Audit Report on Financial Statements
issued by an Independent Auditor

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2023

Building a better
working world

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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

Report on the financial statements

Opinion

We have audited the financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Company), which comprise the balance sheet as at December 31, 2023, the statement of profit or loss, the statement of changes in total equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Key audit matters

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

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

Description	The Company carries out an important part of its activity through long-term construction contracts. As indicated in Note 3.f.1 of the attached notes to the financial statements, the income and results corresponding to contracts for the construction of trains and traction equipment are recorded, in general, based on the estimated progress measurement of the same, obtained based on the percentage that represents the number of hours allocated to the contract over the total of the budgeted hours. The amount of revenue recognized in 2023 in relation to this type of contract by applying the progress method amounted to 1,429,635 thousand euros. The revenue recognition from these contracts requires significant estimates to be made in relation to, among other aspects, the total costs to be incurred, the number of hours allocated over the total budgeted hours or the estimation of the margin considering the expected income and the costs estimated to be incurred, as well as, where appropriate, the amount of the modifications and claims on the initial contract that will finally be accepted by the client. We have considered this area as a key audit matter in our audit due to the relevance of the amounts involved and the complexity associated with said estimates, which entail the application of judgments by the Company's Management in determining the assumptions considered, since changes in the aforementioned assumptions could give rise to material differences in the recorded income. The breakdowns corresponding to the aforementioned income are disclosed in Note 21 of the attached notes to the financial statements.
Our response	In relation to this area, our audit procedures have included, among others, the following: ▶ Understanding of the process established by the Company´s Management for the management of projects in the budgeting and contract execution phases and for the recognition of revenue, and evaluation of the design and implementation of the relevant controls established in the aforementioned process. ▶ Selection of a sample of projects, taking into consideration both quantitative and qualitative criteria, for which the corresponding contracts have been obtained for their reading and understanding of the most relevant clauses and their implications, as well as the budgets and follow-up reports of the execution of the projects. ▶ Evaluation, for said contracts, of the reasonableness of the assumptions considered by the Company´s Management through meetings held with the technical staff and those responsible for the development of the projects, analyzing the reasons for the deviations between the initially planned costs and the actual costs and its impact on the estimation of the margin of the projects. ▶ Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Registration and valuation of provisions and contingencies related to commercial contracts

Description	The Company has recorded provisions as of December 31, 2023, under the heading "Current provisions", to meet obligations for guarantees and technical assistance and contractual responsibilities that are detailed in Note 19 of the attached notes to the financial statements amounting to 188,178 and 63,850 thousand euros. The evaluation of the contingencies derived from the commercial contracts and, where appropriate, the valuation of the possible associated provisions, requires complex estimates to be made by the Company's Management, which entails the application of judgments in the determination of the assumptions considered in relation to said estimates, associated, among other aspects, with the eventualities that occurred during the execution of the contracts, including the identification of causes not attributable to the Company, which are conditioned by a high degree of uncertainty. We have considered this area a key audit matter in our audit due to the complexity of the judgments inherent in assigning value to the key assumptions considered and the variation in such judgments that could lead to material differences in the amounts carried at the date, having a significant impact on the balance sheet and profit and loss account. The information regarding the criteria applied by Company´s Management and the main assumptions considered in determining the corresponding provisions and their amounts, as well as their movement during the year, is disclosed in Notes 3.f, 3.m and 19 of the attached notes to the financial statements.
Our response	In relation to this area, our audit procedures have included, among others, the following: ▶ Understanding of the process established by the Company's Management for the identification, assessment and recording of contingencies arising from commercial contracts that may be provisioned, and evaluation of the design and implementation of the relevant controls established in the aforementioned process. ▶ Obtaining the detail of recorded provisions and selecting a sample, taking into consideration quantitative and qualitative criteria, for which the documentation that supports the estimates made has been obtained and reviewed. ▶ Understanding and evaluation, for said provisions, of the reasonableness of the key assumptions considered for their quantification based on consultations with the Management and other professionals of the Company in charge of the matters from which contingencies that could be provisioned could arise and, in their case, to written statements from third parties, such as legal advisors, regarding the current situation of the contingencies and the evaluation of the risk derived from them, estimated cash outflows and their probability of occurrence. ▶ Carrying out a general analytical review of the movement of the different provisions recorded, obtaining evidence and supporting documentation about them and considering our expectations about their potential evolution, obtaining responses from Management to our inquiries in the event of deviations with respect to those expectations.

- Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Valuation of investments in group companies and associates

Description	As indicated in Notes 9 and 10 of the attached notes to the financial statements, the Company has registered as of December 31, 2023, under the heading "Non-current investments in group companies and associates", holdings in group companies and associates and loans granted to group companies and associates amounting to 972,245 and 90,574 thousand euros, respectively, and under the heading "Current investments in group companies and associates", loans granted to group companies and associates amounting to 177,317 thousand euros. The Company's Management evaluates, at least at the end of each financial year, the existence of indications of impairment and makes the necessary valuation corrections whenever there is objective evidence that the book value of an investment will not be recoverable, being the amount of the valuation adjustment the difference between its book value and the recoverable amount. The determination of the recoverable amount requires making complex estimates, which entails the application of judgments in establishing the assumptions considered by the Company's Management in relation to said estimates. We have considered this area as a key audit matter in our audit due to the significance of the amounts involved and the complexity inherent in the estimation process in determining the recoverable amount of the aforementioned investments. The information regarding the valuation standards applied and the main assumptions considered in determining the value impairment of investments in group companies and associates is disclosed in Note 3.d of the attached notes to the financial statements.
Our response	In relation to this area, our audit procedures have included, among others, the following: - Understanding of the process established by the Company's Management to identify signs of impairment and determine the recoverable amount of investments in group companies and associates, and evaluation of the design and implementation of the relevant controls established in the aforementioned process. - Evaluation of the analysis of the value impairment indicators of the investments in group companies and associates carried out by the Company's Management. - Review of the model used by the Company's Management to determine the recoverable amount, in collaboration with our valuation specialists, covering, in particular, the mathematical coherence of the model, and the reasonableness of the projected cash flows and interest rates. discount and long-term growth. In carrying out our review we have held interviews with those responsible for developing the model and used recognized external sources and other available information to compare the data used. - Review of the sensitivity analysis carried out by the Company's Management regarding the estimates made in determining the recoverable amount due to changes in the relevant assumptions considered. - Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Other information: management report

Other information refers exclusively to the 2023 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

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

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

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2023 financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Construcciones y Auxiliar de Ferrocarriles, S.A. for the 2023 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Construcciones y Auxiliar de Ferrocarriles, S.A. are responsible for submitting the annual financial report for the 2023 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

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

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

Additional report to the audit committee

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

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The original signed in Spanish

February 27, 2024

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.

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

ANNUAL REPORT 2023

FEBRUARY 2024

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

1 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 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).

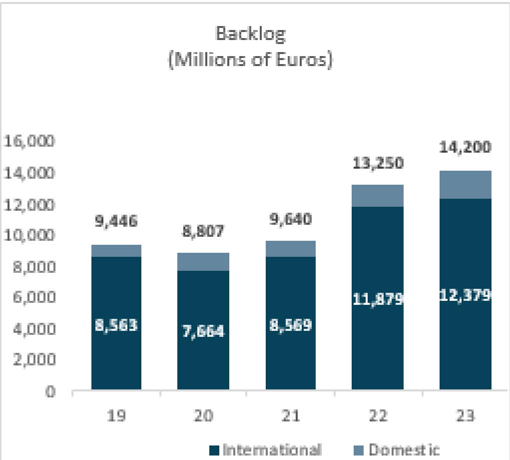
2 BUSINESS PERFORMANCE AND RESULTS

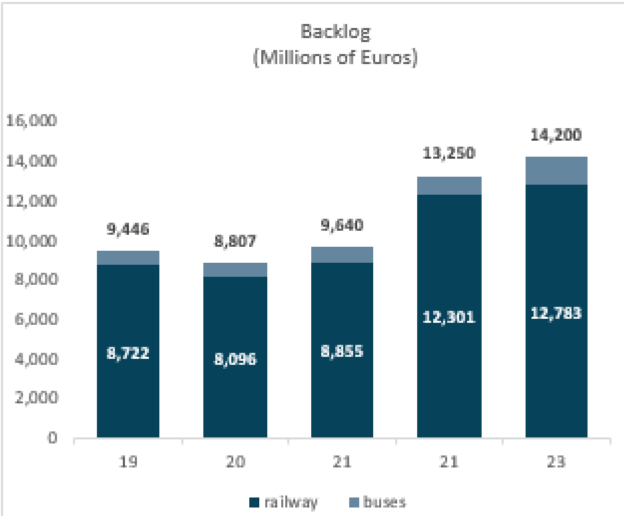
Main indicators (*)

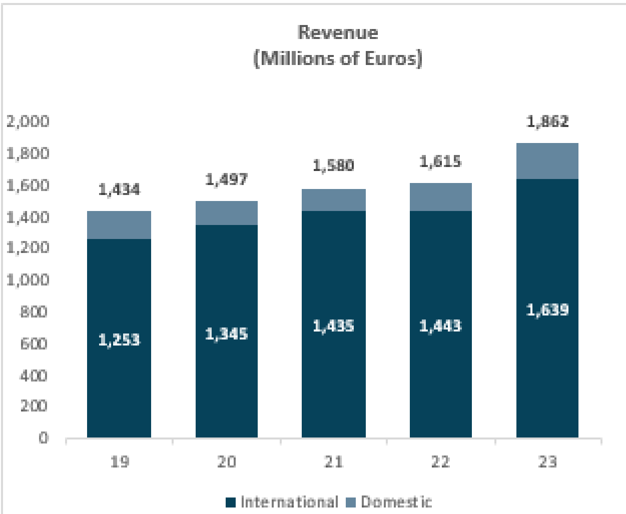
Figures in millions of euros	2023	2022	Change (%)
Backlog-(**)			
Backlog	14,200	13,250	7%
Order intake	4,775	6,205	-23%
Profit and cash flow -			
Revenue	1,862	1,615	15%
EBIT	19.1	14.3	34%
Profit/(Loss) for the year	48	63	-24%
Cash flow (**)	55	36	50%
Net Financial Debt (**)	256	278	-8%
Equity	661	646	2%
Proposed dividend per share	1.11	0.86	29%

(*) Definitions of the indicators are provided in the “Alternative Performance Measures” section.
(**) Information on the consolidated group.

- 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.
- Progression of EBIT above sales, continuing the recovery process from the impact of inflation on financial results.
- The proposed allocation of results consists of allocating 38 million euros to the distribution of dividends, a figure that represents a gross amount of 1.11 euros per share.







3 RAILWAY SEGMENT

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:

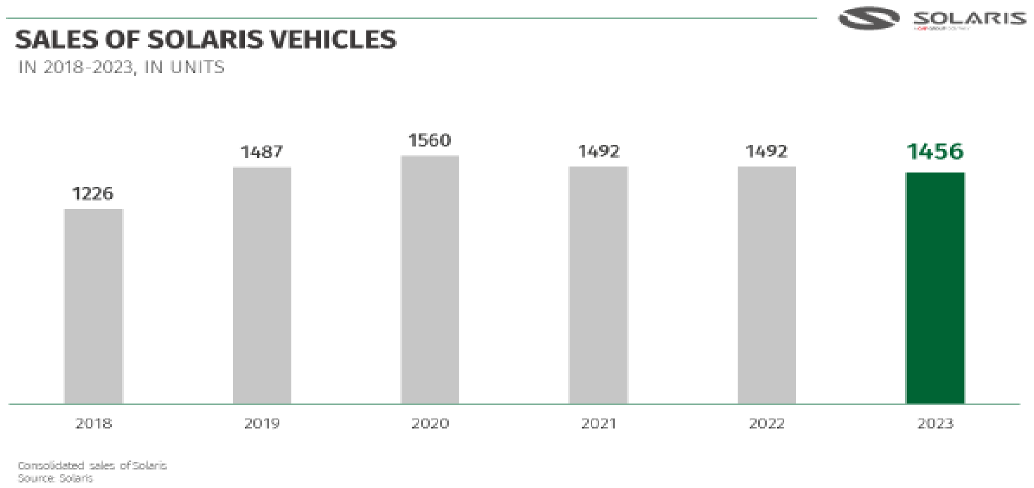
- Projects based on consolidated platforms: the Tel Aviv, Budapest, Seville, Saragossa, Alcalá de Guadaíra, Palermo and Rome tramway systems, regional trains for VRR (Germany), units for SJ (Sweden) and Coradia Polyvalent units for Aquitaine (France) and Senegal.
- Double deck train units for NS (the 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

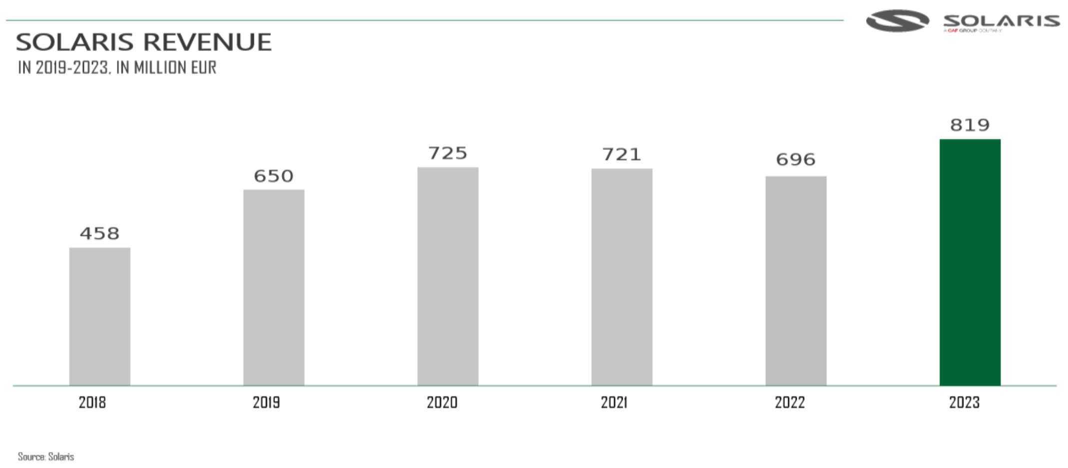
4 BUS SEGMENT SOLARIS

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.**

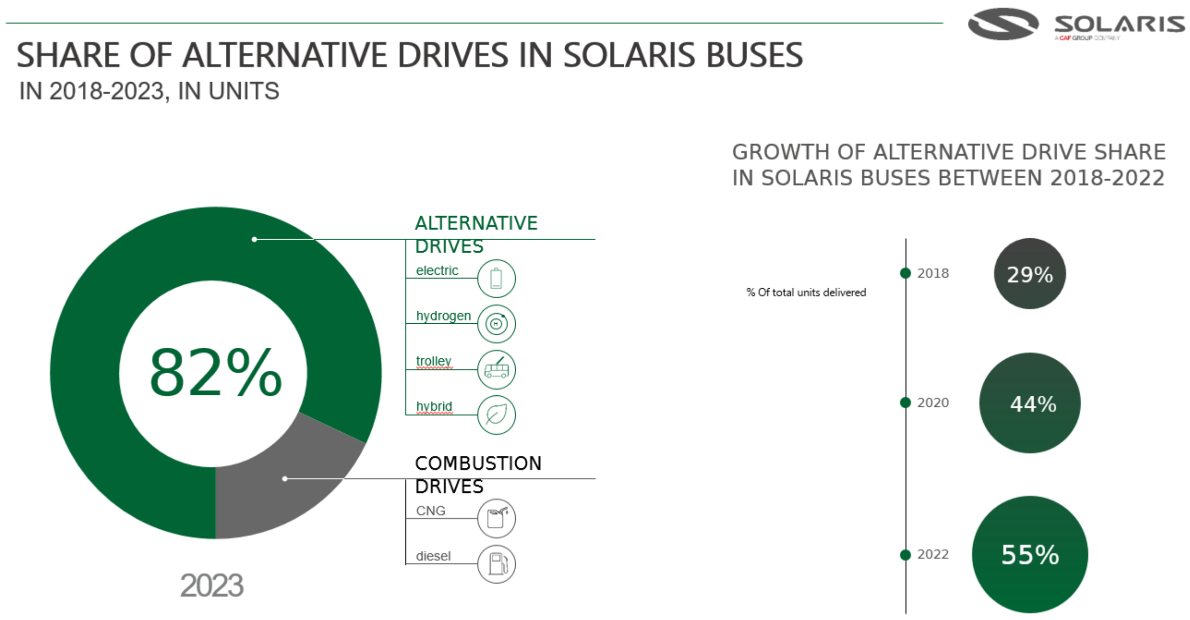
In 2023 Solaris has proved with its production and sales results that it is an organization well prepared for the constantly evolving market environment and is a company that is resilient to the dynamically changing economic context. Solaris has sold a total of 1456 vehicles in 2023, reaching revenues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

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



Source: Solaris

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:

- 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.

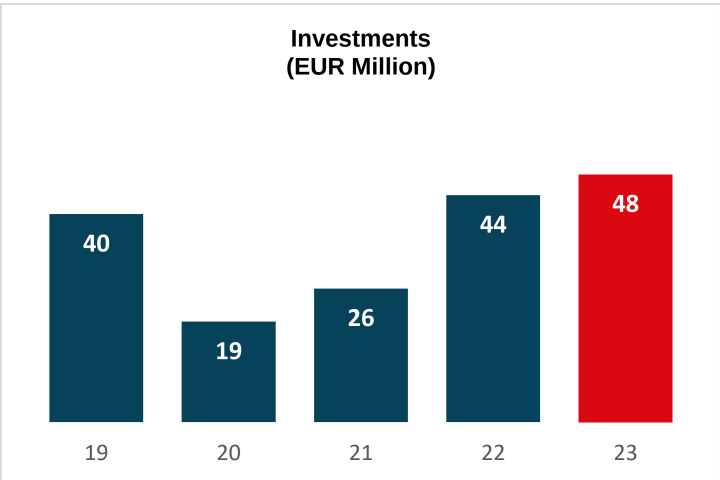
5 INVESTMENTS

CAF's investments in property, plant and equipment in 2023 amounted to EUR 10 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 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 Saragossa 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.

On the other hand, investments made in intangible assets, mainly in the field of Information and Communications technologies in 2023, have amounted to EUR 38 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.



6 MAIN RISKS AND UNCERTAINTIES

The CAF Group is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which 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.

  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 16, "Derivative financial instruments", to the separate financial statements.

- Legal Risks: arising from the preparation and performance of various types of agreements and obligations (commercial, administrative, intellectual 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.

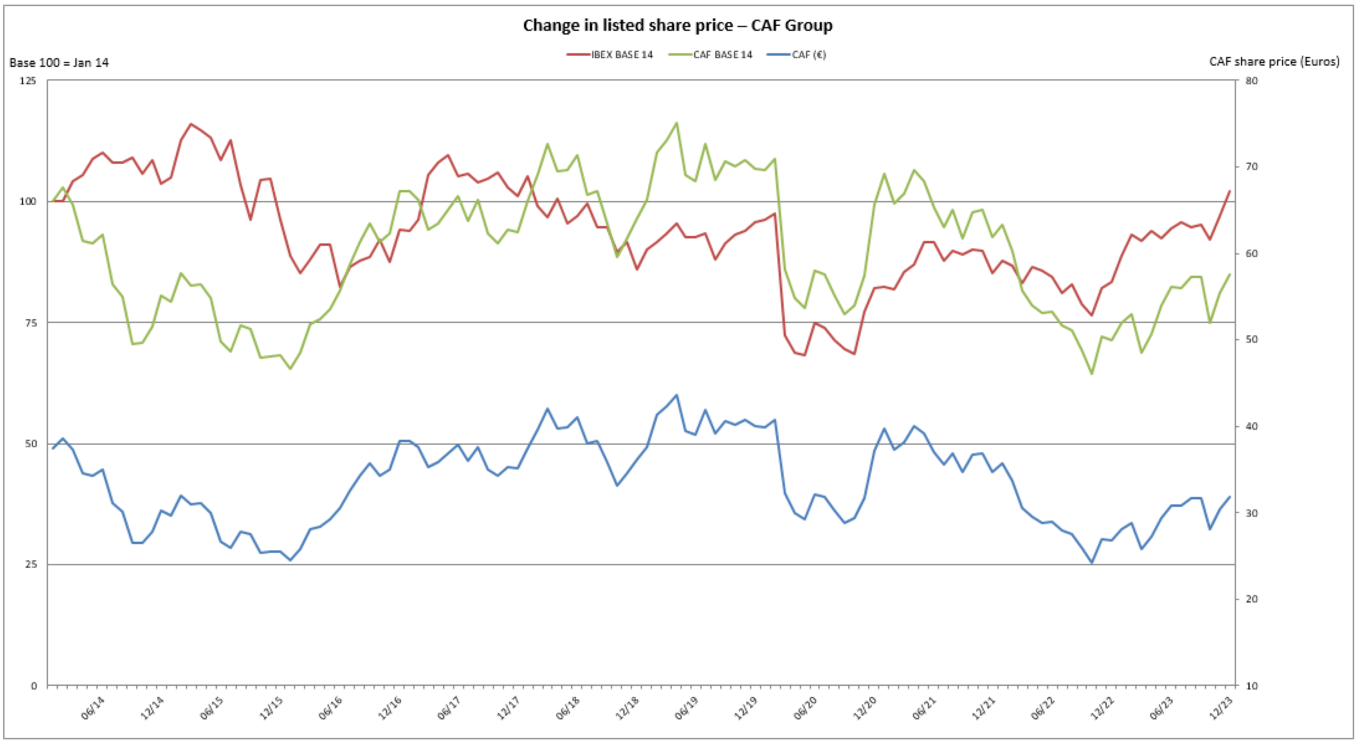
The Israeli-Palestine and Ukraine-Russia conflicts represent a risk of uncertainty on the markets in which the Group operates, affecting various aspects such as the execution of long-term contracts and their monitoring, possible embargoes or sanctions on companies operating in those markets, or possible 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 realm 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 24 to the Individual Financial Statements and in the Non-Financial Statement — Sustainability Report.

7 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



8 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).

9 ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2023, various transactions in treasury shares were carried out on 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 (thousands of euros)	Average purchase price (euros)	Total cost (thousands of euros)
Treasury shares at 31 December 2023	43,318	13	29.26	1,268

Note 13-f to the financial statements provides additional information on the treasury share operations carried out in 2023.

10 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	70.38	67.86
Ratio of transactions settled	69.88	71.19
Ratio of transactions not yet settled	72.17	55.43
	Thousands of euros	Thousands of euros
Total payments made	1,422,716	1,201,506
Total payments outstanding	394,534	322,007

2023

Invoices paid to suppliers in a period shorter than the legal maximum period			
Thousands of euros	Number	% to total payments	% to the total no. of invoices
569,195	43,688	40%	15%

2022

Invoices paid to suppliers in a period shorter than the legal maximum period			
Thousands of euros	Number	% to total payments	% to the total no. of invoices
432,170	33,438	36%	12%

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

11 ALTERNATIVE PERFORMANCE MEASURES

Order intake: this represents the volume of firm orders that will be recognised in the future under “Revenue” in the 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.

Hiring: 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.

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

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

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

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

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

12 NON-FINANCIAL INFORMATION STATEMENT - SUSTAINABILITY REPORT

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

Additionally, the content required by the Norwegian Transparency Act is found in chapter 7.2.7 of the aforementioned Non-Financial Information Statement-Sustainability Report available in the Shareholders and Investors section of the corporate website www.caf.net.

13 ANNUAL CORPORATE GOVERNANCE REPORT

ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED PUBLIC LIMITED

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.

ISSUER'S PARTICULARS

End date of reference financial year: 31/12/2023

Tax Identification Number (CIF): A20001020

Company name:

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA

Registered office:

JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA)

A. OWNERSHIP STRUCTURE

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

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

[ ] Yes
[√] No

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

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

[ ] Yes
[√] No

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

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, SA	24.04	0.00	0.00	0.00	24.04
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, SL	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
INSTITUTO VASCO DE FINANZAS	0.00	3.00	0.00	0.00	3.00
INVESCO LIMITED	0.00	1.10	0.00	0.01	1.11

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, SL	GLOBAL PORTFOLIO INVESTMENTS, SL	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, SL	5.00	0.00	5.00
INSTITUTO VASCO DE FINANZAS	FINKATZE KAPITALA FINKATUZ, SA	3.00	0.00	3.00
INVESCO LIMITED	GROUP COMPANIES	1.10	0.01	1.11

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

Most significant movements

On February 27, 2023, Santander Asset Management, S.A. SGIIC exceeded the threshold of 3% of Share Capital.

On April 20, 2023, Santander Asset Management, S.A. SGIIC dropped below the threshold of 3% of Share Capital.

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

Name or company name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	Of the total % of voting rights attributed to the shares, indicate, if applicable, the % of additional attributed votes that correspond to shares with a loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JAVIER MARTÍNEZ OJINAGA	0.04	0.00	0.00	0.00	0.04	0.00	0.00
MS. MARTA BAZTARRICA LIZARBE	0.05	0.00	0.00	0.00	0.05	0.00	0.00
MR. JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS. BEGOÑA BELTRAN DE HEREDIA VILLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.09

As the system only allows for two decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: MR. JAVIER MARTÍNEZ OJINAGA 0.036%, MS. MARTA BAZTARRICA LIZARBE 0.050%, MR. JUAN JOSÉ ARRIETA SUDUPE 0.003%, AND MS BEGOÑA BELTRÁN DE HEREDIA VILLA 0.0014%. Total 0.0904%

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	Of the total % of voting rights attributed to the shares, indicate, if applicable, the % of the additional attributed votes that relate to shares with a loyalty vote
No data					

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

Total percentage of voting rights represented on the Board of Directors	19,17

The total percentage of voting rights represented on the Board of Directors is the sum of:
- The total voting rights held by the members of the Board of Directors (0,0904%) and
- The stake held by significant shareholders Kutxabank, S.A. (14.06%) and Indumenta Pueri, SL (5.02%), who, although they are not members of the Board, sought the appointment of proprietary directors Ms. Idoia Zenarrutzabeitia Beldarrain and Mr. Manuel Domínguez de la Maza, respectively.

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

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

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

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

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

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

Name or company name of related director or representative	Name or company name of significant linked shareholder	Company name of the group company Significant shareholder	Description of relationship / post
MS. IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, SA	KUTXABANK, SA	Ms. Zenarrutzabeitia is a member of the Board of Trustees of a number of Voluntary Social Welfare Entities (EPSVs)

Name or company name of related director or representative	Name or company name of shareholder significant linked shareholder	Company name of the group company Significant shareholder	Description of relationship / post
			(E.P.S.V ZAINTZA E.P.S.V. HAZIA E.P.S.V GAUZATU) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MR. MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, SL	GLOBAL PORTFOLIO INVESTMENTS, SL	Mr. Domínguez de la Maza is a shareholder and board member of INDUMENTA PUERI, SL and also the joint and several attorney-in-fact of that company and of GLOBAL PORTFOLIO INVESTMENTS, SL.

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

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

[ ] Yes
[√] No

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

At the close of the year:

Number of direct shares	Number of indirect shares(*)	Total % of share capital
43,318		0.13

Because the system only allows two decimal places, the total percentage of share capital has been rounded to 0.13%, the exact figure being 0,1264%.

(*) Through:

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

Explain any significant changes during the year:

Explain any significant changes

The company's own shares are associated with the liquidity contract between the Company and Norbolsa, S.V., S.A, as a financial intermediary, dated 5 April 2022, which is referred to in the following section.

The changes in treasury shares in 2023 are the result of the normal operation of this liquidity contract, as periodically reported to the market in accordance with the regulations applicable to this transaction.

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

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

Within the framework of this delegation, the Board of Directors of CAF authorised the agreement of a liquidity contract. The market was informed of the signing of this agreement through an Other material disclosure to the CNMV on 26 April 2022, which remains current. In accordance with prevailing law and regulations, the Company reports quarterly to the CNMV on all transactions carried out under this contract. See the section above for more information on treasury shares.

A.11. Estimated floating capital:

	%
Estimated floating capital	47.56

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

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

[ ] Yes
[√] No

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

B. GENERAL SHAREHOLDERS' MEETING

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

The regime for modifying the Company's Bylaws does not differ from the provisions of Articles 285 et seq of the Consolidated Text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July, which require the approval of the General Shareholders' Meeting with the majorities indicated in Articles 194 and 201 of that Law.

Thus, article 13 of the Bylaws, in its ninth section, attributes to the General Meeting the power to agree to modify them. Article 20 sets down that the adoption of resolutions on the issue of bonds that are convertible into shares or
bonds that attribute a share in Company earnings to bondholders; capital increases and reductions; the removal or limitation of pre-emptive rights to acquire new shares; the conversion, merger or spin-off or the global assignment of the Company's assets and liabilities or the transfer of its registered office abroad, and, in general, any amendment to the Bylaws, shall require that the shareholders present or represented at first call hold at least 50% of the subscribed share capital with voting rights. On second call, the attendance of shareholders accounting for 25% of the share capital will be sufficient. When shareholders representing 25% or more of the subscribed capital with voting rights but less than 50% attend the second call, such resolutions may only be validly adopted with the vote of two-thirds of the capital present or represented at the Meeting. Further, in compliance with the provisions of Article 286 of the Spanish Corporate Enterprises Act, when the annual or extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must, with due clarity, express the matters to be modified and the rights of every shareholder to examine, at the registered office, the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent to them (Article 16 of the Company's Bylaws).

Article 21 of the Company's Bylaws establishes that shareholders that hold one thousand or more Company shares may attend the General Shareholders' Meeting in person or remotely and take part in its deliberations, with the right to speak and vote. In order to exercise their right to attend, shareholders must have the shares registered in their name in the corresponding book entry register five days prior to the day on which the General Shareholdres' Meeting is to be held. Shareholders owning fewer shares may group together and grant their proxy to another shareholder in order to reach one thousand or more shares. Any shareholder entitled to attend may be represented at the General Shareholders' Meeting by another person, even if that person is not a shareholder.

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

	Attendance data				
Date of General Meeting	% physical presence	% present by proxy	% distance voting: Electronic voting	% distance voting: Other	Total
05/06/2021	40.80	28.23	7.00	2.14	78.17
Of which, free float:	0.00	25.62	2.00	2.14	29.76
11/06/2022	40.32	25.47	8.90	1.18	75.87
Of which, free float:	0.00	22.46	3.90	1.18	27.54
10/06/2023	43.49	23.40	8.18	1.61	76.68
Of which, free float:	0.15	23.40	3.00	1.61	28.16

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

[ ] Yes
[√] No

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

[√] Yes
[ ] No

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

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

[ ] Yes
[√] No

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

The corporate information is available in the "Shareholders and investors" section of the corporate website (www.caf.net) at https://www.caf.net/es/accionistas-inversores/informacion-general/index.php.

This link includes, in a structured way, the information required by the LSC, Law 6/2023, of March 17, on Securities Markets and Investment Services, and Circular 3/2015, of 23 of June, of the National Securities Market Commission, on technical and legal specifications and information that must be contained on the websites of listed corporations and savings banks that issue securities admitted to trading in official secondary securities markets, as well as that provided for in Recommendation 18 of the CGG.

In addition to the current corporate bylaws, the Corporate Governance subsection contains the most important information on this matter (including the Regulations of the General Meeting of Shareholders, Regulations of the Board of Directors, the Company's Internal Code of Conduct within the sphere of Securities Markets, membership of the Board of Directors and its committees and publicly-available information on the directors, Annual Corporate Governance Report and Annual Report on Directors' Compensation,
the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the Modern Slavery Act, the Sustainability Report and Internal Information System Report).

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

In addition, in compliance with Article 539.2 of the Spanish Corporate Enterprises Act, at the same time as the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to allow for communication among shareholders regarding the call and the meeting itself.

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

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

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

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

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR. ANDRÉS ARIZKORRETA GARCÍA		Other external	CHAIRMAN	26/12/1991	11/06/2022	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR. JAVIER MARTÍNEZ OJINAGA		Executive	DIRECTOR	13/06/2015	10/06/2023	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR. JUAN JOSÉ ARRIETA SUDUPE		Other external	DIRECTOR	07/06/2008	11/06/2022	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR. LUIS MIGUEL ARCONADA ECHARRI		Other external	DIRECTOR	29/01/1992	11/06/2022	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS. CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR. JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	05/06/2021	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name or company name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MS. BEGOÑA BELTRAN DE HEREDIA VILLA		Independent	DIRECTOR	24/02/2023	10/06/2023	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR. IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS. MARTA BAZTARRICA LIZARBE		Executive	SECRETARY DIRECTOR	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS. IDOIA ZENARRUTZABE BELDARRAIN	ITIA	Proprietary	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR.MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Total number of directors	11

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

Name or company name of director	Type of director at time of leaving	Date of last appointment	Date director left	Specialist committees of which they were a member	Indicate whether the director left before the end of their term
No data					

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of nonexecutive directors, explanation or opinion of the director dismissed by the general meeting.

There were no resignations from the Board of Directors in the reporting period. However, there have been some changes to its composition. These are set out in the subsequent sections of this report.

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

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profile
MR. JAVIER MARTÍNEZ OJINAGA	Executive Director	Lawyer and Economist from Deusto University, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management. He is Chairman of CIC Nanogune and a member of the Governing Council of Asociación para el Progreso de la Dirección (APD). He was appointed Chief Executive Officer, replacing Mr. Andrés Arizkorreta, on 29 April 2021, effective 1 September 2021.
MS. MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Administration from ICADE business school. She is the Group's Chief Legal and Compliance Officer and is also secretary to the Board of Directors of CAF and its Committees

Total number of executive directors	2
Percentage of Board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
MS. IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, SA	Degree in Law from the University of Deusto. She has held, among others, the positions of Deputy in the Basque Parliament and Vicelehendakari, as well as Vice-President and Councilor of Finance and Public Administration of the Basque Government. She has been a Director of the National Energy Commission and the National Commission on Markets and Competition. She is currently a member of the Board of Trustees of various voluntary social welfare entities of BBK.
MR. MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, SL	Holds a degree in Economics from Universidad de Málaga and holds an MBA from IESE as well as a Master's Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, SA, where he has held the position of General Manager since 2007.

Total number of proprietary directors	2
Percentage of Board	18.18

INDEPENDENT EXTERNAL DIRECTORS	
Name or company name of director	Profile
MR. JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is the Chairman of CAF's Nomination and Remuneration Committee.
MS. BEGOÑA BELTRAN DE HEREDIA VILLA	Holds a degree in Economics and Business Studies from Deusto University. She has pursued her career in leading audit and law firms. She is a Chartered Accountant and member of the Official Registry of Account Auditors. She was an independent director of Solarpack Corporación Tecnológica S.A., where she chaired the Audit and Compliance Committee and the Nomination and Remuneration Committee at different times. She is chair of CAF's Audit Committee.
MS. CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from the IE. Most of her professional career has been spent in the financial industry, occupying various management positions. He is a member of CAF's Audit Committee. She holds the position of Independent Director and President of the Audit Committee of eDreams ODIGEO. She is Chairwoman of the Investment Committee of Crisae Private Debt S.L.U. and Associate Professor at IE. She is an independent director of "SAREB". She is Chairwoman of its Audit Committee and member of its Nomination and Remuneration Committee.
MR. IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is a member of CAF's Nomination and Remuneration Committee.

Total number of independent directors	4
Percentage of Board	36.36

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

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

Name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
MR. ANDRÉS ARIZKORRETA GARCÍA	Mr. Andrés Arizkorreta held the position of Chief Executive Officer of the Company until 1 September 2021, so he cannot be classified as an independent director, in accordance with the provisions of article 529 duodecies of the LSC.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA	Holds a degree in Economics and Business Administration from Deusto University and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. From 2006 until 1 September 2021 he was the Company's Chief Executive Officer. From that date forward, he has been the non-executive Chairman of the Board of Directors. He is an independent director and member of the Audit Committee and the Nomination, Remuneration and Sustainability Committee of Viscofan, S.A. He is also Chairmam of the Basque Businessmen's Circle.
MR. LUIS MIGUEL ARCONADA ECHARRI	Mr. Luis Miguel Arconada Echarri has been a Director for a continuous period of more than twelve years. Therefore, in accordance with the provisions of article 529 duodecies of the LSC, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA	Mr. Luis Arconada has extensive experience and knowledge in the corporate and business sector. He is also well renowned in various social and economic circles, due to his success in the sports world. He is a member of the Company's Nomination and Remuneration Committee.
Mr. JUAN JOSÉ ARRIETA SUDUPE	Mr. Juan José Arrieta Sudupe has been a director for a continuous period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the LSC, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA	He holds a doctorate in Economics and Business Studies from Deusto University. He has extensive experience in management of financial institutions and leading business schools. He is a member of the Strategy Committee of the Technological Centre at the University of Navarre. He is also a director

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
			and member of the Elkargi Executive Committee. He is a member of the Company's Audit Committee.

Total number of other external directors	3
Percentage of Board	27.27

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

Name of director	Date of change	Previous status	Current status
No data			

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

	Number of female directors				% of directors for each category			
	2023	2022	2021	2020	2023	2022	2021	2020
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1	1	1	1	50.00	50.00	50.00	50.00
Independent	2	1	2	2	50.00	33.33	50.00	40.00
Other External					0.00	0.00	0.00	0.00
Total	4	3	4	4	36.36	30.00	36.36	36.36

Following the appointment of Ms. Begoña Beltrán de Heredia to the Board of Directors in the reporting period to fill an existing vacancy, the Board has eleven members. The appointment of Ms Beltrán de Heredia has made it possible to increase both the number of women and the number of independent directors on the Board of Directors, as will be explained later in this report.

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

[√] Yes
[ ] No
[ ] Partial policies

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

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

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

The Company has a specific Director Selection and Diversity Policy (the "Policy"), which is available to view on the corporate website: (https://www.caf.net/upload/accionista/POLITICA-DE-DIVERSIDAD-Y-DE-SELECCION-DE-CONSEJEROS-2020_en.pdf).
The Policy is intended to ensure that any proposals for the appointment and re-election of CAF 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.
The Policy establishes that it is the responsibility of the Board to ensure that the director selection procedures meet these objectives and, in particular, that they facilitate the selection of female directors in a number that allows for a balance between women and men to be achieved.
The aim is to ensure that the Board of Directors and its committees have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the suitability requirements, both individual and joint, of these bodies.
In this respect, criteria aimed at ensuring diversity on the Board of Directors serve as an important element in analysing the needs of the Board of Directors when it comes to the selection of directors. This is achieved by using the Board's competences matrix, which the Nomination and Remuneration Committee regularly updates.
Diversity criteria may influence the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.
Notably, the Policy sets out diversity criteria in relation to the following categories: (i) Training and work experience, (ii) Age, (iii) Disability, and (iv) Gender (see Section 4 of the Policy).
The Regulations of the Nomination and Remuneration Committee attribute to this Committee the function of annually verifying compliance with the Diversity and Director Selection Policy, reporting on this in the annual corporate governance report.
In 2023, the Board of Directors proposed the reappointment of Javier Martínez Ojinaga as executive director of the company to the General Shareholders' Meeting, together with ratification of the appointment by co-option of Begoña Beltrán de Heredia Villa to fill the vacancy on the Board on 24 February 2023, and her appointment as independent director, following a recommendation from the Nomination and Remuneration Committee.
These reappointment and appointment ratification processes complied strictly with the provisions of the Policy, both in relation to the diversity criteria and in terms of the conditions the candidates must meet in terms of good reputation, suitability, recognised solvency, competence, experience, training, qualifications, dedication and commitment to the role of director.
Both proposed agreements were approved by the Board with sufficient majorities.
As of the date of issuance of this report, the Board of Directors is made up of eleven members. Its composition is reasonably balanced, with its members being highly qualified and offering extensive professional experience, enriched with skills that are relevant to the Company. Its composition is consistent with the diversity objectives set out in the Policy.
As a fundamental tool for supervising the balance, diversity and quality of the Board, the Committee duly updated its competences matrix in 2023, submitting this tool for review to ensure its validity and alignment with the Company's strategy.
On 18 December 2023, the Nomination and Remuneration Committee issued its Annual Report verifying compliance with the Diversity and Director Selection Policy in that year. The conclusions presented were favourable, as explained in greater detail in Section C.1.7 of this report.

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

Explanation of measures

CAF’s Nomination and Remuneration Committee ensures that when covering new vacancies, the selection processes utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the required profile among potential candidates and under the same conditions to achieve a balance between men and women. Article 3 of the Committee's Regulations also set out, as one of its duties, “Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target”.
The Company's Diversity and Director Selection Policy sets out to ensure that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.
This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors. Thus, from 2017 to 2020, CAF continuously met the target of achieving at least 30% of women on its Board, as established for 2020 under Recommendation No 14 of the Code of Good Governance (CGG) of Listed Companies. In 2020, the percentage of women on the Board of Directors increased to 36.36%, approaching the 40% that the revised version of the CGG recommended should be achieved before the end of 2022. This percentage remained the same until June 2022, when it temporarily fell to 30% when a vacancy arose on the Board of Directors.
Being aware of the need to restore the balance of women on the Board as quickly as possible, the Nomination and Remuneration Committee began the selection process for an independent candidate to recommend to the Board in 2022. This resulted in the appointment by co-option of Ms. Begoña Beltrán de Heredia on 24 February 2023. This appointment was ratified by the General Shareholders' Meeting held on 10 June 2023, returning the ratio of women on the Board to 36.36%, as it remains at the date of issue of this report.
Since joining the Board of Directors, Ms Beltrán de Heredia became part of the Audit Committee, being appointed Chairwoman of the same on October 4, 2023.
CAF will take into account and follow up on the diversity criteria defined in the CGG and in the Spanish regulations currently being processed when they are finally approved.
As regards senior executives, the Company maintains a clear commitment to equality objectives that promote the creation of mechanisms that facilitate the access of all available talent to managerial positions, irrespective of their gender. In this regard, it should be noted that the Group's Legal and Compliance Department is led by a woman who is an executive director and Secretary to the Board. Additionally, the head of Internal Audit is a woman.
The Company is also seeking to include more women on the management committees of the Group’s business units and at various subsidiaries, having made significant progress in recent years.

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

Explanation of reasons

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

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

On December 18, 2023, the Nomination and Remuneration Committee issued its Annual Report on verification of compliance with the Director Selection and Diversity Policy in said year.
This report monitors the application of the aforementioned Policy in the re-appointment and the ratification and appointment of the directors Mr. Javier Martínez Ojinaga and Ms. Begoña Beltrán de Heredia Villa as executive and independent directors, respectively, of the company, which were approved by the General Shareholders' Meeting on 10 June. The report concludes that the provisions had been met in relation to the diversity criteria in hiring and the conditions the candidates must meet in terms of good reputation, solvency, competence, experience, training, qualifications, dedication and commitment to the role of Director.
In particular, the report confirmed that the proposals for the re-election and ratification of the appointment of these Directors, respectively, were based on an analysis of the needs of the Board, in accordance with the competences matrix, with the aim of promoting diversity in a broad sense, in terms of gender and experience, knowledge, age, length of service of directors, among other aspects, as an essential factor for achieving their objectives from a plural and balanced standpoint. As a result of these analyses, the Board of Directors and the Nomination and Remuneration Committee both considered that the presence of the candidates on the Board and, in the case of Ms Beltrán de Heredia, the Audit Committee would reinforce the existing diversity and balance in the composition of these bodies by contributing their extensive knowledge and experience in areas of value to the Company.
Of the eleven members that currently make up the Board, two are classified as executive directors, two as proprietary directors, four as independent directors and another three as other external directors. Four of the members of the Board are women, in line, therefore, with Directive (EU) 2022/2381, of November 23, 2022, relating to a better gender balance among the directors of listed companies.
Therefore, CAF's Nomination and Remuneration Committee concluded that the Director Diversity and Selection Policy had been satisfactorily complied with in the financial year under review, and informed the Board of this decision at its meeting on 19 December 2023.
Notwithstanding the above, the Committee has stated it will monitor progress with the implementation of the new gender-balance requirements set down in Spanish regulations, in addition to good governance best practices and recommendations.

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

Name or company name of shareholder	Reason
No data	

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

[ ] Yes
[√] No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option of issuing or re-purchasing shares, to directors or board committees.

Name of director	Brief description
MR. JAVIER MARTÍNEZ OJINAGA	Delegation of all Board powers, pursuant to the law and the Company's Bylaws except for those which the law stipulates that cannot be delegated.

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

Name of director	Name of group member	Position	Does the director have executive powers?
MR. JAVIER MARTÍNEZ OJINAGA	CAF ARGELIA EURL	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF CHILE, SA	Chairman	NO
MR. JAVIER MARTÍNEZ OJINAGA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF FRANCE SAS	Chairman	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF INDIA PRIVATE LTD	Executive Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF NEW ZEALAND LIMITED	Joint Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF RAIL AUSTRALIA PTY LTD	Executive Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF SISTEME FEROVIARE, SRL	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF INVESTMENT PROJECTS, S.A.U.	Joint Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF HUNGARY Korlátolt Felelösségu Társaság	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF NETHERLANDS BV	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF BELGIUM, SPRL	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF NORWAY AS	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF PORTUGAL UNIPESSOAL LDA.	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF ITALIA SRL	Sole Director	YES

Name of director	Name of group member	Position	Does the director have executive powers?
MR. JAVIER MARTÍNEZ OJINAGA	CAF MÉXICO SA de CV	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF USA Inc.	Chairman	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF POLSKA sp. zoo	Chairman	YES
MR. JAVIER MARTÍNEZ OJINAGA	SOLARIS BUS & COACH sp. z.o.o.	Chairman of the Supervisory Board	NO
MR. JAVIER MARTÍNEZ OJINAGA	Myanmar CAF Limited	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF Rail Philippines Inc	Chairman	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF Greece Single Member S.A.	Sole Director	YES
MR. JAVIER MARTÍNEZ OJINAGA	CAF Canada Inc.	Sole Director	YES

C.1.11 List the positions of director, administrator or director, or their representative, held by the directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Positio n
MR. ANDRÉS ARIZKORRETA GARCÍA	Círculo de Empresarios Vascos	CHAIRMAN
MR. ANDRÉS ARIZKORRETA GARCÍA	VISCOFAN, SA	DIRECTOR
MR. JAVIER MARTÍNEZ OJINAGA	CIC NANOGUNE Cooperative Research Center	CHAIRMAN
MS. CARMEN ALLO PÉREZ	eDreams ODIGEO, S.A.	DIRECTOR
MS. CARMEN ALLO PÉREZ	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, Sociedad Anónima ("SAREB")	DIRECTOR
MR. JUAN JOSÉ ARRIETA SUDUPE	Elkargi	DIRECTOR
MR. MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, SL	DIRECTOR

To the extent that the CNMV electronic document does not allow information on membership in specialised committees of Boards of Directors to be included in the previous table, the following is specified:

- Mr Andrés Arizkorreta García is a member of the Audit Committee and the Nomination, Remuneration and Sustainability Committee of VISCOFAN, S.A.
- Ms Carmen Allo Pérez is the Chairwoman of the Audit Committee of eDreams ODIGEO, S.A., chair of the Audit Committee and a member of the Appointment and Remuneration Committee of Sociedad de Gestión de Activos Procedentes de la Restructuración Bancaria, Sociedad Anónima ("SAREB").

- Mr. Juan José Arrieta Sudupe is a member of the Executive Committee of Elkargi.

Likewise, given that the same document does not allow the identification of the titles of specific positions of certain foundations and other entities, the following information is added:

- Mr Javier Martínez Ojinaga is a member of the Governing Board of the Association for Management Progress (APD).
- Mr Juan José Arrieta Sudupe is a member of the Strategic Commission of the Technology Center of the University of Navarra (CEIT).
- Ms Idoia Zenarrutzabeitia Beldarrain is a member of the Board of Trustees of the following Voluntary Social Welfare Entities (E.P.S.V.): E.P.S.V ZAINTZA, E.P.S.V. HAZIA and E.P.S.V GAUZATU.

As the form does not allow users to select executive positions, please note that Mr Manuel Domínguez de la Maza is General Manager of Mayoral Moda Infantil, SAU, in addition to holding the position indicated in the above table.

Of the positions identified in Section C.1.11, the following are remunerated:

- Mr Andrés Arizkorreta García: The positions held by Mr Arizkorreta in VISCOFAN, SA are remunerated.
- Ms Carmen Allo Pérez: The positions indicated in this section are remunerated.
- Mr Juan José Arrieta Sudupe: The position at Elkargi is remunerated.
- Mr Manuel Domínguez de la Maza: The positions indicated in this section are remunerated.

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

Identity of the director or representative	Other paid activities
MS. CARMEN ALLO PÉREZ	• President of the Investment Committee of Crisae Private Debt S.L.U. (debt fund investee of Banco Sabadell). • Associate Professor at the Instituto de Empresa business school.

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

[√] Yes
[ ] No

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

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

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

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	2,684
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	1,035
Pension rights accumulated by former directors (thousands of euros)	

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

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

Number of women in executive positions	1
Women as a percentage of the total executive positions	14.28

Total remuneration of senior management (thousands of euros)	2,392

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

[ ] Yes
[√] No

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

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Shareholders' Meeting or, in the case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. The prohibitions and incompatibilities established by law will apply (Article 29 of the Company's Bylaws). Should a vacancy occur during the period the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. These appointments shall be fully effective until the first General Shareholders' Meeting (Article 33 of the Company's Bylaws). Furthermore, in the exercise of its powers to lay proposals before the General Meeting and of co-option in the case of vacancies, the Board shall ensure the balance of Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors, with the latter representing at least one third of total Board membership (Article 7 of the Regulations of the Board of Directors).
Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any nomination made by the Board by virtue of its powers of co-option must be preceded by the corresponding proposal from the Nomination and Remuneration Committee in the case of independent directors, and from the Board for all other director categories. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Nomination and Remunerations Committee. When the Board departs from the proposals of the Nomination and Remuneration Committee, it must give reasons for its action and record these reasons in the minutes. (Article 15 of the Regulations of the Board of Directors).
With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions.
Independent Directors will be considered those who, appointed based on their personal conditions and professional qualities, can discharge their functions without being influenced by relationships with the company or its group, significant shareholders or senior executives. No directors meeting the conditions provided for in Article 16.3 of the Regulations of the Board of Directors shall be considered independent directors.
Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties. Proprietary Directors who lose such status

due to disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the Company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the article and, in addition, their ownership interest is not material (Article 16, Sections 4 and 5 of the Regulations of the Board of Directors).
The selection of candidates for directorships will be based on a prior analysis of the needs of the Company's Board of Directors, which must be carried out by the Nomination and Remuneration Committee. Taking into account the Board's competences matrix, the Nomination and Remuneration Committee will specify the profile and skills required from the new director and assess the suitability of each candidate. This Committee will keep a record of the evaluation carried out and the suitability of the candidate for the category to which he or she has been assigned in the minutes of the session in which the matter was discussed and, where applicable, in the report or proposal that the Committee must submit to the Board for the appointment or re-election of directors.
The Director Diversity and Selection Policy defines the conditions that candidates must meet, placing special emphasis on the fundamental objective of promoting diversity of knowledge, experience, age and gender among the members of the Board, applying criteria that ensure it is properly diversified and there are no implicit biases that could imply discrimination based on age, gender, disability, or any other condition of a personal nature. For further details, see Section C.1.5 of this report.

Continued in section H

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

Description of amendments

The Board of Directors, on the basis of operating reports issued by the committees and the assessment report by the independent external consultant, the results of which were positive, has evaluated the performance of the Board and its committees in 2023 positively and verified that all Action Plans put in place for that year have been fulfilled.

Likewise, within the framework of the aforementioned evaluation process, the external consultant has recommended different improvement initiatives, although these do not lead to important changes in the internal organisation or in the procedures applicable to its activities.

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

Description of the evaluation process and evaluated areas

In accordance with the provisions of article 5.5 of the Regulations of the Board of Directors, the Board of Directors must carry out an annual evaluation of its functioning and that of its Committees and propose, based on its results, an action plan that corrects the detected deficiencies.

Following Recommendation 36 of the CGG, which provides for the intervention of an external consultant in the process every three years, in fiscal year 2023 the assistance of an evaluator has been required, whose independence has been verified by the Nomination and Remuneration Committee.

The external consultant examined the corporate documents published on the Company's website, including its Bylaws, the Regulations of the Board and its Committees, the Code of Conduct, corporate governance reports, reports prepared by the Committees, and the Company's policies, in addition to the minutes of meetings of the Board and its Committees. They examined over 150 items related to the functioning of the Board of Directors, monitoring of recommendations from the CGG, the technical guidance of the Audit Committees and the Nomination and Remuneration Committees, and adaptation to the current legal framework. They also interviewed all of the Directors.

With these premises, the following main areas have been analyzed separately:

• Board of directors:

• Size
Directors' obligations
Composition

Dedication of the Board Members
Gender Diversity Available
Information at their disposal
Board member selection policy
Board member remuneration
Information on Board members
Meetings of the Board
Termination of Board members
Operation of the Board Proprietary
directors
Powers of the Board that cannot be
delegated Independent Board members
Work of the Board

• Audit Committee:

Composition
Functioning
Internal audit
External audit
Ethics hotline
Financial information
Structural Operations
Risk Control
Accounts without limitations or caveats

• Nomination and Remuneration Committee:
•
Composition Competencies
Selection of Board
members
Succession Plan
Other functions

The Assessment Report, which concluded favourably, was presented to the Board of Directors at its meeting in December, where it was unanimously approved, together with the improvement initiatives identified.

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

The external consultant engaged to evaluate the performance of the Board and its Committees during the period has not had any relations with the Company or any company in its Group, other than this evaluation service.

In the declaration of independence provided to the Company, the consultant confirmed they "have no commercial relationship with CAF, its board members or executives, and can, therefore, confirm their independence for the performance of the work for which they have been engaged."

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

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, in particular, proprietary directors must resign when the shareholder they represent sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Nomination and Remuneration Committee for not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company or violates the duty to provide information and abstain. f) When they breach the non-competition agreement.
The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, or otherwise party to the proceedings. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time the corresponding measures are implemented. The Board of Directors shall not propose the removal of independent directors before the expiry of the

term for which they were appointed, as mandated by the Company's Bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the General Shareholders' Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Regulations of the Board of Directors).

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

[ ] Yes
[√] No

If so, describe the differences.

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

[ ] Yes
[√] No

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

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

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

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

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

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

Number of meetings	0

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

Number of meetings held by the AUDIT COMMITTEE	8
Number of Meetings held by the NOMINATION AND REMUNERATION COMMITTEE	7

The Company does not have a Coordinating Director, as the positions of President and CEO are separated.

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

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

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

[√] Yes
[ ] No

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

Name	Positio n
MR. JAVIER MARTÍNEZ OJINAGA	Executive Director
MR. AITOR GALARZA RODRÍGUEZ	Chief Econocmivc-Financial and Strategy Officer

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

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

To this end, the separate and consolidated financial statements are subject to prior review by the Company's Audit Committee, which is assigned, inter alia, the responsibility of supervising and evaluating the preparation, presentation and completeness of the financial and non-financial information relating to the Company and, where applicable, to the group, reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria, and presenting recommendations or proposals to the Board of Directors, directed to safeguard its integrity (Article 3 of the Regulations of the Audit Committee). It is also the responsibility of the Audit Committee to collect information regularly from the auditors on the auditing process and in particular on any differences that may arise between the auditors and the Company's management. When the audit has been completed, the Committee shall review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports. (Article 13 of the Audit Committee Regulations).

The financial statements for 2022 and previous years were approved by the Board of Directors without qualifications.

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

[√] Yes
[ ] No

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

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

Mechanisms to preserve the independence of external auditors:
In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. The Audit Committee must receive a statement from the external auditor, annually, affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to the Company's Bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 37 bis of the Company's Bylaws).
Pursuant to the foregoing, the Audit Committee has its own Regulations governing its nature, composition, functions, terms of reference and powers. Pursuant to these Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency: (i) submitting, to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of the Company's external auditor, being responsible also for the selection process, pursuant to Article 16, paragraphs 2, 3, 5 and 17.5 of Regulation (EU) 537/2014 of 16 April, as well as his or her terms of employment, and regularly collecting information about the audit plan and its execution while also ensuring the external auditor's independence when carrying out its duties; (ii) Establish the pertinent relationships with the external auditors in order to receive information on any matters that might compromise their independence, for scrutiny by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015 of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. (iii) Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the previous point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. In compliance with recommendation no. 6 of the CGG, the Company posts the report of the Audit Committee on the independence of the external auditor on its corporate website in due course ahead of the date of the General Shareholders' Meeting; (iv) Ensure that the remuneration of the external auditor for their work does not compromise their quality or independence, and also setting an indicative limit on the fees that the auditor may receive annually for non-audit services. (vi) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. As for relations with the auditors, Article 13 of the Audit Committee Regulations establishes that (i) any communications between the committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures; (ii) any communication with the auditor must be planned in a schedule of annual meetings, where most of these are not to be attended by the Company's management; and (iii) the Audit Committee shall regularly receive information on the audit process from the auditors and specifically on any differences that may arise between the auditors and the Company's management.

When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.
Likewise, and to ensure the independence of the external auditors, the Company has an internal Procedure for Engaging the Services of the Accounts Auditor. The entire CAF Group must follow and comply with this procedure.
According to this procedure, the Audit Committee must approve, prior to their arrangement, any non-audit services requested from the audit firm of the CAF Group or other entities in its network, so as to verify that the services would not compromise the auditor's independence.
Before any request is relayed to the Committee, the Company's Corporate Finance Department and Internal Audit function check that the services requested are not prohibited under Regulation (EU) No 537/2014 of 16 April 2014.
In this regard, it should be noted that, without prejudice to applicable legal provisions, the Committee has prudently, and to protect the Company's good name, set a limit on the fees to be received by the statutory auditor for non-audit services. This limit is more restrictive than that provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of Spanish Audit Law 22/2015. More precisely, this limit is 50% of the average audit fee for the last three years, i.e. below the legal limit of 70%.
With reference to fiscal year 2023:
- - The Audit Committee met with the external auditors, Ernst & Young, SL. (E&Y), twice in 2023, without E&Y reporting on issues that could put their independence at risk.
- On 23 February 2023, the external auditors, submitted to the Committee the external confirmation of its independence in relation to the financial information pertaining to 2022. In that document, the auditor confirmed that they had implemented internal policies and procedures designed to provide reasonable assurance that the audit firm and its staff had maintained independence to the extent required by applicable law and regulations.
- On 23 February 2023, the same Committee approved the report on the independence of the Company's auditors, concluding that no aspects had been identified that called into question their compliance with prevailing regulations for the auditing of accounts in terms of auditor independence. In accordance with the provisions of Recommendation No 6 CGG, the Company published this report on its corporate website well in advance of the date of the 2023 Ordinary General Shareholders' Meeting.
- On the same date the Committee issued its report on the evaluation of the external auditor, which, among other parameters, assessed its independence, reaching favourable conclusions.
- Finally, the Committee has encouraged the attendance of the external auditor at full meetings of the Board to report on issues of interest in their audit work. This took place at the meeting of the Board of Directors held on 19 December 2023.

Continued in Section H.

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

[ ] Yes
[√] No

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

Yes
[ ] No
[√]

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

[√] Yes
[ ] No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	72	80	152

	Company	Group Companies	Total
Amount invoiced for non-audit services/Amount invoiced for audit work (in %)	39.29	9.18	14.42

All non-audit services provided to the CAF Group by the external auditor and its organisation in the financial year under review were duly approved by the Audit Committee within the framework of the procedure described above. More precisely:
- On 19 December 2022, the Audit Committee verified that the services included in the proposal for non-audit services for the year 2023: (i) were reasonable; (ii) were permitted under the Audit Law; and (iii) were below the maximum limit provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of the Spanish Audit Law 22/2015, as well as the more restrictive limit set by the Committee itself in the interests of prudence, at 50% of the average audit fee for the last three years.
- Subsequently, on 18 December 2023, Internal Audit presented a comparison to the Audit Committee of the approved budget for 2023 and the actual fees incurred for these services, verifying that the estimated amounts had not been exceeded and that no unapproved services had been arranged. The Audit Committee was requested to approve an increase in the amount of fees related to required tax certificates and the review of interim financial information of a subsidiary, which was unanimously agreed upon.

As the system does not allow decimals in the appropriate section, the Amount of non-audit work (thousands of euros) has been rounded to 152: the exact figure is 152.37 (thousands of euros).

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

[ ] Yes
[√] No

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

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	6.52	13.04

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

[√] Yes
[ ] No

Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. There are at least eight meetings per year, with at least one meeting held every quarter, with sufficient time in between to prepare and scrutinise the necessary information. Regular Board meetings must be announced at least five days in advance, although in practice this is done earlier. The call also includes the meeting's agenda, and the documents that must be previously reviewed by the directors in sufficient time ahead of the meeting. In any case, the Directors have the recognised right to request all the information they reasonably require about the Company and its group in furtherance of their duties Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination. The rights of Directors to receive information are set down in Article 20 of the Regulations of the Board of Directors.

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

[√] Yes
[ ] No

Explain the rules

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

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

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

[ ] Yes
[√] No

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

There are no such agreements.

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

Number of beneficiaries	1

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

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

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

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

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

C.2. Committees of the Board of Directors

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

AUDIT COMMITTEE		
Name	Position	Category
MS. BEGOÑA BELTRAN DE HEREDIA VILLA	CHAIRMAN	Independent
MS. CARMEN ALLO PÉREZ	MEMBER	Independent
MR. JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external

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

In accordance with article 529 quaterdecies 2 of the Corporate Enterprises Act and article 2.4 of the Regulations of the Committee, which require the mandatory replacement of the Chair of the Audit Committee every four years, on 4 October 2023, the Board of Directors unanimously agreed to appoint Ms Begoña Beltrán de Heredia Villa as Chair of the Committee, in place of the previous Chair, Ms Carmen Allo Pérez, who remains on the Committee as a member.

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

Organisation:

The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.
The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years but may be re-elected after stepping down for one year. The Board of Directors shall appoint a person to act as Secretary of the Committee, who need not be a director (Article 37 bis of the Company's Bylaws and Article 2 of the Audit Committee Regulations).
The functions and powers attributed to the Audit Committee are detailed in Article 37 bis of the Company's Bylaws and in Articles 3 and 10 to 13 of its specific Regulations. Both of these are available on the corporate website (www.caf.net) and have not undergone any changes in the year under review. The functions mentioned refer to the areas identified below and include all those attributed to the audit committees by law and those recommended by the Code of Good Governance of Listed Companies:
a) Functions in relation to the General Meeting.
b) Functions in relation to internal control systems.
c) Duties relating to internal audit.
d) Functions relating to the external auditor.
e) Other functions.

Functioning:
The operating rules of the Audit Committee are detailed in articles 5 to 9 of its specific Regulations.
The Audit Committee shall meet whenever the Chairman deems it to be appropriate so that it may perform its functions, and at least four times a year. As a minimum, the Committee shall meet when the annual or interim financial information is published.
In these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the auditor with respect to those matters on the agenda in relation to which they are invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively.
Likewise, the Committee will meet whenever required to do so by the Board of Directors (Article 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Likewise, the President of the Committee may authorise the attendance of one or more Directors at the meeting through the use of remote connection systems that guarantee the identity and participation of the Directors, who for all purposes will be deemed to be attendees at the Committee meeting.
In all cases, the Chairman of the Committee shall, acting through the Secretary, channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Article 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Article 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Proxy may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member.

Continued in Section H.

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

Name of directors with experience	MS. BEGOÑA BELTRÁN DE HEREDIA VILLA / MS. CARMEN ALLO PÉREZ / MR. JUAN JOSÉ ARRIETA SUDUPE
Date of appointment of the chairperson	04/10/2023

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MR. JULIÁN GRACIA PALACÍN	CHAIRMAN	Independent

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MR. LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
MR. IGNACIO CAMARERO GARCÍA	MEMBER	Independent

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

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

Organisation:
In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring they have the knowledge, skills and experience appropriate to the duties they are called upon to discharge, particularly in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors.
The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Appointment, renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company's Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the General Shareholders' Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Regulations of the Nomination and Remuneration Committee).
Functions:
The functions and powers attributed to the Nomination and Remuneration Committee are detailed in Article 37 ter of the Company's Bylaws and in Article 3 of its specific Regulations. These are both available on the corporate website (www.caf.net) and have not undergone any changes during the period under review. The functions mentioned refer to the areas identified below and include all those attributed to nominations and remuneration committees by law and those recommended by the Code of Good Governance of Listed Companies:
a) In relation to nominations and remuneration:
b) In relation to the Corporate Governance and Sustainability System:
c) In relation to other matters.
Functioning:
The rules on the functioning of this committee are provided for in Article 12 of the Regulations of the Board of Directors and in Chapter V of the Regulations of the Nomination and Remuneration Committee, and can be summarised as follows:
The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.
The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chairman of the Committee, himself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that this guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.

Continued in Section H.

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

	Number of female directors							
	2023		2022		2021		2020	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	2	66.66	1	33.33	1	33.33	1	33.33
NOMINATION AND REMUNERATION COMMITTEE	0	0.00	0	0.00	1	33.33	1	33.33

The inclusion of Begoña Beltrán de Heredia Villa in the Audit Committee on 24 February 2023, replacing Mr. Ignacio Camarero García, has increased the number of women on the Audit Committee to two out of three members.

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

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website (www.caf.net), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations have not undergone any changes during the year under review.

Also in relation to this Committee, an annual report has been prepared on its activities in 2023, which will be published in accordance with Recommendation 6 of the CNMV's Unified Code of Good Governance for Publicly Listed Companies.

NOMINATION AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF website (www.caf.net), in the subsection of Corporate Governance, under section Information for Shareholders and Investors. The Regulations of the Nomination and Remuneration Committee have not undergone any changes during the year under review.

Also in relation to this Committee, an annual report has been prepared on its activities in 2023, which will be published in accordance with Recommendation 6 of the CNMV's Code of Good Governance for listed companies.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

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

Pursuant to the provisions of its Regulations, the Board of Directors is responsible, on a non-delegable basis, for approving, subject to a prior report from the Audit Committee, transactions of the Company or companies in its group that qualify as related party transactions, unless such approval falls within the remit of the General Shareholders' Meeting and without prejudice to the possible delegation by the Board of such powers in the situations and under the terms prescribed by law and in the aforementioned Regulations. (Article 5 of the Regulations of the Board of Directors).

Regarding the approval of related party transactions and the abstention obligations of the affected directors and shareholders, the Board Regulations explicitly state that the power to approve related party transactions whose amount or value is 10% or more of the Company's total assets according to the latest annual balance sheet approved by the Company shall be vested in the General Shareholders' Meeting. When the General Meeting is called to decide on a related party transaction, the shareholder concerned shall be deprived of the right to vote, except where the motion has been approved by the Board of Directors without the majority of independent directors voting against. However, where applicable, the rule of the reversal of the burden of proof provided for in the Capital Companies Act shall apply. The Board of Directors shall have the power to approve all other related party transactions and this power may not be delegated. In accordance with the Capital Companies Act, the affected director, or the director representing or related to the affected shareholder, must abstain from taking part in the deliberations and voting on the corresponding motion. However, directors who represent or are related to the parent company on the governing body of the subsidiary listed company should not abstain. However, if they do not abstain and if their vote was decisive in passing the resolution, the rule of reversal of the burden of proof shall apply on substantially the same terms as those provided for in the Capital Companies Act for the approval of related party transactions by the General Shareholders' Meeting. The approval of a related party transaction by the General Meeting or by the Board shall be subject to a prior report by the Audit Committee. In its report, the Committee must assess whether the transaction is fair and reasonable in the eyes of the Company and, if applicable, of the shareholders other than the related party, and give an account of the assumptions on which the assessment is based and the methods used. The Directors involved may not take part in the preparation of the report.

Notwithstanding the foregoing, the Board of Directors may delegate the approval of the following related party transactions:

a) transactions between companies forming part of the same group that are carried out in the ordinary course of business and under market conditions;

b) transactions entered into under contracts whose standard terms and conditions are applied en masse to a large number of customers; are at prices or rates established generally by the party acting as supplier of the goods or services in question; and whose amount does not exceed 0.5 per cent of the Company's revenues.

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

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

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

(i) the procedure for approving related party transactions, in accordance with the following key steps:

1. Submission of a related party transaction proposal to the Chief Financial and Strategy Officer, accompanied by the corresponding documentary justification.
2. Analysis the type of transaction proposed and identification of the body responsible for its approval.

• In the case of a potential related party transaction subject to approval by the Board or the Committee: relaying the justified proposal to the Audit Committee so that it may issue its report on the matter.

Relaying the proposal and the Committee's report to the Board for approval, or referring the matter to the General Meeting for a decision by shareholders, assuming the meeting is competent to decide on the matter.

• In the case of delegable related party transactions: the delegated person shall assess and determine whether the objective requirements for approval of the transaction have been met. No report of the Audit Committee will be required in such cases. However, the reasons for approval or rejection of the transaction must be duly documented for the purpose of reporting to the Audit Committee as part of the periodic reporting and control procedure described in the following section.

Continued in Section H.

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

	Name or company name of the shareholder or any of its dependent companies	% Ownership interest	Name or company name of the company or entity within its group	Amount (thousand euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independent directors
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	14.06	Kutxabank, SA	95	(See Observations below)	(See Observations below)	NO

	Name or company name of the shareholder or Of any of its subsidiary companies	Nature of the relationship	Type of transaction and other information required for its evaluation
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	Contractual	Liquidity contract. Registered advisor contract and Dealer Agreement as part of the renewal of the commercial paper issuance programme on the Spanish Alternative Fixed Income Market (MARF), entered into by the Company with its significant shareholder Kutxabank, S.A., a dependent company of Bilbao Bizkaia Kutxa Fundación Bancaria, and with Norbolsa Sociedad de Valores, SA, belonging to the same group, during the 2023 financial year. All these contracts have been approved by the competent body, in each case, according to the breakdown included in the Observations section.

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

• Liquidity contract, dated 5 April 2022, signed between CAF, S.A. and Norbolsa, Sociedad de Valores, SA, belonging to the Kutxabank Group, as Financial Intermediary, pursuant to Circular 1/2017, of 26 April, of the Spanish National Securities Market Commission, on liquidity contracts, for an amount of EUR 30 thousand. This was approved by the CEO, by delegation, on 25 February 2022. This contract was disclosed through Other material disclosure number 17,144, of 30 June, which included reports in favour by the Audit Committee, in accordance with the provisions of article 529 unvicies of the Consolidated Text of the Corporate Enterprises Act.

Extended for a period of one year in April 2023.

• Contracts entered into with Norbolsa, Sociedad de Valores, S.A, belonging to the Kutxabank Group, within the framework of the renewal of the promissory note issuance program in MARF, dated December 19, 2023:
- Registered Advisor agreement for the amount of EUR 50 thousand.
- Dealer agreement for the amount of EUR 15 thousand.

Both transactions form part of the ordinary business of the company providing the service and were contracted under normal market conditions and rates. They were approved by delegation by the Economic-Financial and Strategy Director.
In addition, Note 10 to the consolidated financial statements contains a breakdown of the Group's outstanding balances with Kutxabank, including transactions carried out in previous years.

During the reported financial year there have been no related-party transactions whose approval is the responsibility of the General Meeting.

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

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

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

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

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

Name of entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	7,521

The company Metro CAF Mauritius, Ltd., which is 100% owned directly by the Company, was incorporated in the Republic of Mauritius (which is currently considered a tax haven, which is why it is reported in this section)

Exclusively in relation to a contract for the supply of trams to that country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

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

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

The CAF Group holds non-controlling or jointly controlled interests in companies engaged in concessions for the operation of railway operating systems, the supply of fleet and subsequent maintenance, as well as the leasing of railway equipment. The CAF Group's operations with these companies involve supply of the fleet, maintenance and leasing of railway equipment and material. The CAF Group's operations with these companies involve supply of the fleet, performance of turnkey projects and maintenance of railway equipment and material. It also has various financial loans in place that are consistent with the typical financing structure for these types of concession or leasing companies. These transactions are part of the ordinary business of the CAF Group and are carried out under normal market conditions. Information
on CAF's stakes in these companies is included in Notes 2.f and 9.a to the 2023 consolidated financial statements. Note 10 to the consolidated financial statements includes information on the balances and transactions carried out in 2023 with these companies that were not eliminated as part of the consolidation process.

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

Article 229 of the Spanish Corporate Enterprises Act and Articles 24 and 25 of the Regulations of the Board of Directors require directors to communicate to the Board of Directors any conflict, whether direct or indirect, they may encounter between their interests and those of the Company. Furthermore, in the event of a conflict, the affected Administrator must refrain from intervening in the deliberation.
and voting of the decisions and resolutions causing such conflicts. Any conflict of interest should be mentioned in the Notes to the Financial Statements. The Board Regulations also regulate in detail the obligations of non-competition and avoidance of conflicts of interest, and establish a series of prohibited conducts for directors, as well as the consequences that might arise in the event of non-compliance. Article 18 of the Regulations of the Board of Directors expressly states that directors shall tender their resignation
to the Board and then effectively resign, if the Board sees fit, if they encounter a conflict of interest and breach the duties of disclosure and abstention or where they breach the non-compete obligation. All this without prejudice to the regime applicable to related-party transactions that has been explained in section D.1 above.

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

[ ] Yes
[√] No

CNMV COMISIÓN NACIONAL DEL MERCADO DE VALORES

E. RISK MANAGEMENT AND CONTROL SYSTEMS

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

CAF Group's Comprehensive Risk Control and Management System works in a continuous manner and is managed at corporate level for all businesses and geographic areas in which the Group operates.
The undertaking of the Board of Directors' of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the Corporate Policies section at www.caf.net.
The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.
The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.
It should be noted that through the General Risk Control and Management Policy, CAF Group is committed to developing all its capabilities so that all types of risks are properly identified, measured, managed, prioritised and controlled. In this regard, the Audit Committee is tasked with ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the integrated system in place operates properly.
In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group carry a variety of risks and the Company defines basic guidelines and instructions to ensure standard operating procedures at each of the divisions so as to ensure an adequate level of internal control.
The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their valuation, as well as the preparation of the corresponding management information for decision making in terms of risk and expected profitability, which is subject to a continuous improvement process that enables it to be strengthened over time.
To respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:
• Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
• Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and reporting of the various risks.
• Coordination and communication so that the corporate procedures and the different businesses are consistent with this General Risk Control and Management Policy and the Group's Comprehensive Risk Control and Management System.

Continued in Section H.

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

The Company's Board of Directors is responsible for establishing the General Risk Control and Management Policy, including tax risks, as well as supervising the internal information and control systems.
In addition, as provided for in its Regulations, the Audit Committee is the body responsible for supervising and evaluating the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption, as well as supervising the management of the internal control and the Company risks.
The Executive Committee is the company's most senior executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and understanding the main aspects regarding its operation and control.
The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:
• To ensure the proper functioning of the comprehensive risk control and management system and, in particular, that all major risks affecting the Company are adequately identified, managed and valued,
• Actively participating in drawing up the risk strategy and in important decisions regarding risk management and
• Ensure that the comprehensive risk control and management system adequately mitigates risks within the framework of the policy defined by the Board of Directors.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) applying the Tax Policy determined and approved by the Board of Directors; and (ii) ensuring compliance with the principles of action in tax matters set out in the Tax Policy approved by the Board of Directors, which expressly include the prevention and reduction, as far as possible, of tax risks.
In addition, the remit of CAF's Internal Audit function includes, among others, the assurance of risks to which the Company is exposed and, for that purpose, it is involved in the examination and assessment of control systems and procedures and risk mitigation processes.

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

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

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

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

Market risk, which includes the following risks:

Interest rate risk: risk of variations 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 changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.

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

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

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

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

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

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

Corporate Governance Risks: arising from potential non-compliance with the Group's corporate governance system, 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) Employment, (iv) Tax and (v) Administrative (including personal data protection regulations, environmental laws, etc.).

The Non-Financial Information Statement-Sustainability Report for the year ending in 2023 delves into the different types of risks listed previously. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

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

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

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

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

- A prudent policy in relation to bid submissions in tender processes, applying predetermined Risk-Reward thresholds in the decision-making process.

- A suitable risk management infrastructure in terms of governance and availability of material and human resources.

- Search for positioning in high growth segments, in geographies that are classified as strategic and in products in relation to which CAF has existing expertise and experience that enable value generation for the Company, maintaining in all cases the desired profitability and cash generation levels.

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

Very low and low level risks may be accepted and a Control or Action Plan may not be needed in order to manage them.

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

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

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

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

With regard to tax risks, the Corporate Tax Policy expressly covers the basic principles regarding tax matters for the Group, including, to the fullest extent possible, the prevention and reduction of tax risks while carrying on its activities and maintaining a prudent risk profile at all times. The management of fiscal risks is carried out within the Comprehensive Risk Control and Management System.

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

During 2023 no material or extraordinary risks materialised, beyond those included in the Directors' Report and the Notes to the Financial Statements.

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

The exchange rate risk to which the Company is exposed due to its international operations is managed in accordance with the Market Risk Policy approved by the Board of Directors, which provides for different strategies aimed at reducing said risk, such as, for example, the establishment of financial or natural hedges, the constant monitoring of exchange rate fluctuations and other complementary measures.

The Israel-Palestine and Ukraine-Russia conflicts represent a risk of uncertainty in 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, and possible additional disruptions along the supply chain. The current conflict is affecting the
pace of execution of several projects in Israel. 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 business. That is why actions such as the signing of framework contracts with key suppliers of equipment and supplies continue to be implemented, 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 realm of Compliance are part of the overall risks supervised within the system. Details of the material aspects relating to 2023 are set out in Note 26 to the Consolidated Financial Statements and in the Non-Financial Information Statement – Sustainability Report.

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

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

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:
- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.

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

The Risk Management Department, under the direct supervision of the Audit Committee, is in charge of ensuring the proper functioning of the System. In particular, it ensures that all relevant risks that affect the Company are properly identified, managed and evaluated, and that these risks are suitably mitigated within the framework of the Policy approved by the Board of Directors.

At different intervals during the year, the Risk Management Department reviews the level of risk and compliance with the unique risk management methodology. On a monthly basis, the Risk Management Department meets with the different business units to form a picture of the business risk situation. And on a quarterly basis, it looks at the situation risks managed at the corporate level. Lastly, every six months, this same department prepares a global risk report on the Group for the Audit Committee.

In 2023, the Audit Committee received updated risk reports from the head of the Risk Management department at its May and November meetings, with the head of the area attending the first meeting in person. The presentation included a breakdown of the level of the Group's main risks (see Section E.3), differentiating between risks managed at i) corporate and ii) business unit level.

In November, the head of the Tax Function, as the person in charge of the control and management of Group tax compliance risks, also presented to the Committee its annual report on compliance with the principles of action in tax matters established by the Board in the Tax Policy, describing the fiscal developments and their impact on the Group.

The head of Internal Audit reported periodically to the Committee during this financial year on the degree of compliance and suitability of the Group's internal control and on the monitoring of the main financial and tax risks. The matters dealt with by the Audit Committee are reported at the next meeting of the Board of Directors.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

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

F.1. The entity's control environment

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

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

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. The Audit Committee, further to the powers delegated by the Board of Directors, is the body responsible for supervising, inter alia, the process of preparation and presentation and the integrity of the regulated financial and non-financial reporting, and the information systems and the effectiveness of the Company's internal control, in particular ICFR. It also monitors the risk management systems or the systems and mechanisms linked to the Company's internal codes of conduct, as well as the internal audit services, and liaises with the auditors or audit firms on any significant weaknesses in the internal control system detected during the audit. These functions are described in the Regulations of the Audit Committee.

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

The Economic-Financial and Strategy Management is the area responsible for the design, implementation and maintenance over time of an adequate and effective internal control system over financial information.

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

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

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

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

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

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.

The Code of Conduct is, therefore, a declaration at the highest level and a guarantee of the CAF Group's leadership in, and commitment to, ethics, sustainability and good governance. The Code provides the basis for policies and standards of internal action.

The general principles of the CAF Code of Conduct are mandatory rules of conduct and ethical standards based on scrupulous respect for the law, human rights, public freedoms and fundamental rights, the principles of equal treatment
non-discrimination, protection from the exploitation of child labour and other principles contained in the international instruments it cites. In addition to the above, they are the minimum basis that must govern any business behavior or action of CAF and its value chain.

With respect to financial information, the Code of Conduct includes a specific commitment to complete transparency, paying particular attention to ensuring that the information is prepared in a truthful manner and is recorded and disclosed to the market as required by applicable legislation. Likewise, the CAF Group seeks to faithfully and transparently reflect the reality of the Group, reporting in an integrated manner on all aspects of sustainability required by applicable regulations.

This enables shareholders, investors, advisors, analysts and other stakeholders to form objective opinions about the Group in line with best practices, applying the provisions of CAF's General Communication Policy.

The CAF Group complies fully with legal obligations in relation to regular public information, always respecting applicable regulations on inside and other material information, in accordance with regulations on securities market and investment services.

The CAF Group Code of Conduct has been available on the corporate website (www.caf.net) since its approval, in an easily identifiable section.

Ongoing training initiatives to raise awareness and promote Compliance standards continued in 2023.

Although the Code of Conduct and the Crime Prevention Manual have been communicated to all employees, specific training was launched in the year in accordance with plans to meet the needs of 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.

Similarly, there is a system in place for training new employees. These programmes are included in the on-boarding plans for new employees. Training materials are constantly revised and updated.

Additionally, 100% of the CAF Group's project partners, in all the regions in which it operates, are informed of the existence and obligation of compliance on their part with the General Principles of the CAF Code of Conduct.

In furtherance of the above, the Corporate Compliance System (of which the Code of Conduct is its basic standard as indicated above) is intended for the prevention, detection and early management of compliance risks.

The Compliance Function, which has autonomous powers of supervision and control, is the CAF Group's body responsible for the supervision and operation of the corporate Compliance System as a whole, the direct management of some areas (such as business ethics and due diligence in general, human rights and international sanctions, anti-corruption, competition, criminal compliance, market abuse and protection of personal data, although the latter is partially outsourced to a Data Protection Officer).

In addition, this function is also entrusted with the supervision of other areas managed by other managers. It also coordinates with other corporate functions with internal control and risk management responsibilities.

In particular, the Compliance Function will be the internal body responsible for monitoring, supervising and controlling the application of the Code of Conduct, periodically evaluating its effectiveness and adopting appropriate measures to resolve any deficiencies.

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

In 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, or where it is advisable given the size or characteristics of the subsidiary or headquarters.

For more details on the Corporate Compliance System, you can consult section 7.2 of the Non-Financial Information Statement - Sustainability Report included in the management report.

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

The CAF Group has implemented an Internal Information System that brings together all its reporting channels. This IT tool is the preferred channel for reporting actions and omissions that constitute serious or very serious criminal or administrative offences (including breaches of European Union law), as well as breaches of the Code of Conduct and other rules in the CAF Group's Internal Regulatory System.

This System allows communications to be made both nominally and anonymously and guarantees the protection measures established by law for informants, related third parties and people affected by the communication.

The main regulations governing the Internal Information System are the Internal Information System Policy and the Corporate Procedure for Management of the Internal Information System, which were approved by the Board of Directors at its meeting on 5 May 2023, after consultation with the legal representatives of the workforce.

Among the System documentation is the detail of the existing information channels for each legal entity of the CAF Group and the person responsible for receiving communications, as well as the applicable Privacy Policy.

Both the Internal Information System and the System documentation remain publicly accessible on the corporate website.

The reporting channels were continuously monitored in 2023 and reviewed regularly to ensure they were working effectively. The Internal Information System has, so far, registered 13 cases.

All complaints received have been the subject of internal investigation.

The Audit Committee is responsible for supervision of the Internal Codes of Conduct and the Internal Information System. The Compliance Function approves at least one annual activity report, which includes information on the various areas of Compliance and significant risks.

All of this is detailed in greater detail in section 7.2.5 of the Non-Financial Information Statement-Sustainability Report included in the Management Report.

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

The Group has a corporate training budget and a training plans are designed at least every two years. Training needs are detected and activities for each department are scheduled as part of this plan.

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

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

The main indicators in relation to CAF, S.A.'s economic and financial training programmes in support of the businesses in 2023 are:
• Number of participants in these training actions: 2,383.
• Number of training hours received: 8,053 hours.

It should be noted that in the 2023 financial year, a significant number of training hours for workers related to the new ERP being implemented.

Apart from general training, the main training activities focus on technical updating in relation to economic and financial aspects (such as legislation, tax and risks).

F.2. Assessment of risks in financial reporting

Report on at least the following:

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

· Whether the process exists and is documented.

The basic mechanisms and principles for adequate risk control and management are reflected in the General Risk Control and Management Policy, on whose basic principles the Comprehensive Risk Control and Management System is based.

The Comprehensive Risk Control and Management System assumes a centralised risk control and management model that covers all areas of its activity and integrates their vision into the management of the Organisation. This model establishes that every member of the organisation is involved in the process with the aim of integrating it into the company's culture.

CAF adopts a robust three-line system to organise this global management and ensure its consistency, in line with the best practices and recommendations in the international ISO 31000 and COSO ERM standards.

Consistently with section E, the first line is built around risk management in the day-to-day activity of the company and each of its businesses.

The second line comprises the assurance functions that control and supervise risk. There is a complementary assurance function for the specific case of the ICFR. This is aligned with the premises of the Comprehensive Risk Control and Management System and undertaken by the Economic-Financial and Strategy Department. This is independent of the business functions, promoting strict segregation of duties between the area that assumes the risk and the area responsible for supervising it.

This area defines the critical processes associated with each of the accounts and significant breakdowns. Risks that could generate errors or fraud in the financial information are identified based on the potential impact of an error on the financial statements and the likelihood of the risk occurring.

The third line is the independent review of the first two lines and is carried out by the Internal Audit Function. Its remit includes assessing the effectiveness of the management, control and governance processes for the risk appetite and that they are being implemented correctly.

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

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

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

At least quarterly, the Corporate Economic-Administrative Department receives from the Corporate Legal Department the corporate organisation chart of the Group, identifying the variations in the perimeter that exist in the period. All variations in the perimeter are analyzed by the Corporate Economic-Administrative Department.

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

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

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

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

F.3. Control activities

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

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

Certification of financial statements: The financial statements are certified by the CEO together with the Economic-Financial and Strategy Director. Prior to that, the information used to draw up the statements will have been validated by the senior employees involved in preparing the statements and control activities will have been carried out to minimise the risks of any error that may affect the financial reporting process.

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

Consolidation and Reporting
Accounting Close
Remuneration of employed personnel Treasury
Management
Recognition of Income, Billing and Customers (for each type of activity) Inventories and
purchases (for each type of activity)
Investments
Taxes
Provisions
Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is designated to implement and oversee each control activity, ensure that it is carried out in due course and gather all evidence needed to carry out the activity.

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

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

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

The objectives of this process are to: Comply with

the Corporate ICT development plan

Ensure the availability of information systems (availability)

Guarantee the security (confidentiality and integrity) of Information Systems

Promote the standardisation of systems

Improve the level of satisfaction of users of ICT systems

Develop the ICT corporate framework

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

Information Technology management

User management

Configuration management

Physical security management

Change management

Operational management and system control

Continuity management

Third-party management

Further highlights include the Information Security Management System (ISMS) that has been in place since 2017 in accordance with ISO 27001. The system has been certified since 2018 and was renewed in 2023 for the information systems managed by the Corporate Digital Department that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

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

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

Likewise, according to the existing delegation of authority matrix, the hiring of independent experts to carry out significant calculations or valuations must be approved by the Corporate Economic-Administrative Department, to guarantee the suitability of the expert.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and subsidiaries that cannot materially affect the Group’s financial statements)
and the subcontracting of services in the IT department (the effectiveness of which is monitored regularly). Furthermore, during the fiscal year 2023, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company’s policy is to resort to firms of renowned background and independence.

F.4. Information and communication

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

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

The Corporate Economic-Administrative Department is responsible for preparing the consolidated financial statements and those of the parent company. Its tasks include the resolution of accounting queries for the rest of the Group companies with which the Company has a direct and fluid relationship through the designated persons in charge of control at each subsidiary and updating the Accounting and Financial Policies Manual. The Manual is available on CAF's internal portal.

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

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

The financial information of each subsidiary is reported directly to CAF, S.A.'s Finance Department, through an online tool with consistent reporting formats. The tool is used to gather the information supporting the consolidated financial statements, as well as the consolidated information contained in the notes to the financial statements, and to aggregate and consolidate the information reported.
The Corporate Economic-Administrative Department is responsible for establishing the formats in the web application (chart of accounts, information packages). Those who have been designated for each subsidiary and are charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

F.5. Supervision of the functioning of the system

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

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

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as overseeing the proper internal control risk management systems, including ICFR.

The Audit Committee ensures the staff involved in the ICFR:

- Act with integrity and are independent in the performance of their work, thus ensuring that their conclusions are objective and impartial.

- Are competent and possess the necessary technical expertise to perform their work diligently.

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the design and operation of the ICFR. Every year, the head of Internal Audit presents the internal audit activities to the Audit Committee for its approval,

which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.
Based on this plan, the head of Internal Audit reports regularly to the Audit Committee on its conclusions, any weaknesses detected, recommendations for improvement and action plans to implement corrective measures. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.
In the 2023 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

• Updating the financial information risk map in a process coordinated by the Financial Department. To this end, it is analyzed whether changes in the organisation, systems, businesses and processes should include variations in the identification and evaluation of the main risks to financial information.

• Analytical review of the financial information submitted to the CNMV on a quarterly basis, together with the review of the execution of control activities in the accounting close and consolidation and reporting processes, including a review of the main judgements and estimates.

• Review of processes and subsidiaries according to a risk-based rotation plan. This review shall include relevant financial information risks and their key controls.

• Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and recommendations for further improvement.

• Annual report on ICFR indicators.

F.5.2 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others that have been entrusted to them. Likewise, whether there is an action plan that tries to correct or mitigate the shortfalls observed.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. During fiscal year 2023, the head of Internal Audit has attended five meetings of the Audit Committee, reporting on the evolution of the annual work plan and the existing action plans to implement recommendations for improving internal control.

The external auditor meets the Audit Committee to present the conclusions of the audit work on the financial statements and to report any significant internal control weaknesses detected during the course of the audit, assessing their possible effects on the financial information. In this regard, there were no points that needed to be communicated.

In 2023, the external auditors appeared twice before the Audit Committee and met with the Board in the plenary session held on 19 December 2023.

F.6. Other relevant information

F.7. External auditor's report

Report:

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

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

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

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

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

   Complies [X] Explain [ ]

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

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

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

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

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

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

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

   Complies [X] Complies partially [ ] Explain [ ]

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

   a) Report on the auditor's independence.

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

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

   Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Explain [ ]

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

a) Is concrete and verifiable;

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

Complies [ ] Complies partially [X] Explain [ ]

The number of external directors constitutes a large majority on the Board of Directors. Likewise, the number of executive directors is considered to be the required minimum, taking into account the complexity of the group and the percentage of equity participation of these directors in the Company's capital.
In line with commitments acquired in the previous year, on 24 February 2023, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, unanimously agreed to appoint a new Independent Director by co-option to fill the vacancy on the Board. As a result of this appointment, which was ratified by agreement of the Ordinary General Meeting of Shareholders on June 10, 2023, the percentage of female directors, which had been temporarily reduced to 30% at the end of the 2022 financial year, has once again been at 36.36%, close to the 40% provided for in this Recommendation.
The Company maintains its purpose of monitoring the new gender balance requirements that may be implemented in Spanish regulations, as well as the best practices and recommendations on good governance in this matter.

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

This criterion may be relaxed:

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

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

Complies [X] Explain [ ]

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

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

Complies [X] Explain [ ]

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

a) Professional profile and biography.

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

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

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

e) Company shares and share options that they own.

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

Complies [X] Explain [ ]

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Explain [ ] Not applicable [ ]

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

33. That the president, as responsible for the effective functioning of the board of directors, in addition to exercising the functions that are legally and statutorily attributed to him, prepare and submit to the board of directors a program of dates and matters to be discussed; organize and coordinate the periodic evaluation of the board, as well as, where appropriate, that of the company's chief executive; be responsible for the direction of the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances warrant.

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

Complies [X] Explain [ ]

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

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

b) The workings and composition of its committees.

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

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

1. With regard to information systems and internal control:

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

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

c) Establish and supervise a mechanism that allows employees and other people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting ones,
or of any other nature, related to the company that they notice within the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

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

2. With regard to the external auditor:

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

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

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

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

Complies [X]   Complies partially [ ]   Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [ ] Explain [ ] Not applicable [X]

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

b) That their chairpersons be independent directors.

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

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

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

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

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

Complies [X] Explain [ ]

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

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

Complies [X] Complies partially [ ] Explain [ ]

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

And, in particular, that variable remuneration components:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

H. OTHER INFORMATION OF INTEREST

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

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

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

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

The Company adhered to the UN Global Compact on 4 December 2020.

C1.16 (continued)

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration. The appointments of the directors shall be effective as soon as they are accepted (Article 29 of the Company's Bylaws). Renewal of the Board of Directors shall take place on the expiry of each director’s tenure (Article 30 of the Company's Bylaws).
The General Meeting has the power to dismiss members of the Board of Directors (Article 13.1 of the Company's Bylaws). Dismissals of Directors will take place in accordance with prevailing legislation (Article 18.1 of the Regulations of the Board of Directors).
The Board Regulations establish the cases in which Directors must make their position available to the Board of Directors and formalize, if it deems appropriate, the corresponding resignation (see section C.1.19 of this Report).
The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time the corresponding measures are implemented. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the Company's Bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the General Shareholders' Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Regulations of the Board of Directors).

C1.30 (continued)

Mechanisms to preserve the independence of financial analysts, investment banks and rating agencies:
The principles underpinning the Company's relationship with analysts, investment banks and rating agencies are set out in the General Policy on Communication of Economic-Financial, Non-Financial and Corporate Information and Contact with Shareholders, Institutional Investors and Proxy Advisors and are those of transparency, equal treatment and non-discrimination, truthfulness, and reliability of the information provided.
The "Investor Relations" Department, attached to the Company's Financial and Strategy Department, is responsible for channelling communication between the Company and shareholders, investors, asset managers, financial intermediaries and analysts who cover the analysis of CAF as a listed company, respecting in all cases the general principles established in the aforementioned Policy, which guarantees its objective, equitable and non-discriminatory treatment.

C.2.1 (continued)

AUDIT COMMITTEE
In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Article 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all members of the Board of Directors (Article 9 of the Audit Committee Regulations).

The most relevant activities carried out by this Committee in 2023 are described in the Operating Report to be published at the time of the call for the General Shareholders' Meeting on the corporate website (www.caf.net). The most noteworthy include:

i. Financial and non-financial reporting and internal control mechanism activities
• Examination, prior to the presentation to the Board of Directors for formulation, of the financial statements and the individual and consolidated management reports of CAF, S.A. and the CAF Group, respectively, corresponding to 2022. Oversight of the integrity of non-financial information, particularly that in the Management Report, of which the Annual Corporate Governance Report, the Annual Remuneration Report and the Non-Financial Information Report form part.
• Examination, prior to its presentation to the Board of Directors for approval, of the semi-annual interim financial information and information on results for the first and third quarters.
• Review of the remaining information to make it available to the market or supervisory bodies during the reported year.
ii. Related-party transaction activities.
Report from the Economic-Financial Directorate on related-party operations executed during fiscal year 2023.
iii. Activities relating to the Sustainability Policy and the terms of its implementation in the year
The Nomination and Remuneration Committee is responsible for supervision of the Company's Sustainability Policy and its environmental and social practices, with the Audit Committee being responsible for verification of the information in this area that the Company publishes as part of the Management Report that accompanies the individual and consolidated annual financial statements of CAF, S.A. and CAF Group.
The Committee has performed the functions related to the Internal Information System (complaint channels) and the Group's internal codes of conduct, and the application of the Company's General Communication Policy, which are reported in the following point.
iv. Activities regarding internal control and risk management
• Ongoing evaluation of the ICFR system and analysis of the recommendations and improvement plans proposed by Internal Audit.
• Supervision of the Risk Management Unit. In performing this function, the Committee received a report from the Risk Management Unit on the main risks and contingencies of the Company and its Group, with the head of this unit attending the Committee.
• Supervision of the activities of the Company's internal Tax Department, which is tasked with the control and management of the Group's tax risks, with the head of the area attending to report on current inspections, transactions carried out, changes in the risk matrix, monitoring of compliance with the Tax Policy and any developments in tax matters relevant to the Company.
• Proposed General Policy for the Internal Information System, the procedure for its management, and the appointment of its head, for submission to the Board of Directors.
• Supervision of compliance with internal codes of conduct and the Internal Information System.
v. Internal audit-related activities:
The Audit Committee analysed and oversaw, on a direct and ongoing basis, the actions taken by the company’s internal audit area. Additionally, it has carried out the following actions:
• Review of the Annual Report on Internal Audit Activities corresponding to fiscal year 2022, which includes the monitoring of internal control recommendations made by Internal Audit through different reports.
• Approval of the Internal Audit Work Plan corresponding to the 2023 financial year.
• Monitoring the execution of the Internal Audit Work Plan throughout the year.
• Evaluation of the functioning of Internal Audit and the performance of the head of this area.
vi. External auditor-related activities:
• Analysis of the external auditor's reports relating to the individual and consolidated annual accounts of the Company, for the financial year 2022.
• Analysis of the limited review report on the 2023 semi-annual financial statements.
• Request for written confirmation of independence issued by the auditor, and preparation of the Report on the auditor's independence, in relation to the audit of the 2022 annual accounts.
• Approval of the proposal for non-audit services for the 2024 and its budget. Verification of the fees incurred for services contracted in 2023, according to the approved budget.
• Evaluation of the external auditor's conduct.
vii. Analysis of corporate operations
Analysis of ongoing strategic corporate operations, for prior report to the Board of Directors.
viii. Activities regarding financing:
Analysis of the proposed renewal of the annual commercial paper issuance programme on the Spanish Alternative Fixed Income Market (MARF), registered for the first time in December 2020, and proposed to the Board of Directors for its approval.
ix. Audit Committee action plan monitoring activities:
The Committee has verified compliance with the 2023 action plans, established in the Report on the annual evaluation of its performance, approved at its session on December 19, 2022.
The Committee monitored key issues relating to cybersecurity and their possible implications for the Board of Directors, including the publication of the CNMV's 2023 Code of Good Governance on Cybersecurity, and promoted the presentation of these issues to the full Board.
x. Other activities
• Approval of the report relating to the operation of the Audit Committee for the 2022 financial year.
• Supervision of the application of the General Communication Policy.
• Supervision of the activity of the Shareholder and Investor Relations Area during the year and its Activity Plan for 2023.

• Approval of an annual audit plan for 2024, which includes the annual schedule for Committee meetings with the external auditors.

NOMINATION AND REMUNERATION COMMITTEE:

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

The main activities performed by the Committee in 2023 included:

a. Appointment activities
• Submission to the Board of the proposal for the appointment by co-option of Ms Begoña Beltrán de Heredia Vila as an Independent Director and her membership of the Audit Committee.
• Presentation to the Board, for submission to the General Meeting: (i) the previous report on the proposal for the re-election of Mr Martínez Ojinaga as Executive Director, as well as (ii) the proposal for the ratification of the appointment by co-option of Ms Begoña Beltrán de Heredia Vila and her appointment as Independent Director.
• Review of the competency matrix of the Board of Directors.
b. Remuneration activities
• Submission of the proposed Directors' Remuneration Report for 2022 to the Board of Directors.
• Verification of compliance with the predetermined economic-financial and non-financial parameters for the accrual of the variable remuneration corresponding to 2022.
• Proposal to the Board for directors' remuneration for 2023.
• Proposal to the Board of the variable remuneration plan for the Executive Directors and the Executive Committee for the financial year 2023.
• Submission to the Board of Directors of the proposal for provisions to the Long-Term Savings System for the financial year 2023.
• Proposal of a Long-Term Incentive Plan to the Board.
c. Corporate Governance and Sustainability activities
• Review of the Non-Financial Information Statement/Sustainability Report, corresponding to fiscal year 2022, for approval by the Board of Directors.
• Review of the Modern Slavery Declaration reports for 2022.
• Supervision of effective compliance with corporate governance rules and evaluation of the Corporate Governance System during 2023.
• Supervision of the Sustainability Policy as well as the Company's practices in environmental and social matters in fiscal year 2023.
• Annual assessment of compliance with the Diversity and Director Selection Policy in 2023.
d. Other activities
• Approval of the Report on the Functioning of the Nomination and Remuneration Committee in 2022.
• Proposed appointment of the external advisor for 2023, following verification of their independence.
• Supervision of the renewal process of the insurance policy for Directors and Executives.
• Approval of the Committee's 2024 Activities Plan.
e. Nomination and Remuneration Committee action plan monitoring activities
The Committee continuously monitored the action plans for the year in 2023, verifying that they had been implemented satisfactorily.

D.1 (continued)

(ii) the internal procedure for reporting and regular monitoring of delegable related party transactions, as described below: The Chief Financial and Strategy Officer of the Company shall submit to the Audit Committee, through that committee's Secretary,
a periodic report summarising the related party transactions whose approval has been delegated by the Board of Directors and which have been approved during the reporting period. This report must be issued as often as required to ensure the Company complies with its legal obligations relating to related-party transactions
The report shall include at least the following:
(i) The number of transactions by type and related party;
(ii) The following information in respect of each related party transaction: type of transaction, amount or consideration of the transaction and market price ranges for similar transactions, related party to which the transaction relates and other relevant terms of the transaction;
(iii) Extent to which each transaction meets the requirements for approval by delegation.
(iv) A summary of the rationale for approving each transaction, focusing on the fairness and transparency of the transactions.
The Chief Financial and Strategy Officer of the Company shall establish the necessary resources and mechanisms to ensure a permanent supply of up to date information:
• A register of proposed related party transactions.
• A record of completed related party transactions, which shall necessarily include the status of the applicable thresholds for approval and publication of related party transactions.
The Secretary of the Board shall provide the Chief Financial and Strategy Officer with a list of persons related to the directors who are to be considered related parties of the Company for the purpose of applying the rules and regulations on related party transactions. (Article 8 of the Manual on Related Party Transactions).

Intragroup transactions which, due to their characteristics, qualify as related party transactions are managed in accordance with the terms of the Manual. For the approval of intragroup transactions, from the perspective of the subsidiaries referred to in Article 231 bis of the Spanish Corporate Enterprises Act, the provisions of the article above shall apply.

E.1 (continued)

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

The main aspects of the Three Lines Model are set out below:

Determining the General Risk Control 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 Company's internal risk control and management function.

Responsibility for all activities aimed at achieving the Organisation's objectives, including those related to risk and opportunity management, falls to the Company's Management, which promotes a culture sensitive to respect for risk appetite.

Every activity undertaken involves uncertainties. These can be risks that can hinder us achieving our objectives, or opportunities we can exploit to maximise them. For this reason, the functions that carry out activities at CAF, both in the provision of products and services and in support areas, always keep in mind the importance of anticipating and identifying uncertainty events, evaluating them and, if appropriate, managing them.

With an entire organisation focused on risk and opportunity management, the work of the second line is crucial in three aspects:

1) Ensure the correct evaluation and quantification of risks: it challenges the assessments of the first line and supports it in quantification based on its knowledge and experience, and its independence.

2) Provide management with information on risks in understandable and common language that enables risk-based decision-making.

3) Ensure that the company's global 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. It is integrated into the Finance and Strategy Department under the direct supervision of the Audit Committee. This department is responsible for ensuring the proper functioning of the Comprehensive Risk Control and Management System, maintaining risk at levels consistent with the established appetite. However, the Group has various complementary second lines of assurance based on specific areas of expertise and internal control systems.

In the specific case of compliance risks of a fiscal nature, the role of the second line is played by the Corporate Tax Function, which controls the level of fiscal risk both for each business and geography and at the corporate level.

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 Audit Committee promotes and facilitates continuous improvement.

Developments in 2023 included:

Progress continued on updating the Group's risk catalogue, improving the methodology and management dynamics associated with each type of risk. In 2023, the focus was on deepening risk management in relation to employment by Human Resources, with work to improve the maturity of mitigation measures and controls for environmental and occupational health and safety (OHS) risks for employees.

Additionally, progress has continued in refining the management of risks and opportunities derived from climate change within the framework of the Comprehensive Risk Management System. Specifically, the level of detail of the analysis has continued to increase.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

27/02/2024

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

[ ] Yes
[√] No

Auditor´s report on the "Information Related to the System of Internal Control Over Financial Reporting (ICFR)" of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for the year 2023

Building a better working world

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

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

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

In accordance with the request from the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter the Entity) and our engagement letter dated October 9, 2023, we have performed certain procedures on the "ICFR related information" attached in section F of the Annual Corporate Governance Report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., which summarizes the internal control procedures of the Entity in relation to the annual financial information.

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

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

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

For the purpose of issuing this report, we exclusively performed the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to Entity's annual financial information for 2023 described in the ICFR related information attached. Consequently, had we performed additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have come to our attention that would have been reported to you.

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

The procedures performed were as follows:

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

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

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

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

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

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

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

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

ERNST & YOUNG, S.L.

The original signed in Spanish

February 27, 2024

14 ANNUAL REPORT ON DIRECTORS' REMUNERATION

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.

ISSUER'S PARTICULARS

End date of reference financial year: 12/31/2023

Tax Identification Number (CIF): A20001020

Company name:

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Registered office:

JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA)

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

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

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

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

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

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

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

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

* CAF's remuneration policy for 2024 was approved by the General Shareholders' Meeting held on 11 June 2022, following a proposal made by the Board of Directors dated 6 May 2022.
The Board of Directors in turn formulated the proposal in light of the report and proposal issued by the Nomination and Remuneration Committee on the same date. The remuneration policy approved by the General Meeting is a continuation of the policy applied by CAF in
previous years, although the changes and improvements indicated below were included, in addition to the expansion of the content of the remuneration policy in accordance with the new wording of article 529 novodecies of the Capital Companies Law:

1. The inclusion of life insurance among the remuneration items that should be applied to directors in their capacity as such, following the amendment to Article 39 of the Company's Bylaws approved at the General Meeting held on 5 June 2021.

2. The introduction of a long-term savings system for executive directors;

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

4. The inclusion of a more specific mention of the possible application of the "malus" clause before paying variable remuneration to executive directors.

5. Updating the annual fixed remuneration of the Chief Executive Officer.

Likewise, as resolved by the General Meeting, the remuneration policy was applicable from the date of its approval (i.e. 11 June 2022) and for the remainder 2022 and remains in force for the following three years upon approval (for 2023, 2024 and 2025), without prejudice to any modifications, adaptations or updates that may be passed at any time at CAF's General Shareholders' Meeting.

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

1. General criteria

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

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

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

2. External directors

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

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

- the aim of the remuneration policy is to motivate and retain the most suitable professionals.

3. Executive directors

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

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

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

In this regard, the remuneration policy approved by the General Meeting provides for the inclusion of variable remuneration concepts linked to the achievement of specific economic-financial objectives, quantifiable and aligned with the social interest and the strategic objectives of the company.
Also, non-financial parameters should be set to promote sustainability and the creation of long-term value for the Company.

It is the responsibility of the Board of Directors, at the proposal of the Nomination and Remuneration Committee, to determine the amount of variable remuneration, the parameters on which it is based, its weighting, the objectives at the beginning of each year (in the case of annual variable remuneration) and the evaluation of its compliance once it has ended.

Continued in Section D.

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

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

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

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

Executive directors are covered by a long-term incentive plan approved in 2023 (as detailed in section B.7) for the period from 1 January 2023 to 31 December 2026. This plan, which, if applicable, will settle in financial year 2027, includes parameters linked to quantifiable business and financial objectives and non-financial objectives defined in the Strategic Plan in line with the corporate interest (aggregate EBIT operating profit for the period 2023-2026 and reduction of CO_2 emissions (Scope 3) at year-end 2026, respectively).

Short-term variable remuneration is expected to be maintained in the remuneration package of executive directors in 2024. In this case, the parameters chosen to assess the degree of fulfilment of the objectives and determine the variable remuneration payable to the executive directors must be both business and financial (such as contracting, sales, cash flow and pre-tax profit) and non-financial (such as customer satisfaction, the organisational health index, the result of the Ecovadis assessment, the indicator for reductions of CO2 emissions (scope 1&2) or other ESG indicators that promote CAF sustainability). The intention is that these parameters address the viability and sustainability of the CAF group both in the short and long term, selecting parameters that, although measured annually, have a medium and long-term impact on the sustainability of the group.

The degree of compliance with the objectives will be verified by the Board of Directors once the definitive data is available (at year-end for annual variable remuneration and in 2027 for long-term variable remuneration). Also, it will be ensured that the amount of such variable remuneration is adequately balanced with the fixed components, in such a way that it offers an appropriate incentive without distorting its complementary nature with respect to the fixed amounts.

However, payment of variable components (both short and long term) is expected to be deferred (until after the following year's General Shareholders' Meeting for annual variable remuneration and after the 2027 General Shareholders' Meeting for long-term variable remuneration).
This means there will be time to verify compliance with the parameters linked to performance, enabling the Board of Directors to measure the level of compliance with the objectives more efficiently and assess whether any circumstances have arisen that make it advisable to reduce the variable remuneration of the executive directors, such as serious breaches of their obligations, qualifications in the audit report or the need to restate the Company's financial statements.

Finally, the Company may claim reimbursement of any variable remuneration that has been paid based on inaccurate data or in the event that any circumstance arises that makes it advisable.

Both the reduction and the refund of the incentive can be total depending on the severity of the event.

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

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

In 2024 the components of the directors' remuneration for the performance of their corresponding duties are expected to include fixed remuneration for membership of the Board, remuneration for serving on Committees, and per diems for attending Board meetings, and pursuant to the provisions of Section 3.1.4 of the remuneration policy, an additional fixed amount will be paid to directors who perform other functions or responsibilities.

It is expected that the amount of the fixed components of the remuneration of directors in their capacity as such during fiscal year 2024 will not present variations with respect to fiscal year 2023, since the amounts approved during said fiscal year have been established to be valid until 2025. The variations agreed in fiscal year 2023 are described in section B.5.

No other benefits, such as advances or loans, are expected.

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

It is expected that the amount of the fixed components during the 2024 financial year for the performance of senior management functions of the executive directors will be updated, where appropriate, in line with the fixed salary reviews agreed in the applicable collective agreement.

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

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

The Company has not agreed to pay any remuneration in kind to its directors, except for life insurance for executive directors.

Although an estimate of the total amount of the insurance premiums to be paid in 2024 cannot currently be provided, no substantial changes are envisaged with respect to the amounts paid in 2023.

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

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

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

With regard to long-term variable remuneration, executive directors participate in a long-term incentive plan approved during fiscal year 2023, the terms of which are described in detail in section B.7, and which seeks to establish an incentive to achieve results and the Company's strategic objectives that reinforce its performance and long-term sustainability. Said remuneration is settled, if applicable, in fiscal year 2027, once the annual accounts corresponding to fiscal year 2026 have been approved by the General Meeting.

On the other hand, with regard to short-term variable remuneration, the inclusion of which is expected to be maintained during fiscal year 2024, the intention is that the parameters chosen take into account the viability and sustainability of the CAF group both in the short and in the long term, selecting parameters that, even measured annually, have a medium and long-term impact on the sustainability of the group. These parameters must be both business and financial (such as contracting, sales, cash flow and PBT) and non-financial (such as customer satisfaction, the organisational health index, the result of the Ecovadis assessment, the CO_2 emissions reduction index (Scope 1 & 2) and other ESG indicators that foster CAF's sustainability).

In this regard, it is expected that these short-term variable components will be similar to those already included in previous years, both in the linking of the reference parameters with CAF's performance, and in the way they are verified and in the possibility of the Company claiming reimbursement of any variable remuneration that had been paid on the basis of inaccurate data.

The measurement of the degree of compliance with the short-term objectives will be based on the annual financial statements and management report at 31 December 2024, once approved by the Board of Directors in the first quarter of 2025 (for the financial parameters) and on the basis of surveys, questionnaires, measurements, third-party reports and similar methods (for the non-financial parameters).

Likewise, when setting the annual variable remuneration for executive directors, the short-term variable component should not work against the best interests of the Group. Its payment will, therefore, be deferred for a minimum of six months from the end of the financial year, until compliance with the parameters linked to performance has been verified and an assessment made as to whether there are any circumstances that make it advisable to reduce the variable remuneration to be received by the executive directors, such as a serious breach of their obligations, qualifications in the audit report or the need to restate the Company's financial statements.

As of today, the amount of the maximum limit of the annual variable remuneration of executive directors during the year 2024 is not available, although it is expected to be lower than in the year 2023.

Therefore, the Company considers that the remuneration system is aligned with its objectives, values and long-term interests.

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

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

The Company has a long-term savings scheme in place for executive directors as part of its defined contribution scheme, which is compatible with other types of compensation. This scheme covers retirement, death, full permanent disability and severe disability.

The accrual or consolidation of the rights derived from the long-term savings system occurs when one of these causative events occurs or in certain cases of termination of the employment or commercial relationship with the Company.

The provision to the aforementioned long-term savings system for executive directors during fiscal year 2024 will be a similar amount to that corresponding to fiscal year 2023.

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

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

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

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

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

Likewise, the contract imposes obligations on the CEO in terms of non-competition and exclusivity for two years from their departure. These obligations do not accrue additional remuneration.

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

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

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

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

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

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

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

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

a) A new policy or a change to the policy already approved by the General Shareholders' Meeting.

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

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

The Board of Directors is considering proposing to the next Ordinary General Meeting of the Company a modification of the current remuneration policy to incorporate the possibility that the remuneration of directors includes the delivery of shares, share options or remuneration linked to the value of the shares, in addition to other adjustments that are considered appropriate.

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

https://www.caf.net/upload/accionista/directors-remuneration-policy-2022.pdf

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

The Annual Remuneration Report for 2022 was approved with a larger majority than the 2021 Report. Despite this, the Company considered it appropriate to introduce a series of measures to consider the shareholders' vote at the General Shareholders' Meeting at which the 2022 Annual Remuneration Report was voted on:

- On the one hand, the main proxy advisors and the Company's significant shareholders and investors have been demanding in recent years the implementation of a long-term incentive plan. In response, the Company has implemented the long-term incentive plan detailed in section B.7, which improves the alignment of the remuneration of executive directors with the Company's long-term performance and sustainability.

- This plan was prepared with advice from external advisors and consultation with the Company's main shareholders and institutional investors, who had the opportunity to comment and give feedback before its approval. Among other issues, the recommendations of said advisors, proxy advisors, shareholders and investors have been reflected in the following aspects of the plan:

• The selection of metrics, including at least one non-financial one.
• The weighting between the metrics.
• Setting ambitious goals.
• The duration of the plan.
• The existence of a key parameter.
• That the accrual of part of the incentive is established by reference to a comparison group.

- In line with recommendations from the proxy advisors, it has been decided to disclose the objectives for each of the parameters for accrual of long-term variable remuneration in this Report.

- This remuneration report also provides more information on the weightings of each parameter, and the objectives and the extent to which they were achieved in the context of the short-term variable remuneration of directors, in response to demands from the main proxy advisors in recent years.

- Finally, it has been considered appropriate to expand the information in section B.9 on the long-term savings system for executive directors, in response to observations by the main proxy advisors. These contributions are pre-determined and that no major variations are expected in the coming years.

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

B.1.1 Explain the process by which the remuneration policy was applied and the individual remuneration reflected in Section C of this report determined. This information will include the role played by the remuneration committee, the decisions taken by the board of directors and, where appropriate, the identity and role of the external advisors whose services were used to apply the remuneration policy in the last financial year.

This remuneration policy was approved by the General Shareholders' Meeting held on 11 June 2022, following a proposal by the Board of Directors dated 6 May 2022. The Board of Directors in turn formulated the proposal in light of the report and proposal issued by the Nomination and Remuneration Committee on the same date.

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

The Board's remuneration package for 2023 was determined in the following manner:

(i) In the first quarter of 2023, the Nomination and Remuneration Committee submitted the parameters on which the variable remuneration of executive directors would be based to the Board of Directors for approval.

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

(iii) On 27 July 2023, the Nomination and Remuneration Committee agreed to propose approval of the remuneration of directors in their capacity as such to the Board of Directors. This included an increase in the fixed amount for membership of the Board of Directors and remuneration for membership of its committees, with additional remuneration for the chairs of the committees, in recognition of their special duties and responsibilities, as detailed in section B.5. The amount of the remaining items of fixed remuneration for directors in their capacity as such has not changed with respect to the previous year.

(iv) On July 28, 2023, the Board of Directors approved the proposal made by the Nomination and Remuneration Committee described above.

(v) On 14 November 2023, the Nomination and Remuneration Committee resolved to submit to the Board of Directors a proposal for contributions to the long-term savings scheme for executive directors, the aggregate amount of which is included in table a) iii) of Section C.1 of this report.

(vi) On 15 November 2023, the Board of Directors approved the proposal made by the Nomination and Remuneration Committee described above.

(vii) On December 18, 2023, the Nomination and Remuneration Committee agreed to propose to the Board of Directors, among other issues, the approval of a long-term incentive plan for the period 2023-2026, aimed at, among others, the executive directors. The Nomination and Remuneration Committee considered the suggestions of external advisors, proxy advisors, significant shareholders and institutional investors when preparing the long-term incentive plan.

(viii) On December 19, 2023, the Board of Directors approved the proposals made by the Nomination and Remuneration Committee described above.

(ix) On 27 February 2024, the Board of Directors approved the final remuneration for executive directors for 2023, following the formulation of the 2023 annual financial statements and having assessed the levels of compliance with the parameters that had been proposed by the Nomination and Remuneration Committee and approved by the Board.

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

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

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

No temporary exceptions to the remuneration policy were applied in 2023.

B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adjusting it to the objectives, values and long-term interests of the company, including a reference to the measures that have been adopted to guarantee that the remuneration accrued has taken into account the long-term results of the company and reached an adequate balance between the fixed and variable components of the remuneration, what measures have been adopted in relation to those categories of personnel whose activities professionals have a material repercussion on the entity's risk profile, and what measures have been adopted to avoid conflicts of interest, if any.

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

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

As an example of this, in 2023 the directors did not receive any advances, guarantees or loans; nor did they receive any additional remuneration for belonging to the Boards of Directors or senior management of other Group companies.

With regard to executive directors, with the aim of aligning their interests with those of the Company, and ensuring that their remuneration reflects the company's long-term results, during the 2023 financial year variable components have been included in their remuneration, linked to professional performance criteria, as described in greater detail in section B.7 below.

As a new development in 2023, the Board of Directors has decided to implement a long-term incentive plan for executive directors, which runs from 1 January 2023 to 31 December 2026. This includes parameters linked to achieving the quantifiable financial and non-financial objectives in the Strategic Plan, which are aligned with the corporate interest (aggregate EBIT operating profit for 2023-2026 and reduction of CO_2 emissions (Scope 3) at the end of 2026, respectively). As in previous years, it has been agreed to link the short-term variable remuneration of executive directors to parameters linked to achieving financial objectives that are quantifiable and aligned with the Company's corporate interests and strategic objectives (contracting, sales, pre-tax profit) and effective operational management (cash flow), as well as non-financial parameters (customer satisfaction, the organisation health index, results of the Ecovadis assessment and emission reductions (Scope 1 and 2) that are capable of creating long-term value.

Payment of variable remuneration is deferred over time, so the Board of Directors has sufficient time to verify the degree of compliance with the objectives and can assess whether there are any circumstance that make it advisable to reduce this remuneration.
It is also envisaged that, in the event of any error in the calculation of the variable remuneration or in the measurement of the degree of achievement of the objectives, the executive directors would be required to reimburse any excess that they had received.

A comparison group of 18 companies with parent companies in Spain and comparable size in terms of turnover, employees, assets and market capitalisation to CAF has been analysed. Analysis of the data from this sample, obtained from a study commissioned from a leading external consultancy, shows that CAF's remuneration is in line with that of comparable companies.

With regard to directors who are neither executive nor proprietary, their remuneration is set at a level that does not in any case compromise their independence of judgment.

The remuneration accrued in 2023 for the directors as a whole is, in general, aligned with that of other listed companies similar to CAF in terms of activities, size, turnover and market capitalisation, as published in the CNMV most recent Annual Report on Remuneration of Directors of Listed Companies, which covers 2022.

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

B.3. Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the sustainable and long-term performance of the company.

Also report on the relationship between the remuneration obtained by the directors and the results or other measures of performance, in the short and long term, of the entity, explaining, where appropriate, how the variations in the performance of the company may have influenced the variation in the remuneration of directors, Including those accrued whose payment has been deferred, and how they contribute to the company's short and long-term results.

The remuneration accrued during fiscal year 2023 fully complies with the provisions of the director remuneration policy approved by the Ordinary General Meeting of Shareholders of CAF held on June 11, 2022, as explained below:

(i) The remuneration accrued by directors in their capacity as such consisted solely of fixed remuneration for membership of the Board, per diems for the attendance of Board meetings, remuneration for belonging to the Committees and fixed remuneration for the Chairman, the Secretary of the Board and the chairs of the Committees, in view of their special duties and responsibilities, while not exceeding the maximum figure established in Section 3.1 of CAF's remuneration policy.

(ii) In addition to the concepts mentioned in paragraph (i) above, the fixed remuneration of executive directors has included the concepts provided for in section 3.2 of CAF's remuneration policy, and the quantitative limits provided therein have not been exceeded.

(iii) The variable remuneration of executive directors is linked to achieving financial and non-financial objectives that promote sustainability and long-term value creation for the Company, as set down in section 3.2.2 of the Remuneration Policy.

Regarding the relationship between the remuneration of directors and the results of the Company, the inclusion of variable components (long and short term) in the remuneration of executive directors has allowed the latter to be linked to performance criteria.

Likewise, the positive evolution in the Company's performance has determined that the annual variable remuneration of executive directors during fiscal year 2023 has been higher than that of fiscal year 2022.

In 2023, the Board of Directors approved a long-term incentive plan linked to the 2023-2026 Strategic Plan, which was approved in November 2022 and runs from 1 January 2023 to 31 December 2026, covering the entire strategic cycle. Through this plan, the achievement of the Company's results and strategic objectives is encouraged and the remuneration of executive directors is aligned with the interests of the Company and its shareholders. Therefore, achievement of the objectives in the incentive plan, measured through a financial (aggregate EBIT operating profit for 2023-2026) and a non-financial (reduction of Scope 3 CO_2 emissions at the end of 2026) parameter, linked to achievement of the Strategic Plan, has a positive impact on the Group's long-term performance. This is particularly true when it is considered that the incentives under this plan will not be settled and paid until achievement of the objectives for 31 December 2026 has been verified.

Although the accrual period for short-term variable remuneration is one year, it contributes to obtaining results and the sustainable performance of the Company, both in the short and long term, given that (i) the achievement of the objectives on which it is based has an impact on the Group's performance both in the short term (as occurs with the level of cash flow or sales) and in the long term (as occurs with the level of contracting and sustainability indicators, such as customer satisfaction, the organisational health index and the results of the Ecovadis assessment), and (ii) due to the nature of CAF's business, attaining the objectives reflected in various parameters, such as the level of contracting or customer satisfaction, is a consequence of the dedication of resources and efforts over a significantly longer period of time.

For example, a contract awarded is the result of a tender process that, for the most part, lasts for more than one year. This means that even though the measurement of the objectives and the accrual of short-term variable remuneration related to the volume of contracting are components that are verified annually, achieving the objective is the result of the dedication of resources and efforts over a considerably longer period of time.

Furthermore, most contracts signed by CAF tend to last more than three years, in the case of manufacturing and supply contracts, or even 15 years, in the case of maintenance contracts. This means that the achievement of the contracting volume target for a given year necessarily contributes to the medium and long-term sustainability of the Group, regardless of whether the target is measured on an annual basis, as signing a new contract involves a minimum two-year workload for the factories, thus generating positive effects for the Group in the future.

The case is similar when it comes to the level of customer satisfaction. This parameter is assessed by conducting surveys amongst Group customers. Given the long duration of CAF contracts, the assessment of customer satisfaction necessarily refers to the customer's continued relationship with CAF for a period of much more than one year. Therefore, although the objective is measured once per year, its achievement is the result of efforts extending over several years.

Continued in Section D.

B.4. Report on the outcome of the advisory vote of the general meeting on the annual report on remuneration for the previous year, indicating the number of abstentions and “no” votes cast, blank votes and "yes" votes cast:

	Number	% of total
Votes cast	26,286,085	76.68

	Number	% of votes cast
“No” votes	7,299,180	27.77
“Yes” votes	17,130,992	65.17
Blank votes		0.00
Abstentions	1,855,913	7.06

Observations

The annual remuneration report for the 2022 financial year was approved with a greater majority of the votes cast than the annual remuneration report for the 2021 financial year.

B.5. Explain how the fixed items earned and vested in the year by the directors in their capacity as such were determined, their relative proportion for each director and how they have changed with respect to the previous year.

The remuneration of the directors in their capacity as such comprises the following items: fixed remuneration for membership of the Board of Directors, per diems for the attendance of Board of Directors meetings, additional fixed remuneration for members of Committees and fixed remuneration for the Chairman, the Secretary of the Board and the chairs of the Committees, in light of their special duties and responsibilities. Fixed components represent 100% of the remuneration for all directors in their capacity as such.

As described in section B.1, in 2023 the Nomination and Remuneration Committee proposed to the Board of Directors approval of: an increase in the fixed remuneration for membership of the Board of Directors, to 75,000 euros per year for each director (from 60,000 euros in 2022); an increase in remuneration for Committee membership, to 25,000 euros per year and committee (from 15,000 euros in 2022); and the introduction of additional remuneration for the chairs of the Committees of 10,000 euros per year, in recognition of their special duties and responsibilities. It was agreed that these increases would apply until 2025. There were no changes to the amount of other items in the fixed remuneration of directors in their capacity as such compared to the previous year.

The Nomination and Remuneration Committee proposed an increase in the fixed allocations for membership of the Board and Committees, which had remained unchanged since 2018. In order to prepare its proposal, the Committee carried out an analysis of the remuneration reports published by the CNMV in recent years and reports published by specialist consultancies. The total fixed remuneration of directors in their role as such is below the limit set in the Director Remuneration Policy, standing at approximately 65%.

B.6. Explain how the salaries earned and vested in the last financial year by each of the executive directors for the performance of their management duties were determined and how they have changed with respect to the previous year.

As indicated in Section A.1.9, the Company has signed a contract for an indefinite term with the Chief Executive Officer, as approved by the Board of Directors. The other executive director, who has not been delegated powers by the Board, has an ordinary employment contract.

The salaries of the executive directors corresponding to the 2023 financial year are included in their respective contracts, with the amounts shown in table a) i) of section C.1 of this report, which will be updated, where appropriate, in line with the fixed salary reviews agreed in the applicable collective agreement.

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

B.7. Explain the nature and main features of the variable items of the remuneration systems earned and vested in the last financial year.

In particular:

a) Identify each of the remuneration plans determining the variable remuneration earned by each of the directors in the last financial year, including information on the scope of the plan, its approval date, implementation date, vesting conditions, if any, accrual periods and periods of validity, criteria used to assess performance and how this has affected the establishment of the variable amount earned, as well as the measurement criteria used and the time required in order to be in a position to adequately measure all the stipulated conditions and criteria. Provide a detailed description of the criteria and factors applied with respect to the time required and the methods for verifying effective compliance with the performance or other conditions to which the earning and vesting of each variable remuneration item was linked.

b) In the case of stock option plans and other financial instruments, the general features of each plan will include information on the conditions both for acquiring unconditional ownership (vesting) thereof, and for being able to exercise those options or financial instruments, including the price and period for the exercise thereof.

c) Each of the directors, and their category (executive directors, non-executive proprietary directors, non-executive independent directors or other non-executive directors), who are beneficiaries of remuneration systems or plans that include variable remuneration.

d) Where applicable, information shall be provided on the accrual periods or the periods of deferral of payment applied and/or the periods of retention/non-disposal of shares or other financial instruments, if any.

Explain the short-term variable items of the remuneration systems:

At its meeting held on 25 October 2017, the Board of Directors approved the inclusion of variable items in the remuneration of executive directors for 2018 onwards.

The setting of the specific parameters to which the short-term variable remuneration for the 2023 financial year should be linked was carried out on the basis of a proposal formulated by the Nomination and Remuneration Committee in the first quarter, subsequently approved by the Board. The following parameters were defined, with an equal weighting for each executive director in the total variable remuneration: contracting volume, sales volume, profit before taxes (PBT), cash flow, level of customer satisfaction, organisational health index, the results of the Ecovadis assessment and reduction of scope 1 and 2 CO2 emissions, at the level of the consolidated Group in all cases.

The contracting volume, sales volume, profit before tax (PBT) parameters and cash flow are linked to the achievement of specific business and financial objectives. The other parameters - customer satisfaction, the organisational health index, the results of the Ecovadis assessment and reduction of scope 1 and 2 CO2 emissions - are non-financial criteria that foster the creation of long-term value for the Company.

For each parameter, a series of ambitious objectives were established, the fulfillment of which allowed 100% of the variable remuneration to be obtained in the short term, up to a maximum limit. Likewise, minimum objectives were set, which allowed 50% of the short-term variable remuneration to be obtained and below which the short-term variable remuneration associated with the parameter in question would not be accrued. In the event that the minimum objectives were achieved but not the fixed objectives, short-term variable remuneration of between 50% and 100% would be earned, calculated on a straight-line basis depending on the degree of achievement of the objectives.

The objectives linked to financial metrics are sensitive. Their publication could harm CAF's interests. Below is a table with the weighting of each financial parameter, the degree of achievement of each objective and the amount of the annual variable remuneration accrued in relation to each of them.

Parameter // Weighting// Degree of achievement// % of total variable remuneration accrued:
Contracting // 15%// 100%// 15%
Sales // 15%// 100%// 15%
PBT // 30%// 100%// 30%
Cash flow // 25%// 100%// 25%

The actual achievement data for each financial parameter in 2023 can be consulted in the annual accounts published by CAF.

The table below shows the objective for each non-financial parameter, the value obtained, the degree of achievement of each objective, and the amount of annual variable remuneration accrued in relation to each.

Parameter// Weighting// Objective (100%)// Value obtained// Degree of compliance// % of total variable remuneration accrued
Customer satisfaction (1-10) // 3.75%// 7.9// 7. 9// 100%// 3.75%
Organisational health index (1-10) // 3.75%// 6.7// 6.6// 50%// 1,875%
Ecovadis evaluation (1-100) // 3.75%// 75// 83// 100%// 3.75%
CO2 Emissions Reduction 1&2 (%) // 3.75%// 30%// 32.6%// 100%// 3.75%

These objectives and the degree of their achievement are published in the sustainability report. As can be seen, the objective for the reduction of CO2 emissions indicator (scope 1&2) for the accrual of short-term variable remuneration, set at 30%, is more ambitious than the Company's objective in its responsible management dashboard.

The PBT - profit before tax - parameter is classed as a key performance indicator. This means achieving a level equal to or greater than the 2022 level is an essential requirement for short-term variable remuneration to accrue for the other parameters.

In line with this scheme, the Nomination and Remuneration Committee proposed to establish a maximum limit for short-term variable remuneration to be received by the Chief Executive Officer and the Secretary to the Board of Directors of 230,000 euros and 100,000 euros, respectively. These maximum limits were approved by the Board. This maximum amount represents the same percentage of the fixed salary of the Secretary of the Board as in 2022.

In the case of the CEO, this amount represents an exceptional increase of 80,000 euros for application in 2023, in response to the especially challenging objectives set for that year, linked to the start of the new strategic cycle. In fiscal year 2024, the intention is to return to maximum levels of variable remuneration for executive directors similar to those in fiscal year 2022.

With the current remuneration level, the CEO-to-worker compensation ratio, which compares the remuneration of the CEO with the average remuneration earned corresponding to the rest of the CAF group's workforce, shows a value of 18.6, which is in the bottom third of listed mid-cap companies, based on publicly available information.

The measurement of the degree of compliance with the objectives is based on the annual financial statements and management report at 31 December 2023, once formulated by the Board of Directors during the first quarter of 2024 (with regard to the "contracting", "sales", "PBT" and "cash flow" parameters), customer surveys (with regard to the "customer satisfaction" parameter), a questionnaire for people in the organisation (with regard to the "organisational health index" parameter), the rating that the independent entity Ecovadis attributes to CAF (regarding the "results of the Ecovadis assessment" parameter), and the calculation of the Group's Scope 1 and 2 carbon footprint for the year. This calculation is subsequently verified by an external entity for the "scope 1&2 CO2 emissions reduction indicator" parameter. The short-term variable remuneration has an annual accrual period based on the calendar year. However, as explained in greater detail in Section B.3, achieving the objectives for several parameters ("contracting" and "customer satisfaction", among others) is due to the dedication of resources and efforts over a much longer period of time.

The payment of short-term variable remuneration, if accrued, is deferred over time for a minimum of six months from the end of the financial year, so that the Board of Directors has sufficient time to verify the level of compliance with the objectives and assess whether there are any circumstances that make it advisable to reduce the variable remuneration to be received by executive directors. It was also envisaged that in the event of any error in the calculation of the variable remuneration or in the measurement of the level of achievement of the objectives, the executive directors would be required to return any excess remuneration that they had received.

The degree of achievement of the various parameters was assessed by the Board of Directors, at the proposal of the Nomination and Remuneration Committee, at its meeting held on 27 February 2024, the date on which the Board authorised the 2023 financial statements and management report for issue, and the level of achievement of the financial parameters was effectively verified. After said evaluation, partial fulfillment of the objectives has been confirmed, resulting in the accrual and consolidation of 98,125% of the maximum short-term variable remuneration. Subsequently, the Board has calculated the amounts to be received by the executive directors in the form of short-term variable remuneration for 2023, as detailed in section C.1, having also found that, at the moment, no events have occurred that would make the reduction of this remuneration advisable.

Explain the long-term variable items of the remuneration systems:

As announced in the annual remuneration report for 2022, the Nomination and Remuneration Committee and the Board of Directors have analysed the possibility of implementing a long-term incentive plan, in line with the observations of the main proxy advisors in their vote recommendation reports and the results of the advisory vote on the annual remuneration report for the last two years.

To this end, the Nomination and Remuneration Committee has worked during the 2023 financial year on the design of a long-term incentive plan that is aligned with the highest market standards, relying on specialised external advice. Before formulating its proposal to the Board of Directors, the Nomination and Remuneration Committee consulted with the main proxy advisors, significant shareholders and institutional investors of CAF on the content of the plan, with their comments being taken into consideration, as indicated in section A.4.

At its meeting held on December 19, 2023, the Board of Directors approved the proposal made by the Nomination and Remuneration Committee to implement a long-term incentive plan linked to the achievement of the 2023-2026 Strategic Plan approved in November 2022 and communicated to the market in December of that year.

The duration of the long-term incentive plan runs from January 1, 2023 to December 31, 2026, covering the entire Strategic Plan cycle, and is aimed at executive directors and other members of the Group's management team.

Achievement of the long-term incentive plan will be evaluated based on a business-financial (aggregate EBIT operating profit for 2023-2026) and non-financial (scope 3 CO2 emission reductions at the end of 2026) metric, with a weighting of 85% and 15%, respectively, in the total incentive.

The aggregate EBIT operating profit metric was chosen as it is considered a core element of the Strategic Plan, on which the management team is fully focused, and is a key parameter for the long-term growth of the CAF group.

For its part, the CO2 Emissions Reduction metric (Scope 3) has been introduced in response to the suggestions received from the main proxy advisors to incorporate non-financial parameters in the long-term incentive plan. Of the possible non-financial metrics, it is considered that the one chosen is especially relevant as it constitutes one of the main Sustainability objectives established in the Strategic Plan And respond to the important decarbonisation commitments assumed by the Company towards its stakeholders. This scope 3 reduction metric differs from the metric used in the short-term variable remuneration system, which uses scope 1&2 reductions.

For the weighting between both metrics, the suggestions received by external advisors, proxy advisors, shareholders and investors have also been taken into account.

Regarding the Aggregate Operating Result EBIT metric for the period 2023-2026, an objective of 981.6 million euros has been set, which is aligned with the aspirations for 2026 established in the Strategic Plan and represents a demanding and challenging objective for the management team.

The incentive corresponding to this metric accrues as follows:

(i) Below an aggregate EBIT amount of €785.28 million, no incentive is accrued associated with this metric;

(ii) Between 50% and 100% of the incentive will accrue, proportionally, if aggregate EBIT is between 785.28 million euros and 981.6 million euros;

(iii) Between 100% and 124% of the incentive will accrue, proportionally, if aggregate EBIT is between 981.6 million euros and 1,109.21 million euros; and

(iv) Above an aggregate EBIT of 1,109.21 million euros, 124% of the incentive accrues.

A reduction objective of 50% at the end of fiscal year 2026 has been set for the scope 3 CO2 emissions reduction metric. This is a substantial tightening - by 25% - of the 40% objective set in the Strategic Plan.

It should also be taken into account that the Reduction of CO2 Emissions of Scope 3, unlike that referred to Scopes 1&2, is not cumulative from year to year. In other words, the result in one year does not guarantee that it will be repeated in the next year, as this metric depends on the product mix sold each year, which may have a greater or lesser weight of diesel (more CO2 intensive) or electric products, depending on the contracts awarded and their performance during the year. An ambitious objective has therefore been set for this metric, as a sign of CAF's commitment to sustainable mobility, which is one of the main axes of the new Strategic Plan.

The incentive corresponding to this metric accrues as follows:

(i) No incentive will accrue for this metric if the level of scope 3 CO2 emissions reductions is less than 32%;

(ii) 50% to 100% of the incentive will accrue, proportionally, if the level of scope 3 CO2 emissions reductions is between 32% and 50%; and

(iii) Above a CO2 Emissions reduction level (Scope 3) of 50%, 100% of the incentive is accrued.

Each metric operates independently. However, a minimum aggregate EBIT operating profit of 687.12 million euros has been set as a key indicator. No incentive will accrue below this level, even if the targets for the other metric are achieved.

Similarly, more than 100% of the incentive corresponding to the aggregate EBIT operating profit metric will only accrue if the EBIT margin on sales (under IFRS) for 2026 is higher than the average of a peer group comprising Alstom, Stadler and Talgo, weighted based on the sales volumes of these companies in 2026.

The Board of Directors has set the maximum amount of the incentive that can be accrued at the end of the plan at an annualised 50% of the fixed salary of the executive directors in 2023. This will require 100% compliance with the objectives. A comparison group of 18 companies with parent companies in Spain and similar turnover, employees, assets and market capitalisation to CAF was analysed in setting this amount. Analysis of the data from this sample, obtained from a study commissioned from a leading external consultancy, shows that the amount of the long-term incentive is in line with that of comparable companies.

For the incentive to accrue under the plan, it will be necessary for its beneficiaries to remain in the company as of December 31, 2026.

If the plan objectives are met, the incentive will be paid in cash once the 2026 results are approved at the General Shareholders' Meeting held in 2027. However, the Board of Directors may reduce the amount of the incentive or, if applicable, require repayment by the beneficiaries of the plan if any circumstances arise that makes this advisable.
Identification of any error in its calculation or in the measurement of the degree of achievement of the objectives, the introduction of qualifications in the audit report or the need to reformulate the financial statements of the Company, or the existence of serious breaches of its obligations on the part of the beneficiaries. The reduction and/or refund of the incentive may be total depending on the severity of the event that gives rise to said reduction and/or refund.

B.8. Indicate whether certain variable items earned were reduced or claimed back where, in the first case, the payment of unvested amounts was deferred, or, in the second case, the items had vested and been paid on the basis of information subsequently demonstrated. Describe the amounts that were reduced or reimbursed under reduction (malus) or reimbursement (clawback) clauses, why they were enforced and the years to which they relate.

To date, no variable component has been paid out nor has any variable component accrued and vested in 2023 been reduced or claimed back.

However, as confirmed by the Board of Directors at its meeting held on 27 February 2024, no events have occurred to date that make it advisable to reduce the amount accrued as variable remuneration. However, the Company may request the return of variable remuneration paid out to executive directors in the event that the degree of achievement of the objectives had been calculated using data that is later demonstrated to be inaccurate.

B.9. Explain the main features of long-term savings schemes, the equivalent annual amount or cost of which is shown in the tables in Section C, including retirement and any other survivor's benefits, partially or totally financed by the company, whether internally or externally, indicating the type of plan, whether it is a defined-contribution or a defined-benefit plan, the conditions that it covers, the conditions for vesting the economic rights in favour of the directors and its compatibility with any type of compensation for early resolution or termination of the contractual relationship between the company and the director.

As indicated in Section A.1.7, the Company has a long-term savings scheme in place for executive directors as part of its defined contribution scheme, which is compatible with other types of compensation. This scheme covers retirement, death, full permanent disability and severe disability.

The accrual or consolidation of the rights derived from the long-term savings system occurs when one of these causative events occurs or in certain cases of termination of the employment or commercial relationship with the Company.

The aggregate amount of the provision made in 2023 in favour of each of the executive directors is shown in table a) iii) of Section C.1 of this report. This amount corresponds to the annual contributions agreed by the Board of Directors, which comprise a fixed percentage of salary for the year for each executive director and an additional contribution for length of service in the position and to compensate for the years in the position without having taken part in the previous plan. This will be contributed over the next four years as an exceptional measure, in the same amount, concluding at that time. Said agreement was adopted in December 2022, along with the approval of this new long-term savings system, and its Regulations. At the November meeting of each financial year, the Nomination and Remuneration Committee, after analyzing the Company's situation, proposes to the Board to make the annual contribution, in accordance with said agreement.

The new long-term savings system approved in fiscal year 2022 involves significantly more moderate contributions than those under the previous system, which the current executive directors were not beneficiaries of. Additionally, the current system is a defined contribution and not a defined benefit like the previous one, which generates greater certainty for the Company regarding the cost and disbursement to be made in the future. The amounts to be contributed each year are determined in the initial agreement approving the long-term savings system and established in its Regulations. These amounts are not expected to vary significantly over the coming years and will decrease once the four years of exceptional contributions referred to in the previous paragraph have expired.

Finally, the sum of the annual contributions to the long-term savings system, the fixed remuneration and the variable remuneration of executive directors is in line with companies comparable to CAF. A comparison group of 18 companies with parent companies in Spain and comparable size in terms of turnover, employees, assets and market capitalisation to CAF has been analysed. From the analysis of the data of said sample, obtained after a study contracted to a specialised external consulting firm of recognised prestige, it is concluded that CAF's remuneration for these concepts is in line with that of said comparison group.

B.10. Explain any termination benefits or other payments arising from early retirement, whether prompted by the company or the director, or from termination of contract, in the terms provided therein, earned and/or received by the directors in the last financial year.

No directors earned or received any termination benefits or payment arising from early retirement or termination of contract in 2023.

B.11. Indicate whether there have been any significant amendments to the contracts of executive directors exercising senior management functions and, in that case, please explain. Also, describe the main terms and conditions of the new contracts entered into with executive directors in the year, except as described in Section A.1.

In 2023, there were no significant changes to the contracts of the executive directors performing senior management functions, the main terms of which are described in Sections A.1.8 and A.1.9.

B.12. Explain any supplementary remuneration accrued to directors as consideration for services rendered other than those inherent to their position.

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

B.13. Explain any remuneration arising from the grant of advances, loans and guarantees, with an indication of the interest rates, main conditions and amounts repaid, as well as any obligations assumed on their behalf by way of guarantees.

The directors have not received any remuneration in the form of advances, loans or guarantees.

B.14. Detail the remuneration in kind accrued by the directors in the year and provide a brief description of the nature of the various salary items.

The Company has not agreed to pay any remuneration in kind to its directors, except for life insurance for executive directors.

B.15. Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's services in the company.

No remuneration has been accrued by any directors by virtue of the payments made by the Company to a third entity at which the director provides services.

B.16. Explain and provide details of the amounts accrued during the year in relation to any kind of compensation other than those listed above, of whatever nature and provenance within the group, including all provisions, regardless of their form, especially when it may be a related-party transaction or when its issuance would detract from a true and fair view of the total remuneration accrued by the director, providing an explanation of the amount awarded or pending payment, the nature of the consideration received and the reasons for them not being considered as director remuneration, where appropriate, for their performance of said role or as a consideration for their performance of their executive functions and whether it has been considered appropriate or not to include the amounts accrued in the “other items” heading in section C.

There are no additional remuneration items.

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	2023 accrual period
MR. ANDRÉS ARIZKORRETA GARCÍA	Chairman Other External	From 1/01/2023 to 12/31/2023
MR. JAVIER MARTÍNEZ OJINAGA	Executive director	From 1/01/2023 to 12/31/2023
MR. MANUEL DOMÍNGUEZ DE LA MAZA	Proprietary director	From 1/01/2023 to 12/31/2023
MR. JUAN JOSÉ ARRIETA SUDUPE	Other external director	From 1/01/2023 to 12/31/2023
MR. LUIS MIGUEL ARCONADA ECHARRI	Other external director	From 1/01/2023 to 12/31/2023
MS. IDOIA ZENARRUTZABEITIA BELDARRAIN	Proprietary director	From 1/01/2023 to 12/31/2023
MS. MARTA BAZTARRICA LIZARBE	Executive director	From 1/01/2023 to 12/31/2023
MS. CARMEN ALLO PÉREZ	Independent director	From 1/01/2023 to 12/31/2023
MR. JULIÁN GRACIA PALACÍN	Independent director	From 1/01/2023 to 12/31/2023
MR. IGNACIO CAMARERO GARCÍA	Independent director	From 1/01/2023 to 12/31/2023
MS. BEGOÑA BELTRÁN DE HEREDIA VILLA	Independent director	From 2/24/2023 to 12/31/2023

C.1. Complete the following tables regarding the individual remuneration of each of the director (including remuneration received for performing executive duties) accrued in the year.

a) Remuneration from the reporting company:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Allowances	Remuneration for belonging to Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2023	Total 2022
MR. ANDRÉS ARIZKORRETA GARCÍA	175	40							215	200
MR. JAVIER MARTÍNEZ OJINAGA	75	40		510	226				851	713
MR. MANUEL DOMÍNGUEZ DE LA MAZA	75	40							115	100
MR. JUAN JOSÉ ARRIETA SUDUPE	75	40	25						140	115
MR. LUIS MIGUEL ARCONADA ECHARRI	75	40	25						140	115
MS. IDOIA ZENARRUTZABEITIA BELDARRAIN	75	40							115	95
MS. MARTA BAZTARRICA LIZARBE	125	40		265	98				528	434
MS. CARMEN ALLO PÉREZ	83	40	25						148	115
MR. JULIÁN GRACIA PALACÍN	85	40	25						150	115
MR. IGNACIO CAMARERO GARCÍA	75	40	31						146	123
MS. BEGOÑA BELTRÁN DE HEREDIA VILLA	66	35	19						120	

Observations
The fixed remuneration includes, in addition to the amount for membership on the Board of Directors, the specific remuneration corresponding to each director for the performance of certain positions on it or on its committees.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of the plan	Financial instruments at the beginning of 2023		Financial instruments granted in 2023		Financial instruments vested in the year				Matured instruments not exercised	Financial instruments at the end of 2023	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of (vested) shares	Price of vested shares	Gross earnings on vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	Equivalent no. of shares
No data												

Observations
There were no remuneration systems based on shares or financial instruments.

iii) Long-term saving schemes.

Name	Remuneration from vesting of rights to savings schemes
MR. JAVIER MARTÍNEZ OJINAGA	
MS. MARTA BAZTARRICA LIZARBE	

Name	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2023	2022	2023	2022	2023	2022	2023	2022
MR. JAVIER MARTÍNEZ OJINAGA			204	204			608	404
MS. MARTA BAZTARRICA LIZARBE			219	208			427	208

Observations

iv) Other items

Name	Concept	Remuneration amount
MR. JAVIER MARTÍNEZ OJINAGA	Life insurance premiums	15
MS. MARTA BAZTARRICA LIZARBE	Life insurance premiums	1

Observations

b) Remuneration accrued by directors of the listed company for sitting on the boards of other Group companies:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Allowances	Remuneration for membership on committees of the Board of Directors	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2023	Total 2022
No data										

Observations

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of the plan	Financial instruments at the beginning of 2023		Financial instruments granted in 2023		Financial instruments vested in the year				Matured instruments not exercised	Financial instruments at the end of 2023	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of (vested) shares	Price of vested shares	Gross earnings on vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	Equivalent no. of shares
No data												

iii) Long-term saving schemes.

Name	Remuneration from vesting of rights to savings schemes
No data	

	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
Name	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2023	2022	2023	2022	2023	2022	2023	2022
No data								

Observations

iv) Other items

Name	Concept	Remuneration amount
No data		

c) Summary of remuneration (in thousands of euros):

The summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

	Remuneration accruing in the Company					Remuneration accruing in Group companies					
Name	Total cash remuneration	Gross profit from shares or financial instruments vested	Remuneration from savings schemes	Other items of remuneration	Total 2023 - Company	Total cash remuneration	Gross profit from shares or financial instruments vested	Remuneration from savings schemes	Other items of remuneration	Total 2023 - Group	Total 2023 Company + Group
MR. ANDRÉS ARIZKORRETA GARCÍA	215				215						215
MR. JAVIER MARTÍNEZ OJINAGA	851			15	866						866
MR. MANUEL DOMÍNGUEZ DE LA MAZA	115				115						115
MR. JUAN JOSÉ ARRIETA SUDUPE	140				140						140
MR. LUIS MIGUEL ARCONADA ECHARRI	140				140						140
MS. IDOIA ZENARRUTZABEITIA BELDARRAIN	115				115						115

	Remuneration accruing in the Company					Remuneration accruing in Group companies					
Name	Total cash remuneration	Gross profit from shares or financial instruments vested	Remuneration from savings schemes	Other items of remuneration	Total 2023 - Company	Total cash remuneration	Gross profit from shares or financial instruments vested	Remuneration from savings schemes	Other items of remuneration	Total 2023 - Group	Total 2023 Company + Group
MS. MARTA BAZTARRICA LIZARBE	528			1	529						529
MS. CARMEN ALLO PEREZ	148				148						148
MR. JULIÁN GRACIA PALACIN	150				150						150
MR. IGNACIO CAMARERO GARCÍA	146				146						146
MS. BEGOÑA BELTRAN DE HEREDIA VILLA	120				120						120
TOTAL	2,668			16	2,684						2,684

Observations

C.2. State the evolution over the past 5 years of the amount and percentage variation in the remuneration accrued by each of the directors at the listed company that have served in the position during the year, the company's consolidated results and the average remuneration against an equivalent full-time base of company and subsidiary employees not considered directors of the listed company.

	Total amounts accrued and % annual variation								
	2023	% Variation 2023/2022	2022	% Variation 2022/2021	2021	% Variation 2021/2020	2020	% Variation 2020/2019	2019
Executive directors									
MR. JAVIER MARTÍNEZ OJINAGA	866	19.12	727	120.30	330	202.75	109	-5.22	115
MS. MARTA BAZTARRICA LIZARBE	529	21.89	434	27.65	340	35.46	251	-17.97	306
External directors									
MR. ANDRÉS ARIZKORRETA GARCÍA	215	7.50	200	-96.48	5,683	203.09	1,875	-6.39	2,003
MR. JULIÁN GRACIA PALACÍN	150	30.43	115	0.00	115	12.75	102	2.00	100
MS. CARMEN ALLO PÉREZ	148	28.70	115	0.00	115	5.50	109	-5.22	115
MR. JUAN JOSÉ ARRIETA SUDUPE	140	21.74	115	0.00	115	-0.86	116	-10.77	130
MR. LUIS MIGUEL ARCONADA ECHARRI	140	21.74	115	0.00	115	5.50	109	-5.22	115
MR. IGNACIO CAMARERO GARCÍA	146	18.70	123	12.84	109	14.74	95	90.00	50
MS. IDOIA ZENARRUTZABEITIA BELDARRAIN	115	21.05	95	0.00	95	97.92	48	-	0
MR. MANUEL DOMÍNGUEZ DE LA MAZA	115	15.00	100	0.00	100	108.33	48	-	0

	Total amounts accrued and % annual variation								
	2023	% Variation 2023/2022	2022	% Variation 2022/2021	2021	% Variation 2021/2020	2020	% Variation 2020/2019	2019
MS. BEGOÑA BELTRÁN DE HEREDIA VILLA	120	-	0	-	0	-	0	-	0
Consolidated results of the company									
	140,658	54.37	91,115	-29.82	129,832	164.55	49,077	-19.73	61,138
Average employee remuneration									
	47	6.82	44	7.32	41	5.13	39	0.00	39

Observations

Main changes 2023/2022:

- The increases in the remuneration of directors in their capacity as such during fiscal year 2023 are due to increased fixed remuneration for membership on the Board and, as applicable, increases in the fixed remuneration for membership of Board Committees and additional remuneration for the chairs of the Committees.
- In the case of executive directors, the increases are mainly due, in addition to the above, to the greater degree of achievement of the annual variable remuneration objectives compared to fiscal year 2022.

The explanations for the main changes in the 2022-2021 period are detailed in the annual directors' remuneration report for the year ended 31 December 2022, and the explanations for the main changes in 2021-2020 and 2020-2019 are detailed in the annual directors' remuneration report for the year ended 31 December 2021.

D. OTHER INFORMATION OF INTEREST

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

A.1.1 (below)

The remunerations planned for the year 2024 that result from the application of the aforementioned general principles are aligned with those corresponding to other listed companies, using as a comparison criterion the one related to the activity, size, turnover or market capitalisation similar to that of CAF, as published in the Annual Report on Remuneration of Directors of listed companies for the year 2022, the most recent available prepared by the CNMV.

A comparison group of 18 companies with parent companies in Spain and comparable size in terms of turnover, employees, assets and market capitalisation to CAF was analysed in 2023. Analysis of the data from this sample, obtained from a study commissioned from a leading external consultancy, shows that CAF's remuneration is in line with that of comparable companies. In addition, it is expected that remuneration during fiscal year 2024 will be in line with that of fiscal year 2023.

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

* No external advisor was involved in determining the remuneration policy, except as described in section B.7 in relation to introduction of the new long-term incentive plan.

* The current directors' remuneration policy does not contemplate the possibility of applying temporary exceptions to the policy; therefore, it does not include details of the procedures for applying these exceptions or the conditions under which they can be used.

B.3. (continued)

Furthermore, it should be noted that high customer satisfaction may result in contracts being extended (involving the manufacture and supply of additional train units) or a greater probability of being successful in future tender processes organised by the customer. All this means that the achievement of the objective set in relation to the level of customer satisfaction contributes significantly to improving the future prospects of the Group and, therefore, its sustainability in the medium and long term.

This annual remuneration report was approved by the Company's Board of Directors at its meeting held on:

2/27/2024

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

[ ] Yes
[√] No

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR

ENDED 31

DECEMBER 2023

Construcciones y Auxiliar de Ferrocarriles, S.A.
Balance sheets at 31 December 2023 and 2022 (Thousands of Euros)

Assets	Note	31/12/23	31/12/22 (*)
Non-current assets:			
Intangible assets:	**6**		
Other intangible assets		99,772	78,948
		99,772	**78,948**
Property, plant and equipment	**7**	**88,022**	**89,686**
Non-current investments in Group companies and associates	**9**	**1,062,819**	**1,066,892**
Non-current financial assets	**8-a**	**27,602**	**19,668**
Deferred tax assets	**18-d**	**56,294**	**70,066**
Total Non-current assets		**1,334,509**	**1,325,260**
Current assets:			
Inventories	**11**	**101,800**	**103,828**
Trade and other receivables:	**12**		
Trade receivables for sales and services		1,721,049	1,409,948
Other receivables		19,573	22,809
Current tax assets		2,064	3,125
		1,742,686	**1,435,882**
Current investments in Group companies and associates	**9 & 10**	**177,317**	**64,541**
Current financial assets	**8-b**	**118,965**	**111,108**
Current prepayments and accrued income		**3,060**	**2,351**
Cash and cash equivalents		**184,892**	**269,384**
Total Current assets		**2,328,720**	**1,987,094**
Total Assets		**3,663,229**	**3,312,354**

Equity and liabilities	Note	31/12/23	31/12/22 (*)
Equity:	**13**		
Shareholders' Equity			
Share capital:			
Registered share capital		10,319	10,319
		10,319	**10,319**
Share Premium		**11,863**	**11,863**
Reserves		**585,575**	**555,215**
Treasury shares and equity investments		**(1,268)**	**(1,292)**
Profit/(Loss) for the year		**48,447**	**62,956**
Interim dividend		**-**	**-**
		654,936	**639,061**
Valuation adjustments:	**16**		
Financial assets at fair value with changes in equity		(319)	183
Hedges		(3)	(179)
		(322)	**4**
Grants, donations and legacies received	**13-h**	**6,380**	**6,750**
Total Equity		**660,994**	**645,815**
Non-current liabilities:			
Non-current provisions	**19**	**5,836**	**5,842**
Non-current payables:			
Bank borrowings, debt instruments and other marketable securities	15	477,927	508,745
Other financial liabilities	14	26,231	17,441
		504,158	**526,186**
Non-current payables to Group companies and associates	**10**	**197,221**	**177,823**
Deferred tax liabilities	**18-d**	**2,178**	**2,233**
Non-current accruals		**442**	**-**
Total Non-current liabilities		**709,835**	**712,084**
Current liabilities:			
Current provisions	**19**	**261,106**	**213,702**
Current payables:			
Bank borrowings, debt instruments and other marketable securities	15	150,894	61,755
Other financial liabilities	14	59,665	14,600
		210,559	**76,355**
Current payables to Group companies and associates	**10**	**143,272**	**128,309**
Trade and other payables:			
Payable to suppliers	10	834,871	659,025
Other payables	17	842,362	877,064
		1,677,233	**1,536,089**
Current prepayments and accrued income		**230**	**-**
Total Current liabilities		**2,292,400**	**1,954,455**
Total Equity and liabilities		**3,663,229**	**3,312,354**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 26 are an integral part of the balance sheets as at 31 December 2023.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of profit or loss for the years ended 31 December 2023 and 2022

(Thousands of Euros)

	Note	(Debit) Credit	
		2023	**2022 (*)**
Continuing operations:			
Revenue	10 & 21-a	1,861,621	1,615,475
+/- Change in inventories of finished goods and work in progress		(78,603)	(471)
In-house work on non-current assets		-	673
Procurements	10 & 21-b	(1,135,793)	(1,063,322)
Other operating income	10 & 21-g	24,076	25,813
Staff costs	21-d	(342,841)	(314,371)
Other operating expenses	10, 12, 19 & 21-e	(283,350)	(224,741)
Depreciation and amortisation charge	6, 7 & 21-h	(27,314)	(27,827)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants	13-h	1,391	1,132
Impairment and gains or losses on disposals of non-current assets	6, 7 & 21-h	(106)	1,901
Profit/(Loss) from operations		**19,081**	**14,262**
Finance income	8, 9 & 10	96,316	86,592
Finance costs	10, 14, 15 & 16	(40,367)	(25,728)
Changes in fair value of financial instruments	8-b	2,674	(3,911)
Exchange differences	20	(472)	3,362
Impairment and gains or losses on disposals of financial instruments	9	(6,139)	(9,234)
Financial profit/(loss)		**52,012**	**51,081**
Profit/(Loss) before tax		**71,093**	**65,343**
Income tax	18	(22,646)	(2,387)
Profit/(Loss) for the year from continuing operations		**48,447**	**62,956**
Profit/(Loss) for the year		**48,447**	**62,956**
Earnings per share (in euros)	13		
Basic		1.42	1.84
Diluted		1.42	1.84

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 26 are an integral part of the statements of profit or loss for 2023.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of comprehensive income for the year ended 31 December 2023 and 2022

(Thousands of Euros)

	Note	2023	2022 (*)
A) Profit/(Loss) for the year (per statement of profit or loss)		**48,447**	**62,956**
B) Income and expense recognised directly in equity		**(2,627)**	**(2,932)**
Arising from valuation of financial assets	8-a	(502)	(14)
Arising from cash flow hedges	16	500	(1,784)
Grants, donations and legacies received	13-h	904	4,433
Arising from actuarial gains and losses and other adjustments	19	(3,192)	(4,931)
Tax effect	18	(337)	(636)
C) Transfers to profit or loss		**(1,261)**	**(696)**
Arising from cash flow hedges	16	(268)	216
Grants, donations and legacies received	13-h	(1,391)	(1,132)
Tax effect	18	398	220
Total comprehensive income (A+B+C)		**44,559**	**59,328**

(*) Presented for comparison purposes only.
The accompanying notes 1 to 26 are an integral part of the statements of comprehensive income for 2023.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of Changes in Equity for 2023 and 2022 (Thousands of Euros)

	Shareholders' Equity						Valuation adjustments	Grants, donations and legacies received	Total equity
	Share capital	Share Premium	Reserves	Shares and equity investments	Profit/(Loss) for the year	Interim dividend			
Ending balance at 31 December 2021 (*)	**10,319**	**11,863**	**546,751**	**-**	**47,768**	**(13,712)**	**1,210**	**4,241**	**608,440**
Total comprehensive income	**-**	**-**	**(4,931)**	**-**	**62,956**	**-**	**(1,206)**	**2,509**	**59,328**
Transactions with shareholders or owners	**-**	**-**	**13,395**	**(1,292)**	**(47,768)**	**13,712**	**-**	**-**	**(21,953)**
Dividends distribution (Note 13)	-	-	-	-	(34,281)	13,712	-	-	(20,569)
Distribution of profit/(loss)	-	-	13,487	-	(13,487)	-	-	-	-
Transactions in own shares (net) (Note 13-f)	-	-	(92)	(1,292)	-	-	-	-	(1,384)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-
Ending balance at 31 December 2022 (*)	**10,319**	**11,863**	**555,215**	**(1,292)**	**62,956**	**-**	**4**	**6,750**	**645,815**
Total comprehensive income	**-**	**-**	**(3,192)**	**-**	**48,447**	**-**	**(326)**	**(370)**	**44,559**
Transactions with shareholders or owners	**-**	**-**	**33,552**	**24**	**(62,956)**	**-**	**-**	**-**	**(29,380)**
Dividends distribution (Note 13)	-	-	-	-	(29,481)	-	-	-	(29,481)
Distribution of profit/(loss)	-	-	33,475	-	(33,475)	-	-	-	-
Transactions in treasury shares (net) (Note 13-f)	-	-	77	24	-	-	-	-	101
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-
Ending balance at 31 December 2023	**10,319**	**11,863**	**585,575**	**(1,268)**	**48,447**	**-**	**(322)**	**6,380**	**660,994**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 26 are an integral part of the statements of changes in equity for 2023.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Statements of cash flows for the years ended 31 December 2023 and 2022

(Thousands of Euros)

	Note	2023	2022 (*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**(16,965)**	**60,771**
Profit/(Loss) for the year before tax		**71,093**	**65,343**
Adjustments for:			
Depreciation and amortisation charge	6, 7 & 21-h	27,314	27,827
Impairment losses	6	130	28
Changes in provisions	19	3,714	6,509
Recognition of grants in profit or loss	13	(1,391)	(1,132)
Gains/Losses on derecognition and disposal of non-current assets	7	(24)	(1,929)
Gains/Losses on derecognition of and valuation adjustments to financial instruments	9	6,139	9,234
Finance income		(96,316)	(86,592)
Finance costs		40,367	25,728
Other income and expenses		(6,720)	(1,818)
Changes in working capital			
Inventories		3,426	21,050
Trade and other receivables		(305,302)	(289,227)
Other current assets		(4,564)	(853)
Trade and other payables		159,987	170,761
Other current liabilities		47,157	20,167
Other non-current assets and liabilities		(4,909)	(6,033)
Other cash flows from operating activities			
Interest received/(paid)		(33,983)	(17,467)
Dividends received		77,633	121,342
Income tax recovered (paid)	18	(716)	(3,563)
Other proceeds/(payments)		-	1,396
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(125,086)**	**(183,574)**
Payments due to investment			
Group companies and associates	9 & 10	(79,345)	(157,620)
Intangible assets, property, plant and equipment and investment property	6 & 7	(42,806)	(44,244)
Other financial assets	8	(12,105)	(9,219)
Proceeds from disposal			
Group companies and associates	9 & 10	8,451	24,566
Intangible assets, property, plant and equipment and investment property	7	34	2,179
Other financial assets	8	685	764
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**56,348**	**62,130**
Proceeds and payments relating to equity instruments			
Acquisition of own equity instruments		101	(1,384)
Proceeds and payments relating to financial liability instruments			
Proceeds from debt instruments and other marketable securities	15	362,300	429,600
Proceeds from issue of bank borrowings	15	25,952	27,658
Proceeds from issue of borrowings from Group companies and associates	10	68,799	196,709
Proceeds from issue of other borrowings	14	6,770	2,692
Repayment of debt instruments and other marketable securities	15	(303,400)	(422,700)
Repayment of bank borrowings	15	(28,583)	(115,683)
Repayment of borrowings from Group companies and associates	10	(42,618)	(15,936)
Repayment and amortisation of other borrowings	14	(3,492)	(4,545)
Dividend payments and returns on other equity instruments paid			
Dividends	13-g	(29,481)	(34,281)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		**1,211**	**(2,482)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(84,492)**	**(63,155)**
Cash and cash equivalents at beginning of year		269,384	332,539
Cash and cash equivalents at end of year		184,892	269,384

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 26 are an integral part of the statements of cash flows for 2023.

Construcciones y Auxiliar de Ferrocarriles, S.A.

Notes to the financial statements for the
year ended
31 December 2023

1.- NATURE AND ACTIVITY OF THE COMPANY

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Company") was incorporated in 1917 for an indefinite period of time in San Sebastián (Guipuzcoa). Its registered office is located at calle José Miguel Iturrioz 26, Beasain (Guipuzcoa) (Spain).

The Company did not change its name in the last financial year.

The objects of the Company are as described in Article 2 of the Articles of Association, which are available on the Company's website (www.caf.net).

The Company's main activity at present is the manufacture of railway equipment and its main centre of activity is Beasain (Gipuzkoa), Spain.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements of the CAF Group for 2023 were authorised for issue by the directors at the meeting of their Board of Directors held on 27 February 2024. The consolidated financial statements for 2022, were approved by the General Shareholders' Meeting of Construcciones y Auxiliar de Ferrocarriles, S.A. on 10 June 2023 and were filed at the Gipuzkoa Mercantile Registry.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Spanish Commercial Code and all other Spanish corporate law.
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, which has been modified by Royal Decree 1/2021, and its industry adaptations, in particular the industry adaptation for construction companies.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- All other applicable Spanish accounting legislation.

b) Fair presentation

The accompanying financial statements for 2023, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations, changes in equity and cash flows for that year. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2022, authorised for issue by the directors, were approved by the General Shareholders' Meeting held on 10 June 2023.

c) Non-obligatory accounting principles applied and changes in accounting policies

No non-obligatory accounting principles were applied. The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

d) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

Although these estimates were made on the basis of the best information available at year-end 2023, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively (Notes 6, 7, 9, 11, 16, 18 and 19).

e) Comparative information

The information relating to 2023 contained in these notes to the financial statements is presented, for comparison purposes, with the information for 2022.

f) Grouping of items

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

g) Consolidated group and basis of consolidation

As indicated in Note 9, the Company has ownership interests in the share capital of other (unlisted) companies, which are equal to or greater than 20%.

The Company's long-term investments in Group companies and associates are presented in accordance with the corporate legislation in force (Note 9). Consequently, the Company's financial statements for 2023 do not reflect the financial and equity changes arising from the application of consolidation methods to these ownership interests or to the transactions performed by them. These changes, which are significant, are however reflected in the CAF Group's consolidated financial statements for 2023.

The main aggregates in the consolidated financial statements of the CAF Group for 2023 and 2022, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as adopted by European Union Regulations, are as follows:

Consolidated financial statements 2023

	Thousands of Euros
Total Assets	**5,052,354**
Equity–	**868,183**
Of the Parent	855,237
Of non-controlling interests	12,946
Revenue	**3,825,285**
Profit/(Loss) for the year-	**92,317**
Of the Parent	89,158
Of non-controlling interests	3,159

Consolidated financial statements 2022

	Thousands of Euros
Restated Total Assets (*)	**4,951,088**
Equity–	**788,325**
Of the Parent	775,919
Of non-controlling interests	12,406
Revenue	**3,165,470**
Profit/(Loss) for the year-	**54,864**
Of the Parent	52,188
Of non-controlling interests	2,676

(*) Note 2-e to the consolidated financial statements for 2023.

h) Correction of errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2022.

i) 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 full 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 decarbonization process, the Group is immersed in the transition to electric vehicles, with the main impact on the Bus 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 financial statements.

j) 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 kilometers and 53 new stations, as well as the supply of 114 trams. In addition to supplying new units, CAF is carrying out the rehabilitation of 46 units currently in service, including signaling, 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 Company has no assets in Russia and Ukraine and the volume of business conducted with these countries during financial year 2023 was immaterial.

Additionally, the increase in inflation and interest rates has been considered in the hypotheses used in the following cases: i) preparation of recoverability tests for non-financial assets, including goodwill, as well as the discount rates applied and the sensitivity analyses performed (Notes 6 and 7); ii) the updating of the value of actuarial obligations (Notes 14 and 15); iii) the updating of budgets of contracts with customers, having reviewed the cost of wages and raw materials (Note11); and iv) the measurement of financial assets (Note 8).

3.- ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements as at 31 December 2023 and 2022, in accordance with the Spanish National Chart of Accounts, were as follows:

a) 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).

The amortization of these elements is carried out following the straight-line method by applying the percentages resulting from the following years of estimated useful life:

	Years of estimated useful life
Development projects	5
Computer software	5 - 10

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 3-c. The acquisition price is updated in accordance with various legal provisions, among which are Provincial Standard 11/1996, of December 5, Provincial Standard 13/1991, of December 13, and Provincial Standard 1/2013, of February 5 (Note 13.c).

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25-50
Plant and machinery	6-10
Other fixtures, tools and furniture	3-10
Other items of property, plant and equipment	10-20

c) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. Regardless of the existence of any indication of impairment, an estimate of the recoverable amount of said asset is made annually to determine the amount of the provision if it is ultimately necessary. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

d) Financial instruments

Financial assets

The Company classifies all financial assets in one or other of the categories listed below:

1. Financial assets at amortised cost

This category includes financial assets that are held for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value and are subsequently measured at amortised cost.

The Company calculates a loss allowance for expected credit losses taking as a reference the expected losses in the next 12 months, unless the credit risk has increased significantly, in which case the Company calculates the loss allowance taking as a reference the expected life of the financial instrument.

The Company derecognises a financial asset when all the risks and rewards of ownership of the asset have been transferred to another entity or when the contractual rights to the cash flows from the asset expire.

2. Financial assets at fair value with changes in equity

Equity instruments that the Company has made the irrevocable election to classify as financial assets at fair value with changes in equity are recognised in this category.

The financial assets included in this category are initially recognised at fair value including any transaction costs. They are subsequently measured at fair value. Changes in fair value are recognised directly in equity until the financial asset is derecognised or impaired, whereupon the amount so recognised is taken to profit or loss. Accrued dividends are recorded under "Financial income" in the statement of profit or loss.

3. Financial assets at fair value through profit or loss

Assets that are originated or acquired for the purpose of selling them in the short term, are part of a portfolio of financial instruments identified and managed together for short-term gain, or financial instruments that are neither financial guarantee contracts nor designated as hedging instruments, are recognised in this category. They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given. Directly attributable transaction costs are recognised in profit or loss for the year. After initial recognition, the assets in this category are measured at fair value through profit or loss.

4. Financial assets at cost

These are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Financial liabilities

The Company classifies all financial liabilities in one or other of the following categories:

1. Financial liabilities at amortised cost

The trade liabilities whose settlement is managed by financial institutions are recognised under "Suppliers" and "Other payables" in the balance sheet when they are commercial liabilities, whose settlement is managed by financial institutions and in which the Company has transferred only the handling of their payment, but remains the primary obligor for the payment of the debts to the trade creditors, with no change in maturity and no further financial guarantees granted.

Borrowings are recognised initially at fair value less the transaction costs incurred. They are subsequently measured at amortised cost, and any difference between the funds obtained (net of the costs required to obtain them) and the repayment value is recognised in the statement of profit or loss over the term to maturity of the debt using the effective interest method.

The Company derecognises financial liabilities only when the obligations giving rise to them are cancelled, eliminated or expire.

2. Financial liabilities at fair value through profit or loss.

The financial liabilities included in this category are initially measured at fair value. After initial recognition they are measured at fair value through profit or loss.

The Company derecognises financial liabilities only when the obligations giving rise to them are cancelled, eliminated or expire.

Derivative financial instruments

The Company uses these instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, it does so to hedge the foreign currency risk to which its project contracts, certain investments in investees and the financing received are exposed, and to hedge the interest rate risk arising from loan drawdowns (see Notes 5 and 16).

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 Company reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i-e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is suitable documentation to evidence that the financial derivative was arranged specifically to hedge certain balances or transactions and how it was intended to achieve and measure the effectiveness of the hedge, provided that this was consistent with the Company's risk management policy.

CAF has defined financial risk management objectives and policies which set forth, in writing, the policy in respect of the arrangement of derivatives and hedging strategy.

These financial instruments are initially recognised at acquisition cost. The changes in the fair value of the derivative financial instruments that were designated and effective as hedges are subsequently recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under “Changes in Fair Value of Financial Instruments” in the accompanying statement of profit or loss. The Company 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 Company for those projects in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction, and for interest rate hedges. To the extent that a highly probable transaction gives rise to firm commitments, the amounts previously recognised in equity are reclassified to profit or loss.

- In hedges of net investments in foreign operations, the gains or losses attributable to the effective portion of the hedging instrument are charged or credited to “Impairment and Gains or Losses on Disposals of Financial Instruments” in the statement of profit or loss, and are adjusted in the line item that includes the value of the investment by the portion of the hedge that meets the criteria to be considered effective.

The fair value of the derivative financial instruments has been calculated including own and counterparty credit risk (Note 16).

The measurement of financial assets and liabilities at fair value is broken down into levels according to the following hierarchy determined by measurement standard 9 of the Spanish Chart of Accounts:

- Level 1: quoted prices in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i-e. as prices) or indirectly (i-e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data.

The breakdown of the Company'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 8-a)	-	-	1,627	1,627
Derivatives (Note 16)	-	32,722	-	32,722
Other financial assets (Note 8-b)	86,113	-	-	86,113
Total Assets	**86,113**	**32,722**	**1,627**	**120,462**
Liabilities				
Derivatives (Note 16)	-	34,994	-	34,994
Other financial liabilities (Note 14)	-	-	38,092	38,092
Total liabilities	**-**	**34,994**	**38,092**	**73,086**

2022

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 8-a)	-	-	1,264	1,264
Derivatives (Note 16)	-	30,621	-	30,621
Other financial assets (Note 8-b)	89,695	-	-	89,695
Total Assets	**89,695**	**30,621**	**1,264**	**121,580**
Liabilities				
Derivatives (Note 16)	-	16,820	-	16,820
Other financial liabilities (Note 14)	-	-	4,793	4,793
Total liabilities	**-**	**16,820**	**4,793**	**21,613**

The fair value of the derivative financial instruments was calculated using mainly variables based on observable market data (year-end exchange rates and yield curves).

e) 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 the costs already settled, as described in Note 3.f and they are measured as follows:

- Materials and expenses allocated to each project: at the average acquisition or production cost.
- Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.
- For inventories that necessarily take a period of more than twelve months to become available for sale, the cost includes the related borrowing costs.

f) Recognition of revenue and profit

The Company's main sources of revenue are formalised through contracts and orders accepted by customers which may include, individually or in combination, the following goods and services which are identified as separate performance obligations:

- Supply of train fleet.
- Maintenance of the train fleet throughout its useful life (estimated at 25-30 years on average), or over shorter periods of time depending on the customer's maintenance strategy.
- Refurbishment of customer-owned trains.
- Civil works that include integrated engineering solutions for railway systems and infrastructure in general.
- Signalling systems.
- Sale of train equipment and components: wheelsets, reduction gearboxes and spare parts in general.

The main characteristics of each of these are described below, grouped according to how the performance obligations are met:

f.1) Performance obligations that are fulfilled over time:

- Train construction

Revenues from performance obligations for the construction of trains relate to rolling stock and other items specifically negotiated with customers on the basis of mutually agreed technical terms and conditions through a prior specification sheet as part of an offer. The Company therefore designs and manufactures vehicles tailored to the individual needs of each customer. Along with the delivery of the trains, the same performance obligation being considered, it is customary to deliver what are known as fleet parts (or strategic spare parts) and equipment for the maintenance workshops so that the customer can ensure, at all times, the availability and uptime of all trains in operation.

Trains are built as soon as the contract is signed, starting with the design and ending with the contractually established warranty period, once the trains have been made available to the customer.

These obligations are met throughout the life of the contract, from signature to completion of the various agreed obligations, as the trains are built to the technical specifications agreed individually with each customer. Additionally, the contracts include cancellation clauses that provide for the right to be paid for the work completed to date.

The technical specifications of the trains, with specific designs to suit each customer's needs, making it more difficult to find an alternative use for the trains and equipment in the event of contract cancellation, as the Company would have to incur significant costs to adapt them to other customers, assuming they are not downright incompatible.

This type of performance obligation also includes a warranty period that is not a differentiated service, but is there to ensure the proper functioning of the trains. These are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Company operates. The Company estimates the related provision for future warranty claims based on historical information on warranty claims, as well as recent trends that may suggest that past cost information could differ from future claims.

This type of performance obligation usually takes more than a year to complete, and advance payments are often received from customers. Invoicing and payment schedules depend on the degree of performance of each project and invoicing milestones take place during the main phases of the projects (signing of the contract, approval of the design, launching of orders to suppliers, delivery of the first unit, mass delivery of units, delivery of warranty, etc.). In the initial stages of a project (contract signature, design approval, orders delivered to suppliers, delivery of initial units) it is common for billing milestones to exceed recognised revenues, while as the project progresses and moves into delivery phases, revenues typically exceed cumulative billing until the deliveries are made and the train warranty period ends and there is no longer any significant financing component to the project. In addition, the price introduces an element of variability and the customer may establish penalties depending on the fulfilment of delivery milestones, which may therefore modify the likely price of the transaction.

In this type of contract, it is common to include an option to purchase additional units, the price of which may vary depending on when the option is exercised. In this case, the Company identifies each set of units as a separate obligation, recognising the original contract and, if applicable, the option exercised separately.

For train construction contracts, the Company generally recognises revenue and profit for each contract based on the estimated measure of progress of the contract, calculated as a percentage of the number of hours assigned to the contract out of the total hours budgeted.

Once the projected profit or loss on each contract has been determined, the Company applies the following correcting coefficients to determine actual profit or loss and revenue:

- With a measure of progress of between 0% and 10%, no profit or revenue is recognised, in order to take into account the initial margin of uncertainty in the contracts in the long term.

- From 10% onwards, a percentage of profit and revenue equal to the percentage of contract completion is recognised.

- Contracts for the construction of civil works, signalling and engineering services

In this type of performance obligation, the Company agrees upon an integral system solution with the customer; one that includes civil works and building, electrification, signalling, communications and other systems, which encompasses the preliminary design, supply management, construction and commissioning of both railway systems and infrastructure in general so as to provide a solution tailored to the specific needs of the customer.

These contracts include a warranty period that is not a differentiated service, but relates to the proper functioning of the construction or service. They are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Company operates. The Company has similar warranties in place with its main subcontractors and therefore no significant warranty provisions are recorded.

The term of these contracts is usually more than one year. In these cases, billing and payment schedules are pegged to the achievement of various project milestones and the degree of project completion and do not differ significantly from the revenues recognised. Therefore, there is no significant financing component.

Revenue and profit or loss on civil works, signalling and engineering services contracts are recognised by reference to the estimated measure of progress of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

The Company analyzes for each contract the applicable regulatory framework for unilateral cancellations, in order to guarantee the right to be paid for the services rendered to date at a price that reflects the cost plus margin incurred.

- Maintenance contracts

The Company provides maintenance services for trains and systems, on equipment delivered by both the Company and other manufacturers. The duration of maintenance contracts varies, depending on the customer's specific needs and maintenance strategy.

These revenues are established on the basis of fees that are negotiated in each contract, with revenues recognised over the life of the contract on the basis of the method that best reflects the percentage of progress made at the relevant time. In the case of multi-year projects with monthly invoicing where the resources used to render the service are linear, it is assumed that the invoicing is equivalent to revenues, in the absence of a significant financing component.

However, in those maintenance contracts where the resources to perform the service are not linear (mainly when major overhauls or repair work are required) the cost to be incurred in each of them is estimated and the income is from the billings is deferred to the periods in which the major repair work is to take place. The resulting difference is recorded as either non-current or current “Liabilities under contract”, depending on whether the major repair work is expected to be performed within a period of more or less than 12 months, respectively.

f.2) Performance obligations that are fulfilled at a specific point in time

- Wheelsets, spare parts and minor refurbishments

The Company sells other products such as assembled axles, wheels and reduction gearboxes for the railway market and other spare parts for rolling stock. It also provides refurbishment services upon the customer's request. In these cases, the Company recognises the revenue when the customer takes control of the asset and the performance obligation is fulfilled.

f.3) Common aspects

Potential losses on contracts are recognised in full when they become known or can be reliably estimated.

The Company only recognises income arising from claims or contract scope modifications once the customer has accepted the claim and there is evidence of such acceptance in the form of a contractual amendment or similar legal document.

Based on the revenues realised, the projected profit or loss on each contract and the measurement of progress, inventories are derecognised with a charge to the related heading of the statement of profit or loss and with a credit to “Inventories” on the asset side of the balance sheet (Note 11).

Income from financial assets

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. Interest and dividends from financial assets accrued after the date of acquisition are recognised in the statement of profit or loss.

g) Customer advances and completed contract work

Unlike the method used to recognise revenue from contracts, the amounts billed to the customer are based on achievement of the milestones established in the contract. The difference between revenue recognised on each project (Note 3-f) and the amount billed for the project is recognised as follows:

- If it is positive, as "Production executed pending billing" (deferred billing) within "Customers for sales and services provided" (Note 11).

- If negative, as "Advance payments received for orders" (advance billing) in the heading "Trade creditors and other accounts payable - Other creditors" (Note 11).

h) Foreign currency transactions and other obligations

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing (Note 20). Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise. Those operations carried out in foreign currency in which the Company has decided to mitigate the exchange rate risk by contracting financial derivatives are recorded according to the principles described in the Note 3-d.

i) Current/Non-current classification

Items are classified under "Current Assets" and "Current Liabilities" (prebillings, deferred billings and short-term provisions) which may be realised or settled in more than twelve months, since they form part of the Company's normal operating cycle as established in the applicable legislation. Considering the items as a whole, the directors 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 11 and 19).

j) Current tax assets

The expense for income tax and other similar taxes are recognised in the statement of profit or loss, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets are recognised for tax loss and tax credit carryforwards and temporary differences to the extent that it is considered probable that 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.

k) Leases

The Company classifies as finance leases, lease arrangements whereby the lessor transfers all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

In finance leases in which the Company acts as the lessor, at inception of the lease an account receivable is recognised equal to the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the interest rate implicit in the lease. The difference between the account receivable recognised and the amount to be received, which relates to unearned finance income, is allocated to profit or loss as earned using the effective interest method.

Expenses arising in connection with leased properties and equipment are allocated to “Other Operating Expenses” in the statement of profit or loss over the term of the lease on an accrual basis.

l) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

m) Provisions and contingent liabilities

When identifying obligations, the Company 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 Company's control; or possible obligations whose occurrence is unlikely or whose amount cannot be reliably estimated.

Provisions are recognised when it is probable that the obligation will have to be settled and the amount can be measured reliably. Contingent liabilities are not recognised and are only disclosed in the financial statements, except for those arising from business combinations.

Provisions are recognised on the basis of the best estimate of the expenditure that will be required to settle the present obligation at the reporting date. Provisions are fully or partially reversed when they cease to exist or when the obligations are reduced, respectively.

Provisions for guarantees are recognised when the significant risks and rewards of a project are transferred to the customer.

Expected losses on onerous contracts are recognised when the best estimate of total contract costs exceeds the expected contract revenue.

Provisions are discounted to reflect the present value of expected expenses where the effect of the time value of money is material.

4.- DISTRIBUTION OF PROFIT

The proposed distribution of the profit for the year that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

Distribution	Thousands of Euros
Distributable profit	
Profit/(Loss) for the year	48,447
Distribution	
To dividends	38,052
To voluntary reserves	10,395

5.- FINANCIAL RISK MANAGEMENT

The Company is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives.

These risks include financial risks: market risk (inter alia: foreign currency risk, interest rate risk and commodity price risk), credit risk, liquidity risk and financing risk.

The financial risk management policy adopted by the Company focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the achievement of the Company's objectives.

The Company's Financial Department identifies, analyses, assesses and defines the treatment, and performs the monitoring and control, of the financial risks in accordance with General Risk Management and Control Policy and the specific financial risk management policies established by the Board of Directors.

a) Market risk

The Company manages market risk in accordance with the principles set out in the Market Risks Policy.

a.1) Cash flow and fair value interest rate risk

The interest rate risk arises from the possibility that changes may occur in the value of the Company's financial assets and liabilities as a result of the changes in market interest rates. In accordance with the policy, financing transactions are performed under appropriate cost, terms and risk terms and conditions, considering at all times optimal use of the various instruments and sources of financing. Specifically, the Group sets an objective, to the extent permitted by the markets, of maintaining a borrowing structure balanced between fixed and floating interest rates (usually Euribor) the goal of which is to maintain an adequate balance between the cost of financing and the risk of changes in interest rates.

The exposure to interest rate risk of the Company's borrowings at 31 December 2023 and 2022 is as follows:

	Principal index	Millions of Euros					
		31/12/23			31/12/22		
		Variable	Permanent	Total	Variable	Permanent	Total
Loans and credit accounts	EURIBOR	276.8	258.8	535.6	217.9	320.3	538.2
Debt instruments or other marketable securities	EURIBOR	-	90.8	90.8	-	31.9	31.9
Total		**276.8**	**349.6**	**626.4**	**217.9**	**352.2**	**570.1**

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 2,768 thousand and EUR 2,179 thousand, respectively.

According to the valuation carried out by an independent expert, the fair value of the Company's fixed-rate debt would be EUR 13,000 thousand lower than its carrying amount at 31 December 2023 (down EUR 23,000 thousand at 31 December 2022).

a.2) Foreign currency risk

The Company operates internationally and is therefore exposed to exchange risk when carrying out transactions in foreign currency.

The foreign currency risk to which the Company is exposed as a result of its operations in the international sphere is managed in accordance with the Market Risk Policy, which envisages various strategies aimed at reducing that risk, such as, for example, the arrangement of financial or natural hedges, ongoing monitoring of exchange rate fluctuations and other complementary measures.

In line with the principles of this policy, as a general rule the Company transfers to third parties, provided that the cost is reasonable, the foreign currency risk associated with its contracts denominated in currencies other than the Company's functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various contracts entered into, so that the Company's results present fairly its industrial and services activity.

The impact on the income statement for the years 2023 and 2022 of a 10% devaluation of the following currencies with respect to the euro, considering the closing exchange rate as of December 31, as well as the exchange insurance contracted on the date of preparation of these annual accounts (Note 16), would be as follows:

	Thousands of euros			
	2023		2022	
Currency	Exposure	Gain/ (Loss)	Exposure	Gain/ (Loss)
Brazilian real	17,861	(1,786)	29,187	(2,919)
Pound sterling	(5,649)	565	(19,904)	1,990
US dollar	(4,319)	432	(6,427)	643

The sensitivity of the consolidated statement of profit or loss to the other foreign currencies was not material.

Additionally, as of December 31, 2023 and 2022 the Company is exposed to exchange rate risk on the net investment of those subsidiaries whose functional currency is other than the euro, except in the case of CAF USA, Inc. whose exposure is partially covered (Notes 9 and 16).

a.3) Commodity price risk

For the most significant commodities, the Company's orders are placed and prices closed when each new project commences. The risk of a rise in commodity prices having an adverse effect on the contractual margins is thus hedged.

b) Credit risk

The Company's accounts receivable and work in progress correspond to clients located in different countries. Contracts generally include progress billings.

The Company's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

c) Liquidity and financing risk

As determined in the Liquidity and Financing Policy, the management of the liquidity and financing risk involves ensuring that the payment commitments arising from the obligations undertaken are met, optimising the financial structure and safeguarding adequate management of the Company's surpluses in the framework of its long-term strategy (Notes 8 and 15).

The Company manages liquidity and financing risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be in the same timeframe, which may result in financial resources being consumed.

- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.

- Maintaining a strong short-term liquidity position.

- Maintaining surplus undrawn credit balances.

6.- INTANGIBLE ASSETS

Changes in “Intangible assets” in the balance sheet in 2023 and 2022 were as follows:

2023

	Thousands of Euros			
	31/12/22	Additions or charge for the year	Disposals or reductions	31/12/23
Cost:				
Development	123,285	4,134	(3,188)	124,231
Computer software	60,860	33,374	-	94,234
Total cost	**184,145**	**37,508**	**(3,188)**	**218,465**
Accumulated amortisation:				
Development	86,530	11,870	(3,188)	95,212
Computer software	18,266	4,684	-	22,950
Total accumulated amortisation	**104,796**	**16,554**	**(3,188)**	**118,162**
Impairment:				
Development	401	130	-	531
Total impairment	**401**	**130**	**-**	**531**
Intangible assets, net	**78,948**	**20,824**	**-**	**99,772**

2022

	Thousands of Euros			
	31/12/21	Additions or charge for the year	Disposals or reductions	31/12/22
Cost:				
Development	130,291	13,807	(20,813)	123,285
Computer software	41,735	19,125	-	60,860
Total cost	**172,026**	**32,932**	**(20,813)**	**184,145**
Accumulated amortisation:				
Development	81,698	12,169	(7,337)	86,530
Computer software	14,154	4,112	-	18,266
Total accumulated amortisation	**95,852**	**16,281**	**(7,337)**	**104,796**
Impairment:				
Development	13,849	28	(13,476)	401
Total impairment	**13,849**	**28**	**(13,476)**	**401**
Intangible assets, net	**62,325**	**16,623**	**-**	**78,948**

Additions recognised in 2023 recognised as development relate to the costs incurred in 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 additions for computer applications correspond mainly 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 Company's cybersecurity policy through the improvement of technical measures, lastly mentioning the investments aimed at the performance and improvement of the vehicle application map, particularly in relation to the bid management tool, the management of structures configured in 3D and the development of tools related to the management of dashboards. At 31 December 2023, the Company had investment commitments of EUR 12,660 thousand (EUR 23,000 thousand committed at 31 December 2022), mainly for the new IT system, which is expected to go live in 2024.

In 2023 and 2022, the Company derecognised fully amortised development projects.

Research and development expenditure incurred in 2023 and recognised in profit or loss amounted to EUR 3,035 thousand (2022: EUR 1,661 thousand).

At the end of the year 2023 the Company had fully amortized intangible assets that were still in use and/or whose technology was still being applied, for an amount of EUR 25,902 thousand (EUR 19,298 thousand as of December 31, 2022).

The directors have analysed the relevant indicators to assess whether there are any indications of impairment in the Company's intangible assets at 31 December 2023 and believe that there are no indications of impairment.

7.- PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2023 and 2022 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2023

	Thousands of Euros				
	31/12/22	Additions or charge for the year	Disposals or reductions	Transfers	31/12/23
Cost:					
Land	14,023	-	-	-	14,023
Buildings	154,005	2,540	-	52	156,597
Plant and machinery	195,140	3,196	(3,527)	82	194,891
Other fixtures, tools and furniture	12,574	1,953	(12)	(269)	14,246
Other items of property, plant and equipment	22,030	151	(114)	(4,698)	17,369
Constructions in progress	2,164	2,160	-	-	4,324
Total cost	**399,936**	**10,000**	**(3,653)**	**(4,833)**	**401,450**
Accumulated depreciation:					
Buildings	103,338	3,687	-	-	107,025
Plant and machinery	179,049	5,130	(3,522)	26	180,683
Other fixtures, tools and furniture	7,941	1,071	(6)	(30)	8,976
Other items of property, plant and equipment	19,347	872	(114)	(3,804)	16,301
Total accumulated depreciation	**309,675**	**10,760**	**(3,642)**	**(3,808)**	**312,985**
Impairment	**575**	**-**	**-**	**(132)**	**443**
Property, plant and equipment, net	**89,686**	**(760)**	**(11)**	**(893)**	**88,022**

2022

	Thousands of Euros				
	31/12/21	Additions or charge for the year	Disposals or reductions	Transfers	31/12/22
Cost:					
Land	13,593	430	-	-	14,023
Buildings	157,499	2,612	(6,106)	-	154,005
Plant and machinery	236,421	3,004	(44,285)	-	195,140
Other fixtures, tools and furniture	17,173	1,901	(6,500)	-	12,574
Other items of property, plant and equipment	27,190	592	(5,716)	(36)	22,030
Constructions in progress	-	2,164	-	-	2,164
Total cost	**451,876**	**10,703**	**(62,607)**	**(36)**	**399,936**
Accumulated depreciation:					
Buildings	105,052	4,366	(6,080)	-	103,338
Plant and machinery	217,150	5,254	(43,355)	-	179,049
Other fixtures, tools and furniture	13,574	867	(6,500)	-	7,941
Other items of property, plant and equipment	24,004	1,059	(5,716)	-	19,347
Total accumulated depreciation	**359,780**	**11,546**	**(61,651)**	**-**	**309,675**
Impairment	**1,448**	**-**	**(873)**	**-**	**575**
Property, plant and equipment, net	**90,648**	**(843)**	**(83)**	**(36)**	**89,686**

In 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 equipment in the area of vehicle manufacturing and finishings, all within the process of adapting the facilities to meet the execution plan of the CAF Group's current backlog.

In 2013 the Company revalued its property, plant and equipment pursuant to Gipuzkoa Regulation 1/2013, of 5 February, paying a one-off rate of 5% of the revalued amount. Previously, the Company had availed itself of other legislation relating to revaluations, namely, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 (Note 13-c).

The 2013 revaluation was made applying the rates established in legislation on the acquisition cost, based on the year of acquisition of the property, plant and equipment. In the case of improvements, the year in which they are made was taken into account. Also, the established rates were applied to the depreciation taken for accounting purposes on the acquisition or production cost that was deductible for tax purposes, based on the year in which it was applied. In the case of assets revalued pursuant to Gipuzkoa Regulation 11/1996, the rates were applied to the acquisition price and to the depreciation that was deductible for tax purposes, without taking into account the net increase in value arising from the revaluations. The Company revalued items recognised such as buildings, plant, machinery and tools. The amount of the update in 2013 amounted to EUR 46,170 thousand on the updated balance sheet items and EUR 19,676 thousand on the amortizations. The net increase in value arising from the revaluations is depreciated over the tax periods in the remaining useful lives of the assets.

The effect of the revaluations of property, plant and equipment in accordance with Regional Accounting Rule 1/2013, Regional Accounting Rule 11/1996 and Regional Decree 13/1991 on the depreciation charges for the year and the accumulated depreciation recognised in 2023 and in prior years came to approximately EUR 496 thousand and EUR 8,686 thousand, respectively (EUR 600 thousand and EUR 8,412 in 2022 and prior years).

At the end of 2023, the Company had firm investment commitments amounting to EUR 2,635 thousand in relation mainly to the fitting-out of certain facilities and equipment purchases (EUR 3,269 thousand at year-end 2022). In principle, these investments will be equity financed.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2023 and 2022, property, plant and equipment was fully insured against these risks.

The gross cost of fully amortized assets in use as of December 31, 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Buildings	53,886	52,510
Plant and machinery	160,979	158,749
Other fixtures, tools and furniture	2,318	2,152
Other items of property, plant and equipment	15,310	13,776
Total	**232,493**	**227,187**

The Company has no future dismantling or restoration commitments and, accordingly, no asset was recognised in this connection.

At 31 December 2023 and 2022, the Company did not have any investments in property, plant and equipment located abroad for significant amounts.

Impairment losses

The Directors consider that there are no additional indications of impairment as of December 31, 2023.

8.- FINANCIAL ASSETS (NON-CURRENT AND CURRENT)

a) Non-current financial assets

The detail of the item "Long-term financial investments" at the end of 2023 and 2022, presented by nature and categories, was as follows (thousands of euros):

	Thousands of Euros			
	31/12/23		31/12/22	
	% of Ownership	Balance	% of Ownership	Balance
Equity instruments-				
At fair value with changes in equity (Note 3-d)-		**1,627**		**1,264**
Iniciativa FIK, A.I.E.	14.18%	746	14.18%	751
Albali Señalización, S.A.	3.00%	492	3.00%	513
Fik Advanlife, S.L.	5.91%	389	5.91%	-
Loans, derivatives and others-		**25,975**		**18,404**
At amortized cost-		**4,106**		**7,537**
Guarantees		167		128
Deposits		1,442		-
Loans to employees		2,497		2,861
Non-current grants receivable		-		4,548
Hedging derivatives (Note 16)		**21,869**		**10,867**
Total		**27,602**		**19,668**

Loans to employees

In accordance with the agreements entered into with employees, the Company grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Company does not discount these amounts since it considers that the effect of doing so is scantly material.

The detail, by maturity, of "Non-Current Financial Assets", excluding equity instruments, is as follows (in thousands of euros):

2023

	2025	2026	2027	2028 and subsequent years	Total
Financial assets at amortised cost	680	1,878	348	1,200	4,106
Hedging derivatives	3,904	7,892	10,041	32	21,869
Total	**4,584**	**9,770**	**10,389**	**1,232**	**25,975**

2022

	2024	2025	2026	2027 and subsequent years	Total
Financial assets at amortised cost	5,265	495	416	1,361	7,537
Hedging derivatives	213	1,626	4,359	4,669	10,867
Total	**5,478**	**2,121**	**4,775**	**6,030**	**18,404**

b) Current financial assets

The breakdown of "Current financial assets" at the end of 2023 and 2022, by type and category, is as follows (in thousands of euros):

	31/12/23	31/12/22
Debt securities-	**87,421**	**90,902**
At amortised cost	1,308	1,207
At fair value through profit and loss (Note 3-d)	86,113	89,695
Loans, derivatives and others-	**31,544**	**20,206**
At cost	638	452
At amortised cost	20,053	-
Hedging derivatives (Note 16)	10,853	19,754
Total	**118,965**	**111,108**

"Financial assets at amortised cost" includes, mainly, the cash surpluses invested in government debt securities, repos, short-term deposits and term deposits. "Financial assets at fair value through profit or loss" includes fixed-income investment funds.

9.- GROUP COMPANIES AND ASSOCIATES (LONG AND SHORT TERM)

The details of the headings "Investments in long-term Group companies and associates" and "Short-term investments in Group companies and associates" at 31 December 2023 and 2022 are as follows (in thousands of euros):

2023

	31/12/22	Investments	Disposals	Impairment	Transfers/ Others	31/12/23
Non-current investments in Group companies and associates-						
Ownership interests	1,179,118	42,121	-	-	-	1,221,239
Impairment losses on ownership interests	(242,127)	-	-	(6,139)	(728)	(248,994)
Non-current loans (Note 10)	129,901	29,091	(6,429)	-	(61,989)	90,574
Total long term	**1,066,892**	**71,212**	**(6,429)**	**(6,139)**	**(62,717)**	**1,062,819**
Current investments in Group companies and associates-						
Short-term credits (Note 10)	64,541	40,042	(2,022)	-	74,756	177,317
Total short term	**64,541**	**40,042**	**(2,022)**	**-**	**74,756**	**177,317**
Total	**1,131,433**	**111,254**	**(8,451)**	**(6,139)**	**12,039**	**1,240,136**

Ownership interests

During the year 2023, the companies CAF Greece Single Member, S.A., Myanmar CAF Ltd., CAF Rail Philippines, Inc. and CAF Canada Inc. were established, in which the Company has a 100% stake. Additionally, the company CAF Signalling México, S.A. de C.V. was set up, with the Company owning 11% and CAF Signalling, S.L.U. owning 89%.

2022

	31/12/21	Investments	Disposals	Impairment	Transfers/ Others	31/12/22
Non-current investments in Group companies and associates-						
Ownership interests	1,089,098	50,527	(7,981)	-	47,474	1,179,118
Impairment losses on ownership interests	(234,762)	-	1,869	(9,234)	-	(242,127)
Non-current loans (Note 10)	84,759	98,601	(3,820)	-	(49,639)	129,901
Total long term	**939,095**	**149,128**	**(9,932)**	**(9,234)**	**(2,165)**	**1,066,892**
Current investments in Group companies and associates-						
Short-term credits (Note 10)	113,334	8,492	(14,634)	-	(42,651)	64,541
Total short term	**113,334**	**8,492**	**(14,634)**	**-**	**(42,651)**	**64,541**
Total	**1,052,429**	**157,620**	**(24,566)**	**(9,234)**	**(44,816)**	**1,131,433**

Ownership interests

In November 2021, the Company 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. The deal was completed on 1 August 2022, whereupon the company acquired control of the company currently known as CAF Reichshoffen, SAS, which is engaged in the design and manufacture of rail mobility solutions.

In 2022, the companies CAF Polska, s.p. z.o.o., CAF Deutschland Real Estate GmbH and CAF Portugal Unipessoal, Lda. were formed, in which the Company holds a 100% stake. In addition, the companies CAF Signalling, S.L.S. Com., CAF Egypt for Transportation Systems and PL Light Rail Maintenance, Ltd. were formed.

CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 9,000 thousand, of which EUR 7,283 thousand was credited to the ownership interest and EUR 1,717 thousand was credited to “Finance income” in the accompanying statement of profit or loss (Note 10).

The most significant information related to the investees in Group companies and long-term associates at the end of the years 2023 and 2022 is the following (in thousands of euros):

YEAR 2023

Name	Location	Line of business	Percentage of ownership: Direct	Percentage of ownership: Indirect	Cost	Impairment in the year	Accumulated impairment	Basic financial data (1): Share capital	Basic financial data (1): Reserves and retained earnings	Basic financial data (1): Profit/(Loss) from operations	Basic financial data (1): Profit/(loss) – 2023
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,773	9,378	7,012
Aerosuburbano S.A.P.I. de C.V.	Mexico City	Transportation	50%	50%	-	-	-	-	-	-	-
BWB Holdings Limited (4)	Nottingham	Engineering	100%	-	18,434	-	-	229	15,918	1,410	931
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	301	-	-	316	196	4,568	3,711
CAF Argelia (EURL)	Algiers	Manufacturing and maint.	100%	-	2,171	(58)	(969)	2,171	(927)	(42)	(42)
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	521	-	-	530	727	570	15
CAF Brasil Indústria e Comércio, S.A.	São Paulo	Manufacturing and maint.	0.97%	99.03%	1,713	(38)	(1,383)	201,855	(187,751)	4,888	(1,510)
CAF Canada, Inc.	Calgary	Engineering	100%	-	82	-	-	82	-	2	2
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	1	-	-	1	823	2,237	2,217
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	521	452	194
CAF Deutschland Real Estate GmbH	Munich	Maintenance	100%	-	29	(24)	(30)	25	(3)	232	(24)
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-	5,262	310	(3,190)	1,521	(157)	830	708
CAF Diversified Business Development, S.A.U.	Gipuzkoa	Holding Company	100%	-	185,167	5,339	(68,501) (2)	16,000	58,850	8,027	6,385
CAF Egypt for Transportation Systems	Cairo	Maintenance	95%	5%	71	(246)	(253)	75	(15)	(251)	(251)
CAF Greece Single Member, S.A.	Markopoulo	Manufacturing, repair and maint	100%	-	25	-	-	25	-	10	10
CAF Group UK Limited	Coventry	Holding Company	100%	-	37,415	(462)	(462)	37,415	990	(2,567)	(1,653)
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-	372	-	-	46	437	63	56
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-	5,734	-	-	4,705	3,174	(1,927)	(1,068)
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	110	-	-	3,917	3,584	370	66
CAF Investment Projects, S.A.U.	Gipuzkoa	Business development	100%	-	227,608	-	-	47,917	158,707	76,183	66,867
CAF Israel Rails Ltd.	Tel Aviv	Manufacturing and maint	100%	-	-	-	-	-	1,803	1,836	1,352
CAF Italia, S.R.L.	Rome	Reparation and maint..	100%	-	5,600	89	-	100	5,413	552	205
CAF México, S.A. de C.V.	Mexico City	Manufacturing and maint.	99.99%	0.01%	34,786	-	-	34,804	17,947	4,607	6,254
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	1,401	884	699
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	2,822	832	882
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	303	200	128
CAF Polska sp. z.o.o.	Poznan	Engineering	100%	-	791	-	-	791	105	154	118
CAF Portugal Unipessoal Lda.	Lisbon	Manufacturing and maint.	100%	-	30	-	-	30	-	23	17
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-	9,011	-	-	6,090	2,373	4,711	4,765
CAF Rail Australia Pty Ltd.	Sydney	Manufacturing and maint	100%	-	74	-	-	74	2,437	2,500	746
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	82	64	50
CAF Rail Philippines, Inc.	Makati City	Tests	100%	-	199	-	-	199	(3)	-	-
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	(619)	4,180	3,133
CAF Reichshoffen SAS	Reichshoffen	Manufacture and design	100%	-	78,509	-	-	17,694	63,910	22,722	20,103
CAF Signalling, S.L.U.	Gipuzkoa	Signalling	100%	-	63,562	(2,905)	(47,304)	15,900	2,923	(3,285)	(2,565)
CAF Signalling México, S.A. de C.V.	Mexico City	Signalling	11%	89%	494	-	-	4,548	(6)	47	62
CAF Signalling, S.L. Limited Partnership	Bizkaia	Engineering	20%	80%	1,700	(1,487)	(1,487)	2,500	4,960	(6,321)	(6,393)
CAF Sisteme Feroviare, S.R.L.	Bucharest	Manufacturing and maint.	100%	-	-	-	-	-	163	40	28
CAF Turnkey & Engineering, S.L.U.	Bizkaia	Engineering	100%	-	13,720	(69)	(69)	5,703	35,793	(6,611)	(4,404)
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	3,043 (3)	54,283	13,534	1,130	1,918
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04%	3,365	(541)	(2,829)	3,367	(3,161)	34	330
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45%	5,650	-	-	9,650	5,299	851	936
Consorcio Traza, S.A.	Zaragoza	Holding Company	25%	-	15,709	-	(15,709)	575	(11,433)	7,333	(246)
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	991	522	435
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation and maint..	97.61%	2.39%	4,017	(106)	(3,901)	2	(179)	365	297
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellin	Manufacturing and maint.	100%	-	456	319	-	36	168	251	394
EuroMaint Gruppen AB	Solna	Maintenance	100%	-	96,563	(6,123)	(26,034)	10	73,169	(3,457)	(4,903)
Ferrocarril Interurbano S.A. de C.V.	Mexico City	Manufacturing and equip.	17.20%	32.43%	902	-	-	5,316	3,269	64	523
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	Mexico City	Transportation	28.05%	15.30%	60,925	-	(60,925)	16,301	(123,627)	3,779	(10,056)
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	965	1,067	936
LAVI Light Rail O&M Ltd.	Petach Tikva	Operation and maint.	50%	-	1,740	-	-	3,480	41,453	2,130	3,248
Metro CAF (Mauritius) Ltd.	Mauritius	Manufacturing and maint.	100%	-	1	-	-	1	2,179	951	891
Myanmar CAF Ltd.	Bahan Township	Reparation and maint..	100%	-	-	-	-	-	-	-	-
PL Light Rail Maintenance Ltd.	Ramat Gan	Maintenance	50%	-	-	-	-	-	-	-	-
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	2,915	1,948	983
Rifer SRL	Milán	Component Maint.	100%	-	4,713	(977)	(3,066)	20	2,570	(679)	(944)
Sermanfer, S.A.U.	Madrid	Maintenance	100%	-	301	-	-	301	2,176	414	551
Solaris Bus & Coach, sp. z.o.o.	Bolechowo	Transportation	97.33%	-	244,679	-	-	37,166	78,018	20,281	(5,903)
Tradinsa Industrial, S.L.	Lleida	Reparation and maint..	82.34%	17.66%	3,215	236	(1,088)	3,850	(1,553)	460	286
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	(74)	(161)	64	(76)	(69)	(71)
Trenes de Navarra, S.A.U.	Navarre	Manufacturing	100%	-	24,676	678	(14,676)	8,971	352	431	678
Oher investments					1,255	-	-	-	-	-	-
					1,221,239	**(6,139)**	**(248,994)**				

1) After adjustments and unifying entries for consolidation purposes and counting unrealised capital gains at the acquisition date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under “Translation Differences - Reserves” and “Valuation Adjustments – Reserves”.
2) Includes a provision of EUR 3,114 thousand corresponding to the impact of derivatives related to net investments in foreign operations.
3) Includes a balance receivable of EUR 3,043 thousand, relating to the impact of derivatives related to net investments in foreign operations.
4) Taking into account the cross options of the Company´s remaining equity.

YEAR 2022

Name	Location	Line of business	Percentage of ownership: Direct	Percentage of ownership: Indirect	Cost	Impairment in the year	Accumulated impairment	Basic financial data (1): Share capital	Basic financial data (1): Reserves and retained earnings	Basic financial data (1): Profit/(Loss) from operations	Basic financial data (1): Profit/(loss) – 2022
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,783	9,162	6,356
Aerosuburbano S.A.P.I. de C.V.	Mexico City	Transportation	50%	50%	-	-	-	-	-	-	-
BWB Holdings Limited (5)	Nottingham	Engineering	100%	-	18,434	1,078	-	229	14,200	1,943	1,394
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	301	-	-	316	275	2,408	1,960
CAF Argelia (EURL)	Algiers	Manufacturing and maint.	100%	-	2,171	(861)	(911)	2,171	105	(978)	(1,016)
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	521	-	-	530	581	480	146
CAF Brasil Indústria e Comércio, S.A.	São Paulo	Manufacturing and maint.	0.97%	99.03%	1,713	(4)	(1,345)	201,855	(187,647)	1,669	(787)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	1	-	-	1	1,538	1,961	1,946
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	401	211	120
CAF Deutschland Real Estate GmbH	Munich	Maintenance	100%	-	29	(6)	(6)	25	-	(2)	(3)
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-	5,262	362	(3,500)	1,521	(122)	213	362
CAF Diversified Business Development, S.A.U.	Gipuzkoa	Holding Company	100%	-	185,167	9,808	(73,840) (2)	16,000	59,044	3,125	(166)
CAF Egypt for Transportation Systems	Cairo	Maintenance	95%	5%	71	(7)	(7)	75	(7)	2	-
CAF Group UK Limited	Coventry	Holding Company	100%	-	37,415	-	-	37,415	(536)	637	771
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-	160	-	-	24	263	39	(25)
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-	5,734	-	-	4,705	4,784	(2,160)	(1,668)
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	110	-	-	3,917	3,848	206	56
CAF Investment Projects, S.A.U.	Gipuzkoa	Business development	100%	-	227,608	-	-	47,917	174,337	77,964	52,898
CAF Israel Rails Ltd.	Tel Aviv	Manufacturing and maintenance	100%	-	-	-	-	-	851	1,366	1,076
CAF Italia, S.R.L.	Rome	Reparation and maint..	100%	-	5,600	1,349	(89)	100	4,707	1,371	705
CAF México, S.A. de C.V.	Mexico City	Manufacturing and maint.	99.99%	0.01%	34,786	-	-	34,804	11,932	17	893
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	1,034	442	367
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	2,381	790	558
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	213	151	122
CAF Polska sp. z.o.o.	Poznan	Engineering	100%	-	791	-	-	791	(5)	43	39
CAF Portugal Unipessoal Lda.	Lisbon	Manufacturing and maint.	100%	-	30	-	-	30	-	-	-
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-	9,011	-	-	6,090	1,205	3,231	2,176
CAF Rail Australia Pty Ltd.	Sydney	Manufacturing and maintenance	100%	-	74	-	-	74	1,687	2,230	841
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	48	49	34
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	1,340	3,188	2,539
CAF Reichshoffen SAS	Reichshoffen	Manufacture and design	100%	-	46,600	-	-	46,608	1,422	3,122	2,028
CAF Signalling, S.L.U.	Gipuzkoa	Signalling	100%	-	55,562	(481)	(44,399)	14,300	(2,068)	(223)	(801)
CAF Signalling, S.L. Limited Partnership	Bizkaia	Engineering	20%	80%	500	-	-	1,500	1,000	(1,048)	(1,040)
CAF Sisteme Feroviare, S.R.L.	Bucharest	Manufacturing and maint.	100%	-	-	-	-	-	148	26	16
CAF Turnkey & Engineering, S.L.U.	Bizkaia	Engineering	100%	-	13,720	-	-	5,703	27,944	11,447	6,630
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	3,771 (4)	54,283	15,820	46	221
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04%	3,365	(273)	(2,288)	3,367	(2,343)	11	52
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45%	5,650	-	-	9,650	4,688	1,092	617
Consorcio Traza, S.A.	Zaragoza	Holding Company	25%	-	15,709	-	(15,709)	575	(9,825)	4,619	(2,889)
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	794	273	196
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation and maint..	97.61%	2.39%	4,017	(33)	(3,795)	2	134	113	92
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellin	Manufacturing and maint.	100%	-	456	(260)	(319)	36	354	443	(252)
EuroMaint Gruppen AB	Solna	Maintenance	100%	-	96,563	(19,911)	(19,911)	10	82,566	(6,729)	(9,494)
Ferrocarril Interurbano S.A. de C.V.	Mexico City	Manufacturing and equip.	17.20%	32.43%	902	-	-	5,316	1,898	432	481
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	Mexico City	Transportation	28.05%	15.30%	60,925	-	(60,925)	16,301	(93,574)	(5,896)	(19,076)
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	2,231	985	735
LAVI Light Rail O&M Ltd.	Petach Tikva	Operation and maint.	50%	-	1,740	-	-	3,480	21,485	1,705	1,806
Light LTV NTA Ltd.	Petach Tikva	Leasing services	50%	-	-	-	-	-	-	-	-
Metro CAF (Mauritius) Ltd.	Mauritius	Manufacturing and maintenance	100%	-	1	-	-	1	1,653	923	592
PL Light Rail Maintenance Ltd.	Ramat Gan	Maintenance	50%	-	-	-	-	-	-	-	-
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	3,179	2,887	2,237
Rifer SRL	Milán	Component Maintenance	100%	-	4,713	(363)	(2,089)	20	2,967	(291)	(363)
Sermanfer, S.A.U.	Madrid	Maintenance	100%	-	301	-	-	301	1,652	458	452
Solaris Bus & Coach, sp. z.o.o.	Bolechowo	Transportation	72.34%	24.99% (3)	244,679	-	-	37,166	84,003	3,092	(11,966)
Tradinsa Industrial, S.L.	Lleida	Reparation and maint..	82.34%	17.66%	3,215	51	(1,324)	3,850	(1,615)	141	62
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	(15)	(87)	64	(50)	(2)	(23)
Trenes de Navarra, S.A.U.	Navarre	Manufacturing	100%	-	24,676	332	(15,354)	8,971	19	121	332
Oher investments					1,255	-	-	-	-	-	-
					1,179,118	**(9,234)**	**(242,127)**				

1) After adjustments and unifying entries for consolidation purposes and counting unrealised capital gains at the acquisition date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under “Translation Differences - Reserves” and “Valuation Adjustments – Reserves”.
2) Includes a provision of EUR 3,114 thousand corresponding to the impact of derivatives related to net investments in foreign operations.
3) Through Openaco Trading Co. Limited
4) Includes a balance receivable of EUR 3,771 thousand, relating to the impact of derivatives related to net investments in foreign operations.
5) Taking into account the cross options of the Company´s remaining equity..

Head of a group of companies

The composition of the Group's parent companies in the years 2023 and 2022 is as follows:

Head of a group of companies	2023		2022		Location	Line of business
	% of direct stake	% of indirect stake	% of direct stake	% of indirect stake		
CAF Brasil Indústria e Comércio, S.A. -						
Ctrens - Companhia de Manutençao, S.A.	1%	-	1%	-	São Paulo	Lease services
CAF México, S.A. de C.V. -						
Provetren, S.A. de C.V.	2%	-	2%	-	Mexico City	Lease services
Ferrocarril Interurbano S.A. de C.V.	15.93%	-	15.93%	-	Mexico City	Manufacturing and equipment
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	0.1%	-	0.1%	-	Mexico City	Building and Maintenance
Regiotren, S.A. de C.V.	97.02%	-	97.02%	-	Mexico City	Lease services
BWB Holdings Limited -						
Quincey Mason Practice, Ltd.	100%	-	100%	-	Nottingham	Engineering
BWB Consulting, Ltd.	100%	-	100%	-	Nottingham	Engineering
EDCM Building Services Consulting Engineers Ltd.	-	100%	-	100%	Nottingham	Engineering
The BWB Partnership Ltd.	-	100%	-	100%	Nottingham	Engineering
BWB Regeneration, Ltd.	100%	-	100%	-	Nottingham	Engineering
Deetu Consulting Ltd.	-	100%	-	100%	Nottingham	Engineering
BWB Regeneration Trustee Ltd.	-	100%	-	100%	Nottingham	Holding Company
CAF Signalling, S.L.U.-						
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	-	100%	-	Istanbul	Signalling
Ferrocarril Interurbano S.A. de C.V.	3.65%	-	3.65%	-	Mexico City	Manufacturing and equipment
CAF Signalling Uruguay, S.A.	100%	-	100%	-	Montevideo	Signalling
CAF Signalling, S.L. Limited Partnership	80%	-	80%	-	Bizkaia	Engineering
CAF Signalling México, S.A. de C.V.	89%	-	-	-	Mexico City	Signalling
CAF Turnkey & Engineering, S.L.U. -						
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	99.90%	-	99.90%	-	Mexico City	Building and Maintenance
Ferrocarril Interurbano S.A. de C.V.	-	12.84%	-	12.84%	Mexico City	Manufacturing and equipment
Arabia One for Clean Energy Investments, PSC.	40%	-	40%	-	Ma'an	Power generation
Sermanfer, S.A.U. -						
Corporación Sefemex, S.A. de C.V.	95%	-	95%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	95%	-	95%	-	Mexico City	Rendering of services
Sermantren, S.A. de C.V.	95%	-	95%	-	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	17.66%	-	17.66%	-	Lleida	Repairs and maintenance
CAF Investment Projects, S.A.U. -						
Plan Metro, S.A.	40%	-	40%	-	Gipuzkoa	Lease services
Ctrens - Companhia de Manutençao, S.A.	98%	-	98%	-	São Paulo	Lease services
Provetren, S.A. de C.V.	98%	-	98%	-	Mexico City	Lease services
Momentum Trains Holding Pty Ltd.	25.5%	-	25.5%	-	Sydney	Lease services
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	15.30%	-	15.30%	-	Mexico City	Provision of transportation services
Regiotren, S.A. de C.V.	1.98%	-	1.98%	-	Mexico City	Lease services
Aerosuburbano S.A.P.I. de C.V.	50%	-	50%	-	Mexico City	Provision of transportation services
CFIR Light Rail Ltd.	50%	-	50%	-	Petach Tikva	Lease services
Blue and White – Blue Line Jerusalem Light Rail Ltd.	50%	-	50%	-	Petach Tikva	Manufacturing and maintenance
Light TLV NTA LTD.	50%	-	-	-	Petach Tikva	Lease services
Galilee Rail LTD	50%	-	-	-	Petach Tikva	Lease services
CAF Diversified Business Development, S.A.U. -						
CAF Brasil Indústria e Comércio, S.A.	99.03%	-	99.03%	-	São Paulo	Manufacturing and maintenance
CAF France, SAS	100%	-	100%	-	Paris	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	41.45%	-	41.45%	-	Gipuzkoa	Tests
Lander Simulation and Training Solutions, S.A.U.	100%	-	100%	-	Gipuzkoa	Simulators
CAF India Private Limited	96.89%	-	96.89%	-	Delhi	Manufacturing and maintenance
CAF Taiwan Ltd.	100%	-	100%	-	Kaohsiung	Manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L.U.	100%	-	100%	-	Navarre	Aeronautical solutions
Orbital Aerospace GmbH	-	100%	-	100%	Munchen	Engineering
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	2.39%	-	2.39%	-	Buenos Aires	Repairs and maintenance
CAF Chile, S.A.	1%	-	1%	-	Santiago de Chile	Manufacturing and maintenance
CAF México, S.A. de C.V.	0.01%	-	0.01%	-	Mexico City	Manufacturing and maintenance
Corporación Sefemex, S.A. de C.V.	5%	-	5%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	5%	-	5%	-	Mexico City	Rendering of services
CAFTurk Tren Sanayí Ve Tícaret Límíted Síketí	0.04%	-	0.04%	-	Istanbul	Manufacturing and maintenance
Sermantren, S.A. de C.V.	5%	-	5%	-	Mexico City	Rendering of services
CAF Arabia Company	5%	-	5%	-	Riyadh	Manufacturing and maintenance

Head of a group of companies	2023		2022		Location	Line of business
	% of direct stake	% of indirect stake	% of direct stake	% of indirect stake		
CAF Belgium, S.P.R.L.	1.7%	-	1.7%	-	Brussels	Manufacturing and maintenance
CAF Rail Digital Services, S.L.U.	100%	-	100%	-	Gipuzkoa	Maintenance
CAF Egypt for Transportation Systems	5%	-	5%	-	Cairo	Maintenance
CAF Engineered Modernizations, S.L.U.	100%	-	100%	-	Gipuzkoa	Engineering
Sermanbra - Serviços de Manutençao Brasil Ltda.	0.01%	-	0.01%	-	São Paulo	Maintenance
Consorcio Traza, S.A. -						
S.E.M. Los Tranvías de Zaragoza, S.A.	80%	-	80%	-	Zaragoza	Design, manufacture and provision of railway services
EuroMaint Gruppen AB -						
EuroMaint Rail AB	100%	-	100%	-	Solna	Maintenance
EuroMaint Rail AS	-	100%	-	100%	Oslo	Maintenance
EuroMaint Bemanning AB	-	100%	-	100%	Solna	Maintenance
EuroMaint Components and Materials AB	-	100%	-	100%	Solna	Maintenance
CAF Group UK Limited -						
CAF Rolling Stock UK Limited	100%	-	100%	-	Newport	Manufacturing
CAF Rail UK, Ltd -						
CAF Rail Traincare, Ltd.	100%	-	100%	-	Coventry	Manufacturing and maintenance
Trenes de Navarra, S.A. -						
CAF Track Test Center, S.L.	100%	-	100%	-	Navarre	Track testing
CAF Belgium SPRL -						
Tram Liége Maintenance, S.A.	65%	-	65%	-	Liege	Maintenance
Solaris Bus & Coach, sp. z.o.o.-						
Solaris Austria GmbH	100%	-	100%	-	Vienna	Urban transport solutions
Solaris Bus Iberica, S.L.U.	100%	-	100%	-	Navarre	Urban transport solutions
Solaris Bus & Coach Latvia Ltd.	100%	-	100%	-	Riga	Urban transport solutions
Solaris Czech spol. S.R.O.	100%	-	100%	-	Ostrava	Urban transport solutions
Solaris Danmark Bus A/S	100%	-	100%	-	Padborg	Urban transport solutions
Solaris Deutschland GmbH	100%	-	100%	-	Berlin	Urban transport solutions
Solaris Estonia OU	100%	-	100%	-	Tallinn	Urban transport solutions
Solaris France S.A.R.L.	100%	-	100%	-	Ennery	Urban transport solutions
Solaris Hellas, S.A.	70%	-	70%	-	Athens	Urban transport solutions
Solaris Italia S.R.L.	100%	-	100%	-	Rome	Urban transport solutions
Solaris Norge AS	100%	-	100%	-	Oslo	Urban transport solutions
Solaris Schweiz GmbH	100%	-	100%	-	Hausen	Urban transport solutions
Solaris Slovakia S.R.O.	100%	-	100%	-	Kosice	Urban transport solutions
Solaris Sverige AB	100%	-	100%	-	Malmö	Urban transport solutions
Solaris Netherlands, B.V.	100%	-	100%	-	Riethoven	Urban transport solutions
Solaris Belgium, S.R.L.	100%	-	100%	-	Villers-le-Bouillet	Urban transport solutions
UAB Solaris Bus & Coach LT	100%	-	100%	-	Kaunas	Urban transport solutions

10.- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The breakdown of transactions with related parties (in addition to those specified in Notes 8 and 24) in 2023 and 2022 is as follows:

2023

Company	Thousands of Euros (*)				
	Services provided or sales recognised	Services received or purchases recognised	Finance income	Dividends received	Finance costs
Actren Mantenimiento Ferroviario, S.A.	5,160	2,774	-	3,231	-
BWB Holdings Limited	-	-	-	-	-
CAF Arabia Company	10,779	-	-	1,856	453
CAF Argelia (EURL)	-	280	-	-	-
CAF Belgium, S.P.R.L.	5	5,175	550	-	-
CAF Brasil Indústria e Comércio, S.A.	2,457	1	-	-	-
CAF Chile, S.A.	3,452	-	-	2,141	182
CAF Deutschland GmbH	10	7,899	111	-	-
CAF Deutschland Real Estate GmbH	-	-	257	-	-
CAF Digital & Design Solutions, S.A.U.	264	15,993	-	400	24
CAF Diversified Business Development, S.A.U.	-	-	-	-	1,521
CAF Engineered Modernizations, S.L.U.	-	4,606	-	-	15
CAF France, SAS	87	33,375	1,033	-	-
CAF Greece Single Member, S.A.	-	518	-	-	-
CAF Group UK Limited	-	-	-	-	2,487
CAF Hungary Kft	17	1,659	11	-	-
CAF I+D, S.L.U.	4,812	6,422	-	-	131
CAF India Private Limited	20	2,381	-	-	-
CAF Investment Projects, S.A.U.	149	(72)	3,009	59,356	35
CAF Israel Rails Ltd.	220	42,830	-	-	-
CAF Italia, S.R.L.	384	9,454	146	-	-
CAF México, S.A. de C.V.	23,511	35,420	-	-	547
CAF Netherlands B.V.	52	7,401	-	-	29
CAF New Zealand Limited	4,605	118	-	-	273
CAF Norway AS	-	3,953	-	-	-
CAF Polska sp. z.o.o.	11	2,468	-	-	-
CAF Portugal Unipessoal, Lda.	-	492	-	-	-
CAF Power & Automation, S.L.U.	2,083	80,990	-	1,000	470
CAF Rail Australia, Pty Ltd	16,878	8,603	1,411	-	-
CAF Rail Digital Services, S.L.U.	34	4,614	-	-	61
CAF Rail Luxembourg, S.À.R.L.	-	963	-	-	1
CAF Rail UK Limited	23,039	14,048	1,940	4,602	-
CAF Reichshoffen SAS	1,979	9,695	-	-	2,400
CAF Rolling Stock UK Limited	4,994	56,080	-	-	-
CAF Signalling, S.L.U.	1,309	20,488	161	-	9
CAF Signalling, S.L.U. Com.	20	-	-	-	-
CAF Sisteme Feroviare, S.R.L.	-	364	6	-	-
CAF Taiwan Ltd.	(903)	35	53	-	-
CAF Track Test Center, S.L.U.	-	3,488	168	-	-
CAF Turnkey & Engineering, S.L.U.	77	26,569	50	-	-
CAF USA, Inc.	11,382	13,182	-	-	478
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	72	768	-	372	-
Centro de Ensayos y Análisis Cetest, S.L.	225	7,198	-	-	271
CFIR Light Rail Ltd	143,304	-	-	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	4,422	-	973	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	389	3,972	-	-	62
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	11	-	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	1,887	13,815	-	-	-
Ctrens - Companhia de Manutençao, S.A.	2,120	-	-	180	-
EuroMaint Components & Materials AB	284	-	-	-	-
EuroMaint Gruppen AB	-	-	881	-	-
EuroMaint Rail AB	124	3,843	-	-	-
Geminys, S.L.	-	4,409	-	2,000	94
Lander Simulation and Training Solutions, S.A.U.	1	2,401	-	-	86
LAVI Light O&M Ltd.	350	-	-	-	-
Light LTV NTA LTD	51,620	-	-	-	-
Metro CAF (Mauritius) Ltd.	714	-	-	-	29
Momentum Trains Holdings Pty Ltd.	30,029	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	461	(1)	-	2
Plan Metro, S.A.	14,091	-	-	-	-
Rail Line Components, S.L.U.	3,479	10,284	-	2,500	92
Rifer SRL	311	657	-	-	13
S.E.M. Los Tranvías de Zaragoza, S.A.	5,777	3	-	-	-
Sermanfer, S.A.U.	13	6,979	-	-	22
Solaris Bus & Coach, sp. zoo	189	5	5,398	-	-
Tradinsa Industrial, S.L.	187	4,658	38	-	-
Tram Liége Maintenance, S.A.	-	-	5	-	-
Trenes de Navarra, S.A.U.	9,849	14,194	19	-	-
Total	**386,324**	**495,924**	**16,219**	**77,638**	**9,787**

(*) These transactions are carried out on an arm's length basis.

2022

Company	Thousands of Euros (*)				
	Services provided or sales recognised	Services received or purchases recognised	Finance income	Dividends received	Finance costs
Actren Mantenimiento Ferroviario, S.A.	3,776	1,452	-	2,029	-
BWB Holdings Limited	-	-	-	-	-
CAF Arabia Company	5,096	98	-	23,917	50
CAF Argelia (EURL)	(18)	679	-	-	-
CAF Belgium, S.P.R.L.	-	3,568	280	-	-
CAF Brasil Indústria e Comércio, S.A.	1,388	96	-	-	-
CAF Chile, S.A.	2,307	-	-	1,085	25
CAF Deutschland GmbH	63	4,015	12	-	-
CAF Deutschland Real Estate GmbH	-	-	1	-	-
CAF Digital & Design Solutions, S.A.U.	2,341	10,682	-	-	-
CAF Diversified Business Development, S.A.U.	-	-	-	-	723
CAF Engineered Modernizations, S.L.U.	14	3,772	-	-	1
CAF France, SAS	(11)	5,395	437	-	-
CAF Group UK Limited	-	-	-	-	499
CAF Hungary Kft	10	1,495	9	-	-
CAF I+D, S.L.U.	4,557	6,087	-	-	10
CAF India Private Limited	210	1,448	-	-	-
CAF Investment Projects, S.A.U.	175	(214)	2,044	42,505	-
CAF Israel Rails Ltd.	30	31,356	(14)	-	-
CAF Italia, S.R.L.	2,095	9,724	181	-	-
CAF México, S.A. de C.V.	35,546	11,428	-	-	102
CAF Netherlands B.V.	-	8,434	-	-	6
CAF New Zealand Limited	947	408	(3)	1,178	-
CAF Norway AS	-	2,883	-	-	-
CAF Polska sp. z.o.o.	298	471	-	-	-
CAF Power & Automation, S.L.U. (**)	254	69,802	-	1,717	50
CAF Rail Australia, Pty Ltd	21,693	8,691	1,028	-	-
CAF Rail Digital Services, S.L.U.	11	4,938	-	-	2
CAF Rail Luxembourg, S.À.R.L.	-	925	-	-	-
CAF Rail UK Limited	9,647	16,611	-	3,491	-
CAF Reichshoffen SAS	2	1,516	-	-	406
CAF Rolling Stock UK Limited	16,896	113,403	-	-	-
CAF Signalling, S.L.U.	154	17,718	8	-	-
CAF Sisteme Feroviare, S.R.L.	-	295	5	-	-
CAF Taiwan Ltd.	(807)	3	19	-	-
CAF Track Test Center, S.L.U.	-	3,721	270	-	-
CAF Turnkey & Engineering, S.L.U.	39	21,068	4	-	3
CAF USA, Inc.	22,597	2,666	-	-	279
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	707	762	-	-	-
Centro de Ensayos y Análisis Cetest, S.L.	340	5,261	-	-	15
CFIR Light Rail Ltd	99,088	-	-	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	3,845	-	588	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	81	4,043	-	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	9	-	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	1,954	11,035	-	-	-
Ctrens - Companhia de Manutençao, S.A.	1,988	-	-	169	-
EuroMaint Components & Materials AB	31	-	-	-	-
EuroMaint Gruppen AB	-	-	819	-	-
EuroMaint Rail AB	117	3,396	-	-	-
EuroMaint Rail AS	-	-	-	-	-
Geminys, S.L.	-	2,467	-	-	5
Lander Simulation and Training Solutions, S.A.U.	3	2,697	-	-	4
LAVI Light O&M Ltd.	-	-	-	-	-
Light LTV NTA LTD	-	-	-	-	-
Metro CAF (Mauritius) Ltd.	482	34	-	-	-
Momentum Trains Holdings Pty Ltd.	83,233	-	-	-	-
Openaco Trading Co. Ltd.	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	95	-	-	-
Plan Metro, S.A.	14,261	-	-	-	-
Rail Line Components, S.L.U.	1,554	4,902	-	3,443	5
Rifer SRL	-	386	-	-	-
S.E.M. Los Tranvías de Zaragoza, S.A.	1,864	-	-	-	-
Sermanfer, S.A.U.	6	5,307	-	500	-
Solaris Bus & Coach, sp. zoo	494	22	31	-	-
Tradinsa Industrial, S.L.	133	4,496	37	-	-
Trenes de Navarra, S.A.U.	2	4,409	78	-	-
Total	**339,493**	**413,955**	**5,834**	**80,034**	**2,185**

(*) These transactions are carried out on an arm's length basis.
(**) Dividends received amounted to EUR 9,000 thousand, of which EUR 7,283 thousand was credited to "Non-current investments in Group companies and associates" (Note 9).

As a result of these transactions, of those performed in previous years, the measurement of progress of the projects arranged, of the loans granted, of the taxes payable under the consolidated tax regime (Note 18) and of the advances granted, the Company's balances with Group companies, associates and related parties at 31 December 2023 and 2022, were as follows:

2023

	Thousands of euros						
	Non-current loans (Note 9)	**Short-term investments in group companies and associates (Note 18)**	**Receivable from group companies and associates (Note 12)**	**Measure of progress, net of billings (*) (Note 12)**	**Work in progress and advances to suppliers**	**Suppliers, group companies and associates**	**Current and non-current payables to group companies and associates (Note 18)**
Actren Mantenimiento Ferroviario, S.A.	-	-	1,982	1,574	-	1,011	-
BWB Holdings Limited	-	-	-	-	-	-	-
CAF Arabia Company	-	-	6,728	1,566	-	-	8,633
CAF Argelia (EURL)	-	-	(19)	-	-	27	-
CAF Belgium, S.P.R.L.	-	3,890	8	-	-	1,485	-
CAF Brasil Indústria e Comércio, S.A.	-	-	453	(231)	-	-	-
CAF Chile, S.A.	-	-	2,176	80	-	-	5,840
CAF Deutschland, GmbH	-	2,625	-	-	-	1,722	-
CAF Deutschland Real Estate GmbH	7,780	78	-	-	-	-	-
CAF Digital & Design Solutions, S.A.U.	-	-	32	-	-	3,513	665
CAF Diversified Business Development, S.A.U.	-	-	-	-	-	31	33,250
CAF Engineered Modernizations, S.L.U.	-	478	-	-	-	1,039	348
CAF France, SAS	-	19,252	50	-	42,000	9,009	-
CAF Greece Single Member, S.A.	-	320	-	-	25	677	-
CAF Group UK Limited	-	-	-	-	-	-	50,164
CAF Hungary Kft	-	-	11	-	-	353	-
CAF I+D, S.L.U.	-	1	517	-	-	1,811	3,503
CAF India Private Limited	-	46	194	-	-	414	-
CAF Investment Projects, S.A.U.	-	84,670	14	-	-	-	3,023
CAF Israel Rails Ltd.	-	314	(2)	-	-	11,547	-
CAF Italia, S.R.L.	-	112	-	223	-	1,892	-
CAF México, S.A. de C.V.	-	-	(2,392)	11,318	-	611	19,113
CAF Netherlands B.V.	-	20	53	-	-	1,250	1,717
CAF New Zealand Limited	-	-	80	2,892	-	(37)	7,850
CAF Norway AS	-	59	-	-	-	629	-
CAF Polska sp. z.o.o.	-	-	11	-	-	408	-
CAF Power & Automation, S.L.U.	-	4,786	1,024	-	39,620	14,959	21,729
CAF Rail Australia Pty Ltd	-	27,013	2,113	29,346	-	2,392	-
CAF Rail Digital Services, S.L.U.	-	485	-	-	(136)	1,390	2,593
CAF Rail Luxembourg, S.À.R.L.	-	-	-	-	-	167	83
CAF Rail UK Limited	-	2,051	1,046	16,361	-	4,988	-
CAF Reichshoffen SAS	-	48	1,284	-	-	9,068	87,734
CAF Rolling Stock UK Limited	-	-	955	-	-	16,647	-
CAF Signalling, S.L.U.	-	79	598	219	4,881	10,848	17,640
CAF Signalling, S.L.U. Com.	-	-	-	(54)	-	-	-
CAF Sisteme Feroviare, S.R.L.	-	58	-	-	-	15	-
CAF Taiwan Ltd	-	1,418	-	(2,533)	-	3	-
CAF Track Test Center, S.L.U.	1,488	524	-	-	-	846	1,104
CAF Turnkey & Engineering, S.L.U.	-	8,838	36	-	-	12,322	3,382
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	2	-	(1,825)	-	102	-
CAF USA, Inc.	-	19	3,335	6,210	-	279	44,518
Centro de Ensayos y Análisis Cetest, S.L.	-	628	50	-	(8)	1,362	11,699
CFIR Light Rail Ltd	-	-	10,860	(9,081)	6,835	-	-
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	792	(198)	4,052	3,109	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	14,320	1,375	790	-	(3)	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	78	-	254	492	3,400
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	173	-	-	92	-
Ctrens - Companhia de Manutençao, S.A.	-	63	362	-	-	-	-
EuroMaint Components & Materials AB	-	8	64	-	-	-	-
EuroMaint Gruppen AB	18,025	308	-	-	-	-	-
EuroMaint Rail AB	-	18	90	-	-	741	-
EuroMaint Rail AS	-	-	-	-	-	-	-
Geminys, S.L.	-	575	-	-	-	1,265	2,431
Lander Simulation and Training Solutions, S.A.U.	-	596	-	-	144	141	4,630
LAVI Light Rail O&M Ltd.	-	-	310	-	-	-	-
Light LTV NTA LTD	-	-	100,433	(62,115)	-	-	-
Metro CAF (Mauritius) Ltd.	-	-	659	-	-	-	2,407
Momentum Trains Holding Pty Ltd.	-	-	54	116,769	-	-	-
Openaco Trading Co. Ltd.	-	-	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	-	-	-	-	127	343
Plan Metro, S.A.	-	-	-	1,129	-	-	-
Rail Line Components, S.L.U.	-	1,484	481	1,501	1,247	4,460	866
Rifer SRL	-	-	60	-	-	119	209
SEM Tranvías de Zaragoza	-	-	66	443	-	-	-
Sermanfer, S.A.U.	-	-	-	-	-	657	1,619
Sermantren, S.A. de C.V.	-	25	-	-	-	-	-
Solaris Bus & Coach sp. zoo	63,281	-	205	-	-	-	-
Tradinsa Industrial, S.L.	-	720	72	-	2,629	3,290	-
Tram Liège Maitenance, S.A.	-	1	-	-	-	-	-
Trenes CAF Venezuela C.A.	-	-	-	-	196	(12)	-
Trenes de Navarra, S.A.U.	-	1,385	6,165	-	-	7,554	-
Total	**90,574**	**177,317**	**142,636**	**114,384**	**101,739**	**134,812**	**340,493**

(*) The measurement of progress net of billings at 31 December 2023 includes EUR 218,736 thousand in deferred billings (assets) (Note 12) and EUR 104,352 thousand in prebillings (liabilities).

2022

	Thousands of euros						
	Non-current loans (Note 9)	Short-term investments in group companies and associates (Note 18)	Receivable from group companies and associates (Note 12)	Measure of progress, net of billings (*) (Note 12)	Work in progress and advances to suppliers	Suppliers, group companies and associates	Current and non-current payables to group companies and associates (Note 18)
Actren Mantenimiento Ferroviario, S.A.	-	-	1,260	641	-	773	-
BWB Holdings Limited	-	-	5,307	-	-	-	-
CAF Arabia Company	-	-	-	447	-	24	50
CAF Argelia (EURL)	-	-	(19)	-	-	-	-
CAF Belgium, S.P.R.L.	-	9,062	-	-	-	1,038	-
CAF Brasil Indústria e Comércio, S.A.	-	-	642	(196)	-	14	-
CAF Chile, S.A.	-	-	1,008	891	-	25	6,300
CAF Deutschland, GmbH	-	810	38	-	-	1,066	-
CAF Deutschland Real Estate GmbH	-	361	-	-	-	-	-
CAF Digital & Design Solutions, S.A.U.	-	-	368	171	-	2,682	587
CAF Diversified Business Development, S.A.U.	-	-	-	-	-	-	29,386
CAF Engineered Modernizations, S.L.U.	-	156	9	-	-	957	271
CAF France, SAS	-	9,987	144	4,252	52,600	1,750	-
CAF Group UK Limited	-	-	-	-	-	-	51,077
CAF Hungary Kft	-	203	-	-	-	441	-
CAF I+D, S.L.U.	-	-	359	-	-	1,662	5,828
CAF India Private Limited	-	-	200	-	-	552	-
CAF Investment Projects, S.A.U.	76,905	748	124	-	-	-	22,348
CAF Israel Rails Ltd.	-	2,194	11	-	-	14,529	-
CAF Italia, S.R.L.	-	3,890	8	845	-	2,394	-
CAF México, S.A. de C.V.	-	-	14,528	16,136	-	669	4,795
CAF Netherlands B.V.	-	-	3	-	-	1,536	730
CAF New Zealand Limited	-	14	609	239	-	76	1,954
CAF Norway AS	-	329	-	-	-	1,020	-
CAF Polska sp. z.o.o.	-	-	298	-	-	393	-
CAF Power & Automation, S.L.U.	-	1,812	92	-	41,338	10,799	30,561
CAF Rail Australia Pty Ltd	-	20,883	2,615	21,998	-	1,877	-
CAF Rail Digital Services, S.L.U.	-	254	13	-	(21)	2,007	1,076
CAF Rail Luxembourg, S.À.R.L.	-	130	-	-	-	84	-
CAF Rail UK Limited	-	62	3,588	4,478	-	2,968	-
CAF Reichshoffen SAS	-	-	90	-	-	1,227	85,406
CAF Rolling Stock UK Limited	-	27	4,049	-	-	18,642	-
CAF Signalling, S.L.U.	-	3,976	141	(100)	747	3,194	9,888
CAF Sisteme Feroviare, S.R.L.	-	108	-	-	-	63	-
CAF Taiwan Ltd	-	912	-	(1,629)	-	-	-
CAF Track Test Center, S.L.U.	3,471	552	-	-	-	1,328	995
CAF Turnkey & Engineering, S.L.U.	-	3,435	38	-	-	4,206	763
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	-	-	(1,825)	-	118	-
CAF USA, Inc.	-	-	11,326	14,935	-	587	24,000
Centro de Ensayos y Análisis Cetest, S.L.	-	390	85	-	8	1,331	11,026
CFIR Light Rail Ltd	-	505	666	(56,920)	4,238	-	-
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	3,602	(991)	2,498	1,877	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	336	-	3,815	-	(3)	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	8	-	254	253	2,380
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	173	-	-	8	-
Ctrens - Companhia de Manutençao, S.A.	-	16	327	-	-	-	-
EuroMaint Components & Materials AB	-	3	1	-	-	-	-
EuroMaint Gruppen AB	12,138	171	-	-	-	-	-
EuroMaint Rail AB	-	-	31	(27)	-	675	-
EuroMaint Rail AS	-	-	-	-	-	-	-
Geminys, S.L.	-	397	-	-	-	566	3,722
Lander Simulation and Training Solutions, S.A.U.	-	866	4	-	22	259	5,821
LAVI Light Rail O&M Ltd.	-	-	(17)	-	-	-	-
Light LTV NTA LTD	-	-	-	(7,787)	-	-	-
Metro CAF (Mauritius) Ltd.	-	-	463	-	-	-	2,400
Momentum Trains Holding Pty Ltd.	-	-	739	132,913	-	-	-
Openaco Trading Co. Ltd.	-	-	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	150	-	-	-	61	-
Plan Metro, S.A.	-	-	111	1,448	-	-	-
Rail Line Components, S.L.U.	-	706	655	-	796	1,844	3,533
Rifer SRL	-	-	-	-	-	133	478
SEM Tranvías de Zaragoza	-	-	56	(471)	-	-	-
Sermanfer, S.A.U.	-	-	7	-	-	900	757
Solaris Bus & Coach sp. zoo	37,387	31	205	-	-	5	-
Tradinsa Industrial, S.L.	-	622	69	-	1,954	1,006	-
Trenes CAF Venezuela C.A.	-	-	-	-	151	16	-
Trenes de Navarra, S.A.U.	-	443	-	-	-	527	-
Total	**129,901**	**64,541**	**54,034**	**133,263**	**104,585**	**88,159**	**306,132**

(*) The measurement of progress net of billings at 31 December 2022 includes EUR 212,018 thousand in deferred billings (assets) (Note 12) and EUR 78,755 thousand in prebillings (liabilities).

Joint Ventures

The following tables show the Company's interests in joint ventures, by type, at 31 December 2023 and 2022:

2023

Name	Ownership interest	Jointly controlled assets (Thousands of Euros)	Jointly controlled liabilities (Thousands of Euros)
UTE CSM	61.79%	22,138	22,134
UTE Valencia	39.35%	249	247

2022

Name	Ownership interest	Jointly controlled assets (Thousands of Euros)	Jointly controlled liabilities (Thousands of Euros)
UTE CSM	61.79%	1,266	1,260
UTE Valencia	39.35%	547	541

Balances and transactions with shareholders

As of December 31, 2023 and 2022, the Company maintains the following financial transactions with shareholders holding 10% or more of voting rights:

Shareholder	Type of transaction	Thousands of Euros			
		2023		2022	
		Amount of transaction	Balance drawn at 31/12/23	Amount of transaction	Balance drawn at 31/12/22
Kutxabank, SA	Bank loans	40,000	35,000	40,000	36,500
Kutxabank, SA	Credit accounts	35,000	-	35,000	-
Kutxabank, SA	Bank guarantees	150,119	129,811	150,119	101,551

Also, in 2023, the Company 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 AND CONSTRUCTION CONTRACTS

The breakdown of “Inventories” at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 21-b)	7,167	3,066
Advance payments from suppliers (Note 10)	94,633	100,762
Total	**101,800**	**103,828**

At 31 December 2023 and 2022, the Company had firm raw material purchase commitments amounting to approximately EUR 712,969 thousand and EUR 577,560 thousand, respectively.

The Company takes out insurance policies to adequately insure its inventories. At 31 December 2023 and 2022, the insurance policies taken out covered the carrying amount of the inventories at those dates.

Construction contracts

Details of deferred and prepaid billings at 31 December 2023 and 2022 are as follows:

	Thousands of euros	
	31/12/23	31/12/22
Deferred billing (asset) (Note 12)	1,287,164	1,121,969
Prebillings (liability) (Note 17)	(750,071)	(771,710)
Net balance	**537,093**	**350,259**

The aggregate change in deferred billings and advance billings in 2023 and 2022 was as follows:

	Thousands of Euros
Balance at 31/12/21	**123,552**
Changes in measure of progress	1,372,444
Billings	(1,154,798)
Penalties applied	10,353
Reclassifications and other	(1,292)
Balance at 31/12/22	**350,259**
Changes in measure of progress	1,584,802
Billings	(1,426,564)
Penalties applied	18,699
Reclassifications and other	9,897
Balance as of 12/31/23	**537,093**

12.- TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

At 31 December 2023 and 2022, the breakdown of “Trade receivables for sales and services” was as follows:

	Thousands of Euros					
	31/12/23			31/12/22		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Trade receivables for sales and services	1,018,252	341,425	**1,359,677**	734,790	409,106	**1,143,896**
Trade receivables from Group companies and associates	157,930	203,442	**361,372**	36,242	229,810	**266,052**
Total	**1,176,182**	**544,867**	**1,721,049**	**771,032**	**638,916**	**1,409,948**

The breakdown of this heading, broken down into invoiced clients and deferred billings, is as follows:

	Thousands of Euros					
	31/12/23			31/12/22		
	Invoiced	Deferred billing (Note 11)	Total	Invoiced	Deferred billing (Note 11)	Total
Trade receivables for sales and services	291,249	1,068,428	1,359,677	233,945	909,951	1,143,896
Trade receivables from Group companies and associates	142,636	218,736	361,372	54,034	212,018	266,052
Total	**433,885**	**1,287,164**	**1,721,049**	**287,979**	**1,121,969**	**1,409,948**

At 31 December 2023, the Company had not written off accounts receivable from non-recourse factoring operations (EUR 46,878 thousand at 31 December 2022).

Likewise, the balance "Customers for sales and provision of services" includes withholdings on collections as of December 31, 2023 in the amount of EUR 8,685 thousand (EUR 8,808 thousand as of December 31, 2022).

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.

The amount of the net balances due with third parties as of December 31, 2023 and 2022, is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Past due > 90 days	3,191	16,307
Past due > 180 days	101,573	111,687
Total	**104,764**	**127,994**

The Company is carrying out active debt collection, although no unprovisioned losses are expected:

- At 31 December 2023, the Company 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 Company 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. At 31 December 2023, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to the recoverability of the pending amounts.

- At 31 December 2023, the Company had recognised an amount of EUR 39,189 thousand (31 December 2022: EUR 40,811 thousand) relating to billed and unbilled balances pending collection in respect of various disputes with a customer for a project in which there are cross claims for delays in meeting the contractual milestones signed by the consortium to which CAF belongs. As the litigation is ongoing, it is difficult to assess its potential impact, although the Company's directors consider that the likelihood of this situation generating losses is low as some of the delays categorically cannot be attributed to the consortium. Moreover, the damages suffered by the customer are lower than the amounts being claimed, and there are also claims for cost overruns incurred by the consortium that are attributable to the customer. As 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 Company continues to defend its interests in these proceedings, estimating that they will recover, at least, the acknowledged amounts.

Write-downs

Changes in impairment allowances in 2023 and 2022 are as follows:

	Thousands of Euros
Balance at 31/12/21	**1,885**
Variation in provisions charged to "Other Operating Expenses" (Note 21.e)	(655)
Reclassifications	-
Balance at 31/12/22	**1,230**
Variation in provisions charged to "Other Operating Expenses" (Note 21.e)	613
Reclassifications	-
Balance at 31/12/23	**1,843**

Provisions for liabilities

Provisions for liabilities that reduce the figure under “Trade receivables for sales and services” amounted to EUR 21,045 thousand at 31 December 2023 (EUR 38,785 thousand at 31 December 2022).

b) Other receivables

The composition of the "Other debtors" heading as of December 31, 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Other taxes receivable		
VAT	13,697	16,206
Grants	1,600	1,642
Employee receivables	1,120	1,295
Sundry accounts receivable	3,156	3,666
Total	**19,573**	**22,809**

13.- EQUITY

a) Registered share capital

At both 31 December 2023 and 2022, the Company’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 Company.
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 Company’s interest so requires and without such exclusion exceeding 20% of the share capital at the time of the authorisation. This authorisation superseded and rendered null and void the powers previously granted to the directors at the Annual General Meeting held on 2 June 2018. No capital increases have been carried out from the date of that resolution through to the date of authorisation for issue of these financial statements.

Lastly, the Annual General Shareholders' Meeting held on 11 June 2022, resolved to vest power in the Board of Directors of the Company, with express power 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 Company or other Group companies, including the power to exclude the shareholders' pre-emptive subscription right 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 Company held on June 10, 2017. As of the date of preparation of these financial statements, no issues of convertible securities have been made since said agreement.

b) Share premium

The share premium account balance has no specific restrictions on its use.

c) Revaluation reserve

The amount of these revaluations and updates (Notes 3.b and 7) at 31 December 2023 and 2022 is allocated to the following accounts:

	Thousands of Euros	
	31/12/23	**31/12/22**
Revaluation reserve – Gipuzkoa Decree 1/2013 (*)	25,170	25,170
Revaluation reserve Gipuzkoa Regulation 11/1996	8,701	8,701
Total	**33,871**	**33,871**

(*) Net of the 5% tax paid in July 2013.

Revaluation reserve Gipuzkoa Decree 1/2013

The Company complied with the provisions of Regional Decree-Standard 1/2013, of February 5, updating balance sheets, recording a reserve in the amount of 25,170 thousand euros, corresponding to the revalued amount of the assets (Note 7), net of its tax effect of 5% (Note 18-d). The balance of the revaluation reserve under Gipuzkoa Decree 1/2013, of 5 February, is restricted until it is verified and accepted by the tax authorities, which should be performed within the three-year period following presentation of the tax return.

Once it has been verified by the tax authorities or the verification period has elapsed, the balance of this account may be used to offset losses, increase capital, or, after ten years have elapsed from the date of the balance sheet in which the revaluations were recognised, be allocated to unrestricted reserves. However, it may only be distributed when the revalued assets have been fully depreciated, transferred or derecognised.

Revaluation reserve Gipuzkoa Regulation 11/1996

This balance can be used to offset accounting losses and to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance were used in a manner other than that provided for in Gipuzkoa Regulation 11/1996, it would be subject to tax.

d) Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At 31 December 2023 and 2022, the balance of this reserve had reached the legally required minimum. At 31 December 2023 and 2022, the balance of the "Legal reserve" heading was EUR 2,064 thousand.

e) Restricted and unavailable reserves

Until the balance of "Development expenditure" has been fully amortised, no dividends may be distributed, unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Consequently, at the end of 2023, EUR 28,488 thousand (EUR 36,354 thousand at the end of 2022) of the balance of "Other reserves" was restricted (Note 6).

f) Treasury shares and Earnings per share

The Annual General Shareholders' Meeting, held on June 13, 2020, authorized the Company's Board of Directors 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 Company'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 Company reports quarterly to the CNMV on all transactions carried out under this 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 Company 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 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 profit for the year 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
Profit or loss for the year (thousands of euros)	48,447	62,956
Average number of shares issued (in thousands of shares)	34,236	34,246
Earnings per share (in euros)	**1.42**	**1.84**

g) Dividends

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 29,481 thousand. 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 13,712 thousand. At 31 December 2021, the Company had recognised this amount under “Interim dividend” in the accompanying balance sheet. It was subsequently paid in January 2022.

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 20,569 thousand. It was subsequently paid in July 2022.

h) Grants

The information on the grants received by the Company, which form part of equity, and on the amounts taken to income in this connection is as follows:

	Thousands of Euros
Balance at 31/12/21	**4,241**
Increase	4,433
Amount taken to profit or loss	(1,132)
Tax effect	(792)
Balance at 31/12/22	**6,750**
Increase	904
Amount taken to profit or loss	(1,391)
Tax effect	117
Balance as of 12/31/23	**6,380**

At the end of 2023 and 2022, the Company had fulfilled all the conditions attaching to the grants detailed above and, therefore, it does not expect differences to arise in possible future reviews.

14.- OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The balance of this item in the accompanying balance sheet at the close of 2023 and 2022, presented by nature and categories, is as follows:

	Thousands of Euros					
	31/12/23			31/12/22		
	Non-current	Current	Total	Non-current	Current	Total
Other financial liabilities-						
At amortised cost-	**4,464**	**8,346**	**12,810**	**6,518**	**3,910**	**10,428**
Refundable advances	4,464	**2,923**	**7,387**	6,518	2,935	9,453
Payable to non-current asset suppliers (Note 7)	-	4,558	4,558	-	975	975
Other liabilities	-	865	865	-	-	-
At fair value through profit or loss (Note 3-d)-	**-**	**38,092**	**38,092**	**-**	**4,793**	**4,793**
Share purchase liabilities	-	38,092	38,092	-	4,793	4,793
Hedging derivatives (Note 16)	**21,767**	**13,227**	**34,994**	**10,923**	**5,897**	**16,820**
Total	**26,231**	**59,665**	**85,896**	**17,441**	**14,600**	**32,041**

The details of the maturities in the coming years of "Other long-term financial liabilities" are as follows (in thousands of euros):

2023

	Refundable advances		Hedging derivatives	Total	
	Interest	Principal	Principal	Interest	Principal
2025	27	2,190	3,977	27	6,167
2026	13	1,244	7,810	13	9,054
2027	-	302	9,948	-	10,250
2028	-	186	32	-	218
2029 and subsequent years	-	617	-	-	617
Total	**40**	**4,539**	**21,767**	**40**	**26,306**
Discount rate discounting and accruals		(75)	-		**(75)**
Total carrying amount		**4,464**	**21,767**		**26,231**

2022

	Refundable advances		Hedging derivatives	Total	
	Interest	Principal	Principal	Interest	Principal
2024	41	2,626	228	41	2,854
2025	27	2,079	1,757	27	3,836
2026	13	1,236	4,332	13	5,568
2027	-	285	4,533	-	4,818
2028 and subsequent years	-	490	73	-	563
Total	**81**	**6,716**	**10,923**	**81**	**17,639**
Discount rate discounting and accruals		(198)	-		**(198)**
Total carrying amount		**6,518**	**10,923**		**17,441**

15.- BANK BORROWINGS AND DEBT INSTRUMENTS AND OTHER MARKETABLE SECURITIES

The balance of this item in the accompanying balance sheet at the close of 2023 and 2022, by nature and category, is as follows:

	31/12/23			31/12/22		
	Non-current	Current	Total	Non-current	Current	Total
Bank borrowings, debt instruments and other marketable securities -						
At amortised cost-						
Loans and credit accounts	477,927	57,702	535,629	508,745	29,454	538,199
Accrued interest payable	-	2,392	2,392	-	401	401
	477,927	60,094	538,021	508,745	29,855	538,600
Debt instruments or other marketable securities:						
Commercial paper issue	-	90,800	90,800	-	31,900	31,900
Total	**477,927**	**150,894**	**628,821**	**508,745**	**61,755**	**570,500**

In 2023 and 2022, changes in “Bank borrowings and debt instruments and other marketable securities” were as follows:

		Thousands of Euros	
	Bank borrowings	Bonds and other negotiable securities	Total
Balance at 31 December 2021	**627,000**	**25,000**	**652,000**
Cash flows			
New drawdowns	27,658	429,600	457,258
Maturity payments	(115,683)	(422,700)	(538,383)
	(88,025)	**6,900**	**(81,125)**
Other changes (without cash flows)	**(375)**	**-**	**(375)**
Balance at 31 December 2022	**538,600**	**31,900**	**570,500**
Cash flows			
New drawdowns	25,952	362,300	388,252
Maturity payments	(28,583)	(303,400)	(331,983)
	(2,631)	58,900	56,269
Other changes (without cash flows)	**2,052**	**-**	**2,052**
Balance at 31 December 2023	**538,021**	**90,800**	**628,821**

The bank borrowings are presented in the consolidated balance sheet adjusted by the costs incurred in the arrangement of the loans.

Commercial paper issue –

The Company, as per the approval granted by its Board of Directors on 17 December 2020, formalised a commercial paper programme (Commercial Paper Programme CAF 2020), for an aggregate maximum nominal balance of EUR 250 million, 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 Company, 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 Company 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 Company’s liquidity needs at all times. To this end, the following factors, among others, are taken into consideration: the historic volatility of the Company’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 changes in working capital. To define target levels of available liquidity worse-than-base-case scenarios are taken into consideration.

The Company also has undrawn credit facilities totalling EUR 285,322 thousand (31 December 2022: EUR 294,438 thousand) in the form of undrawn loans, credit facilities and factoring arrangements, which are mainly tied to Euribor plus a market spread.

Maturity of Debts with long-term credit institutions -

The repayment schedule of non-current bank borrowings is as follows (in thousands of euros):

2023

	Interest	Principal
2025	9,898	331,500
2026	2,635	121,700
2027	119	25,000
2028	-	-
Total	**12,652**	**478,200**
Accruals		(273)
Total carrying amount		**477,927**

2022

	Interest	Principal
2024	14,490	126,000
2025	8,429	236,500
2026	2,278	121,700
2027	119	25,000
Total	**25,316**	**509,200**
Accruals		(455)
Total carrying amount		**508,745**

16.- DERIVATIVE FINANCIAL INSTRUMENTS

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

The breakdown of the net balances of derivatives, basically fair value and cash flow hedges, recognised in the balance sheets at 31 December 2023 and 2022 are 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 (*)	42,287	31,516	255,685	329,488	298,178
GBP currency forwards	180,735	39,788	121,767	342,290	393,867
BRL currency forwards	46,479	-	-	46,479	8,669
SEK currency forwards	728,408	1,419,882	409,329	2,557,619	230,500
AUD currency forwards	577,883	134,629	12,160	724,672	445,596
SAR currency forwards	37,440	-	-	37,440	9,050
MXN currency forwards	474,864	199,368	-	674,232	36,011
JPY currency forwards	10,660,386	13,543,061	1,362,188	25,565,635	163,543
NZD currency forwards	-	25,088	-	25,088	14,332
CAD currency forwards	157,041	7,087	1,251	165,379	112,948
HKD currency forwards	-	86,345	-	86,345	10,004
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
NOK currency forwards	108,000	-	-	108,000	9,608
Cash flow hedges-					
HUF currency forwards	134,623	-	-	134,623	352
Total currency put options					**1,992,423**

(*) Includes the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

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	85,693	14,901	4,573	105,167	95,175
MXN currency forwards	1,184,037	-	-	1,184,037	63,239
GBP currency forwards	83,002	64,000	22,231	169,233	194,733
JPY currency forwards	1,137,008	3,797,900	-	4,934,908	31,569
AUD currency forwards	45,538	-	-	45,538	28,001
NOK currency forwards	103,434	1,900	-	105,334	9,371
HUF currency forwards	428,276	1,812,300	-	2,240,576	5,852
ILS currency forwards	-	56,539	-	56,539	14,137
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
CAD currency forwards	10,394	14,966	-	25,360	17,320
PLN currency forwards	3,000	-	-	3,000	691
Total currency call options					**486,527**

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 (*)	90,518	7,653	246,627	344,798	323,268
GBP currency forwards	254,864	966	-	255,830	288,444
BRL currency forwards	100,956	-	-	100,956	17,904
SEK currency forwards	577,952	773,775	1,247,645	2,599,372	233,720
AUD currency forwards	545,793	120,054	75,210	741,057	472,222
SAR currency forwards	21,843	-	-	21,843	5,430
MXN currency forwards	175,738	-	-	175,738	8,425
JPY currency forwards	10,093,536	-	-	10,093,536	71,755
NZD currency forwards	-	-	-	-	-
HUF currency forwards	37,579	-	-	37,579	94
CAD currency forwards	33,974	161,244	-	195,218	135,193
HKD currency forwards	-	-	89,841	89,841	10,803
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					**1,864,851**

(*) Includes the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/22	Figures in thousands Maturity (in currency) 2023	2024	2025 and subsequent years	Total	Equivalent value in Euros
Fair value hedges–					
USD currency forwards	42,312	9,800	4,573	56,685	53,146
MXN currency forwards	138,347	467,500	-	605,847	29,049
GBP currency forwards	90,915	-	-	90,915	102,506
JPY currency forwards	902,012	-	-	902,012	6,412
AUD currency forwards	21,615	1,038	-	22,653	14,435
NOK currency forwards	147,376	-	-	147,376	14,017
HUF currency forwards	635,728	-	-	635,728	1,586
ILS currency forwards	-	-	55,284	55,284	14,721
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
Cash flow hedges-					
COP currency forwards	-	-	-	-	-
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					**287,808**

Interest rate derivatives	Figures in thousands Loan maturity (in currency) 2023	2024	2025 and subsequent years
Euribor swap	25,000	-	-

The fair value of the derivative financial instruments arranged at each year-end are as follows:

Hedges:	Thousands of euros Fair value 31/12/23	31/12/22	Cash flow 31/12/23	31/12/22
USD currency forwards	(641)	1,674	-	266
GDP currency forwards	3,032	3,363	-	(122)
MXN currency forwards	(1,717)	(1,683)	-	-
BRL currency forwards	(704)	(988)	-	-
AUD currency forwards	13,293	9,818	-	(154)
SEK currency forwards	(10,910)	(3,548)	-	2
SAR currency forwards	(239)	(2,441)	-	33
JPY currency forwards	(4,760)	(465)	-	241
PLN currency forwards	(5,924)	-	-	-
ILS currency forwards	639	470	-	(31)
CAD currency forwards	5,845	7,755	-	(822)
AED currency forwards	(2,150)	(1,887)	-	-
TWD currency forwards	(475)	846	-	-
HKD currency forwards	1,067	1,154	-	-
NOK currency forwards	813	(268)	-	53
Currency forwards in other currencies	563	236	(4)	(36)
Forward rate agreements	-	-	-	335
Measurement at year-end (*) (Notes 8 and 14)	**(2,268)**	**14,036**	**(4)**	**(235)**

(*) Before considering the related tax effect.

In order to measure the financial instruments, on the one hand the Company uses the measurement of the instruments themselves, and on the other, the measurement of own and counterparty credit risk.

The hedging instruments expire in the same year in which the cash flows are expected to occur.

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

	31/12/23	31/12/22
Non-current assets (Note 8)	21,869	10,867
Current assets (Note 8)	10,853	19,754
Non-current liabilities (Note 14)	(21,767)	(10,923)
Current liabilities (Note 14)	(13,227)	(5,897)
Balance sheet net total	**(2,272)**	**13,801**
Fair value	(2,268)	14,036
Cash flow	(4)	(235)
Total derivatives value	**(2,272)**	**13,801**

In 2023, the ineffective portion of hedging transactions charged to profit or loss represented income of EUR 6,193 thousand (expense of EUR 255 thousand in 2022), mainly as a result of changes in the estimated amounts of the hedged items.

Also, the settlement of the fair value derivatives resulted in an expense of EUR 9,657 thousand and EUR 12,522 thousand in 2023 and 2022, respectively, which are similar to the changes in value of the hedged items.

The items hedged by the Company, as indicated in Note 5-a on market risks, are mainly currency transactions included in each of the commercial agreements. When the hedges are initially arranged these transactions comprise either firm commitments (in which case they are recognised as fair value hedges) or highly probable transactions (in which case they are recognised as cash flow hedges) or net investments in foreign operations.

17.- TRADE AND OTHER PAYABLES

a) Suppliers

The Company has taken out contracts with various financial entities involving supplier payment management transactions ("confirming" or "reverse factoring") for an amount of EUR 63,565 thousand at 31 December 2023 (EUR 47,289 thousand at 31 December 2022), which are recognised under "Suppliers" and "Other creditors" in the accompanying balance sheet.

b) 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
Sundry trade payables	33,742	45,870
Prebillings (liability) (Note 11)	750,071	771,710
Other taxes payable	29,693	31,109
Staff – Outstanding remuneration	28,856	28,375
Total	**842,362**	**877,064**

The heading "Other taxes payable" at 31 December 2023 and 2022 breaks down as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Accrued social security taxes	11,402	10,021
Taxes payable — VAT and other taxes	6,379	13,518
Personal income tax withholdings	11,912	7,570
Total	**29,693**	**31,109**

In 2011 Construcciones y Auxiliar de Ferrocarriles, S.A., as the parent, and certain subsidiaries availed themselves of the special VAT regime for groups.

18.- TAX INFORMATION

Since 2007 the Company has filed consolidated tax returns under Gipuzkoa Income Tax Regulation 2/2014, of 7 January, as part of consolidated tax group no. 03/07/G, the parent of which is Construcciones y Auxiliar de Ferrocarriles, S.A. and the subsidiaries are: CAF Investment Projects, S.A.U, CAF I+D, S.L.U., CAF Power & Automation, S.L.U., Geminys, S.L., Rail Line Components, S.L.U., CAF Turnkey & Engineering, S.L.U., Centro de Ensayos y Análisis Cetest, S.L., CAF Signalling, S.L.U., CAF Diversified Business Development, S.A.U., CAF Engineered Modernizations, S.L.U., CAF Rail Digital Services, S.L.U. and Lander Simulation and Training Solutions, S.A.U. The tax consolidation regime will last indefinitely as long as the requirements continue to be met or the taxpayer does not expressly waive its application by making the corresponding census declaration.

If the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof. Under the legislation in force, the income tax rate applied was 24%. The Company's tax liability to the tax authorities should be interpreted in the context of the consolidated tax regime under which it files tax returns. In this respect, the Tax Group pays corporate income tax jointly to the central government and to the regional governments of Gipuzkoa and Bizkaia, based on the volume of operations carried out in each territory.

a) Reconciliation of accounting profit to taxable profit

	Thousands of Euros	
	2023	**2022**
Accounting profit (before tax)	**71,093**	**65,343**
Permanent differences–		
Sundry obligations to employees (Note 19)	373	1,504
Subsidiary dividends, litigation and other	(76,671)	(74,487)
Increases and reductions due to temporary differences –		
Sundry obligations to employees (Note 19)	(932)	(102)
Provisions for reliability, guarantees and others (Note 19)	53,428	9,806
Impairment losses on investments, results of joint ventures and other (Note 9)	4,436	(2,407)
Amortization due to update of balance sheets NF1/2023 (Note 7)	(56)	(85)
Taxable profit/Tax loss	**51,671**	**(428)**
Tax consolidation adjustments (impairment)	**(2,366)**	**(9,325)**
Adjusted taxable profit	**49,305**	**(9,753)**

b) Tax recognised in equity

The breakdown of the tax recognised directly in equity is as follows:

	Thousands of Euros	
	31/12/23	**31/12/22**
Arising in the year		
Grants (Note 13-h)	117	(792)
Hedges (Note 16)	(55)	376
Arising in prior years		
Grants (Note 13-h)	(2,132)	(1,339)
Hedges (Note 16)	56	(321)
Total tax recognised directly in equity	**(2,014)**	**(2,076)**

c) Reconciliation of accounting profit to income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of Euros	
	2023	**2022**
Accounting profit before tax	**71,093**	**65,343**
Tax charge at 24%	**17,062**	**15,682**
Impact of permanent differences and tax consolidation adjustments	(18,879)	(19,754)
Differences - previous year's tax return	295	68
Other (taxes paid abroad)	2,445	1,198
Tax assets and deferred tax assets not recognized	21,723	5,193
Deferred tax (Spanish National Chart of Accounts Valuation Standard 14)	-	-
Total income tax expense recognised in profit or loss	**22,646**	**2,387**
Current tax expense (income)	**8,868**	**(2,828)**
Deferred tax expense (income)	**13,778**	**5,215**

The difference between the estimated income tax for 2022 and the tax return ultimately filed amounted to EUR 295 thousand under "Income tax" in the accompanying statement of profit or loss.

In 2023, the Company expects to report tax credits amounting to EUR 6,275 thousand (EUR 5,010 thousand in 2022), which relate mainly to international double taxation tax credits and R&D+i tax credits.

d) Deferred tax assets and deferred tax liabilities

The composition and movement of the headings "Deferred tax assets" and "Deferred tax liabilities" of the attached balance sheet is as follows:

	31/12/21	Additions	Disposals	31/12/22	Additions	Disposals	31/12/23
	Thousands of Euros						
Deferred tax assets-							
Tax assets recognised	13,396	2,225	(1,027)	14,594	5,926	(2,428)	18,092
Tax effect of tax losses	13,682	1,307	(388)	14,601	2,556	(6,185)	10,972
Recognised temporary differences-							
Provisions temporarily not deductible	48,003	6,049	(13,343)	40,709	21,125	(34,759)	27,075
Restatement of balance sheets	182	-	(20)	162	-	(7)	155
Hedges	86	-	(86)	-	-	-	-
	75,349	**9,581**	**(14,864)**	**70,066**	**29,607**	**(43,379)**	**56,294**
Deferred tax liabilities-							
Grants (Note 13.h)	1,340	1,064	(272)	2,132	217	(334)	2,015
Hedges	406	81	(543)	(56)	135	(80)	(1)
Other	157	-	-	157	7	-	164
	1,903	**1,145**	**(815)**	**2,233**	**359**	**(414)**	**2,178**

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
Pending deductions and others (Note 3.j)	18,092	58,085	76,177	14,594	57,981	72,575
Tax losses (Note 3.j)	10,972	11,110	22,082	14,601	13,665	28,266
Other deferred tax assets	27,230	53,511	80,741	40,871	21,390	62,261
Total	**56,294**	**122,706**	**179,000**	**70,066**	**93,036**	**163,102**

The Company generated 2023 a tax base of EUR 49,305 thousand, which was partially offset by the Company's tax loss carryforwards and those generated by other Group companies, resulting in the corresponding payable amount.

In turn, the Company has utilised tax credits from other Group companies, likewise posting the corresponding account payable.

The Company has tax deductions generated between 2009 and 2023 yet to be applied amounting to EUR 76,177 thousand, of which EUR 18,092 thousand is capitalised in the accompanying balance sheet at 31 December 2023 (at 31 December 2022, it had EUR 72,574 thousand generated between 2009 and 2022, of which EUR 14,594 thousand had been capitalised). The amounts not deducted due to insufficient tax charge can be used, observing the same limit, in the tax returns for the tax periods concluding in the immediately subsequent 30 years. In view of the uncertainty inherent to the recoverability of deferred tax assets, the Company's recognition policy is based on an assessment of future taxable profit on the basis of its backlog.

In 2020, the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 14,113 thousand. The reinvestment commitment, which totalled EUR 15,000 thousand, was fulfilled mainly through investments carried out in 2020, 2021 and 2022, by the Parent and the other companies in the consolidated tax group, in property, plant and equipment and intangible assets.

In 2022, the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 103 thousand. The reinvestment commitment, which totalled EUR 1,498 thousand, took the form of investments made by the Company in 2022.

The amount of the (unrecognised) tax credits, tax loss carryforwards and deferred tax assets and their schedule for use by the Company is as follows:

	Thousands of euros	
	31/12/23	31/12/22
Expiring in 2023	-	-
Expiring in 2024	-	-
Expiring in 2025	-	-
Expiring in 2026	-	-
Expiring in 2027	-	-
Expiring in 2028	-	-
Expiring in 2029	-	-
Expiring in 2030	-	-
Expiring in 2031	-	-
Expiring in 2032–2053	69,195	71,646
No maturity	53,511	21,390
	122,706	**93,036**

e) Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the date of authorisation for issue of the financial statements for 2023, the Company had all years since 2016 open for review for income tax and all years since 2019 open for review for the other taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

19.- PROVISIONS AND CONTINGENT LIABILITIES

The breakdown by concept of the headings "Non-current provisions" and "Current provisions" of the balance sheet as of December 31, 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	-	63,850	63,850	-	49,127	49,127
Provisions for warranties and technical support	-	188,178	188,178	-	160,603	160,603
Provisions for litigation	1,040	-	1,040	1,522	-	1,522
Provisions for commitments with staff	3,331	6,756	10,087	4,320	2,720	7,040
Other provisions	1,465	2,322	3,787	-	1,252	1,252
Total	**5,836**	**261,106**	**266,942**	**5,842**	**213,702**	**219,544**

Changes in these headings in 2023 and 2022 were as follows (in thousands of euros):

	Non-current and current provisions					
	Contractual liability	Warranty and support services	Litigation	Employee benefit obligations	Other provisions	Total provisions
Balance at 31/12/21	**36,543**	**149,085**	**1,094**	**-**	**7,887**	**194,609**
Net charge for the period	9,939	59,912	3,150	3,357	(3,763)	72,595
Amounts used	-	(48,394)	(2,722)	(2,729)	(227)	(54,072)
Transfers	2,645	-	-	6,412	(2,645)	6,412
Balance at 31/12/22	**49,127**	**160,603**	**1,522**	**7,040**	**1,252**	**219,544**
Net charge for the period	14,723	68,362	1,108	5,000	2,535	91,728
Actuarial gains and losses	-	-	-	3,192	-	3,192
Amounts used	-	(40,787)	(1,590)	(10,625)	-	(53,002)
Transfers	-	-	-	5,480	-	5,480
Balance at 31/12/23	**63,850**	**188,178**	**1,040**	**10,087**	**3,787**	**266,942**

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 Company recognised a net provision of EUR 41,709 thousand under "Other operating expenses" (2022: net provision of EUR 20,354 thousand) relating to the difference between the provisions required in this connection at year-end and the provisions recognised at the end of the previous year. The guarantee expenses incurred to meet the various obligations in 2023, which amounted to approximately EUR 40,787 thousand (2022: EUR 48,394 thousand), were recognised primarily under "Procurements" and "Staff costs".

Provisions for litigation

The Company recognises provisions under "Long-Term Provisions" in the balance sheet for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Company's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material.

Employee benefit obligations

The Company 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. The net provision for 2023 was recognised with a charge to “Staff costs” in the accompanying statement of profit or loss (Note 21-d) of EUR 1,752 thousand (EUR 3,357 thousand with a charge to “Staff costs” in 2022).

Also, the Company’s legal and contractual obligations to certain of its employees in relation to supplementary retirement and death benefits 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 the years 2023 and 2022 of these obligations is as follows:

	Thousands of Euros
Balance at 31/12/21	**3,694**
Losses/(profits) imputed to the income statement (Note 21.d)	4,149
Imputed losses/(gains) in equity	4,931
Contributions	(7,294)
Transfers	-
Balance at 31/12/22	**5,480**
Losses/(profits) imputed to the income statement (Note 21.d)	3,248
Imputed losses/(gains) in equity	3,192
Contributions	(8,127)
Transfers	-
Balance at 31/12/23	**3,793**

The future modifications to the obligations assumed will be recognised in profit or loss for the related year.

The breakdown of the present value of the Company’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	45,726	43,039
Less – Fair value of plan assets	(41,933)	(37,559)
Other current (assets) liabilities, net	**3,793**	**5,480**

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	3.30%-3.77%	3.10%-3.60%
Mortality tables	PER2020 Col	PERM/F/2012 – PER 2020 Col
Annual salary or pension increase rate	2%	2%
Retirement age	65-67	65-67

In the assumptions applied in the actuarial study performed by an independent third party, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past. 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 labour agreement, the Company contributes 2.3% per year of the contributions (the same percentage in 2022) for all personnel at certain locations to a social security entity, recognising an amount of EUR 3,816 thousand (EUR 3,369 thousand in 2022) charged to “Personnel expenses”.

20.- FOREIGN CURRENCY BALANCES AND TRANSACTIONS

The breakdown of the most significant balances and transactions in foreign currency, translated to euros at the year-end exchange rates and the average exchange rates for the year, respectively, is as follows:

	Thousands of euros	
	2023	2022
Accounts receivable (Note 12) (*)	341,425	409,106
Group accounts receivable (Notes 10 and 12) (*)	203,442	229,810
Loans granted to Group companies (**) (Note 10)	121,280	70,184
Loans received from Group companies (Note 10) (***)	122,295	101,753
Accounts payable (*)	22,349	19,325
Sales	321,687	549,063
Purchases and services received	138,908	121,288

(*) Balance in Australian dollars and pounds sterling, mainly.
(**) Balance in Australian dollars, Swedish krona, Polish zlotys and Mexican pesos.
(***) Balance in US dollars, pounds sterling, Mexican pesos, mainly.

21.- INCOME AND EXPENSES

a) Revenue

The detail, by line of business, of the Company's revenue for 2023 and 2022 is as follows (in thousands of euros):

	2023	2022
High-speed, regional and commuter trains	727,522	698,043
Metros	232,302	169,434
Trams and light metros	438,618	349,744
Bogies and other	31,193	23,938
Trains	**1,429,635**	**1,241,159**
Services (*)	**153,977**	**159,480**
Integral Systems, Equipment and Other (**)	**278,009**	**214,836**
Total	**1,861,621**	**1,615,475**

(*) Mainly includes all revenues from maintenance services and sales of railway spare parts.
(**) Mainly civil engineering, signalling and engineering construction contracts revenue.

The following is a breakdown of the Company's sales by geographical area (National, EU, Other) (in thousands of euros):

	2023	2022
Spain	222,615	171,697
European Union:		
EU – Euro Area	634,258	468,782
EU – No Euro Area	81,575	92,200
	715,833	**560,982**
Rest of the world	923,173	882,796
Total	**1,861,621**	**1,615,475**

b) Procurements

The breakdown of “Cost of goods held for resale sold”, “Cost of raw materials and other consumables used” and “Work performed by other companies” in 2023 and 2022 is as follows (in thousands of euros):

	2023	2022
Cost of raw materials and other consumables used-		
Purchases from and work performed by third parties	1,218,497	1,041,177
Changes in inventories	(82,704)	22,145
Total	**1,135,793**	**1,063,322**

c) Breakdown of purchases by origin

The breakdown, by origin, of the purchases made by the Company in 2023 and 2022 is as follows:

	2023			2022		
	Spain	EU countries	Imports	Spain	EU countries	Imports
Purchases	65%	29%	6%	62%	33%	5%

d) Staff costs

The average headcount in 2023 and 2022 was as follows:

Professional category	2023			2022		
	Average headcount	Men	Women	Average headcount	Men	Women
Board members	2	1	1	2	1	1
Senior executives	7	6	1	7	6	1
Employees	2,159	1,576	583	1,942	1,428	514
Operators	2,076	2,018	58	2,080	2,021	59
Total (*)	**4,244**	**3,601**	**643**	**4,031**	**3,456**	**575**

(*) At 31 December 2023, the workforce comprised 4,401 permanent employees and 25 temporary employees. At 31 December 2022, the workforce comprised 3,919 permanent employees and 157 temporary employees.

Since CAF does not meet the quota reserved for disabled employees, it has taken certain alternative measures established by Royal Decree 364/2005, of 8 April, which regulates alternative compliance of an exceptional nature with the quota reserved for disabled employees.

The average number of persons employed by the Company in 2023 and 2022 with a disability equal to or greater than 33%, by category, was as follows:

Professional category	2023			2022		
	Average headcount	Men	Women	Average headcount	Men	Women
Employees	14	11	3	11	10	1
Operators	30	29	1	32	31	1
Total	**44**	**40**	**4**	**43**	**41**	**2**

At 31 December 2023, the Company's Board of Directors comprised seven men and four women. At 31 December 2022, it comprised seven men and three women.

The breakdown of staff costs is as follows (in thousands of euros):

	2023	2022
Wages and salaries (Notes 19, 22-a and 23)	255,944	235,735
Social security costs	76,145	68,671
Other expenses (Note 19)	10,752	9,965
Total	**342,841**	**314,371**

The heading “Staff costs — Wages and salaries” in the statement of profit or loss includes an expense of EUR 3,118 thousand (expense of EUR 5,838 thousand in 2022) for early retirements completed in 2023 and the provision for the relief contract.

e) Other operating expenses

The detail of the heading "Other operating expenses" for 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Outside services	240,041	204,182
Taxes other than income tax	864	839
Change in operating provisions and others-		
Net provision for customer insolvencies (Note 12)	613	(655)
Net provisions for contractual liabilities, guarantees and technical assistance (Note 19)	41,709	20,354
Other	123	21
Total	**283,350**	**224,741**

e.1) Audit fees

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 reviewed by the global organisation Ernst & Young amounted to EUR 1,057 thousand (EUR 952 thousand in 2022), of which EUR 118 thousand related for the audit fees of the Parent in 2023 (EUR 113 thousand in 2022). In addition, fees for other professional services provided by the principal auditor amounting to EUR 152 thousand were billed in the period (EUR 149 thousand in 2022, of which EUR 105 thousand was for audit-related attest services including six-monthly reviews (EUR 86 thousand in 2022), EUR 47 thousand was for tax services (EUR 42 thousand 2022).

e.2) Leases

At 31 December 2023 and 2022, the Company had various outstanding operating leases for which it had recognised an expense of EUR 2,156 thousand and EUR 2,150 thousand in 2023 and 2022, with a charge to “Other operating expenses” in the accompanying statement of profit or loss. The Company expects to continue to lease these assets (principally equipment and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2023 amounted to EUR 2,818 thousand, of which EUR 954 thousand will fall due in 2024 (EUR 3,962 thousand, of which EUR 1,268 thousand were payable within one year at 31 December 2023).

f) Information on the environment

In 2023, investments made in systems, equipment and facilities for environmental protection and improvement amounted to EUR 3,627 thousand (EUR 2,696 thousand in 2022).

In 2023 the Group incurred environmental expenses amounting to EUR 812 thousand (2022: EUR 930 thousand).

At 31 December 2023 and 2022, the Company did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Company's directors do not expect any material liabilities to arise as a result of the Company's environmental activities and, accordingly, the accompanying balance sheet does not include any provisions in this connection.

In 2023, the Company did not receive any environmental grants (EUR 1,156 thousand in 2022).

g) Other operating income

The detail of the heading "Other operating income" for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	**2022**
Ancillary income and other ordinary management income	22,641	24,023
Operating grants taken to income	1,435	1,790
Total	**24,076**	**25,813**

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, having incurred the costs to be justified.

h) Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets

	Thousands of Euros	
	2023	**2022**
Amortisation of intangible assets (Note 6)	16,554	16,281
Amortisation of property, plant and equipment (Note 7)	10,760	11,546
Total	**27,314**	**27,827**

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 6)	(130)	(28)
Impairment of property, plant and equipment (Note 7)	-	-
Results from disposals and others		
Profits/(Losses) from intangible assets (Note 6)	-	1,833
Profits/(Losses) from property, plant and equipment (Note 7)	24	96
Total	**(106)**	**1,901**

In 2022, assets related to the former steel plant at Beasain were sold, mostly fully depreciated machinery and plant. The sale price amounted to EUR 2,000 thousand and a gain of EUR 1,833 thousand was credited to “Impairment and gains/(losses) on disposal of non-current assets” in the 2022 statement of profit or loss.

22.- 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 Company'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 Company made contributions to long-term savings plans in the forms of long-term savings insurance under the defined contribution system and under which the Company is the policyholder, for a total of EUR 423 thousand (2022: EUR 412 thousand). At 31 December 2023 and 2022, no advances, guarantees or loans had been granted to its 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 Company.

23.- REMUNERATION OF SENIOR EXECUTIVES

The remuneration of the Company'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 Company made contributions to long-term savings plans in the form of long-term savings insurance under the defined contribution system and under which the Company 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.

24.- OTHER DISCLOSURES

a) Guarantees and other contingent assets and liabilities

At 31 December 2023 and 2022, the details of the endorsements and guarantees in favour of third parties provided by financial entities and insurance companies to the Company, and to other Group companies when the Company acts as a counterguarantor, and which basically correspond to technical guarantees in compliance with the orders received, are as follows:

	Thousands of euros	
	2023	2022
Guarantees provided to public organizations for financing obtained or for subsidies	6,323	5,266
Guarantees for future contributions in investee companies (*)	116,008	63,887
Guarantees provided to third parties for business transactions	4,522,777	4,040,976
Guarantees provided to third parties for other purposes	65,051	55,533
Total	**4,710,159**	**4,165,662**

(*) includes guarantees for future contributions in 2024, 2027 and 2029 to be made by CAF Investment Projects, S.A.U. in the investee companies Tramardent S.A., Momentum Trains Holding Pty Ltd., CFIR Light Rail Ltd and Light TLV NTA Ltd., respectively.

The Company and its directors consider that no material liabilities will arise in this connection

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 profit and loss account and a credit to the "Non-current provisions" in the balance sheet (Note 19). At the date of authorisation for issue of these 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 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 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. At the date of authorisation for issue of these financial statements, CAF, S.A. and CAF Signalling, S.L.U. had 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 case. The proceedings relating to the prohibition on public tendering is also suspended.

The Group's legal advisors consider that an unfavourable outcome for the CAF Group is unlikely and that the outcome of the lawsuit will not materially affect the financial statements for the years in which the amounts are ultimately paid, if at all. Therefore, no provision was recognised in this respect at 31 December 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	70.38	67.86
Ratio of transactions settled	69.88	71.19
Ratio of transactions not yet settled	72.17	55.43
	Thousands of euros	Thousands of euros
Total payments made	1,422,716	1,201,506
Total payments outstanding	394,534	322,007

2023

Invoices paid to suppliers in a period shorter than the legal maximum period			
Thousands of Euros	Number	% to total payments	% to the total no. of invoices
569,195	43,688	40%	15%

2022

Invoices paid to suppliers in a period shorter than the legal maximum period			
Thousands of Euros	Number	% to total payments	% to the total no. of invoices
432,170	33,438	36%	12%

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in “Payable to Suppliers” and “Other Payables” under current liabilities in the balance sheet.

The statutory maximum payment period applicable to the Company in 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, is 60 days, unless no payment date or period has been agreed, in which case the maximum payment period would be 30 days.

25.- 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).

26.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

APPROVAL BY THE BOARD OF DIRECTORS

MR ANDRÉS ARIZKORRETA GARCÍA
CHAIRMAN

MR JAVIER MARTINEZ OJINAGA
DIRECTOR

MR JUAN JOSÉ ARRIETA SUDUPE
DIRECTOR

MR LUIS MIGUEL ARCONADA ECHARRI
DIRECTOR

MR JULIÁN GRACIA PALACÍN
DIRECTOR

MS BEGOÑA BELTRAN 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 AND SECRETARY OF THE BOARD

MR ANDRÉS ARIZKORRETA GARCÍA

MR JAVIER MARTINEZ OJINAGA

MR JUAN JOSÉ ARRIETA SUDUPE

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MS IDOIA ZENARRUTZABEITIA BELDARRAIN

MR MANUEL DOMÍNGUEZ DE LA MAZA

MS MARTA BAZTARRICA LIZARBE

Certificate issued by the Secretary to the Board of Directors attesting that the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., pursuant to prevailing commercial law, has drawn up and authorised for issue, on 27 February 2024, the financial statements and directors' report of the Company for 2023, following the format 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 27F7AB97766D0C507791BF193A24C0A18C7FB33E064BEFE3296901A2B4857D80.

The members of the Board of Directors of the Company hereby declare that the aforementioned financial statements and directors' report 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 THE CHAIRMAN

MR ANDRÉS ARIZKORRETA GARCÍA

Signed THE SECRETARY OF THE BOARD

MS MARTA BAZTARRICA LIZARBE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Certification issued by the Secretary of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A., Ms Marta Baztarrica Lizarbe, for the purposes of Article 8.1.b) of Royal Decree 1362/2007, of 19 October, whereby each and every member of the Board of Directors states that, to the best of their knowledge, the financial statements for 2023, authorised for issue at the meeting held on 27 February 2024 and prepared in accordance with the applicable accounting principles, present fairly the equity, financial position and results of Construcciones y Auxiliar de Ferrocarriles, S.A., and that the directors’ report approved together with the financial statements contain a fair analysis of the business performance, results and position of Construcciones y Auxiliar de Ferrocarriles, S.A., together with a description of the main risks and uncertainties that it faces. I attest that this certificate has been signed, evidencing approval thereof, by each and every one of the Company's directors, whose names and surnames are shown below.

San Sebastián, 27 February 2024.

Signed: Ms Marta Baztarrica Lizarbe

MR ANDRÉS ARIZKORRETA GARCÍA
CHAIRMAN

MR JAVIER MARTINEZ OJINAGA
DIRECTOR

MR JUAN JOSÉ ARRIETA SUDUPE
DIRECTOR

MR LUIS MIGUEL ARCONADA ECHARRI
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DIRECTOR

MS MARTA BAZTARRICA LIZARBE
DIRECTOR AND SECRETARY OF THE BOARD