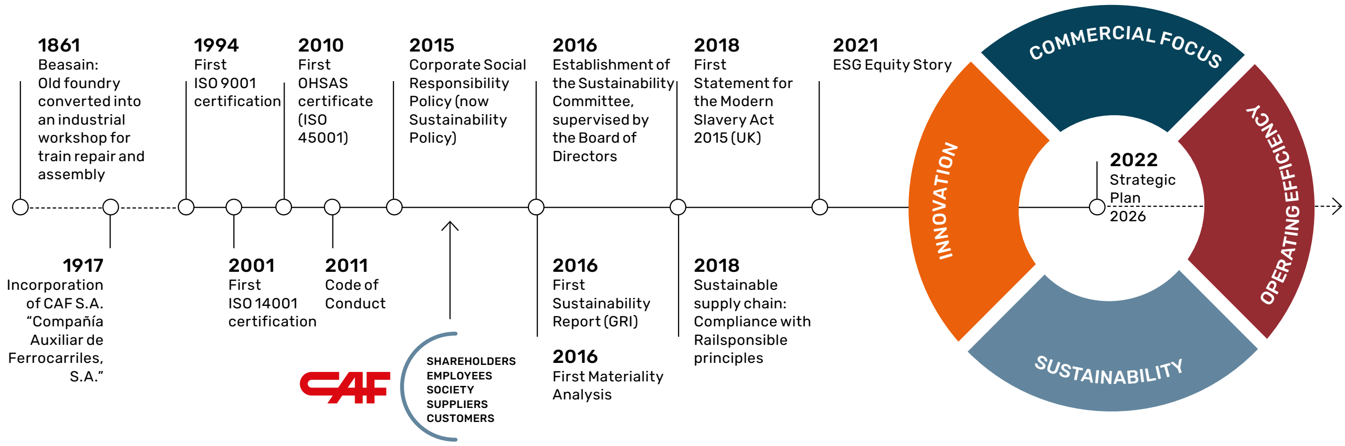
DECEMBER

- Launch of the Strategic Sustainability Committee
- Certification of Occupational Health and Safety management systems based on the ISO 45001 standard in the manufacturing plants of CAF Reichshoffen, CAF France and CAF Rolling Stock UK
- SL18 Sporveien tram remote driving demonstration
- ISO 26000:2021 audit successfully passed at CAF S.A.
- Publication of new Code of Conduct of the CAF Group
- Publication Due Diligence Policy on Human Rights

4 HOW WE UNDERSTAND SUSTAINABILITY

4.1 SUSTAINABILITY AT CAF

Sustainability has been a cornerstone in the evolution of the CAF Group since its founding, more than a hundred years ago. Throughout our history, we have been taking steps towards a more sustainable company, starting with a varied portfolio of rail and bus electrical products and always bearing in mind the expectations and interests of our stakeholders:



In our sustainability journey, 2023 was a turning point with the roll-out of the 2026 Strategic Plan, approved at the end of 2022. This plan, which includes sustainability as one of four strategic pillars, has elevated ESG issues to the forefront and acted as a catalyst for the many achievements and progress made by the Organisation this year.

Thus, the 2023 financial year began with the transfer of the sustainability function to the Economic and Financial Department with the aim of bringing the management of sustainability information closer to financial information and taking advantage of the synergies and lessons learned from this area in terms of the development of Internal Control and Reporting Systems.

A process of transformation of the area was also initiated, culminating in a new governance model and the creation of a Delegation of Authority (DoA) Model, which are developed in more detail in section 4.3 of this document.

Until this change became effective in November 2023, the Sustainability Committee, made up of a multidisciplinary team representing the areas of the Company with the greatest impact in this area, has been responsible for ensuring compliance with the commitments acquired by the Company, as well as monitoring the activities carried out in this area.

Motivated by its growing sensitivity towards ESG issues and in line with the increase in the requirements of its Stakeholders in the matter, CAF has demonstrated an improvement in its sustainability management in recent years, highlighting the work carried out in the following areas :

SUSTAINABILITY AS PART OF OUR STRATEGY

ALIGNED WITH BEST PRACTICES	TRANSPARENCY	COMMITMENT	RATING AGENCIES
/ Materiality analysis carried out in 2021 in accordance with the GRI standard. / Publication of the first "ESG Equity Story" in 2021, which explained the Organisation's sustainability journey. / Adherence to SBTi and Race to Net Zero, demonstrating our commitment to decarbonisation.	/ Annual publication of a Sustainability Report prepared based on GRI standards, which is integrated into the Company's Management Report. / High degree of eligibility and alignment with the European Taxonomy of Sustainable Activities. / Management Plan and Sustainability Scorecard implemented in the Group.	/ Adhered to the United Nations Global Compact since 2020. / Sustainability Committees and specialised forums implemented in the Group. / Improvement in the perception of the Group by the main rating agencies. (More information in section 4.7 of this chapter) / Numerous adhesions and external audits such as IRIS, ISO 14001, EMAS or alignment with ISO 26000 in the management of the parent company, CAF S.A.	A 2023 – MSCI Low risk 2023 – SUSTAINALYTICS 63/100 2023 – S&P Global Ratings 83/100 2023 – ecovadis B 2023 – CDP

4.2 POLICY AND SUSTAINABILITY COMMITMENTS [2-23]

Demonstrating our long-term commitment to society and the environment, the CAF Board of Directors approved its Sustainability Policy on December 17, 2020, which defines the main objective of the Group in terms of Sustainability: "to reconcile the development of its mission with the balanced satisfaction of the needs and expectations of its Stakeholders in order to create value in a sustainable and long-term manner."

In order to transfer this objective to its day-to-day management, CAF follows the following principles of action when undertaking 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 has also made the following commitments:

- The Corporate Management Model is aligned with the corporate social responsibility guide ISO 26000:2021 **, which has allowed CAF, S.A. to obtain a positive third-party verification (LRQA).**
- Sustainability Report based on GRI and verified by an independent third party for compliance with the Non-Financial Reporting (NFR) Law 11/2018 (E&Y). (Available in section 9.5 of this Report)
- Since 2020, CAF, S.A. has been a member of the **United Nations Global Compact**, the world's largest corporate sustainability initiative that promotes the implementation of ten universal sustainability principles in the strategies and operations of companies, as well as the promotion of actions that foster social objectives, such as the UN Sustainable Development Goals.

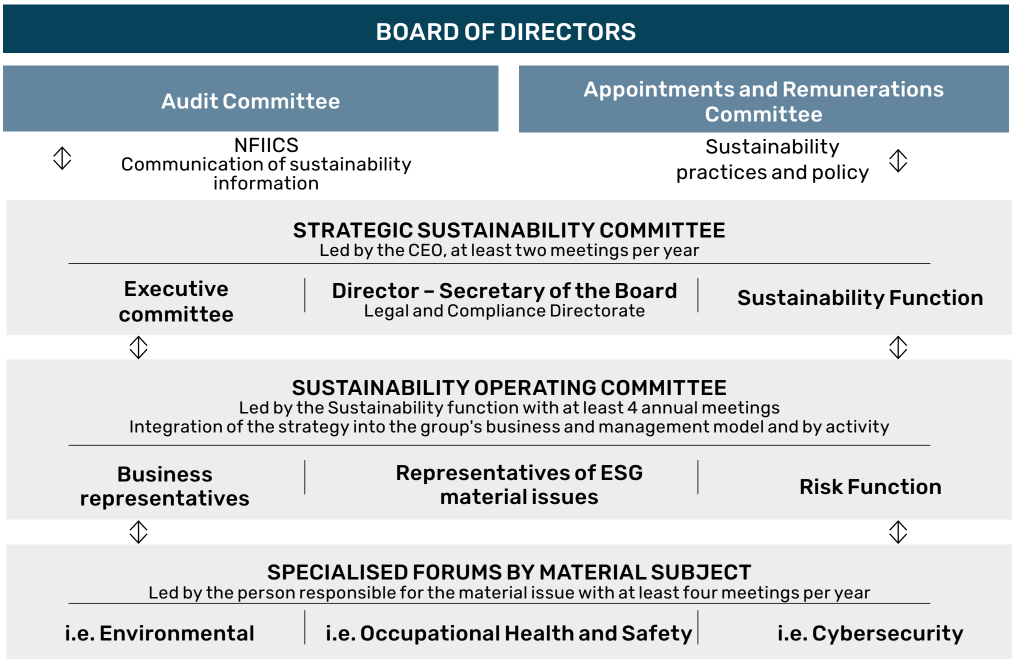
  Through this accession, CAF undertakes, among other issues, to support and develop the ten principles of the Global Compact regarding Human Rights, Labor Rights, the Environment and the Fight against Corruption.
- CAF contributes with its activity to the Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development approved by the United Nations General Assembly.
- CAF participates in the **Railsponsible** sector initiative where it collaborates with other stakeholders in the development of sustainable practices along the rail industry value chain.
- The CAF Group has joined the **SBTi (Science Based Targets Initiative)** and the alignment initiatives against climate change and with the Paris Agreement, which reinforces the company's commitment to the challenge of climate change.

4.3 SUSTAINABILITY GOVERNANCE [GRI 2-12, 2-13, 2-14]

To ensure compliance with the commitments and principles established in the Sustainability Policy, CAF integrates sustainability aspects into its management model and has governance systems that guarantee the integration of ESG criteria and those related to the fight against climate change in the decision-making processes at the highest level and in daily operations.

Throughout 2023, we carried out important work to propose alternatives to the **Sustainability Governance Model** in force to date with the aim of advancing the inclusion of Sustainability in an intrinsic way in the Organisation, thus facilitating its effective management at all levels. As a result of this exercise, through the analysis of comparables and interviews with management on the current governance model and the desired model, a new configuration of the Sustainability Committee was designed, as described below, and the Sustainability Area Delegation of Authority Model (DoA) was defined, which describes the functions, roles and responsibilities of all the bodies and areas involved in ESG management.

It should be noted that the main improvements over the previous model focus on optimising the functioning of the Sustainability Committee, replacing it with two new Committees, as detailed below, while maintaining the previous structure in terms of supervisory bodies and Committees reporting to the Board of Directors in sustainability matters.



The Board of Directors, assisted by its Committees, continues to be the highest governing body of the Organisation with responsibilities in matters of sustainability and climate strategy and is regularly informed of activities in the area of Sustainability and Stakeholder relations in application of the provisions of the Sustainability Policy. Among its functions is the approval of this Report, after review by the Appointments and Remuneration Committee, the preparation of which has been led and coordinated by the Sustainability Function. In compliance with Law 11/2018, the Non-Financial Information Statements (EINF)/Sustainability Report are subsequently ratified by the General Meeting of Shareholders.

Reporting to the Board of Directors, the Appointments and Remunerations Committee is responsible for supervising and evaluating the Sustainability Policy and environmental, climate and social practices. The Audit Committee is responsible for the Non- Financial Internal Information Control System (NFIICS) and risk monitoring.

Compliance, deployment and monitoring of the principles and objectives of Sustainability, as well as the approval of strategic decisions on the matter, in coherence with the Strategic Plan and the Sustainability Policy, are led by the Chief Executive Officer (CEO) within the Strategic Sustainability Committee. This Committee, newly created and launched in December 2023, has among its main responsibilities the approval and supervision of the strategy and main initiatives on sustainability and climate change, reporting in turn to the Appointments and Remunerations, and Audit Committees.

The integration of the strategy into the Group's Business and Management Model and by activity is led by the Sustainability Function in the Sustainability Operating Committee. This Committee, launched in November 2023, integrates representatives from the activities carried out by the CAF Group together with representatives from each of the ESG pillars and the Risk Function.

Finally, the management of relevant material issues at the Group level and by activity is resolved in the relevant specialised forums, which are responsible for implementing the Group's strategy in all functions and areas.

4.4 MATERIALITY [GRI 3-1, 3-2]

In 2021, we updated the materiality analysis, following the guidelines defined by the Global Reporting Initiative (GRI) standard, as well as Law 11/2018 and the CNMV's Reports on the Supervision of Non-Financial Reporting Statements and main areas of review for the following year. The result of this analysis was published in July 2021 in the ESG Equity Story.

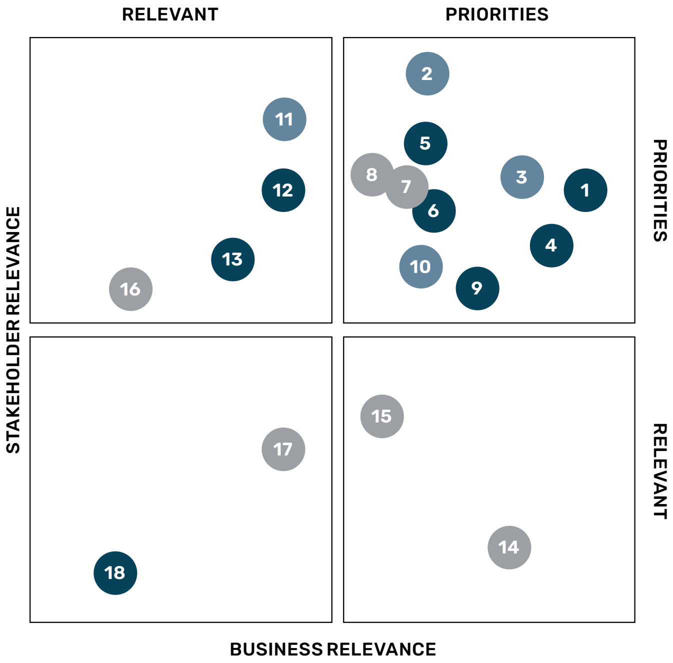
In this materiality analysis, we started from the identification of an initial list of potentially material ESG issues for CAF and its stakeholders based on different sources of information and taking into account the long term as a time horizon. These issues were subsequently prioritised according to 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.

<table>
<tr><th>1 IDENTIFICATION</th><th>2 PRIORITISATION</th><th>3 VALIDATION</th></tr>
<tr><td>Initial list of ESG issues potentially material or relevant to CAF and its stakeholders.</td><td>Ranking of issues according to the degree of relevance for CAF's stakeholders and for the business (GRI criteria).

The issues have been found to comply with the EU's principle of double materiality, i.e. they are relevant in terms of their impact from the inside-out and from the outside-in perspective.</td><td>Validation of the materiality matrix and the prioritisation of material issues.</td></tr>
<tr><td rowspan="2">Drawing up an initial list of potentially material ESG issues for CAF from different sources of information, among others:

• List of issues from CAF's 2016 materiality analysis.
• International benchmark, sector and sustainability prescribers.
• Reporting frameworks.
• ESG investors and analysts.
• Binding and non-binding ESG regulatory requirements.</td><td>EXTERNAL PRIORITISATION
• Comprehensive analysis of the sources of information used in phase 1 identification, to assess the relevance of ESG issues.
• Comparative benchmark analysis of comparables.
• Conducting external interviews with shareholders, investors, customers and civil society representatives, among others.</td><td rowspan="2">Materiality matrix and prioritisation of material issues validated by the Sustainability Committee and CAF Management Model Committee.</td></tr>
<tr><td>INTERNAL PRIORITISATION
• Carrying out internal interviews: Board of Directors, Executive Committee and Secretary of the Board, among others.
• Organisation of an internal focus group with the Sustainability Committee.
• Analysis of corporate policies and Sustainability Plan 2021-2022.</td></tr>
</table>

Derived from the materiality analysis, we list below the 18 relevant aspects for CAF and its Stakeholders in the field of sustainability. Throughout this report, the significant risks and impacts in relation to each of them are exhaustively described.



PRIORITY

1. Product and service quality and safety
2. Climate strategy
3. Sustainable and efficient mobility
4. Respect for human rights
5. Health and safety in the workplace
6. Responsible and sustainable supply chain
7. Compliance and ethics in business
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

ENVIRONMENT SOCIAL GOVERNANCE

The various sections of this report respond to the issues identified, as set out in the table below. In addition, in chapter "9. Annexes" includes the table of contents of the Non-Financial Information Statement, the GRI content index and the content index in relation to the Global Compact Principles.

MATERIAL ISSUES	CHAPTERS
1 Quality and safety of the product and service	6.3 Product quality and safety
2 Climate strategy	5.3 Climate strategy
3 Sustainable and efficient mobility	2.6 Innovation and technology: keys to sustainable mobility
4 Respect for human rights	7.2.7 Respect for Human Rights and international sanctions
5 Occupational health and safety	6.2. Occupational Health & Safety
6 Responsible and sustainable supply chain	7.5 Responsible supply chain management
7 Compliance and ethics in business	7.2 Ethics and Compliance
8 Good corporate governance	2.5 Corporate Governance
9 Excellence in the relationship with stakeholders	2.4 Value creation and 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	6.1.3 Talent development
13 Diversity and equal opportunities	6.1.4 Diversity and equal opportunities
14 Fiscal responsibility and transparency	7.4 Tax transparency
15 Risk and opportunity management	7.1 Risk management
16 Innovation and technology	2.6 Innovation and technology: Keys to sustainable mobility
17 Information security	6.4 Product cybersecurity and 7.3 Company cybersecurity
18 Contribution and social development	6.5 Society

It should be noted that a SWOT analysis of the external and internal context is conducted on an annual basis as part of the development of the Annual Sustainability Management Plan, which is used to update material issues as necessary. During the 2023 financial year, no material issues have been included as a result of this analysis.

In addition, in the first half of 2024, we will conduct a new Double Materiality analysis, based on the guidelines set by EFRAG in the new European Sustainability Reporting Standards (ESRS), applicable to the CAF Group in the Report corresponding to the 2024 financial year. The results of this double materiality analysis will be published during 2024 and will serve as the basis for the development of CAF's Sustainability Master Plan, which will define the main strategic lines in this area within the strategic cycle in which we find ourselves (2024-2026).

4.5 CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDG)

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.

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

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.

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.

PROMOTING RESPONSIBLE PURCHASING

- Sustainability commitment requirements in the Supplier Code of Conduct.
- Requirement of compliance with the REACH Regulation and the UNIFE Railway Industry Substance List for 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.

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.

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.

Following the elaboration of the Sustainability Master Plan and the dual materiality analysis in 2024, this reflection exercise will be reviewed.

4.6 RESPONSIBLE MANAGEMENT SCORECARD

	ACTUAL			TARGET			
INDICATORS [1]	FY21	FY22	FY23		FY23E	FY24E	FY26E[5]
CO_2 emission reduction (%) Scope 1&2 (base year 2019, SBTi)	-	31.5% [2]	32.6%	●	16.8% [4]	21% [4]	30% [4]
CO_2 emission reduction (%) Scope 3 (product use) (base year 2019, SBTi)	-	22.9% [3]	46.8%	●	25.2% [4]	30.5% [4]	40% [4]
EU taxonomy alignment (Turnover) (%)	-	76%	80%	●	80%	82%	84%
Frequency rate	17.3	15.2	14,1	●	14.5	14.0	13.5
Customer satisfaction rating (1/10)	7.7	7.8	7.9	●	7.9	7.9	8.0
Organisational health index (1/10)	6.4	6.6	6.6	●	6.7	6.7	6.8
CDP Sustainability Assessment	-	B	B	●	B	A-	A-
Sustainalytics Sustainability Assessment	Low Risk	Low Risk	Low Risk	●	Low Risk	Low Risk	Low Risk
MSCI Sustainability Assessment	BBB	BBB	A	●	A	A	A
S&P Sustainability Assessment	54	64	63	●	66	66	70
Ecovadis Sustainability Assessment	65	75	83	●	75	75	75

● BETTER TARGET ● WORSE THAN TARGET, BUT BETTER OR EQUAL TO THE PREVIOUS YEAR ● WORSE THAN TARGET

1. The current configuration of the Responsible Management Scorecard responds to the material issues identified in the Materiality Analysis carried out in 2021 and updated in the reviews of the annual Sustainability Management Plan. In 2024, a Double Materiality Analysis will be carried out, which will result in a new list of material topics. This update may affect the configuration of the Scorecard.
2. Value published in the 2022 Sustainability Report: 30%. Value corrected after incorporation of Reichshoffen in the scope: 31.5%
3. Value published in the 2022 Sustainability Report: 14.8%. Value corrected after incorporation of Reichshoffen in the scope: 22.9%.
4. Net-Zero Pathway submitted to SBTi and pending validation.
5. 2026 Strategic Plan Objectives.

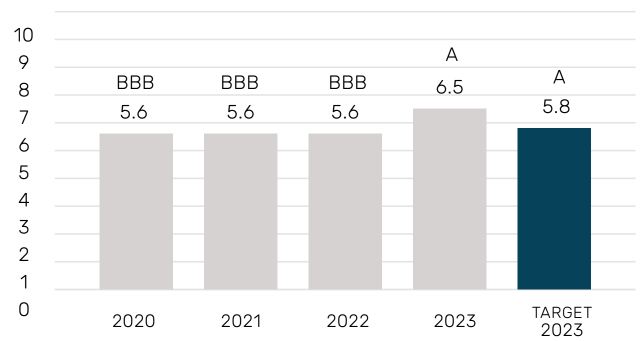
4.7 ASSESSMENTS BY ESG RATING AGENCIES

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. For this purpose, it has resources allocated for this and moves forward with firm steps, improving its performance in the main rating agencies year after year.

The main external ESG assessments of the CAF Group at year-end 2023 and their trends over the years are set out below:

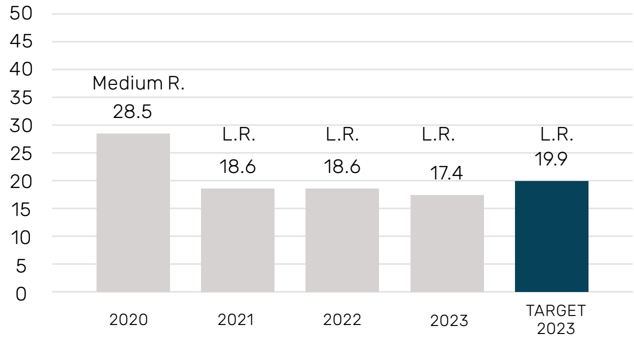
AGENCY	SCORE	DESIRED EVOLUTION
MSCI	A 2023	↑BETTER

MSCI 2023



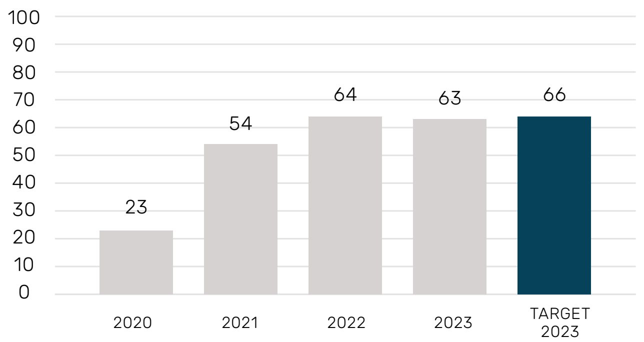
AGENCY	SCORE	DESIRED EVOLUTION
SUSTAINALYTICS	Low risk 2023	↓BETTER

Sustainalytics 2023



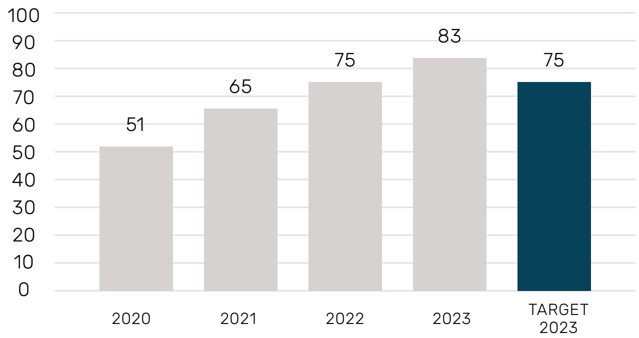
AGENCY	SCORE	DESIRED EVOLUTION
S&P Global Ratings	63/100 2023	↑BETTER

S&P's 2023



AGENCY	SCORE	DESIRED EVOLUTION
ecovadis	83/100 2023	↑BETTER

Ecovadis 2023



AGENCY	SCORE	DESIRED EVOLUTION
CDP	B 2023	STABILITY

4.8 SUSTAINABLE FINANCE

Sustainable finance is essential to carry out the ecological transition towards a climate-neutral economy, directing capital towards assets that not only generate economic value, but at the same time are useful for society and not harmful to the environment. In fact, the achievement of the Sustainable Development Goals (SDGs) and climate agreements make it necessary to mobilise enormous financial flows, many of which must come from the private sector.

4.8.1 Sustainable Taxonomy of the European Union

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.

The package of measures derived from this plan included concrete actions to redirect capital flows towards sustainable investments, as a result of which the Regulation on the European Taxonomy of Sustainable Activities, Regulation (EU) 2020/852, which aims to establish a classification system that, based on objective criteria, determines which economic activities are sustainable, was published in June 2020.

This Regulation contains its basic principles and rationale which have been further developed through several delegated acts, including the Climate Change Delegated Act (2021) and its amendment in 2023; and the Environment Delegated Act developing the remaining four environmental objectives.

In compliance with article 8 of the Regulation on the EU Taxonomy of Sustainble Finance, CAF complies with its disclosure obligations as a non-financial public-interest company with more than 500 employees since its Sustainability Report 2022. Thus, we regularly report on the proportion of eligible and non-eligible economic activities according to the Taxonomy in total turnover, capital expenditure (CapEx) and operating expenditure (OpEx) (article 10.2 of the delegated act supplementing article 8 of the Taxonomy Regulation).

In accordance with the provisions of the Regulation on the Sustainable Finance Taxonomy, in 2021, CAF published the degree of eligibility and ineligibility of its activities for "Climate Change Mitigation" and/or "Climate Change Adaptation" objectives, which were the Delegated Acts published so far. Later, in 2022, in addition to the above, we reported on the alignment of our activities with the Taxonomy:

- An activity is eligible if it is included among the activities listed in the 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 impact on the other objectives
- meets the minimum social safeguards

In 2023, the eligibility and alignment of the activities listed in the Climate Change Delegated Act and the amendment to it published in 2023, as well as the activities included in the Environment Delegated Act, are reported. It should be noted that the CAF Group does not currently carry out activities listed in the latter.

The analysis carried out to establish the activities eligible under the European Commission's criteria for the Taxonomy and aligned with the same described below, covers all the companies that make up the CAF Group's scope of consolidation.

As a result of the analysis carried out, the results obtained in terms of the contribution of CAF's activity to the objective of "Climate Change Mitigation" are described below, in which practically all of the Group's activities are included:

INDICATORS [9]	2023	2022	2021
% Eligibility Turnover	97%	97%	99%
% Turnover Alignment	80%	76%	N/A
%CapEx Eligibility	97%	99%	99%
%CapEx Alignment	74%	87%	N/A
%OpEx Eligibility	98%	97%	99%
%OpEx Alignment	75%	82%	N/A

9 To calculate the indicators related to the European Taxonomy of Sustainable Activities, the following parameters have been considered: Turnover (INCN) corresponds to the net turnover in the 2023 Consolidated Financial Statements; CapEx corresponds to the total additions in cost in 2023 of property, plant and equipment and intangible assets, as reflected in the movement in property, plant and equipment in the Consolidated Financial Statements; and finally, OpEx corresponds to the 2023 consolidated operating expense accounts associated with R&D expenses, short-term leases, and maintenance and repairs.

These results demonstrate the high degree of eligible activities aligned with the Taxonomy that the CAF Group has, thus positioning us as a key player in driving the transition to a decarbonised economy.

Description of activities

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

CAF GROUP ACTIVITY	TAXONOMIC ACTIVITY: CLIMATE CHANGE MITIGATION
Manufacturing, installation, technical consulting, renovation, modernisation, repair, maintenance and reconversion of products, equipment, systems and software related to railway components	3.19. Manufacture of rail rolling stock constituents [1]
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock (railway and bus).	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
Engineering development and construction (EPC) of photovoltaic plants	4.1. Electricity generation using solar photovoltaic technology [2]
Data-driven digital solutions to make performance and sustainable mobility more efficient	8.2. Data-driven solutions for GHG emissions reductions

1. New activity included after the publication in June 2023 of the Delegated Regulation that amends the Delegated Act on Climate Change.
2. In the process of calculating the 2023 taxonomic indicators, it was detected that, in the previous year, some construction activities (EPC) of photovoltaic solar plants were assigned by mistake to other taxonomic activities. For this reason, this year activity 4.1. Electricity generation using solar photovoltaic technology is included, in which the aforementioned projects have been considered.

In Annex 9.4.1. of this Report, detailed information on the results for the 2023 financial year can be found in the standardised format for reporting this information, as well as a methodological note on the process of calculating the taxonomic indicators of eligibility and alignment for Turnover, CapEx and OpEx.

4.8.2 GREEN AND SUSTAINABLE FINANCING FRAMEWORK

At CAF, aware of the importance of sustainable finance in the current business context, we have taken an active role and during the current financial year we have developed our first Green and Sustainable Financing Framework, which will be published within the first quarter of 2024, once a Second Party Opinion (SPO) has been obtained from a reputable verification service provider.

Our Green and Sustainable Financing Framework aims to establish the main guidelines for the issuance of financial instruments of two types within the CAF Group:

- Sustainability-linked ("sustainable") financial instruments based on the Sustainability-Linked Bond Principles (SLBP[10], June 2023) of the International Capital Market Association (ICMA) and to the Sustainability Linked Loan Principles (SLLP[11], June 2023), published by the Loan Market Association (LMA).
- Financial instruments linked to eligible green projects ("green") based on the Green Bond Principles (GBP) (June 2021) of the International Capital Markets Association (ICMA) and the Green Loan Principles (GLP) (2023) developed by the Loan Market Association (LMA).

In this way, all green and sustainable financial instruments issued under the Framework must comply with the criteria established in the guidelines indicated above.

Thus, the CAF Group signals to the market that it is ready to lead the transition towards a decarbonised economy and continues its progress towards sustainability management integrated with its business strategy.

10 *Sustainability-Linked Bond Principles.*
11 *Sustainability-Linked Loan Principles.*

5 OUR COMMITMENT TO THE ENVIRONMENT

The CAF Group is aware that its industrial activities have an impact on the environment. Thus, in line with the provisions of the United Nations Global Compact for Sustainable Development 2030 of which it is a signatory, it is committed to promoting measures that contribute to environmental sustainability, as well as developing actions in relation to the mitigation of the causes of global warming and adaptation to Climate Change.

To reinforce and extend this commitment, the Company updated its Corporate Environmental Policy and its Environmental Policy Development Manual in 2023. 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.

The Policy, defined within the Corporate Environmental Forum and approved by CAF Management, has as its main objective to define the general principles and criteria that must govern the Group in environmental matters. It also projects to stakeholders the environmental commitments established in CAF's Sustainability Policy, which considers the environment as a key element of the concept of sustainability.

Thus, the CAF Group's Corporate Environmental Policy integrates the **principle of environmental precaution** by preventing the environmental impact of the set of activities it carries out. Along the same lines, it adopts the necessary and economically viable measures to control and minimise its significant environmental aspects, such as atmospheric emissions, energy consumption and waste generation, among others, with the aim of preserving natural resources, reducing environmental impact and promoting continuous improvement.

In the area of governance, the Corporate Environmental Committee, in which management participates together with the environmental managers of the parent company, coordinates and promotes all actions necessary to achieve and improve the Group's environmental performance and aspects related to environmental management. Furthermore, the Corporate Environmental Forum serves as a meeting point for those responsible for the environment of all the Group's activities, constituting an indispensable tool for the coordination of environmental actions in all segments and activities of the Group.

In the external sphere, in order to respond to the expectations and interests of its stakeholders in relation to the preservation of the environment, the increasingly demanding regulatory requirements and the constant analysis of management by analysts, evaluators and different agents of civil society, CAF maintains a fluid relationship with them by establishing open channels of communication with, among others, the Administration, local communities and/or civil society associations.

5.1 ENVIRONMENTAL MANAGEMENT

One of the principles of the Corporate Environmental Policy is the implementation of environmental management systems with the aim of minimising the environmental impact of the Group's operations. Through its implementation, the applicable legal requirements are identified and evaluated, compliance with which is periodically monitored. Likewise, to ensure the achievement of the objectives established by the Organisation the evaluation of the effectiveness of the measures adopted is carried out.

Thus, the CAF Group has environmental management certifications and evaluation and monitoring mechanisms that go beyond the legal requirements in each of the countries in which it operates. In 2023, in compliance with the objective of extending the scope of the environmental management systems implemented in the Organisation, the sites with an environmental management system certified under the requirements of the ISO 14001:2015 standard will cover 83% of the Group's total workforce, including facilities in both business segments (rail and buses). With the achievement of this milestone, all relevant plants[12] of the rail vehicle manufacturing activity have an environmental management system certified under the ISO 14001:2015 standard. Looking ahead to 2024, we will continue to extend this certification to other national and international subsidiaries of the Group.

Furthermore, it should be noted that in 2023, CAF S.A., the Group's parent company, has maintained the environmental management excellence certificate, based on the European EMAS "*Eco-Management and Audit Scheme*" Regulation, fulfilling the objective set.

12 The relevance criterion used is representativeness in terms of staff. In this respect, only one plant of the rail vehicle manufacturing activity remains to be certified, which is not representative in terms of the number of employees

CERTIFICATES	2024 TARGET	2023 TARGET	2023	2022	2021
ISO 14001:2015	>83% workforce	>78% work-force	83% of the workforce	80% of the workforce	70% of the workforce
EMAS	Maintenance	Maintenance	CAF S.A	CAF S.A	-

In all certified centres, internal and external inspections and audits are carried out annually, in which the progress in the implementation and certification of the environmental management system is evaluated, its effectiveness and, in particular, the correct application of the CAF policies, as well as compliance with legal and customer environmental requirements, among others. As a result of these audits, corrective and improvement actions are established for the management system. Likewise, environmental programmes are developed to monitor and improve systems, including environmental awareness actions for personnel.

5.2 ENVIRONMENTAL RISK MANAGEMENT [GRI 2-27]

As a result of the implementation of the CAF Group's Corporate Environmental Policy, the environmental compliance risk management procedure was created, which develops a unified methodology for environmental risk management in the Organisation, formally documenting the process that had been applied to date.

This procedure, deployed in 2022, considers all significant environmental impacts for the Group in the risk identification process, so that the main environmental risks associated with both the products and services offered by the Company and the industrial activities it carries out are identified:

(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.

The corporate risk assessment and management system integrates the identified environmental risks and provides a sequence of activities aimed exclusively at their management.

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.

These impacts have a direct impact in the short term, although they can also have an impact in the medium term, as a characteristic of environmental impacts is that they can last over time.

In this regard, it should be noted that in 2023, as in the previous year, no provisions or guarantees have been made for environmental risks, as there are no lawsuits or contingencies related to the protection and improvement of the environment, nor have there been any environmental pollution events. Additionally, no significant fines or sanctions in environmental matters have been recorded during the year.

In addition, during 2023, we have continued to make progress in broadening the scope of the Organisation's environmental risks and have worked to improve the maturity of existing mitigation measures and controls. In addition, progress has been made in identifying controls, especially for those risks assessed above the appetite.

The environmental risks associated with climate change, both physical and transition risks, are analysed in greater detail in section 5.3.1.

5.3 CLIMATE STRATEGY [201-2, EG 305, 305-1, 305-2, 305-3, 305-4,305-5]

Climate change is one of humanity's greatest global challenges in the 21st century, but it is a source of great opportunities for committed companies that seek to contribute to the decarbonisation of the economy.

CAF, aware of this challenge, aspires to lead the transition towards sustainable mobility, which is why the challenge of decarbonisation constitutes one of the main axes of its strategy. Thus, the Group 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.

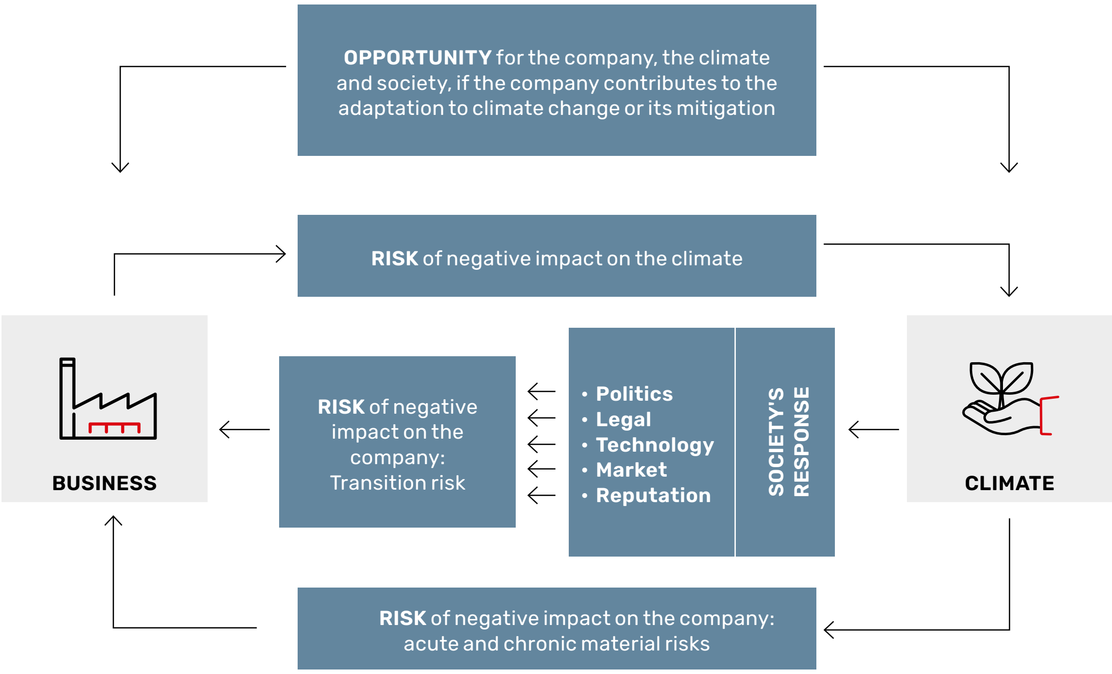
CAF's climate strategy is structured around the following pillars:

- Identification and quantification of risks and opportunities derived from climate change (5.3.1.);
- Decarbonisation strategy that sets the lines and objectives to achieve the ambition of reaching net zero emissions (Net-zero) in 2045. This strategy, described in the section 5.3.2., includes short, medium and long-term commitments for the reduction of the emissions generated by the Group's activities (scope 1, 2, 3).
- Decarbonisation of our portfolio of mobility solutions, through the development of alternative propulsion systems and the reduction of consumption and emissions across our entire range of products. (5.3.3)

5.3.1 Risks and opportunities derived from climate change[201-2]

The CAF Group worked in previous years to develop and integrate the management and analysis of the risks and opportunities derived from Climate Change within the framework of the Comprehensive Risk Management System. This system has continued to be improved and complemented throughout 2023.

Managing risks and opportunities derived from climate change is a two-way street: On the one hand, we must manage the potential negative impacts of our activity on the climate, and on the other, we have to manage the risks and opportunities we face to adapt to and combat climate change.



To this end, CAF's Corporate Framework for the Management and Assessment of Risks and Opportunities derived from Climate Change, based on the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), considers the following categories of risks and opportunities that are analysed in detail in this chapter:

5.3.1.1. Physical Risks
5.3.1.2. Transition Risks
5.3.1.3. Opportunities

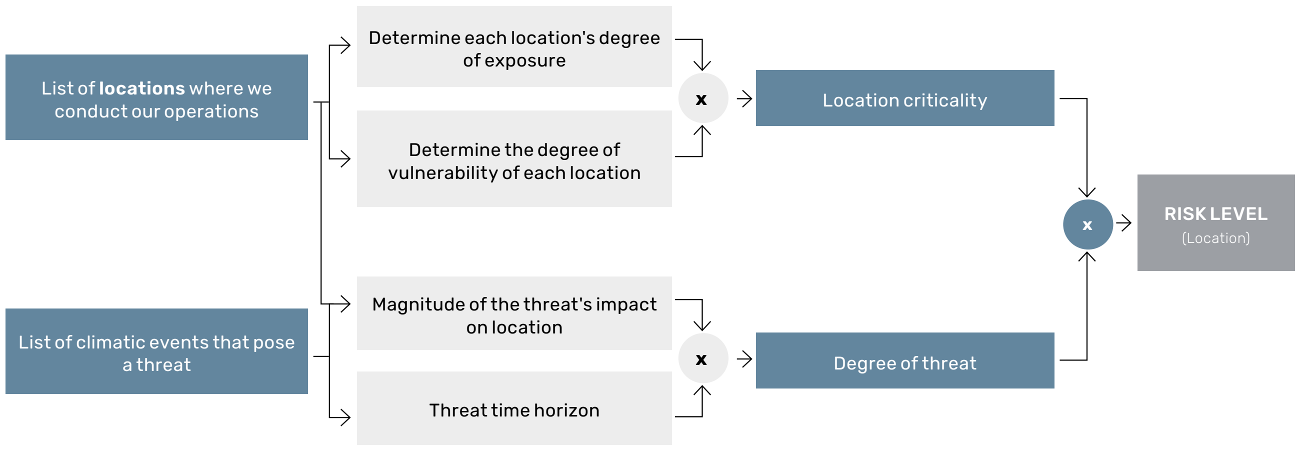
5.3.1.1 PHYSICAL RISKS

a) Valuation method

In its *Sixth Risk Assessment* (AR6), the Intergovernmental Panel on Climate Change (IPCC) projects different Representative Concentration Pathways (RCP) of greenhouse gases and analyses their impacts on the global increase in surface temperature, the intensification of the global water cycle and the reduction of the planet's CO_2 absorption capacity. These impacts will potentially lead to climate events that, in accordance with the recommendations of the *Carbon Disclosure Project* (CDP) and the *Task Force on Climate-related Financial Disclosure* (TFCD), are categorised into:

- **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 and decreasing rainfall.

Within the framework of the Comprehensive Risk Management System, we consider that these threats represent an operational risk directly linked to the global locations in which we work. Therefore, we have proceeded to assess the risk taking into account the following considerations:



In order to quantify the degree of each of the threats, we have used two different scenarios:

- **Very conservative scenario**: Consider IPCC RCP 8.5, in which no action is taken globally to combat climate change and, therefore, greenhouse gas emissions continue to grow. Under this scenario, temperature increases compared to pre-industrial levels of up to 4.8°C could be reached by the end of the century.
- **Plausible scenario:** Consider a scenario in which the increase in average surface temperature is 2°C.

b) Main physical risks identified

As a result of the application of the assessment process described in the previous section, two physical risks were assessed with a high risk level in this exercise:

- The **chronic threat of rising temperatures** can pose a challenge for CAF, and could have a high impact in the main geographies in which we have facilities.
- The **acute threat of an increase in extreme precipitation events** could become relevant, especially in France. In the Group, we have a contingency plan that includes both preventive and corrective measures to deal with this type of situation.

5.3.1.2 TRANSITION RISKS AND OPPORTUNITIES

a) Valuation method

Transition risks and opportunities encompass the potential impacts derived from the uncertainty generated by the actions taken worldwide to combat climate change.

Based again on the recommendations of CDP and TFCD, we have analysed, among others, the risks and opportunities that concern the following categories: Market, regulations, technology, resilience, energy sources and resource efficiency.

We have carried out the assessment of both risks and opportunities following our usual procedures, in which, for each event, we estimate a probability of occurrence and an economic impact. Additionally, for risks that may generate a reputational impact, this impact is also assessed on a five-level scale based on the intensity of the damage.

b) Main transition risks and opportunities identified

The trend towards sustainable mobility solutions is one of the main pillars underpinning the fight against climate change: For CAF, this commitment to mobility constitutes, without a doubt, a great opportunity. With a broad portfolio of sustainable products, being already leaders in certain markets such as urban electric mobility for buses, the growth of the markets in which we are already present and the possibility of accessing new markets with sustainable mobility proposals represent strategic opportunities for us.

All of this also places us in a privileged position to opt for sustainable financing sources that can lead to savings in financial costs.

Furthermore, we identify **the transition from the composition of our current order book to a portfolio** that tends to be 100% sustainable as the main risk to manage in this category.

5.3.1.3 MONITORING, CONTROL AND IMPROVEMENT

The monitoring and control of the risks and opportunities of climate change is carried out through the same channels established for all risks within the framework of the Comprehensive Risk assessment and Management System.

Due to their characteristics and areas of impact, we map these risks under the common structure of our catalogue which marks the first and second lines of defence for each one. The different risks associated with our impact on climate and vice versa are categorised into strategic, operational and compliance areas. (More information about risk management in the CAF Group in section 7.1).

Thus, our periodic risk reports for Management and the Audit Committee are always based on the complete catalogue of risks, paying special attention to the most relevant on each occasion.

In 2023, progress has been made in the development of the management of risks and opportunities arising from climate change within the Integrated Risk Management System. Specifically, the level of detail of the analysis has continued to increase so that, in 2024, physical risks can be analysed at the facility level, instead of at the country level. In this way, we hope to obtain more precise data that facilitate decision-making and the definition of ad-hoc mitigation measures for the centres analysed. Likewise, by increasing the level of detail, we will be able to assess and quantify these risks even more precisely.

5.3.2 DECARBONISATION STRATEGY

CAF continues towards the challenge of decarbonisation as the main axis of its strategy, with a commitment to sustainable growth focused on the environment, and leading the transition towards net zero emissions mobility.

Our strategic commitment to decarbonisation and the energy transition is reflected in the 2021 accession to SBTi (Science Based Targets Initiative) and Race to Zero, international alignment initiatives in the fight against climate change and the Paris Agreement. In addition, through our 2023-26 Strategic Plan, we have made public our ambition to achieve Net Zero carbon emissions by 2045, as well as our near-term emissions reduction targets within the 24-26 strategic cycle:

EMISSIONS REDUCTION TARGETS

	SCOPE 1&2[1] (% reduction of absolute emissions of scope 1+2)	**SCOPE 3 - PRODUCT USE** (% reduction in emissions intensity per passenger-km)[1,2]
FY26E	-30%	-40%
FY30E	-50%	-55%
FY45E	Net Zero	Net Zero

1. Base year 2019, since it is the most recent year for which complete and validated information is available on the Group's climate footprint. A fixed base year is considered and the recalculation method used is the pro-rata method.

2. Given the relevance of category 11 - Use of scope 3 product (c. 96% of total Scope 3 emissions in 2019) an intensity target is set for this category. The reduction in the ratio of emissions generated by the lifetime energy consumption of our products delivered in the period (Rail and Bus) is calculated on a normalised per passenger kilometre basis.

In response to these objectives 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 the 2023 reporting period within the "Net Zero Emissions" Initiative, included in the Sustainability Management Plan 23-24:

- Recalculation and verification of the Group's 2022 carbon footprint and the[13] 2019 base year to reflect the inclusion of CAF Reichshoffen in August 2022, thus maintaining full coverage of the emissions generated by the Group's activities over which it has operational control.
- Calculation and external verification of the carbon footprint of the CAF Group[14] for the 2023 reporting period, including Scopes 1, 2 and 3, following the guidelines and requirements described in the GHG Protocol, IPCC (*International Panel for Climate Change*) and ISO 14064:2018.
- Completion of the CAF Group's second report to CDP (Carbon Disclosure Project), in which we have maintained the B rating.
- In November 2023, the technical validation process of the short- and long-term reduction objectives by SBTi began.

Additionally, in line with the established GHG emissions reduction plans, and within the CAF Group's "Net 0 Emissions" initiative, the following actions have been carried out throughout 2023:

- Expansion of the scope of the sites that consume 100% renewable electricity with guaranteed origin to all CAF-owned centres based in Spain.[15]
- Implementation of the installation of charging points for electric vehicles at the headquarters of the parent company.
- Promotion of sustainable mobility (use of bicycles, public transport and walking) through participation in challenges within the company, installation of new shared car parks and extension and improvement of bicycle and scooter parking facilities (covers, enclosures, fencing, plugs and repair stations).
- Maintain mitigation of emissions from the business travel chapter in Scope 3, by Sustainable Aviation Fuel (SAF) reserve, collaboration with airline.
- It should also be noted that through the engineering development and construction (EPC) of solar photovoltaic plants of one of the subsidiaries of the CAF Group, plants have been built in Italy with a total installed capacity of 50 MWp, which contribute to avoiding the emission into the atmosphere of nearly 12,641 t CO_2e.

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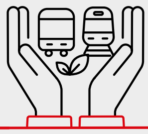
13 Fixed base year, recalculation by pro rata method. This year emissions are included for the entire base year, since the plant was acquired in August 2022, so in 2023 data is available for the entire calendar year. In addition, in order to ensure comparability, the base year has been recalculated for four Group companies due to variations of a certain amount: New centres, improvements in data quality and/or methodological changes
14 Consolidation approach by operational control. Complete coverage (100%) of workplaces over which operational control is exercised.
15 With the exception of Trenasa, which will switch to 100% renewable sources at the beginning of 2025.

Sustainable Mobility

During 2023, at the Beasain (head offices and rail vehicle manufacturing) and Irun (rail vehicle manufacturing) sites, various actions have been carried out as part of the Mobility Plan:

- Installation and/or expansion (if applicable) of 113 spaces in the parking lots for the use of car sharing.
- Review and adaptation of the **current routes of the buses** that transport workers to the Beasain factory.
- Installation of **chargers for electric vehicles** in the different factory parking lots, delimiting and marking the parking spaces reserved for them.
- **Public transport:** To facilitate its use, the entry time for fixed-hour staff has been made more flexible.
- Expanding the number of spaces for **bikes** and improving the conditions and safety of *bike racks* (fences, closures, cameras, repair kit installation).
- Design and implementation of a **specific training plan** on **sustainable mobility**.
- Launch of an APP to promote **sustainable transportation**, through challenges and prize draws.



TRUST
IN MOTION

In the next financial year (FY 2024), the "Net Zero Emissions" initiative will continue to develop actions aimed, fundamentally, at the deployment of the businesses' reduction plans. Specifically, we will work on the following aspects:

- Plans to reduce the energy consumption of production facilities (investment in more efficient facilities).
- Expansion of the scope of sites consuming 100% renewable electricity with guarantee of origin to international manufacturing sites.
- Product innovation plan - zero emissions.

It should be noted that the resources assigned to achieve the reduction objectives will be defined in the corresponding management plans of the Group's activities.

5.3.2.1 Evolution of greenhouse gas (GHG) emissions: Carbon Footprint of the CAF Group

[GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-7]

The calculation of the carbon footprint has been carried out following the criteria of ISO 14064:2018 and the *GHG Protocol*, with a consolidation approach by operational control. Previously, a materiality analysis was carried out to identify the most significant emission sources generated in the activities carried out by the Group. As a result of this analysis, the following sources are included in the footprint calculation:

- **Direct emissions (Scope1):** From fuel consumption in stationary and mobile installations, as well as fugitive emissions from the recharging of fluorinated gases.
- **Indirect emissions (Scope 2):** emissions from electricity 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 above calculations are expressed in tonnes CO2 equivalent (tCO_2e), and include emissions of carbon dioxide, methane and nitrous oxide (CO_2, CH_4 and N_2O respectively), as well as hydrofluorocarbons (HFCs) associated with refrigerant gas leakage.

Below are the results of the calculation of the CAF Group's carbon footprint and its evolution, verified by an accredited company (LRQA) and calculated with the methodology defined in the previous points.

The data presented below correspond to the actual emissions within the scope of the CAF Group in each of the periods; they do not include recalculations.

Scope 1 and 2 emissions

GHG tCO_2e EMISSIONS	2023[1]	2022	2021		2019
Scope 1	28,973	28,116	28,665		31,463
Scope 2 (location-based method)	18,622	19,962	30,872		26,672
Scope 2 (market-based method)	7,662	7,089	16,407		18,809
Scope 1+2 (market)	36,635	35,205	45,072		50,272
% Change from base year (Scope 1+2 - market)	-32.6%[2]	-31.9%[2]	-10%		
Objective – Net-Zero Pathway (SBTi)	-16.8%	-12.6 %	-8.4 %		
Emissions intensity per sales (tCO_2e/€M)	9.6	11.1	15.3		19
% Change from base year	-51%	-43%	-21%		

1. Data for December and part of November have been estimated on the basis of a previously defined methodology. In future reports, the historical data will be updated with real values.
2. The base year has been recalculated to allow comparability with the reported scope in 2022 and 2023. The recalculated values for the base year in 2022 were: Scope 1 32.387 tCO_2e, scope 2 19.374 tCO_2e. In 2023, the recalculated values for the base year were: Scope 1 34,707 tCO_2e, scope 2 219,636 tCO_2e

With the objective of reducing Scope 2 GHG emissions derived from the consumption of electricity and thermal energy, the Company has established an Action Plan to increase the percentage of renewable energy used in its facilities. Thus, 75% of the Group's electricity consumption currently comes from renewable sources with guarantee of origin, which has resulted in a reduction of Scope 2 emissions of 61% compared to the base year (2019) during the 2023 financial year. In this regard, it should be noted that the main companies of the Vehicle manufacturing and Services activities at national level in the railway segment and the main activities in the Bus segment, consume 100% renewable electricity with guaranteed origin and, in 2024, it is expected to continue expanding the scope of this measure to other centres at international sites.

Scope 3 emissions

In relation to Scope 3, following a materiality analysis of the categories identified by *GHG Protocol* in this scope, the following categories have been included in the Group's carbon footprint: 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 category for which reduction targets have been set based on SBTi methodology is the emissions from the use phase of our products during their lifetime, as it constitutes about 96% of the Group's scope 3 emissions in 2019. The defined target measures the ratio (g eq CO_2/passenger-km) of emissions generated by energy consumption in the product use phase during the useful life of vehicles, both in the Rail and Bus segments, delivered in 2023, considering the base year 2019 as a reference.

It should be noted that for the calculation of scope 3 emissions - Product use, CAF has developed its own methodology validated by an independent auditor that allows us to have a solid and stable basis for the calculation of these emissions. Although this methodology guarantees the reliability of the data obtained in our calculation, **the lack of a sector-specific methodology that establishes the parameters considered makes it impossible to compare the data between the different actors in the sector**, as it cannot be guaranteed that the same parameters and scopes have been used for the calculation.

Below is the evolution of scope 3 emissions and the performance of product use emissions with respect to the proposed reduction objective:

GHG tCO_2e EMISSIONS	2023[1]	2022	2021		2019[2]
CAT. 11: USE OF SOLD PRODUCTS	3,438,358	2,898,192	2,945,993		6,749,610
CAT. 11: USE OF SOLD PRODUCTS (GCO_2/ PASSENGER KILOMETRE)	6.35	9.21	6.90		11.87
% CHANGE COMPARED TO BASE YEAR (GCO_2/ PASSENGER KILOMETRE)	-46.8%	-22.9%	-41.9%		-
OBJECTIVE - NET-ZERO PATHWAY - SBTI	-25.2%	-19.6%	-13.5%		-
CAT.1: PURCHASED GOODS AND SERVICES	77,989	80,121	70,186		71.874
CAT. 4: UPSTREAM TRANSPORTATION AND DISTRIBUTION	2,844	2,265	3,888		5,824
CAT. 5: WASTE	843	1,123	711		1,156
CAT. 6: BUSINESS TRIPS	5,913	3,704	2,877		8,735
CAT. 7: COMMUTE TO WORK	14,024	11,117	18,567		18,180
CAT. 9: DOWNSTREAM TRANSPORT AND DISTRIBUTION	7,568	6,664	7,821		15,350
CAT. 14: FRANCHISES	15	21	21		-
SCOPE 3 EMISSIONS (EXCLUDES CAT.11)	109,196	105,016	104,072		121,120
TOTAL EMISSIONS SCOPE 3	3,547,554	3,003,208	3,050,065		6,870,730

1. Data for December and part of November have been estimated on the basis of a previously defined methodology. In future reports, the historical data will be updated with real values

2.Base year.

As can be seen in the table above, the ratio of emissions from product use in Scope 3 in 2023 has been reduced compared to 2019 by 46.8%, with an expected reduction target of 25.2%. This is due to the fact that less fossil-fuelled vehicles have been delivered during 2023 than projected in the reduction targets. For the next few years, a progressive reduction in the delivery of fossil fuel vehicles is expected, accompanied by the improvement initiatives of the Zero Emissions Programme of the Innovation Management Plan, described in the next section, which will result in a reduction of emissions of this scope.

Volatile Organic Compound (VOC) Emissions

Regarding the emission of Volatile Organic Compounds, the CAF Group complies with the provisions of the regulations on limiting VOC emissions due to the use of solvents in certain activities[16].

16 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.

It should be noted that in the case of the parent company (CAF S.A.) VOC emissions have been reduced by approximately 50% in the last 11 years, which is equivalent to a reduction of 176 g of VOC/m^2. In the bus painting activity, a reduction of 38% has been achieved in the last 3 years[17].

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.

5.3.3 ZERO AND LOW EMISSIONS PRODUCTS

In the European Union, greenhouse gas emissions from transport have increased by approximately 28% from 1990 to 2017. Currently, the transport sector contributes almost 25% of global CO_2 emissions, while rail accounts for only 0.5% of this total[18].

The European Green Deal, driven by the European Commission, sets the objective of reducing CO_2 emissions from transport by 90% by 2050. This challenge requires an exceptional effort in the coming years to decarbonise transport.

On the other hand, in recent decades, the growth of the urban population has generated increasing problems of congestion on the roads and a notable deterioration in air quality. Faced with this reality, transportation authorities are forced to adopt measures to restrict the circulation of private vehicles.

In this context, rail and bus transport stand out as sustainable, high-capacity means of transport that have considerable potential to curb climate change and urban congestion. These means of transportation can significantly reduce environmental impact, improve the quality of life of citizens and play an active role in preserving the ecosystem.

At CAF, aligned with these objectives, we prioritise developments that allow the substitution of fossil fuels and the reduction of energy consumption in transportation. These solutions promote highly efficient mobility alternatives, thus charting the path towards a sustainable, clean, environmentally friendly and emissions-free future.

Following the Decarbonisation Strategy detailed in the previous section, CAF has achieved a 46.82% reduction in the g CO_2e/km-passenger ratio in Scope 3 emissions - Product use. In the coming years, a progressive decrease in this index is anticipated, driven by the increase in sales of zero and low emission vehicles and the developments of the Zero Emissions Programme of the Innovation Management Plan. Furthermore, emissions related to electric passenger transport solutions (buses, trolleybuses and rail vehicles) delivered in 2023 average 3.4 g CO_2e/passenger-km[19].

In 2023, CAF consolidated itself as the European leader in the electric bus segment[20]. In fact, at the end of the year, **zero and low-emission buses accounted for 82%** of all the company's deliveries. It is important to highlight that **zero-emission buses** constitute a notable **67%**[21] of the total buses delivered.

In the rail segment, **86% of the trains delivered in 2023 are zero or low emission**, with 84% of zero emission trains delivered in relation to the total number of units delivered.

SUSTAINABLE SOLUTIONS

At CAF, we place emphasis on continuous innovation of our products and services, in response to the growing need to reduce fossil fuels and the emissions associated with the use of our products.

We are committed to providing customised mobility solutions for transport operators seeking to migrate towards low or zero emission mobility. We recognise the diversity of challenges that public transportation faces in the future, and that is why we offer the most extensive and diverse portfolio of vehicles adapted to these market needs.

Within our portfolio of sustainable products, the following solutions stand out:

Zero emissions

Our zero-emission vehicles include electric and hydrogen options, created to meet the diverse needs of operators, passengers and drivers.

Today, electric and hydrogen buses can offer driving ranges similar to vehicles with conventional combustion engines, without generating local emissions. At CAF we distinguish ourselves by our practical experience and our market share, which exceeds that of our competitors.

17 Data related to the report made on this matter to the Administration until the date of publication of this report.
18 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.
19 To calculate this ratio, in the absence of specific regulations for the sector, CAF has established its own calculation methodology that has been validated through an audit. Thus, the comparability of this data with other actors in the sector is limited.
20 Source: https://www.sustainable-bus.com/news/solaris-man-byd-adl-heres-the-podium-of-the-european-electric-bus-market-for-the-first-half-of-2023/ accessed 15/01/2024.
21 Includes trolleys.

In the field of rail vehicles, CAF is proud to have been awarded the world's largest contract for battery-powered vehicles. Furthermore, in mid-2022, we put into operation one of the first hydrogen-powered trains, capable of also operating with electricity from the catenary on electrified sections.

URBOS TRAM

Electric vehicles that may include an energy storage system (ultracapacitors and/or batteries) to operate on non-electrified sections.

At CAF, we have been pioneers in innovative solutions, introducing trams into passenger service on non-electrified sections since 2010. In addition, we were the first in the world to implement a completely catenary-less tram system, in 2018.

METRO INNEO

Electric vehicles used in major European cities (London, Amsterdam, Brussels, Rome, Madrid, Barcelona, etc.) for their high capacity, reliability and low consumption.

CIVITY REGIONAL TRAIN

Efficient trains with zero-emission electric, battery and hydrogen options.

In 2021, CAF won a record contract to supply 63 battery electric trains to German transport authorities (ZV VRR and NWL). In addition, this contract was expanded by 10 additional trains in 2022. This same year, Renfe awarded a contract for another 28 electric trains equipped with batteries.

In addition, in June 2023, CAF obtained authorisation to carry out tests of the hydrogen prototype train on the Spanish Railway Infrastructure (RFIG), becoming the first train to obtain this authorisation. This type of vehicle uses hydrogen cells and batteries, and generates only heat and water vapour as by-products, without emitting CO_2 or substances harmful to health or the environment.

URBINO ELECTRIC BUS

Silent, emission-free electric buses, versatile and adapted to different cities.

CAF electric buses offer a wide range of options: From different lengths (9, 12, 15, 18 and 24 meters) to different alternatives in motorisation, types of batteries and charging methods. This versatility allows precise adaptation to the specific needs of each client and city, considering the climate, urban traffic, demand on routes and even topography. CAF stands out as the main supplier of electric buses in Europe, with more than 2,000 units delivered in more than 20 countries[22].

URBINO HYDROGEN BUS

Hydrogen buses for greater autonomy, zero-emission operation and quick recharging.

CAF's hydrogen bus range currently consists of two models: 12 and 18 meters in length. These vehicles are especially useful in transportation areas that demand great autonomy and flexibility in the provision of services. The synergy between electric and hydrogen buses accelerates the transition towards zero-emission public transport, ensuring effective decarbonisation of the sector. This transition is essential to ensure safe and sustainable urban environments in the future.

In 2023, CAF won the largest hydrogen bus order in Europe with the supply of 127 units for the city of Bologna (Italy).

TROLLINO TROLLEYBUS

Silent, emission-free electric trolleybuses, including hybrid models with batteries and/or hydrogen cells to operate on non-electrified sections.

Trolleybuses offer a wide variety of options in terms of vehicle length (12, 18 and 24 metres), motorisation, battery/hydrogen cell capacity, and type of catenary connection. Their low environmental impact, consolidated technology and reduced infrastructure costs, together with silent and comfortable driving, position them as fundamental elements in the transformation of urban transport towards a modality that is more respectful of the environment and residents.

22 Source: https://www.solarisbus.com/en/press/solaris-is-the-leader-of-the-european-electric-bus-market-after-first-half-of-2023-2012 accessed 15/01/2024.

All of these zero-emission vehicles demonstrate CAF's commitment to sustainable mobility, offering solutions adapted to the specific needs of each city and transport operator, accelerating the transition towards zero-emission mobility.

LOW EMISSIONS

CIVITY BI-MODE AND TRI-MODE REGIONAL TRAIN

Trains capable of operating in electric, diesel (bi-mode) and battery (tri-mode) modes, making them extremely versatile units due to their ability to use different propulsion technologies in electrified and non-electrified sections of the network.

In addition, in three-mode trains, the batteries allow braking energy to be recovered, which reduces the train's consumption. This is especially relevant when the train operates on diesel fuel, as it leads to a relevant reduction of emissions, thus providing a more sustainable and environmentally friendly transport.

In 2023, CAF has been awarded the first three-mode Intercity train contract in the United Kingdom, with the delivery of 10 units to serve the East Coast Main Line.

URBINO HYBRID

Urbino hybrid buses have a driveline consisting of one or more electric motors and a conventional diesel generation. These buses can employ energy storage in the form of batteries or supercondensors. This solution allows a reduction in fuel consumption of 20-30% on average, compared to traditional diesel vehicles. In addition, they can cover certain distances without emissions. The range includes 12 and 18-metre models.

CAF also offers Mild-Hybrid solutions that recover braking energy for storage, reducing emissions beyond the rigorous Euro 6 standards for diesel engines. These solutions achieve a 5% reduction in diesel fuel consumption.

URBINO CNG

Urbino low-floor city buses (12 and 18 meters) are also available with Compressed Natural Gas (CNG) propulsion, which significantly reduces harmful emissions and promotes more environmentally friendly transportation.

An internationally recognised product portfolio

The bus segment's portfolio of emission-free products has had a significant impact on public transportation globally, receiving international recognition, among which we highlight the following received in the last three years:

2023

Corporate Social Responsibility Silver Leaf (Polityka weekly - Poland) for supporting the Sustainable Development Goals and the Urbino E18 H2 hydrogen bus.

2022

Busplaner Innovation Award (International): The Urbino E9 LE electric bus won in the "Electric bus:" category Interurban".

2022

International Public Transport Fair (Kielce Trade Fair Medal) (Poland): Prize for the Urbino E18.75 electric bus.

2022

Green Eagles of the newspaper "Rzeczpospolita" (Poland) to Ecological Innovation on an Industrial Scale for its electric and hydrogen buses.

2022

Corporate Social Responsibility Silver Leaf (Polityka weekly - Poland) for supporting the Sustainable Development Goals and the Urbino E9 LE electric bus.

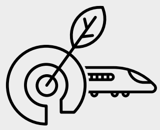
2021

Sustainable Bus Award (International): The Urbino E15 LE electric bus won an award in the Urban category.

2021

Sustainability Award from "Busplaner" (International): Award to the electric bus Urbino E15 LE.

Kielce Trade Fair Medal (Poland): Recognition of the Urbino E12 H2 hydrogen bus as the best product in its category.



TRUST
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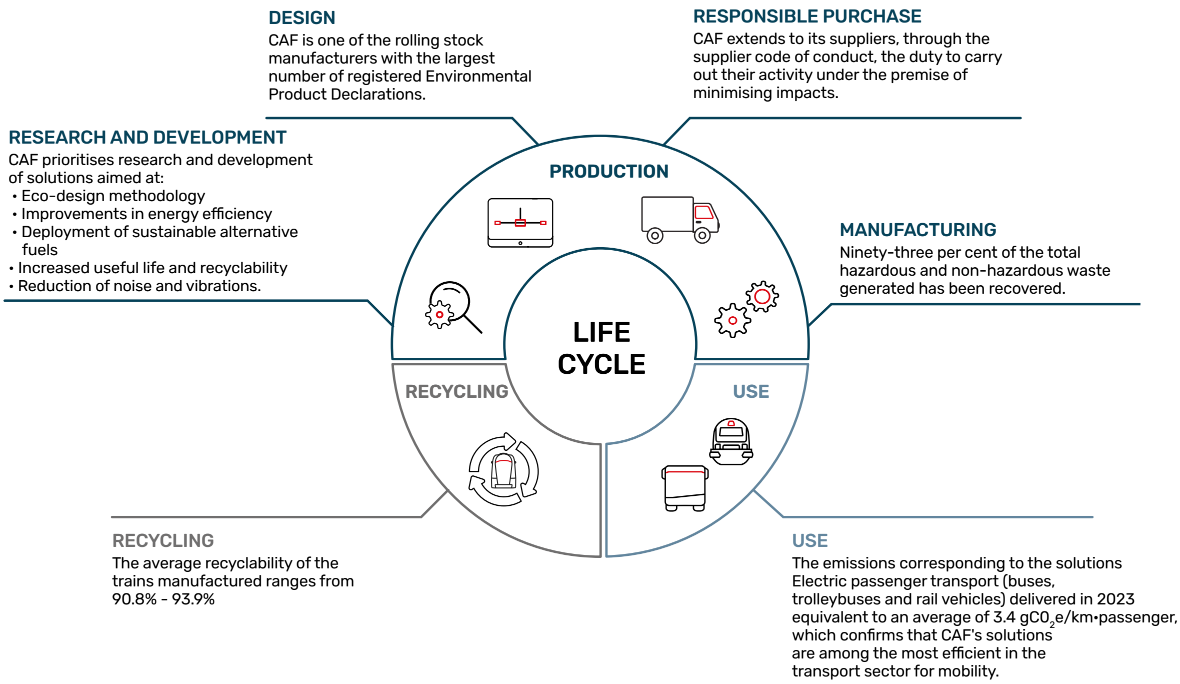
In the rail segment, CAF received the Highly Commended award from the Global Light Rail Awards 2020 for the renovation of the Birmingham tramway to incorporate an on-board energy storage solution. In 2019, it won the Manufacturer of the Year and Project of the Year award for the supply of the first catenary-free light rail system at Newcastle Light Rail (Australia). Additionally, it was recognised as Supplier of the Year in 2018 for its modular and flexible traction systems. It also won the Technical Innovation of the Year award for its Greentech on-board energy initiative, highlighting its most efficient and environmentally friendly products for trams.

5.4 CIRCULAR ECONOMY AND SUSTAINABLE USE OF RESOURCES

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.

During 2023, the evaluation of the circularity of the Company's activity was carried out for the first time, analysing the circularity indicators of the Organisation's performance. In this way, the company's ability to close the materials cycle (based on ISO 59020 and the World Business Council for Sustainable Development (WBCSD) STIs) has been assessed. In 2024, we will work to improve and strengthen information collection and improve the quality and consistency of data, relying on the Responsible Purchasing Programme. (More information in section 7.5 of this Report).



5.4.1 Sustainability and efficiency in production processes

Consumption of natural resources [EG 301, 301-1]

Environmental criteria are taken into account when purchasing materials for manufacturing processes, with particular emphasis on the selection of reusable and recyclable materials. The majority of purchases made are already processed materials and components; metal is the most common element. 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)	2023[1]	2022	2021
Steel and aluminium profiles and sheets	12,912	16,249	15,605
Steel ingots	52,941	54,965	46,014
Others[2]	855	939	994
TOTAL MAIN RAW MATERIALS (t)	**66,708**	**72,153**	**62,613**

1. Data for December and part of November have been estimated on the basis of a previously defined methodology. In future reports, the historical data will be updated with real values
2. Wood consumption for floors and adhesives (Bus).

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 recyclability analysis of the products is carried out in accordance with the ISO 22628 standard. As mentioned in the section, "5.4.2. Product Sustainability", according to the EPD (*Environmental Product Declaration*) carried out by the CAF Group, the trains and buses manufactured by the CAF Group have a high rate of recyclability and recoverability:

RECYCLABILITY RATES / RECOVERABILITY IN PRODUCT (%)	ROLLING STOCK	BUSES
RECYCLABILITY RATE[1]	≈90.8-93.9%	≈94.9-95.1%
RECOVERABILITY RATE[2]	≈94.7-98.7%	≈95.9-96.1%.

1.Recyclability rate: Includes those materials that can potentially be recycled and/or reused.

2. Recoverability rate: Includes those materials that can potentially be recycled, reused or recovered in the form of energy.

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 2023, the Group's parent company, CAF S.A., extended the use of several alternative cleaning products and degreasers, thereby reducing the hazardousness of the product as well as the consumption of raw materials and the generation of waste.

Water and effluents [EG 303, 303-1, 303-2, 303-3, 303-5]

Most of the water used by CAF is for domestic consumption. In terms of manufacturing processes, water is mainly used in the cooling of equipment and in the installation to ensure the watertightness of trains. To this end, both mains water and river water is used (only in the Group's parent company, CAF S.A.) in accordance with local limitations and limiting the consumption of river water to its use in closed circuits.

The Group is aware that water is a scarce asset that needs to be preserved and therefore, a series of actions have been carried out with the aim of promoting a more sustainable use of this resource, among which the following stand out:

- implementation and promotion of a rational use of water, through the implementation of closed circuits and environmental awareness-raising among staff;
- establishment and control of the consumption of all water resources through the implementation of procedures defined on the basis of the authorisations and permits defined by each Administration;
- Avoid water withdrawal in water-stressed areas;
- checking leaks and watertightness of installations to reduce consumption and impact.

Likewise, in order to promote the sustainable use of water throughout our supply chain, CAF uses the ECOVADIS tool to evaluate its target suppliers, positively assessing the measures they implement in relation to water management and analysing the suppliers that have a potentially significant impact on this resource, such as battery and tyre suppliers.

The CAF Group's water consumption is shown below:

WATER CONSUMPTION (ML)	2023[1]	2022	2021
THIRD PARTY CONSUMPTION	110.08	105[2]	86.75
SURFACE WATER CONSUMPTION	57.63[3]	51.89	45.58
TOTAL WATER CONSUMPTION (ML) [4]	167.71	156.89	132.33

1. The data for December and part of November have been estimated based on a previously defined methodology. In future reports, the historical data will be updated with real values.

2. There is an increase in consumption due to an increase in the coverage of the indicator, which from 2022 includes all activities over which there is operational control. In previous years, only information from manufacturing plants was reported.

3. Increase in consumption due to an increase in production at surface water consuming sites (CAF S.A., Group parent company).

4. In 2023, there has been no consumption of reused/reused water.

All of the water consumed in the Group is water with a concentration of dissolved solids ≤ 1000 mg/l and approx. 70% of the water consumed is from areas of low or medium water stress[23].

With regard to discharges, CAF has authorisations to discharge into sewers or watercourses, and stores chemicals and materials in conditioned places 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. In addition, there are systems for filtering discharges, and the parameters of the water discharged are reviewed and controlled, defining objectives for improvement. The offices have fluid communication with the authorities that manage the discharged water in each location.

Energy [EG 302, 302-1, 302-3, 302-4]

In the Sustainability Policy and the Corporate Environmental Policy, the Group has made a commitment to "define strategies against Climate Change focused on reducing CO2 emissions and promoting renewable energies." To achieve this commitment, the Group has defined the following main objectives: 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 2023, as a result of the action plans for the reduction of energy consumption in the CAF Group, the following efficiency measures, among others, have been taken:

- **Expansion of the scope** of the sites that consume **100% renewable electricity** with guaranteed origin to all CAF-owned centres based in Spain[24].
- **Implementation of a new heat treatment line** at the Group's headquarters, with a revamped lay-out, which will substantially improve the energy efficiency of the wheel forging workshop, starting with its commissioning in 2024.
- **Lighting**: Maximisation of the use of natural light, replacement of old luminaires with more efficient ones[25].
- **Reduction of fossil fuel consumption:** Replacement of combustion forklifts with electric forklifts.
- **Control and optimisation of energy consumption:** adjusting equipment and heating temperatures, installing gas and electricity meters, programming the operation of air-conditioning equipment, replacing key elements in energy efficiency in production processes (e.g. forklift trucks), carrying out leak checks on pneumatic installations.
- Training and **environmental awareness raisin**g for the rational use of energy for managers. Definition of **new energy indicators and objectives** in order to identify possible energy efficiency savings.

23 The method used for the calculation of water stress has been modified compared to previous reports. Current source: World Resource Institute, https://www.wri.org/data/aqueduct-global-maps-40-data

24 Except Trenasa, which will switch to renewable energy with a guarantee of origin in 2025

25 This measure is also considered to reduce light pollution in our facilities.

Installation of a new heat treatment line at the Beasain factory.

In August 2023, the assembly of the new heat treatment facility in the wheel forging shop at the vehicle manufacturing matrix began.

This line consists of 2 wheel treatment furnaces, which are equipped with recuperative burners and a heat recovery unit at the smoke outlet, and 4 cooling tanks. It is estimated that this new facility will enable, from its planned start-up in April 2024, a reduction of between 30-50%[26] in the consumption of natural gas per treated wheel compared to the current facility.

Promotion of renewable energies

During 2023, 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, in 2023 the company has developed various photovoltaic panel projects in Italy, increasing the installed solar energy power, which now totals more than 250 MWp installed throughout the world.

The CAF Group has also maintained systems for the generation of renewable energies at its facilities. Accordingly, in 2023, the headquarters of the parent company has enabled the generation of renewable energy, equivalent to 8% 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.

26 Dependent on productive factors.

DIRECT AND INDIRECT ENERGY CONSUMPTION IN THE CAF GROUP (MWh)									
SOURCES	2023[1]			2022			2021		
	RENEWABLE	NON-RENEWABLE	TOTAL	RENEWABLE	NON-RENEWABLE	TOTAL	RENEWABLE	NON-RENEWABLE	TOTAL
ELECTRICAL ENERGY	57,580	19,671	77,251	54,090	18,255	70,941	27,747	60,678	88,425
OTHER ENERGIES	2,664	155,852	158,517	821	150,111	150,932	83	154,524	154,607
NATURAL GAS[2]	0	129,205	129,205	0	122,438	122,438	0	122,972	122,972
THERMAL ENERGY[3]	2,465	15,144	17,610	766	16,048	16,814	0	18,901	18,901
HYDROGEN	199	0	199	55	0	55	83	0	83
DIESEL[4]	0	7,964	7,964	0	8,283	8,283	0	8,168	8,168
LPG/GASOLINE	0	3,539	3,539	0	3,342	3,342	0	4,483	4,483
TOTAL ENERGY CONSUMPTION (MWH)	60,244	175,523	235,768	54,911	168,366	221,873	27,830	215,202	243,032
%RENEWABLE/ NON-RENEWABLE	26%	74%	100%	25%	75%	100%	11%	89%	100%
INTENSITY (MWH/€M SALES)	15.8	45.9	61.6	17.3	53.2	70.5	9.5	73.1	82.6

1. The data for December and part of November have been estimated based on a previously defined methodology. In future reports, the historical data will be updated with real values.
2. The consumption of natural gas to heat the facilities represents approximately 20% of the total consumption. This includes CNG consumption.
3. Fourteen percent of thermal energy consumption comes from renewable sources, with a guarantee of origin.
4. Consumption related to material transport equipment.

75% of the Group's electricity consumption comes from renewable sources, with a guarantee of origin. This indicator has been maintained for the 2022 reporting period, and is expected to continue to increase progressively in the coming years.

Waste

[EG 306, 306-1, 306-2, 306-3, 306-4, 306-5]

The CAF 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.

The management of waste[27] is carried out according to the following premises:

- Reduce waste generation at source, e.g. through the use of returnable tools and return of surplus material to the supplier.
- Maximise the reuse, recycling and recovery of waste. Along these lines, by 2023, 92% 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.
- Promote awareness campaigns on waste segregation and minimisation.
- Proper treatment and management of waste, based on defined waste management procedures, and with managers close to the facilities and assessing our supply chain partners for their environmental performance.

During 2023, it is worth highlighting the objective of reducing expired materials defined and controlled at several of the Group's railway maintenance sites. Likewise, with the same objective, at the vehicle manufacturing sites, an 84% 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.

27 Actions to combat food waste are not considered because this content is not material to the CAF Group's business, as concluded in the Materiality Analysis 2021.

WASTE GENERATED IN THE CAF GROUP BY TYPE OF WASTE AND FINAL DESTINATION (t)[1]												
WASTE TYPE	2023[2]				2022				2021			
	TOTAL RECOVERED	%REC.	TOTAL REMOVED	%REM.	TOTAL RECOVERED	%REC.	TOTAL ELIMINATED	%REM.	TOTAL RECOVERED	%REC.	TOTAL REMOVED	%REM.
NON-HAZARDOUS WASTE (NHW)	28,926	95%	1,556	5%	28,980	88%	3,843	12%	16,473	79%	4,278	21%
HAZARDOUS WASTE (HW)	2,350	69%	1,057	31%	1,896	61%	1,216	39%	905	39%	1,445	61%
TOTAL WASTE GENERATED (t)	31,277	92%	2,613	8%	30,876	86%	5,059	14%	17,378	75%	5,723	25%

1. Table with full details in Annex 9.4.2
2. Data for December and part of November have been estimated on the basis of a previously defined methodology. In future reports, the historical data will be updated with real values.

Protection of biodiversity [EG 304, 304-1]

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 to protect biodiversity and to avoid deforestation in the places where it operates, and therefore controls this impact by carrying out Environmental Impact Assessments (EIA) in the places/projects that require it, and by developing products that respect the environment (more information in section "5.3 Product sustainability").

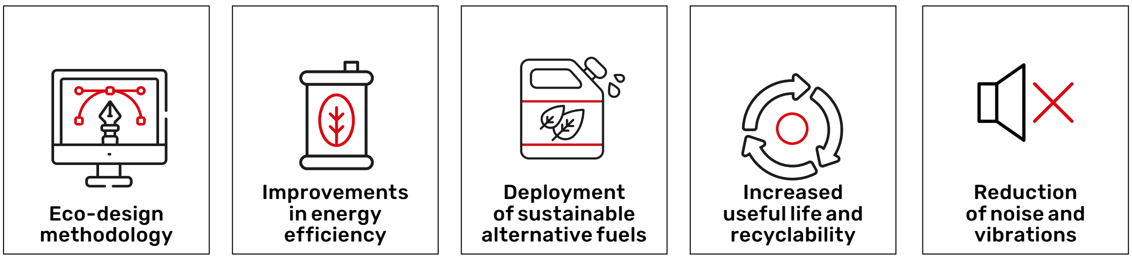
At present, the Group's sites are not located in protected areas where there may be a particular impact on biodiversity.

Throughout 2023, the Corporate Environmental Policy was updated in order to include the CAF Group's commitment to the protection and restoration of biodiversity. Likewise, to reinforce its commitment to protecting biodiversity and fighting deforestation, CAF will report to CDP Forest in 2024.

5.4.2 Product sustainability

At CAF, we are committed to the development of sustainable products that promote a positive impact on society and the environment. Our dedication to eco-friendliness drives a continued focus on innovation and collaboration with leaders in research and education.

Through strategies focused on eco-design, energy efficiency, the adoption of sustainable fuels, durability and recycling, as well as noise and vibration reduction, we constantly seek to improve sustainability across our entire range of products, from vehicles to signaling systems and infrastructure.



Ecodesign methodologies

CAF has been an active player in promoting methodologies for the ecological transformation of the sector. For example, we have collaborated in the "Life Cycle Assessment" working group of the railway association UNIFE, which focuses on defining how to implement environmental legislation and regulations in the life cycle processes of railway products.

To promote more efficient and environmentally friendly means of transportation, CAF has incorporated the Product Sustainability Function. This integration of ecodesign methodologies in our engineering processes aims to optimise and control environmental impacts from conception to the complete life cycle of products. This translates into concrete actions: maximise energy efficiency, use eco-friendly and recycled materials while minimising their quantity, reduce noise and vibrations, reduce atmospheric emissions and promote the circular economy.

Making the ecological footprint visible

CAF evaluates the environmental footprint of its products through life cycle analysis (LCA). These analyses form the basis for the elaboration of Environmental Product Declarations (EPDs) for our customers.

In 2011, CAF established the world's first verified EPD for a tram, the Urbos tram in Zaragoza, in accordance with ISO 14025. This study was based on the LCA following the guidelines of ISO 14040 and 14044. Since then, CAF has certified trains representative of its wide range of products, including trams, metros and regional trains, accumulating an extensive EPD record and consolidating its position as one of the railway manufacturers with the highest number of declarations.

During the year 2023, at CAF we have begun the development of a method to calculate the environmental impact of our products from the first design phases, considering their entire life cycle. In addition, we are creating tools that will allow us to obtain a Materials Passport for our vehicles, thus facilitating the identification of the materials used in their manufacturing and improving their management at the end of their useful life. In the same period, CAF launched a new EPD for the Inneo Underground in Docklands (London, UK) and the first EPD for a wheel of rail vehicles.

Life cycle analyses have enabled us to identify the processes, materials and components with the greatest environmental impact. Thanks to this information, we can more effectively direct our efforts toward reducing the adverse environmental impact of our products. In the coming years, we plan to expand our work in this area, broadening the scope of analysis to include other vehicle types.

ECOAPPROVED by MiiRA

In the railway segment, in the activity of design, manufacture and maintenance of wheels, axles, mounted axles and reduction gears, we have implemented the ECOAPPROVED label based on the guidelines of the ISO 14021 standard *Self-Declared Environmental Claims*.

This label seeks to highlight the environmental commitments adopted by the Company that ensure that our products comply with a set of environmentally friendly practices: use of low-emission steel (green steel), application of eco-design criteria (lightweight products, low consumption and low maintenance), use of 100% renewable energy in production facilities, use of waste generated during the manufacture of our products to produce the steel that will be used in our new products, and commitments adopted in terms of sustainability (SBTI commitment - *Science Based Targets Initiative and Race to Zero)*.

Furthermore, in line with our environmental awareness, we comply with the European Regulation EC 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). Additionally, in the railway segment we comply with the requirements of the UNIFE Railway Industry Substances List (RISL), which lists the materials and substances prohibited by European and international legislation specifically for the railway industry.

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
- INNEO for Docklands Light Railway of London
- Forged and rolled monobloc steel wheels for railway applications
- URBINO 18m Electric
- URBINO 12m Hybrid

Energy efficiency improvement [GRI 302-5]

At CAF we prioritise improving energy efficiency in our products and services. Thanks to the measures mentioned below, we have achieved a significant reduction in the energy consumption of our vehicles. For example, the Urbino 12 Electric bus experienced a 28% saving in energy consumption between 2019 and 2023, while the Urbino 18 Electric bus reduced its consumption by 25% between 2020 and 2023. Likewise, improvements on the 12- and 18-metre hydrogen buses have been 30% and 15%, respectively[28].

Regarding the railway segment, in 2023 a goal has been established to reduce vehicle consumption by 20% within a period of 6 to 7 years.

Consumption reduction measures

Among the measures adopted to reduce the consumption of our products, the following stand out:

Efficient traction systems

We use high-efficiency equipment in traction systems to minimise losses and optimise consumption.

We adopt advanced technologies to improve energy efficiency:

- We introduce SiC (Silicon Carbide) transistor technology, reducing energy consumption by between 8 and 10%.
- We develop advanced control strategies to minimise losses in electric motors.

Energy recovery during braking

We prioritise energy recovery during braking to reduce consumption and improve the efficiency of trains, buses and trolleybuses.

Modular storage and intelligent battery management systems

We create modular accumulation systems that store the energy generated during braking.

We incorporate the BMS (*Battery Management System*) to optimise the performance and useful life of the batteries.

Energy optimisation during trips

The DAS (*Driver Advisory System*) and ATO (*Automatic Train Operation*) assess in real time how to obtain the best energy efficiency according to the planned route and travel time. This information allows driving to be optimised from an energy efficiency perspective and thus obtain reductions in vehicle consumption between 15% and 30%.

We adopt strategies that reduce energy consumption, such as partially disconnecting the traction system when power demand is low.

Weight reduction and drag

We design lighter vehicles to reduce energy demand, while maintaining high quality and safety standards. To do this, we reduce the weight of the components (bogies, gearboxes, battery modules, etc.) and adopt lightweight vehicle and system architectures.

We optimise vehicle geometry to reduce drag using CFD (*Computational Fluid Dynamics*) simulations.

Reduction of energy consumption of auxiliary equipment

We define different operating modes (parking, cleaning, maintenance, etc.) to activate only the auxiliary equipment necessary in each case and ensure that they operate efficiently.

To reduce energy consumption during operation, we implement strategies that allow auxiliary systems to operate at their optimal point and make the most of internal energy flows.

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28 Values verified by testing according to the requirements of the UITP standard E-SORT1.

Efficient air conditioning and thermal insulation

We optimise the efficiency of the air conditioning system, second in energy consumption after the traction system, using efficient refrigerants that are respectful of the environment and improving energy efficiency by adopting various solutions such as the use of heat pumps and the regulation of outside air according to indoor CO_2 levels.

With the aim of improving thermal insulation, CAF installs insulating panels on the entire surface of vehicles and establishes maximum limits of thermal transmission in key components such as doors, windows and intercirculation corridors. For example, between 2019 and 2020, our buses experienced a 10% improvement in their thermal insulation thanks to various measures, such as changing the insulating material.

From 2023, CAF has started to use natural refrigerants in the air conditioning systems of its vehicles, replacing the current technology based on fluorinated gases that have a higher environmental impact in terms of greenhouse effect.

Efficient equipment sizing

In our vehicles we adjust the performance of the equipment according to needs to avoid oversizing that could lead to increases in weight and consumption. To this end, we have refined our dimensioning tools and monitor our vehicles during service to gain a better understanding of their operation and performance.

Our vehicles are not the only ones that have evolved to reduce their consumption. The following measures have been taken to improve energy efficiency in the design of the railway depots:

- Green roof to regulate the temperature of the building, improving energy efficiency due to its water retention capacity (cooling in summer) and contribution of thermal mass (heating in winter).
- Photovoltaic power plant on the roof.
- Sawtooth roof to let in natural light, reducing electricity consumption and creating a more comfortable and healthy environment for workers.

Deployment of sustainable alternative fuels

Offering our customers green alternatives to diesel propulsion is a key priority for CAF. In recent years, we have developed several new vehicles with reduced or zero emissions.

Buses and trains with on-board energy storage systems (batteries) stand out. To date, we have supplied more than 2,000 such buses in more than 20 countries. Additionally, in 2021, CAF was awarded the world's largest contract for battery electric trains for the German transport authorities ZV VRR and NWL.

On the other hand, Solaris has deployed buses powered by Hydrogen and Compressed Natural Gas (CNG) in different European cities. Hydrogen vehicles are considered zero emissions as they emit only water vapor, while CNG vehicles reduce the emission of harmful particles.

In the bus segment, we have been pioneers in offering these technological solutions to the market, positioning ourselves as the European leader in zero-emission buses[29].

Furthermore, CAF has developed a prototype train powered by hydrogen that is being tested on track since mid-2022. This project (FCH2RAIL) is supported by the Clean Hydrogen Partnership (formerly FCH2 JU), an agency of the European Commission that promotes the development of hydrogen and fuel cells.

29 Source: https://www.sustainable-bus.com/news/solaris-man-byd-adl-heres-the-podium-of-the-european-electric-bus-market-for-the-first-half-of-2023/ accessed 01/15/2024.

FCH2RAIL hydrogen train prototype

The FCH2Rail project is carried out by a consortium made up of prominent companies such as CAF, DLR, Toyota, Renfe, Adif, CNH2, IP and Stemmann-Technik. This project, started at the beginning of 2021, aims to be completed at the end of 2024. With a budget of 14 million euros, it has financing of 10 million from the Clean Hydrogen Partnership, formerly known as FCH2 JU, an agency of the European Commission dedicated to the development of hydrogen and fuel cell technologies.

The initiative is based on a current Renfe commuter unit, where CAF has implemented an innovative solution to generate electric energy by hybridising hydrogen cells and batteries. This solution has been successfully integrated into the vehicle's existing drive system. After the static tests carried out at the CAF plant in Zaragoza and the first hydrogen supplies, dynamic tests began on a closed track in mid-2022. These tests have been fundamental to optimise the new system before the testing phase on representative lines of the General Interest Railway Network (RFIG), which began in 2023.

The beginning of this new stage of testing marked a significant milestone by obtaining the first authorisation from Adif for the test circulation of a hydrogen train in the RFIG. This achievement passed rigorous risk analysis and security validation processes inherent in the incorporation of new technologies. At the same time, Renfe train drivers and train managers have received the necessary training to operate the CIVIA train, converted into a bi-mode hydrogen train.

The CAF Group also supplies diesel vehicles with batteries to reduce fuel consumption (hybrid solutions), achieving consumption reductions of between 20-30%. In 2023, CAF has been awarded the first three-mode (electric/diesel/battery) Intercity train contract in the United Kingdom, with the delivery of 10 units to serve the East Coast Main Line.

Likewise, the diesel engines of the bi-mode trains supplied to the Nordic market can operate with paraffinic diesel or B30 biodiesel.

The focus on offering alternatives to diesel is not limited to vehicles. In our infrastructure activity, we have developed charging points for electric vehicles.

Additionally, in 2020, we created a tool to simulate the intelligent charging management of a fleet of electric buses and in 2021 another tool to simulate the refuelling of heavy hydrogen-powered vehicles, such as buses and trains. In 2022, we started the AVOGADRO research project on hydrogen refuelling stations (HRS), which has been extended throughout 2023. This project seeks to create a simulation model of the operation of these stations to define optimal refuelling protocols according to the operational needs of hydrogen train fleets. We are also carrying out a generic safety analysis for hydrogen refuelling stations, as they currently lack specific regulations.

Increased useful life and recyclability

Useful life

CAF Group vehicles are designed to meet the most demanding useful life standards on the market. Trains have a useful life that ranges between 30 and 40 years, while for buses it is 10 to 15 years. We achieve these life cycles through continuous improvements in the durability of components from their conception.

Structural elements of trains, such as the body structure, chassis and bogie axles, are designed, calculated, manufactured and tested to ensure durability. The rest of the train systems, such as couplings, propulsion systems, brakes, air conditioning, doors and control systems, are subjected to shock and vibration tests according to the IEC 61373 standard to ensure their resistance in service.

As for buses, new or significantly modified models undergo a 1 million kilometre road endurance test in various extreme conditions. This test seeks to adjust the vehicle to reach the standards expected by the design team and our clients, always guaranteeing maximum safety.

At CAF we are constantly working to improve the useful life of components that suffer wear and tear during use, such as batteries, wheels, tyres, axles, gearboxes, brake discs, seals, bearings, shock absorbers, bumpers, linings, gaskets, filters and lubricants. In addition, thanks to our extensive experience in the supply and maintenance of vehicles, we guarantee the optimisation of consumables (lubricants, sand, brake linings, etc.), thus reducing their consumption.

The service lives of our vehicles are linked to the respective Maintenance Plan. We have a department dedicated to improving the reliability, availability, maintainability (RAM) and life cycle costs (LCC) of our vehicles. CAF has its own maintenance optimisation process, which details the activities to analyse and implement improvements in the frequency of preventive maintenance, thus prolonging the useful life of the components involved. All the maintenance services we offer include the application of this process, to improve preventive frequencies and, consequently, increase the durability of the components.

On the other hand, the systematic monitoring of our vehicles allows us to detect early deviations, which makes it possible to take corrective actions based on years of data analysis. This action optimises maintenance strategies and leads to significant improvements in component life. For example, the Wheel Life Optimisation initiative has achieved improvements of 20 to 200% in wheel life, thanks to the development of knowledge, tools and optimised maintenance processes.

Recyclability

At the CAF Group we carefully select materials during the design stage, following ecodesign principles and considering their recyclability, always respecting technical and functional requirements. We are committed to designing products that can be easily disassembled at the end of their useful life and, where possible, we use homogeneous materials to facilitate separation and recycling.

Our trains have high rates of recyclability and recoverability, ranging between 90.8% and 93.9% in recyclability, and between 94.7% and 98.7% in recoverability, according to the Environmental Product Declarations (EPD) made.

In addition, we generate recycling/end-of-life manuals at the client's request. These manuals offer detailed instructions on how to proceed at the end of the life of the vehicle and the materials used in operation and maintenance. This manual includes instructions for the proper disassembly of each item into its minimum parts and the appropriate final management treatments applicable to its composition, which may be (in order of preference): a particular known and applicable recycling process, energy recovery, or final disposal in a landfill or with an authorised manager.

Solaris buses also show high recyclability and recoverability rates, between 94.9% and 95.1% in recyclability, and between 95.9% and 96.1% in recoverability, according to the EPDs carried out. We guarantee the recyclability of the components of our vehicles by marking parts made of metals, plastics and elastomers, complying with applicable regulations.

In relation to battery recycling, we have established agreements with specialised and authorised partners for the treatment of waste batteries and accumulators, complying with ISO 9001, ISO 14001 and the applicable regulations for Batteries and Accumulators. By processing batteries, we recover metals (aluminium, zinc, cadmium, cobalt, lithium, copper, nickel, lead, manganese, brass, mercury, etc.) and other materials (plastics, paper, etc.), promoting reuse in various industrial processes and contributing to the saving of natural resources, energy and water.

In addition, we are working on finding a second life for our batteries to increase their useful life. In partnership with an energy holding company, we are developing an innovation project to reuse the batteries of Urbino electric buses in new applications such as the stabilisation of electrical networks in modern energy distribution infrastructures.

On the other hand, our vehicles are mainly made up of metal parts with a recyclability rate close to 100%, which also include a high percentage of recycled material. As an example, a study on the recycled material content in the stainless steel structures of our buses reveals a range of recycled content between 89.8% and 93.9%. This recycled material content is not limited to metal parts. For example, plastic inspection hatches on buses include 50% recycled material in their composition.

Reduction of noise and vibrations

Noise, in addition to affecting humans, influences nature by altering the habitats of animals and ecosystems.

The main sources of noise in a vehicle[30] come from its equipment, rolling and aerodynamics. At CAF, we have a specialised noise and vibration area dedicated to reducing noise levels both inside and outside the vehicle, as well as minimising vibrations transmitted to the ground. From the initial phase of the project, this team collaborates to achieve an optimal design that meets regulatory and contractual standards, continually improving the acoustic and vibrational performance of our products. Additionally, our technical team has developed knowledge, tools and methodologies to accurately predict the noise and vibration levels of our solutions.

To reduce noise levels, our team exhaustively analyses the causes (through calculations, wheel-rail interaction studies, etc.) and applies effective mitigation measures: use of insulating and absorbing materials, vibro-acoustically optimised construction solutions, efficient aerodynamic shapes and optimised rolling profiles, among others. We develop internationally recognised tools such as DARDAR and CRoNoS to minimise rolling noise and vibrations transmitted by trains. Additionally, we continue to improve our current tools and methodologies, including modeling public address systems to ensure effective message delivery, especially to people with hearing impairments. During 2023 we have made progress in the development of the CAF Virtual Noise Suite package, which brings together various simulation tools for interior and exterior noise, ground and vehicle vibrations, and speech clarity.

Once manufactured, our trains undergo static and on-track noise testing to validate compliance with contractual and regulatory requirements.

In addition, our buses are subjected to the "1 million kilometre test", a rigorous road endurance test that is carried out for every prototype and relevant design modification. This test is carried out on different types of pavements and extreme conditions to perfect the design, reach the standards expected by the company and its customers, optimising driving, and minimising the noise and vibrations generated. Among the improvements made to reduce the noise generated by electric buses between 2018 and 2022, those related to the selection of absorbent materials, insulators and suspension elements stand out, as well as improvements in the cooling and thermal conditioning system of the batteries.

Road tests have shown that zero-emission buses equipped with an electric motor generate significantly less noise than their conventional equivalents with combustion engines.

30 Regarding our facilities, the preventive and control measures established in the applicable permits are carried out to minimise noise pollution.

6 OUR COMMITMENT TO PEOPLE

6.1 PEOPLE[31] [2-7, 2-30, EG 401, 401-1, 401-2, EG 402, EG 404, 404-1, 404-3]

The people who make up CAF are key to the development of a sustainable project and, being consistent with this principle, CAF establishes commitments in this area in the Sustainability Policy and in the Code of Conduct.

These commitments are mainly 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.

In this area, the following risks related to the adequate professional development of employees are identified: (i) staff turnover (ii) insufficient training and professional development (iii) lack of diversity and equal opportunities.

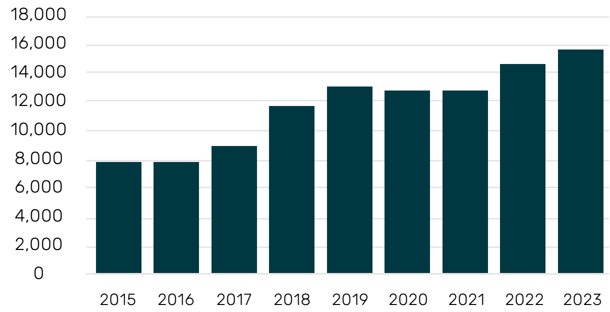
The impacts derived from such risks may result in reduced employee productivity, deterioration in employee loyalty and motivation, and fines related to compliance with labour regulations. Since these risks and their impacts materialise gradually over time, this will occur in the medium term.

The aforementioned policies, Code of Conduct and processes, specify the basic principles of action, procedures and controls necessary to deal with people-related issues.

The corporate risk assessment 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.

6.1.1 Talent attraction

Evolution of the workforce 2015 - 2023



In 2023, the Group's average number of employees increased to 14,911 and to 15,451 as at 31 December. The workforce at the end of the period increased by 925 people, thus adapting to the Group's needs in its various activities and geographies.

The change in staffing levels in 2023 responds to the need to respond to the implementation of the project portfolio. Growth is monitored for adequate growth in both the rail and bus segments and in corporate functions.

Talent acquisition is one of the key levers for meeting the business challenges of the Group's various activities and special focus is placed on both its execution and on improving its performance. CAF has a specific appointments activity, included in the people management process, which defines the common corporate framework for appointments 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. Through this process, equal opportunities in access are guaranteed.

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 2023, 2,129 recruitment processes were carried out in the Group's various activities.

31 Detailed tables of the indicators in this section can be found in Annex 9.4.3.

Turnover in the Group has been 8.5%, which is broken down into 7% voluntary turnover and 1.5% non-voluntary turnover.

Within the non-voluntary turnover, dismissals account for 63% of these departures. This type of non-voluntary dismissal affects 1% of the workforce, a reduction of 2 percentage points compared to the previous year. The adjustment of capacity to the needs of ongoing projects is the main reason for these workforce reductions. This adjustment is smaller than in the previous year.

Definition of CAF's talent attraction strategy

During 2023, an initiative has been developed to define a **shared corporate talent acquisition strategy** to ensure business growth with a focus on key geographies. The long-term vision has been incorporated and synergies have been captured by taking advantage of the knowledge and experience of the set of activities in the different geographies.

As part of this initiative, a new value proposition for employees has been defined. This value proposition pivots on the following four elements:

1. **Trust in a Better World**. Sustainable mobility and its positive impact on the environment stands out as an element of pride and differentiation for the people of CAF.
2. **Challenge in Motion**. Innovation and technology is present in CAF as a constant challenge that offers opportunities for learning and professional growth.
3. **Trust in Your Future**. The company's history reinforces the stability offered by the project and its long-term vocation.
4. **People in Motion**. CAF teams thrive in a diverse and collaborative environment with special care for health and safety at work.

In addition, a **strategy has been defined to increase the perceived value of working at CAF** for both candidates and current employees. The deployment of this strategy is based on three axes: **communication, attraction and loyalty**, and it is embodied in a plan of initiatives combining global and local activities that have already been launched. The deployment of a **new technology-supported recruitment** and selection process in most of the Group's activities and the definition of a **brand strategy** are examples of this.

Finally, in this chapter, it is worth mentioning a common indicator in the realm of human resources such as the absenteeism rate. This indicator measures the hours lost in relation to the theoretical hours. This year, this rate stood at 5.1% in the Group (in 2022: 5.9%)[32].

6.1.2 Quality employment

Quality and stable employment continues to be a characteristic that CAF is committed to. 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 94%, an increase over the previous year (93%). If we look at the distribution by gender, age, professional group and region, the percentage of permanent contracts has increased[33].

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 reflected in the Group's defined and applicable remuneration and industrial relations management policy and guidelines. 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 present 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. 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. It also includes measures concerning the right to digital disconnection.

6.1.3 Talent development

The skilling of CAF professionals is another critical element, and the training process is a key element in skills-building activities. This is evident both in the parent company and in the set of national subsidiaries linked to its main activities.

In order to ensure an effective and efficient training plan, three large blocks of activity are defined within the process that are periodically monitored through 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 2023, progress continued to be made in the deployment of a more flexible learning model combining different formats such as face-to-face, virtual and training through CAF's e-learning platform. During 2023, there have been relevant advances in the use of technology based on artificial intelligence for the generation of content and its location in different geographies. Nearly 500 pieces of content have been generated to facilitate the implementation of new processes and tools and to accelerate onboarding plans.

At Group level, more than 230,000 training hours were received, with each person having received an average of 20 hours of training[34], two more than in the previous year. In terms of gender, women have received on average 5 hours more training than men. The average number of training hours for employees has been higher on average, receiving 26 hours of training, four hours more on average than operators.

Similarly, the satisfaction results and the effectiveness of the training actions as a whole exceed the objectives set in the people process for the period 2023, standing at 8.6[35] in both cases.

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- five percent of people from both the parent company and all national and international companies

32 The absence rate for 2022 and 2023 corresponds to 88% of the group's average workforce and takes into account hours lost due to accidents and illnesses, which amounts to 1,109,708 hours lost.
33 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.
34 Data representative of 80% of the Group's workforce.
35 Data relating to those sites where the system of evaluation of the training received is implemented.

have received an evaluation, following the defined systematic approach[36]. 74% of women have received an evaluation and 90% of men. Likewise, 100% of workers have been evaluated in 2023, as well as 74% of 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 2023, improved and reinforced evaluation processes have been launched in the Group's main activities, continuing with their deployment in the following period. The evaluation processes launched have been adapted to the needs of the different activities and groups. Self- assessment by employees, calibration processes, the deployment of the objectives included in the annual plans to people and/or the promotion of continuous feedback are elements on which improvements have been included.

Creation of Talent Hub, the CAF Group's learning ecosystem

The **creation of the Talent Hub is the most relevant strategic initiative** in the field of people development that aims to accelerate talent and add value to achieve the objectives of CAF's businesses and activities as a whole. Behind four strategic axes: commercial focus, operational efficiency, innovation and sustainability, there are ambitious challenges and objectives that demand the agile development of increasingly complex knowledge and technology.

In this context, Talent Hub will facilitate **ongoing talent development** in all areas. Managing learning processes in a **holistic, agile and practical way** is critical for teams to contribute the most and be competitive in markets with the best solutions and services.

Talent Hub was officially launched last October, and has already begun its activities. In addition to **deploying the** Talent Hub identity in all the learning activities that CAF has been developing and thus being able to transmit the commitment to the employability and development of people consistent with CAF's values and strategy, work is being carried out on **three initiatives** that have been prioritised:

- Development of a **values-aligned leadership programme** that is consistent with the leadership model we have defined. This programme will be deployed in different activities and geographies for different segments.
- Definition of a process and a methodology for the **development of induction programmes**, supported by technology to accelerate the acquisition of the necessary knowledge for new recruits and for the needs arising from internal mobilities. It includes both general and technical knowledge.
- Implementation of a methodology that allows the **development of key knowledge** at different stages of the professional career in an accelerated manner and adapted to business needs.

These are three of the initiatives, but they will not be the only ones. Talent Hub is an **investment in the future**.

36 Data relating to those sites where the performance appraisal system is in place.

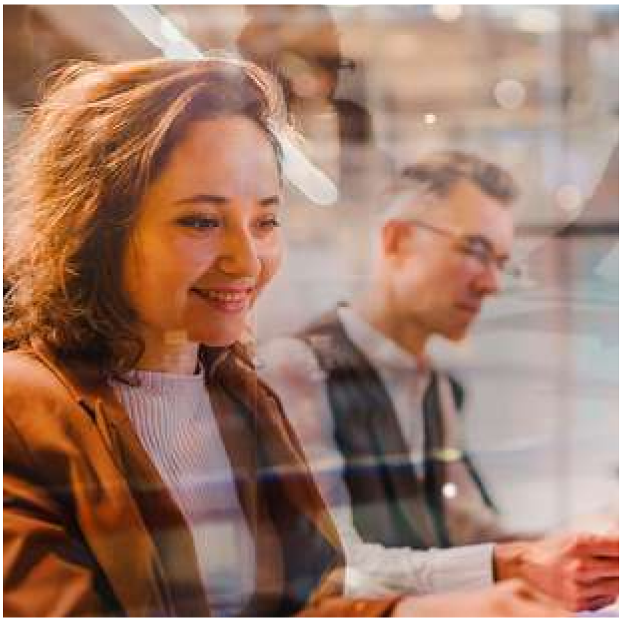
6.1.4 Internal mobility

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.

In 2023, the dynamic 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.

In this area, during 2023, the process by which successors are identified for those positions that are considered critical has been reinforced. This process started to be rolled out in 2023 and will continue in the following period as it is designed to be global. This activity is part of the initiative that aims to adopt good practices in talent management.



6.1.5 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.

In 2023, the procedure for the constitution of a European Works Council in the CAF Group began, in accordance with the provisions of Directive 2009/38/EC of the European Parliament and of the Council, on the constitution of a European works council in companies and groups of companies with a community dimension, as well as Law 10/1997, on information and consultation rights of workers in companies and groups of companies with a community dimension, in accordance with the regulations applicable in this matter. At the end of the year, the election and/or appointment of the members of the negotiating committee has not been completed.

In 2023, all employees of the parent company and the national subsidiaries of all the Group's activities are covered under sectoral or company collective agreements, which as a whole are of general application to all workers. At the international level, collective bargaining on different issues (pay, working time and working hours) is also noteworthy in different geographies. 70% of the CAF Group's workforce is subject to a collective agreement.

In addition, with the aim of promoting internal communication in a systematic, agile and widespread manner, adapted to current habits, throughout 2023, constant communication has been maintained through the publication of nearly 500 news items in the CAF Group's communication application.

In addition, since 2018 and at least every two years, studies are systematically launched on the perception of CAF people on aspects related to management practices and their leaders, organisational culture, satisfaction, commitment, etc.,in all relevant Group activities. In 2023 this activity has a scope of 94% of the consolidation perimeter. Additionally, and as in 2022, direct communication activities have continued to be promoted both in virtual and in-person formats.

6.1.6 DIVERSITY AND EQUAL OPPORTUNITIES

[EG 202, 202-1, EG 405, 405-1, EG 406, 406-1, 2-21]

6.1.6.1 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 2023, women represented 22% of new hires to the CAF Group, raising the overall presence of women in the Group's workforce that has increased slightly to 17%.

Likewise, equal access for men and women to training is guaranteed, in order to promote the development of their professional career and its adaptability to the requirements of jobs, improving their 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 will adopt the appropriate measures and decisions in the event of any action that constitutes or causes discrimination based on sex.

In order to keep a comprehensive control of these commitments and their respective initiatives, all Group companies at year-end complied with the legal regulations regarding the development of equality plans and have various management mechanisms in place, such as the protocol for action in the event of sexual harassment or gender-based harassment and equality commissions, with representation from the company and employees, to prevent and, where appropriate, resolve cases of sexual harassment and gender-based discrimination in the workplace. Noteworthy due to its size at the Parent Company 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 in the CAF Group are included in the Code of Conduct. Within this framework, in 2023, three actions were initiated in relation to harassment for reasons of gender, sexual orientation, identity and/or expression, which have been investigated internally, processed and resolved by applying the relevant employment measures.

6.1.6.2 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[37] amounted to €43,299.

37 All annual fixed remunerative items for full-time employees available to all the Group's employees were used. It includes short-term variable concepts linked to an evaluation of objectives considering the amount at 100% achievement. The average exchange rate for the year was used to translate the data to euros.

	2023	2022	2021
Average remuneration	43,299	41,128	38,353

The salary gap in the Group's activities as a whole is 0.4%. Changes in the configuration of the workforce with a greater presence of female employees have had an impact on the average remuneration of this gender, reducing the gap of the previous period.

	2023		2022	2021
	REMUNERATION AVERAGE €	GENDER PAY GAP	GENDER PAY GAP	GENDER PAY GAP
BY GENDER[38]				
Female	43,141	0.4%	1.4%	-0.5%
Male	43,332			
BY AGE				
Less than 30 years	28,850	-8%	-7%	-8%
30-50 years	44,275	-4%	-3%	-5%
Over 50 years	50,781	12%	9%	7%
BY PROFESSIONAL GROUP				
Employee	50,881	16%	17%	16%
Operators	33,547	15%	16%	10%

The average remuneration by age at the CAF Group[39] reveals a correlation between age and remuneration earned, as shown in the table. Likewise, as regards the gender pay gap, if we analyse the data by age bracket, in the under-30 segment the pay gap is negative (-8%), with women being paid more than men. The gap is also negative in 30–50 years of age segment (-4%). However, in the over 50 years of age segment women's remuneration is lower, with a positive gap of 12%.

Remuneration in the CAF Group for professional groups is organised into two broad categories: employees[40] and operators. The average remuneration for employees is €50,881 compared with €33,547 for operators. In both groups, as in previous periods, the gender pay gap is positive. Within the employed group the gap is 16% and in the blue-collar group it is 15%, in both cases narrowing slightly.

If we analyse the data by group, the seniority factor is identified as one of the causes of the gender pay gap. On average, men's length of service across all CAF activities is 25% higher among employees and 26% among operators.

	2023	
PROFESSIONAL GROUP	GENDER PAY GAP[41]	DIFFERENCE IN LENGTH OF SERVICE[42]
Employee	16%	25%
Operators	15%	26%

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 0.4% lower than the average total remuneration of men, when comparing the averages of both groups by professional category, the difference widens. The reason is the lower number of women compared to men in general (17% of the total are women), as well as their asymmetric distribution by professional group. The following table shows the distribution of the workforce by professional group and gender at the end of the year.

38 The data on the wage gap for 2021 and 2022 are those published in the 2022 Non-Financial Information Statement.
39 The gender pay gap was calculated on the basis of all employees, including senior management and executive directors and senior managers.
40 The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.
41 (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.
42 (Average Length of Service of Men by Group – Average Length of Service of Women by Group) / Average Length of Service of Men by Group.

	2023	
PROFESSIONAL GROUP	**FEMALE**	**MALE**
Employee	90%	49%
Operators	10%	51%
Total	100%	100%

This is due to the fact that the majority of women belong to the employees' category (specifically 90%) and the average remuneration for the this category is higher than that of the operators' category. Meanwhile, 51% 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 Report on Corporate Governance of Listed Companies.

Finally, within this chapter, the ratio between the remuneration of the highest paid person and the average remuneration of his or her employees ("CEO to worker compensation ratio") is 18.6. For its calculation, the CEO's remuneration included in the Annual Report on Remuneration of Directors (ARRD) and the average of the remuneration accrued corresponding to the rest of the Group's workforce have been taken as a reference.

6.1.6.3 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.

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[43] and through the adoption of alternative measures envisaged in current legislation.

6.2 OCCUPATIONAL HEALTH AND SAFETY

[GRI 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10]

In the CAF Group, we know that carrying out our activity can generate risks for the health and safety of people, so we work to develop actions that build safety, promoting measures that contribute to protect people against occupational risks.

In the activities of the CAF Group, workers and subcontractors are exposed to different health and safety risks at work. 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 (OHS) 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, ergonomics, hygiene and psychosociology risks to which our workers and subcontractors are exposed are of a different nature.

Given the diversity of activities and locations in which we operate, and the Health and Safety of our employees being one of our main challenges in the CAF Group, we have a Corporate Occupational Health and Safety Policy (OHS) and controls to ensure compliance with the applicable legislation in this area in the geographies where we are present.

6.2.1 Occupational health and safety policy [GRI 403-1]

The Corporate Occupational Health and Safety Policy (OHS) (available www.caf.net) applies to all the people who form part of our Organisation, including both workers and subcontractors, and covers all the companies that make up CAF. The Policy aims to guarantee the health and safety of people, highlighting its commitment to use the means to eliminate or reduce occupational risks by promoting a preventive culture among those who work at CAF. Likewise, this Policy complies with international OHS standards and regulations, taking as a reference international organisations such as the World Health Organisation (WHO) or the International Labour Organization (ILO), among others.

Through the deployment of the Corporate OHS Policy that we are carrying out in the Group, we are responding to the commitments established, taking as a reference the basic principles of action included in this policy and developed in the Manual for the Development of the Corporate OHS Policy.

Both the Corporate Policy and the Development Manual have been prepared within the Corporate Forum on OHS, 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 we are driving the deployment of the Corporate Policy in the Group.

Throughout 2023, improvement action plans have been carried out to achieve the objectives set in order to achieve alignment with the Policy. Through these action plans, significant progress has been achieved in the Group's businesses with respect to the principles defined in the Policy. In addition, during the year, the unified occupational health and safety risk management methodology for the CAF Group was updated and its deployment began in the Group's most representative companies.

43 The CAF Group employs 135 people with certified disabilities (149 in 2022).

6.2.2 OHS management systems

[GRI 403-1, 403-8]

One of the principles of the OHS Policy is to establish or reinforce OHS Management Systems focused on continuous improvement, and that contribute to integrating the preventive culture into all of its activities. Through these management systems, the applicable legal requirements are identified and evaluated, with periodic monitoring of 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 manage prevention in company activities and decisions, technical processes, work organisation and development conditions, and promote hierarchical integration: executive, management, employee and trade union representative.

To this end, the human and material resources necessary to achieve these objectives are made available.

To achieve zero accidents and improve occupational health and safety conditions, and responding to the principles of the OHS Policy, at CAF we have implemented OHS Management Systems and we promote their extension.

In the field of OHS, the Group has certifications and evaluation and monitoring mechanisms that go beyond the legal requirements in each of the countries in which the Group is present. Accordingly, in 2023, we achieved its target of 75% of the total workforce covered by an OHS management system certified under the requirements of the ISO 45001:2018 standard. The achievement of this objective is due, in large part, to the certification obtained in vehicle manufacturing plants, such as CAF Reichshoffen and CAF France. With these milestones, we have managed to certify the majority of vehicle manufacturing plants in this standard. Looking ahead to 2024, we will continue to extend this certification to other national and international subsidiaries of the Group.

CERTIFICATE	2024 TARGET[2]	GOAL 2023	2023	2022	2021
ISO 45001:2018 [1]	77%	75%	75%	68%	52%

1. % of the workforce

2. The objective for the year 2024 is estimated based on the current workforce of the year 2023.

Internal audits are conducted at all the plants in order to perform an internal follow-up of the management system implemented, or in the process of being implemented, as per the requirements of the ISO 45001:2018 standard, and the legal requirements applicable according to the legislation in force in each country. Qualified internal auditors evaluate the effectiveness of the management system and the correct application of CAF policies. As a result of these internal audits, corrective actions are established to remedy any non-conformities that may have been identified and improvement actions for the management system.

Furthermore, in addition to the audits of the management systems that are carried out, legal audits are conducted in those companies where applicable, in compliance with the legal requirements applicable in those countries.

The OHS management system is structured to develop, implement and supervise activities that constitute a systematic prevention of work accidents, occupational diseases 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 its employees but addresses issues to prevent or mitigate the risks of workers from other companies that carry out their activities at CAF's facilities and those who visit CAF's facilities. To this end, within the management system, the measures and means of coordination with these companies are established regarding the application of regulations on occupational risk prevention and the coordination of business activities. It also includes procedures for managing visits to CAF facilities in terms of information on the risks and prevention measures to be adopted.

6.2.3 Preventive activities and prevention plans

Risk assessment [GRI 403-2]

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. After identifying the risks by workplace, job or activity, whether in terms of safety, hygiene, ergonomics or psychosociology, an assessment is made of these risks, which include, among others, those that can lead to an injury due to an accident at work with major consequences[44]. 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 of the company's own workers and those of subcontracted companies, managed through the coordination of business activities.

Once the risk assessment has been carried out, employees and non-employees whose work or workplace is controlled by CAF are informed of the risks arising from the risk assessment and of the prevention, protection and emergency measures to be taken. The people who assess the risks are those who have the necessary training and skills as established in the corresponding legislation. 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.

Ergonomic analysis to reduce musculoskeletal injuries

In 2023, we have reinforced and expanded the performance of ergonomic analyses of working postures during manufacturing operations, using the data obtained in the task validation processes in the industrialisation of work processes. To this end, we have carried out observations of the execution of these online operations to improve the manufacturing process ergonomically and reduce musculoskeletal injuries generated by the adoption of inappropriate postures.

44 Accident injury with major 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.

Occupational health services [GRI 403-3, 403-6]

At CAF we have occupational health services in the Group companies, complying with the legal requirements applicable in each of the corresponding countries.

In particular, at the parent company we have our own Prevention Service for our Beasain and Irun plants, where we take on the specialities of Occupational Safety and Industrial Hygiene, the rest of the specialities being contracted with an external prevention service, as well as our own Prevention Service at the Zaragoza plant, where we take on the specialities of Occupational Safety, Industrial Hygiene, Ergonomics, Psychosociology and Health Surveillance. In these services, we have competent and qualified personnel to perform the corresponding functions, as well as sanitary services authorised by the competent authority in each case, to guarantee a quality service and allow workers to use them.

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. In the annual plans we include lines of action and specific actions to guarantee health surveillance that covers all workers and that complies with the applicable legal requirements.

The occupational health services of each Group company are responsible for carrying out health surveillance of workers, in compliance with the 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 "the scheduled health examination"; "health consultations on demand" and the carrying out of "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. These documents set out all the details of its development and cover all the factors involved in monitoring the health of workers. Likewise, they consider the current legislation in each case, the guides and protocols published by the health authorities of each country, and serve as a reference for carrying out periodic health examinations as a fundamental tool for health surveillance.

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 that we carry out in the Group companies, as an example to be highlighted, we have procedures for action in situations of pregnancy and breastfeeding, which are generally aimed at 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.

Thus, we have procedures for the labour adaptation of sensitive workers or workers with psychophysical limitations, whose objective is to establish the mode of action for workers who are sensitive to risk factors at work and for those with physical or psychological limitations in order to assign them to suitable jobs 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, we define the objectives to be met in this area, 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, our objective is to collaborate with the national health system in promoting healthy lifestyles that improve the physical and mental well-being of workers. At the parent company, we include these activities in the annual Occupational Risk Prevention Plan and report on its development 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.

Ergoathlon Programme

This is a pilot initiative that we launched in 2022 and that we have extended throughout 2023 at the headquarters of the parent company. 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. For this purpose, we set up a specific installation in the factory where the machines used for the programme were placed.

Several groups of workers participated in the programme, reaching some 90 people. The experience is well appreciated by the participants, and the data extracted from measurements of different factors related to mobility, strength and pain perception have been very positive, and are substantially improving all the above factors. Based on these positive findings, we will continue to strengthen this project throughout 2024.

With regard to health promotion, we should add that in the rest of the Group's subsidiaries we are also tackling this type of activity with campaigns that aim to promote and provide guidelines to ensure that employees acquire healthy habits both at work and in their personal lives.

OHS Social Dialogue and Communication

[GRI 403-4]

In the field of OHS, we promote social dialogue managed through formal worker/company committees. Each of the main manufacturing plants of CAF's rail vehicle and bus activities, as well as the signalling activities, turnkey projects and the subsidiaries of the railway maintenance services activity, have an Occupational Health and Safety Committee, with the participation of the Management, the prevention delegates, the prevention service and, where appropriate, those responsible for the activity. These committees are responsible for collecting information from the different operational levels and approving occupational risk prevention plans, involving workers in their definition. These committees also adopt the appropriate decisions and follow up on the proposed actions, pursuing achievement of the objectives set.

In other Group companies, we have 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 enable the representation of the 95%[45] of the Group's total employees in the field of OHS.

In addition, in the OHS management system, we have tools and communication channels for notifying situations of danger or incidents, and for proposing measures and actions to reduce risks and avoid incidents or accidents that cause damage to people's health. These are specific working and management forums where we discuss OHS issues, where workers can report hazardous situations, both directly and through workers' representatives in the various consultation and participation bodies available, ensuring that workers are protected from any kind of retaliation. In these forums and through the existing communication channels, we carry out informative campaigns on the need to report this type of incidents in a process of continuous improvement, and to avoid damage to people's health.

Prevention Plans [GRI 403-1, 403-2]

Based on collaboration with the social partners and social dialogue in OHS matters and with the aim of reducing the accident rate and improving working conditions in the plants, we set up different lines of action that we integrate into the annual Occupational Risk Prevention Plans, which constitute the planning of the preventive activities to be carried out in each of the Group's companies.

This planning of preventive activity includes specific objectives, with dates of completion and periodic evaluation of their fulfilment. 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. In locations where there is no Occupational Health and Safety Committee, this monitoring is carried out through the forums defined for the consultation and participation of workers.

Preventive risk control activities [GRI 403-2, 403-7]

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. We collect all these activities in the annual Occupational Risk Prevention Plans.

Safety inspections of workplace conditions or places allow for the dynamic and effective assessment of occupational risks in different work areas. We carry out these inspections periodically, in accordance with the annual plans and the planning of preventive activities, and subsequently follow up on the corrective measures and anomalies identified during the inspections.

Work observations are carried out as a complement to safety inspections, in order to complete effective control of workplace risks. This activity aims to observe tasks to detect and report unsafe situations or behaviours in the processes that may result in harm to people or things. Analogous to safety inspections, task analysis is carried out periodically to check that the worker's manner, safety instructions or any specific instructions received by workers are being carried out correctly.

Additionally, in several Group companies, safety walks are being carried out by those responsible in the workplaces. These walks are intended to observe the tasks and identify the improvements necessary to carry out the work safely, encourage participation and communication with workers, as well as to demonstrate the preventive commitment of Management and improve its relationship with workers. These types of activities are one of the levers that help us generate a positive preventive culture.

45 In 95% 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.

On the other hand, and within the framework of the annual Prevention Plans, we manage personal protective equipment (PPE). Taking as a reference the evaluation of risks in the workplace, from the point of view of hygiene (presence of contaminants) or from the point of view of safety (situations that may cause an accident), we define the degree of protection necessary to specify the appropriate equipment. Once defined, we train and inform the operators on the correct use and maintenance of these and, through the different preventive activities of the system, we monitor the use of these by the workers.

Likewise, through the development and definition of safety procedures and instructions, we establish the preventive measures to be adopted in the work processes and operations that we consider critical. These specific documents are available together with the rest of the management system documentation, and we transmit the information on the risks and preventive measures contained in them 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, we have 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 in accordance with the Annual Drill Plan included in the annual Occupational Risk Prevention Plan at each headquarters, we carry out training actions in environmental awareness talks and training in OHS, fire extinction and first aid.

With regard to the risks arising from the supply of equipment or materials that may be integrated into CAF's manufacturing processes due to commercial relations with its suppliers, CAF has control mechanisms and procedures to identify and evaluate them, and to define prevention and protection measures to reduce them. In the case of incorporating a product or chemical substance into the production process, we establish methodologies to control and manage its purchase and introduction, where we establish the criteria for the technical definition and purchase of products and chemical substances. Conversely, if it is a question of incorporating new work equipment, machinery or installations subject to industrial regulations and their subsequent modifications, we establish mechanisms to ensure that they comply with the minimum conditions required to guarantee the health and safety of operators and other persons 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. Thus, we have specific procedures for the design of new workplaces where we establish considerations for the design of workplaces that eliminate or reduce occupational health and safety risks at their source.

OHS training [GRI 403-5]

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. We integrate this training into CAF's annual Training Plan. We have a training/information process on risks, prevention measures, protection and emergency measures to be adopted in the workplace, which we carry out for new employees through an onboarding programme. In addition, depending on the tasks to be carried out by the worker and the risks present in his/her job, we provide specific training in occupational risk prevention, and we update it when new risks appear or there are changes that require updating the training.

At the same time, awareness-raising actions are carried out through training, awareness-raising talks, welcoming plans, workers' meetings, etc.

The training of workers is oriented to the risks that are present in their activities, such as the specific risks of the position, action in emergencies (including fire drills) and first aid, training in prevention of musculoskeletal injuries, in the use of work equipment, at heights or electrical risk, hygienic risk and use of chemical products, among others.

OHS training with virtual reality practices

In the last financial year, OHS training has been provided by incorporating virtual reality practices and dynamic exercises to facilitate learning in the training sessions, which have been very positively evaluated.

Different scenarios are used, simulating situations in which the assistant has to identify risk situations in a hypothetical situation during manufacturing and/or maintenance activities, and even make decisions about the risks and preventive measures to be adopted in these situations.

These tools have been incorporated into the training that is being given according to the training plan, with which we are receiving a very positive assessment, making the training given more effective.

Incident management [GRI 403-2]

Relevant activities of the management system include the investigation of accidents and incidents, the aim of which is to take the necessary measures to prevent their recurrence by obtaining data to define the facts, identify the hazards, assess the risks and establish the basic causes that gave rise to them. The investigation process is carried out in accordance with the criteria established in the specific procedures defined for this process. We analyse accidents and incidents as a whole to detect the organisation's critical points and repetitive root causes, following up on corrective actions. In addition, we carry out regular statistical analyses of accidents that have occurred in Group companies. Finally, to adopt the measures derived from this process and determine the necessary improvements to the occupational health and safety management system, we take into account the same hierarchy established above. With regard to the reporting of incidents and in order to convey the importance of reporting such situations, we conduct information campaigns 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 [GRI 403-2]

In line with what is included in one of the basic principles of action of the Corporate OHS Policy, in relation to building a positive preventive culture, throughout 2023 we have continued with projects to improve the preventive culture 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 2023 we have continued with the implementation of the plan, which includes specific activities to be carried out. On the other hand, in several Group companies, we have launched processes to diagnose the situation of the preventive culture, through the NOSACQ-50 questionnaire (*Nordic Occupational Safety Climate Questionnaire*), which is used to know the preventive climate of an organisation. Through these processes, we are developing and implementing improvement plans.

In 2024, we will continue with the action plans defined, which will include actions aimed at improving their level of preventive culture.

6.2.4 OCCUPATIONAL RISK PREVENTION IN FIGURES [GRI 403-9, 403-10]

In relation to the accident rate objectives, we mainly measure three indicators:

- Frequency index.
- Severity index.
- Absolute frequency rate.

The tables below show the evolution of these indicators, both for CAF employees and for workers who are not directly employed by CAF, separately and jointly. The rate of identified occupational diseases is also presented.

CAF GROUP (CAF WORKFORCE)									
INDICATOR	2023			2022			2021		
	M	W	T	M	W	T	M	W	T
Frequency Rate[1]	16.9	2.25	14.1	17.66	2.70	15.16	19.68	2.20	17.28
Severity rate	0.44	0.06	0.37	0.41	0.09	0.35	0.46	0.05	0.40
Absolute frequency rate	65.96	9.01	55.13	60.0	8.91	51.44	68.29	8.43	60.09
Occupational illness rate	12.96	3.90	11.4	18.17	0.00	15.26	10.60	0.00	9.10

WORKERS WHO ARE NOT DIRECT EMPLOYEES OF CAF									
INDICATOR	2023			2022			2021		
	M	W	T	M	W	T	M	W	T
Frequency rate	16.25	8.55	14.96	9.53	7.40	9.09	21.74	17.36	20.50
Severity rate	0.4	0.18	0.37	0.20	0.49	0.26	0.47	0.11	0.37
Absolute frequency rate	25.12	14.67	23.36	14.76	12.95	14.39	48.06	26.04	41.82
Occupational illness rate	0	0	0	0	0	0	0	0	0

CAF GROUP (CAF STAFF) & WORKERS WHO ARE NOT DIRECT CAF EMPLOYEES[2]			
INDICATOR[3]	2023		
	MEN	WOMEN	TOTAL
FREQUENCY RATE	16.75	3.23	14.23
SEVERITY RATE	0.43	0.08	0.37
ABSOLUTE FREQUENCY RATE	58.75	9.89	49.65
OCCUPATIONAL ILLNESS RATE	9.51	3.22	8.53

1. Goal 2023: 14,5.
2. No history is available as this is the first year that these indicators have been calculated jointly for the CAF workforce and other workers who are not directly employed by CAF.

Below is the information on work-related injuries over the last few years and their evolution, for CAF employees and workers who are not direct employees of CAF, separately and jointly.

CAF GROUP (CAF WORKFORCE)										
INDICATOR		2023			2022			2021		
		M	W	T	M	W	T	M	W	T
Fatalities as a result of a work-related injury	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)	No.	1	0	1	0	0	0	0	0	0
	Rate	0.05	0	0.04	0	0	0	0	0	0
Recordable work-related Injuries	No.	319	10	329	1,104	33	1,137	1,173	23	1,196
	Rate	16.9	2.25	14.1	60.0	8.91	51.44	68.29	8.43	60.09
Occupational Diseases	No.	16	1	17	20	0	20	11	0	11
	Rate	12.96	3.90	11.4	18.17	0	15.26	10.60	0	9.10

WORKERS WHO ARE NOT DIRECT EMPLOYEES OF CAF										
INDICATOR		2023			2022			2021		
		M	W	T	M	W	T	M	W	T
Fatalities as a result of a work-related injury	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)	No.	0	0	0	0	0	0	0	0	0
	Rate	0	0	0	0	0	0	0	0	0
Recordable work-related Injuries	No.	66	7	73	31	7	38	42	9	51
	Rate	16.25	8.55	14.96	14.76	12.95	14.39	48.06	26.04	41.82
Occupational Diseases	No.	0	0	0	0	0	0	0	0	0
	Rate	0	0	0	0	0	0	0	0	0

CAF GROUP (CAF STAFF) & WORKERS WHO ARE NOT DIRECT CAF STAFF				
INDICATOR		2023		
		M	W	T
Fatalities as a result of a work-related injury	No.	0	0	0
	Rate	0	0	0
Serious work-related injuries (excluding fatalities)	No.	1	0	1
	Rate	0.04	0	0.04
Recordable work-related injuries[4]	No.	385	17	402
	Rate	16.75	3.23	14.23
Occupational Diseases	No.	16	1	17
	Rate	9.51	3.22	8.53

3. Frequency rate: no. of accidents with leave * 1.000.000/hours worked (HW); Severity rate: no. of days lost * 1.000.000/HW; Absolute Frequency Rate: no. of recordable accidents * 1.000.000/HW; Occupational illness rate: no. of occupational illnesses * 1.000.000/HW.

4. There is no history available for this indicator as this is the first year that it has been calculated jointly for the CAF workforce and employees who are not directly employed by the Group.

In 2023, there have been injuries due to accidents at work with major consequences in one case.

The main types of occupational injuries that occurred in 2023 among CAF employees were mainly of the following types:

• physical overexertion of the musculoskeletal system.

• Falls and stumbles.

• blows and cuts with tools.

• particle projections.

In the case of non-CAF employees, the injuries were mainly of the following type:

• blows and cuts with tools.

• Particle projections.

Regarding the occupational diseases registered in 2023, they have been mainly due to musculoskeletal ailments.

6.3 QUALITY AND PRODUCT SAFETY [EG416, 416-1, 416-2]

At CAF we consider that to provide safe products and services to our customers and achieve maximum loyalty, we must involve all interested parties in our operational processes (design, supply, manufacturing, validation, delivery, warranty and maintenance).

Thanks to our 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.

6.3.1 Product and service quality

In accordance with the provisions of the Sustainability Policy, on 18/12/2020 we approved the Quality Excellence Policy (updated on 24/03/2021), of corporate scope, with the aim of establishing the basic principles that enable us to meet the needs and expectations of our clients, offering products and services of high quality, safety, reliability and availability. It is the responsibility of the Executive Committee to ensure compliance with this Policy, under the leadership of the Economic - Financial and Strategy Directorate (CFSO).

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 assessment and management system detailed in chapter 7.1. 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.

In the current financial year, all ISO9001 and IRIS certifications have been maintained, and we have maintained the Silver recognition in IRIS for the Vehicle and Railway Maintenance activities.

CERTIFICATE	FIELD	OUTLOOK	SCOPE 2023	SCOPE 2022
ISO 9001	Quality Management	Unchanged	92% of Group workforce certifiable	93% of Group workforce certifiable
IRIS/ISO 22163	Railway applications – Quality management system	Unchanged	87% staff of the railway activity (design and manufacturing)	91% staff of the railway activity (design and manufacturing)

It should be noted that the CAF Management Model is deployed throughout the Group, so the actual scope of the system in each area exceeds the scope of the certificates. The Model is adapted to local legislation, customer requirements and/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 the awarding of a project or order, the main channels of communication with potential clients are: the website, trade fairs, magazines, social media, meetings, among others, 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.

Typically, the specific communication channels with each client are agreed upon with the client at the beginning of the project or order and typically include monthly reports, project monitoring meetings at Manager level and quarterly high-level project monitoring 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 client, Project Management Plan, scorecard and 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 complete documentation, instructions and full access to the parts and spare parts catalogue, with an online store where the customer can place orders in a fast, 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 2023 have been:

ROLLING STOCK SEGMENT	
MAY	MIDDLE EAST RAIL, ABU DABI. Main railway congress in the Middle East, with Etihad Rail as a collaborating entity.
JUNE	EURASIA RAIL, ISTANBUL. Turkish railway sector fair with institutional support from the Ministry of Transport and Infrastructure and TCDD.
OCTOBER	• APTA EXPO, ORLANDO. Fair organised by the *American Public Transportation Association*. • ELMIA NORDIC RAIL, JÖNKÖPING. Fair focusing on projects in the Nordic countries. • RNTP, CLERMONT-FERRAND. Main fair on public transport in France, both rail and bus.
NOVEMBER	• TRANSMEA, CAIRO. Egypt Transport, Logistics and Infrastructure Fair, with institutional support from the Ministry of Transport. • AUSRAIL PLUS, SYDNEY. Australian railway sector fair, organised by ARA (*Australian Railway Association*) • RAIL LIVE, MADRID. The main railway congress in Spain, organised by Terrapinn in collaboration with MAFEX.
BUS SEGMENT	
JUNE	• UITP SUMMIT, BARCELONA. Congress with exhibition area organised by the International Association of Public Transport. • AGIR 2023, BIARRITZ. Event dedicated to sustainable mobility solutions.
OCTOBER	INTERNATIONAL EXHIBITION BUSWORLD, BRUSSELS, Europe's largest bus exhibition.

In accordance with the “General policy regarding communication of economic and 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 2.5. Value creation and Stakeholders. In 2023, in addition to expanding the coverage of the survey, the result has been 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 claim is received, the procedure for managing customer claims is applied, which has the following phases:

Registration and preliminary analysis → Diagnosis and corrective actions → Final report and feedback to the customer → Follow up and close

- Preliminary analysis or prediagnosis: 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 client: 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.

Tracking and closing the claim: 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.

During the 2023 financial year we have received a total of 10 complaints from customers in the Group. In the rail segment, seven complaints were received, of which two were closed in 2023 and five will remain ongoing in 2024. In the bus segment, three complaints were received, all of which were closed in the current financial year.

To evaluate the correct implementation of this process, in addition to the customer satisfaction indicator[46] and customer complaints mentioned previously, the non-quality cost indicator is available. Customer complaints form part of the poor-quality cost, among other aspects.

INDICATOR	MEASURE	SCOPE	CHANGE	OUTLOOK
Non-Quality Costs	Internal	>74% sales	Positive. Above target	Scope extension. Stable result

46 The results of the customer satisfaction survey can be consulted in section 2.5. of this Report

6.3.2 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.

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. (More information in section 6.2 of this Report).

As this policy addresses two distinct areas (Security and Cybersecurity), we approved two corporate manuals for its deployment in 2022; (i) the first one to deploy the principles on user security and (ii) the second one to deploy the principles on Cybersecurity.

Health and physical safety

It is the responsibility of the Technology Department to ensure compliance with the Security 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 in the event that a security problem has occurred or is suspected, (ii) return of products and services suspected of being unsafe, (iii) sanctions and/or legal claims opened by customers or others affected (iv) and reputational damage, impacting the Company in its relationship with all its stakeholders. The management of these risks is integrated into the corporate risk management and control system detailed in chapter 7.1. 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. These 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. Likewise, the majority comply with the provisions of the European reference standard on railway safety: EN 50126: 1999 (or its most recent version of 2017) "Railway Applications - Specification and Demonstration of Reliability, Availability, Maintainability and Safety (RAMS)".

During 2023, the first version of the Security Policy Development Manual continued to be applied normally, under the supervision of the already established Corporate Security Committee, with the aim of increasing its degree of maturity, increasing synergies between the different activities of the Group, and acquiring sufficient information to enable us to make the right decisions on its future evolution.

In 2023, we have identified and considered up to 21 different improvement proposals within the scope of a first transformation initiative, of which three were subsequently explored and discussed in more detail, and two are already (after adoption) under implementation.

In 2023, all existing mandatory and voluntary certifications have been maintained:

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

In addition, it is still common for customers and/or the relevant authorities to require the assessment of all projects developed for the railway sector according to regulated processes, either legally or in accordance with the regulations prescribed for each of these. These project conformity assessments usually require the additional participation of independent bodies, which judge the extent to which Safety Management Systems are specifically applied 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".

Likewise, in the aforementioned Safety Policy, CAF is committed to protecting people against accidents and incidents caused by or related to our products and services, both physical and IT.

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 evolution of the security incident indicator continues with the historical trend of previous years.

HEALTH AND PHYSICAL SAFETY INDICATORS	MEASURE	SCOPE	CHANGE	OUTLOOK
Security incidents	Safety incidents without personal injury per year caused by our products/ services.	CAF	Unchanged	Unchanged
Accidents	Accidents per year, caused by our products/ services, with personal injuries.	CAF	0 accidents	Unchanged

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

CAF continues to be 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.

As a major development in this area, the Group has decided to become more deeply involved in safety-related standardisation processes. In this respect, the company has applied for (and obtained) a seat on the AENOR/UNE CTN 200/SC 56, and is in the process of applying for another seat on the CLC/SC 9X. In this way, CAF is up to date with all regulatory developments relating to national and international standards (ISO, IEC, and soon EN), and is in a position to influence their contents.

The Corporate Safety Committee continues to integrate and disseminate good safety practices among the Group's companies, as well as to be involved in the effective resolution of emerging "conflicts" (or issues that go beyond the scope of a single Group company).

6.4 PRODUCT CYBERSECURITY

Cybersecurity is integrated into all stages of creation and delivery in all our projects, products and services offered to our clients. All this is carried out under the umbrella of the Corporate Security Policy (Cybersecurity) approved by the Executive Committee and which we have developed in response to the current context and the various stakeholders.

We apply **cybersecurity by design** as our working method, following international standards IEC62443 or TS50701 in our project management, product development, operation and maintenance processes. Likewise, our bus segment continues to deploy the requirements established by the new UNCECE R155/156 regulation with the objective of homologating the product under this standard as of July 2024.

In the railway segment, cybersecurity activities for a programme or project have been defined, proceduralised and formalised. These activities, which are aligned with industry reference standards IEC62443-2-4 and TS50701, range from preliminary design, through the stages of cybersecurity risk analysis and definition of requirements for suppliers, to cybersecurity validation and verification testing. This includes vulnerability and penetration testing, which is essential to gain end-customer acceptance.

	OFFER	DESIGN AND ENGINEERING		MANUFACTURING	TESTING AND VALIDATION			ACCEPTANCE
	Offer	Basic engineering	Detailed Engineering	Manufacturing	Origin	Factory	Via	Acceptance
ACTIVITIES	• Review applicable standards • Revision of specifications • Specification and CbC*	• Risk analysis • Definition of architecture • Define cybersecurity requirements	• Monitoring changes and reviewing risk analysis • CbC supplier monitoring	• Monitoring changes and reviewing risk analysis • Review and approval of supplier requirements verification protocols • Document cybersecurity testing protocols	• Review execution of test protocols • Monitoring closure of detected vulnerabilities	• Vulnerability and penetration testing • Monitoring closure of detected vulnerabilities	• If required, additional cyber-security testing • Document cybersecurity guides	• Obtain formal asset owner acceptance • Final delivery of cybersecurity documents
DELIVERABLES	• Cybersecurity Management Plan Offer • Cybersecurity Management Plan Offer	• Cybersecurity Management Plan • Cybersecurity Case Study	• Cybersecurity Case Study	• Cybersecurity Case Study • Test plan	• Test report • Cybersecurity Case Study	• Test report • Cybersecurity Case Study	• Test report • Cybersecurity Case Study	• Test report • Cybersecurity Case Study • Bastioning guides • BOM* and SBOM*

*CbC = Clause by Clause BOM = Bill Of Materials SBOM = Software Bill Of Materials

Within the existing product development process, a series of activities and processes have also been incorporated that ensure that the cybersecurity of the final product is taken into account from planning, development, manufacturing and delivery to the customer. These activities are in line with the IEC 62443-4-1 and IEC 62443-4-2 industrial cybersecurity reference standards. In this context, new roles have been established that must be considered in the project, such as the cybersecurity engineer or cybersecurity manager, secure development guidelines, product threat analysis methodology, as well as the incorporation of activities aimed at guaranteeing the cybersecurity of both the product (inclusion of cybersecurity requirements with an SL-T 2 security level, reviews of static and dynamic code, vulnerabilities and penetration tests) and the development environment, ensuring the integrity of the binaries and the correct segregation of profiles and users. This process has already been implemented for signalling products and is planned to be expanded to more products and activities of the CAF Group in the future.

Additionally, over the past year, we have placed considerable emphasis on cybersecurity management within the supply chain. This effort has involved holding regular meetings with the main suppliers of some of our activities. In these meetings, they have been asked for information on the current state of cybersecurity in their respective organisations, with a focus on ISO27001 compliance, as well as the security of their products, with a focus on standards 62443-4-1 and 62443-4-2. In addition, they have anticipated the level of security we expect from their products, aligning with our clients' and our own expectations. This proactive approach ensures that all products we receive meet our cybersecurity standards.

In addition, we want to support our clients during the operation and maintenance of products throughout the entire lifecycle through **cyber security monitoring and services**; threat and vulnerability management, patch management, monitoring and response to cyber security incidents. Thus, we ensure that we meet the expectations of our clients and current and future legal and regulatory requirements (i.e.: NIS2, *Cyber Resilience Act* CRA). To this end, we have launched an initiative that allows us to define the strategy and roadmap to guarantee that we accompany our clients in all phases of a project.

Our objective is to contribute our experience and knowledge to improve the security and efficiency of railway systems. We believe that **collaboration** between the different actors in the sector is key to achieving regulatory harmonisation that benefits all users. CAF actively participates in the development of cybersecurity standards (new railway sector cybersecurity standard IEC63452) by assisting the working groups of different national and international agents and organisations.

Cybersecurity has been included in CAF's overall **innovation** process. Keeping CAF's cybersecurity offering at the forefront of technology will allow CAF clients to ensure the safety of passengers and the operational efficiency of transportation systems.

6.5 SOCIETY

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.[47]

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 integrated into the corporate risk assessment and management system detailed in section 7.1, which provides a sequence of activities aimed exclusively at their management. This process meets the risk and opportunity analysis of the frame of reference.

6.5.1 ECONOMIC PROMOTION OF THE COMMUNITY [2-28, 203-2]

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, the collaboration at regional level, started more than 10 years ago, stands out, which has resulted in the creation of Goierri Valley and CAF's participation in the project as a driving company and member of the Tractor Companies Committee. 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).

Regarding the activities carried out by CAF in this association during 2023, the following stand out:

- Active 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.
- Active participation in several of the sessions of the Hydrogen Round Table and the Prevention Round Table, analysing the opportunities and possible collaborations that may result in the coming years between the companies of the association.
- Active participation in the Goierri Investment Board initiative, as part of the DIBERTSIFIKAZIORANTZ project, financed by the *Eskualdeak* programme of the Provincial Council of Gipuzkoa, to explore the collaboration interests of companies in the region, crossing the strategic challenges and investment interests of the companies.

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 taken part in the working groups on ENERGY, and has committed itself to forming part of the project to implement this strategic challenge.

47 Contributions to associations and non-profit organisations in the above-mentioned areas amount to €829,480 in 2023.

CAF continues to participate in the activities of economic entities with business or sectoral relevance to a different extent. Below are some of the entities in which it has participated throughout 2023:

ADEGI	CÍRCULO DE EMPRESARIOS	Alamys
apd		unife
CEOE		MAFEX
CIC nanoGUNE	CLUB DE EXPORTADORES E INVERSORES	DIPC Donostia International Physics Center
CÍRCULO DE EMPRESARIOS VASCOS	UITP	IE BUSINESS FOUNDATION

In these entities CAF has a vocation both to represent the interests of the Company, as well as to contribute from its position and to promote aspects that may be of general interest.

6.5.2 THE GENERATION OF KNOWLEDGE [2-28, 203-2]

At CAF, we are actively dedicated to generating knowledge in our operating environment. We achieve this by collaborating closely with innovative networks, participating in standardisation committees, and promoting learning alongside academic institutions and leading technology centres. Below, we mention some of the most fruitful alliances that have emerged in the field of innovation. These collaborations have allowed us to make significant progress in developing innovative ideas and solutions that make a difference in our industry.

Participation in the network of innovation-oriented associations

CAF is part of various national and international associations linked to transportation and innovation, which include:

ASSOCIATIONS AIMED AT RESEARCH AND DEVELOPMENT OF THE RAILWAY SECTOR

- Europe's Rail Joint Undertaking (EU-Rail JU)
- European Rail Research Advisory Council (ERRAC)
- Chips Joint Undertaking (JU Chips) (formerly KDT JU)
- Railway Innovation Hub (RIH)

RAIL INDUSTRY ASSOCIATIONS THAT ENCOURAGE INNOVATION AND STANDARDS DEVELOPMENT

- UNIFE (European Rail Supply Industry Association)
- UNISIG (Signalling Industry Association)
- ERWA (European Railway Wheels Association)
- MAFEX (Spanish Railway Association)

PUBLIC TRANSPORT BUSINESS PARTNERSHIPS

- UITP (International Association of Public Transport)
- VDV (Industry Association for Public Transport in Germany)

ASSOCIATIONS AIMED AT THE DEPLOYMENT OF SUSTAINABLE MOBILITY SOLUTIONS

- Clean Bus Deployment Initiative

ASSOCIATIONS AIMED AT THE DEPLOYMENT OF HYDROGEN TECHNOLOGIES AND HYDROGEN VALLEYS

- Hydrogen Europe (NEW – IG)
- European Clean Hydrogen Alliance
- Basque Hydrogen Corridor (BH2C)
- Masovian Hydrogen Valley
- Greater Polish Hydrogen Valley

ASSOCIATIONS FOCUSED ON INNOVATION IN SPECIFIC AREAS

- Information Technology for Public Transport (ITxPT)
- Polish Scientific Society of Combustion Engines (PTNSS)
- Cybersecurity Forums

Participation in standardisation committees

The standardisation entities in which CAF has the most relevant representation are listed below:

INTERNATIONAL STANDARDS ORGANISATIONS

- IEC (International Electrotechnical Commission)
- CEN (European Committee for Standardisation)
- CENELEC (European Committee for Electrotechnical Standardisation)

NATIONAL STANDARDS ORGANISATIONS

- AENOR/UNE (Spanish Association for Standardisation and Certification)
- PKN (Polish Committee for Standardisation)

Promotion of knowledge in collaboration with technology centres and universities

CAF constantly develops innovative solutions and expands its knowledge and competence through various means, including important collaborations with technological and educational centres. In some cases, it even participates in the governing bodies of these centres.

TECHNOLOGY CENTRES

- BAIC (Basque Artificial Intelligence Centre)
- CEIT
- CiCnanoGUNE
- CITEF (Research Centre for Railway Technologies)
- DLR (German Aerospace Centre)
- DIPC (Donostia International Physics Centre)
- FCITICG (Foundation for the Research Centre in Information and Communication Technologies of Galicia)
- Foundation for the development of new Hydrogen Technologies in Aragon
- IIT (Technological Research Institute)
- Ikerlan
- Lortek
- Tecnalia
- Vicomtech
- Others: Austrian Institute Of Technology (AIT) – Austria, CiCenergiGUNE – Spain, Cidetec – Spain, Spanish National Research Council (CSIC) – Spain, French Alternative Energies and Atomic Energy Commission – France, Community of universities and establishments University of Burgundy - Franche-Comté (COMUE UBFC) – France, IDEKO – Spain, IDONIAL – Spain, French Institute of Science and Technology for Transport, Development and Networks (IFSTTAR) – France, Institute of Communication and Computer Systems – Greece, ITAINNOVA – Spain, Pilsen Research and Testing Institute – Czech Republic, SINTEF – Norway, Tekniker – Spain, TNO – Netherlands, Virtual Vehicle Research GmbH – Austria, VTT – Finland etc.

UNIVERSITIES

- University of Navarra - Tecnun
- Mondragon University
- University of the Basque Country
- Deusto
- University of Oviedo
- AGH University of Science and Technology in Krakow
- Poznan University of Technology
- University of Huddersfield
- University of Melbourne
- Others: 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.

6.5.3 COLLABORATION IN THE EDUCATIONAL FIELD [2-28, EG 203, 203-2, EG 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.

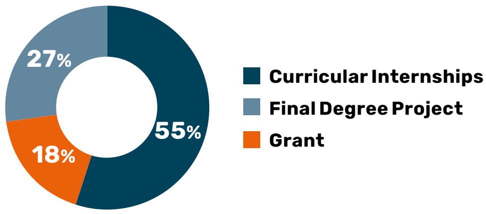
Educational entities or entities for the promotion of employment

STATE-OWNED	INTERNATIONAL
• University of the Basque Country • University of Mondragon • Universidad de Deusto • University of Navarra (Tecnun) • University of Navarra • International University of Rioja (UNIR) • University of Zaragoza • Polytechnic University of Madrid • University Carlos III Madrid (UC3M) • UAX - University Alfonso X El Sabio • Complutense University of Madrid • University of Alcalá de Henares • IE Business School • University of Lleida, • Higher Technical School of Engineering (ICAI) • Goierri Eskola • La Salle FP • FP Bidasoa • Urola Garaiko Lanbide Eskola (UGLE) • IES Virgen de la paz • IES Gaspar Melchor de Jovellanos • IES Cabanyal • ETI - Polytechnic Centre of Tudela • IES Professor Raul Vazquez • La Caparrella Vocational Training Institute • Colegio de huérfanos ferroviarios (School for Orphans of Railway Workers) • Guipúzcoa Chamber of Commerce • Novia Salcedo Foundation • University of Navarra Foundation • University of Zaragoza Business Foundation • Batterselman Foundation	• ESTIA Engineering School • Corning Community College • Cornell University • Alfred University • Rochester Institute of Technology • Binghamton University • Elmira College • St Julians High School • Liswerry High school • Association NQT - NQT • Elles Bougent • CFAI • IUT Haguenau • IUT Lille • INSA • Lycee Stanislas Wissembourg • Lycée heinrich nessel Haguenau • Lycée Sainte Philomène Haguenau • Lycée Schuman Haguenau • Myerscough college and Edinburgh College • ENIT Tarbes (School Engineer) • Autonomous Mexico State University • University of the Valley of Mexico • U. Anáhuac Tecnológico de Monterrey • Technological Institute of Tlalnepantla • La salle university • Faculty of Higher Studies of Cuautitlán Izcalli • College of Public Accountants of Mexico • Tepeji University • University of Science and Technology in Krakow (AGH), Poland • Poznan University of Technology, Poland • University of Science and Technology in Krakow (AGH), Poland • Motor Transport Institute, Poland

"More than 600 company placements"

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.

In this area during 2023, a process has been initiated to strengthen CAF's relationship with leading engineering schools in key geographies. Specifically in 2023, the university-business classrooms at Tecnun-University of Navarra, University of Mondragon, University of the Basque Country and University of Deusto have been promoted and a new collaboration agreement has been signed with the Polytechnic University of Madrid. These agreements foster closer contact with students early on, allowing them to have contact with the reality of CAF from the facilities of the different educational entities.



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.

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 2023, the international activity promoting scholarships for graduates at CAF Group headquarters has been developed in countries such as the United Kingdom, Finland, Hungary, the Netherlands, Belgium, Sweden, Germany and Norway.

European initiatives coordinated by UNIFE

During 2023 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 was endorsed when the European Commission defined the year 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 2023, activities have been carried out on several fronts. Firstly, the analysis of existing training programmes at European level in the railway sector and the development of training proposals to complement and enrich these programmes in order to respond to the future profiles that our industry will demand. Likewise, a major effort has been made to disseminate content generated through various channels (social media, forums, trade fairs, etc.), such as the specific profiles and skills that will be in demand in the future, both in the field of manufacturers and operators. Efforts have also been focused on developing a strategy to promote the attractiveness of the railway sector as a whole, focusing on specific marketing actions. In this sense, a study has been carried out to identify the elements that employees currently value most in the sector.

6.5.4 Collaboration with social and/or cultural initiatives [2-28]

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 2023, 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 Certificate

At CAF we promote the use of Basque in our workplaces. Proof of this is the possession of the Bikain certificate, both in the Beasain and Irún plants. In both cases, the certificate is silver and that of Irún has been renewed in 2023. Despite having been awarded the same grade, it should be noted that the result has been higher than the previous time, a sign of the work carried out in recent years. This certificate measures the management of language policy and is regulated by the Department of Culture and Language Policy of the Basque Government.

CAF –Elhuyar Awards

These awards are given annually and recognise the work of those who carry out scientific and technological dissemination in Basque. Different areas are taken into account, such as the most original popular science article, articles based on doctoral theses, science journalism and articles on the primary sector. Likewise, the Merit Award is awarded for the work carried out in the normalisation of Basque in a certain area. The creation grant in applied science is also awarded to the scientific society.

Igartza literary creation grant

CAF, together with Beasain Town Council and the Elkar publishing house, is organising this important prize. Awarded for the first time in 1994, its objective is to give young writers an opportunity. The contest has its own essence, since it is not a finished work that is awarded, but rather the project. The final work is presented within one year of the award of the prize and is published the following spring. Thus, in March 2023, the work of the 2021 winner, 'Arrain hezur bat eztarrian' by Olatz Mitxelena, was presented. In September, the winner of the 2022 competition, Lizar Begoña, presented her work, and the winner of the 2023 competition, Irati Irizar from Lazkaotarra, was announced.

7 OUR COMMITMENT TO RESPONSIBLE GOVERNANCE

7.1 RISK MANAGEMENT [2-12, 2-13]

At CAF, we firmly believe in the importance of correctly managing uncertainty in order to achieve our objectives and realise our vision. This is stated in our General Risk Assessment and Management Policy, approved by the Board of Directors, where we set out the basic principles for the control and management of risks and opportunities of all kinds, which enables us to:

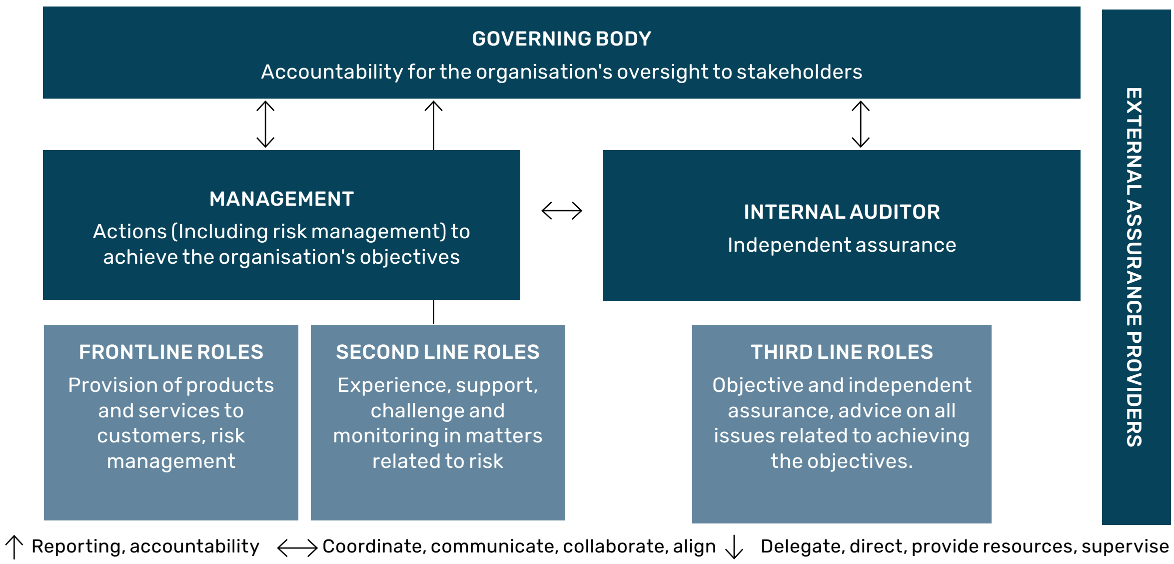
- Achieve our strategic objectives with controlled volatility;
- Provide the highest level of guarantees to our shareholders;
- Protect our results and reputation;
- Defend the interests of our stakeholders; and
- Ensure business stability and financial strength in a sustained way over time.

The comprehensive risk management model that we adopt is aligned with international standards, both in terms of the use of an effective methodology for the analysis and integrated management of risks and opportunities, and in the assignment of responsibilities in a three-line model.

7.1.1 The three lines model

Determining the General Risk assessment and Management Policy and supervising the internal information and control systems are two of the functions and competencies of our Board of Directors, with the Audit Committee being delegated the responsibility of supervising and evaluating the group's risk control and management systems, as well as supervising the internal risk assessment and management function of the Company.

Responsibility for all activities aimed at achieving the Organisation's objectives, including those related to risk and opportunity management, falls on the Company's Management. It fosters a culture sensitive to respect for risk appetite.



Source: Based on the document "The IIA 2020 three lines model. An update of the three lines of defence." IIA 2020

Every activity we undertake involves uncertainties as risks that can divert us from achieving our objectives, or as opportunities to be exploited to maximise them. For this reason, all the

Functions that carry out any activity at CAF, both in the provision of products and services and in support areas, always keep in mind the importance of anticipating and identifying events of uncertainty, evaluating them and, if appropriate, managing them. This is how our first line works.

With an entire organisation focused on risk and **opportunity** management, the work of the second line is crucial in three respects:

1. Ensure the correct evaluation and quantification of risks: From their knowledge and experience, with the independence they enjoy, they challenge the assessments of the front line and support the latter in quantification.
2. Provide management with information on the different types of risks in an understandable and common language that allows risk-based decision making.
3. Ensuring that the company's overall risk level remains within the appetite established by the Board of Directors, maintaining sufficient independence for its proper functioning and reporting directly to the Audit Committee.

In general, the role of second line of assurance is assigned to the Risk Management Department. Integrated in the Economic-Financial and Strategy Department and under the direct supervision of the Audit Committee, this department is responsible for ensuring the proper functioning of the Integrated Risk assessment and Management System, keeping levels consistent with our risk appetite. However, we have complementary second lines of assurance in the Group, depending on specific areas of expertise or internal control systems.

The third line is made up of the Internal Audit team. From the objectivity, authority and credibility conferred by its independence from Management, it evaluates the suitability and effectiveness of risk management and governance. Its systematic analysis and reporting of its findings to both Management and the Governing Body promotes and facilitates continuous improvement.

7.1.2 The risk management methodology

The risk management model is homogeneous for the entire company and for any type of risk.
The model 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 identified 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.

With regard to the Recommendations of the Good Governance Code of Listed Companies, CAF complies with all those relating to the "Risk assessment and Management Function" (as detailed in section 2.4 of this document).

7.2 ETHICS AND COMPLIANCE

7.2.1 Corporate Compliance System and Compliance Function

[GRI 2-12, GRI 2-13 and GRI 2-15]

Our Corporate Compliance System is intended for the prevention, detection and early management of compliance risks.

It is made up, among others, of those rules, formal procedures and material actions that aim to ensure that the CAF Group acts in accordance with ethical principles and applicable legislation, preventing and acting against incorrect conduct or conduct contrary to ethics, the law or the Internal Regulatory System, which may be committed within the organisation or in its activity.

The CAF Group Compliance Function is the body with autonomous surveillance and control powers, which is tasked with supervising the operation and compliance of the Corporate Compliance System as a whole and the direct management of some areas. In addition, this function is responsible for supervising other areas managed by different managers. It also coordinates with the other corporate functions with other internal control and risk management responsibilities. All of the above is done based on the following scheme:

The members of the Compliance Function are appointed, replaced and dismissed by the Board of Directors or by the Chief Executive Officer, and report on their activity to CAF's Board of Directors, either directly or by reporting to one of its Committees according to their competencies, depending on the nature, scope and content of the report (for further details on the structure, functions and competencies of the Board's Committees, see section 2.4).

The aforementioned members of the Compliance Function have the integrity, autonomy and independence necessary to exercise their powers and avoid possible conflicts of interest, to which end the Operating Rules of the Compliance Function contemplate various mechanisms to safeguard such situations.

In addition, the Compliance Function has a Corporate Department to which it delegates certain powers to ensure the correct management of recurring Compliance matters and coordination with the Compliance Officers appointed in the business units, subsidiaries or headquarters of the CAF Group or in geographical areas of those jurisdictions where this is required by local legislation in force, or where it is advisable given the size or characteristics of the subsidiary or headquarters.

COMPLIANCE FUNCTION

↕

Corporate Compliance Department

↕

Compliance Delegates / Compliance Officers of subsidiaries and business units and in some relevant geographies

The Compliance Function approves at least one activity report for the tax year as an annual report, also reporting to the Audit Committee on compliance with the internal Codes of Conduct and on the Internal Reporting System (whistleblowing channels), including relevant information on the different areas of Compliance and on significant risks.

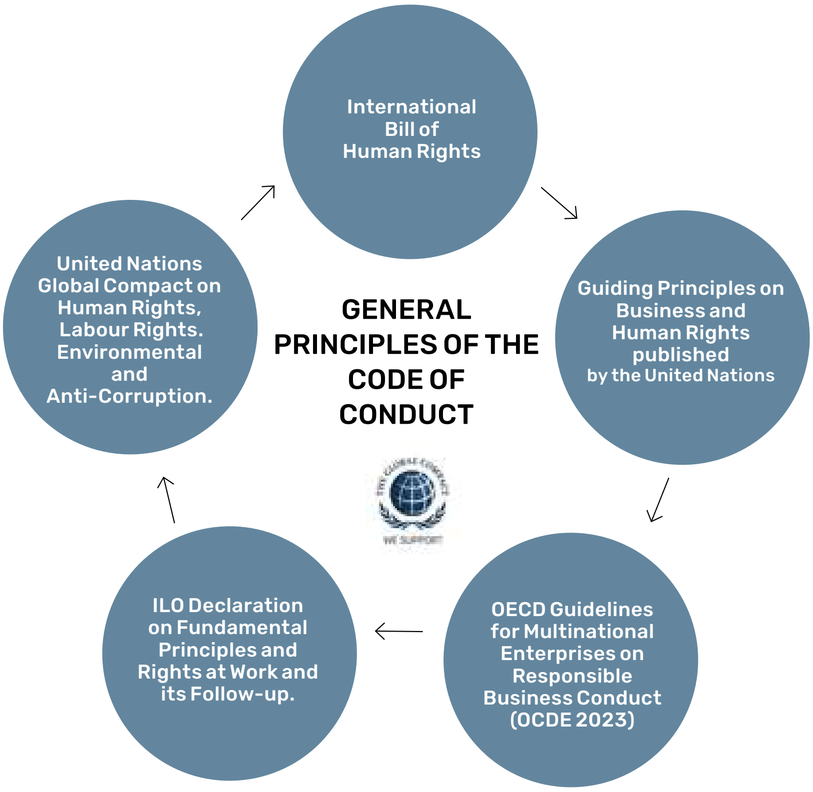
7.2.2 Commitments and compliance policies [GRI 2-23 and GRI 2-24]

Code of Conduct

At its meeting in December 2023, the Board of Directors of CAF approved the review of the corporate Code of Conduct (the initial version of which dates from 27 July 2011), reaffirming the commitments made in the initial approval of the Code and updating its content to align it with current best practices in business ethics.

In this way, the Code of Conduct reflects a responsible declaration at the highest level and a guarantee of the leadership and commitment to ethics, sustainability and good governance of the CAF Group and is the cornerstone that serves as the basis for internal policies and standards of action.

The General Principles of the CAF Group Code of Conduct are rules of conduct and imperative ethical standards that are specified in the scrupulous respect for laws, Human Rights, public freedoms and Fundamental Rights, the principles of equal treatment and non-discrimination, protection against child labour exploitation and any other principles included, as a minimum, in the following instruments and their corresponding present and future developments:



In addition, the General Principles of the Code of Conduct are the minimum basis that must govern any corporate behaviour or actions of CAF and its value chain, in general, and therefore shall be enforceable both for CAF Group Members[48] and Business Partners[49] in accordance with the particularity of each type and in accordance with the levels set out in the standards and best practice guides on the subject.

48 Employees, shareholders, directors or members of an administrative body of any CAF Group entity.
49 Third parties in the value chain with whom the CAF Group has established some type of commercial relationship and especially project partners, agents, suppliers and clients.

In accordance with the General Principles of the Code of Conduct, a number of behavioural criteria have been defined which help to make ethical requirements more specific and facilitate the understanding and application of the ethical standards set.

	BEHAVIOURAL CRITERIA
General Aspects	• Ethics in business • Due Diligence Approach • Respect for Human Rights • Limitations derived from International Sanctions
Crime Prevention, Anti Corruption and Conflicts of Interest	• Criminal Compliance • Anti-corruption and prevention of bribery, policy on gifts and hospitality, donations and sponsorships • Conflicts of interest
Competition and promotional activity	• Competition Defence • Prevention of Unfair Competition • Advertising
Market abuse and inside information	
Personal data protection and privacy	• Confidentiality and privacy • Special protection of personal data
Protection of company assets	• Cybersecurity • Responsible use of technology and artificial intelligence • Protection of intangible assets
Fiscal responsibility	
Respect versus protection of people	• Occupational health and safety • Occupational health and safety • Training and information • Equality • Moral integrity
Solvency and professionalism of the CAF Group	• Quality and excellence • Reputation and prestige • Honesty and integrity
Commitment to Sustainability	• Sustainable business model • Commitment to the environment • Commitment to the community
Transparency of information	

Due Diligence Manual on International Sanctions

2023 Update

Due Diligence Policy on Human Rights

These General Principles, in turn, may be developed through specific policies in each area, which complement the aforementioned behavioural criteria through more specific guidelines for action.

CAF Group's Code of Conduct is available on the corporate website (www.caf.net) since its adoption, in an easily identifiable section.

Due Diligence Approach

The CAF Group takes a due diligence approach in accordance with applicable regulations, which determines a set of obligations and responsibilities in terms of identifying, measuring and controlling the impact of activities in relation to the prevention of actual or potential adverse effects.

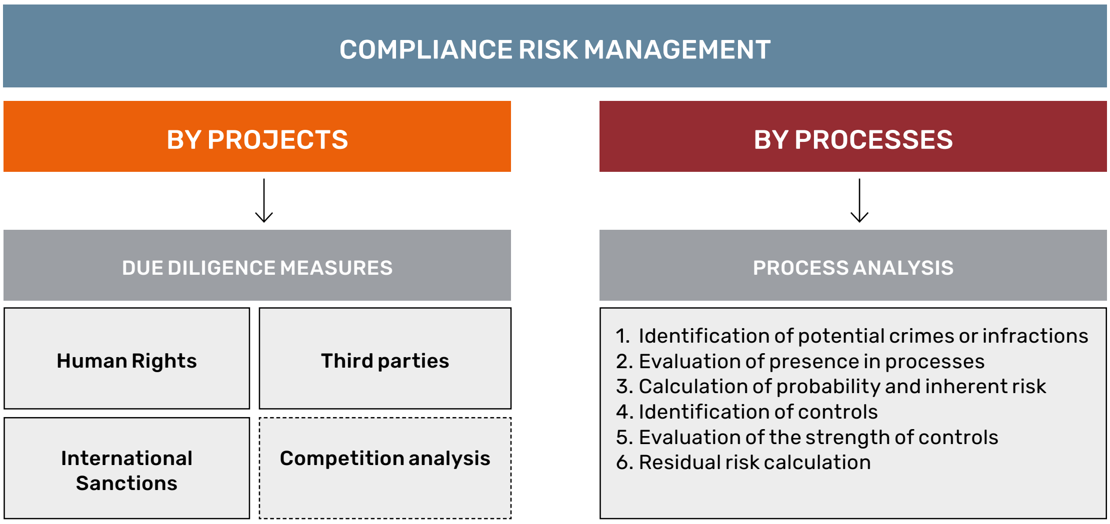
In this regard, we take a proactive approach to due diligence throughout our global value chain on an ongoing basis, which is why we articulate the appropriate frameworks, procedures and processes to monitor and mitigate potential negative compliance impacts.

Risk management

For us, compliance risks go far beyond mere compliance with the applicable legal and regulatory framework, extending the assumed ethical standards to all geographies in which we operate, even where local legal requirements may be less demanding, thus ensuring consistent global performance.

Consequently, Compliance risks also cover compliance with our commitments regarding Business Ethics, contained in the Code of Conduct and in the internal policies and standards that develop or complement it.

Based on the above, our approach to risk management is twofold: By projects and by processes.



7.2.3 Ethical commitments in business processes and relationships with third parties

[GRI 2-23 and GRI 2-24]

The General Principles of the Code of Conduct and other standards that make up the Corporate Compliance System lay the foundations for the adoption of controls and procedures that are incorporated and executed directly in the business processes that make up the Corporate Management and Sustainability System.

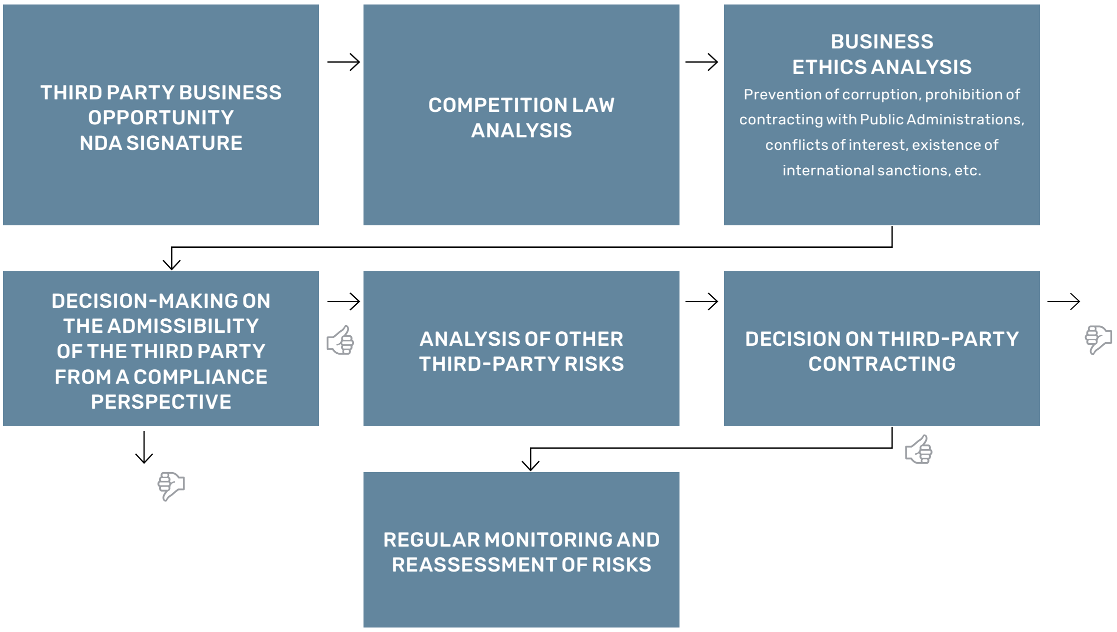
Internal coordination

To ensure the harmonisation of the application of the internal rules of conduct at corporate level, the Corporate Compliance Department coordinates with the Compliance Officers of the business units for the proper interpretation of the controls and, where appropriate, for their adaptation to the processes of each of the activities, taking into account their special characteristics. Due diligence is also monitored on major projects.

Formalisation of relationships with third parties

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 this Due Diligence procedure for contracting with third parties, with regard to project partners and agents, are carried out on an individual basis and are, in summary, the following:



Compliance requirements for suppliers are defined in a similar way and controls are highly automated in order to handle a high volume. Customer requirements are tailored to different customer circumstances.

Consequently, 100% of the Business Partners with whom we contract are previously assessed in accordance with the requirements described, as the CAF Group can only contract with third parties that obtain a favourable assessment as "suitable" at Compliance level.

7.2.4 Dissemination, training and consultations [GRI 2-23, GRI 2-24, GRI 2-26, GRI 205-2 and GRI 412-2]

Disclosure

The CAF Group's corporate internal communication app has a specific Compliance section which gives all CAF Group employees (over 15,000) access, in a single common place, to the most relevant rules and working documents on Compliance, distinguishing between corporate and country-specific, and can be accessed from any device at any time.

In addition, the Rules governing the Corporate Governance bodies and CAF's General Policies, as well as other relevant information about the company, are also available to the general public on the corporate website, which is permanently updated in accordance with the applicable regulations.

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.

Training

Training is one of the fundamental pillars to ensure knowledge and compliance with the requirements of the Corporate Compliance System by all professionals of the Group companies.

This training, provided by Compliance, includes global training initiatives on topics of a general nature and applicable to the majority of the workforce, and additionally develops specific training plans aimed at certain groups of professionals for whom specific Compliance needs have been identified.

Thus, in 2023, the permanent actions aimed at raising awareness and disseminating the different Compliance regulations continued, resulting in the following main figures:

TRAINING

E-LEARNING				IN PERSON	
Code of Conduct and Crime Prevention	Data Protection	Competition	Due Diligence	Corporate Compliance System	Specific sessions (market abuse or others)
Compulsory courses included in the Reception Plan		Courses aimed at teams dedicated to bid and project management			

TRAINING STATISTICS

Over 8,000 people trained in Code of Conduct and Crime Prevention
Over 2,800 people trained in data protection
Over 1,000 people trained in Competition Compliance
Over 375 people trained in Due Diligence with Third Parties and Human Rights
Over 40 Face-to-face sessions with Business Management Committees

At the end of the year, although the dissemination of the Code of Conduct and the Crime Prevention Manual has been generalised to all employees, the corresponding training has been launched in accordance with plans adjusted to the needs of the different recipients within the Group. In 2023, 90% of the people included in the training plan in this subject have completed it. Since the start of the plan, more than 8,000 people have been trained (of which, 1,045 in 2023 and 623 in 2022). Anti-corruption training is included in this training plan.

Regarding the protection of personal data, in 2023, 78% of the people included in the corresponding plan have completed the training and more than 2,800 people have been trained (of which, 323 in 2023 and 395 in 2022).

Likewise, a training system is maintained, including the aforementioned programmes in the welcome plans for new employees. Training materials are constantly revised and updated.

Likewise, 72% of people have completed the internal training plan on Due Diligence for contracting with Third Parties and Due Diligence in matters of Human Rights, which is equivalent to more than 375 people trained in these matters as of the date of this Report (of which, 95 in 2023 and 283 in 2022).

As of the date of this document, 92% of the people included in the Competence training plan have completed it. Since the start of the programme, more than 1,000 people have been trained (of which 72 in 2023 and 45 in 2022).

In addition to the above, numerous meetings have been held with different areas, departments and directorates, in order to resolve practical doubts arising from the application and integration of the controls associated with training, which is indicative of the high level of acceptance, awareness and effective execution of the different procedures. 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 project partners, in all the regions where it operates, are informed of the existence and mandatory compliance with the General Principles of the CAF Code of Conduct.

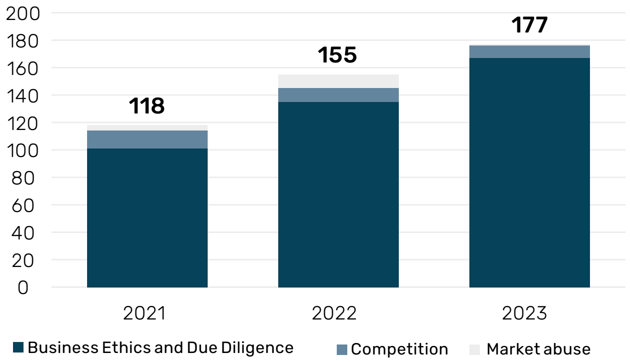
Consultations

All CAF Group professionals are obliged to attend the training sessions on ethics and compliance when these are convened and the possibility and duty of diligence, where appropriate, to communicate or pass on to the Compliance Function any queries, doubts and concerns that may arise in relation to the content of the Code of Conduct, as well as its internal regulations for its development and practical implementation. The Compliance Function keeps open, discloses and manages the appropriate channels for this purpose.

This consultation formula is the ordinary and most agile mechanism for obtaining answers to any doubts or questions that may arise in this area. However, the Internal Reporting System must be used if an infringement or irregularity is to be reported, applying the corresponding whistleblower protection guarantees, in accordance with its specific applicable regulations and as indicated in the following section.

As a result of all of the above, the CAF Group's compliance culture has been evolving favourably, obtaining very significant support as demonstrated, among others, by the figures for annual queries received internally:

EVOLUTION OF THE NUMBER OF CONSULTATIONS RELATED TO COMPLIANCE



7.2.5 Internal Reporting System (whistleblowing channels) [GRI 2-25]

The Board of Directors of CAF approved, at its meeting of 5 May 2023 and after consultation with the legal representatives of the employees, the Internal Reporting System, and the Procedure for the Management of the Internal Reporting System (integrating all the whistleblowing channels), which establishes the basic rules for its management and operation. Both the Policy and the Procedure, approved in compliance with the different international and national regulatory requirements for the protection of informants and the fight against corruption, remain publicly accessible on the corporate website.

The main characteristics of said Internal Information System are summarised below:

The **CAF Group's Internal Reporting System** is managed by means of an IT tool, as the preferred channel for reporting actions or omissions constituting a criminal, serious or very serious administrative or criminal offence, as well as breaches related to the Code of Conduct or any other rule of the CAF Group's Internal Regulatory System.

Who can report?	How?	When?
Anyone can make a communication. In addition, the CAF Group's internal regulations provide special protection for certain whistleblowers in accordance with the applicable legislation in each case.	By accessing the corporate website https://caf.integrityline.com/, link through which anonymous or nominative, verbal or written communications may be made, indicating the Group entity to which they are addressed.	When you have knowledge of one of the aforementioned infractions, or reasonable grounds and indications to think so, even when you do not have conclusive evidence.

Who manages the information?

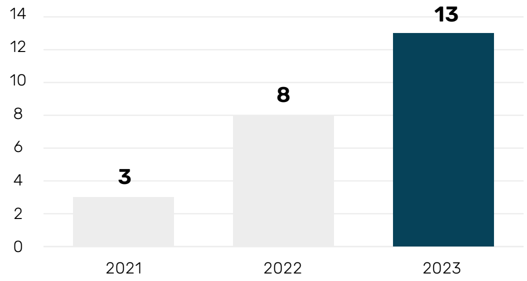
- Responsible for the Internal Reporting System.
- Responsible for the Information Channels.
- Case managers.

They will have the appropriate competence, integrity, authority and independence to perform their duties.

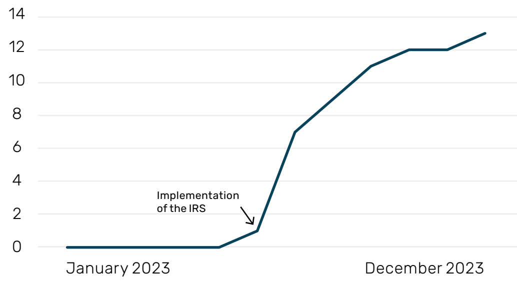
Since 13 June 2023, the Internal Reporting System has been active and configured for all subsidiaries of the CAF Group with 50 or more employees or others required by local legal requirements, having followed in each case the corresponding procedures for its approval and implementation.

During 2023, a permanent control of the different whistleblowing channels and a periodic check of their proper functioning was carried out, with 13 cases having been registered in the Internal Reporting System. The breakdown and trends in complaints and internal investigations carried out in the CAF Group in the last three years are shown below:

ANNUAL TREND OF THE NUMBER OF CASES*



NUMBER OF CASES*



1. * "Cases" includes general complaints, labour-related complaints and internal investigations.

All the complaints received have been subject of internal investigation, with the following actions being highlighted:

6 complaints received
- Following internal investigation, no infringements have been detected in four cases.
- In one case, initiating disciplinary proceedings is being considered.
- In 1 case, the investigation is ongoing.

2 complaints received
- 1 case has been the subject of preliminary proceedings and, in the end, has not been admitted for processing.
- Following internal investigation, no infringements have been detected in one case.

1 complaint received
- Inadmissibility of the complaint (facts not indicated by the complainant).

3 complaints received simultaneously
- The cases are interrelated and have concluded with the dismissal of a worker.

1 internal investigation
- Closure for lack of evidence (potential infringement with no material possibility to continue the investigation).

7.2.6 Compliance with legislation and regulations [GRI 2-27]

It should be noted that in 2023 no fines or sanctions have been received for significant breaches of laws, regulations or commitments.

With regard to the management during 2023 of the significant contingencies of previous years 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.

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 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.

Additionally, in another administrative procedure initiated by the Authorities of the State of Mato Grosso in relation to said project, in the second half of 2021, the administrative body has sanctioned the Consortium and its members with a fine in the amount of R$ 96.170.604,55 (the subsidiary company participates in the Consortium with 36.8%) and the prohibition of contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts ordered the precautionary suspension of the effectiveness of the fine imposed as a result of the termination. Likewise, the subsidiary company continues to monitor the potential involvement of any employee of the subsidiary 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 the 2023 financial year in the field of Competition Law is included later in its specific section.

7.2.7 Respect for Human Rights and international sanctions [GRI 2-23, GRI 2-25, GRI EG 407, GRI 407-1, GRI EG 408, GRI 408-1, GRI EG 409, GRI 409-1, GRI EG 411, GRI 411-1, GRI EG 412, GRI 412-1]

Commitments regarding Human Rights

For years, CAF has had a due diligence procedure in matters of Human Rights adjusted to the requirements of the United Nations Guiding Principles on Business and Human Rights and managed by the Compliance Function, as will be detailed later.

In addition, in the 2023 financial year, CAF's Board of Directors, at its meeting held on 19 December, approved a Due Diligence Policy on Human Rights (publicly accessible on the corporate website www.caf.net), by means of which CAF ratifies its commitment at the highest level to the culture of ethics and compliance, assuming in a more detailed manner our responsibility to respect Human Rights within the scope of our activity and value chain, and specifying the means available to effectively carry out a management focused on Due Diligence and accountability for the effectiveness of this process.

On the basis of the above and in view of the need to adapt due diligence to specific commitments linked to our activity, some general and specific Human Rights commitments included in this Policy are listed below:

GENERAL COMMITMENTS REGARDING HUMAN RIGHTS	
1. Child protection 2. Non-discrimination Principle 3. Respect for labour rights 4. Respect for the rights of people with disabilities 5. Respect for the rights of minorities and indigenous people 6. Respect for gender equality 7. Principle of racial non-discrimination 8. Prohibition of torture and inhuman treatment	9. Prohibition of human trafficking 10. Environmental responsibility 11. Compliance with regional Human Rights standards 12. Compliance with applicable regulations in each jurisdiction 13. Privacy management compliance and the management of new technologies and artificial intelligence with respect for Human Rights

COMMITMENTS IN THE CAF GROUP'S RECURRING BUSINESS AND ACROSS THE VALUE CHAIN	
14. Rejection of forced or compulsory labor and child labor 15. Respect for diversity and principle of non-discrimination 16. Promotion of gender equality 17. Freedom of association and collective bargaining 18. Health, safety and well-being	19. Fair and favourable working conditions 20. Rejection of corrupt practices 21. Responsible taxation 22. Privacy and protection of personal data 23. New Technologies and Artificial Intelligence 24. Extension of Human Rights commitments to Business Partners

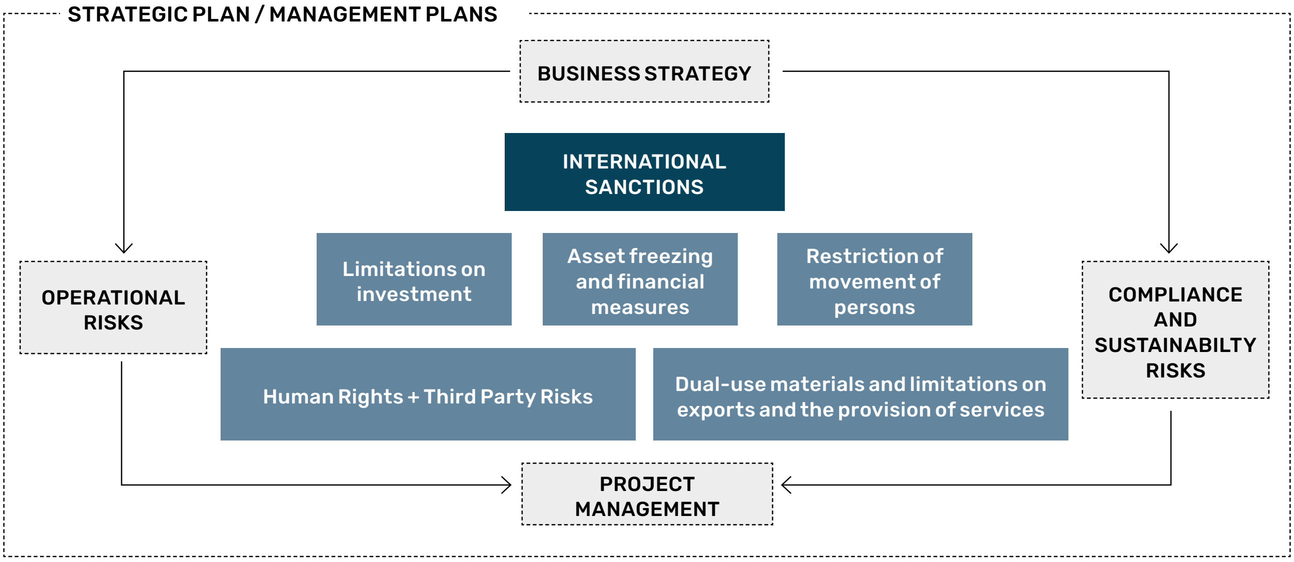
ADDITIONAL COMMITMENTS TO COMMUNITIES AND SOCIETY AND IN MATTERS OF THE ENVIRONMENT	
25. Respect for the rights of communities 26. Respect for the rights of minorities and indigenous peoples 27. Prohibition of racial discrimination 28. Prohibition of torture and genocide 29. Prohibition of human trafficking	30. Respect for the Human Right to a clean, healthy and sustainable environment 31. Respect for regional standards and local norms on respect for Human Rights

These commitments serve as a basis for determining risks and configuring the necessary procedures and controls regarding Human Rights.

Limitations derived from International Sanctions

At CAF we are committed to developing our activities and relationships with Business Partners and, in general, other stakeholders, respecting, in any case, the limits imposed by sanctions and/or restrictions imposed by the European Union and other international and reference bodies in relation to different products, markets, jurisdictions, groups, companies, public administrations or individuals. The CAF Group's activities must therefore comply with not violating international or EU limits, sanctions or restrictions that may apply.

In this regard, the Compliance Function approved, at its meeting of 8 May 2023, the Due Diligence Manual on International Sanctions, which develops the General Principles of Conduct in order to identify the basic areas of due diligence that must be managed in the different activities carried out by the CAF Group and to establish a basic minimum procedure to ensure strict compliance with the limitations imposed on certain activities through international sanctions, especially in the case of compliance with human rights or limitations on international exports, without prejudice to the other areas specified in the Manual and other applicable regulations:



Due Diligence and general risk management in matters of Human Rights and International Sanctions in operations

The CAF Group's Human Rights and International Sanctions Due Diligence procedure is an example of our priorities and ethical approach in the way we do business.

As an essential part of the due diligence procedure, from the very outset of the business opportunity and prior to the presentation of the initial offer, at CAF we identify and assess the risks related to Human Rights in accordance with the United Nations Guiding Principles on Business and Human Rights, as well as the potential non-compliance with the International Sanctions in force. The joint application of both analyses ensures greater efficiency and proper management of the different risks.

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.

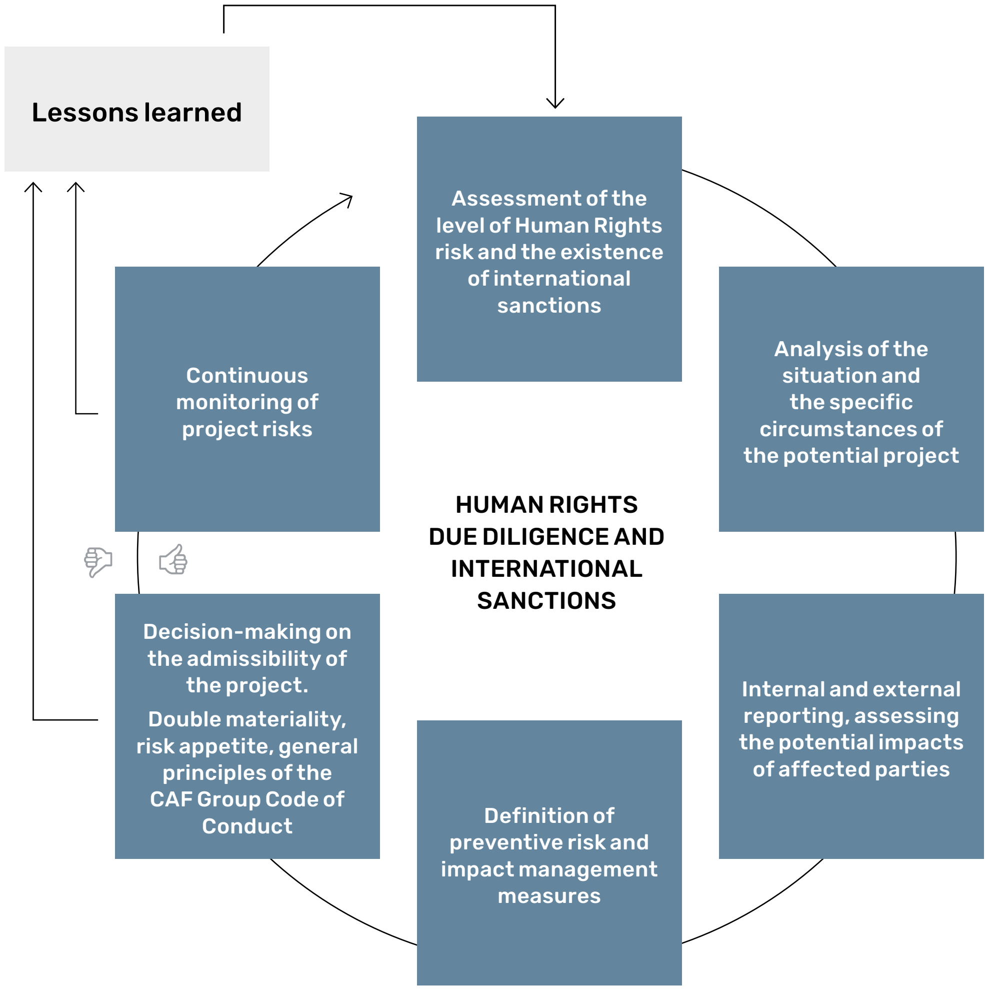
A key difference in the approach to risk assessment in this area is that the risks analysed must necessarily take into account the interests of the affected parties, i.e. those of the Human Rights holders (and not only those of the company itself) in accordance with the principle of double materiality.

For their part, the risks of International Sanctions may sometimes be linked to Human Rights, but sometimes not, in accordance with the scheme of the previous section, and the analysis must be adapted to the specific circumstances of the case.

To this end, in the 2023 financial year, the country risk list has been updated for the purposes of Compliance, incorporating human rights assessment factors and other relevant factors such as the existence of conflict in the country, the number of fundamental ILO conventions ratified or the corruption perception index, among others.

The impacts derived from said risks could result in sanctions related to the violation of Human Rights and/or International Sanctions in addition to specific sector 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.

As a result of the above, this analysis is carried out in all our operations, prioritising according to the level of country risk and considering factors such as geographical location, the project's own circumstances and the business activities to be carried out by the CAF Group and its Business Partners, among others, following the scheme described below:



Thus, in an initial phase, it is analysed whether the country, region or city in which the project is located, or its characteristics, have a level of risk that a priori requires the adoption of special measures regarding potential associated impacts. And in a second phase, a study is carried out tailored to the specific circumstances of the case to evaluate the potential risks and impacts and, if applicable, the preventive management measures to be adopted if the project were classified as admissible. This analysis is taken into consideration by the different internal bodies that make business decisions in each of the corresponding areas.

In application of the above, in the aforementioned initial phase, 100% of the CAF Group's projects and offers are analysed from the perspective of Human Rights.

	2023	2022	2021	TARGET
Projects analysed from the perspective of Human Rights (in %)	100	100	100	100

For its part, and as a result of the second phase of the aforementioned analysis, the number of operations subjected to Human Rights evaluations in 2023 has risen to 308.

After the application of the established internal procedures, throughout the 2023 financial year, no violation of Human Rights derived from the CAF Group's participation in any project has been detected.

Notwithstanding the above, due to its relevance and the effects of the worsening of the armed conflict in Israel during the year, which could potentially affect the CAF Group's projects and people in that country, a triple analysis of compliance risks was carried out in 2023: (i) reviewing the pre-existing risk matrices linked to the aforementioned projects, (ii) analysing the immediate measures adopted by the company to protect its employees after the conflict broke out and (iii) reevaluating the associated consequential impacts. The analysis will be carried out continuously until the situation is stabilised.

Human Rights Risk Management in the Workplace

In relation to the Human Rights aspect that concerns the labour sphere, the commitments are deployed through the corporate people management process, and in addition to all that is applicable in the preceding section on due diligence, through the Labour Relations Policy and the Guidelines that implement it, minimum requirements are established that ensure internal coherence in aspects such as labour regulation, collective bargaining and legal representation of workers, fundamental rights, equality and non-discrimination, employment contracts and social security.

In order to ensure compliance with the Group's general commitments, a labour compliance risk management procedure has been developed, which includes, among others, those relating to human rights and establishes a unified methodology for labour compliance risk management in the Group. This procedure considers the following risks: (i) violation in terms of hiring, (ii) violation in terms of working hours and their registration, (iii) violation in terms of social security or equivalent, (iv) violation in terms of termination of employment, (v) violation in terms of outsourcing, (vi) violation of the principle of equal treatment and/or discrimination at work; (vii) lack of freedom of association and collective bargaining in own facilities and/or third-party centres, (viii) child exploitation, (x) insufficient inclusion of people with disabilities, and (xi) others that are analysed on a case-by-case basis depending on the particularities of the project in question.

In this sense, we adopt the measures that we consider necessary to guarantee, both in our own operations and among our suppliers, compliance with the provisions of the fundamental conventions of the International Labour Organization (ILO) related 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.

Additionally, two specific protocols are defined: the Protocol of action in the event of sexual harassment or gender-based harassment and harassment based on sexual orientation, gender identity and/or gender expression and the Protocol of action for the prevention of Psychological Harassment at Work, incorporated in the Occupational Risk Prevention Management System. Both protocols reflect the management's declaration in these areas and aim to establish the necessary measures to prevent and avoid the aforementioned situations, as well as to establish the procedures for action in the event of a risk materialising.

Throughout fiscal year 2023, no cases of Human Rights violations have been processed among workers employed directly or through business relationships by the Group.

Chapter 6, related to the workplace, includes issues related to non-discrimination and equal opportunities.

Stakeholder Consultations

The CAF Group identifies Stakeholders to be considered for specific activities that may have Human Rights impacts, seeking to understand the concerns of potentially affected stakeholders, consulting directly with them in a manner that takes into account language and other potential barriers to effective participation.

In cases where it is not possible to carry out this type of consultation, Group companies must consider reasonable alternatives, such as consulting independent experts, including Human Rights defenders and other people from civil society.

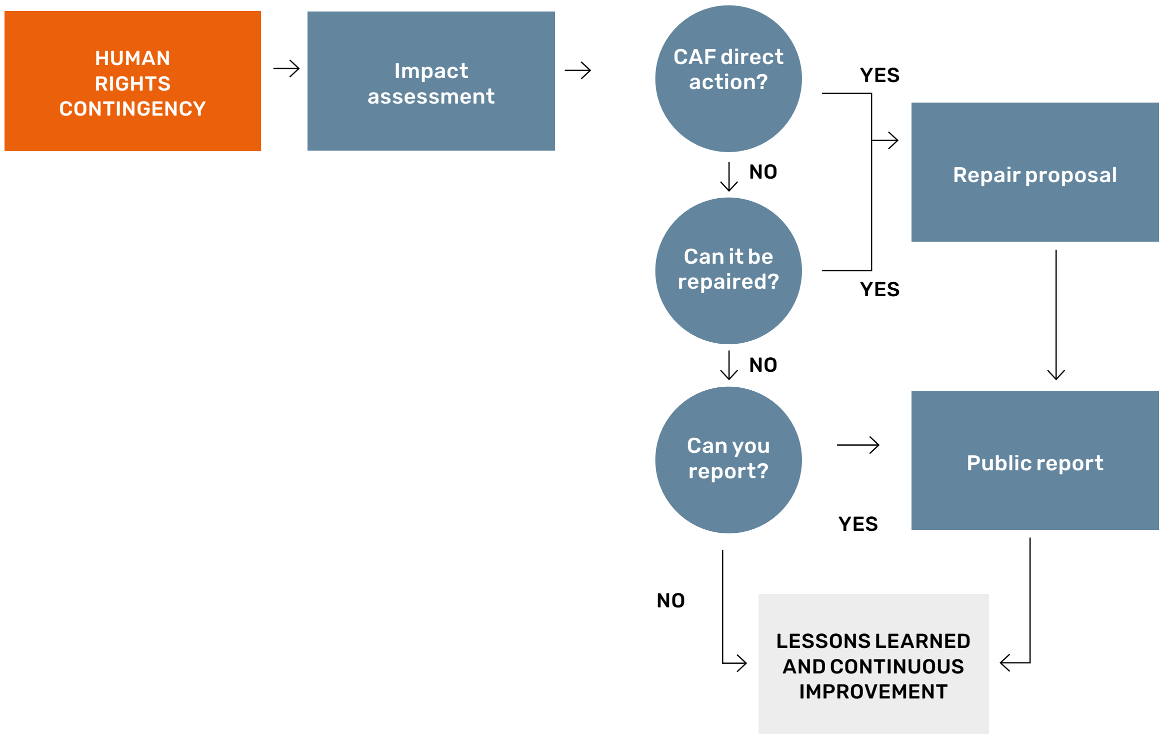
Notwithstanding the above, we provide permanent dissemination and inform potential interested parties of the information necessary to publicise our Human Rights Due Diligence subsystem, as well as the different principles, guarantees and obligations that govern its application.

Remedial measures for potential impacts

At CAF we assume the provisions of the United Nations Guiding Principles and the OECD Guidelines for multinational companies regarding measures to repair potential impacts on Human Rights.

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 our activity.

The management of potential contingencies would be carried out in accordance with the following scheme:



Handling of Human Rights complaints

In 2023, no complaints were received regarding cases of Human Rights violations.

The following table summarises the monitoring and progress of the complaints received and identified cases of Human Rights violations within the CAF Group over the last few years:

	2023	2022	2021	TARGET
Number of complaints received	0	0	0	0
No. of cases of Human Rights violations	0	0	0	0
No. of incidents of violations involving rights of indigenous peoples	0	0	0	0

Compliance with Modern Slavery Act 2015 (UK) and Modern Slavery Act 2018 (Australia)

For the purposes of the *Modern Slavery Act 2015 (UK)*, CAF complies with the obligation to publish on the corporate website a report describing in detail 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 CAF 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. And the latter, regardless of whether it is an entity that must report or does so voluntarily.

Compliance with the Transparency Act (Norway)

For the purposes of the provisions of *Section 5* of the *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 the *Transparency Act* will indicate this in their respective individual annual accounts.

7.2.8 Crime prevention, anti-corruption and conflicts of interest

[GRI 2-15, GRI EG 205, GRI 205-3, GRI EG 415, GRI 415-1].

Criminal Compliance

In developing the Code of Conduct, the Board of Directors of CAF, S.A. approved the initial version of the Crime Prevention Manual on 29 April 2015, establishing a crime prevention programme.

The aforementioned rules, 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 for the management and prevention of the risks of committing crimes within the CAF Group, without prejudice to the specificities approved in each case derived from the requirements of the legal system applicable to international subsidiaries, and which will prevail where applicable.

This Manual is subject to periodic reviews and updates. More specifically, there have been revisions of the Manual in 2016, 2018 and 2021. Following any approval of a new version of the Manual or further development of the Manual, appropriate dissemination and training measures are taken.

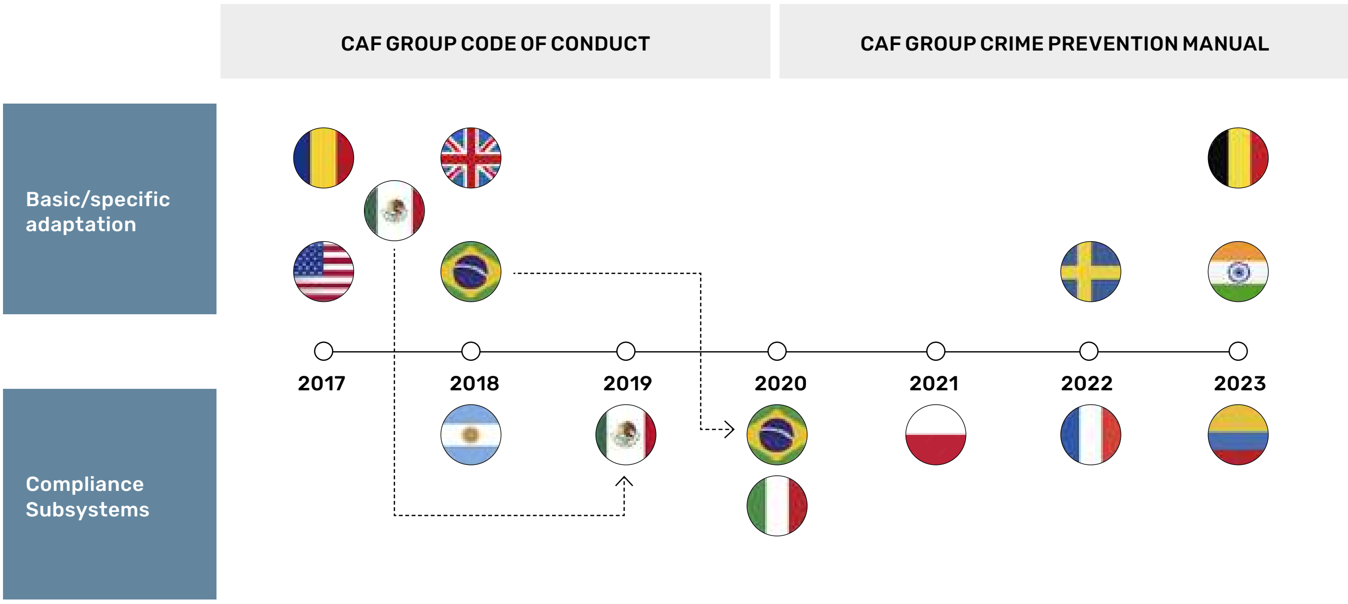
Without limiting the foregoing, the Crime Prevention Manual establishes that, as long as circumstances require, the risks of committing the crimes laid down in the Manual should be reassessed, with the consequent risk map updating, and, in any case, the aforementioned reassessment should be carried out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

International adaptation

The international rightsizing of the CAF Group on 31 December 2023 resulted in 83 foreign subsidiaries in 43 countries across the five continents.

When the application of the framework established by the corporate rules is insufficient, an adaptation can be made at the international level in terms of crime prevention for a specific country, and in some cases for a specific subsidiary, either by adapting the content of the general corporate guidelines contained in the Crime Prevention Manual, or by developing a complete Compliance sub-programme to establish specific guidelines, all of which will largely depend on the existing legal regulation in the country in question and the greater or lesser flexibility that these rules provide to maintain or not maintain the common corporate model.

Internationally, in 2023, CAF continued to develop the Compliance sub-programmes that feed the Criminal Compliance System, and a new Compliance sub-system for Colombia was introduced:



Risk management

At CAF we periodically carry out an analysis of the different activities in the exercise of which risk situations may arise that give rise to the commission of any of the crimes that have been classified as "Relevant Crimes", generating a matrix of Criminal Compliance risks. 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.

The activities of the CAF Group that deserve special attention for the purposes of the above are: (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 an Internal Reporting System 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. The aforementioned impacts have a direct reflection both in the short term and in the medium-long term on the Company's activity.

In 2023, 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.

In parallel, the technological deployment is being evaluated to manage these issues in accordance with the CAF Group's IT strategy.

Anti-corruption and prevention of bribery

The fight against corruption and bribery is one of the most relevant issues in terms of corporate responsibility, both from an ethical point of view, as it undermines commitments to transparency and integrity, as well as criminal prevention, and from an economic point of view, as it jeopardises the basis for the correct functioning of the market, including free competition.

In this context, CAF is aware of the importance of its efforts, as a key player in the business community, in the fight against corruption and bribery and, consequently, it shows zero tolerance for any act of corruption and bribery, whether in the public or private sector, in line with the highest standards of Compliance with applicable legal and ethical standards and with our Compliance culture.

The main risks related to the fight against corruption and bribery are the following: (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.

There were no confirmed cases of corruption in 2023.

Policy on gifts and hospitality, donations and sponsorships

CAF promotes, as an essential principle, the prohibition of accepting or offering gifts and hospitality (gifts or favours) whose value is not merely symbolic and intended to promote the Group's brand image.

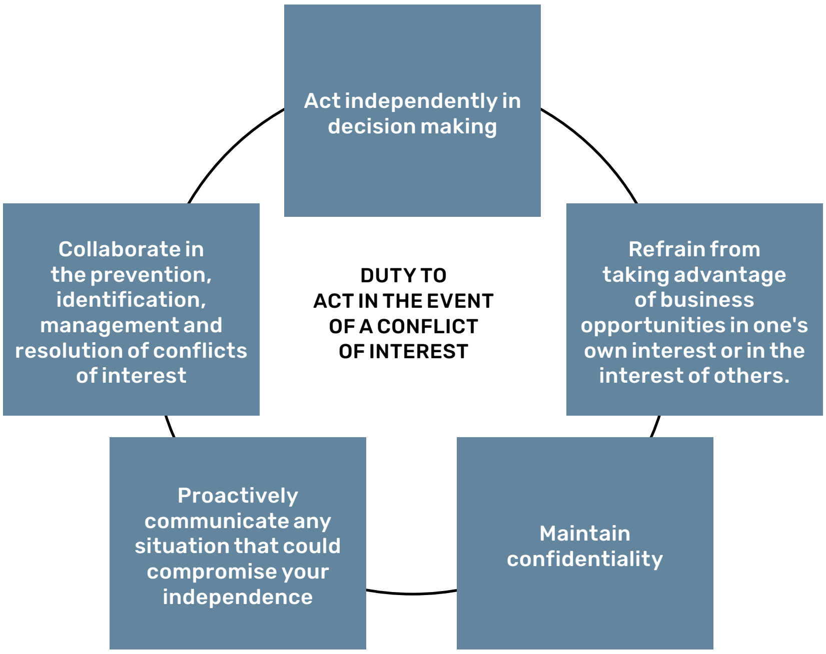
In accordance with the provisions of the CAF Group's Code of Conduct, donations, sponsorships or collaboration agreements must be made in accordance with the provisions of applicable laws and never directly or indirectly linked to illegal acts, in addition to following the authorisation procedures established at any given time.

In compliance with the legislation of each country in which it operates, the CAF Group will refrain from carrying out any prohibited activity in relation to the financing of political parties or sponsorship of events whose sole purpose is political activity.

No political contributions of a direct or indirect nature with significant scope were made during the reporting period. CAF is a company with a neutral position regarding political parties[50].

Conflicts of interest

All Members of the CAF Group must avoid any conflict of interest to which they may be exposed and which may alter the independence of decision-making or pose a potential risk of unfair action, based on the general principles or parameters of behaviour developed in detail in the CAF Group's Code of Conduct, the essential elements of which are set out below:



Thus, the CAF Group's Internal Regulatory System has mechanisms for the prevention and management of conflicts of interest for specific cases in various regulations.

For example, as part of their duty of loyalty, the members of the CAF Group's management bodies must avoid situations of conflict of interest and, in particular, observe the specific provisions included in the CAF Regulations of the Board of Directors, which contain, among others, the regime applicable to the duties of abstention of Directors, waiver of prohibitions and reporting duties; as well as the provisions of the CAF Group's Related Party Transactions Manual.

50 Contributions to political parties are less than 0.005% of CAF Group sales.

Likewise, the shareholders and participants of CAF Group companies may find themselves in a situation of conflict of interest on the occasion of the General Shareholders Meetings of CAF Group companies, which, if applicable, will affect the exercise of their respective rights of representation and voting at such meetings, in accordance with the terms of the applicable regulations in this respect.

Likewise, the CAF Group requires its Business Partners to develop conduct or behaviour that does not jeopardise compliance with the obligations, principles and limits assumed by CAF in matters of conflicts of interest, ensuring, in any case, compliance with its due diligence obligations, through timely coordination, transparency and communication.

The Company publishes information related to conflicts of interest and related matters in accordance with the provisions of the regulations applicable to listed companies. In this respect, the Annual Report on Corporate Governance published annually indicates the mechanisms established to detect, determine and resolve possible conflicts between the company and/or its group, and its directors, executives, significant shareholders or other related parties. The Regulations of the Board of Directors stipulate that any conflicts of interest in which Directors may be involved must be disclosed in the notes to the annual accounts.

7.2.9 Competition [GRI EG 206 and GRI 206-1]

CAF is committed to promoting free competition and to comply with any local, national or international competition law regulations in order to avoid any conduct that may constitute an infringement of such regulations, such as collusive or restrictive agreements, abuse of dominant position or prohibited concentrations, and we are also committed to collaborating with the authorities that regulate the market.

In this sense, we are committed to competing in the markets freely and in accordance with antitrust regulations.

In order to fulfil this commitment and effectively prevent compliance risks in the area of Competition Law, CAF decided to implement a specific corporate Competition Law Compliance System.

In 2019, the Board of Directors of CAF 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.

Likewise, within the framework of the Competition Law Compliance System, during the 2020 financial year, the Compliance Function approved a Corporate Model Procedure for competition inspections (*dawn raids*), which came to complement said System.

The Competition Manual is also supplemented with an Evaluation Procedure for consortiums with competitors, to be applied systematically if any business partners with which CAF plans to contract are also competitors.

It should be noted that on 13 June 2022, the CAF Group received the KOMP SARIAK distinction from the Basque Competition Authority (AVC), in recognition of its Corporate Competition Compliance System.

Lehiaren Euskal Agintaritza
Basque Competition Authority

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.

Regarding risk management in this area, in 2023 the Competition risk maps for each activity in the railway segment have remained in force.

The following is an update of the status of the main issues or specific contingencies managed during 2023 in this area as described in note 26 to the consolidated financial statements:

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 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 administrative and judicial 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 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 with the National High Court, 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.

7.2.10 Market abuse and insider information

The Internal Code of Conduct in the field of Securities Market, available on the corporate website www.caf.net, is the internal standard approved by the Board of Directors to establish the basic rules regarding the prevention of market abuse. To this end, the aforementioned Regulation defines certain rules for the management of insider lists, the control and transparent communication of Inside Information, as well as for the carrying out of treasury stock transactions or market research, among other matters.

Said Regulation is applicable to: (i) Members of the Board of Directors of the parent company; (ii) CAF management personnel with regular access to inside information and the power to make management decisions affecting the future development and business prospects of the Company; and (iii) Other personnel of the Company and/or companies in its group who, by reason of the activities and services in which they engage, may have regular or occasional access to inside information, either on a permanent basis or for such period as may be determined from time to time, as well as other persons outside CAF who provide advisory services to CAF.

In furtherance of the foregoing, and in order to better manage the details of certain aspects, on 6 April 2020, the Compliance Function and the Economic-Financial Department of the parent company jointly approved the Manual for the Management and Communication of Inside Information and Other Relevant Information of the CAF Group.

7.2.11 Protection of personal data

[GRI EG 418 and 418-1]

The CAF Group Code of Conduct includes in a specific section the special protection required for the management of personal data. All information of a sensitive nature that we manage at CAF must be treated with absolute confidentiality and secrecy and, in particular, that which includes personal data.

In this sense, at CAF we have developed and deployed a Personal Data Protection Policy to guarantee compliance with current legislation in all the territories in which the company carries out its activities. This Policy, and the Manual that develops it, establishes the organisational and technical measures necessary to guarantee the correct management of the personal data processed by CAF professionals and by third parties related to any Group company. The following is a summary of the basic principles that should govern this type of treatment:

BASIC PRINCIPLES REGARDING THE PROTECTION OF PERSONAL DATA			
Fairness, loyalty and transparency	Data minimisation	Privacy by design and by default	Security and privacy awareness
Purpose limitation	Limitation of the retention period	Accuracy	Availability, integrity and confidentiality

To guarantee compliance with the regulations applicable in each jurisdiction, the CAF Group has, among others, Data Protection Delegates appointed in legally obligated entities, with a data protection office that can be external or internal made up of experts in the matter and with regulatory developments adapted to the needs of each of them.

This is without prejudice to the fact that each CAF company is, in any case, responsible for the processing of personal data in the sphere of its own activity and in accordance with the provisions of the applicable legislation.

Additionally, the risks regarding the processing of personal data are evaluated taking into account the rights and freedoms of natural persons, and the necessary security measures are applied in order to avoid possible negative consequences for the interested parties.

CAF has established the necessary mechanisms for appropriate coordination with the cybersecurity area in the event of breaches affecting personal data.

During 2023, there have been no serious incidents related to data protection.

Likewise, we have not received any substantiated complaints regarding violations of customer privacy.

7.3 CYBERSECURITY IN THE COMPANY

Digital mobility is revolutionising the transportation sector. It allows more efficient management of operations, optimising processes and improving the availability and capacity of services. It improves timeliness and maintainability, and offers a superior user experience, with greater convenience and personalised services. In summary, digital mobility is an essential pillar for transport optimisation.

However, it also increases exposure to cyber threats, making it crucial to implement robust cybersecurity measures. We want our customers to feel secure in choosing us as their strategic partner in sustainable mobility and that is why in CAF's cybersecurity programme we have structured ourselves to cover all the necessary aspects and axes.

Information security is a priority for CAF. We are aware that our customers trust us to offer them sustainable mobility solutions, and that is why we strive to protect their personal and business data.

The information security management model is based on the Corporate Security Policy, approved by the Executive Management. During this year, the information security governance model has been consolidated in the Group, with roles and responsibilities, and monitoring indicators both at the corporate level and at the level of each of the activities carried out in the Group.

Although the corporate cybersecurity model and policy are already based on well-known international standards such as ISO27001, it should be noted that several of our activities have already been certified under this standard. The certification is an important milestone for the organisation as it demonstrates that cybersecurity is a strategic aspect of the Company, and allows us to remain a trusted supplier to our customers and other stakeholders. In 2018, it was the Rolling Stock activity that was certified to ISO27001:2013; during 2021 it was the Digital Rail Services activity and its digital platform Leadmind, and during 2023 it was the Rail Signalling and Rail Services activities that were certified. It is worth noting that this latest certification of rail services represents the first certification audit of the new version of ISO 27001:2022, which was published at the end of last year and we were the first company to be certified by LRQA at national level.

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, integrity and availability of information. CAF adopts a zero-tolerance approach to security and thus guarantees compliance with legal and contractual obligations, in addition to satisfying the needs and expectations of our clients and other stakeholders. This is why we are exposed to independent third party audits in areas such as the Information Security Management System under the international standard ISO27001 or technical audits to identify potential vulnerabilities and weaknesses in our infrastructures and applications, in addition to our own internal audit under the supervision of the Audit Committee.

In this regard, and as a follow-up and monitoring process for all the initiatives of the Group's cybersecurity programme, the Corporate Cybersecurity Committee periodically reviews the indicators that allow us to track progress and identify possible deviations or aspects for improvement. In reference to one of these indicators, in 2023, no serious incidents affecting the group's operations were detected and no incidents related to privacy or data theft/leakage were identified (GRI 418).

Likewise, the Corporate Cybersecurity Committee, through the corporate cybersecurity manager, reports the status of indicators, initiatives or other data of interest in cybersecurity matters to the different management bodies as often as required for their adequate supervision and control.

CAF encourages and promotes **awareness raising and training** employees on all areas and domains of cybersecurity. The objective is not only to ensure CAF's level of cultural maturity, but also to support clients in all phases of a project, from commercial to project delivery and maintenance. To this end, we have carried out specialised training in the field of cybersecurity in the railway sector (IEC62443, TS50701) for different areas and profiles of the Organisation. It also publishes monthly pills for all employees to raise cybersecurity awareness and promote the message that cybersecurity is everyone's business.

We cannot forget the large number of new **regulations and directives** that are being drafted at national or international level, which aim to guarantee a high common level of cybersecurity for European member states. Our cybersecurity plans include, of course, the following

In other words, initiatives that guarantee our alignment with the NIS2, the Cyber Resilience Act (CRA), or the Code of Best Practices published by the CNMV in July 2023. All of these oblige us not only to establish good cybersecurity practices but also to comply with them strictly in order to remain competitive.

7.4 TAX TRANSPARENCY

7.4.1 Mission and commitment in tax matters [GRI 207-1]

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. This Policy is reviewed annually by the Audit Committee and the Board.

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.

7.4.2 Fiscally responsible behaviour [GRI 207-1]

The Tax Policy includes the following principles of action in tax matters of the CAF Group, which are a development of the fundamentals of the Code of Conduct, the Sustainability Policy and the General Risk Assessment and Management Policy, and which must guide the actions of all those persons and entities to which it is applicable:

1. Comply at all times with its tax obligations.
2. Collaborate at all times with the Tax Administrations.
3. Avoid the use of opaque structures, processes or systems designed solely for tax purposes.
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.
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.

7.4.3 Tax governance and risk management [GRI 207-2].

In general, the Audit Committee, and ultimately the Board of Directors, is responsible for ensuring compliance with the Tax Policy throughout the CAF Group, for which purpose the latter expressly provides for the establishment of internal control mechanisms and also contemplates information flows from the Economic-Financial Department to the Audit Committee, for subsequent submission to the Board.

Periodically, at least once a year, the Corporate Tax Function reports to the Audit Committee on the Company's performance in tax matters.

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.

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.

In turn, fiscal management is subject to the internal risk management system and, consequently, is subject to close scrutiny by Internal Audit.

In addition, the CAF Group has implemented an open Internal Reporting System so that any employee or stakeholder outside the company can make any communication regarding the company's fiscal management.

The tax content has been mainly obtained from the internal reporting used to prepare the Group's consolidated annual accounts, which are subject to external audit.

7.4.4 Relationship with interest groups in tax matters [GRI 207-3]

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.

7.4.5 Country-by-country reporting [GRI 207-4]

Below is the significant information on the profits obtained by country and the taxes on profits paid in the main locations where the CAF Group operates:

COUNTRY	2023		2022	
	PROFIT (LOSS) BEFORE TAX (1)	INCOME TAX PAID (RECOVERED) (2)	PROFIT/(LOSS) BEFORE TAX	INCOME TAX PAID (RECOVERED)
Germany	2,261	965	2,723	1,253
Saudi Arabia	4,737	483	2,577	5,480
Australia	1,068	512	1,204	537
Brazil	38,618	10,348	43,126	8,940
Chile	3,160	2,637	2,476	492
Colombia	277	250	(264)	704
Spain	(2,684)	5,825	(1,924)	6,104
Israel	2,000	446	1,567	119
NAFTA (3)	54,905	24,756	35,199	12,414
Poland	(8,281)	(625)	(21,663)	15,961
United Kingdom	3,875	1,658	5,800	927
Sweden	(4,566)	42	(10,905)	311
France	14,387	0	3,762	-
Italy	337	490	1,250	319
Norway	(2,154)	34	(8,215)	34
Other	3,527	1,212	1,492	1,013
Adjustments (4)	29,191	0	32,910	
TOTAL	**140,658**	**49,033**	**91,115**	**54,609**

1. Pre-tax results for each country including dividend elimination adjustments.

2. Tax payments for fiscal year 2023 obtained from the consolidated statement of cash flows of the consolidated annual accounts. Note 18 to the consolidated financial statements details the significant tax adjustments that determine the tax bases of each country, mainly the tax credits the Group maintains in Spain and the temporary adjustments to the tax base in Brazil and NAFTA due to accelerated depreciation.

3. This grouping includes countries whose breakdown would involve revealing information protected by contractual 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.

4. Results of entities accounted for using the equity method and the elimination of the provision for investees in the consolidation process.

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 operating subsidies recorded in the attached consolidated profit and loss account during fiscal year 2023 amounts to 12,946 thousand euros (in 2022, 6,686 thousand euros).

7.5 RESPONSIBLE SUPPLY CHAIN MANAGEMENT

[2-6, 2-26, EG 204-1, EG 308-1, 308-2, 408-1, 409-1, EG 414-1, 414-2]

The responsible and sustainable supply chain in the CAF Group is a comprehensive system that seeks to minimise environmental impact, promote ethical and social practices that contribute to our environment and improve our reputation, and guarantee the operational efficiency of the entire global supply network.

We continue to maintain a proactive approach to monitoring sustainability risks, to consolidate our position in the sector and play an active role in building a more sustainable and equitable future. To this end, we encourage our suppliers to comply with all the legal requirements of the sector and the country in which they operate, incorporating sustainable practices in all their operations.

This management approach is based on several key policies, such as the Corporate Purchasing Policy, the Environmental Policy, the Safety Policy, the Occupational Health and Safety Policy, and the Supplier Code of Conduct. All of these policies are aligned with the Principles of the United Nations Global Compact on Human Rights, the Environment and the Fight against Corruption, providing comprehensive guidance for both our organisation and our suppliers.

In 2023, the CAF Group spent approximately 2,228[51] million euros on supplies provided by around 8,000 Tier-1 suppliers, who interact directly with and invoice the CAF Group directly. These suppliers are distributed in more than 50 countries, although the majority are located in the European Union.

In this context, we identify various risks associated with social, ethical and environmental issues, including:
(i) possible violations by suppliers of business ethics;
(ii) breaches by suppliers 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.

7.5.1 Supply chain strategy and objectives

With our supply chain risk and sustainability management strategy in place, it is time to assess progress and results in 2023:

- In the area of sustainability in the supply chain, the Responsible Purchasing Programme has been extended to the Bus segment (Solaris) during 2023, thus bringing under the programme the activities of:
  - Railway vehicles
  - Railway services.
  - Buses (Solaris).

RAILSPONSIBLE

- Participation in the sector initiative Railsponsible has allowed us to collaborate with the main operators and manufacturers in the sector, sharing best practices and contributing to the development of sustainable practices in the value chain of the railway industry. As a major milestone, in July 2023 we signed the Railsponsible Climate Pledge", committing to lead the decarbonisation of the rail supply chain.
- Furthermore, the continuous improvement of our suppliers on sustainability issues has not only strengthened their resilience, but has also improved their competitiveness. This positive synergy has contributed to the creation of a more robust and ethical supply chain.
- In 2023, the Sustainability and Corporate Procurement Committees continued their work to implement the Procurement Policy in the Group's main activities, thereby establishing in their respective processes the requirements for due diligence and oversight of the sustainability of the supply chain established by the Corporate Procurement Policy.

7.5.2 Communication with suppliers

Annually, CAF chooses to foster a two-way dialogue through Supplier Satisfaction Surveys as an integral part of its management practices. (More information about satisfaction surveys and Interest Groups in section 2.5 of this Report).

51 Procurements in the Consolidated Financial Statements of the CAF Group in 2023.

The recent analysis of these surveys reveals an outstanding level of satisfaction among suppliers, reaching a score of 8.4 out of 10, with 81% of the CAF Group's total supplies evaluated.

Despite these positive results, CAF will continue its commitment to continuous improvement and address identified opportunities to further optimise interactions in the coming year.

As part of our initiative to strengthen transparency and facilitate communication, all suppliers have specific channels to address concerns and queries. For questions related to the Supplier Code of Conduct, the following e-mail address has been set up procurement@caf.net. In addition, to report possible conflicts of interest or any violation of ethical business principles by CAF professionals, there is the CAF Group's Internal Reporting System, accessible on the website http://www.caf.net, which guarantees protection measures for informants, in accordance with the applicable regulations. During the course of 2023, no notifications of conflicts of interest or violations of commercial ethical principles were received through this reporting channel from suppliers.

The openness and accessibility of these channels reinforce CAF's commitment to commercial ethics and the construction of solid and transparent relationships with its suppliers, guaranteeing integrity and efficiency in all commercial operations.

7.5.3 Supplier Code of Conduct

The CAF Group requires its suppliers to adhere to the principles set out in the CAF Supplier Code of Conduct, which is available on the corporate website and through the usual means of internal communication.

This document details the social, ethical and environmental commitments related to the general code, working conditions, health, safety, environment, business ethics and confidentiality.

All Group suppliers must subscribe to this code, or one approved by CAF's Compliance Department, which guarantees the transfer of sustainability requirements to their supply chains. CAF can verify compliance through ESG agencies, questionnaires or audits at the supplier's premises. In the event of non-compliant behaviour, CAF may take action, including rejecting future collaborations or ending the current relationship.

At the end of 2023, a process was initiated to update the Supplier Code of Conduct to reflect the changes included in the CAF Group Code of Conduct and to incorporate relevant aspects such as the treatment of Conflict Minerals and Hazardous Substances, among others. The updated Supplier Code of Conduct is expected to be approved and published within the first quarter of 2024.

7.5.4 Sustainability in supplier management

Within the Ziaboga project for the transition to CAF's new ERP, the ARIBA module has been implemented in the parent company, CAF SA[52], for supplier management, known as ARIBA SLP (Supplier Live Cycle Performance). This tool makes it possible to apply qualification processes to our suppliers, ensuring a solid commitment to compliance with requirements associated with sustainability, such as ISO, IRIS, OHSAS certifications, our internal code of conduct and corporate policies.

In addition, the bus segment's project to join this corporate tool has begun and a work plan has been defined to incorporate the rest of the Group's activities in 2024. This process not only strengthens commercial relationships, but also supports our vision of promoting ethical and environmentally responsible business practices.

In 2023, 18 supplier approval audits were carried out in the railway segment, including quality and environmental aspects, among others. In addition, eight additional audits were carried out, focusing specifically on sustainability aspects, to several suppliers that did not reach the minimum score required in ECOVADIS. Simultaneously, we have carried out 5 exhaustive evaluations of the life cycle of our suppliers in the bus segment, highlighting our commitment to continuous improvement and the adoption of sustainable practices in all phases of the supply process.

No significant deviations related to our Code of Conduct have been identified in any of our suppliers, validating the effectiveness of the mechanisms implemented to identify and mitigate ethical risks. This achievement underscores our commitment to integrity, sustainability and excellence in all our business relationships.

7.5.5 Supply chain monitoring methodology

Supervision of sustainability in our supply chain focuses on prioritising the evaluation of suppliers with greater potential risks in environmental, social and ethical matters.

Of the CAF Group's total of 8,000 suppliers, nearly 6,000 are covered by the CAF Group's Responsible Purchasing Programme, reaching 73% of the Group's total supplies. Following the application of the criteria established for the selection of Target suppliers by means of risk mapping, 295 suppliers (237 business groups) have been selected and are regularly monitored in order to mitigate the materialisation of the potential risks identified.

Risk mapping considers the following criteria:

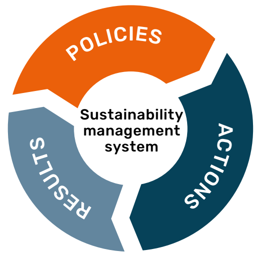
- Environment: Selecting those suppliers that supply or provide services classified within any of the families identified with a high potential environmental impact.
- Labor practices and human rights: Suppliers from countries with a *Global Slavery Index* greater than 50 are identified.
- Ethics: Select those suppliers related to legal and consultancy advice and strategic suppliers.
- Occupational health and social development: Those suppliers from countries with a *Human Development Index* less than 0.7 are identified.

For the assessment and monitoring of these Target suppliers, we collaborate with Ecovadis, a world leader in sustainability assessment. The required questionnaires consider 21 aspects aligned with international standards and the answers are subjected to analysis by experts. This process aims to assign a rating that accurately reflects suppliers' performance in relation to sustainability. The results of the assessment are expressed in a score ranging from 0 to 100 points, reflecting better sustainability management by suppliers, the higher the score obtained.

52 It includes the activities of manufacturing vehicles, axles and wheels, railway services (national), and power equipment, within the railway segment.

21 SUSTAINABILITY CRITERIA

ENVIRONMENT	LABOR PRACTICES AND HUMAN RIGHTS	ETHICS	PURCHASES SUSTAINABLE
Hedging • Energy consumption and GHG • Water • Biodiversity • Local and accidental contamination • Materials, chemicals and waste **Products** • End of product life • End of product life • Consumer health and safety • Environmental services and advocacy	**Human Resources** • Employee Health and Safety • Working conditions • Social Dialogue • Training and professional development **Human rights** • Child labor, forced labor & human trafficking • Diversity, discrimination and harassment • Human rights of third parties	• Corruption • Anti-competitive practices • Responsible information management	• Supplier environmental practices • Supplier social practices



ISO 26000
SOCIAL RESPONSIBILITY

When an evaluation does not meet the standard established by CAF (with an overall Sustainability management rating of less than 45 out of 100), the supplier is asked to implement an action plan to address the identified weaknesses.

At the end of the year, out of the total of 197 suppliers assessed (67% of the total number of Target suppliers, corresponding to 178 business groups), 25 have a score below 45 points at the end of 2023 and will be asked to establish an action plan to achieve an Ecovadis score above the risk level.

C. 8,000	**Universe (number) of suppliers considered.**
295	**Applying "Risk Mapping" criteria, 295 suppliers (237 business groups) have exposure to sustainability risk (c.5%).**
271	**The objective is to assess 92% (271 suppliers) and categorise their risk.**
197	**At the end of 2023, we have evaluated 197 suppliers (178 business groups) (67%), using Ecovadis (EV) or audit.**
25	**At year-end 2023, 25 suppliers have a medium risk (8%) (< 45 EV points), for which a mitigation plan has been required.**
0	**At the end of 2023, we do not have suppliers with high risk (< 25 EV points). If they exist, a mitigation plan would be required in the very short term to reverse the situation, possibly leading to de-approval of the supplier.**

7.5.6 Results of the Responsible Purchasing Programme

At the end of 2023, the following results have been obtained in the activities included in the Responsible Purchasing Programme:

INDICATOR	TARGET 2023	2023	2022	2021
Number of business groups assessed in terms of their sustainability/ESG management	-	178	118	67
Coverage of sustainability assessments on the amount of expenditure covered by the Responsible Purchasing Programme[1]	-	41%	N.D.	N.D.
Suppliers assessed out of total number of target suppliers identified in risk mapping	>92%	67%	78%	85%
Total Group volume of expenditure on suppliers with high or medium risk	<1.8%	2,5%	2%	4%

1. In 2023, the formula for calculating this indicator was updated and is therefore not comparable with the result of previous years. The recalculation of the historical path will be addressed in forthcoming reports.

The incorporation of the bus segment into the Responsible Purchasing Programme has generated an increase in the total volume of purchases within the scope, achieving a coverage of 73% of the Group's total procurement. However, as their incorporation took place in the second half of the year, it has not been possible to complete the evaluation of their Target suppliers. This has had a certain impact on the results of the programme, decreasing the percentage of coverage of the evaluations carried out and increasing the volume of purchases from suppliers with medium risk. During 2024, work will be done to establish improvement actions for medium risk suppliers and all suppliers identified as Target will be invited to join Ecovadis.

8 ABOUT THIS REPORT

8.1 BASIS FOR THE PREPARATION OF THIS REPORT

8.1 BASIS FOR THE PREPARATION OF THIS REPORT

Scope of information [2-1, 2-2, 2-3]

CAF's Sustainability Report is one of the main communication tools in this area and in the relationship with its Stakeholders. Thus, it is a clear and rigorous compilation of the relevant information related to the most significant positive and negative impacts generated on its various stakeholders in terms of sustainability during the current financial year.

This report, which refers to the period from 1 January to 31 December 2023, covers the activities carried out by the CAF Group (Construcciones y Auxiliar de Ferrocarriles S.A.). The list of entities included in the Report corresponds to the information included in the Notes to the Consolidated Financial Statements 2023, Note 2 f). Sustainability information is included for those investee companies over which it controls more than 51%. As a general rule, environmental indicators consider those companies and facilities over which there is effective operational control.

If there are limitations in the scope, coverage or other aspects of the information, appropriate specifications have been made in the relevant chapter, table or data. In these cases, the reasons for the omission of information can be summarised as follows: the content is not considered material or relevant, there are confidentiality constraints to disclose the information, or the data is not of sufficient quality to be included in the Report. In this regard, year after year we continue to work to improve the quality and scope of the information reported in order to achieve full coverage of all the companies that make up the Group.

This report also draws on other reports to provide specific information on certain matters, such as CAF's Consolidated Financial Statements for the year ended 31 December 2023 to reinforce the information in the economic area; or theAnnual Report on Corporate Governance 2023 to provide further information on issues related to CAF's Corporate Governance Model.

Restatements of information [2-4]

In order to ensure the comparability and consistency of the information reported, if material errors or omissions have been detected in the information reported in previous years, the historical path has been updated and the update made and the reasons for it have been indicated in the corresponding chapter.

In 2023, the most notable update is the recalculation of the base year and historical GHG emissions calculation paths to reflect the acquisition of the Reichshoffen plant in August 2021 and the impact of improved data collection in recent years in some entities.

Standards and Principles used in the preparation of this Report

This report has been prepared with reference to the international standards of the Global Reporting Initiative (GRI) under the GRI option "selected standards". In addition, the guidelines included in the Non-Financial Reporting and Diversity Act 11/2018 have been followed. In addition, this report describes the Company's annual progress in implementing the Ten Principles of the United Nations Global Compact in the areas of human and labour rights, environment and anti-corruption.

CAF strives to provide clear and balanced sustainability information, together with accurate and verifiable data, to show its stakeholders the information they consider relevant, on a regular and timely basis. Thus, in preparing this report, the principles set out in GRI 1 have been complied with: Fundamentals (2021) in terms of quality and definition of content.

Principle of Materiality

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 in 2021 to identify the most relevant aspects to be addressed has been taken into account in preparing this report. In section 4.4. Materiality, detailed information on the process of identifying material issues can be found.

Contact information [2-3, 2-26]

For any clarification, doubt or suggestion related to the report or the subjects included in it, please contact: esg@caf.net

9 ANNEXES

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9.2 GRI INDEX

DECLARATION OF USE	CAF has reported the information contained in this GRI Content Index for the period 01/01/2023/ 31/12/2023 with reference to the GRI Standards mentioned in this section.
GRI 1 USED	GRI 1: Fundamentals 2021

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	2023 Annual Report on Corporate Governance	Sections C.1.13, C.1.14, C.1.39, C.2.1
	Annual Report on Remuneration of Directors of Listed Public Limited Companies 2023	Complete

CONTENT	REFERENCE	LOCATION OR DIRECT RESPONSE
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308-2 Negative environmental impacts in the supply chain and measures taken	7.5. Responsible supply chain management	141-145
CATEGORY: SOCIAL		
Employment (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	6.1. People	80-82
401-1 New employee hires and employee turnover	6.1. People	80-81
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.1. People	82
Worker-company relations (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	6.1. People	80
402-1 Minimum notice periods regarding operational changes	GRI Index	The provisions of the applicable agreement or, subsidiarily, the corresponding local legislation are complied with in this regard.
Occupational health and safety (2018)		
3-3 Management Approach	4.4. Materiality	45-46
	6.2. Occupational Health & Safety	88-98

CONTENT	REFERENCE	LOCATION OR DIRECT RESPONSE
403-1 Occupational health and safety management system	6.2. Occupational Health & Safety	88-89, 93
403-2 Hazard identification, risk assessment and incident investigation	6.2. Occupational Health & Safety	90, 93-96
403-3 Occupational health services	6.2. Occupational Health & Safety	91
403-4 Worker participation, consultation, and communication on occupational health and safety	6.2. Occupational Health & Safety	93
403-5 Worker training on occupational health and safety	6.2. Occupational Health & Safety	94-95
403-6 Promotion of worker health	6.2. Occupational Health & Safety	91-92
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.2. Occupational Health & Safety	93-94
403-8 Workers covered by an occupational safety and health management system	6.2. Occupational Health & Safety	89
403-9 Work-related injuries	6.2. Occupational Health & Safety	48, 96-97
403-10 Work-related ill health	6.2. Occupational Health & Safety	96-97
Training and teaching (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	6.1 People	82-83
404-1 Average training hours per year per employee	6.1 People	82-83
	9.4.Indicator detail tables	176
404-3 Percentage of employees receiving regular performance and career development reviews	6.1 People	82-83
Diversity and equal opportunities (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	6.1 People	85-88
405-1 Diversity in governing bodies and employees	2.4. Corporate governance	15-17
	6.1 People	85-88
	2023 Annual Report on Corporate Governance	Sections C.1.5, C.1.6, C.1.7, C.2.1
Non-discrimination (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	6.1 People	85-88
406-1 Discrimination cases and corrective actions taken	6.1 People	85
Freedom of association and collective bargaining (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	125-131

CONTENT	REFERENCE	LOCATION OR DIRECT RESPONSE
407-1 Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	GRI Index	No sites and suppliers have been identified as having a significant risk with respect to freedom of association and collective bargaining.
Child Labour (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	125-131
	7.5. Responsible supply chain management	141-145
408-1 Operations and suppliers with significant risk of child labour cases	GRI Index	No centres have been identified with a significant risk regarding child labour. As for suppliers, through the Responsible Purchasing Programme, a sustainability evaluation is carried out on target suppliers that may present a potential risk of child labour based on a country risk analysis. An action plan is developed in cases in which the score obtained could indicate that the risk is higher. (More information in section 7.5.) Through these channels, no suppliers have been detected with significant risk of child labour.
Forced or compulsory labour (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	125-131
	7.5. Responsible supply chain management	141-145
409-1 Operations and suppliers at significant risk of incidents of forced or compulsory labour	GRI Index	No centres have been identified with a significant risk regarding forced labour. With regard to suppliers, through the Responsible Purchasing Programme, a sustainability assessment is carried out on target suppliers that may present a potential risk of incidents of forced labour, based on a country risk analysis. An action plan is developed in cases in which the score obtained could indicate that the risk is higher. (More information in section 7.5.) Through these channels, no suppliers have been detected with significant risk of child labour.
Indigenous peoples' rights (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	125-131
411-1 Cases of violations of the rights of indigenous peoples	GRI Index	No cases of violations of indigenous peoples' rights have been detected in this exercise.
Human rights assessment (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	125-131
412-2 Training of employees in human rights policies or procedures	7.2. Ethics and compliance	121-123
Local communities (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	125-131
413-2 Operations with significant negative impacts - actual and potential - on local communities	GRI Index	No operations centres have been identified with significant negative effects on local communities.
Social assessment of suppliers (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.5. Responsible supply chain management	141-145

CONTENT	REFERENCE	LOCATION OR DIRECT RESPONSE
414-1 New suppliers that were selected with social criteria	7.5. Responsible supply chain management	141-145
414-2 Negative social impacts in the supply chain and actions taken	7.5. Responsible supply chain management	141-145
Public Policy (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	131-134
415-1 Contributions to political parties and/or representatives	7.2. Ethics and compliance	133
Customer health and safety (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	6.3. Product quality and safety	98-103
416-1 Assessment of health and safety impacts of product or service categories	6.3. Product quality and safety	102-103
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	6.3. Product quality and safety	102-103
Customer privacy (2016)		
3-3 Management Approach	4.4. Materiality	45-46
	7.2. Ethics and compliance	135-136
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	7.2. Ethics and compliance	135-136

9.3 TABLE OF CONTENTS OF THE GLOBAL COMPACT

THE 10 GLOBAL COMPACT PRINCIPLES	REFERENCE
HUMAN RIGHTS	
PRINCIPLE 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	2.1 Our sustainable business model 2.2 A culture geared towards sustainability 7.2 Ethics and Compliance
PRINCIPLE 2. Businesses should make sure that they are not complicit in human rights abuses.	7.2 Ethics and Compliance 7.5 Responsible supply chain management
LABOUR STANDARDS	
PRINCIPLE 3: Companies must support freedom of association and the effective recognition of the right to collective bargaining.	2.1 Our sustainable business model 6.2 Diversity and equal opportunities 7.2 Ethics and Compliance 7.5 Responsible supply chain management
PRINCIPLE 4: Businesses must support the elimination of all forms of forced or coerced labour.	2.1 Our sustainable business model 7.2 Ethics and Compliance 7.5 Responsible supply chain management
PRINCIPLE 5: Businesses should support the effective abolition of child labour.	2.1 Our sustainable business model 7.2 Ethics and Compliance 7.5 Responsible supply chain management
PRINCIPLE 6: Companies must support the abolition of discriminatory practices in employment and occupation.	6.2 Diversity and equal opportunities 7.2 Ethics and Compliance 7.5 Responsible supply chain management
ENVIRONMENT	
PRINCIPLE 7: Businesses should maintain a precautionary approach that favours the environment.	5.1 Environmental management 5.3 Climate strategy
PRINCIPLE 8: Companies must encourage initiatives that promote greater environmental responsibility.	2.6 Innovation and technology: Keys to sustainable mobility 5.1 Environmental management 5.3 Climate strategy 5.4 Circular economy and sustainable use of resources 7.5 Responsible supply chain management
PRINCIPLE 9: Companies must promote the development and dissemination of environmentally friendly technologies.	2.6 Innovation and technology: Keys to sustainable mobility 7.5 Responsible supply chain management
ANTI-CORRUPTION	
PRINCPLE 10: Businesses should work against corruption in all its forms, including extortion and briber.	2.1 Our sustainable business model 2.2 A culture geared towards sustainability 7.2 Ethics and Compliance

9.4 DETAILED INDICATOR TABLES

9.4.1 Degree of elegibility and aligment and alignment with the European Taxonomy of Sustainable Activities on Net Turnover, CAPEX and OPEX.

Methodological notes on the calculation of taxonomic indicators

Scope

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.

In the process of preparing and calculating the indicators, the absence of any double counting has been ensured by obtaining Turnover, OpEx and CapEx (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. Also, considering that CAF activities mainly contribute to the Climate Change Mitigation objective, the process has been designed in such a way that it is not possible to allocate projects to other objectives, thus avoiding double counting of a project/activity under more than one taxonomic objective.

It is worth mentioning that some of the Group's activities, namely those listed under headings 3.3., 4.1., 6.14 of Annexes I and II of the Climate Delegated Act, are eligible under both the Mitigation and Adaptation to Climate Change objectives. However, our activities fit the substantial contribution criteria defined for the Climate Change Mitigation objective, but have a lesser fit with the Climate Change Adaptation objective. For this reason, it has been decided to carry out the analysis with respect to the objective of Climate Change Mitigation, as reflected below.

Description of eligibility and alignment indicators

General aspects

For the Climate Change Mitigation objective, with which the Group's operations have a greater degree of alignment, the attached table shows the activities carried out by CAF, the activities included in the taxonomy that have been considered eligible and the substantial contribution criteria applicable to our activities[53].

CAF GROUP ACTIVITY	MITIGATION OF CLIMATE CHANGE
Manufacture, repair, maintenance, renewal, reconversion and modernisation of rail rolling stock.	**3.19. MANUFACTURING OF RAILWAY ROLLING STOCK CONSTITUENTS** As explained in the description of this activity in Annex 1 of the Regulation amending the Climate Delegated Act, this includes not only manufacturing, but also installation, consultancy, renewal, upgrading, repair, maintenance, retrofitting of products, equipment, systems and software related to rail constituents detailed in point 2.7 of Annex II to Directive (EU) 2016/797 and which are necessary for the activities covered by 3.3. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities. Regarding the substantial contribution criteria applicable to CAF activities in this category, the following stand out: • Constituents and services essential for the environmental performance, operation and functioning over the lifetime of zero direct (tailpipe) CO_2 emission trains, passenger coaches and wagons, as described in section 3.3 of Annex I of the June 2023 Regulation amending the Climate Delegated Act.

53 In the contest of the information pertaining to the EU Taxonomy, the CAF Group doesn't carry our any activities related to nuclear energy or fossil natual gas as considered withing the Complementary Climate Delegated Act. As such, CAF doesn't report on this information using the templates included in Annex XII of the Delegatied Regulation on Taxonomy Disclosures.

Manufacture, repair, maintenance, renewal, reconversion and modernisation of vehicles (railway and buses).	**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 not only manufacturing, but also repair, maintenance, refurbishment and modernisation. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities. Regarding the substantial contribution criteria applicable to CAF activities in this category, the following stand out: • trains, passenger coaches and wagons that have zero direct (tailpipe) CO_2 emissions; • trains, passenger coaches and wagons that have zero direct tailpipe CO_2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available (bimode); • urban, suburban and road passenger transport devices, where the direct (tailpipe) CO_2 emissions of the vehicles are zero; • Until 31 December 2025, vehicles designated as categories M2 and M3(75) that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single-deck articulated vehicle) or 'CD' (double-deck articulated vehicle)(76), and comply with the latest EURO VI standard.
Engineering development and construction (EPC) of photovoltaic plants	**4.1. ELECTRICITY GENERATION USING SOLAR PHOTOVOLTAIC TECHNOLOGY** As explained in the description of this activity in Annex 1 of the Climate Delegated Act, this includes the construction or operation of solar photovoltaic (PV) electricity generation facilities. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities. Regarding the substantial contribution criteria applicable to CAF activities in this category, the following stand out: • The activity generates electricity using solar photovoltaic technology.
Construction and modernisation of infrastructure for railway transport, as well as engineering and associated services (signaling, testing, comprehensive project management, etc.)	**6.14 INFRASTRUCTURE FOR RAIL TRANSPORT** As explained in the description of this activity in Annex 1 of the Climate Delegated Act and the Regulation of June 2023 amending it, it is defined as the manufacture, installation, technical consultancy, retrofitting, upgrade, repair, maintenance and repurposing of products, equipment, systems and software in related to assembled railway track fixtures and/or rail constituents detailed in Points 2.2 to 2.6 to Annex II of Directive (EU) 2016/797. 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. Regarding the substantial contribution criteria applicable to CAF activities in this category, the following stand out: • Electrified trackside infrastructure and associated subsystems: infrastructure, energy, on-board control-command and signalling, and trackside control-command and signalling subsystems. • Infrastructure and installations intended for the transfer of passengers from rail to rail or from other modes to rail.
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 collecting, transmitting, storing data and at its modelling and use, where those activities are predominantly aimed at providing data and analytics enabling GHG emission reductions. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities. In this case, the activity is not considered to be aligned due to the difficulties in demonstrating the substantial contribution criterion, as accounting criteria group together different types of software projects in the same category, which may be more or less in line with the criteria referred to in Annex I of the Climate Delegated Act.

It should be noted that all activities eligible for the CAF Group indicated in the table above are considered 'enabling activities', as described in Annex I of the Climate Delegated Act.

Compliance with the DNSH (Do No Significant Harm) criteria has been evidenced by various means at the corporate and project level, including:

- Analysis of risks and opportunities of climate change, as described in section 5.2.1. of this Report;
- Corporate Environmental Policy and its development Manual;
- Environmental Impact Assessments or similar, if applicable;
- Ecodesign and recyclability criteria;
- Waste management plans and evidence of corresponding waste removals;
- Technical data sheets of products and components used in our projects;
- Procedures for handling and using dangerous chemical substances;
- Noise and emission measurements at our facilities and projects, among others.

For more information on the corporate criteria regarding the management of the main environmental aspects, please refer tothe corresponding sections in Chapter 5: 'Our commitment to the environment'.

Regarding minimum social safeguards, the main evidence focuses on the Corporate Compliance System and the people management approach, as well as the policies and documents associated with these areas, among which the following stand out:

- Code of Conduct;
- Due Diligence Policy on Human Rights;
- Human rights risk assessments;
- Internal Reporting System (whistleblowing channels);
- Fiscal Policy, among others.

For more information on these issues, see sections 6.1. and 7.2. of this report.

The calculation methodology used for the taxonomic indicators referred to in this Report is described below.

Turnover

The proportion of Turnover referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the part of the net turnover derived from products or services, including intangible ones, associated with economic activities that conform to the taxonomy (numerator), divided by the net turnover (denominator) as defined in Article 2(5) of the 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 2023.

For the calculation of eligibility, the numerator corresponds to the net turnover of the Consolidated Annual Accounts of the activities that have been considered as eligible in the Taxonomy.

For the calculation of the alignment or fit with the Taxonomy, the numerator meets, in addition to the above, the substantial contribution criteria to the climate change mitigation objective (detailed in the table above), does not cause significant harm to the other objectives (climate change adaptation, water protection, circular economy, pollution prevention and biodiversity) and meets the minimum social safeguards, as indicated in the general aspects section of this methodological note.

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 2023 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 the alignment or fit with the Taxonomy, the numerator meets, in addition to the above, the substantial contribution criteria to the climate change mitigation objective, does not cause significant harm to the other objectives (climate change adaptation, water protection, circular economy, pollution prevention and biodiversity) and meets the minimum social safeguards, as indicated in the general aspects section of this methodological note.

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 the CAF Group, the denominator corresponds to all the cost additions in fiscal year 2023 of tangible fixed assets and intangible fixed assets, reflected in the movement of fixed assets in the Consolidated Annual Accounts.

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 as eligible in the Taxonomy.

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

It should be noted that there have been no changes, with respect to previous years, in the criteria used and/or the calculation methodologies applied to obtain the eligibility and alignment indicators reflected in this Report.

Turnover

FINANCIAL YEAR		2023		SUBSTANTIAL CONTRIBUTION CRITERIA						NO SIGNIFICANT HARM CRITERIA									
Economic activities (1)	Codes (2)	Turnover(3)	Proportion of turnover year N (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of turnover conforming to taxonomy (A.1) or eligible according to taxonomy (A.2), year N-1 (18)	Enabling activity category (19)	Transition activity category (20)
Text		thousands of euros	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																			
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (CONFORMING TO THE TAXONOMY)																			
3.19. Manufacturing of rail rolling stock constituents	**CCM 3.19.**	759	0.02%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
3.3. Manufacture of low-carbon technologies for transport	**CCM 3.3.**	2,628,202	69%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	65%	E	
4.1. Electricity generation using solar photovoltaic technology	**CCM 4.1.**	50,074	1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
6.14. Infrastructure for rail transport	**CCM 6.14.**	389,664	10%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11%	E	
Turnover from environmentally sustainable activities (conforming to the taxonomy) (A.1)		3,068,698	80%	80%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	76%	E	
Of which: enabling		3,068,698	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	76%	E	
Of which: Transition		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY BUT NOT ENVIRONMENTALLY SUSTAINABLE (ACTIVITIES THAT DO NOT COMPLY WITH THE TAXONOMY)																			
				EL; N/EL	EL; N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
3.19. Manufacturing of rail rolling stock constituents	**CCM 3.19.**	1,545	0,04%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.3. Manufacture of low-carbon technologies for transport	**CCM**/CCA **3.3.**	630,316	16%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								21%		
6.14. Infrastructure for rail transport	**CCM**/CCA **6.14.**	45	0,001%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.1%		
8.2. Data-driven solutions for GHG emissions reductions	**CCM 8.2.**	4,025	0,11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Turnover from eligible activities according to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy) (A.2)		635,931	17%	17%	0%	0%	0%	0%	0%								21%		
A. TURNOVER FROM INELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY (A.1+A.2)		3,704,630	97%	97%	0%	0%	0%	0%	0%								97%		
B. ACTIVITIES NOT ELIGIBLE ACCORDING TO THE TAXONOMY																			
Turnover from ineligible activities according to taxonomy		120,654	3%																
Total		3,825,284	100%																

PROPORTION OF TURNOVER/TOTAL TURNOVER		
	which conforms to the taxonomy by objective	eligible according to taxonomy by objective
CCM	80%	97%
CCA	0%	97%
WTR	0%*	0%
CE	0%*	0%
PPC	0%*	0%
BIO	0%*	0%
*In line with the reporting obligations, this year 0% is reported for these four objectives as it was not possible to analyse the alignment of these objectives.		

Note on the European Taxonomy of Sustainable Activities indicators on Turnover, CapEx and OpEx

To calculate the indicators related to the European Taxonomy of Sustainable Activities, the following parameters have been considered: Turnover corresponds to the net turnover in the 2023 Consolidated Financial Statements; CapEx corresponds to the total additions in cost in 2023 of property, plant and equipment and intangible assets, as reflected in the movement in property, plant and equipment in the Consolidated Financial Statements; and finally, OpEx corresponds to the 2023 consolidated operating expense accounts associated with R&D expenses, short-term leases, and maintenance and repairs.

CapEx

FINANCIAL YEAR		2023		SUBSTANTIAL CONTRIBUTION CRITERIA						NO SIGNIFICANT HARM CRITERIA									
Economic activities (1)	Codes (2)	CapEx (3)	Proportion of CapEx year N (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of CapEx conforming to taxonomy (A.1) or eligible according to taxonomy (A.2), year N-1 (18)	Enabling activity category (19)	Transition activity category (20)
Text		thousands of euros	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																			
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (CONFORMING TO THE TAXONOMY)																			
3.19. Manufacturing of rail rolling stock constituents	**CCM 3.19.**	20	0.02%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
3.3. Manufacture of low-carbon technologies for transport	**CCM 3.3.**	72,237	67%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	84%	E	
4.1. Electricity generation using solar photovoltaic technology	**CCM 4.1.**	3,395	3%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
6.14. Infrastructure for rail transport	**CCM 6.14.**	3,717	3%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
CapEx from environmentally sustainable activities (conforming to the taxonomy) (A.1)		79,369	74%	74%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	87%	E	
Of which: enabling		79,369	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	87%	E	
Of which: Transition		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY BUT NOT ENVIRONMENTALLY SUSTAINABLE (ACTIVITIES THAT DO NOT COMPLY WITH THE TAXONOMY)																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
3.19. Manufacturing of rail rolling stock constituents	**CCM 3.19.**	9	0.01%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.3. Manufacture of low-carbon technologies for transport	**CCM**/CCA **3.3.**	24,274	23%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								12%		
6.14. Infrastructure for rail transport	**CCM**/CCA **6.14.**	-	0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0%		
8.2. Data-driven solutions for GHG emissions reductions	**CCM 8.2.**	-	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx from eligible activities according to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy) (A.2)		24,283	23%	23%	0%	0%	0%	0%	0%								12%		
A. CapEx OF ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY (A.1+A.2)		103,653	97%	97%	0%	0%	0%	0%	0%								99%		
B. ACTIVITIES NOT ELIGIBLE ACCORDING TO THE TAXONOMY																			
CapEx from ineligible activities according to taxonomy		3,702	3%																
Total		107,355	100%																

Note on the European Taxonomy of Sustainable Activities indicators on Turnover, CapEx and OpEx

To calculate the indicators related to the European Taxonomy of Sustainable Activities, the following parameters have been considered: Turnover corresponds to the net turnover in the 2023 Consolidated Financial Statements; CapEx corresponds to the total additions in cost in 2023 of property, plant and equipment and intangible assets, as reflected in the movement in property, plant and equipment in the Consolidated Financial Statements; and finally, OpEx corresponds to the 2023 consolidated operating expense accounts associated with R&D expenses, short-term leases, and maintenance and repairs.

PROPORTION OF CapEx/TOTAL CapEx		
	which conforms to the taxonomy by objective	eligible according to taxonomy by objective
CCM	74%	97%
CCA	0%	96,55%
WTR	0%*	0%
CE	0%*	0%
PPC	0%*	0%
BIO	0%*	0%

*In line with the reporting obligations, this year 0% is reported for these four objectives as it was not possible to analyse the alignment of these objectives.

OpEx

FINANCIAL YEAR		2023		SUBSTANTIAL CONTRIBUTION CRITERIA						NO SIGNIFICANT HARM CRITERIA									
Economic activities (1)	Codes (2)	OpEx (3)	Proportion of OpEx year N (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of OpEx conforming to taxonomy (A.1) or eligible according to taxonomy (A.2), year N-1 (18)	Enabling activity category (19)	Transition activity category (20)
Text		thousands of euros	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																			
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (CONFORMING TO THE TAXONOMY)																			
3.19. Manufacturing of rail rolling stock constituents	**CCM 3.19.**	30	0.04%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
3.3. Manufacture of low-carbon technologies for transport	**CCM 3.3.**	40,507	58%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	65%	E	
4.1. Electricity generation using solar photovoltaic technology	**CCM 4.1.**	1,029	1.5%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
6.14. Infrastructure for rail transport	**CCM 6.14.**	10,720	15%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	16%	E	
OpEx from environmentally sustainable activities (conforming to the taxonomy) (A.1)		52,286	75%	75%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	82%	E	
Of which: enabling factors		52,286	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	82%	E	
Of which: Transition		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY BUT NOT ENVIRONMENTALLY SUSTAINABLE (ACTIVITIES THAT DO NOT COMPLY WITH THE TAXONOMY)																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
3.19. Manufacturing of rail rolling stock constituents	**CCM 3.19.**	480	0.69%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
3.3. Manufacture of low-carbon technologies for transport	**CCM**/CCA **3.3.**	14,513	21%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								14%		
6.14. Infrastructure for rail transport	**CCM**/CCA **6.14.**	81	0.12%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0%		
8.2. Data-driven solutions for GHG emissions reductions	**CCM 8.2.**	917	1.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
OpEx from eligible activities according to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy) (A.2)		15,992	23%	23%	0%	0%	0%	0%	0%								16%		
A.OpEx OF ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY (A.1+A.2)		68,278	98%	98%	0%	0%	0%	0%	0%								97%		
B. ACTIVITIES NOT ELIGIBLE ACCORDING TO THE TAXONOMY																			
OpEx from ineligible activities according to taxonomy		1,207	2%																
Total		69,486	100%																

PROPORTION OF OpEx/TOTAL OpEx		
	which conforms to the taxonomy by objective	eligible according to taxonomy by objective
CCM	75%	98%
CCA	0%	96.21%
WTR	0%*	0%
CE	0%*	0%
PPC	0%*	0%
BIO	0%*	0%

*In line with the reporting obligations, this year 0% is reported for these four objectives as it was not possible to analyse the alignment of these objectives.

Note on the European Taxonomy of Sustainable Activities indicators on Turnover, CapEx and OpEx

To calculate the indicators related to the European Taxonomy of Sustainable Activities, the following parameters have been considered: Turnover corresponds to the net turnover in the 2023 Consolidated Financial Statements; CapEx corresponds to the total additions in cost in 2023 of property, plant and equipment and intangible assets, as reflected in the movement in property, plant and equipment in the Consolidated Financial Statements; and finally, OpEx corresponds to the 2023 consolidated operating expense accounts associated with R&D expenses, short-term leases, and maintenance and repairs.

9.4.2 Detailed indicator tables chapter 5: Our commitment to the environment.

a) Waste generated in the CAF Group by type of waste and final destination (t)

WASTE TYPE	WASTE GENERATED IN THE CAF GROUP BY TYPE OF WASTE AND FINAL DESTINATION (t) 2023									
	REUSE	RECYCLING	OTHER RECOVERY	TOTAL RECOVERED	%REC.	INCINERATION	LANDFILL	OTHER DISPOSAL	TOTAL DISPOSED	%REM.
Non-hazardous waste (NHW)	**379**	**6,250**	**2,297**	**28,926**	**95%**	**156**	**651**	**749**	**1,556**	**5%**
Packaging waste (wood, paper, cardboard and plastic)	188	3,716	1,266	5,169	97%	8.3	167	2.7	178	3%
Metal waste	13	21,844	538	22,395	100%	-	28	4.1	33	0%
Other NHW	179	690	493	1,362	50%	147	455	743	1,346	50%
Hazardous Waste (HW)	**82**	**1,073**	**1,195**	**2,350**	**69%**	**244**	**204**	**608**	**1,057**	**31%**
Paint residue	4.8	0.6	143	149	39%	82	-	154	236	61%
Oily residues	62	329	351	743	69%	3.8	53	273	330	31%
Packaging waste	1.4	99	54	154	79%	18	0.004	23	41	21%
Batteries and batteries	0.48	106	6	113	98%	2.1	-	0.05	2	2%
Other HW	13	537	641	1,192	73%	138	151	159	448	27%
Total waste generated (t)	**461**	**27,323**	**3,493**	**31,277**	**92%**	**400**	**855**	**1,358**	**2,613**	**8%**

WASTE TYPE	WASTE GENERATED IN THE CAF GROUP BY TYPE OF WASTE AND FINAL DESTINATION (t) 2022									
	REUSE	RECYCLING	OTHER RECOVERY	TOTAL RECOVERED	%REC.	INCINERATION	LANDFILL	OTHER DISPOSAL	TOTAL DISPOSED	%REM.
Non-hazardous waste (NHW)	**22**	**27,822**	**1,136**	**28,980**	**88%**	**716**	**2,504**	**623**	**3,843**	**12%**
Packaging waste (wood, paper, cardboard and plastic)	22	4,188	133	4,343	84%	198	194	424	816	16%
Metal waste	-	23,207	175	23,382	92%	-	1,929	21	1,950	8%
Other NHW	-	427	828	1,255	54%	518	381	178	1,077	46%
Hazardous Waste (HW)	**-**	**1,468**	**428**	**1,896**	**61%**	**370**	**243**	**603**	**1,216**	**39%**
Paint residue	-	10	166	176	43%	81	39	109	229	57%
Oily residues	-	142	111	253	39%	95	60	234	389	61%
Packaging waste	-	15	41	56	59%	6	16	17	39	41%
Batteries and batteries	-	1,114	2	1,116	91%	-	0	110	110	9%
Other HW	-	187	108	295	40%	188	128	133	449	60%
Total waste generated (t)	**22**	**29,290**	**1,564**	**30,876**	**86%**	**1,086**	**2,747**	**1,226**	**5,059**	**14%**

WASTE TYPE	WASTE GENERATED IN THE CAF GROUP BY TYPE OF WASTE AND FINAL DESTINATION (t) 2021									
	REUSE	RECYCLING	OTHER RECOVERY	TOTAL RECOVERED	%REC.	INCINERATION	LANDFILL	OTHER DISPOSAL	TOTAL DISPOSED	%REM.
Non-hazardous waste (NHW)	**87**	**6,848**	**9,538**	**6,473**	**79%**	**321**	**706**	**3,251**	**4,278**	**21%**
Packaging waste (wood, paper, cardboard and plastic)	86	2,478	5,547	8.111	90%	287	407	162	856	10%
Metal waste	-	4,151	3,701	7,852	80%	-	-	2,019	2,019	20%
Other NHW	1	219	290	510	27%	34	299	1,070	1,403	73%
Hazardous Waste (HW)	**32**	**225**	**649**	**905**	**39%**	**204**	**172**	**1,069**	**1,445**	**61%**
Paint residue	4	1	21	26	9%	67	81	106	254	91%
Oily residues	21	72	138	231	37%	1	0	400	401	63%
Packaging waste	1	12	26	39	48%	5	3	33	42	52%
Batteries and batteries	0	90	4	94	98%	-	1	0	2	2%
Other HW	6	50	460	516	41%	131	86	530	747	59%
Total waste generated (t)	**119**	**7,073**	**10,187**	**17,378**	**75%**	**525**	**878**	**4,320**	**5,723**	**25%**

9.4.3 Detailed indicator tables chapter 6: Our commitment to people.

a) CAF Group workforce (at year-end)[54]

	2023		2022		2021	
	NUMBER	%	NUMBER	%	NUMBER	%
BY GENDER						
Male	12,814	83%	12,159	84%	11,235	85%
Female	2,637	17%	2,367	16%	2,049	15%
BY AGE						
Less than 30 years	2,219	14%	1,982	14%	1,746	13%
30-50 years	10,289	67%	9,833	68%	9,219	70%
Over 50 years	2,943	19%	2,711	19%	2,319	17%
BY PROFESSIONAL GROUP						
Employee	8,693	56%	7,958	55%	6,794	51%
Operators	6,758	44%	6,568	45%	6,490	49%
BY COMPANY COUNTRY						
Europe	**13,582**	**88%**	**13,033**	**90%**	**11,699**	**88%**
Spain	7,687	50%	6,960	48%	6,572	49%
Poland	2,393	15%	2,546	18%	2,641	20%
Sweden	928	6%	974	7%	1,015	8%
France [1]	904	6%				
United Kingdom	898	6%	949	7%	784	6%
Rest of Europe	772	5%	1,604	11%	687	5%
America	**1,300**	**8%**	**976**	**7%**	**1,113**	**9%**
Mexico	687	4%	436	3%	504	4%
Brazil	241	2%	209	1%	220	2%
Chile [2]	155	1%	-	-	-	-
US	135	1%	126	1%	203	2%
Rest of America	82	1%	205	1%	186	1%
Rest of the world	**569**	**4%**	**517**	**3%**	**472**	**3%**
BY NATIONALITY [3]						
Europe	**13,434**	**87%**	**12,940**	**89%**	**-**	**-**
Spain	7,693	50%	7,100	49%	-	-
Poland	2,356	15%	2,514	17%	-	-
France	936	6%	905	6%	-	-
Sweden	924	6%	852	6%	-	-
United Kingdom[4]	783	5%	-	-	-	-
Rest of Europe	742	5%	1,569	11%	-	-
America	**1,363**	**9%**	**1,024**	**7%**	**-**	**-**
Mexico	688	4%	441	3%	-	-
Brazil	261	2%	223	2%	-	-
Chile	158	1%	124	1%	-	-
United States [5]	118	1%	-	-	-	-
Rest of America	138	1%	236	2%	-	-
Rest of the world	**654**	**4%**	**562**	**4%**	**-**	**-**
TOTAL						
	15,451	**-**	**14,526**	**-**	**13,284**	-

54 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.

1. In 2021 and 2022, the workforce of France was included in "Rest of Europe".

2. In 2021 and 2022 the Chilean workforce was included in "Rest of America".

3. The data for 2021 and 2022 are classified by country of origin because a record of nationality was not maintained.

4. In 2021 and 2022 the United Kingdom workforce was included in "Rest of Europe".

5. In 2021 and 2022, the US template was included in "Rest of America".

b) Staff by type of contract (at the end of the year)

	2023				2022				2021			
	PERMANENT		TEMPORARY		PERMANENT		TEMPORARY		PERMANENT		TEMPORARY	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
BY GENDER												
Male	12,134	95%	680	5%	11,384	94%	775	6%	10,316	92%	919	8%
Female	2,442	93%	195	7%	2,143	91%	224	9%	1,836	90%	213	10%
BY AGE												
Less than 30 years	1,847	83%	372	17%	1,545	78%	437	22%	1,284	74%	462	26%
30-50 years	9,877	96%	412	4%	9,365	95%	468	5%	8,631	94%	588	6%
Over 50 years	2,852	97%	91	3%	2,617	97%	94	3%	2,237	96%	82	4%
BY PROFESSIONAL GROUP												
Employee	8,240	95%	453	5%	7,384	93%	574	7%	6,219	92%	575	8%
Operators	6,336	94%	422	6%	6,143	94%	425	6%	5,933	91%	557	9%
BY COMPANY REGION												
Europe	13,083	96%	499	4%	12,341	95%	691	5%	10,950	94%	749	6%
America	1,028	79%	272	21%	764	78%	213	22%	826	74%	287	26%
Rest of the world	465	82%	104	18%	422	82%	95	18%	376	80%	96	20%
TOTAL												
	14,576	**94%**	**875**	**6%**	**13,527**	**93%**	**999**	**7%**	**12,152**	**91%**	**1,132**	**9%**

c) Average workforce by type of contract (average)

	2023				2022				2021			
	PERMANENT		TEMPORARY		PERMANENT		TEMPORARY		PERMANENT		TEMPORARY	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
BY GENDER												
Male	11,738	95%	658	5%	10,736	93%	816	7%	10,278	93%	824	7%
Female	2,322	92%	193	8%	1,989	90%	228	10%	1,813	90%	198	10%
BY AGE												
Less than 30 years	1,573	82%	347	18%	1.277	76%	407	24%	1,187	75%	406	25%
30-50 years	9,592	96%	411	4%	8,915	94%	537	6%	8,616	94%	534	6%
Over 50 years	2,895	97%	92	3%	2,533	96%	100	4%	2,288	97%	82	3%
BY PROFESSIONAL GROUP												
Employee	7,912	94%	470	6%	6,778	92%	592	8%	6,065	96%	548	4%
Operators	6,148	94%	381	6%	5,947	93%	452	7%	6,026	96%	474	4%
BY COMPANY REGION												
Europe	12,690	96%	541	4%	11,562	94%	722	6%	10,742	94%	745	6%
America	928	81%	212	19%	761	77%	224	23%	964	84%	181	16%
Rest of the world	443	82%	97	18%	402	80%	98	20%	385	80%	96	20%
TOTAL												
	14,060	**94%**	**851**	**6%**	**12,725**	**92%**	**1,044**	**8%**	**12,091**	**92%**	**1,022**	**8%**

d) New hires

	2023		2022		2021	
	NUMBER	RATE[1]	NUMBER	RATE	NUMBER	RATE
BY GENDER						
Male	1,654	13%	2,207	18%	1,412	13%
Female	475	18%	524	22%	289	14%
BY AGE						
Under 30 years of age	913	41%	864	44%	627	36%
Between 30 and 50 years of age	1,072	10%	1476	15%	934	10%
Over 50 years of age	144	5%	391	14%	140	6%
BY COMPANY REGION						
Europe	1,528	11%	2,383	18%	1,155	10%
America	443	34%	187	19%	439	39%
Rest of the world	158	28%	161	31%	107	23%
BY REGION OF NATIONALITY/ORIGIN						
Europe	1,485	11%	2,325	85%	-	-
America	464	24%	226	8%	-	-
Rest of the world	180	28%	180	7%	-	-
TOTAL						
	2,129	**14%**	**2,731**	**19%**	**1,701**	**13%**

1. New hires/workforce at the end of the period.

e) Non-voluntary departures

	2023		2022		2021	
	NUMBER	RATE[1]	NUMBER	RATE	NUMBER	RATE
BY GENDER						
Male	123	1%	396	3%	211	2%
Female	17	0%	43	2%	41	2%
BY AGE						
Under 30 years of age	22	1%	88	4%	39	2%
Between 30 and 50 years of age	83	1%	262	3%	117	1%
Over 50 years of age	35	1%	89	3%	96	4%
BY PROFESSIONAL GROUP						
Employee	64	1%	127	2%	132	2%
Operators	76	1%	312	5%	120	2%
TOTAL						
	140	**1%**	**439**	**2%**	**252**	**2%**

1. Non-voluntary terminations/employees at the end of the period.

f) Total hours of training

	2023		2022	2021
	AVERAGE HOURS PER PERSON	TOTAL HOURS	AVERAGE HOURS PER PERSON	AVERAGE HOURS PER PERSON
BY GENDER				
Male	19	188,817	17	17
Female	24	46,506	19	22
BY AGE				
Under 30 years of age	38	52,041	18	-
Between 30 and 50 years of age	19	153,546	18	-
Over 50 years of age	12	29,736	14	-
BY PROFESSIONAL GROUP				
Employee	26	138,271	19	22
Operators	22	97,051	16	14
TOTAL				
	20	235,323	18	18

g) Percentage of employees covered by collective bargaining agreements by country

	2023	2022	2021
EUROPE	**76%**	**72%**	**73%**
SPAIN	100%	100%	100%
POLAND [1]	0%	0%	0%
FRANCE [2]	100%	-	-
SWEDEN	100%	100%	100%
UNITED KINGDOM	38%	35%	32%
REST OF EUROPE [3]	52%	43%	19%
AMERICA	**38%**	**40%**	**41%**
MEXICO	22%	12%	80%
BRAZIL	100%	100%	100%
CHILE [4]	62%	-	-
UNITED STATES [5]	0%	-	-
REST OF AMERICA [6]	6%	37%	29%
REST OF THE WORLD	**12%**	**14%**	**14%**

1. Working conditions in Poland are set out in what are called "Work Regulations" which are not considered collective agreements according to the GRI definition.
2. In 2021 and 2022, the workforce of France was included in "Rest of Europe". The data for the United Kingdom for 2022 has been updated applying the same criteria as in this report.
3. In 2021 and 2022, the workforce of France was included in "Rest of Europe". In 2023 this country is shown separately.
4. In 2021 and 2022 the Chilean workforce was included in "Rest of America".
5. In 2021 and 2022, the US template was included in "Rest of America".
6. In 2021 and 2022, the Chile and US template was included in "Rest of America". In 2023 these countries are shown separately.

9.5 EXTERNAL ASSURANCE [2-5]

9.5.1 CAF Group's carbon footprint independent assurance statement

LRQA

LRQA Independent Assurance Statement

Relating to Construcciones y Auxiliar de Ferrocarriles, S.A.'s GHG Report for the 2023 calendar year

Terms of Engagement

This Assurance Statement has been prepared for Construcciones y Auxiliar de Ferrocarriles, S.A. (hereafter referred to as CAF, S.A.)

LRQA was commissioned by CAF, S.A. to assure its GHG Report for the calendar year 2023 (hereafter referred to as "the Report").

The Report relates to direct GHG emissions, energy indirect GHG emissions and other indirect GHG emissions related to transport, goods and services used by CAF, S.A. and use of CAF S.A.'s products for the activity of design and manufacture of railway vehicles, railway maintenance services, Integral Systems and services in the railway sector, and design and manufacture of urban and intercity buses, carried out by the companies included in Table 2.

The following GHG emissions were excluded from the Report:

Due their low contribution, representing less than 1% of the total GHG emissions:

- GHG emissions related to steel used in companies operating in Mexico and France;
- GHG emissions from water consumption in companies whose activity is limited to offices; and
- GHG emissions from transport flows of the product.

Due to the lack of an accepted calculation method:

- GHG emissions related to the components that are included directly into the vehicle and that are not transformed by CAF, S.A.;
- GHG emissions associated with testing at customer facilities;
- GHG emissions associated with subcontracted civil works;
- GHG emissions associated with the product at end of life.

The base year 2019 has been recalculated, including the acquisition of Reichshoffen for 2023 and improvements made in the calculation methodology.

Management Responsibility

CAF, S.A. 's Environmental Manager was responsible for preparing the claim, Report, for conformity with ISO 14064-1:2018, and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with CAF, S.A.

Ultimately, the Report has been approved by, and remains the responsibility of CAF, S.A.

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LRQA

LRQA's Approach

Our verification has been conducted in accordance with ISO 14064–3:2019, '*Specification with guidance for verification and validation of greenhouse gas statements*' to provide limited assurance that GHG data as presented in the Report have been prepared in conformance with ISO 14064–1:2018, '*Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals*'.

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- conducted site tours of the facilities and reviewed processes related to the control of GHG emissions data and records;
- interviewed relevant staff of the organization responsible for managing GHG emissions data and records;
- verified historical data and records at an aggregated level for the calendar year 2023 and for the recalculation of the base year 2019.

Level of Assurance & Materiality

In accordance with our contract agreement, the assurance was conducted at a limited level of assurance at a materiality of 5%. The opinion expressed in this Assurance Statement has been accordingly formed.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the GHG emissions for direct GHG emissions, energy indirect GHG emissions and other indirect GHG disclosed in the Report as summarized in Table 1 below are not materially correct and that the Report has not been prepared in conformance with ISO 14064–1:2018, except for the following finding: Some activity data for the month of December was not available, as such some estimation was necessary, this represents less than 1% of total GHG emissions.

LRQA's Recommendations

Although there has been improvement in the consistency of the calculation method, governance, and controls, which has provided greater systematic traceability and has provided more comparable results over time, it is suggested to move towards:

- A tool that allows easier traceability of calculations and data from aggregated data to specific data.
- Improved procedures for the management of data and information related to the calculation of GHG emissions, so that CAF can more clearly demonstrate the comparability of data and information.

Signed

Dated: 23 January 2024

UKAS VALIDATION & VERIFICATION 0001

Silvia Matabuena
LRQA Lead Verifier
LRQA reference number: SGI00002144

Table 1. Summary of CAF, S.A.'s, GHG Emissions Report calendar year 2023 and recalculation of the base year 2019

Scope of GHG emissions	Tonnes CO_2e base year recalculation 2019	Tonnes CO_2e 2023
Direct GHG emissions (Category 1)	34 707	28 973
Energy indirect GHG emissions (Category 2, Location-based)	26 984	18 622
Energy indirect GHG emissions (Category 2, Market-based)	19 636	7 662
Indirect GHG emissions from transport (Category 3)	50 204	30 364
Indirect GHG emissions from goods and services used by CAF, S.A. (Category 4)	73 363	78 832
Indirect GHG emissions from use of CAF S.A.'s products (Category 5)	7 499 806	3 438 358
Location-based and Market-based are terminologies from Annex E of ISO 14064-1:2018.		

Table 2. Companies included in CAF, S.A.'s, GHG Emissions Report 2023

Segment	Company
Rail	-CAF SA-BEA (VH) -CAF SA-IRUN -CAF SA-ZAR -CAF SA-OFGEN (VH Madrid) -CAF USA -CMFS -SERMANTREN (HHT) -CAF ROLLING STOCK UK -TRENASA -TRAINEMEX -SEFEMEX -CAF INDIA -CAF DDS -CAF DEUTSCHLAND -CAF TAIWAN -CAF TRACK TEST CENTER, S.L. -CAF FRANCE -REICHSHOFFEN -CAF SA-MADRID (RS) -ACTREN -CAF ARGENTINA -CAF BRASIL -CAF CHILE -CAF RAIL UK -CAF ITALIA -CAF USA (RS) -COFEMA -RAIL LINE -SERMANFER -TRADINSA -CAF ALGERIA -CAF VENEZUELA -CAF TURKEY -CTRENS -SERMANTREN -CAF AUSTRALIA -CAF COLOMBIA -CAF NEW ZEALAND -CAF SAUDI ARABIA -CAF RUMANIA -CAF HUNGARY -CAF NETHERLANDS -METRO CAF MAURITIUS LTD -CAF BELGIUM SPRL -CAF NORWAY AS -EUROMAINT RAIL AB -EUROMAINT COMPONENTS & MATERIALS AB -EUROMAINT BEMANNING AB -EUROMAINT RAIL AS -CAF RAIL DIGITAL SERVICES, S.L.

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LRQA

Segment	Company
Rail (cont)	-CAF SA-BEA (MiiRA) - MiiRA RIFER -CAF TURNKEY ENGINEERING -ENNERA ENERGY & MOBILITY -BWB CONSULTING -CAF ISRAEL RAILS Ltd. -CAF PA (Irura) -CAF PA (Madrid) -CAF PA (Miramon) -CAF PA (Irura) -CAF SIGNALLING -CAF SINYALIZASYON -CETEST -GEMINYS -LANDER
Bus	-SOLARIS BUS IBERICA -SOLARIS BUS & COACH sp. z o.o. -SOLARIS DEUTSCHLAND -SOLARIS AUSTRIA -SOLARIS SCHWEIZ -SOLARIS ITALIA -SOLARIS BUS & COACH LATVIA -SOLARIS CZECH SPOL. -SOLARIS NORGE -SOLARIS FRANCE -SOLARIS HELLAS -SOLARIS SLOVAKIA -SOLARIS SVERIGE AB -UAB SOLARIS BUS & COACH LITHUANIAE -SOLARIS BELGIUM SPRL -SOLARIS DANMARK BUS A/

9.5.2 Independent Assurance Report of the consolidated Non-Financial Information Statement

Independent Limited Assurance Report of the Consolidated Non-Financial Statement for the year ended December 31, 2023

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and SUBSIDIARIES

Ernst & Young, S.L.
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INDEPENDENT LIMITED ASSURANCE REPORT OF 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 Information Statement (hereinafter NFS) for the year ended December 31, 2023, of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and subsidiaries (hereinafter, the Group), which is part of the accompanying Consolidated Management Report of the Group.

The content of the NFS/Management Report 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 assignment has been exclusively limited to the verification of the information shown in table 9.1 "Table of contents of the Non-Financial Information Statement" of the accompanying NFS.

Responsibility of the Board of Directors

The preparation of the NFS included in the Consolidated Management Report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and its content is the responsibility of the Board of Directors of the Group. The NFS was prepared in accordance with the content required by current commercial regulation and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) selected, as well as other criteria described in accordance with that indicated for each subject in table 9.1 "Table of contents of the Non-Financial Information Statement" from the accompanying NFS.

The Board of Directors are also responsible for the design, implementation, and maintenance of such internal control as they determine as necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

They 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 management

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.

Domicilio Social: Calle de 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. C.I.F. B-78970506.

A member firm of Ernst & Young Global Limited.

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.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our review has been performed in accordance with the requirements established in the current 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 the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and execution timing and are smaller 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 2023 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:

- Meetings with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- Analysis of the scope, relevance and integrity of the content included in the NFS for the year 2023 based on the materiality analysis made by the Group and described in section 4.4 "Materiality", considering the content required by prevailing mercantile regulations.
- Analysis of the processes for gathering and validating the data included in the 2023 Non-Financial Statement.
- Review of the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2023 NFS.
- Check, through tests, based on a selection of a sample, the information related to the content of the 2023 NFS and its correct compilation from the data provided by the information sources.
- Obtaining a representation letter from the Board of Directors and Management.

Emphasis paragraph

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments, as well as the Delegated Acts enacted in accordance with the provisions of that Regulation, settle the obligation to disclose information on how and to what extent the company's activities are associated with eligible economic activities in relation to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems (other environmental objectives), and for certain new activities included in the climate change mitigation and adaptation objectives, for the first time for the financial year 2023, in addition to the information on eligible and aligned activities already required in the 2022 financial year in relation to the climate change mitigation and climate change adaptation objectives. As a result, no comparative information on eligibility has been included in the attached NFIS in relation to the other environmental objectives listed above or to the new activities included in the climate change mitigation and adaptation objectives. On the other hand, to the extent that the information relating to the financial year 2022 was not required with the same level of detail as in the financial year 2023, the disaggregated information in the attached NFIS is also not strictly comparable. In addition, it should be noted that the directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. have incorporated information on criteria that, in their opinion, allow better compliance with the aforementioned obligations and that are defined in the section 4.8.1 "Sustainable Taxonomy of the European Union" of the attached NFIS. Our conclusion has not been modified in relation to this matter.

Conclusion

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group NFS for the year ended December 31, 2023 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria of the selected GRI standards, as well as other criteria, described as explained for each subject matter in the table 9.1 "Table of contents of the Non-Financial Information Statement" of the NFIS.

Use and distribution

This report has been prepared as required by current commercial regulation in Spain, thus it may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alberto Castilla Vida

February 27, 2024

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Building a better working world

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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, 2023, 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, 2023 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.

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 2023 in relation to this type of contract by applying the progress method amounted to 1,745,633 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, 2023, under the headings "Non-current provisions" and "Current provisions", to meet obligations for guarantees and technical assistance and contractual responsibilities that are detailed in Note 20 of the attached notes to the consolidated financial statements amounting to 334,444 and 67,780 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.l 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.

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- 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, 2023 amounts to 186,244 and 284,421 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 2023 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 2023 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 2023 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 2023 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 27, 2024.

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 27, 2024

FINANCIAL STATEMENTS OF THE CONSOLIDATED GROUP

Consolidated Balance Sheets

at 31 December 2023 and 2022 (Thousands of Euros)

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

Assets	Note	31/12/23	31/12/22 (*)
Non-current assets:			
Intangible assets	**7**		
Goodwill		186,244	181,937
Other intangible assets		284,421	273,773
Total intangible assets		**470,665**	**455,710**
Property, plant and equipment	**8**	**489,887**	**483,208**
Investments accounted for using the equity method	**9**	**45,308**	**33,116**
Non-current financial assets	**9**	**341,795**	**413,198**
Non-current hedging derivatives	**17**	**21,995**	**12,455**
Deferred tax assets	**18**	**178,677**	**174,820**
Other non-current assets	**21**	**4,763**	**4,689**
Total Non-current assets		**1,553,090**	**1,577,196**
Current assets:			
Inventories	**11**	**477,138**	**585,551**
Trade and other receivables			
Trade receivables for sales and services	12	2,209,245	1,903,938
Other receivables	12	196,301	214,610
Current tax assets		13,178	16,083
Total Trade and other receivables		**2,418,724**	**2,134,631**
Current financial assets	**13**	**125,448**	**137,982**
Current hedging derivatives	**17**	**19,064**	**28,510**
Other current assets	**21**	**16,099**	**13,874**
Cash and cash equivalents		**442,791**	**473,344**
Total Current assets		**3,499,264**	**3,373,892**
Total Assets		**5,052,354**	**4,951,088**

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	31/12/23	31/12/22 (*)
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		976,850	930,787
Treasury shares and equity investments		(1,268)	(1,292)
Total Shareholders'Equity		**997,764**	**951,677**
Valuation adjustments			
Hedges		18,800	12,544
Translation differences		(161,327)	(188,302)
Total Valuation Adjustments		**(142,527)**	**(175,758)**
Equity attributable to the Parent		**855,237**	**775,919**
Non-controlling interests		**12,946**	**12,406**
Total Equity		**868,183**	**788,325**
Non-current liabilities:			
Non-current provisions	**20**	**133,683**	**117,741**
Non-current financial liabilities	**15 & 16**		
Bank borrowings and debt instruments or other marketable securities		509,154	589,703
Other financial liabilities		87,426	89,324
Total Non-current financial liabilities		**596,580**	**679,027**
Deferred tax liabilities	**18**	**164,821**	**166,931**
Non-current hedging derivatives	**17**	**21,893**	**12,494**
Other non-current liabilities	**21**	**103,299**	**104,531**
Total Non-current liabilities		**1,020,276**	**1,080,724**
Current liabilities:			
Current provisions	**20**	**364,722**	**326,187**
Current financial liabilities	**15 & 16**		
Bank borrowings and debt instruments or other marketable securities		303,029	278,339
Other financial liabilities		78,037	68,260
Total Current financial liabilities		**381,066**	**346,599**
Trade and other payables			
Payable to suppliers	26	980,639	988,730
Other payables	19	1,402,090	1,369,948
Current tax liabilities		14,952	15,053
Total Trade and other payables		**2,397,681**	**2,373,731**
Current hedging derivatives	**17**	**15,666**	**32,617**
Other current liabilities	**21**	**4,760**	**2,905**
Total Current liabilities		**3,163,895**	**3,082,039**
Total Equity and liabilities		**5,052,354**	**4,951,088**

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

The accompanying Notes 1 to 28 are an integral part of the consolidated balance sheets at 31 December 2023.

Consolidated Statements of Profit or Loss

for the years ended 31 December 2023 and 2022 (Thousands of Euros)

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

(Debit) Credit	Note	2023	2022 (*)
Continuing operations:			
Revenue	6, 9 & 10	3,825,285	3,165,470
+/- Change in inventories of finished goods and work in progress		52,803	99,321
In-house work on non-current assets		4,091	2,413
Procurements	22-a	(2,227,766)	(1,829,523)
Other operating income	22-d	34,860	27,951
Staff costs	23	(918,293)	(801,469)
Other operating expenses	22-b	(485,305)	(431,982)
Depreciation and amortisation charge	22-e	(104,446)	(95,394)
Impairment and gains or losses on disposals of non-current assets	22-e	(2,415)	1,857
Profit/(Loss) from operations		**178,814**	**138,644**
Finance income	9, 10 & 13	27,998	11,252
Finance costs	9, 15, 16 & 17	(68,801)	(62,545)
Changes in fair value of financial instruments		1,408	1,145
Exchange differences		(4,674)	(2,952)
Impairment and gains or losses on disposals of financial instruments	9	5	9
Financial profit/(loss)		**(44,064)**	**(53,091)**
Result of companies accounted for using the equity method	9	5,908	5,562
Profit/(Loss) before tax		**140,658**	**91,115**
Income tax	18	(48,341)	(36,251)
Profit/(Loss) for the year from continuing operations		**92,317**	**54,864**
Consolidated Profit/(Loss) for the year		**92,317**	**54,864**
Attributable to:			
The Parent		89,158	52,188
Non-controlling interests	14	3,159	2,676
Earnings per share (in euros)	14		
Basic		2.60	1.52
Diluted		2.60	1.52

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

The accompanying Notes 1 to 28 are an integral part of the consolidated statements of profit or loss for 2023.

Consolidated Statements of Comprehensive Income

for 2023 and 2022 (Thousands of Euros)

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

	Note	2023	2022 (*)
A) Consolidated profit/(loss) for the year:		**92,317**	**54,864**
B) Other comprehensive income - Items not reclassified to profit or loss:		**(13,690)**	**(6,079)**
Arising from actuarial gains and losses	20	(3,504)	(3,104)
Equity instruments at fair value through other comprehensive income	9	(10,186)	(2,975)
C) Items that may be reclassified subsequently to profit or loss:		**33,716**	**24,990**
Cash flow hedges:		**(347)**	**(1,568)**
Revaluation gains/losses	17	(78)	(1,784)
Amounts transferred to profit or loss		(269)	216
Translation differences:		**27,674**	**14,926**
Revaluation gains/losses	14	27,674	14,926
Share of other comprehensive income recognised for investments in joint ventures and associates:		**6,444**	**11,256**
Revaluation gains/losses			
Cash flow hedges	9& 17	7,468	10,104
Translation differences		(214)	28
		7,254	10,132
Amounts transferred to profit or loss			
Cash flow hedges	9 & 17	(810)	1,124
		(810)	1,124
Tax effect		**(55)**	**376**
Total comprehensive income (A+B+C)		**112,343**	**73,775**
Attributable to:			
The Parent		108,698	71,210
Non-controlling interests	14	3,645	2,565

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

The accompanying Notes 1 to 28 are an integral part of the consolidated statements of comprehensive income for 2023.

Consolidated Statements of Changes in Equity

for 2023 and 2022 (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 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**
Total comprehensive income	**-**	**-**	**75,467**	**-**	**-**	**6,256**	**26,975**	**3,645**	**112,343**
Transactions with shareholders or owners	**-**	**-**	**(29,404)**	**24**	**-**	**-**	**-**	**(3,105)**	**(32,485)**
Dividends payable (Note 14)	-	-	(29,481)	-	-	-	-	(3,105)	(32,586)
Transactions in own shares (net) (Note 14)	-	-	77	24	-	-	-	-	101
Balances at 31 December 2023	**10,319**	**11,863**	**976,850**	**(1,268)**	**-**	**18,800**	**(161,327)**	**12,946**	**868,183**

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

The accompanying Notes 1 to 28 are an integral part of the consolidated statements of changes in equity for 2023.

Consolidated Statements of Cash Flows

for 2023 and 2022 (Thousands of Euros)

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

	Note	2023	2022 (*)
Cash flows from operating activities:			
Profit/(Loss) before tax		140,658	91,115
Adjustments for			
Depreciation and amortisation charge	7, 8 & 22	104,446	95,394
Impairment losses	7, 8 & 9	(30)	847
Other income and expenses		(2,068)	(5,481)
Gains and losses on disposals of non-current assets	8	2,415	(1,857)
Result of companies accounted for using the equity method	9	(5,908)	(5,562)
Finance income		(27,998)	(11,252)
Finance costs		68,801	62,545
Changes in working capital	3-d,11 & 12	(116,157)	(46,497)
Other cash flows from operating activities			
Income tax paid	18	(49,033)	(54,609)
Other amounts paid relating to operating activities		(8,994)	(13,673)
Net cash (used in) / from operating activities (I)		**106,132**	**110,970**
Cash flows from investing activities:			
Payments due to investment			
Group companies and associates	2-e	-	33,760
Property, plant and equipment, intangible assets and investment property	7 & 8	(78,944)	(77,546)
Other financial assets	9 & 13	(9,960)	(14,631)
Proceeds from disposal			
Group companies and associates	9	159	442
Property, plant and equipment, intangible assets and investment property	7 & 8	313	4,674
Other financial assets	9 & 13	119,296	69,297
Dividends received		536	2,387
Interest received	9 & 13	9,237	9,218
Net cash (used in) / from investing activities (II)		**40,637**	**27,601**
Cash flows from financing activities:			
Purchase of equity instruments - non-controlling interests	15	-	(5,371)
Purchase of equity instruments - treasury shares	14	101	(1,384)
Proceeds/(Payments) relating to financial liability instruments			
Issue	15 & 16	450,894	647,173
Repayment	15 & 16	(544,430)	(778,266)
Dividend payments and returns on other equity instruments paid	14	(32,586)	(36,230)
Other cash flows from financing activities			
Interest paid	15 & 16	(51,672)	(46,672)
Net cash (used in) / from financing activities (III)		**(177,693)**	**(220,750)**
Net increase / (decrease) in cash and cash equivalents (I+II+III)		**(30,924)**	**(82,179)**
Cash and cash equivalents at beginning of year		473,344	551,372
Effect on cash of foreign exchange rate changes		371	4,151
Cash and cash equivalents at end of year		**442,791**	**473,344**

(*) Presented for comparison purposes only (Note 2-e).
The accompanying Notes 1 to 28 are an integral part of the consolidated statements of cash flows for 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

1.- DESCRIPTION AND ACTIVITIES OF THE PARENT

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "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 2023 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 2023 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 2022 consolidated financial statements were approved by the shareholders at the Annual General Meeting of CAF held on 10 June 2023. The consolidated financial statements of the Group and the financial statements of the Group companies for financial year 2023 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 2023, IFRS 17 relating to insurance contracts came into force, as well as various modifications and/or interpretations of IAS 8 regarding the definition of accounting estimates, modifications to IAS 1 in relation to the presentation of financial statements and changes in accounting policies and modifications to IAS 12 on deferred taxes.

With the entry into force of the modifications to IAS 1 in fiscal year 2023, the valuation standards applicable to the CAF Group described in this consolidated report have been adapted.

The modification of IAS 12 provides the option not to recognise or disclose information on deferred tax assets and liabilities related to GLOBE or Pillar 2 standards, an exception that the CAF Group has availed itself of. These rules were approved on 22 December 2022 by the EU in Directive 2022/2523, of the Council of 14 December 2022, relating to the guarantee of a global minimum level of taxation for groups of multinational companies and large national groups in the Union.

In relation to the information on the CAF Group's exposure to the taxes of the Pillar 2 legislation, the possibility, provided for by the regulation, of benefiting from a temporary suspension of its application in the periods 2024, 2025 and 2026 in those jurisdictions that comply with reasonable tax ratios established in the regulations (Safe Harbour exemption) has been analysed together with external advisors.

As a result of the analysis, it is foreseeable that all the jurisdictions of the CAF Group could benefit from this moratorium during these three years.

The rest of the modifications have not had 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 –	
Amendments and/or interpretations	
Amendments to IAS 1 — Classification of Current and Non-current Liabilities	1 January 2024
Amendments to IFRS 16 — Lease Liabilities	1 January 2024
Not yet approved for use in the European Union –	
Amendments and/or interpretations –	
Modifications to IAS 7 and IFRS 7 – Statement of cash flows and Disclosures of financial instruments	1 January 2024
Modifications to IAS 21 – Effect of variations in exchange rates due to the absence of convertibility	1 January 2025

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 2024 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 2023. 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 2023 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 by IAS 1, the information relating to 2023 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2022.

In 2023, within the deadlines established by the regulations, the valuation of the set of assets and liabilities CAF Reichshoffen, SAS acquired from Alstom in 2022 was reviewed with the collaboration of an independent expert. For the presentation of this valuation and its comparability with 2022, we amended the comparative figures of the accompanying consolidated balance sheet, along with the breakdowns of Notes 6, 7 and 18.

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 (Notes 6, 7 and 18)	Final amounts
Non-current assets			
Goodwill	83,333	(5,533)	77,800
Other intangible assets	38,768	18,334	57,102
Property, plant and equipment	71,563	-	71,563
Non-current financial assets	36	-	36
Deferred tax assets	-	24,158	24,158
Current assets			
Inventories	14,184	-	14,184
Trade and other receivables	71,800	-	71,800
Current financial assets	45,000	-	45,000
Cash and cash equivalents	80,606	-	80,606
Non-current liabilities			
Non-current provisions	10,897	-	10,897
Deferred tax liabilities	17,500	5,050	22,550
Current liabilities			
Current provisions	16,097	-	16,097
Current financial liabilities	585	-	585
Trade and other payables	313,611	-	313,611
Total Net Assets	**46,600**	**31,909**	**78,509**
% acquired	100%		100%
Total Net Assets acquired	46,600		78,509

In addition, with a view to performing an appropriate comparison between the consolidated financial statements for 2023 and 2022, 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 2023 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 Canada Inc.	100%	Calgary	Engineering
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 Greece Single Member, S.A.	100%	Markopoulo	Manufacturing, repair 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
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

Rolling stock segment	% of control or influence	Location	Line of business
CAF New Zealand Limited	100%	Auckland	Manufacturing and maintenance
CAF Norway AS	100%	Oslo	Manufacturing and maintenance
CAF Philippines Inc.	100%	Makati City	Tests
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 México, S.A. de C.V.	100%	Mexico City	Signalling
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	Construction 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
Myanmar CAF Limited	100%	Bahan Township	Repairs 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
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

Rolling stock segment	% of control or influence	Location	Line of business
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
Galilee Rail Ltd (****)	50%	Petach Tikva	Lease 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 TLV 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

(*) Taking into account the cross options of the Company's remaining equity.
(**) 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
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
UAB Solaris Bus & Coach LT	97.33%	Kaunas	Solutions for urban transport

Changes in the scope of consolidation

2023

In 2023, the companies CAF Signalling México, S.A. de C.V., CAF Canada Inc., Galilee Rail Ltd, CAF Greece Single Member, S.A., CAF Philippines Inc. and Myanmar CAF Limited were set up. Likewise, the Company Openaco Trading Co. Ltd was liquidated.

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 engages in the design and manufacture of railway mobility solutions (Note 2.e).

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.

Likewise, in 2022, the subsidiary CAF Diversified Business Development, S.A.U. acquired the remaining 23.87% stake in the subsidiary Lander Simulation and Training Solutions, S.A.U., and now holds a 100% stake therein.

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.

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

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

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

To respond to these commitments and in order to promote climate strategies focused on reducing Greenhouse Gas (GHG) emissions and promoting renewable energies, during the year 2023, the Group has carried out various activities, among which the following stand out:

- Submission for validation by SBTi of the short- and long-term reduction objectives. Currently, the objectives are in the process of technical validation by SBTi.

- Recalculation and verification of the Group's 2022 carbon footprint and the 2019 base year to reflect the incorporation of CAF Reichshoffen, SAS, thus maintaining complete coverage of the emissions generated by the Group's activities over which it has operational control.

- Extension of the scope of the consumption of 100% renewable electricity with guarantee of origin, to the centres of all legal entities based in Spain, except Trenasa, which will enter at the beginning of 2025.

- Deployment of reduction plans for the businesses to comply with the reduction targets set at Group level.

- Completion of the second climate change report of the CAF Group in CDP (Carbon Disclosure Project), obtaining a grade B for its performance in the area.

- Calculation and verification of the Group's 2023 carbon footprint.

- CAF, together with the rest of the partners of the Railsponsible sector initiative, has signed the *"Railsponsible Climate Pledge* " by which it commits to lead the decarbonization of the railway supply chain, establishing decarbonization strategies and emissions reduction objectives aligned with international best practices.

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

Within this decarbonisation process, the Group is immersed in the transition to electric vehicles, with the main impact on the buses segment. The possible impacts of the transition to electric vehicles have been considered in the re-evaluation of the useful life of the intangible and material assets of the subsidiaries. Within the framework of the periodic review of the useful life of intangible assets, the planned transition to fully electric vehicles has made it necessary to re-evaluate the useful life of capitalized development expenses, having been adjusted individually to each vehicle project. Likewise, the useful lives of property, plant and equipment have been reviewed and no material adjustments were required in 2023 with respect to the useful lives detailed in previous years.

In chapter "5. Our commitment to the environment" of the Non-Financial Information Statement - Sustainability Report for 2023, additional information is collected on the Group's performance in terms of climate change and other matters related to sustainability. Specifically, more detailed information on the analysis of risks and opportunities derived from climate change and the progress made in this period is provided in section *5.3.1. "Risks and opportunities derived from climate change"* of the aforementioned Report. As a result of the analysis carried out on the most significant risks and opportunities, no impairments have been detected on assets, provisions and/or significant contingencies to be disclosed in the attached consolidated financial statements.

h) Macroeconomic situation

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

Currently, the CAF Group is executing the following contracts in Israel:

Jerusalem City Light Rail Extension Project. This project was awarded in 2019 under public-private participation to the consortium consisting of CAF and Shapir. The project consists of extending the network by 27 kilometres and 53 new stations, as well as the delivery of 114 trams. In addition to supplying new units, CAF is carrying out the refurbishment of 46 units currently in service, including signalling, energy and communications systems, and project integration. In addition, CAF has a 50% stake in the company that manages the operation and maintenance activity of the two tram lines for an initial period of 25 years for maintenance and 15 years for operation, extendable up to 25 years.

Purple Line Project of the Tel Aviv city light rail. This project was awarded in 2022 by NTA Metropolitan Mass Transit Systems under public-private participation to the consortium involving CAF and Shapir. Within the project, CAF executes the design and manufacturing of 98 tram units, the supply of signaling, energy and communications systems, and the integration of the project. In addition, CAF has a 50% stake in the SPV that manages the line's maintenance activity during the 25-year concession.

The current conflict is affecting the pace of execution of both projects, although operations are maintained on the Jerusalem city light rail line. The Group maintains continuous communications with its clients, working collaboratively to address the problems arising from this situation.

The Group has no assets in Russia and Ukraine and the volume of business conducted with these countries in 2023 was immaterial.

Additionally, the increase in inflation and interest rates has been considered in the hypotheses used in the following cases: i) the 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 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 2023 and 2022 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

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.

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-j), 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.

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.

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 consolidated 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

Commercial liabilities whose settlement is managed by financial entities are recorded under the headings “Trade and other payables – Payable to suppliers " and "Trade and other payables – Other payables" of the consolidated balance sheet, to the extent that the CAF Group has only transferred the management of payment, remaining as the primary entity responsible for the payment of debts vis-à-vis commercial creditors, without changes in the maturity or the granting of additional financial guarantees.

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 2023 and 2022 is as follows (in thousands of euros):

2023

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 9-b)	-	-	7,757	7,757
Derivatives (Note 17)	-	41,059	-	41,059
Other financial assets (Note 13)	86,144	-	-	86,144
Total Assets	**86,144**	**41,059**	**7,757**	**134,960**
Liabilities				
Derivatives (Note 17)	-	37,559	-	37,559
Other financial liabilities (Note 15)	-	-	38,771	38,771
Total liabilities	**-**	**37,559**	**38,771**	**76,330**

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)	-	-	37,486	37,486
Total liabilities	**-**	**45,111**	**37,486**	**82,597**

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 twelve 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 analyzes for each contract the applicable regulatory framework for unilateral cancellations, in order to guarantee the right to be paid for the services rendered to date at 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-j 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 twelve 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) 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 entities will have sufficient taxable profits in the future against which the deferred tax assets can be utilised, considering for such purpose the projections based on the backlog.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

j) 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.

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.

k) 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.

l) 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/(Loss) for the year	48,447
Distribution	
To dividends	38,052
To voluntary reserves	10,395

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 2023 related, on the one hand, to the concession obtained in Brazil (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 2023 and 2022 is as follows (Notes 16 and 17):

		Millions of Euros					
		31/12/23			31/12/22		
	Principal Indexes	**Variable**	**Permanent**	**Total**	**Variable**	**Permanent**	**Total**
Loans and credit accounts							
Ctrens - BNDES	TJLP	49.6	-	49.6	64.2	-	64.2
Provetren – Banking syndicate	LIBOR	-	-	-	15.8	-	15.8
The Parent (CAF, S.A.)	EURIBOR	276.8	258.8	535.6	217.9	320.3	538.2
CAF Investment Projects, S.A.U.	EURIBOR	16.5	-	16.5	20.0	-	20.0
Solaris Group	EURIBOR+WIBOR	116.3	-	116.3	196.4	-	196.4
Other Group companies		0.5	-	0.5	0.4	-	0.4
Debt instruments or other marketable securities							
Commercial paper issues (CAF, S.A.)	EURIBOR	-	90.8	90.8	-	31.9	31.9
Total		**459.7**	**349.6**	**809.3**	**514.7**	**352.2**	**866.9**

Taking into consideration the balance at 31 December 2023 and 2022, 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 4,597 thousand and EUR 5,147 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 13 million lower than its carrying amount at 31 December 2023 (31 December 2022: EUR 23 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 "Equity – Valuation Adjustments – Hedges" in the accompanying consolidated balance sheet would be EUR 3,155 thousand (positive impact of EUR 4,267 thousand at 31 December 2022).

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 statement of profit or loss for the years 2023 and 2022 of a 10% devaluation of the following currencies with respect to the euro, considering the closing exchange rate at 31 December and the exchange insurance contracted at the date of authorisation for issue of these consolidated financial statements (Note 17), would be as follows:

Currency	Thousands of Euros			
	2023		2022	
	Exposure	Gain/(loss)	Exposure	Gain/(loss)
Brazilian real	(4,977)	498	7,187	(719)
Pound sterling	(5,319)	532	(19,904)	1,990
US dollar	6,689	(669)	(6,548)	655
Australian dollar	(10,362)	1,036	(11,096)	1,110
Polish zloty	2,960	(296)	75,590	(7,559)

The sensitivity of the consolidated statement of profit or loss to the other foreign currencies was not material.

At 31 December 2023 and 2022, 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 2023 and 2022 is as follows:

Currency	Equivalent value in thousands of Euros					
	31/12/23			31/12/22		
	Assets	Liabilities	Net exposure	Assets	Liabilities	Net exposure
Chilean peso	27,244	24,203	3,041	24,128	20,643	3,485
Mexican peso	343,783	260,142	83,641	239,369	180,932	58,437
Brazilian real	329,525	178,411	151,114	305,606	170,482	135,124
US dollar (Note 3-d) (*)	332,756	130,445	51,709	399,153	165,126	57,754
Pound sterling	273,781	217,358	56,423	266,668	209,239	57,429
Algerian dinar	1,422	221	1,201	1,802	542	1,260
Turkish lira	2,059	1,526	533	1,916	864	1,052
Indian rupee	10,401	2,835	7,566	9,392	1,572	7,820
Australian dollar	195,261	192,005	3,256	158,273	155,672	2,601
Saudi riyal	36,435	32,212	4,223	27,259	24,709	2,550
New Zealand dollar	14,254	10,501	3,753	11,342	8,355	2,987
New Taiwan dollar	7,700	1,512	6,188	7,382	1,000	6,382
Mauritian rupee	4,326	1,255	3,071	4,921	2,674	2,247
Polish zloty	766,162	524,954	241,208	826,308	589,822	236,486
Swiss franc	5,519	2,541	2,978	4,122	1,402	2,720
Norwegian krone	15,875	16,367	(492)	42,331	44,479	(2,148)
Swedish krona	164,710	96,478	68,232	159,359	85,123	74,236
Israeli shekel	18,085	14,930	3,155	18,480	16,553	1,927
Other	13,681	10,152	3,529	13,624	10,860	2,764
Total	**2,562,979**	**1,718,048**	**694,329**	**2,521,435**	**1,690,049**	**655,113**

At 31 December 2023, there were hedges of net investments in foreign operations (Note 17) amounting to EUR 150,602 thousand, applying the year-end exchange rate (31 December 2022: EUR 176,273 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 69,433 thousand at 31 December 2023, before considering the tax impact (31 December 2022: EUR 65,511 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	Equivalent value in thousands of Euros			
	31/12/23		31/12/22	
	Assets	Liabilities	Assets	Liabilities
Goodwill	106,165	-	99,357	-
Other intangible assets	130,644	-	132,596	-
Property, plant and equipment	230,280	-	224,141	-
Non-current financial assets and deferred tax assets	461,026	-	484,269	-
Other non-current assets	4,763	-	4,689	-
Inventories	472,546	-	574,850	-
Trade and other receivables	783,043	-	740,342	-
Other current assets	150,202	-	146,628	-
Cash and cash equivalents	224,310	-	114,563	-
Non-current liabilities	-	496,768	-	483,179
Current liabilities	-	1,221,280	-	1,206,870
Total	**2,562,979**	**1,718,048**	**2,521,435**	**1,690,049**

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.

c) Liquidity and financing risk

As set out in the Liquidity and Financing Policy, liquidity and funding risk management involves securing payment commitments arising from obligations, optimising the funding structure, and safeguarding adequate management of the Group's surpluses within 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	2023 (Thousands of Euros)				
	Rolling stock	Buses	General	Inter-segments	Total
External sales	3,005,911	819,374	-	-	3,825,285
Inter-segment sales	1,480	-	-	(1,480)	-
Total sales	**3,007,391**	**819,374**	**-**	**(1,480)**	**3,825,285**
EBITDA	**252,128**	**33,547**	**-**	**-**	**285,675**
Depreciation of fixed assets (Notes 7, 8 & 22)	(78,998)	(25,448)	-	-	(104,446)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 & 9)	(2,443)	28	-	-	(2,415)
EBIT	**170,687**	**8,127**	**-**	**-**	**178,814**
Financial profit/(loss)	(19,489)	(24,575)	-	-	(44,064)
Share of net results of associates	5,908	-	-	-	5,908
Profit/(Loss) before tax	**157,106**	**(16,448)**	**-**	**-**	**140,658**
Income tax					(48,341)
Profit/(Loss) for the year from continuing operations					**92,317**
Profit/(Loss) attributable to non-controlling interests					3,159
Profit/(Loss) attributable to the Parent					**89,158**
ASSETS	**3,864,831**	**780,574**	**470,926**	**(63,977)**	**5,052,354**
LIABILITIES	**2,915,747**	**535,692**	**796,709**	**(63,977)**	**4,184,171**
Intangible asset and property, plant and equipment additions (Notes 7 & 8)	93,360	13,995	-	-	107,355

Segmentation by business unit	2022 (Thousands of Euros)				
	Rolling stock	Buses	General	Inter-segments	Total
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 of fixed assets (Notes 7, 8 & 22)	(71,995)	(23,399)	-	-	(95,394)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 & 9)	1,852	5	-	-	1,857
EBIT	**142,384**	**(3,740)**	**-**	**-**	**138,644**
Financial profit/(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	**3,604,206**	**849,572**	**534,959**	**(37,649)**	**4,951,088**
LIABILITIES	**2,852,386**	**605,029**	**742,997**	**(37,649)**	**4,162,763**
Intangible asset and property, plant and equipment additions (Notes 7 & 8)	98,808	32,789	-	-	131,597

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):

	2023	2022
High-speed, regional and commuter trains	972,322	801,102
Metros	262,706	215,396
Trams and light metros	467,678	365,907
Bogies and other	42,927	19,074
Trains	**1,745,633**	**1,401,479**
Services (*)	**586,685**	**543,116**
Buses (**)	**819,374**	**695,712**
Integral Systems, Equipment and Other (***)	**673,593**	**525,163**
Total	**3,825,285**	**3,165,470**

(*) 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 2023 and 2022 is as follows (in thousands of euros):

	2023	2022
Spain	453,001	399,420
Rest of Europe	2,283,846	1,941,904
Europe	2,736,847	2,341,324
America	476,736	333,791
APAC	314,131	338,172
Rest of the world	297,571	152,183
TOTAL	**3,825,285**	**3,165,470**

In 2023 and 2022, 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 2023 and 2022 is as follows (in thousands of euros):

Geographical area	2023	2022
Spain	166,197	171,136
France	78,061	82,037
United Kingdom	48,350	47,542
Poland (*)	102,168	97,385
Rest of the world	95,111	85,108
Total	**489,887**	**483,208**

(*) 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 2023 and 2022 were as follows:

2023

	Thousands of Euros			
	Balance at 31/12/22	**Impairment**	**Translation differences**	**Balance at 31/12/23**
BWB Holdings Limited	5,286	-	109	5,395
Solaris	84,901	-	6,677	91,578
Euromaint	9,171	-	21	9,192
Orbital	4,008	(2,500)	-	1,508
CAF Reichshoffen	77,800	-	-	77,800
Other	771	-	-	771
Total	**181,937**	**(2,500)**	**6,807**	**186,244**

2022

	Thousands of Euros					
	Balance at 31/12/21	Changes in the scope of consolidation (Note 2-e)	Preliminary goodwill adjustments	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	-	77,800	-	-	-	77,800
Other	771	-	-	-	-	771
Total	**109,655**	**77,800**	**(1,899)**	**(1,007)**	**(2,612)**	**181,937**

During the years 2023 and 2022, recoverability tests were carried out on the goodwill of the Solaris, BWB Holdings Limited, Euromaint and Orbital subgroups. Also, in 2023, a recoverability test was performed on the goodwill of CAF Reichshoffen, SAS.

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:

2023

	Solaris	BWB Holdings Limited	Euromaint	Orbital	CAF Reichshoffen
Carrying amount at 01/01/23 (thousands of euros)	84,901	5,286	9,171	4,008	77,800
Value considered representative to determine the recoverable amount (*)	Value in use	Value in use	Value in use	Value in use	Value in use
Estimated number of years covered by cash flow projections	5	3	8	3	7
% of residual value to recoverable amount	79%	85%	63%	80%	96%
Long-term growth rate used	2%	2%	2%	2%	1.5%
Discount rate used (*)	10.6%	10.3%	9.5%	12.3%	9%

(*) Cash flows and discount rate used after taxes. The application of cash flows and pre-tax discount rate would not change the valuation obtained for each cash-generating unit.

Sensitivity analysis	2023									
Amounts in thousands of euros	Solaris		BWB Holdings Limited		Euromaint		Orbital		CAF Reichshoffen	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
Growth rate:	(38,808)	49,051	(2,633)	3,351	(4,534)	5,930	(854)	1,069	(13,701)	17,916
Discount rate:	90,081	(70,984)	4,206	(3,298)	14,856	(11,324)	1,458	(1,166)	27,809	(21,050)

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%

(*) Cash flows and discount rate used after taxes. The application of cash flows and pre-tax discount rate would not change the valuation obtained for each cash-generating unit.
(**) In the case of Orbital, the carrying amount posted is at 31/12/2022, after reviewing the measurement of the set of assets and liabilities acquired and before the impairment recognised.

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)

After this analysis, the estimated company value is higher than its book value, except in the case of Orbital, having recorded an impairment amounting to EUR 2,500 thousand charged to the heading "Impairment and gains or losses on disposals of non-current assets" of the consolidated profit and loss account for the year 2023 (EUR 1,007 thousand of impairment recognized in the year 2022). In the worst sensitivity scenarios shown above, the enterprise value is higher than its carrying amount, except for Euromaint and Orbital (a 100 b.p. increase in the discount rate would lead to impairment of the cash generating unit of EUR 10,386 thousand and EUR 1,503 thousand, respectively).

b) Other intangible assets

The changes in the year ended 31 December 2023 in “Other intangible assets” and in the related accumulated amortisation accounts were as follows:

	Balance at 31/12/22	Additions or charge for the year	Transfers	Disposals or reductions	Translation differences	Balance at 31/12/23
Cost:						
Commercial relationships and customer portfolio	78,299	-	-	-	995	79,294
Patents, licenses and trademarks	132,600	-	(411)	-	8,097	140,286
Development expenditure	169,037	8,047	-	(3,213)	2,140	176,011
Computer software and other	93,326	34,881	247	(305)	1,071	129,220
Total cost	**473,262**	**42,928**	**(164)**	**(3,518)**	**12,303**	**524,811**
Accumulated depreciation:						
Commercial relationships and customer portfolio	(16,775)	(6,153)	1,385	-	(430)	(21,973)
Patents, licenses and trademarks	(22,705)	(8,760)	(1,381)	-	(1,995)	(34,841)
Development expenditure	(123,136)	(16,128)	-	3,213	(1,211)	(137,262)
Computer software and other	(36,471)	(8,920)	(4)	305	(692)	(45,782)
Total accumulated depreciation	**(199,087)**	**(39,961)**	**-**	**3,518**	**(4,328)**	**(239,858)**
Impairment:						
Commercial relationships and customer portfolio	-	-	-	-	-	-
Patents, licenses and trademarks	-	-	-	-	-	-
Development expenditure	(402)	(130)	-	-	-	(532)
Computer software and other	-	-	-	-	-	-
Total Impairment of value	**(402)**	**(130)**	**-**	**-**	**-**	**(532)**
Other intangible assets, net	**273,773**	**2,837**	**(164)**	**-**	**7,975**	**284,421**

The changes in the year ended 31 December 2022 in “Other intangible assets” and in the related accumulated amortisation accounts were as follows:

	Balance at 31/12/21	Changes in the scope of consolidation (Note 2-e)	Additions or charge for the year	Transfers	Disposals or reductions	Translation differences	Balance at 31/12/22
Cost:							
Commercial relationships and customer portfolio	55,003	27,800	-	(2,141)	-	(2,363)	78,299
Patents, licenses and trademarks	107,594	26,522	411	-	-	(1,927)	132,600
Development expenditure	175,684	-	13,667	-	(19,903)	(411)	169,037
Computer software and other	67,754	2,780	22,108	2,051	(632)	(735)	93,326
Total cost	**406,035**	**57,102**	**36,186**	**(90)**	**(20,535)**	**(5,436)**	**473,262**
Accumulated depreciation:							
Commercial relationships and customer portfolio	(10,841)	-	(6,398)	-	-	464	(16,775)
Patents, licenses and trademarks	(17,730)	-	(5,278)	-	-	303	(22,705)
Development expenditure	(111,404)	-	(16,376)	-	4,487	157	(123,136)
Computer software and other	(29,722)	-	(7,714)	-	632	333	(36,471)
Total accumulated depreciation	**(169,697)**	**-**	**(35,766)**	**-**	**5,119**	**1,257**	**(199,087)**
Impairment:							
Commercial relationships and customer portfolio	-	-	-	-	-	-	-
Patents, licenses and trademarks	-	-	-	-	-	-	-
Development expenditure	(13,656)	-	(28)	-	13,286	(4)	(402)
Computer software and other	-	-	-	-	-	-	-
Total Impairment of value	**(13,656)**	**-**	**(28)**	**-**	**13,286**	**(4)**	**(402)**
Other intangible assets, net	**222,682**	**57,102**	**392**	**(90)**	**(2,130)**	**(4,183)**	**273,773**

The research and development expenditure incurred in 2023 amounted to EUR 37,503 thousand (EUR 29,456 thousand was recognised in the consolidated statement of profit or loss and EUR 8,047 thousand were capitalised). Research and development costs 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 was capitalised). These amounts do not include basic engineering costs associated with contracts.

Additions recognised as developments in 2023 relate to costs incurred in the development of new products, notably signalling systems with high levels of automation for underground networks, driver assistance functions, energy management and automation for trains and trams, hydrogen and battery technologies as an alternative to diesel propulsion, and virtual validation, modelling, digital twin and artificial intelligence environments aimed at reducing costs, testing and lead times in bringing vehicles into service. Additionally, the registrations for computer applications correspond to the final phase of the implementation process of the new management software (ERP). This is accompanied by the deployment of the measures established in the corporate cybersecurity policy through the improvement of technical measures and their extension to international headquarters and subsidiaries, lastly mentioning the investments aimed at the evolution and improvement of the vehicle applications map, mainly with regard to the bid management tool, the integration of the different engineering offices and headquarters, the management of 3D structures and the development of corporate tools related to the management of dashboards. At 31 December 2023, the Group had investment commitments of EUR 12,660 thousand (31 December 2022: EUR 23,363 thousand), mainly for the new IT system, expected to be implemented at the Parent in 2024.

At 31 December 2023, the Group had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 59,606 thousand (EUR 47,596 thousand at 31 December 2022).

After analysing the indicators, the directors are confident that there is no evidence of impairment of the Group's intangible assets at 31 December 2023.

8.- PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The breakdown of "Property, plant and equipment" is as follows (in thousands of euros):

	31/12/23	31/12/22
Property, plant and equipment	404,209	396,058
Right-of-use assets	85,678	87,150
Total	**489,887**	**483,208**

a) Property, plant and equipment

The changes in the year ended 31 December 2023 in "Property, plant and equipment" and in the related accumulated depreciation were as follows:

	Thousands of Euros					
	Balance at 31/12/22	Additions or charge for the year	Transfers	Disposals or reductions	Translation differences	Balance at 31/12/23
Cost:						
Land and buildings	414,549	9,737	7,775	(440)	5,968	437,589
Technical installations and machinery	327,139	9,618	3,984	(5,101)	1,890	337,530
Transport elements (leasing) (Note 3.j)	13,504	-	-	(143)	1,055	14,416
Other fixtures, tools and furniture	40,457	3,317	1,179	(4,679)	443	40,717
Other items of property, plant and equipment	46,700	992	(4,221)	(596)	852	43,727
Advances in the course of construction	18,156	15,628	(12,254)	-	886	22,416
Total cost	**860,505**	**39,292**	**(3,537)**	**(10,959)**	**11,094**	**896,395**
Accumulated depreciation:						
Buildings	(143,230)	(13,293)	-	99	(1,424)	(157,848)
Technical installations and machinery	(248,293)	(16,242)	(29)	4,956	(784)	(260,392)
Transport elements (leasing) (Note 3.j)	(5,855)	(1,832)	-	79	(542)	(8,150)
Other fixtures, tools and furniture	(25,358)	(4,201)	62	4,542	(315)	(25,270)
Other items of property, plant and equipment	(32,811)	(4,067)	4,274	424	(337)	(32,517)
Total accumulated depreciation	**(455,547)**	**(39,635)**	**4,307**	**10,100**	**(3,402)**	**(484,177)**
Impairment:						
Land and buildings	(6,441)	-	-	295	11	(6,135)
Technical installations and machinery	(1,708)	-	132	96	(3)	(1,483)
Transport elements (leasing) (Note 3.j)	-	-	-	-	-	-
Other fixtures, tools and furniture	(347)	-	-	4	-	(343)
Other items of property, plant and equipment	(404)	-	-	367	(11)	(48)
Total Impairment of value	**(8,900)**	**-**	**132**	**762**	**(3)**	**(8,009)**
Property, plant and equipment, net	**396,058**	**(343)**	**902**	**(97)**	**7,689**	**404,209**

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						
	Balance at 31/12/21	**Changes in the scope of consolidation (Note 2-e)**	**Additions or charge for the year**	**Transfers**	**Disposals or reductions**	**Translation differences**	**Balance at 31/12/22**
Cost:							
Land and buildings	362,239	50,518	4,744	1,890	(5,439)	597	414,549
Technical installations and machinery	339,691	18,102	6,902	4,504	(43,047)	987	327,139
Transport elements (leasing) (Note 3.j)	26,728	-	-	-	(12,737)	(487)	13,504
Other fixtures, tools and furniture	45,216	-	4,240	650	(9,220)	(429)	40,457
Other items of property, plant and equipment	46,861	88	2,182	3,772	(5,994)	(209)	46,700
Advances in the course of construction	10,416	2,275	18,291	(12,664)	(22)	(140)	18,156
Total cost	**831,151**	**70,983**	**36,359**	**(1,848)**	**(76,459)**	**319**	**860,505**
Accumulated depreciation:							
Buildings	(136,282)	-	(11,258)	-	5,385	(1,075)	(143,230)
Technical installations and machinery	(274,165)	-	(14,768)	23	42,095	(1,478)	(248,293)
Transport elements (leasing) (Note 3.j)	(12,436)	-	(1,971)	-	8,325	227	(5,855)
Other fixtures, tools and furniture	(29,091)	-	(4,657)	10	8,291	89	(25,358)
Other items of property, plant and equipment	(35,116)	-	(3,736)	(4)	5,996	49	(32,811)
Total accumulated depreciation	**(487,090)**	**-**	**(36,390)**	**29**	**70,092**	**(2,188)**	**(455,547)**
Impairment:							
Land and buildings	(6,206)	-	-	(286)	28	23	(6,441)
Technical installations and machinery	(2,488)	-	-	(93)	873	-	(1,708)
Transport elements (leasing) (Note 3.j)	-	-	-	-	-	-	-
Other fixtures, tools and furniture	(512)	-	(55)	(3)	219	4	(347)
Other items of property, plant and equipment	(845)	-	79	382	(35)	15	(404)
Total Impairment of value	**(10,051)**	**-**	**24**	**-**	**1,085**	**42**	**(8,900)**
Property, plant and equipment, net	**334,010**	**70,983**	**(7)**	**(1,819)**	**(5,282)**	**(1,827)**	**396,058**

During 2023, the most significant investments were aimed mainly at the modernisation of the wheel manufacturing business through the installation of a new heat treatment, and the implementation of new automatic welding lines, the expansion of the kitting area and the acquisition of modern production equipment in the area of vehicle manufacturing and finishing, all within the process of adapting the facilities to meet the execution plan of the CAF Group's current backlog. In the foreign sector, it is worth highlighting the investments carried out at the Huehuetoca (Mexico) and Newport (UK) plants, whose objective is to expand their manufacturing capacity and adapt them for the production of the new vehicle platforms that will be developed at these sites, in addition to the updating of the facilities and the different investments related to the transfer and homogenisation of the industrial processes at the French Reichshoffen factory to optimise the manufacturing of the different projects that the CAF Group is currently developing for the French market. Lastly, in the bus business, Solaris has built a new warehouse to produce hydrogen and gas buses, in a backdrop of a considerable increase in the backlog for this type of units, adapting them, in turn, to the best practices regarding compliance with the specific requirements to manufacture these products. This is accompanied by the implementation of the new central warehouse for aftersales activities at the Bolechowo plant, which will have a high-capacity area, being equipped with the latest advances to conduct said activities.

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. For its part, Solaris undertook investments in its plants in Poland with the aim of increasing production capacity and automation of operational processes.

Both at the end of 2023 and of 2022, “Transport equipment (leasing)” included buses under operating leases (as indicated in Note 3.f), for a carrying amount of EUR 6,266 thousand (EUR 7,649 thousand in 2022). 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 2023, the Group had firm investment purchase commitments of approximately EUR 6,957 thousand, mainly located in Spain and Poland (EUR 12,977 thousand at 31 December 2022, mainly located in Spain and Germany).

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2023 and 2022, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2023 and 2022, the gross cost of fully depreciated assets in use amounted to approximately EUR 313,604 thousand and EUR 298,964 thousand, respectively.

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 2023 —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 2023 is as follows:

	Thousands of Euros					
	Balance at 31/12/22	Additions or charge for the year	Transfers	Disposals or reductions	Translation differences	Balance at 31/12/23
Cost:						
Land and buildings	92,169	15,587	22	(10,995)	2,223	99,006
Technical installations and machinery	45,184	5,068	549	(11,848)	(9)	38,944
Other fixtures, tools and furniture	10,976	4,413	40	(2,398)	247	13,278
Other items of property, plant and equipment	935	67	(4)	(84)	5	919
Total cost	**149,264**	**25,135**	**607**	**(25,325)**	**2,466**	**152,147**
Accumulated depreciation:						
Land and buildings	(31,705)	(11,992)	(28)	8,097	(378)	(36,006)
Technical installations and machinery	(24,188)	(9,271)	(585)	11,182	(91)	(22,953)
Other fixtures, tools and furniture	(5,637)	(3,371)	(12)	2,304	(98)	(6,814)
Other items of property, plant and equipment	(584)	(216)	18	93	(7)	(696)
Total accumulated depreciation	**(62,114)**	**(24,850)**	**(607)**	**21,676**	**(574)**	**(66,469)**
Right-of-use assets, net	**87,150**	**285**	**-**	**(3,649)**	**1,892**	**85,678**

The breakdown of and changes in “Right-of-use assets” in 2022 is as follows:

	Thousands of Euros						
	Balance at 31/12/21	Changes in the scope of consolidation (Note 2-e)	Additions or charge for the year	Transfers	Disposals or reductions	Translation differences	Balance at 31/12/22
Cost:							
Land and buildings	62,225	96	36,171	-	(5,316)	(1,007)	92,169
Technical installations and machinery	29,277	407	18,203	371	(281)	(2,793)	45,184
Other fixtures, tools and furniture	9,398	77	4,330	(344)	(2,330)	(155)	10,976
Other items of property, plant and equipment	1,254	-	348	-	(649)	(18)	935
Total cost	**102,154**	**580**	**59,052**	**27**	**(8,576)**	**(3,973)**	**149,264**
Accumulated depreciation:							
Land and buildings	(26,407)	-	(10,460)	-	4,923	239	(31,705)
Technical installations and machinery	(15,982)	-	(9,719)	-	76	1,437	(24,188)
Other fixtures, tools and furniture	(4,687)	-	(2,750)	(27)	1,752	75	(5,637)
Other items of property, plant and equipment	(799)	-	(309)	-	517	7	(584)
Total accumulated depreciation	**(47,875)**	**-**	**(23,238)**	**(27)**	**7,268**	**1,758**	**(62,114)**
Right-of-use assets, net	**54,279**	**580**	**35,814**	**-**	**(1,308)**	**(2,215)**	**87,150**

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 14 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 for the year 2023 correspond to the rental of offices and a warehouse for Solaris, as well as the rental of technical facilities 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 2022 related to an industrial building for the company CAF Rail Traincare, Ltd., a warehouse for Solaris and the rental of plant and machinery, mainly at Euromaint.

Amounts recognised in profit or loss

	Thousands of Euros	
	2023	2022
Depreciation of the right-of-use assets	24,850	23,238
Interest expense on the financial liability	3,714	2,617
Short-term or low-value asset lease expense	11,273	11,526

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 2023 and 2022 in “Investments accounted for using the equity method” in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Beginning balance	**33,116**	**14,649**
Amounts charged to profit or loss	5,908	5,562
Hedges (Notes 17 and 26)	6,658	11,228
Additions	-	1,740
Disposals and dividends	(160)	(124)
Translation differences	(214)	61
Ending balance	**45,308**	**33,116**
Registered under assets	45,308	33,116
Registered in liabilities (Notes 20 and 26)	-	-

Relevant information on the investments in significant associates accounted for using the equity method is as follows (in thousands of euros):

2023

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)	14,903	2,471	11,995	747	4,632	-	3,019	234	(165)
Great River City Light Rail Pty Ltd	1,988	16,006	7	16,724	1,263	-	86,321	472	(28)
Plan Metro, S.A. (2)	217,395	8,183	207,101	46,128	(27,651)	-	63,213	10,409	-
Consorcio Traza, S.A. (2)(3)	201,813	49,983	256,947	5,953	(11,104)	(7,865)	29,670	(246)	1,281
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	508,491	36,332	295,447	366,757	(117,381)	-	434,693	(10,056)	(10,976)
Joint ventures:									
Ferrocarril Interurbano, S.A. de C.V.	-	37,662	-	28,610	9,052	-	5,788	523	835
Momentum Trains Holding Pty Ltd (2)	324,719	34,491	326,414	10,816	21,980	-	74,741	(973)	(11,963)
CFIR Light Rail Ltd (2)	724,506	55,265	374,706	390,381	14,684	-	323,493	8,079	(455)
LAVI Light Rail O&M Ltd	54,089	18,217	12,344	11,781	48,181	-	36,404	3,248	18,161
Light TLV NTA Ltd (2)	82,792	260,007	191,512	151,079	208	-	83,492	208	-

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)	4,632	40	1,853	1,853	93
Great River City Light Rail Pty Ltd	1,263	30	379	379	141
Plan Metro, S.A. (2)	(27,651)	40	(11,060)	-	-
Consorcio Traza, S.A. (2) (3)	(11,104)	25	(2,776)	-	(320)
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	(117,381)	43.35	(50,885)	-	-
Joint ventures:					
Ferrocarril Interurbano, S.A. de C.V.	9,052	49.63	4,492	4,492	259
Momentum Trains Holding Pty Ltd (2)	21,980	25.50	5,605	5,605	(248)
CFIR Light Rail Ltd (2)	14,684	50	7,342	7,342	4,039
LAVI Light Rail O&M Ltd	48,181	50	24,091	24,091	1,624
Light TLV NTA Ltd (2)	208	50	104	104	104
Other investments (4)			1,442	1,442	216
			(19,413)	**45,308**	**5,908**

(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.

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
Light TLV NTA Ltd.	-	-	-	-	-	-	-	-	-

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
Light TLV NTA Ltd	-		-	-	-
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%.

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 2023, the additional unrecognised losses exceeding the cost of the investment amounted to EUR 58,611 thousand (31 December 2022: EUR 53,342 thousand).

In 2019, the Group acquired a 25.50% stake in the company Momentum Trains Holding Pty Ltd. The shareholders' agreement provides for a future contribution of 28 million Australian dollars in 2024 proportional to the Group's participation in the aforementioned associated company (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 19 million, which is guaranteed by financial institutions (Note 26). Part of this contribution will be made in Israeli shekels, with the exchange rate exposure being covered at the end of the year (Note 17).

Lastly, the Group holds a 50% stake in Light TLV NTA Ltd, and there is a commitment to make a further contribution in 2029 — either in the form of capital or as a subordinated loan— for approximately EUR 47 million, which is guaranteed by financial institutions (Note 26). Part of this contribution will be made in Israeli shekels.

b) Non-current financial assets

The breakdown of "Non-current financial assets" in the accompanying consolidated balance sheet is as follows:

	Thousands of Euros			
	31/12/23		31/12/22	
	% of Ownership	Balance	% of Ownership	Balance
Equity instruments-				
Ferromovil 3000, S.L.	10%	450	10%	13,713
Plan Azul 07, S.L.	-	-	5.20%	313
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	4,504	15%	3,793
Iniciativa FIK, A.I.E.	14.18%	746	14.18%	751
Albali Señalización, S.A.	3%	492	3%	513
Leo Express Global, A.S.	5%	819	5%	841
Other		746		121
Total Equity instruments –		**7,757**		**20,045**
Other financial assets -				
Amortised cost -				
Guarantees and other financial assets		15,036		14,449
Loans to employees		2,691		2,986
Non-current tax receivables (Note 19)		19,390		20,682
Non-current trade receivables and loans		269,490		329,540
Loans to associates (Note 10)		37,498		34,842
		344,105		**402,499**
Impairment-				
Impairment of Public Administrations (Note 19)		(7,998)		(7,452)
Impairment losses		(2,069)		(1,894)
		(10,067)		**(9,346)**
Total other financial assets		**334,038**		**393,153**
Total		**341,795**		**413,198**

Changes in non-current financial assets in 2023 and 2022 are as follows:

	Thousands of Euros			
		Other financial assets		
	Equity instruments	Amortised cost	Impairment	Total
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-k)	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**
Changes in the scope of consolidation	-	-	-	-
Changes in fair value with a charge to reserves	(10,186)	-	-	(10,186)
Translation differences	-	8,407	(478)	7,929
Additions	235	131,271	-	131,506
Charges to profit or loss for the year	-	(674)	(260)	(934)
Transfers (Note 3-k)	867	(179,222)	17	(178,338)
Disposals or reductions	(3,204)	(18,176)	-	(21,380)
Balance as of 12/31/23	**7,757**	**344,105**	**(10,067)**	**341,795**

b.1) Equity instruments

In 2023, the Group booked 11.3 million euros in dividends from the companies Ferromovil 3000, S.L. and Plan Azul 07, S.L. in the "Finance income" heading of the consolidated profit and loss account for 2023.

b.2) Other financial assets

The detail, by maturity, of "Other Financial Assets" is as follows (in thousands of euros):

2023

	2025	2026	2027	2028 and subsequent years	Total
Assets at amortised cost	131,842	108,232	45,879	48,085	334,038
Total	**131,842**	**108,232**	**45,879**	**48,085**	**334,038**

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**

Guarantees and other financial assets

The breakdown of this heading at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Guarantees and other financial assets	3,112	3,277
Non-current deposits	11,924	11,172
Total guarantees and other financial assets	**15,036**	**14,449**
Non-current deposits	11,924	11,172
Impairment of non-current deposits	(108)	(129)
Total Non-current deposits (Note 14-i)	**11,816**	**11,043**

“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 11,754 thousand (EUR 11,032 thousand at 31 December 2022). 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 2023, the Group had recognised under “Non-current financial assets – Other financial assets” an amount of EUR 19,390 thousand in respect of receivables from foreign public authorities for tax equivalent to value added tax (EUR 20,682 thousand at 31 December 2022), with translation differences having increased by EUR 1,018 thousand in 2023 (2022: increase of EUR 3,549 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 2023 and 2022 , the Group maintained a provision of EUR 7,998 thousand and EUR 7,452 thousand to adjust the nominal value of these credits to their recoverable value.

Non-current trade receivables and loans

The breakdown of this heading at 31 December 2023 and 2022 is as follows (in thousands of euros):

	31/12/23	31/12/22
Concessions – Financial assets	260,202	304,889
Non-current trade receivables (Buses)	3,656	17,836
Non-current grants receivable	-	4,548
Other non-current trade receivables and loans	5,632	2,267
Total	**269,490**	**329,540**

- *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 25 million at 31 December 2023 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 51,172 thousand (EUR 9,544 thousand) at 31 December 2023, and to EUR 8,785 thousand at 31 December 2022).
- 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 2023 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 260,202 thousand and EUR 122,291 thousand under "Non-current financial assets – Other financial assets" and "Current assets – Other receivables", respectively, at 31 December 2023 (EUR 304,889 thousand and EUR 125,786 thousand at 31 December 2022) in relation to construction activities and services performed to date, net of billings made. There were no investing activities whatsoever in 2023 or 2022.

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. The Mexican authorities concluded the investigation process into the events that occurred, pointing out that the builder of the civil works was responsible for the collapse. 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, while the payment of variable consideration by the underground would be temporarily suspended, until the passenger transport service was fully or partially resumed. The partial reopening of the line occurred on January 15, 2023 and since February 1, 2024, the entire line has been operating.

- N*on-current trade receivables (Buses)*

In 2023 and 2022, long-term collection schedules were arranged with customers in the Buses segment. These loans accrue interest at market rates and are repaid on a straight-line basis over a term of between two and 10 years. In 2023 , credits were sold at their nominal value that were recorded as long-term, for an amount of EUR 14,275 thousand.

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:

Company	Thousands of Euros					
	2023			2022		
	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.	14,091	-	2,685	14,261	-	2,493
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	156,214	31	-	43,745	6	-
Ferrocarril Interurbano S.A. de C.V.	24,048	317	-	43,740	1,017	-
Momentum Trains Holding Pty Ltd	32,642	-	-	79,282	-	-
CFIR Light Rail Ltd	145,800	-	-	98,499	-	-
Great River City Light Rail Pty Ltd	48,587	-	-	111,377	-	-
LAVI Light Rail O&M Ltd	430	-	-	316	-	-
Light TLV NTA Ltd	45,417	-	-	5,421	-	-
PL Light Rail Maintenance, Ltd.	1,466	-	-	-	-	-
Other	5,777	3	1	1,864	-	10
Total	**474,472**	**351**	**2,686**	**398,505**	**1,023**	**2,503**

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 the current year, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2023 and 2022 were as follows:

Company	Thousands of Euros							
	31/12/23				31/12/22			
	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.	-	-	(1,129)	37,498	111	-	(1,448)	34,813
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	47,181	1,138	106,888	-	1,334	898	3,263	-
Ferrocarril Interurbano S.A. de C.V.	974	132	(58,193)	-	804	317	(60,400)	-
Momentum Trains Holding Pty Ltd	202	-	(116,470)	-	914	-	(129,952)	-
CFIR Light Rail Ltd	10,940	-	8,234	-	5,438	-	58,448	-
Great River City Light Rail Pty Ltd	-	-	(26,429)	-	-	-	(57,232)	-
LAVI Light Rail O&M Ltd	457	-	245	-	1,324	-	1,341	-
Light TLV NTA Ltd	102,433	-	64,730	-	-	-	2,410	-
PL Light Rail Maintenance, Ltd.	1,380	-	13	-	-	-	-	-
Other	66	-	(443)	-	56	-	471	29
Total	**163,633**	**1,270**	**(22,554)**	**37,498**	**9,981**	**1,215**	**(183,099)**	**34,842**

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 2,685 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 2,493 thousand in 2022).

b) Balances and transactions with shareholders

As of December 31, 2023 and 2022 the Group maintains the following financial transactions with shareholders holding 10% or more of voting rights (in thousands of euros):

Shareholder	Type of transaction	2023		2022	
		Amount of transaction	Balance drawn at 31.12.23	Amount of transaction	Balance drawn at 31/12/22
Kutxabank, S.A.	Bank loans	40,000	35,000	40,000	36,500
Kutxabank, S.A.	Credit accounts	35,000	-	35,000	-
Kutxabank, S.A.	Bank guarantees	150,119	129,811	150,119	101,551

Also, in 2023, the Group entered into non-recourse factoring arrangements with Kutxabank, S.A. and other subsidiaries of Bilbao Bizkaia Kutxa Fundación Bancaria, amounting to EUR 16,373 thousand (EUR 25,401 thousand in 2022), and it also arranged professional services amounting to EUR 95 thousand (EUR 95 thousand in 2022).

11.- INVENTORIES

The breakdown of “Inventories” at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Trains, traction equipment, civil engineering, signalling	2,759	57,434
Spare parts, components and other	218,746	208,900
Rolling stock	**221,505**	**266,334**
Buses	**255,633**	**319,217**
Total	**477,138**	**585,551**

Changes in impairment allowances in 2023 and 2022 are as follows:

	Thousands of Euros
Balance at 31/12/21	**37,190**
Changes in the scope of consolidation (Note 2-e)	1,999
Translation differences	(553)
Amount used	(3,145)
Net charge for the period	5,979
Balance at 31/12/22	**41,470**
Translation differences	1,095
Transfers	10,432
Amount used	(4,451)
Net charge for the period	13,253
Balance at 31/12/23	**61,799**

At 31 December 2023, the Group had firm raw materials purchase commitments amounting to approximately EUR 1,083,796 thousand (31 December 2022: EUR 857,753 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2023 and 2022, 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 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Trade receivables - in euros	1,350,986	990,722
Trade receivables - in foreign currency	876,996	935,081
Write-downs	(18,737)	(21,865)
Total	**2,209,245**	**1,903,938**

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

	Thousands of Euros	
	31/12/23	31/12/22
Contract assets (Note 3-g)	1,443,840	1,315,785
Customers billed	784,142	610,018
Write-downs	(18,737)	(21,865)
Total	**2,209,245**	**1,903,938**

Contract assets and liabilities

The aggregate balance and change in contract assets and liabilities in 2023 and 2022 are as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Current contract assets	1,443,840	1,315,785
Current contract liabilities (Note 19)	(1,176,946)	(1,128,780)
Non-current contract liabilities (Note 21)	(92,842)	(91,374)
Net balance	**174,052**	**95,631**

	Thousands of Euros
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-e)	(262,882)
Translation differences	24,301
Reclassifications and other	(2,436)
Balance at 31/12/22	**95,631**
Changes in measure of progress	2,323,997
Billings	(2,257,484)
Penalties applied	18,699
Translation differences	(6,451)
Reclassifications and other	(340)
Balance at 31/12/23	**174,052**

Of “Current contract liabilities” at 31 December 2022, the sum of EUR 780,293 thousand was recognised as revenue in 2023 (2022: EUR 446,899 thousand). Moreover, no significant revenue was recognised for performance obligations satisfied in prior periods.

The Group also recognised a total of EUR 277,502 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 2022: EUR 288,756 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). 29% of that amount is expected to be recognised under “Revenue” in 2024, 24% in 2025 and the remainder in 2026 and subsequent years.

The provisions for third-party liabilities reducing contract assets and liabilities amounted to EUR 37,412 thousand at 31 December 2023 (31 December 2022: EUR 53,558 thousand).

Customers billed

At 31 December 2023, the Group had derecognised receivables amounting to EUR 57,472 thousand (31 December 2022: EUR 148,242 thousand) as a result of non-recourse factoring agreements.

At 31 December 2022, the invoiced balances included EUR 14,882 thousand, in relation to the contract signed in previous years with “Metro de Caracas”, which was collected in 2023.

At 31 December 2023, 37% of billed invoices pending collection related to the Group’s five main contracts (31 December 2022: 19%). “Trade receivables" included withholdings on collections at 31 December 2023 amounting to EUR 12,000 thousand (31 December 2022: EUR 11,460 thousand).

The amount of past-due balances under “Trade and other receivables” at 31 December 2023 and 2022 was as follows:

	Thousands of Euros	
	31/12/23	**31/12/22**
Past due > 90 days	11,404	33,374
Past due > 180 days	136,047	147,541
Total	**147,451**	**180,915**

Approximately 45% of this balance is concentrated in two countries and three contracts in which the Group is carrying out active collection management, although no unprovisioned losses are expected:

- At 31 December 2023, the Group recognised an amount of EUR 29,294 thousand, corresponding to invoiced and uninvoiced balances pending collection for an already executed contract pending collection (EUR 51,320 thousand at 31 December 2022). In 2023, the Group received the amount corresponding to one of the two contracts that were pending collection at 31 December 2022, following the enforcement of a favourable ruling. As of December 31, 2023, no significant event has been identified that has affected the credit risk, and it is not estimated that any loss will occur in relation to the recoverability of the outstanding amounts.
- At 31 December 2023, the Group had recognised an amount of EUR 39,189 thousand (31 December 2022: EUR 40,811 thousand), relating to billed and unbilled balances pending collection for various lawsuits 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. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent's directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can, in no case, be attributed to the consortium. The amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. As of the date of preparation of these consolidated financial statements during the judicial proceedings, two expert reports have been issued analysing the alleged delays and the CAF Group continues to defend its interests in these proceedings, estimating that they will recover, at least, the acknowledged amounts.

- At 31 December 2023, 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 15.1 million (31 December 2022: EUR 14.3 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 2023 and 2022 are as follows:

	Thousands of Euros
Balance at 31/12/21	**21,999**
Translation differences	666
Amount used	(957)
Provision/(Reversal) of provisions with charge/(credit) to "Other Operating Expenses"	44
Reclassifications	113
Balance at 31/12/22	**21,865**
Translation differences	483
Amount used	(1,138)
Provision/(Reversal) of provisions with charge/(credit) to "Other Operating Expenses"	(2,490)
Reclassifications	17
Balance at 31/12/23	**18,737**

b) Other receivables

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

	Thousands of Euros	
	31/12/23	31/12/22
Concessions (Note 9-b.2)	122,291	125,786
Other taxes receivable		
VAT	52,366	68,439
Grants	12,020	8,599
Other	2,280	4,215
Employee receivables	724	861
Sundry accounts receivable	6,620	6,710
Total	**196,301**	**214,610**

13.- OTHER CURRENT FINANCIAL ASSETS

At 31 December 2023 and 2022, this heading breaks down as follows:

2023

Financial assets: Type/Category	Thousands of Euros		
	At amortised cost	At Fair Value through Profit or Loss	Total
Current financial assets (Note 14-i)	22,939	86,144	109,083
Other financial assets	16,365	-	16,365
Short-term/current	**39,304**	**86,144**	**125,448**

2022

Financial assets: Type/Category	Thousands of Euros		
	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**

“Financial assets at amortised cost” includes the cash surpluses invested in government debt securities, repos, short-term deposits and term deposits. Additionally, as of December 31, 2022, the Group had an account receivable with Alstom for an amount of 22.5 million euros. The initial amount of the credit was 45 million euros, with 22.5 million euros having been collected in 2022 and the remaining 22.5 million euros in 2023. In the heading "Financial assets at fair value through profit or loss" fixed income investment funds are included.

14.- EQUITY

a) Share capital of the Parent

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

At 31 December 2023 and 2022, the following companies or entities had notified the CNMV that they held voting rights of more than 3% of the Company's share capital:

	% 2023	% 2022
Cartera Social, S.A. (i)	24.04%	24.04%
Kutxabank, S.A. (ii)	14.06%	14.06%
Indumenta Pueri S.L. (iii)	5.02%	5.02%
Daniel Bravo Andreu (iv)	5.00%	5.00%
Instituto Vasco de Finanzas (v)	3.00%	3.00%

i. The shareholders of this company are employees of the Parent.
ii. Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.
iii. Indumenta Pueri, S.L. is the indirect holder. The direct holder is Global Portfolio Investments, S.L., a company controlled by Indumenta Pueri, S.L.
iv. Daniel Bravo Andreu holds indirect ownership interest, although the indirect holder is Danimar 1990, S.L.
v. Instituto Vasco de Finanzas is the indirect owner, with FINKATZE KAPITALA FINKATUZ, S.A.U. holding the direct stake.

The Annual General Shareholders' Meeting held on 5 June 2021 authorised the Board of Directors to increase share capital on one or more occasions, over a period of five (5) 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 Shareholders' 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 exclude shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. Said agreement replaced the one adopted by the Annual General Meeting of the Parent held on June 10, 2017. As of the date of preparation of these consolidated financial statements, no issues of convertible securities have been made since said agreement.

b) Treasury shares and Earnings per share

The Annual General Shareholders' Meeting, held on June 13, 2020, authorized the Board of Directors of the Parent to acquire treasury shares for a period of five (5) years from that date. This authorisation superseded that granted by resolution of the Annual General Shareholders' Meeting, held on 13 June 2015. By virtue of the powers vested in it, the Parent's Board of Directors authorised the signing of a liquidity contract, the signing of which was communicated to the market via "Other material disclosures" to the CNMV, dated 26 April 2022, which remains in force. In accordance with prevailing law and regulations, the Parent reports quarterly to the CNMV on all transactions carried out under that contract.

In 2023 and 2022, various transactions in treasury shares were carried out on the continuous market. The breakdown of transactions with treasury shares held by the Group is as follows:

2023

	No. of shares	Nominal value (thousands of euros)	Average purchase price (euros)	Total cost (thousands of euros)
Treasury shares as of December 31, 2023	43,318	13	29.26	1,268

2022

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

The following table breaks down changes in treasury shares in 2023 and 2022 :

	No. of shares
Treasury shares at 1 January 2022	-
+ Purchases	628,914
- Sales	(581,967)
Treasury shares at 31 December 2022	**46,947**
+ Purchases	646,511
- Sales	(650,140)
Treasury shares at 31 December 2023	**43,318**

The nominal value of the own shares acquired directly or indirectly by CAF did not exceed 10% of the share capital during the twelve-month period ended 31 December 2023 and 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:

	2023	2022
Consolidated profit/(loss) for the period attributable to the Parent (thousands of euros)	89,158	52,188
Average number of shares issued (in thousands of shares)	34,236	34,246
Earnings per share (in euros)	**2.60**	**1.52**

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 2023 and 2022, 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 85,230 thousand and EUR 86,371 thousand at 31 December 2023 and 2022, 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. Consequently, at the end of the year 2023 the reserves are unavailable for this reason for an amount of EUR 49,567 thousand (EUR 57,420 thousand at the end of the year 2022).

f) Dividends of the Parent

On June 10, 2023, the General Shareholders' Meeting agreed to distribute a dividend charged to the results for the 2022 financial year in the amount of EUR 29.5 million. It was subsequently paid in July 2023.

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 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
CAF México, S.A. de C.V.	7,926	2,848
CAF Brasil Indústria e Comércio, S.A.	(51,536)	(51,931)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	(3,599)	(3,229)
CAF USA, Inc.	918	2,676
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	476	(1,351)
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	(3,793)	(3,303)
CAF Argelia (EURL)	(769)	(753)
CAF India Private Limited	(2,116)	(1,796)
Ctrens - Companhia de Manutençao, S.A.	(110,643)	(116,592)
Provetren, S.A. de C.V.	1,857	3,107
Solaris Bus & Coach, sp. z.o.o.	(2,436)	(20,918)
CAF Group UK Limited	243	228
CAF Rolling Stock UK Limited	272	(487)
EuroMaint Gruppen AB	1,323	1,350
EuroMaint Rail AB	(2,300)	(2,302)
CAF Arabia Company	2,653	2,738
Other companies	197	1,413
Total	**(161,327)**	**(188,302)**

h) Non-controlling interests

The breakdown of "Equity – Non-controlling interests" in the accompanying consolidated balance sheet and of changes therein in 2023 and 2022 is as follows:

	Thousands of Euros
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 16)	(2,008)
Dividends	(1,949)
Balance at 31 December 2022	**12,406**
Profit attributable to non-controlling interests	3,159
Translation differences	486
Dividends	(3,105)
Balance at 31 December 2023	**12,946**

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 2023 and 2022, 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	
	31/12/23	31/12/22
Net financial debt:		
Interest-bearing refundable advances (Note 15)	7,531	6,342
Bank borrowings - Non-current liabilities (Note 16)	509,154	589,703
Bank borrowings and debt instruments – Current liabilities (Note 16)	303,029	278,339
Gross Financial Debt	**819,714**	**874,384**
Financial assets – Non-current assets (Note 9-b-2)	(11,816)	(11,043)
Current financial assets (Note 13)	(109,083)	(112,022)
Cash and cash equivalents	(442,791)	(473,344)
Net Financial Debt	**256,024**	**277,975**
Equity:		
Attributable to the Parent	855,237	775,919
Non-controlling interests	12,946	12,406
	868,183	**788,325**

15.- OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES AND OTHER OBLIGATIONS

The breakdown of the Group's financial liabilities at 31 December 2023 and 2022, by type and category for measurement purposes, is as follows:

	Thousands of Euros					
	31/12/23			31/12/22		
	Non-current	Current	Total	Non-current	Current	Total
Refundable advances	21,414	10,164	31,578	21,854	6,194	28,048
Share purchase liabilities	107	38,664	38,771	187	37,299	37,486
Payable to non-current asset suppliers (Note 8)	-	5,474	5,474	-	1,959	1,959
Obligations under finance leases (Note 8-b)	65,805	22,694	88,499	67,216	22,512	89,728
Other liabilities	100	1,041	1,141	67	296	363
Total	**87,426**	**78,037**	**165,463**	**89,324**	**68,260**	**157,584**

The detail, by maturity in the coming years, of other non-current financial liabilities is as follows (in thousands of euros):

2023

	Interest	Principal
2025	164	23,257
2026	130	15,677
2027	114	10,411
2028	101	8,070
2029 and subsequent years	339	49,845
Total	**848**	**107,260**
Accruals and discounting		(19,834)
Total carrying amount		**87,426**

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**

The weighted average rate used for discounting the financial liabilities related to leases is around 4.2% (4.4% in 2022).

16.- BANK BORROWINGS AND DEBT INSTRUMENTS OR OTHER MARKETABLE SECURITIES

The detail of "Bank Borrowings" in the accompanying consolidated balance sheet is as follows:

	Nominal currency	Thousands of Euros					
		31/12/23			31/12/22		
		Non-current	Current	Total	Non-current	Current	Total
Loans and credit accounts							
Ctrens - BNDES	BRL	29,359	20,212	49,571	46,562	17,667	64,229
The Parent (CAF, S.A.)	EUR	477,927	57,702	535,629	508,745	29,454	538,199
CAF Investment Projects, S.A.U.	EUR	-	16,500	16,500	16,486	3,500	19,986
Solaris Group	PLN/EUR	1,868	114,386	116,254	17,639	178,772	196,411
Other Group companies	EUR/USD	-	522	522	271	15,865	16,136
		509,154	209,322	718,476	589,703	245,258	834,961
Debt instruments or other marketable securities:							
Commercial paper issue	EUR	-	90,800	90,800	-	31,900	31,900
Accrued interest payable		-	2,907	2,907	-	1,181	1,181
Total		**509,154**	**303,029**	**812,183**	**589,703**	**278,339**	**868,042**

The changes in 2023 and 2022 in "Bank borrowings and debt instruments or other marketable securities" and "Other financial liabilities" (Note 15) were as follows:

2023

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	Other financial liabilities	Total
Balance at 31 December 2022	**866,861**	**157,584**	**1,024,445**
Cash flows from financing activities			
New drawdowns	430,239	20,655	450,894
Maturity payments	(502,218)	(42,212)	(544,430)
Transactions with non-controlling shareholders	-	-	-
Dividend payments	-	-	-
	(71,979)	(21,557)	(93,536)
Other changes (without cash flows)			
Translation differences	12,603	666	13,269
Dividends accrued, new leases, other	1,791	28,770	30,561
	14,394	29,436	43,830
Balance at 31 December 2023	**809,276**	**165,463**	**974,739**

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
Maturity payments	(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-e)	-	585	585
Dividends accrued, new leases, other	1,731	84,115	85,846
	10,300	81,084	91,384
Balance at 31 December 2022	**866,861**	**157,584**	**1,024,445**

The total amount of lease-related cash outflows in 2023 was EUR 27,978 thousand (2022: EUR 26,263 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 loan principal will be repaid in 160 monthly successive instalments, with the first due date in January 2013.

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 2023 and 2022. In addition, cash balances from the concession totalling EUR 11,754 thousand at 31 December 2023 (EUR 11,032 thousand at 31 December 2022) 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.

The shares of Ctrens - Companhia de Manutençao, S.A. are pledged in favor of the BNDES. The lender has no recourse to any of the companies forming the CAF Group, except for technical issues.

Loans of the Parent –

At the end of 2023, the Parent had 17 loans with 11 financial institutions, maturing between 2024 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 includes a tranche in the form of a loan and a tranche in the form of credit lines that as of December 31, 2023 were drawn down for an amount of EUR 101.6 million (EUR 124.5 million at December 31, 2022). The maturity of both financing tranches remains unchanged at December 2024.

Likewise, at 31 December 2022, Solaris had a recourse factoring debt in the amount of EUR 17 million (Note 9-b-2) and a confirming facility debt used as a financing alternative by the Group for an amount of EUR 41.2 million that has been paid in 2023.

The first of the aforementioned debt packages establishes compliance with a series of financial covenants, which novated in 2023, related to EBITDA levels corresponding to the last twelve months, sales corresponding to the last twelve months, a liquidity ratio, a equity-assets ratio, positive net equity and a maximum amount of investments, with said conditions being met at 31 December 2023. Likewise, the conditions of this debt limit the distribution of funds to shareholders until the repayment of the existing debt, so Solaris's cash which, at 31 December 2023, amounted to EUR 83,614 thousand (EUR 23,227 thousand at 31 December 2022) is intended for the Solaris Group's 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.

Additionally, and outside of the financing package described above, the Company has additional financing related to a leaseback agreement for an amount of EUR 3.6 million at 31 December 2023 (EUR 4.2 million at 31 December 2022).

Lastly, at 31 December 2023, the subsidiaries of the Solaris Group had arranged credit facilities for an amount of 11.1 million euros (credit facilities and factoring with recourse for an amount of 9.4 million euros at 31 December 2022).

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 2023 and 2022, this ratio was achieved.

The remaining bank borrowings relate to loans received by various subsidiaries and that are pegged to a market interest rate. 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 accrued on the loan was referenced to LIBOR. The loan principal has been repaid in 39 quarterly and consecutive instalments, adjusting to the payments profile under the PPS, with the first maturity in October 2013 and the last in April 2023.

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, which was listed on the Spanish Alternative Fixed Income Market ("MARF") on 21 December 2020 and renewed annually, with the last renewal on 22 December 2023. 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 papers maturing within 731 days, which will be listed on the MARF.

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 404,427 thousand (EUR 392,852 thousand at 31 December 2022), 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):

2023

	Interest	Principal
2025	11,439	354,159
2026	2,798	129,609
2027	129	25,109
2028	10	112
2029 and subsequent years	39	438
Total	**14,415**	**509,427**
Accruals		(273)
Total carrying amount		**509,154**

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**

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 2023 and 2022 is as follows:

2023

Currency sale derivatives at 31/12/23	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2024	2025	2026 and subsequent years	Total	
Fair value hedges–					
USD currency forwards (*)	208,018	31,516	255,685	495,219	448,162
GBP currency forwards	180,735	39,788	121,767	342,290	393,867
EUR currency forwards	5,929	-	-	5,929	5,929
BRL currency forwards	56,664	-	-	56,664	10,568
SEK currency forwards	728,408	1,419,882	409,329	2,557,619	230,500
AUD currency forwards	584,988	134,629	12,160	731,777	449,964
SAR currency forwards	37,440	-	-	37,440	9,050
MXN currency forwards	478,802	199,368	-	678,170	36,221
CAD currency forwards	157,041	7,087	1,251	165,379	112,948
JPY currency forwards	10,660,386	13,543,061	1,362,188	25,565,635	163,543
HKD currency forwards	-	86,345	-	86,345	10,004
NOK currency forwards	108,000	-	-	108,000	9,608
TWD currency forwards	1,180,757	-	-	1,180,757	34,829
ILS currency forwards	35,467	-	-	35,467	8,868
AED currency forwards	71,720	571,159	-	642,879	158,458
PLN currency forwards	250,000	-	-	250,000	57,610
RON currency forwards	290,318	-	-	290,318	58,348
DKK currency forwards	145,499	-	-	145,499	19,522
NZD currency forwards	-	25,088	-	25,088	14,332
Cash flow hedges-					
HUF currency forwards	134,623	-	-	134,623	352
Total currency put options					**2,232,683**

(*) 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 144,116 thousand, whose functional currency is the US dollar.

Currency purchase derivatives at 31/12/23	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2024	2025	2026 and subsequent years	Total	
Fair value hedges–					
USD currency forwards	92,665	14,901	4,573	112,139	101,484
EUR currency forwards	4,748	-	-	4,748	4,748
MXN currency forwards	1,184,037	-	-	1,184,037	63,239
JPY currency forwards	2,949,532	3,797,900	-	6,747,432	43,163
GBP currency forwards	83,002	64,000	22,231	169,233	194,733
AUD currency forwards (Notes 9-a and 26)	73,617	-	-	73,617	45,266
NOK currency forwards	103,434	1,900	-	105,334	9,371
ILS currency forwards	-	98,338	-	98,338	24,589
HUF currency forwards	428,276	1,812,300	-	2,240,576	5,852
NZD currency forwards	17,447	-	-	17,447	9,967
SAR currency forwards	30,000	-	-	30,000	7,251
SEK currency forwards	88,035	9,000	-	97,035	8,745
TRY currency forwards	4,759	10,786	-	15,545	476
CHF currency forwards	111	-	-	111	120
PLN currency forwards	3,000	-	-	3,000	691
CAD currency forwards	10,394	14,966	-	25,360	17,320
Total currency call options					**537,015**

	Thousands of Euros			
	Fair value		Cash flow	
	31/12/23	31/12/22	31/12/23	31/12/22
Hedges:				
USD currency forwards	1,469	(22,386)	-	266
GDP currency forwards	3,032	3,363	-	(122)
MXN currency forwards	(1,712)	(1,661)	-	-
BRL currency forwards	(784)	(494)	-	-
EUR currency forwards	178	536	-	-
SEK currency forwards	(10,910)	(3,548)	-	2
SAR currency forwards	(239)	(2,441)	-	33
JPY currency forwards	(4,840)	(465)	-	241
AUD currency forwards	13,293	9,818	-	(154)
CAD currency forwards	5,845	7,755	-	(822)
NOK currency forwards	813	4,793	-	53
AED currency forwards	(2,150)	(1,887)	-	-
HKD currency forwards	1,067	1,154	-	-
TWD currency forwards	(475)	846	-	-
PLN currency forwards	(5,925)	-	-	-
RON currency forwards	2,528	-	-	-
DKK currency forwards	1,112	-	-	-
ILS currency forwards	639	-	-	-
Currency forwards in other currencies	563	705	(4)	(66)
Forward rate agreements	-	-	-	335
Value at year-end (*)	**3,504**	**(3,912)**	**(4)**	**(234)**

(*) Before considering the related tax effect.

2022

Currency put options at 31/12/22	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2023	2024	2025 and subsequent years	Total	
Fair value hedges–					
USD currency forwards (*)	327,862	7,653	246,627	582,142	545,792
GBP currency forwards	254,864	966	-	255,830	288,444
EUR currency forwards	6,524	-	-	6,524	6,524
BRL currency forwards	150,956	-	-	150,956	26,772
SEK currency forwards	577,952	773,775	1,247,645	2,599,372	233,720
AUD currency forwards	571,310	120,054	75,210	766,574	488,482
SAR currency forwards	21,843	-	-	21,843	5,430
MXN currency forwards	206,901	-	-	206,901	9,920
CAD currency forwards	33,974	161,244	-	195,218	135,193
JPY currency forwards	10,093,536	-	-	10,093,536	71,755
HKD currency forwards	-	-	89,841	89,841	10,803
HUF currency forwards	37,579	-	-	37,579	94
NOK currency forwards	713,890	-	-	713,890	67,900
TWD currency forwards	1,180,757	-	-	1,180,757	35,997
ILS currency forwards	29,669	-	-	29,669	7,900
AED currency forwards	146,051	91,958	540,931	778,940	198,730
PLN currency forwards	175,000	-	-	175,000	37,387
Cash flow hedges-					
CAD currency forwards	507	-	-	507	351
HUF currency forwards	251,494	-	-	251,494	627
USD currency forwards	5,620	-	-	5,620	5,269
ILS currency forwards	5,200	-	-	5,200	1,385
NOK currency forwards	42,632	-	-	42,632	4,055
SEK currency forwards	4,000	-	-	4,000	360
TRY currency forwards	6,663	-	-	6,663	334
SAR currency forwards	20,911	-	-	20,911	5,198
Total currency put options					**2,188,422**

(*) 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	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2023	2024	2025 and subsequent years	Total	
Fair value hedges–					
USD currency forwards	45,795	9,800	4,573	60,168	56,412
EUR currency forwards	9,101	-	-	9,101	9,101
MXN currency forwards	138,347	467,500	-	605,847	29,049
JPY currency forwards	1,111,964	1,574,640	-	2,686,604	19,099
GBP currency forwards	90,915	-	-	90,915	102,506
AUD currency forwards (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					**342,219**

Interest rate derivatives	Figures in thousands		
	Loan maturity (in currency)		
	2023	2024	2025 and subsequent years
Euribor swap	25,000	-	-

At the end of 2023 and 2022, 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 3,042 thousand at 31 December 2023, net of the related tax effect (31 December 2022: EUR 3,362 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 22,422 thousand at 31 December 2023 (positive valuation of EUR 16,084 thousand at 31 December 2022). These amounts were credited/debited under “Equity – Valuation Adjustments – Hedges” in the consolidated balance sheet as at 31 December 2023.

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):

	2023	2022
Non-current assets	21,995	12,455
Current assets	19,064	28,510
Non-current liabilities	(21,893)	(12,494)
Current liabilities	(15,666)	(32,617)
Balance sheet net total	**3,500**	**(4,146)**
Fair value	3,504	(3,912)
Cash flow	(4)	(234)
Total derivatives value	**3,500**	**(4,146)**

During the year 2023 the effect of the inefficient part of the hedging operations credited to the profit and loss account has meant an income of EUR 4,529 thousand (expense of EUR 1,141 thousand in 2022), as a consequence, fundamentally, of changes in the amount of the estimates of the covered items.

Also, the settlement in the value of the fair value derivatives resulted in an expense of EUR 11,808 thousand and EUR 19,362 thousand in 2023 and 2022, 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 2023 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

In relation to the information known on the CAF Group's exposure to the taxes of the Pillar 2 legislation, the possibility, provided for by the regulation, of benefiting from a temporary suspension of its application in the periods 2024, 2025 and 2026 in those jurisdictions that comply with reasonable tax ratios established in the regulations (Safe Harbour exemption) has been analysed together with external advisors.

As a result of the analysis, it is foreseeable that all the jurisdictions of the CAF Group could benefit from this moratorium during these three years.

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	
	2023	2022
Accounting profit before tax	**140,658**	**91,115**
Tax rate of the Parent	24%	24%
Income tax calculated at the tax rate of the Parent	**33,758**	**21,868**
Effect of the different tax rate of subsidiaries	8,550	7,996
Effect of exempt income and non-deductible expenses for tax purposes	5,176	11,985
Effect of tax credits and other tax relief recognised in the year	(5,534)	(7,407)
Effect of tax assets and deferred taxes not recognised in previous years	7,011	(914)
Adjustments recognised in the year relating to prior years' income tax	(585)	2,727
Change in tax rate	(35)	(4)
Total income tax expense recognised in the consolidated statement of profit or loss	**48,341**	**36,251**
Current tax expense (income) (*)	**54,714**	**44,673**
Deferred tax expense (income)	**(6,373)**	**(8,422)**

(*) 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 2023, a negative adjustment of EUR 5 million was recognised to reflect the non-deductibility of certain liability provisions, non-deductible depreciation and non-deductible foreign withholdings (2022: EUR 12 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.

	Thousands of Euros				
	31/12/22	Additions, regularizations and tax rate changes	Disposals	Translation differences	31/12/23
Deferred tax assets:					
Tax credit and tax loss carryforwards (Note 3-i)	49,744	29,472	(14,641)	147	64,722
Provisions temporarily not deductible	118,232	6,418	(19,927)	2,456	107,179
Effect of asset revaluation- Gipuzkoa Regulation 1/2013	1,784	21	(116)	-	1,689
Elimination of profits on consolidation and other	5,060	349	(494)	172	5,087
	174,820	**36,260**	**(35,178)**	**2,775**	**178,677**
Deferred tax liabilities:					
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 & 9)	106,786	13,283	(16,337)	1,729	105,461
Revaluation of intangible and material fixed assets (Note 14)	59,727	211	(3,964)	1,391	57,365
Elimination of profits on consolidation and other	418	2,098	(529)	8	1,995
	166,931	**15,592**	**(20,830)**	**3,128**	**164,821**

	Thousands of Euros					
	31/12/21	Additions to the consolidation scope (Note 2-e)	Additions, regularizations and tax rate changes	Disposals	Translation differences	31/12/22
Deferred tax assets:						
Tax credit and tax loss carryforwards (Note 3-i)	42,054	-	10,392	(2,812)	110	49,744
Provisions temporarily not deductible	95,240	24,158	11,882	(13,599)	551	118,232
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	**24,158**	**21,632**	**(16,567)**	**1,067**	**174,820**
Deferred tax liabilities:						
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 & 9)	99,824	-	2,910	(3,606)	7,658	106,786
Revaluation of intangible and material fixed assets (Notes 2-e & 14)	40,336	22,550	-	(2,259)	(900)	59,727
Elimination of profits on consolidation and other	1,177	-	(247)	(543)	31	418
	141,337	**22,550**	**2,663**	**(6,408)**	**6,789**	**166,931**

Deferred tax assets at 31 December 2023 and 2022 break down as follows:

	Thousands of Euros					
	31/12/23			31/12/22		
	Capitalised	Not capitalised	Total	Capitalised	Not capitalised	Total
Deductions yet to be applied	26,567	85,616	112,183	21,759	87,987	109,746
Tax loss carryforwards	38,155	74,654	112,809	27,985	88,265	116,250
Other deferred tax assets	113,955	63,605	177,560	125,076	26,492	151,568
Total	**178,677**	**223,875**	**402,552**	**174,820**	**202,744**	**377,564**

In 2023 the Group expects to take tax credits amounting to EUR 9,503 thousand (2022: EUR 13,316 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 2023 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’s recognition policy is based on backlog-based projections.

The amount and term of application of the Group's tax deductions and tax loss carryforwards and deferred tax assets (activated and not activated) are as follows:

2023

Jurisdiction	Thousands of Euros													
	Capitalised	Not capitalised												Total
		Expiry in											Total not recognised	
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033-2053	No maturity		
Foral Tax Regime Basque Country	92,720	-	-	-	-	-	-	-	-	-	111,819	57,427	169,246	**261,966**
Poland	41,163	-	-	-	-	-	-	-	-	-	-	684	684	**41,847**
Brazil	5,485	-	-	-	-	-	-	-	-	-	-	34,310	34,310	**39,795**
France	13,375	-	-	-	-	-	-	-	-	-	-	3,470	3,470	**16,845**
Foral Tax Regime Navarre	869	380	557	168	970	816	585	148	233	370	1,707	-	5,934	**6,803**
USA	4,455	-	-	-	-	-	-	-	-	-	-	2,294	2,294	**6,749**
Mexico	6,544	-	-	-	-	-	-	-	-	-	-	-	-	**6,544**
Tax Regime Common Territory (Spain)	2,457	-	-	-	-	-	-	-	-	-	-	3,927	3,927	**6,384**
Chile	5,225	-	-	-	-	-	-	-	-	-	-	-	-	**5,225**
Norway	3	-	-	-	-	-	-	-	-	-	-	3,028	3,028	**3,031**
Saudi Arabia	2,033	-	-	-	-	-	-	-	-	-	-	-	-	**2,033**
Sweden	1,312	111	187	120	79	64	-	-	-	-	-	-	561	**1,873**
Italy	1,554	-	-	-	-	-	-	-	-	-	-	-	-	**1,554**
Australia	588	-	-	-	-	-	-	-	-	-	-	-	-	**588**
New Zealand	264	-	-	-	-	-	-	-	-	-	-	-	-	**264**
Colombia	195	-	-	-	-	-	-	-	-	-	-	-	-	**195**
United Kingdom	55	-	-	-	-	-	-	-	-	-	-	96	96	**151**
Turkey	17	19	28	26	-	46	-	-	-	-	-	-	119	**136**
Israel	128	-	-	-	-	-	-	-	-	-	-	-	-	**128**
India	123	-	-	-	-	-	-	-	-	-	-	-	-	**123**
Austria	1	-	-	-	-	-	-	-	-	-	-	99	99	**100**
Argentina	11	-	-	-	-	-	-	-	-	-	-	52	52	**63**
Germany	37	-	-	-	-	-	-	-	-	-	-	-	-	**37**
Denmark	-	-	-	-	-	-	-	-	-	-	-	37	37	**37**
Czech Republic	32	-	-	-	-	-	-	-	-	-	-	-	-	**32**
Venezuela	7	-	-	-	-	7	-	-	-	-	-	-	7	**14**
Algeria	-	-	-	-	11	-	-	-	-	-	-	-	11	**11**
Taiwan	8	-	-	-	-	-	-	-	-	-	-	-	-	**8**
The Netherlands	7	-	-	-	-	-	-	-	-	-	-	-	-	**7**
Greece	3	-	-	-	-	-	-	-	-	-	-	-	-	**3**
Belgium	3	-	-	-	-	-	-	-	-	-	-	-	-	**3**
Uruguay	2	-	-	-	-	-	-	-	-	-	-	-	-	**2**
Switzerland	1	-	-	-	-	-	-	-	-	-	-	-	-	**1**
Total	**178,677**	**510**	**772**	**314**	**1,060**	**933**	**585**	**148**	**233**	**370**	**113,526**	**105,424**	**223,875**	**402,552**

2022

Jurisdiction	Thousands of Euros												
	Capitalised	Not capitalised											Total
		Expiry in										Total not recognised	
		2023	2024	2025	2026	2027	2028	2029	2030	2031-2051	No maturity		
Foral Tax Regime Basque Country	98,882	-	-	-	-	-	-	-	-	126,042	21,391	147,433	**246,315**
Brazil	4,785	-	-	-	-	-	-	-	-	-	32,744	32,744	**37,529**
France	24,640	-	-	-	-	-	-	-	-	95	3,943	4,038	**28,678**
Poland	25,985	606	-	-	-	28	-	-	-	-	-	634	**26,619**
Foral Tax Regime Navarre	434	606	547	648	1,357	817	585	147	233	2,554	-	7,494	**7,928**
Tax Regime Common Territory (Spain)	1,844	-	-	-	-	-	95	94	145	3,398	614	4,346	**6,190**
USA	3,616	-	-	-	-	-	-	-	-	-	2,375	2,375	**5,991**
Chile	4,332	-	-	-	-	-	-	-	-	-	-	-	**4,332**
Mexico	4,314	-	-	-	-	-	-	-	-	-	-	-	**4,314**
Norway	278	-	-	-	-	-	-	-	-	-	2,752	2,752	**3,030**
Saudi Arabia	1,740	-	-	-	-	-	-	-	-	-	-	-	**1,740**
Sweden	1,226	-	111	193	119	78	-	-	-	-	-	501	**1,727**
Italy	1,501	-	-	-	-	-	-	-	-	-	-	-	**1,501**
Australia	517	-	-	-	-	-	-	-	-	-	-	-	**517**
New Zealand	217	-	-	-	-	-	-	-	-	-	-	-	**217**
Colombia	183	-	-	-	-	-	-	-	-	-	-	-	**183**
United Kingdom	19	-	-	-	-	-	-	-	-	-	164	164	**183**
Turkey	27	6	29	42	39	-	-	-	-	-	-	116	**143**
Austria	-	-	-	-	-	-	-	-	-	-	104	104	**104**
Israel	86	-	-	-	-	-	-	-	-	-	-	-	**86**
India	75	-	-	-	-	-	-	-	-	-	-	-	**75**
Argentina	52	-	-	-	-	-	-	-	-	-	-	-	**52**
Denmark	-	-	-	-	-	-	-	-	-	-	32	32	**32**
Czech Republic	24	-	-	-	-	-	-	-	-	-	-	-	**24**
Taiwan	16	-	-	-	-	-	8	-	-	-	-	8	**24**
Venezuela	7	-	-	-	-	3	-	-	-	-	-	3	**10**
The Netherlands	7	-	-	-	-	-	-	-	-	-	-	-	**7**
Germany	6	-	-	-	-	-	-	-	-	-	-	-	**6**
Greece	3	-	-	-	-	-	-	-	-	-	-	-	**3**
Belgium	3	-	-	-	-	-	-	-	-	-	-	-	**3**
Uruguay	1	-	-	-	-	-	-	-	-	-	-	-	**1**
Total	**174,820**	**1,218**	**687**	**883**	**1,515**	**926**	**688**	**241**	**378**	**132,089**	**64,119**	**202,744**	**377,564**

At 31 December 2023, Provetren, S.A. de C.V. recognised deferred tax liabilities of EUR 48,232 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 2022: EUR 62,724 thousand).

Lastly, at 31 December 2023 subsidiary company Ctrens had recognised a deferred tax liability amounting to EUR 43,157 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 2022: EUR 40,177 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 December 2023 , the Group had 2016 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 that file tax returns in Spain and, at the foreign companies, in accordance with applicable 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.- TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

Suppliers

The Group has taken out contracts with various financial entities to manage payments to suppliers ("confirming" or "reverse factoring") for an amount of EUR 68,595 thousand at 31 December 2023 (EUR 50,115 thousand at 31 December 2022), which are recognised under "Trade and other payables – Payable to suppliers" and "Trade and other payables – Other payables" in the consolidated balance sheet.

Other payables

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

	Thousands of Euros	
	31/12/23	31/12/22
Current contract liabilities (Note 12)	1,176,946	1,128,780
Other taxes payable	99,170	92,649
Sundry trade payables	55,782	78,737
Staff – Outstanding remuneration	70,192	69,782
Total	**1,402,090**	**1,369,948**

The breakdown of the receivables from and payables to public authorities at 31 December 2023 and 2022 is as follows:

Concept	Thousands of Euros	
	31/12/23	31/12/22
Accrued social security taxes	28,739	24,458
Regular taxes –		
VAT (Note 9-b)	32,885	47,071
Personal income tax withholdings	37,546	21,120
Total	**99,170**	**92,649**

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 2023 and 2022 is as follows:

	Thousands of Euros					
	31.12.23			31.12.22		
	Non-current	Current	Total	Non-current	Current	Total
Provisions for contractual obligations	-	67,780	67,780	-	67,938	67,938
Provisions for warranties and technical support	67,796	266,648	334,444	57,615	238,589	296,204
Provisions for litigation	44,789	1,833	46,622	38,274	2,221	40,495
Provisions for commitments with staff	19,077	9,938	29,015	19,924	4,067	23,991
Other provisions	2,021	18,523	20,544	1,928	13,372	15,300
Total	**133,683**	**364,722**	**498,405**	**117,741**	**326,187**	**443,928**

Changes in these headings in 2023 and 2022 were as follows (in thousands of euros):

	Provisions					
	Contractual liability	Warranty and support services	Litigation	Employee benefit obligations	Other provisions	Total provisions
Balance at 31/12/21	**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.e)	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**
Net charge for the period	14,341	113,419	6,740	9,364	6,936	150,800
Actuarial gains and losses	-	-	-	3,504	-	3,504
Amounts used	(2,798)	(82,986)	(2,659)	(13,540)	(4,568)	(106,551)
Translation differences	69	7,885	2,046	216	185	10,401
Transfers	(11,770)	(78)	-	5,480	2,691	(3,677)
Balance at 31/12/23	**67,780**	**334,444**	**46,622**	**29,015**	**20,544**	**498,405**

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

Provisions for litigation

As a result of the administrative decision in July 2019, arising as a result of the investigation initiated in 2013 into the involvement of various rolling stock manufacturers in possible anti-competitive practices described in Note 26, the Group holds a provision amounting to EUR 43.5 million (31 December 2022: EUR 36.6 million). The amount of the fine was increased by the related interest cost in accordance with the Brazilian interest rate (SELIC) and a total of EUR 4,989 thousand was recognised in 2023 with charge to “Finance costs” in the accompanying consolidated statement of profit or loss (2022: EUR 4,180 thousand).

The Group also 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.

Employee benefit obligations

The breakdown of provisions for employee benefits at 31 December 2023, by the Group’s main companies and geographies, is as follows:

	Thousands of Euros					
	31/12/2023			31/12/2022		
	Non-current provisions	Current provisions	Total	Non-current provisions	Current provisions	Total
Parent	3,331	6,756	10,087	4,320	2,720	7,040
CAF Reichshoffen, SAS	6,877	-	6,877	7,263	-	7,263
Italy	2,331	871	3,202	2,432	902	3,334
Mexico	2,340	-	2,340	2,317	-	2,317
Other Group companies	4,198	2,311	6,509	3,592	445	4,037
Total	**19,077**	**9,938**	**29,015**	**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 2023.

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 movement corresponding to 2023 and 2022 with regard to these obligations is as follows:

	Thousands of Euros
Balance at 31/12/21	**2,991**
Profit/(loss) allocated to the statement of profit or loss (Note 23)	4,130
Profit/(loss) allocated to equity	5,174
Contributions	(7,294)
Translation differences	41
Balance at 31/12/22	**5,042**
Profit/(loss) allocated to the statement of profit or loss (Note 23)	3,221
Profit/(loss) allocated to equity	3,121
Contributions	(8,127)
Translation differences	(4)
Balance at 31/12/23	**3,253**

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 2023 and 2022, is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Present value of the obligations assumed	47,169	44,439
Less – Fair value of plan assets	(43,916)	(39,397)
Other current (assets) liabilities, net	**3,253**	**5,042**

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	2023	2022
Discount rate	2.90%-3.77%	3.10%-3.75%
Mortality tables	PER2020_COL	PERM/F/2012, PER/2020 Col
Annual salary or pension increase rate	1.4% - 2%	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 2022) for all its employees from certain locations to an employee benefit entity.

21.- OTHER NON-CURRENT/CURRENT ASSETS AND LIABILITIES

The breakdown of "Other Assets" of the Group as of December 31, 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Assets for the right to recover (Note 3-f)	4,763	4,689
Other non-current assets	**4,763**	**4,689**
Prepayments	16,099	13,874
Other current assets	**16,099**	**13,874**

The breakdown of the Group's "Other liabilities" at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Non-current contract liabilities (Note 12)	92,842	91,374
Advances received on operating leases (Note 8)	5,099	8,086
Refund liabilities (Note 3-f)	5,358	5,071
Other non-current liabilities	**103,299**	**104,531**
Advances received on operating leases (Note 8)	1,237	99
Unearned income	3,227	2,204
Refund liabilities (Note 3-f)	296	602
Other current liabilities	**4,760**	**2,905**

The breakdown by maturity of the item "Advances received on operating leases" is as follows:

Last year for deduction	Thousands of euros	
	31/12/23	31/12/22
1-2 years	3,934	1,784
2-3 years	1,165	4,969
3-4 years	-	1,333
4-5 years	-	-
Over 5 years	-	-
Total	**5,099**	**8,086**

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	
	2023	2022
Materials used (*)	1,697,687	1,454,025
Work performed by other companies	530,079	375,498
Total	**2,227,766**	**1,829,523**

(*) 72% in euros, and the rest basically in pounds sterling and Polish zlotys (69% in euros in 2022).

b) Other operating expenses

	Thousands of Euros	
	2023	2022
Outside services	437,468	391,341
Taxes other than income tax	6,736	5,557
Change in operating provisions and allowances and other (Notes 12 and 20)	41,101	35,084
Total	**485,305**	**431,982**

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 1,664 thousand in the period (2022: EUR 1,501 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 1,057 thousand (EUR 952 thousand in 2022). Additionally, fees for other professional services amounting to EUR 152 thousand have been invoiced by the main auditor (EUR 149 thousand in the year 2022), of which 105 thousand euros for verification services related to the audit including semiannual reviews (EUR 86 thousand in the year 2022) and EUR 47 thousand for tax services (EUR 42 thousand in the year 2022).

“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 2023 investments made in systems, equipment and facilities designed for environmental protection and improvement amounted to EUR 6,501 thousand (2022: EUR 3,640 thousand).

The Group did not receive any environmental grants in 2023 or 2022.

At 31 December 2023 and 2022, 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 2023 the Group incurred environmental expenses amounting to EUR 2,110 thousand (2022: EUR 2,169 thousand).

d) Other operating income

	Thousands of Euros	
	2023	2022
Income from grants	12,946	6,686
Rental income	68	69
Ancillary income and other operating income	21,846	21,196
Total	**34,860**	**27,951**

Most of the grants transferred to profit or loss in 2023 and 2022 related to grants awarded under various Spanish ministerial and European programme calls, in respect of which all the costs to be supported were incurred.

e) Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets

	Thousands of Euros	
	2023	2022
Depreciation of intangible assets (Note 7)	39,961	35,766
Depreciation of property, plant and equipment (Note 8-a)	39,635	36,390
Depreciation of assets for rights of use (Note 8-b)	24,850	23,238
Total	**104,446**	**95,394**

The detail of the line item "Impairment and result from disposal of fixed assets" in 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Profit/(Loss) due to impairment		
Impairment of intangible assets (Note 7)	(2,630)	2
Impairment of property, plant and equipment (Notes 8 & 9-b-2)	(161)	1,217
Result from disposals and others		
Profit/(Loss) from intangible assets (Note 7)	-	824
Profit/(Loss) from property, plant and equipment (Note 8)	376	(186)
Total	**(2,415)**	**1,857**

23.- AVERAGE HEADCOUNT AND STAFF COSTS

	2023	2022
Wages and salaries	698,367	614,008
Social security costs	182,314	159,134
Other expenses	37,612	28,327
Total	**918,293**	**801,469**

The average headcount in 2023 and 2022 was as follows:

Professional category	Average headcount	
	2023	2022
Board members	2	2
Senior executives	7	7
Employees	8,373	7,361
Operators	6,529	6,399
Total (*)	**14,911**	**13,769**

(*) At 31 December 2023 and 2022, there were 15,451 employees and 14,526 employees, respectively.

The breakdown, by gender, of the average headcount in 2023 and 2022 is as follows:

Professional category	2023		2022	
	Men	Women	Men	Women
Board members	1	1	1	1
Senior executives	6	1	6	1
Employees	6,117	2,256	5,401	1,960
Operators	6,272	257	6,144	255
Total	**12,396**	**2,515**	**11,552**	**2,217**

At 31 December 2023, the Parent's Board of Directors comprised seven men and four women (seven men and three women in 2022).

24.- INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2023 and 2022, the overall remuneration of the members of the Parent's Board of Directors amounted to approximately EUR 2,684 thousand and EUR 2,197 thousand, respectively, in respect of wages, life insurance, attendance fees and fixed remuneration. In 2023, 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 423 thousand (2022: EUR 412 thousand). At 31 December 2023 and 2022, 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 2023, a total of EUR 168 thousand was paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2022: EUR 176 thousand).

b) Information regarding conflicts of interest involving the directors

In 2023 and 2022, 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 2,392 thousand in 2023 (2022: EUR 2,007 thousand). In 2023, 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 1,056 thousand (2022: EUR 1,014 thousand).

In 2023 and 2022 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 2023 and 2022, the details of the guarantees and securities provided to the Group by financial entities and insurance companies in favour of third parties, and which basically correspond to technical guarantees in fulfilment of the orders received, were as follows:

	Millions of Euros	
	2023	**2022**
Guarantees provided to third parties for business transactions	4,756.3	4,238.8
Guarantees for future contributions in investee companies	115.5	59.6
Guarantees provided to public organizations for financing obtained or for subsidies (Note 15)	6.7	6.1
Guarantees provided to third parties for other purposes	65.1	55.5
Total	**4,943.6**	**4,360.0**

The guarantees for future contributions in investees correspond to the contributions that the Group will make in 2024, 2027 and 2029 in the investees Momentum Trains Holding Pty Ltd, CFIR Light Rail Ltd and Light TLV NTA Ltd, respectively.

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. In July 2019, the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 (equivalent to EUR 31,157 thousand at 31 December 2023) 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). 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 investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated administrative and judicial proceedings, in relation to which the Group has already presented its corresponding defences. CADE's investigations also prompted the Court of Auditors to file 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 17,936 thousand at 31 December 2023) (the subsidiary holds a 36.8% stake in the Consortium, which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.6 million) and a ban on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts ordered the precautionary suspension of the effectiveness of the fine imposed as a result of the termination.

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 of the date of preparation of these consolidated financial statements, CAF, S.A. and CAF Signaling, S.L.U. have filed a contentious-administrative appeal against the CNMC’s resolution before the National Court, having accepted the precautionary suspension of payment of the fine until the National Court rules on the merits of the matter. 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 2023.

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.

	2023	**2022**
	Days	Days
Average period of payment to suppliers	77.76	85.50
Ratio of transactions settled	75.94	85.53
Ratio of transactions not yet settled	83.43	85.43
	Thousands of euros	Thousands of euros
Total payments made	1,316,672	887,789
Total payments outstanding	424,205	373,357

2023

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**
398,084	102,530	30%	27%

2022

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 2023 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 2023, the Group had a firm order book of approximately EUR 14,200 million (31 December 2022: EUR 13,250 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.

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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
Mr. JULIÁN GRACIA PALACÍN	Director
Ms. BEGOÑA BELTRÁN DE HEREDIA VILLA	Director
Ms. CARMEN ALLO PÉREZ	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 27 February 2024, the financial statements and directors' report of its consolidated Group for 2023, 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 0AB50ED8C1588446BFD3E7D77748BD968F39A947A304B996ADFE6DF09886A1B4.

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 2023 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, 27 February 2024.

Approved by	Signed
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

As agreed by the Board of Directors, the Annual General Meeting will be held at the company's registered office, in Beasain, Gipuzkoa, on 15 June 2024, at 12:00 p.m. at time of first call, and if required, the meeting will be held at second summons on the following day at the same time and venue, with a view to discuss and resolve the matters 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 2023.

Two: Approval of the management of the Board of Directors during the financial year ended on 31 December 2023.

Three: Approval of the consolidated Non-Financial Statement - Sustainability Report for FY 2023.

Four: Approval of the proposed appropriation of earnings for FY 2023, with a gross dividend payment per share of €1.11.

Five: Re-election of account auditors for FY 2024, 2025 and 2026.

Six: Re-election of Directors and establishing the number of members of the Board of Directors:

- 6.1. Re-election of Ms. Idoia Zenarrutzabeitia Beldarrain as Proprietary Director.
- 6.2. Re-election of Ms. Marta Baztarrica Lizarbe as Executive Director.
- 6.3. Re-election of Ms. Carmen Allo Pérez as Independent Director.
- 6.4. Re-election of Mr. Manuel Domínguez de la Maza as Proprietary Director.
- 6.5. Number of Board members set at eleven (11) members.

Seven: Amendment of Article 39 of the Articles of Association.

Eight: Approval of the Directors' Remuneration Policy applicable to financial years 2024, 2025 and 2026.

Nine: Advisory vote on the Annual Report on Directors' Remuneration for FY 2023.

Ten: 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 48,447 thousand euros to Dividends of 38,052 thousand euros and Voluntary Reserves of 10,395 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
Mr. JULIÁN GRACIA PALACÍN	Director
Ms. BEGOÑA BELTRÁN DE HEREDIA VILLA	Director
Ms. CARMEN ALLO PÉREZ	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 27 February 2024, date on which the Financial Statements of the Company and its consolidated group for financial year 2023 were formally issued. At the aforementioned date, the members of the Company's Board of Directors held 0.0904% of the share capital.

SUPPLEMENTARY INFORMATION 2019-2023


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Consolidated Balance Sheets

as of December 31st 2023, 2022, 2021, 2020, 2019 (Thousands of Euros)

Assets	2023	2022	2021	2020	2019
Non-current assets:					
Intangible assets					
Goodwill	186,244	181,937	109,655	103,339	109,011
Other intangible assets	284,421	273,773	222,682	220,654	239,241
Total intangible assets	**470,665**	**455,710**	**332,337**	**323,993**	**348,252**
Property, plant and equipment	**489,887**	**483,208**	**388,289**	**403,617**	**449,263**
Investments accounted for using the equity method	**45,308**	**33,116**	**17,073**	**7,370**	**7,807**
Non-current financial assets	**341,795**	**413,198**	**429,902**	**429,068**	**538,303**
Non-current hedging derivatives	**21,995**	**12,455**	**35,408**	**41,736**	**45,001**
Deferred tax assets	**178,677**	**174,820**	**144,530**	**147,148**	**146,134**
Other non-current assets	**4,763**	**4,689**	**5,129**	**6,592**	**7,208**
Total Non-current assets	**1,553,090**	**1,577,196**	**1,352,668**	**1,359,524**	**1,541,968**
Current assets:					
Inventories	**477,138**	**585,551**	**486,824**	**481,669**	**487,833**
Trade and other receivables					
Trade receivables for sales and services	2,209,245	1,903,938	1,511,392	1,357,136	1,372,394
Other receivables	196,301	214,610	168,441	170,794	216,940
Current tax assets	13,178	16,083	10,335	8,774	12,417
Total Trade and other receivables	**2,418,724**	**2,134,631**	**1,690,168**	**1,536,704**	**1,601,751**
Current financial assets	**125,448**	**137,982**	**131,372**	**102,000**	**95,151**
Current hedging derivatives	**19,064**	**28,510**	**48,477**	**15,589**	**40,010**
Other current assets	**16,099**	**13,874**	**9,013**	**9,737**	**17,130**
Cash and cash equivalents	**442,791**	**473,344**	**551,372**	**573,928**	**538,983**
Total Current assets	**3,499,264**	**3,373,892**	**2,917,226**	**2,719,627**	**2,780,858**
Total Assets	**5,052,354**	**4,951,088**	**4,269,894**	**4,079,151**	**4,322,826**

Equity and liabilities	2023	2022	2021	2020	2019
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	976,850	930,787	919,051	835,893	856,799
Interim dividend	-	-	(13,712)	-	-
Treasury shares and equity investments	(1,268)	(1,292)	-	-	-
Total Shareholders' Equity	**997,764**	**951,677**	**927,521**	**858,075**	**878,981**
Valuation adjustments					
Hedges	18,800	12,544	2,508	(13,575)	(11,062)
Translation differences	(161,327)	(188,302)	(203,367)	(211,531)	(134,682)
Total Valuation Adjustments	**(142,527)**	**(175,758)**	**(200,859)**	**(225,106)**	**(145,744)**
Equity attributable to the Parent	**855,237**	**775,919**	**726,662**	**632,969**	**733,237**
Non-controlling interests	**12,946**	**12,406**	**13,798**	**11,234**	**12,130**
Total Equity	**868,183**	**788,325**	**740,460**	**644,203**	**745,367**
Non-current liabilities:					
Non-current provisions	**133,683**	**117,741**	**91,298**	**100,195**	**47,789**
Non-current financial liabilities					
Bank borrowings and debt instruments or other marketable securities	509,154	589,703	675,569	808,849	868,072
Other financial liabilities	87,426	89,324	76,606	78,615	90,792
Total Non-current financial liabilities	**596,580**	**679,027**	**752,175**	**887,464**	**958,864**
Deferred tax liabilities	**164,821**	**166,931**	**141,337**	**134,233**	**159,145**
Non-current hedging derivatives	**21,893**	**12,494**	**36,292**	**42,547**	**45,777**
Other non-current liabilities	**103,299**	**104,531**	**82,079**	**93,914**	**86,637**
Total Non-current liabilities	**1,020,276**	**1,080,724**	**1,103,181**	**1,258,353**	**1,298,212**
Current liabilities:					
Current provisions	**364,722**	**326,187**	**286,319**	**216,248**	**237,378**
Current financial liabilities					
Bank borrowings and debt instruments or other marketable securities	303,029	278,339	282,703	170,760	199,979
Other financial liabilities	78,037	68,260	48,707	62,512	44,144
Total Current financial liabilities	**381,066**	**346,599**	**331,410**	**233,272**	**244,123**
Trade and other payables					
Payable to suppliers	980,639	988,730	780,287	710,496	688,104
Other payables	1,402,090	1,369,948	932,435	976,801	1,032,114
Current tax liabilities	14,952	15,053	20,115	15,044	9,113
Total Trade and other payables	**2,397,681**	**2,373,731**	**1,732,837**	**1,702,341**	**1,729,331**
Current hedging derivatives	**15,666**	**32,617**	**69,347**	**20,071**	**61,140**
Other current liabilities	**4,760**	**2,905**	**6,340**	**4,663**	**7,275**
Total Current liabilities	**3,163,895**	**3,082,039**	**2,426,253**	**2,176,595**	**2,279,247**
Total Equity and liabilities	**5,052,354**	**4,951,088**	**4,269,894**	**4,079,151**	**4,322,826**

Consolidated Statements of Profit or Loss

as of December 31st 2023, 2022, 2021,2020, 2019 (Thousands of Euros)

(Debe) Haber	2023	2022	2021	2020	2019
Continuing operations:					
Revenue	3,825,285	3,165,470	2,942,685	2,762,472	2,597,655
+/- Change in inventories of finished goods and work in progress	52,803	99,321	54,152	(39,347)	18,235
In-house work on non-current assets	4,091	2,413	875	2,381	13,901
Procurements	(2,227,766)	(1,829,523)	(1,642,321)	(1,478,806)	(1,388,778)
Other operating income	34,860	27,951	19,752	16,197	27,518
Staff costs	(918,293)	(801,469)	(714,665)	(695,039)	(654,607)
Other operating expenses	(485,305)	(431,982)	(406,467)	(366,379)	(370,226)
Other results	-	-	793	11	-
Adjusted Ebitda	**285,675**	**232,181**	**254,804**	**201,490**	**243,698**
Depreciation and amortisation charge	(104,446)	(95,394)	(87,141)	(89,494)	(80,667)
Impairment and gains or losses on disposals of non-current assets	(2,415)	1,857	(2,721)	8,899	(165)
Adjusted EBIT	**178,814**	**138,644**	**164,942**	**120,895**	**162,866**
Non-recurring items	-	-	-	-	(37,872)
EBIT	**178,814**	**138,644**	**164,942**	**120,895**	**124,994**
Finance income	27,998	11,252	7,055	6,121	17,402
Finance costs	(68,801)	(62,545)	(42,924)	(47,641)	(72,885)
Changes in fair value of financial instruments	1,408	1,145	82	(35)	33
Exchange differences	(4,674)	(2,952)	(2,296)	(26,106)	(6,120)
Impairment and gains or losses on disposals of financial instruments	5	9	20	22	(337)
Financial profit/(loss)	**(44,064)**	**(53,091)**	**(38,063)**	**(67,639)**	**(61,907)**
Result of companies accounted for using the equity method	5,908	5,562	2,953	(4,179)	(1,949)
Profit/(Loss) before tax	**140,658**	**91,115**	**129,832**	**49,077**	**61,138**
Income tax	(48,341)	(36,251)	(41,061)	(38,824)	(36,048)
Profit/(Loss) for the year from continuing operations	**92,317**	**54,864**	**88,771**	**10,253**	**25,090**
Adjusted consolidated profit for the year	**92,317**	**54,864**	**88,771**	**10,253**	**62,962**
Consolidated Profit/(loss) for the year	**92,317**	**54,864**	**88,771**	**10,253**	**25,090**
Attributable to:					
The Parent	89,158	52,188	85,920	9,012	24,745
Non-controlling interests	3,159	2,676	2,851	1,241	345
Earnings per share (in euros)					
Basic	2.60	1.52	2.51	0.26	0.72
Diluted	2.60	1.52	2.51	0.26	0.72

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