CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.
AND
SUBSIDIARIES COMPOSING THE CAF GROUP (CONSOLIDATED)

2022 FIRST HALF-YEAR REPORT

JULY 2022

CONTENTS

1 – CAF GROUP BUSINESS MODEL AND OUTLOOK

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

The Group aims to grow above the market, consolidate its leadership in collective and sustainable mobility and cement its position as a benchmark in sustainability assessment (ESG), though with certain reservations about the course that COVID-19 takes from here and the duration and final impact on the Group's commercial and industrial activity of the extremely complex scenario following the outbreak of war in Ukraine, which has pushed up energy prices and inflation and aggravated the supply of components.

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

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

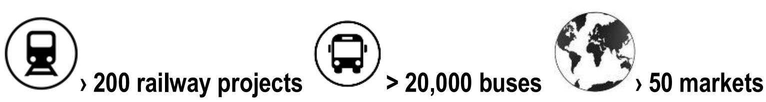
- In railway rolling stock, which constitutes its main historical activity, the Group offers a wide range of products that includes, among others, high-speed trains, regional and commuter trains (diesel, hybrid diesel-battery, hybrid electric-battery and electric), metros, trams and LRVs and locomotives.
- With regard to buses, the Group offers a wide range of zero-emission full-battery and hydrogen fuel cell powered buses that cemented their leadership position in Europe in 2021 (Solaris earned the Global e-Mobility Leader award for its contribution to the development of zero-emission transport across the world). Its product range is completed with low-emission buses powered by conventional combustion engines, although their importance in Solaris' activities is decreasing, a reflection of the market trend.
- In a bid to expand its value proposition in sustainable mobility and contribute to decarbonisation, CAF is acquiring significant positions in hydrogen solutions, such as:
    - In 2020, Europe chose the FCH2RAIL consortium led by CAF to develop the first hydrogen train approved to run on general interest rail networks. In late May 2022, CAF began to conduct static tests on this hydrogen-powered demonstrator train at its Zaragoza plant.
    - CAF is also a member of the European Clean Hydrogen Alliance.

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

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

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

Experience in global sustainable mobility



The first half of 2022 saw the CAF Group build strong commercial momentum, with significant contracts in terms of both quantity (meaning the amount) and quality (as they include a high proportion of related maintenance services); thus affording the Group significant protection against future price fluctuations and giving it a clear path to follow. Key contracts during the period:

- Railway:
    - Supply of electrical units for Auckland (New Zealand) and Mallorca (Spain), and associated maintenance service.
    - Maintenance services for SAR (Saudi Arabia).
    - Design, construction, financing and maintenance for 25 years of the Purple Line of the Tel Aviv Light Rail (Israel).
    - Supply of locomotive and push-pull carriages for Etihad Rail (United Arab Emirates).

- Supply of battery-powered units to the operator NWL for operation in Germany as an additional option under the base contract signed with the same operator and VRR in 2021.

- Buses:

  - High procurement of zero-emission city buses, notably the contract for the supply of a large number of electric buses for the city of Oslo, plus hundreds of other contracts for electric, hydrogen and even trolleybuses awarded by numerous cities across Europe.

This has led the backlog to an all-time high and pushed it past the EUR 10,000 million mark for the first time ever.

Main milestones achieved in terms of sustainability (ESG):

- Certification of the model of excellence in environmental management based on the European EMAS Regulation for CAF, S.A. (Eco-Management and Audit Scheme).

- Earning "Silver" under the IRIS international quality standard for the Signalling activity, in addition to the certifications earned in 2021 by Rail Vehicles and Maintenance.

- KOMP SARIAK distinction awarded to the CAF Group by the Basque Competition Authority for its Corporate Competition Compliance System.

- First EPD (Environmental Product Declaration) for Solaris; electric Urbino 18 and hybrid Urbino 12 buses.

- CSR Silver Leaf distinction awarded to Solaris by "Polityka" for its support in achieving the Sustainable Development Goals.

- Busplanner Innovation Award 2022 for Solaris; Urbino 9 LE bus.

- Maintenance of the "BBB" rating in the MSCI valuation review for the CAF Group.

- Signing of a liquidity contract with the sole purpose of improving liquidity and regular trading on the stock market of the shares in the Group's parent company.

Looking ahead to the full year 2022, the Group aims to:

- Ensure that the backlog exceeds sales completed in the year.

- Continue to grow sales at a faster pace than the market.

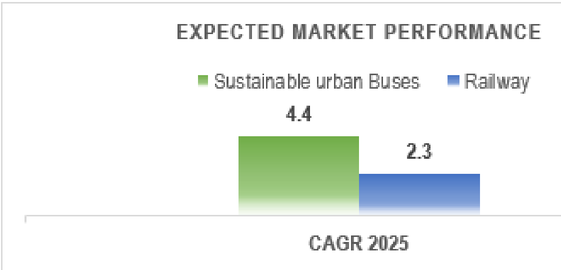
- Based on current estimates and provided prevailing external conditions (inflation and supply chain) do not worsen, the impact on the Group's profitability should peak in the first half of 2022.

- Consolidate the Group's position in sustainability by maintaining Solaris' leadership, as well as the "Low Risk" rating from Sustainalytics, and increasing sustainable turnover according to the European taxonomy, while also obtaining the first CDP (Carbon Disclosure Project) rating.

The main reasons supporting these expectations are as follows:

• Accessible market growth prospects for the Group, driven by expansive regulations and policies such as the European Green Deal, and European recovery funds:

- In Railways, estimated year-on-year growth through to 2025 is 2.3% (source: UNIFE WRMS forecast 2020 to 2025)
- In sustainable urban Buses (electric, hybrid, hydrogen), estimated year-on-year growth in Europe through to 2025 is 4.4% (source: Interact Analysis and the “E-mobility Development & Market Intelligence” of Solaris, CAF Group)



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

• Systematic, recurring application of expense containment programmes, cost and inventory reduction initiatives and plans to unlock synergies.

• Contingency measures to mitigate the impact of inflation and the global components supply crisis on the Group’s businesses.

• Deploying the Sustainability Plan in line with the objectives set out in the Group’s ESG Equity Story.

• CAF to ensure positive relations and perception among all its stakeholders.

The Group would also highlight the following actions in a bid to strengthen its position within the mobility sector:

• Initiating a new strategic cycle based on an updated business model that seeks to maximise value creation and satisfy the stakeholder needs and expectations.

• Making progress in integrated digitalisation and cybersecurity for our processes, products and services.

• Continuing to invest in the technological development of zero-emission mobility solutions through various initiatives associated with propulsion systems based on energy storage (batteries and hydrogen), where the Group is already a market leader. Examples include Solaris’ positioning in the electric city bus market in Europe, the high number of clients for catenary-free tram systems supplied by the railway business, or the wealth of know-how and real experience amassed in the development and supply of hydrogen-powered vehicles, especially at the Buses business.

• Consolidating our value proposal for customers through commercial and technical development plans for our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, and CAF Engineering & Modernizations, among others) in order to diversify our integrated mobility offering.

• Consolidating our international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.

• Finalising the agreement to acquire the Coradia Polyvalent and Talent 3 platforms and the Reichshoffen plant in France from Alstom and Bombardier and integrating them into the business model of the CAF Group.

In short, in an increasingly competitive market, the ongoing pursuit of solutions tailored to customer needs that increase their satisfaction is part of the Group’s DNA, and forms part of the culture shared by all the individuals forming part of the CAF Group, which seeks to provide a balanced response to the needs of stakeholders.

2 – BUSINESS PERFORMANCE AND RESULTS

Main indicators (*)

Figures in millions of Euros	2022 First six months	2021 First six months	Change (%)
Order intake –			
Backlog in the period	2,643	2,004	32%
Book-to-bill ratio	1.7	1.4	22%
Backlog (**)	10,753	9,640	12%
Order backlog / Revenue ratio (**)	3.7	3.3	12%
Profit and cash flow –			
Revenue	1,530	1,411	8%
EBITDA	108	120	(10%)
EBITDA margin	7.0%	8.5%	(18%)
Consolidated profit/(loss) for the period attributable to the Parent	31	41	(25%)
Working capital expenditure (**)	239	140	71%
Capex	22	11	100%
Cash-Flow	(13)	39	(133%)
Capital and liquidity management (**)			
Net financial debt	305	278	10%
Net Financial Debt/12-month adjusted EBITDA ratio	1.3	1.1	18%
Available liquidity	1,041	1,091	(5%)
Equity attributable to the Parent	764	727	5%
Stock market capitalisation	963	1,255	(23%)

(*) Section 9 – Alternative Performance Measures of the consolidated interim Directors' Report explains the reconciliations of those indicators that have not been directly retrieved from the condensed interim consolidated financial statements.

(**) The comparative figures given under "Backlog", "Backlog / Sales ratio", "Working capital expenditure" and in the "Capital management and liquidity" section relate to 31/12/21.

ORDER INTAKE

The CAF Group experienced high levels of order intake in the first half of the year, with the book-to-bill indicator above 1 in all businesses. A further highlight was the high level of zero-emission bus order intake during the period, thus confirming Solaris' leadership in electro-mobility.

(in millions of EUR)

	2019	2020			2021			2022		
	TOTAL Q1-Q4	TOTAL Q1-Q4	Railway	Buses	TOTAL Q1-Q4	Railway	Buses	TOTAL Q1-Q2	Railway	Buses
Order intake	4,066	2,123	1,410	713	3,776	2,982	794	2,643	2,168	475
book-to-bill	*1.6*	*0.8*	*0.7*	1.0	*1.3*	1.3	1.1	*1.7*	1.8	1.4

Btb > 1 in all businesses

Among the most relevant contracts is the Purple Line project for the Tel Aviv Light Rail, which covers the design, construction, financing and maintenance of the line for 25 years, illustrating the CAF Group's ongoing success in the integral transport projects segment. This comes on top of other major contracts in many European and non-European countries, all of which have a strong sustainable component.

Main contracts in 1Q22 (announced, signed and included in backlog)

Railway — 100% Zero Emissions

- Supply of 23 EMUs for Auckland (New Zealand) + maintenance services
- Supply of 5 EMUs for Mallorca (Spain) + maintenance services
- Maintenance services for SAR (Saudi Arabia)

Buses — 82% Zero Emissions[2]

- Hydrogen buses for Vienna (Austria) and Torrejón (Madrid)
- Electric buses for Oslo (Norway), Milan (Italy), Dortmund (Germany) and Genova (Italy), amongst others
- Trolleybuses for Prague (Czech. Rep), Bratislava and Targu Jiu (Romania), amongst others
- Hybrid buses for Sosnowiec and Piotrków Trybunalski (Poland), amongst others
- CNG buses for Tallinn (Estonia), amongst others
- Conventional buses for Katowice (Poland), amongst others

[2] 490 zero emission buses (hydrogen, electric and trolleybuses) of a total of 596 buses ordered.

- **The most important contracts** added to the order backlog in **2Q2022** were:

Railway — > 80% Zero Emissions

- Purple-Line - comprehensive light train project in Tel Aviv (Israel)
- Supply of LRVs to Bonn (Germany)
- Supply of locomotives and push-pull cars to Etihad (UAE)
- Extension of the contract with NWL for the supply of additional battery-powered train units and their maintenance (Germany)

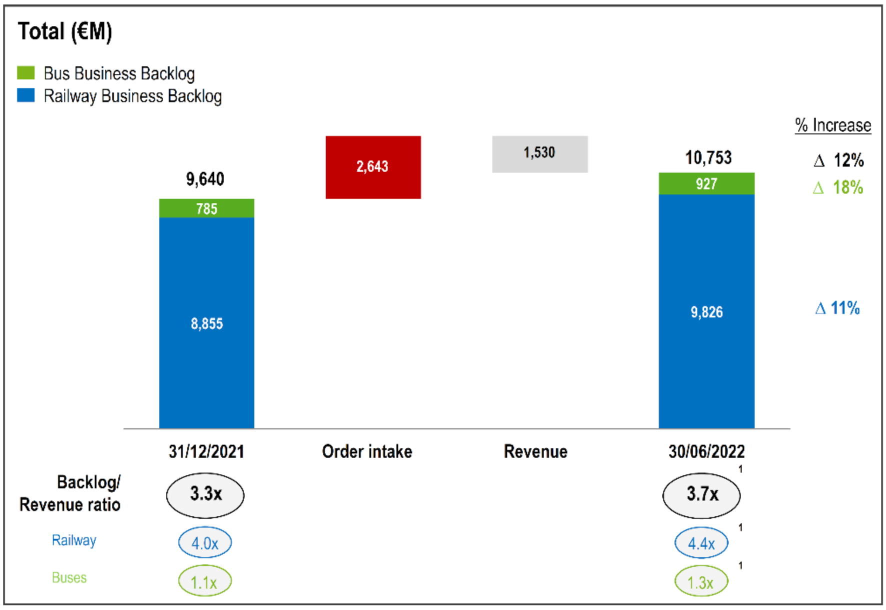
Buses — > 65% *e-mobility*[2]

- Hydrogen buses for Palma de Mallorca (Spain), Villach (Austria) and Köln (Germany)
- Electric buses for various cities in Poland and Germany
- Trolleybuses for Milan and La Spezia (Italy) and Bratislava (Slovakia)
- Hybrid buses for Barcelona (Spain) and Biala Podlaska (Poland)
- CNG buses for Gothenburg (Sweden)
- Conventional buses for Katowice and Zakopane (Poland), Vienna and Lustenau (Austria), Mensulgen and Glonn-Schlacht (Germany), and Bern (Switzerland).

[2] The *e-mobility* range contracts include 574 zero-emission buses (hydrogen, electric and trolleybus) and 40 low-emission buses (hybrids), out of a total of 884 buses contracted.

Thanks to this high order intake, the backlog reached another all-time high, thus strengthening the Group's business outlook moving forwards, with a high diversification in businesses located predominantly in Europe. The order backlog has no direct exposure to the war zone.

Backlog



[1] Ratio at 30/06/2022 calculated based on revenue in 2021.

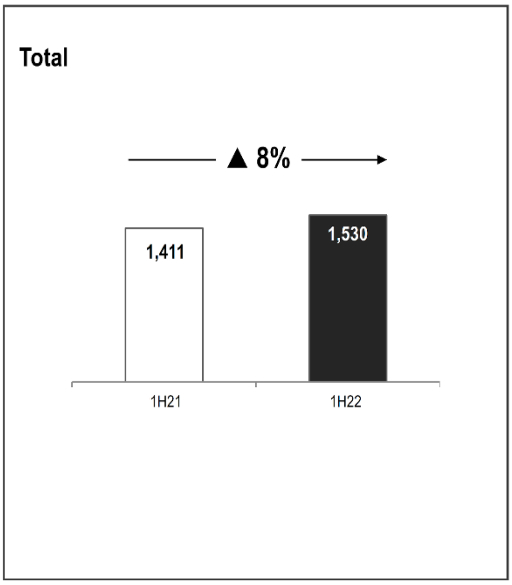
RESULTS

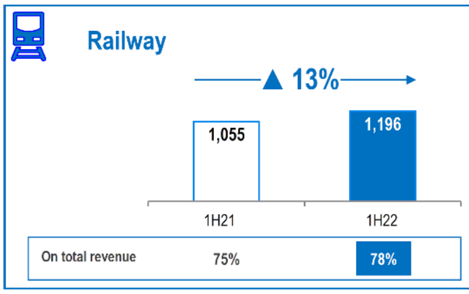
The profit and loss statement shows growth in net sales, although with a margin reduction as a result of the prevailing inflationary pressures exacerbated by geopolitical tensions and the effect of non-recurring events (strike at Solaris and transport strike in Spain) in the early months of the year.

(millions of EUR)	1H21	1H22	Var. 1H22/1H21
Revenue	**1,411**	**1,530**	**△ 8%**
EBITDA	**120**	**108**	**▽ 10%**
% EBITDA Margin	**8.5%**	**7.0%**	**-**
D&A and impairments	(45)	(41)	▽ 9%
EBIT	74	67	▽ 11%
Financial result	(13)	(21)	△ 54%
Financial income	4	4	△ 1%
Finance costs	(19)	(25)	△ 29%
Exchange rate differences	2	4	-
Other financial expenses/income	(0)	(4)	-
Result of companies accounted for using the equity method	(0)	3	-
Profit (loss) before tax	**61**	**48**	**▽ 20%**
Income tax	(19)	(16)	▽ 15%
Net profit after tax	42	32	▽ 22%
Non-controlling interests	0.8	1.7	△ 91%
Profit attributable to the Parent	**41**	**31**	**▽ 25%**

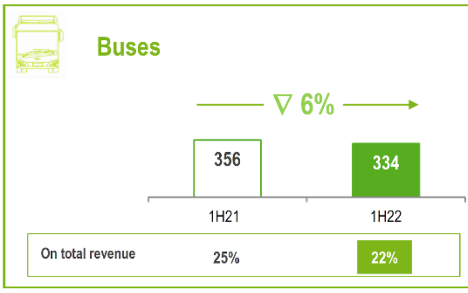
Although turnover increased by 8%, activity in the first half of the year took place against a complex backdrop, amid difficulties along the supply chain, which affected each business differently and the effect of the strike at Solaris.

Revenue (€M)





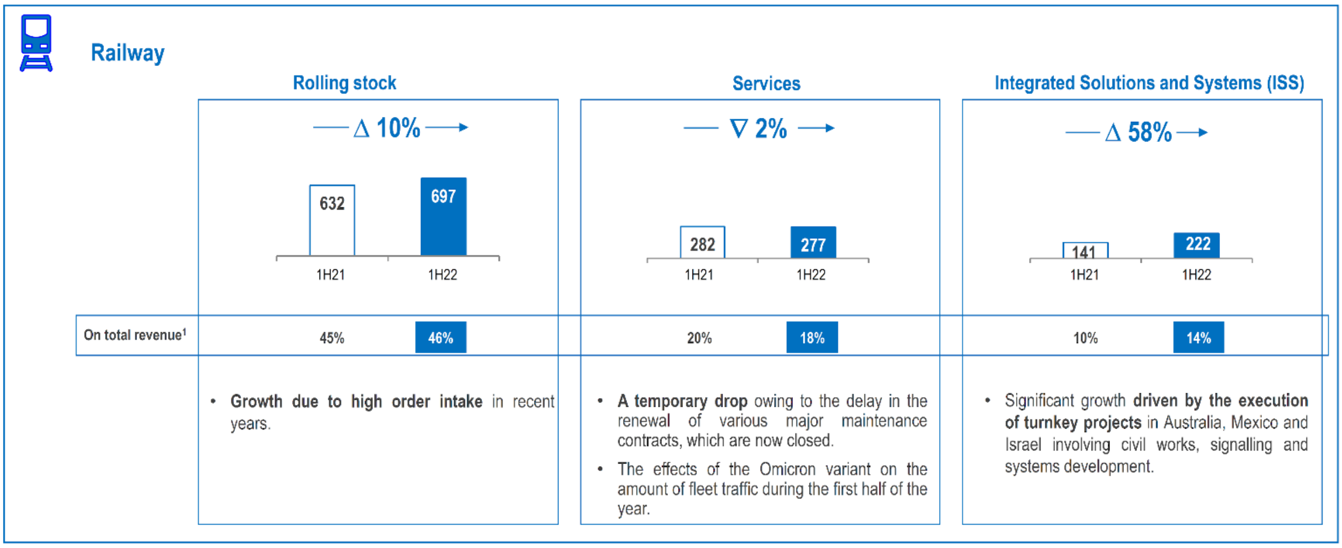
- **Sound execution** of rail projects, which has shown a relevant year-on-year growth over the period.
- **Supply chain disruptions have not had any material effects** on the execution of railway projects.



- **Year-on-year growth of the number of buses supplied (+3%)** in the period, despite supply chain problems.
- **A drop in Solaris consolidated sales**, due to:
  - A mix of deliveries in the six-month period, with a lower proportion of high-value zero-emission buses
  - Solaris strike due to wage negotiations (ended in April/22)

Thus, revenues in the railway segment increased by 13%, driven by the high level of order intake achieved in previous years, especially in integrated projects.

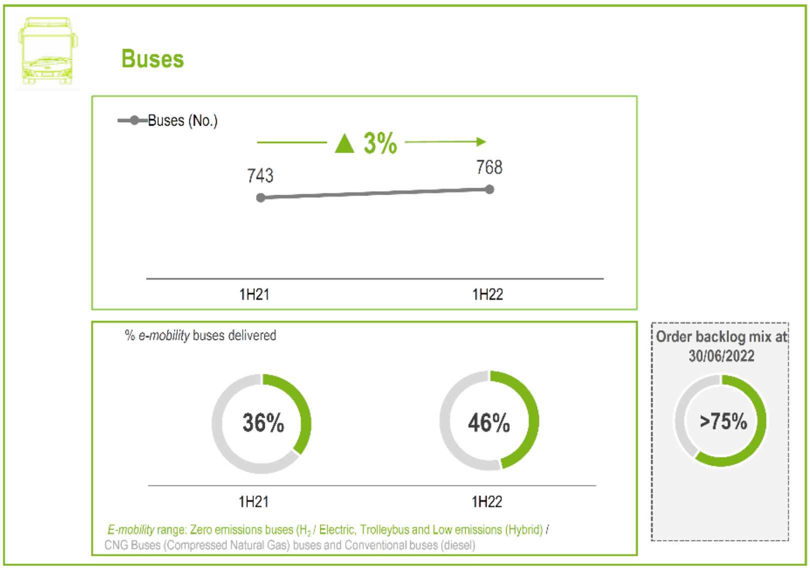
Revenue (€M)



[1] Percentages on total consolidated sales revenue, including the Bus business.

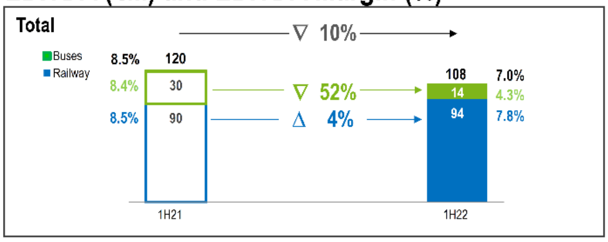
At the bus business, despite the difficulties along the supply chain and the impact of the strike in Poland, the number of buses grew by 3%, increasing the share of buses in the e-mobility range, which is expected to see further growth considering the current composition of the order backlog.

Revenue (no. of buses and breakdown)

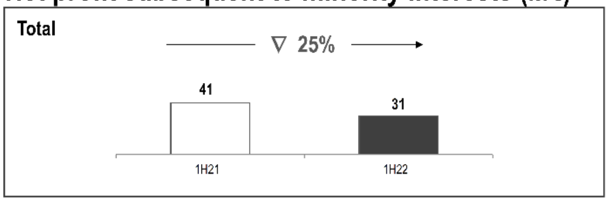


Meanwhile, EBITDA and the EBITDA margin slowed due to the impact of inflation and the complex environment in which the Group’s activities are being carried out (COVID-19, supply chain, strikes).

EBITDA (€M) and EBITDA Margin (%)



Net profit subsequent to minority interests (M€)



The main factors shaping the trend in net profit in the first half of 2022 were:

Positive factors:

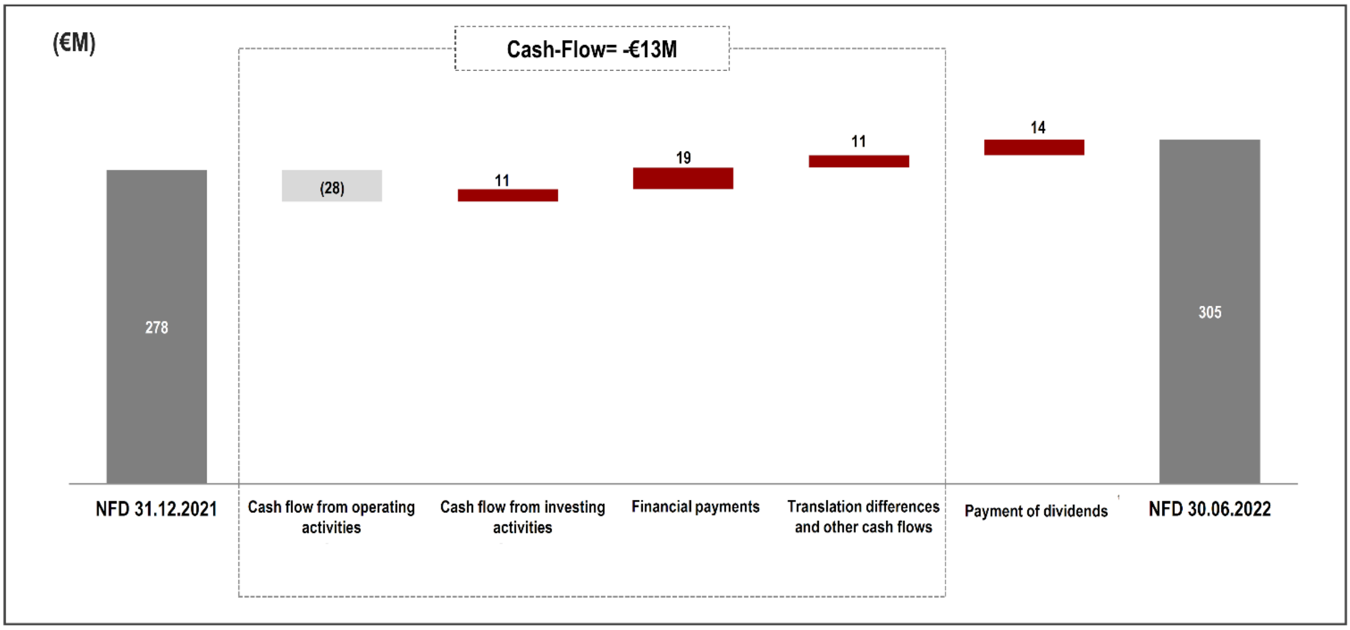
- Increase in activity
- Positive evolution of exchange rate differences

Negative factors:

- Impact of inflation:
  - Power invoice increase (> c.300% vs. 1H21)
  - Increased wages and materials costs
- Specifically at Solaris, and in addition to the above:
  - A significant effect of the deliveries mix during the six-month period
  - Industrial operation shortfalls due to a shortage of components and the strike in the first half of the year
  - The accelerated effect of inflation on Solaris' income statement with respect to other businesses
- Impact of COVID-19

BALANCE SHEET AND CASH FLOWS

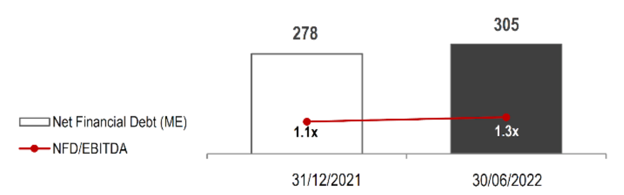
Net financial debt is at similar levels to year-end 2021, despite the increase in working capital.



[1] Interim dividend for the 2021 financial year paid in 22.

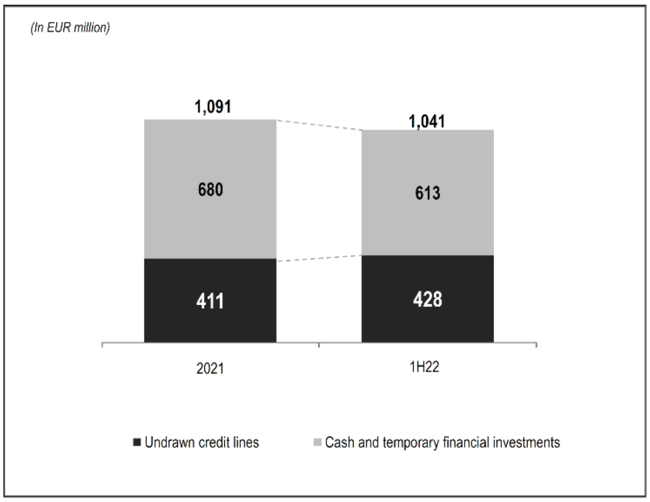
The solvency and liquidity indicators remain stable, with controlled debt levels and high liquidity, and continue to show the Group's financial strength.

NFD/EBITDA Ratio



	31/12/2021	30/06/2022
Gross Financial Debt	967	929
Cash in Hand and in Bank and Financial Investment	689	624
Net Financial Debt	**278**	**305**

Liquidity



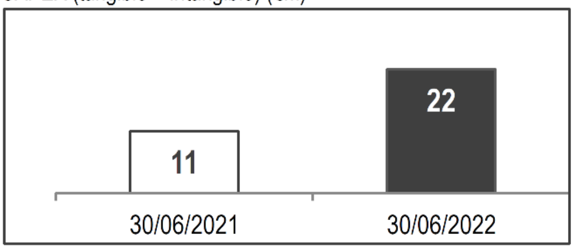
With regard to the balance sheet, net assets were up on the end of the previous year following an increase in "Current assets", as a result of the increase in investment in working capital, strong performance of railway projects, and difficulties along the supply chain, with the accumulation of semi-finished bus units and the increase in the security levels of stock of essential materials.

(€M)	31/12/2021	30/06/2022
Fixed assets[1]	1,164	1,172
Working capital	140	239
Net Assets	**1,304**	**1,411**
Equity	740	779
Net Financial Debt	278	305
Other assets and liabilities[2]	286	327
Equity and Net Liabilities	**1,304**	**1,411**

[1] Includes tangible Assets, intangible Assets, Investments using the equity method, Other non-current assets, Other non-current financial assets excluding the items included in the net financial debt calculation.
[2] Includes Long Term Liabilities excluding the items included in the Net Financial Debt plus other assets and liabilities that are not included in the investment in Working Capital less those derived from non-current asset hedging and deferred tax assets.

Meanwhile, investment in property, plant and equipment and intangible assets increased in the first half of 2022, following limited investment in 2021 due to the lingering effects of COVID-19.

CAPEX (tangible + intangible) (€M)



3 – RAILWAY SEGMENT

COMMERCIAL ACTIVITY

Order intake in the first half of this year reveals a high degree of geographical diversity, with the Group present on all continents.

In our antipodes, more precisely in the city of Auckland in New Zealand, the Group expanded its fleet to 95 units, showing how well the various units are performing in this city, where we still have high hopes to further expand the scope of our business units and thus improve the well-being of everyone who travels across the most populated city in New Zealand.

In the state of Missouri and its most populous city, Kansas City, the fleet of trams that will run along the current network was increased to 14 units during the period was formalized. These trams will also serve the future planned extension of the network to link the south with the Country Club Plaza shopping centre and the north with Berkley Riverfront.

Before we turn our attention to Europe, let us first focus on Asia, as a number of significant contracts have been signed there. In chronological order, we will be looking at Israel, Saudi Arabia and the United Arab Emirates.

NTA (Metropolitan Mass Transit Systems), the company in charge of developing mobility solutions for the Tel Aviv metropolitan area, has awarded the Purple Line light rail project in this coastal city to the public-private consortium comprising CAF.

The Purple Line project covers the design, construction, financing and maintenance over a 25-year term. The 27-kilometre, 45-station line will start from Complex 2000, located in the centre of Tel Aviv next to the Arolozorov train station, and will connect the city centre with the eastern part of the metropolitan area, splitting at its end into two branches reaching the Bar-llan University area on one side, and the neighbouring city of Yehud-Monosson on the other. The contract also includes the construction of a depot where maintenance work on the vehicle fleet will be carried out.

Under this project, CAF will handle the design and manufacture of the 98 tram units, as well as and the supply of signalling, energy and communications systems and the overall integration of the project. On top of this, CAF holds a 50% stake in the company SPV, which will manage the line’s maintenance activity over the 25-year term of the concession.

The state-owned railway operator SAR (Saudi Arabia Railways) has formalised a 5-year extension of the maintenance contract for its trains. An agreement has also been reached to set up a joint engineering department, known as the “Engineering Excellence Centre”, which will seek to train SAR staff so that they have the operational capabilities to carry out maintenance work on the units, while also adapting the Saudi company’s facilities for the refurbishment of the main systems of its units. The contract also includes the implementation of SAR’s “DIGITAL HUB CENTRE”, which will become a benchmark in the Gulf region in the field of train digitalisation through the development of digital systems and tools for the trains of the fleets described above; an area in which CAF and SAR have already been working for several years on the LeadMind digital train platform.

To round off a successful six-month period on the Asian continent, Etihad Rail, the UAE state-owned company tasked with the management and development of the country’s railway network, as well as the management and operation of the network, has signed a contract for the manufacture, supply and maintenance of the contracted trains, which, in the words of His Excellency Shadi Malak, CEO of Etihad Rail, “will facilitate transport across the cities of the UAE by providing passengers with a fast, efficient, safe, comfortable and cost-effective travel experience.”

In Europe, several contracts have been signed in the domestic market and in Germany, although during the first half of the year several contracts were awarded but have yet to be formalised, adding Sweden and France to the list of countries.

In Germany, to serve in the city of Bonn, the companies Stadtwerke Bonn Verkehrs GmbH (SWBV) and Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises GmbH (SSB) signed a contract for the supply of 22 LRV units very similar in characteristics to the 51 units arranged last year for the operator Ruhrbahn GmbH for the nearby city of Essen, both belonging to the North Rhine-Westphalia region, one of the main drivers of the German economy.

In the same region, the operator Nahverkehr Westfalen-Lippe (NWL) extended the initial order placed jointly with Verkehrsverbund Rhein-Ruhr (VRR) to 73 battery-powered train units, which can also be operated through a pantograph power collection system in electrified areas, along with maintenance services for 33 years.

On the Iberian Peninsula, the extension option was exercised on two trams in the city of Zaragoza and eight in the city of Granada, all able to run on the catenary-free sections of the respective routes. In the Balearic Islands, the supply of five new units was formalised, with financing arranged under the extraordinary mechanism of Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU Plan), which will enable the customer Serveis Ferroviaris de Mallorca to consolidate its plans to increase services and route frequency with new units that optimise the available loading gauge to provide greater comfort for passengers and incorporate technical solutions aimed at improving the comfort of train drivers and safety in operation.

Static tests began in late May at the CAF plant in Zaragoza on the CIVIA demonstrator train, which belongs to the Renfe fleet and runs on hydrogen under FCH2RAIL, a project being developed by the consortium comprising CAF, DLR, Toyota, Renfe, Adif, CNH2, IP and FAIVELEY Stemmann-Technik.

The start of these tests is an important milestone in the project as will ultimately optimise the operation of the hybrid system directly on the train with all its real interfaces. These in-factory tests will be followed by dynamic tests on an external track, which are scheduled to take place in the summer of this year.

As part of the ongoing efforts to decarbonise the planet by championing clean energies, CAF and Iberdrola have signed an agreement whose main objective is the global promotion of rail transport running on emission-free green hydrogen.

This alliance stems from the desire of both companies to offer comprehensive sustainable mobility solutions, ranging from the supply of rolling stock and refuelling infrastructure to green hydrogen production plants and renewable energy infrastructures. One of the first applications of this technology will take place under the FCH2RAIL project, which will be powered by green hydrogen supplied by Iberdrola from its Barcelona plant.

INDUSTRIAL ACTIVITY

Industrial activity during the first half of the year 2022 focused on 23 projects, in which 584 units were produced, distributed among the different product lines such as metros, medium distance and trams, virtually the entire catalogue of available rolling stock products.

These 23 projects present varying degrees of progress, but can broadly be grouped into one or other of the following categories: projects that were completed during the period, those that were started in previous periods but continued to be manufactured during this period, and those that started their first deliveries during this period.

The first group includes projects such as the 33 trams commissioned by the city of Luxembourg, which has now been completed following the manufacture of the last tram, the four trams needed to complete the 72-unit contract signed with the city of Amsterdam, the last of the trams for De Lijn, which completes the total of the 48 units commissioned, 5 trams for the Belgian city of Liège which, together with the 15 manufactured in previous years, complete the 20 units commissioned, the last of the additional units for the Northern Ireland operator NIR, thus completing the 21 cars requested, the complete order for 5 metro units for the local operator of Helsinki, and the last of the five trams commissioned by the Dutch city of Utrecht.

Notable projects that began in previous years and are still in the manufacturing phase include the delivery of one unit of the 12 trains for Schönbuchbahn city, 10 trams of the 87 commissioned by the city of Oslo, 9 trams for the city of Antwerp, 11 LRVs for the North American state of Maryland, 4 metro units for the city of Brussels, 4 trains for the metro of Naples and a metro unit for the Volturno operator in the same city, 8 LRVs of the total of 30 for Manila, one 4-car unit for the West Midlands region (United Kingdom), 9 trains in 3-car composition and 9 further trains in 4-car composition as part of the extension of the contract signed with Dutch operator Nederlandse Spoorwegen, 5 diesel traction trains in 2-car composition for the Wales and Borders region in the United Kingdom, 3 of the 4 metro units commissioned by the city of Istanbul, 7 of the 10 trams commissioned by the city of Stockholm, and 10 of the 13 trams commissioned by the Australian city of Parramatta.

Further notable projects include those initiated in this period and which have already started the delivery process, such as the first 3 of the 43 metro units commissioned by the Docklands Light Railway operator in the city of London and the first 3 trams for the city of Jerusalem.

The most important products manufactured in the first six months of 2022 were as follows:

	No. of cars
Additional medium-distance cars – NIR	3
Medium-distance DMU West Midlands (4-car units)	4
Medium-distance for Wales and Borders (2-car units)	10
Commuter trains for NS (three-car units)	27
Commuter trains for NS (four-car units)	36
Brussels Metro	24
Naples Metro	24
Volturno Metro (Naples)	6
Docklands Metro	15
Istanbul Metro	18
Helsinki Metro	20
LRV for Maryland	55
LRV for Schönbuchbahn	3
LRV for Manila	64
Trams for Luxembourg	7
Trams for Amsterdam	20
Trams for Lijn	5
Trams for Oslo	50
Trams for Parramatta	70
Trams for Liège	35
Trams for Antwerp	45
Trams for Jerusalem	15
Trams for Stockholm	21

Trams for Utrecht	7
TOTAL	**584**

BOGIES

With mechanic-welded chassis	639

WHEEL SETS AND COMPONENTS UNITS – (MiiRA)

Assembled axles (power car + push-pull car)	1,768
Loose axle bodies	4,502
Monoblock wheels	33,090
Elastic wheels	1,247
Gear boxes	1,544
Bandages	333

R&D+i ACTIVITY

With respect to CAF and CAF I+D, in the early months of the year the CAF Group's Innovation Plan for 2022-2023 was approved. This plan includes a total of 145 projects; 75 under the corporate R&D Plan and 70 distributed among the Product Development Plans of the following business lines: Vehicles, Rail Services, Solaris, CAF P&A, CAF Signalling, CAF T&E, MiiRA and CETEST.

The 2022-2023 Innovation Plan now under way and to be developed this year, envisions stronger collaboration across different business lines and also with different technology centres and universities. The Plan envisions initiatives under the following four pillars:

Zero emissions

Covers all activities related to:

- Alternative propulsion systems to diesel and CNG in trains and buses, based on both hydrogen and batteries.
- Reduction in energy consumption through improved vehicle efficiency as well as efficient energy management during operation.
- Reduction of other emissions: acoustic and electromagnetic.

Autonomous and automatic mobility

Covers initiatives associated with conventional signalling (metro railways and EMUs) with CBTC and ATO demonstrators on ERTMS and the development of autonomous vehicles with remote driving demonstrators on trams and light rail and anti-collision system on buses.

These activities are based on the following technologies: communications, vehicle location systems, environmental sensing systems and validation and training of those systems.

Increased competitiveness

Encompasses a number of initiatives aimed at reducing costs and lead times throughout the product life cycle and targeting those aspects where the impact is greatest. Modelling, artificial intelligence and the digital twin are the technologies supporting these projects.

Expansion of the portfolio

Aside from the initiatives aligned with the first two pillars, the strategic and commercial plans of the businesses have identified new product opportunities that fall under this pillar.

All of them combine the implementation of projects aimed at the assimilation of technologies with the development of products based on those technologies.

To finance these projects, several R&D support grants have been awarded by the Provincial Council of Gipuzkoa, the Basque Government, various Spanish ministries and, above all, the European Commission.

CAF is taking part in strategic projects individually, jointly at state level and also as part of the European Union's Horizon 2020 framework programme. Noteworthy projects include:

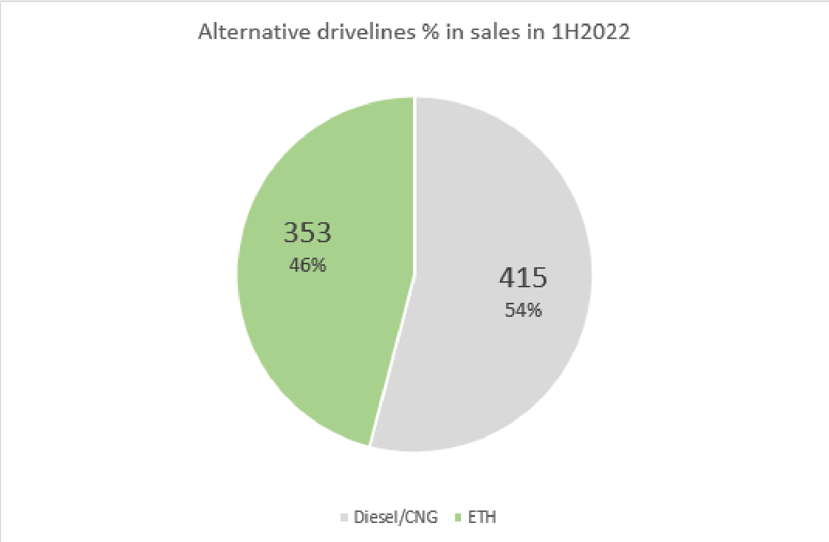
- **SHIFT2RAIL**. As a founding member of the Shift2Rail JU (Joint Undertaking) set up to promote railway R&D under the Horizon 2020 programme, CAF is participating in various technology development projects that will run until 2023.
- **CLUG**, a project driven by the main European infrastructure managers, aims to demonstrate an autonomous train localisation system featuring SIL4 level of safety that does away with the need for signalling infrastructure.
- **iRel40**, a project promoted by the European electronics industry with the general aim of making reliability a differentiating factor for electronic components and systems manufactured in Europe, with CAF's particular objective being to apply it to its electronic systems developed in-house.
- **REALTRAIN**, which is part of CAF's strategic digitisation initiative and is aimed at developing a new generation of more competitive trains and services through the digitally-secure capture, storage, processing and advanced analysis of all train operating data.
- **5GRAIL**, a communications project that aims to verify the first set of FRMCS (Future Railway Mobile Communication System) specifications and standards, which will ultimately become the global 5G standard for railway operational communications both in Europe and for the obligations of railway organisations outside Europe.
- **5GEuskadi**, a project featuring of a total of 19 agents, technology centres, universities and companies from the Basque industrial fabric that have come together to experiment with 5G network deployments, provide network management techniques that enable 5G technology and develop use cases.

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

4 – BUS SEGMENT – SOLARIS

In the first half of 2022, Solaris delivered a total of 768 buses and trolleybuses. Sales in the period were up 3.4% on the same period in 2021. As all industries, including the automotive sector, had to contend with widespread supply chain problems in the wake of the pandemic and due to the ongoing political factors (war in Ukraine) during the first six months of the year, these sales figures demonstrate the company's resilience in adverse environments.

It should be underscored that buses with alternative drivelines, especially battery buses, hydrogen buses, trolleybuses and hybrid buses, play a very important role in the and product structure of Solaris. In first half of 2022, a total of 46% of all contracts carried out by the company entailed supplies of low-emission or zero-emission vehicles. Comparing to the same period in 2021 it means growth of 10 percentage points in sales of alternative driveline vehicles.



Source: Solaris Bus & Coach ETH: electric/Trolleybus/hybrid/hydrogen

In the first half of 2022 most of sold vehicles were delivered to customers from Poland, Belgium, Spain, Latvia, Germany, Italy, Estonia and the Czech Republic.

Further highlights include deliveries of a total of 120 electric buses, among other vehicles, to operators from Germany, Poland, Romania, Italy, Denmark, Czech Republic and Spain, as well as deliveries of 198 hybrid diesel-electric buses to operators from Belgium, Germany and Poland.

It should be also underlined that in first six months of 2022 Solaris delivered next-generation electric buses powered by hydrogen. The state-of-the-art Solaris Urbino 12 hydrogen buses were delivered to customers from Germany and the Netherlands.

Solaris closed several important contracts in the European bus markets in the first half of 2022. The most significant orders are as follows:

- In Norway, at the beginning of 2022, Unibuss AS, one of the biggest Norwegian carriers, once again opted for Solaris quality. A contract for the delivery of 183 Urbino 18 electric buses to the Norwegian capital was signed in January, making it the biggest order for articulated electric buses in the company's history. Previously, Solaris' largest ever contract for articulated battery vehicles was the contract signed with MZA Warsaw for the supply of 130 vehicles (order from 2019). The zero-emission Urbino 18 electric buses will replace the older Solaris Urbino model which is used in the city in Oslo. The new buses will be operational by April 2023. The partnership between Solaris and Unibuss AS dates back to 2006. Since then, the Norwegian carrier has ordered almost 300 vehicles from the manufacturer. All in all, there will be over 500 Solaris Urbino units in operation across Norway.

- EMT, the public bus operator in the city of Madrid, has an ambitious target of turning 25% of its fleet electric by 2025 and having no more diesel engine buses operating in the streets of Madrid from 2023 onwards. As part of these strategic plans, in 2021 Solaris secured an order for 250 natural gas-powered buses. In the first six months of 2022, the city went for an impressive zero-emission investment and purchased a total of 60 Urbino 12 electric buses. Solaris has been present in Spain for over 10 years now. Over 500 buses made by Solaris currently operate in Spanish cities. Notably, over 80% of these are vehicles featuring a zero-emission (electric, trolley, hybrid) or low-emission (CNG) drive.

- In February, a consortium comprised of Solaris Bus & Coach, Solaris Czech and Škoda Electric submitted a winning bid in a tender for the delivery of 20 bi-articulated Trollino 24 trolleybuses, held by the Prague public transport operator Dopravní podnik hlavního města Prahy, making it the first large order for vehicles of this type. The deliveries will be carried out within 24 months of the signing of the contract. The bi-articulated Solaris trolleybus was presented to the public for the first time in 2019, at the Busworld trade fair in Brussels. In 2020, the trolleybus was test-driven in regular passenger traffic in Bratislava. This is yet another trolleybus model in the manufacturer's range. The company added these zero-emission vehicles to its offering back in 2001. Since then, it has delivered 1,800 Trollinos to customers from all over Europe.

• The contract with the city of Prague was not the only one for bi-articulated trolleybuses won by Solaris in first six months of 2022. Solaris Bus & Coach, in consortium with Škoda Electric, won a tender for the delivery of 16 bi-articulated Solaris Trollino 24 trolleybuses to the Slovakian operator Dopravný Podnik Bratislava. In mid-2023, the Solaris Trollino 24 will make its debut on the streets of Bratislava

• Another significant contract won by Solaris in the Spanish market in first six months of 2022 was for the delivery of 87 Solaris hybrid buses for the city of Barcelona and the 36 districts that surround it. The 12-metre Urbino 12 hybrid vehicles will join 30 identical models that AMB (Área Metropolitana de Barcelona) ordered in March 2021. This impressive investment reflects the current policy being pursued by Catalonia's largest city to purchase only low- or zero-emission vehicles from 2021 onwards. The tender was managed by local operator TMB (owned by AMB), but the newly ordered Solaris buses, like the previous 30 vehicles, will join AMB's fleet and will serve the entire Barcelona metropolitan area.

• In Austria, Solaris concluded another framework agreement with ÖBB Postbus in the first six months of the year for the delivery of zero-emission Solaris buses. The contract envisions the delivery of up to 106 battery-electric and hydrogen buses across all of Austria The models offered include Urbino 9 LE electric and Urbino 12 hydrogen buses. The agreement envisages deliveries in the years 2022-2025.

• It is certainly worth noting that in the reporting period Solaris won two significant orders for the delivery of hydrogen buses. The first German public transport operator, RVK, placed an order with Solaris Bus & Coach for 20 Urbino 12 hydrogen buses. Once the deliveries have been completed, the city of Cologne will boast a total fleet of 35 hydrogen Solaris buses. The contract also provides for the option to order another 20 vehicles of the same type. Thus, Cologne will boast the biggest fleet of hydrogen Solaris buses in all of Europe. The second order for the delivery of this state-of-the-art technology will be in Spain. Solaris has won a tender for the delivery of five hydrogen-powered Urbino 12 buses to Palma de Mallorca, the capital of the Balearic Islands. This investment is part of the "Green Hyslan" project, financed with EU funds. The aim of the project is to promote the development of clean energy as part of initiatives aimed at combating climate change by 2050. As a result of the planned activities, the Spanish island is set to become a European benchmark when it comes to the use of zero-emission energy.

• Last but not least, in the first half of 2022 Solaris secured a significant order for delivery of CNG (compressed natural gas) buses. Estonia's largest public transport operator, Aktsiaselts Tallinna Linnatransport (TLT), which provides transport services in the Estonian capital, has ordered 20 Urbino 12 and 30 Urbino 18 CNG buses from Solaris. Tallinn has thus decided to exercise the option provided in the contract concluded in July 2021, under which 100 Solaris gas vehicles had already been purchased. Deliveries are scheduled for September 2022, and once they have been completed, a total of 350 gas-powered Solaris buses will be running along the streets of Tallinn. Solaris vehicles first arrived in the Estonian capital exactly two decades ago. Apart from CNG buses, Solaris has also delivered zero-emission trolleybuses to Tallinn (51 units).

• In the first half of 2022, Solaris made its debut on a new market in Europe: the main seaport of Montenegro, Port of Bar, has selected Solaris in a public tender as the supplier of one Urbino 12 mild hybrid bus, bringing the countries where the company's vehicles can be found to 33. The delivery of this low-emission bus is scheduled for December 2022. The Urbino 12 mild hybrid has been available for purchase since 2020 and so far, Solaris has secured orders for nearly 70 units of this vehicle type.

5 – INVESTMENTS

The CAF Group's capital expenditure during the first half of 2022 amounted to EUR 7,523 thousand. The most salient investments are as follows:

In the MiiRA wheelsets segment, highlights in the first half of the year included the start of implementation of a new wheel heat treatment facility. The facility will be equipped with state-of-the-art technology for the wheel manufacturing process, and will feature automated handling along the entire line, right up to the final output of the wheels after the hardening process. This investment will yield various benefits, both from a technical standpoint thanks to greater homogeneity in the heating and temperature control of the treatment, and in terms of greater cost efficiency of the process itself.

Turning to the train manufacturing area, as part of the process of transforming the production model, the main investments made during the period include the automation of the aluminium box welding process to deliver improved performance during execution cycles, the acquisition of a new tube bending machine, which is needed to meet the cost and quality requirements of the projects to be undertaken, and the extension of the kitting area and related equipment at the vehicle finishing division of the Beasain plant, which provides the assembly kits for the areas tasked with manufacturing chassis structures, piping, painting and finishing, an investment warranted by a likely increase in the projects to be carried out at the plant.

At the Digital division, investments are going ahead in IT infrastructure with the aim of ensuring the highest levels of availability, through the expansion and upgrading of hardware to enable allow the Group to adapt to the new needs of the organisation. In parallel, new technologies are being introduced to improve levels of security and availability when running the business. Last but not least, the Group has also been focusing heavily on cybersecurity in the year to date, mainly by improving the technical safeguards deployed and extending them to international head offices and subsidiaries.

In relation to plants located outside Spain, a particular highlight in the period was the ongoing investment already initiated in previous years to expand and modernise the French plant in Bagnères-de-Bigorre by providing appropriate facilities and production equipment to be able to perform the various manufacturing projects that the plant currently has in its backlog. This year's investment has largely gone into the modernisation of the manufacturing lines and the expansion of capacities at final vehicle testing line. Another highlight is the ongoing investment that began last year at the Newport plant in the United Kingdom in order to build a new warehouse to optimise the plant's logistics capabilities.

Lastly, at the bus business, we would be remiss not to mention the investments Solaris is undertaking at its plants in Bolechowo and Środa Wielkopolska in Poland. This include the improvements being made at the welding area with the aim of increasing production capacity and process automation, mainly through the acquisition of robotic workstations. Meanwhile, the construction of a new building for the production of gas-powered vehicles got under way to ensure an efficient response to the increase in manufacturing needs and vehicle safety requirements, especially for the manufacture of hydrogen buses.

A further highlight is the construction of a new central depot for after-sales activity at the Bolechowo plant, lying adjacent to the current production facilities. Once complete, the new depot will be fitted with the latest technology for this kind of activity and will be able to accommodate up to 10 buses, while also having an office area for business management processes. The expansion of the logistics area at the Bolechowo plant that got under way in 2021 was all but completed in the first half of 2022. The new warehouse will soon be operational and will ultimately optimise the organisation and logistics management of the plant.

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 to:

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

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. Establishing the risk management context for each activity by setting, inter alia, the level of risk the Group considers to be acceptable.
2. Identification of the various risk types, in line with the main risks detailed in the Policy, faced by the Group.
3. Analysis of the risks identified and what they entail for the CAF Group as a whole;
   - Corporate Risks – Risks affecting the Group as a whole
   - Business Risks – Risks specifically affecting each of the businesses/projects, which vary in accordance with the particularities of each of them.
4. Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5. The measures envisaged to address the risks; and
6. Regular monitoring and control of current and potential risks through the use of information and internal control systems.

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

In this regard, the Board of Directors is ultimately responsible for the General Risk Management and Control Policy, and approves the appropriate procedures to identify, measure, manage and control risks. It is also responsible for establishing clear lines of authority and responsibility and requires the existence of appropriate methodologies to measure the various types of risks and the effective internal controls to manage them.

It is the body responsible for establishing and monitoring the Integrated Risk Management and Control System implemented at the Group and verifies whether the significant risks for the Group are consistent and fall within the defined risk tolerance level.

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

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

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

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

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

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

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

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

• Corporate Governance Risks: arising from potential non-compliance with the Group's corporate governance system, which governs the design, integration and operation of the governance bodies and their relations with the 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.).

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

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 contingencies managed in the realm of Compliance are part of the overall risks supervised within the system. A description of the material topics can be found in the consolidated financial statements.

7 – ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASPECTS

Key milestones in the first half of the year are described below, including changes in the scorecard indicators for each sustainability aspect: environmental (E), social (S) and governance (G).

Environmental pillar

In the environmental realm, the Group has systems in place for the effective deployment of its environmental commitments that go beyond the legal requirements in each of the countries in which it operates. Assessment and monitoring mechanisms, together with certification processes, are key elements in its development. A particular highlight in the first half of the year in the vehicles segment was the certification of the model of excellence in environmental management based on the European EMAS Regulation (Eco-Management and Audit Scheme) for the parent company CAF, S.A.

Similarly, more than 70% of the Group's activities (in terms of workforce) are now covered by an environmental management system certified under the requirements of the ISO 14001:2015 standard, thus meeting the Group's targets for 2022. Over the coming six months, the plan is to extend this certification to other manufacturing plants, as well as to other Group subsidiaries.

Meanwhile, at the bus business, Solaris has earned the first Environmental Product Declaration (EPD) for its Urbino 18 electric and Urbino 12 hybrid buses. It also received the CSR Silver Leaf accolade from "Polityka" for its support in achieving the Sustainable Development Goals, as well as the Busplanner Innovation Award 2022 for the Urbino 9LE bus in recognition of its contribution to the development of sustainable transport.

Within the framework of the Group's activities to combat climate change and following its accession in 2021 to the alignment initiatives against climate change and the Paris Agreement, SBTi initiative and Race to Zero campaign, during the first half of 2022, the calculation of the carbon footprint for 2019, 2020 and 2021 was verified by a third party so that the Group's decarbonisation strategy can be plotted out in the next quarter, which will include the task of setting targets and drawing up the corresponding emissions reduction plan.

					Real	Objective
Indicator	**Unit**	**FY19**	**FY20**	**FY21**	**1S 22**	**FY22**
E. CO_2 emissions intensity	t Co2 eq./MHW	4,0	3,1	2,4	*	< 2.0
E. Energy consumption per hour worked	kwh/hours	3,1	3,5	3,5	*	< 3.3
E. ISO 14001 Coverage	% of the workforce	62	65	70	70 ●	> 70
E. Sustainable solutions order book	% electric, hybrid, hydrogen	70	72	79	80 ●	> 76

*Annual indicator

● Equal to or better than target ● Equal to or better than previous year, worse than target ● Worse than last year and target

Social aspects

In this chapter, it is worth noting that the workforce of the consolidated Group saw positive changes during the first half of 2022, increasing in average terms by 2.11%, for an average year-on-year increase of 281 workers, as follows:

	Total headcount	Average headcount
30/06/2021	13,092	13,006
30/06/2022	13,432	13,287

In the realm of occupational health and safety, the Group has certifications and assessment and monitoring mechanisms that go beyond the legal requirements in each of the countries in which it is present.

As for injury ratio targets, in recent years there has been a trend towards a reduction in the accident rate among employees at group level. In the first half of 2022, the accident rate once again decreased among the Group's employees, yielding an injury frequency rate of 15.9, thus meeting the target set for the period.

					Real	Objective
Indicator	**Unit**	**FY19**	**FY20**	**FY21**	**1H 22**	**FY22**
S. Number of accidents with personal injuries in passengers	number	0	0	0	0 ●	0
S. Number of Human Rights non-compliance cases	number	0	0	0	0 ●	0
S. Preventive culture index	1 – 4	2.8	2.8	2.8	*	> 2.9
S. Frequency rate	No. of accidents with sick leave per million hours worked	20.9	18.0	17.3	15.9 ●	< 17.0
S. ISO 45001 coverage	% of the workforce		47	52	*	> 60
S. Suppliers assessed out of the total Risk Mapping to be assessed	% Suppliers		89.6	84.8	*	>90
S. Purchases from high/medium risk suppliers	% Purchases	2.6	2.2	3.9	*	< 1.8
S. Customer satisfaction rating	survey 0 – 10	7.5	7.5	7.7	*	> 7.6
S. Net Promoter Score Index (loyalty)	survey 0 – 10	7.8	8.1	8.0	*	> 8.0
S. Shareholder satisfaction rating	% favourable vote management report at AGM[1]	97.7	99.9	99.0	99.9 ●	> 98.0
S. Supplier satisfaction rating	survey 0 – 10	7.8	8.1	7.9	*	> 8.0
S. Organisational health index (persons employed)	survey 0 – 10	6.2	6.3	6.4	*	> 6.5

*Annual indicator

● Equal to or better than target ● Equal to or better than previous year, worse than target ● Worse than last year and target

Governance aspects

In relation to good governance, in the first half of 2022 the CAF Group received the “Komp Sariak” accolade from the Basque Competition Authority for its Corporate Competition Compliance System. Notably, no administrative sanctions were handed down in the first half of the year arising from actions in the securities markets and in the area of competition, thus meeting the Group’s target.

On the subject of quality management, the CAF Group earned “Silver” under the IRIS international quality standard for the Signalling activity, to complement the certifications earned in 2021 by Rail Vehicles and Maintenance.

Last but not least, CAF continues to continuously improve its ESG scores from the various rating agencies. During the first half of the year, MSCI updated the CAF Group’s rating, holding it at “BBB”, thus falling short of the target set for the current year. As part of the quarterly update process typically carried out by the agencies, Sustainalytics maintained the same rating as before. Meanwhile, S&P it slightly lowered its rating compared to the previous period. In any case, over the coming six months CAF will work towards the completion of the annual S&P Global Corporate Sustainability Assessment (CSA) questionnaire.

					Real	Objective
Indicator	**Unit**	**FY19**	**FY20**	**FY21**	**1H 22**	**FY22**
G. Administrative sanctions derived from activities in the securities 38.5 (¹) 0 market and related to Competition Law	Millions €	38.5[2]	0	1.7[2]	0 ●	0
G. Sustainalytics sustainability assessment	Risk level	High	Medium	Low	Low ●	Low
G. MSCI Sustainability Rating	Level	BBB	BBB	BBB	BBB ●	AA
G. S&P Sustainability Rating	0 – 100	17	23	56	54 ●	>60
G. Ecovadis Sustainability Assessment	Level	Bronze	Bronze	Silver	Silver ●	Silver
G. ISO 9001 certification coverage	% of the workforce	89	89	92	92 ●	> 90
G. ISO TS 22163 (IRIS) certification coverage	% applicable railway workforce	82	82	86	86 ●	> 85

*Annual indicator

● Equal to or better than target ● Equal to or better than previous year, worse than target ● Worse than last year and target

8 – EVENTS AFTER THE REPORTING PERIOD

At 30 June 2022, the Group had a firm backlog of EUR 10,753 million.

In June 2022, CAF was selected to supply 60 trams for Montpellier Méditerranée Métropole. The contract is expected to be formally signed in the second half of the year.

In July 2022, Swedish state-owned operator SJ AB chosen CAF as the supplier of 25 regional units, which may be extended to 60 units.

In August 2022, the CAF Group fully expects to sign the agreement reached with Alstom to acquire the Reichshoffen plant in the Alsace region and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. The enterprise value of the acquired perimeter is estimated at around EUR 75 million and will be financed mainly through CAF debt. The final price will be finalised at completion once the corresponding price adjustments have been made.

9 – ALTERNATIVE PERFORMANCE MEASURES

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

APMs are important to those who rely on the financial information because they are the measures used by the CAF Group’s management to assess its financial performance, cash flows or financial position in making financial, operational or strategic decisions for the Group.

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

Order intake: includes firm orders received in the first six months and potential modifications to orders from prior periods. This measure does not include the backlog acquired through business combinations in the year.

	Million Euros		
	30/06/22	30/06/21	31/12/21
+ Backlog at end of period	10,753	9,400	9,640
- Backlog at beginning of period	(9,640)	(8,807)	(8,807)
+ Revenue	1,530	1,411	2,943
Order Intake	**2,643**	**2,004**	**3,776**

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

	Million Euros		
	30/06/22	30/06/21	31/12/21
Backlog in the year	2,643	2,004	3,776
Revenue	1,530	1,411	2,943
Book-to-bill ratio	**1.7**	**1.4**	**1.3**

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

Backlog / Revenue ratio: obtained by dividing the Backlog for the current period by “Revenue”, as stated in the consolidated profit and loss statement for the previous year. This ratio gives an indication of future turnover.

	Million Euros	
	30/06/22	31/12/21
Backlog – current period	10,753	9,640
Revenue for the period (*)	2,943	2,943
Order backlog / Revenue ratio	**3.7**	**3.3**

(*) Revenue at 30 June 2022 refers to the figure for the financial year 2021.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): the EBITDA indicator is calculated by deducting from "Profit from Operations" the amounts recognised under "Depreciation and amortisation charge" and "Impairment and gains or losses on disposals of non-current assets".

	Million Euros	
	30/06/22	30/06/21
Profit/(loss) from operations	67	74
Depreciation and amortisation charge	44	46
Impairment and gains or losses on disposals of non-current assets	(3)	-
EBITDA	**108**	**120**

EBITDA, 12 months: calculated as the sum of monthly EBITDA for the last 12 months. The figure at 30/06/22 relates to the period running from 1 July of the previous year to 30 June of the current year.

	Million Euros	
	30/06/22	31/12/21
- EBITDA at 30/06/21	(120)	-
+ EBITDA at 31/12/21	255	255
+ EBITDA at 30/06/22	108	-
EBITDA, trailing 12 months	**243**	**255**

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

	Million Euros	
	30/06/22	30/06/21
EBITDA	108	120
Revenue	1,530	1,411
EBITDA margin	**7.0%**	**8.5%**

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

	Million Euros	
	30/06/22	30/06/21
Consolidated profit/(loss) for the period attributable to the Parent	31	41
Revenue	1,530	1,411
Net margin	**2.0%**	**2.9%**

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

	Million Euros	
	30/06/22	31/12/21
+ Inventories	548	487
+ Trade and other receivables	1,884	1,690
+ Current hedging derivatives (assets)	46	48
+ Other current assets	13	9
- Current provisions	(295)	(286)
- Current hedging derivatives (liabilities)	(78)	(69)
- Trade and other payables	(1,876)	(1,733)
- Other current liabilities	(3)	(6)
+ Deferred amounts payable to the tax authorities	-	-
Working capital expenditure	**239**	**140**

Fixed assets: calculated by subtracting from "Total non-current assets" the fixed asset items that form part of the calculation of the "Net Financial Debt" indicator, non-current hedging derivatives on the assets side and deferred tax assets.

	Million Euros	
	30/06/22	31/12/21
Total Non-current assets	1,356	1,353
- Financial assets – Non-current assets (Note 7-b)	(11)	(9)
- Non-current hedging derivatives – Non-current assets	(23)	(35)
- Deferred tax assets	(150)	(145)
Fixed assets	**1,172**	**1,164**

Other assets and liabilities: includes the following non-current liabilities and current assets and liabilities:

	Million Euros	
	30/06/22	31/12/21
+ Current financial assets - Investments in group companies and associates	4	2
+ Non-current hedging derivatives - Non-current assets	23	35
+ Deferred tax assets	150	145
- Total Non-current liabilities	(1,158)	(1,103)
+ Bank borrowings and debt instruments or other marketable securities	695	676
+ Non-current interest-bearing advances (Note 11-b)	6	6
- Current financial liabilities - Other financial liabilities	(49)	(49)
+ Current interest-bearing advances (Note 11-b)	2	2
Total Other assets and liabilities	**(327)**	**(286)**

CAPEX: calculated as the sum of additions in the year to "Other intangible assets" and "Property, plant and equipment", excluding right-of-use assets, which are described in Note 6 to the condensed consolidated financial statements.

	Million Euros	
	30/06/22	30/06/21
Additions to Other intangible assets	14	6
Additions to Property, plant and equipment	8	5
CAPEX	**22**	**11**

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.

	Million Euros	
	30/06/22	30/06/21
+ Net Financial Debt at the beginning of the period	278	311
- Net financial debt at the end of the period	(305)	(301)
+ Dividends paid to shareholders in the period	14	29
Cash-Flow	**(13)**	**39**

Net Financial Debt: obtained by counting the items making up the calculation of this indicator, which are disclosed in Note 10-d to the condensed consolidated financial statements.

Net Financial Debt/EBITDA, trailing 12 months: ratio obtained by dividing "Net financial debt" by EBITDA for the last 12 months. This ratio gives an indication of the Group's ability to meet its Net financial debt with the cash flows generated by its ordinary activities.

	Million Euros	
	30/06/22	31/12/21
Net financial debt	305	278
EBITDA, trailing 12 months	243	255
Net Financial Debt / EBITDA, trailing 12 months	**1.3**	**1.1**

Gross Financial Debt: comprises the liability items that make up the calculation of "Net financial debt", as detailed in Note 10-d to the consolidated financial statements.

	Million Euros	
	30/06/22	31/12/21
Net financial debt	305	278
+ Financial assets - Non-current assets	11	9
+ Current financial assets	129	129
+ Cash and cash equivalents	484	551
Gross financial debt	**929**	**967**

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

	Million Euros	
	30/06/22	31/12/21
Current financial assets – Current financial investments (Note 7)	129	129
Cash and cash equivalents	484	551
Credit facilities and other undrawn financial balances	428	411
Available liquidity	**1,041**	**1,091**

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

	30/06/22	31/12/21
Number of shares issued (in millions of shares)	34.28	34.28
Last share price	28.1	36.60
Market capitalisation (millions of Euros)	**963**	**1,255**

10 – CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 21). In the event of discrepancy, the Spanish-language version prevails.

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

Condensed consolidated balance sheets at 30 June 2022 and 31 December 2021 (Thousands of Euros)

Assets	Note	30/06/22	31/12/21 (*)
Non-current assets:			
Intangible assets	5	**322,590**	**332,337**
Property, plant and equipment	6	**378,638**	**388,289**
Investments accounted for using the equity method	7	**29,817**	**17,073**
Non-current financial assets	7	**447,330**	**429,902**
Non-current hedging derivatives	16	**23,016**	**35,408**
Deferred tax assets	20	**149,943**	**144,530**
Other non-current assets	14	**5,028**	**5,129**
Total non-current assets		**1,356,362**	**1,352,668**
Current assets:			
Inventories	8	**548,452**	**486,824**
Trade and other receivables			
Trade receivables for sales and services	9	1,674,145	1,511,392
Other receivables	9	193,692	168,441
Current tax assets		16,064	10,335
Total Trade and other receivables		**1,883,901**	**1,690,168**
Current financial assets	7	**131,270**	**131,372**
Current hedging derivatives	16	**45,899**	**48,477**
Other current assets	14	**13,277**	**9,013**
Cash and cash equivalents	10	**484,422**	**551,372**
Total Current assets		**3,107,221**	**2,917,226**
Total Assets		**4,463,583**	**4,269,894**

Equity and liabilities	Note	30/06/22	31/12/21 (*)
Equity:	10		
Shareholders' equity-			
Registered share capital		10,319	10,319
Share premium		11,863	11,863
Other accumulated reserves and result for the period attributable to the Parent		914,477	919,051
Interim dividend		-	(13,712)
Own shares		(1,468)	-
Total Shareholders' equity		**935,191**	**927,521**
Valuation adjustments			
Hedges	10 & 16	11,802	2,508
Translation differences		(183,067)	(203,367)
Total Valuation Adjustments		**(171,265)**	**(200,859)**
Equity attributable to the Parent		**763,926**	**726,662**
Non-controlling interests		**15,293**	**13,798**
Total equity		**779,219**	**740,460**
Non-current liabilities:			
Non-current provisions	2-d & 12	**107,286**	**91,298**
Non-current financial liabilities-	11		
Bank borrowings and debt instruments or other marketable securities		695,017	675,569
Other financial liabilities		77,978	76,606
Total non-current financial liabilities		**772,995**	**752,175**
Deferred tax liabilities	20	**151,348**	**141,337**
Non-current hedging derivatives	16	**23,433**	**36,292**
Other non-current liabilities	14	**102,922**	**82,079**
Total non-current liabilities		**1,157,984**	**1,103,181**
Current liabilities:			
Current provisions	12	**295,045**	**286,319**
Current financial liabilities	11		
Bank borrowings and debt instruments or other marketable securities		225,831	282,703
Other financial liabilities		48,500	48,707
Total Current financial liabilities		**274,331**	**331,410**
Trade and other payables			
Payable to suppliers		887,728	780,287
Other payables	18	974,462	932,435
Current tax liabilities		13,625	20,115
Total Trade and other payables		**1,875,815**	**1,732,837**
Current hedging derivatives	16	**78,412**	**69,347**
Other current liabilities	14	**2,777**	**6,340**
Total Current liabilities		**2,526,380**	**2,426,253**
Total Equity and Liabilities		**4,463,583**	**4,269,894**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated balance sheet as at 30 June 2022.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 21). In the event of discrepancy, the Spanish-language version prevails.

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

Condensed consolidated profit and loss statements for the six-month periods ended 30 June 2022 and 2021

(Thousands of Euros)

	Note	(Debit) Credit	
		30/06/22	30/06/21 (*)
Continuing operations:			
Revenue	17	1,530,036	1,411,324
+/- Changes in inventories of finished goods and work in progress		(15,339)	96,199
In-house work on non-current assets		918	309
Procurements		(823,642)	(836,328)
Other operating income		11,017	7,862
Staff costs	11, 12 & 18	(399,450)	(366,042)
Other operating expenses	2-d & 12	(195,939)	(193,950)
Depreciation and amortisation charge	5 & 6	(43,687)	(44,919)
Impairment and gains or losses on disposals of non-current assets	5 & 6	2,597	(246)
Other results		-	248
Profit/(loss) from operations		**66,511**	**74,457**
Finance income	7	4,409	4,369
Finance costs	11	(25,040)	(19,380)
Changes in fair value of financial instruments		(3,605)	10
Exchange differences		3,649	1,669
Financial profit/(loss)		**(20,587)**	**(13,332)**
Result of companies accounted for using the equity method	7	2,530	(446)
Profit/(loss) before tax		**48,454**	**60,679**
Income tax	20	(16,090)	(18,992)
Profit/(loss) for the perios from continuing operations		**32,364**	**41,687**
Profit/(loss) for the period from discontinued operations		-	-
Consolidated profit/(loss) for the period		**32,364**	**41,687**
Attributable to:			
The Parent		30,704	40,818
Non-controlling interests		1,660	869
Earnings/(loss) per share (in Euros)			
Basic		0.90	1.19
Diluted		0.90	1.19

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated profit and loss statement for the six-month period ended 30 June 2022.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 21). In the event of discrepancy, the Spanish-language version prevails.

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

Condensed consolidated statements of comprehensive income for the six-month periods ended 30 June 2022 and 2021

(Thousands of Euros)

	Note	30/06/22	30/06/21 (*)
A) Consolidated profit/(loss) for the period:		**32,364**	**41,687**
B) Other comprehensive income – Items not reclassified to profit or loss:		**(975)**	**(1,708)**
Arising from actuarial gains and losses	11	-	(63)
Equity instruments through other comprehensive income	7	(975)	(1,575)
Other income and expenses taken directly to equity		-	(70)
C) Items that may be reclassified subsequently to profit or loss:		**29,463**	**16,844**
Cash flow hedges:		**(1,482)**	**119**
Revaluation gains/losses	10	(1,608)	55
Amounts transferred to profit or loss		126	64
Translation differences:		**19,691**	**13,430**
Revaluation gains/losses	10	19,691	13,430
Share of other comprehensive income recognised for investments in joint ventures and associates:		**10,898**	**3,324**
Revaluation gains/losses-			
Cash flow hedges	10	9,180	3,119
Translation differences	10	479	45
		9,659	3,164
Amounts transferred to profit or loss-			
Cash flow hedges		1,239	160
		1,239	160
Tax effect		**356**	**(29)**
Total comprehensive income (A+B+C)		**60,852**	**56,823**
Attributable to:			
The Parent		59,322	55,915
Non-controlling interests		1,530	908

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2022.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 21). In the event of discrepancy, the Spanish-language version prevails

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

Condensed consolidated statements of changes in equity for the six-month periods ended 30 June 2022 and 2021 (Thousands of Euros)

	Equity attributable to the Parent								
	Shareholders' equity								
	Share capital	Share premium	Other accumulated reserves and result for the period attributable to the Parent	Own shares	Interim dividend	Hedges	Translation differences	Non-controlling interests	Total Equity
Balances at 31 December 2020 (*)	**10,319**	**11,863**	**835,893**	**-**	**-**	**(13,575)**	**(211,531)**	**11,234**	**644,203**
Total comprehensive income	**-**	**-**	**39,110**	**-**	**-**	**3,369**	**13,436**	**908**	**56,823**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(215)**	**(215)**
Dividends payable (Note 4)	-	-	-	-	-	-	-	(215)	(215)
Transactions with non-controlling shareholders (Note 3)	-	-	-	-	-	-	-	-	-
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between equity items	-	-	-	-	-	-	-	-	-
Balances at 30 June 2021	**10,319**	**11,863**	**875,003**	**-**	**-**	**(10,206)**	**(198,095)**	**11,927**	**700,811**
Balances at 31 December 2021 (*)	**10,319**	**11,863**	**919,051**	**-**	**(13,712)**	**2,508**	**(203,367)**	**13,798**	**740,460**
Total comprehensive income	**-**	**-**	**29,728**	**-**	**-**	**9,294**	**20,300**	**1,530**	**60,852**
Transactions with shareholders or owners	**-**	**-**	**(34,302)**	**(1,468)**	**13,712**	**-**	**-**	**(35)**	**(22,093)**
Dividends payable (Note 4)	-	-	(34,281)	-	13,712	-	-	(35)	(20,604)
Transactions with non-controlling shareholders (Note 3)	-	-	-	-	-	-	-	-	-
Transactions with own shares (net)	-	-	(21)	(1,468)	-	-	-	-	(1,489)
Other changes in equity	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**
Transfers between equity items	-	-	-	-	-	-	-	-	-
Balances at 30 June 2022	**10,319**	**11,863**	**914,477**	**(1,468)**	-	**11,802**	**(183,067)**	**15,293**	**779,219**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 21). In the event of discrepancy, the Spanish-language version prevails

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

Condensed consolidated statements of cash flows for the six-month periods ended 30 June 2022 and 2021

(Thousands of Euros)

	Note	30/06/22	30/06/21 (*)
Cash flows from operating activities:			
Profit/(loss) before tax		48,454	60,679
Adjustments for-			
Depreciation and amortisation charge	5 & 6	43,687	44,919
Other adjustments to profit or loss (net)		35,516	13,395
Changes in working capital-		(62,762)	(28,652)
Other cash flows from operating activities-			
Income tax recovered/(paid)		(32,984)	(24,553)
Other amounts received/(paid) relating to operating activities		109	(1,010)
Cash flows from operating activities (I)		**32,020**	**64,778**
Cash flows from investing activities:			
Payments due to investment-			
Group companies, associates and business units		(272)	-
Property, plant and equipment, intangible assets and investment property	5 & 6	(25,395)	(13,437)
Other financial assets, net	7	(3,723)	(30,783)
Proceeds from disposal-			
Group companies, associates and business units	7	350	190
Property, plant and equipment, intangible assets and investment property	5 & 6	4,147	182
Other financial assets	7	12,060	10,281
Other cash flows from investing activities			
Interest received		2,613	3,065
Cash flows from investing activities (II)		**(10,220)**	**(30,502)**
Cash flows from financing activities:			
Proceeds/(payments) relating to equity instruments-			
Acquisition		(1,489)	-
Proceeds/(payments) relating to financial liability instruments-	11		
Issue		335,164	239,314
Repayment		(398,565)	(240,191)
Dividends and returns on other equity instruments paid	11	(13,748)	(29,086)
Other cash flows from financing activities-	11		
Interest payments		(18,040)	(18,351)
Cash flows from financing activities (III)		**(96,678)**	**(48,314)**
Effect of foreign exchange rate changes (IV)		**7,928**	**7,785**
Increase/(decrease) in cash and cash equivalents (I+II+III+IV)		**(66,950)**	**(6,253)**
Cash and cash equivalents at the beginning of period		551,372	573,928
Cash and cash equivalents at end of period		**484,422**	**567,675**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 21 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022.

11 – NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries of the CAF Group

Notes to the condensed consolidated financial statements for
the six-month period ended 30 June 2022

1. DESCRIPTION AND ACTIVITIES OF THE PARENT

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") was incorporated in 1917 for an indefinite period of time in San Sebastián (Guipuzcoa). Its registered office is located at calle Jose Miguel Iturrioz 26, Beasain (Guipuzcoa) (Spain).

The Parent did not change its name during the first half of the year.

The corporate purpose is described in Article 2 of the Bylaws, which are available on the website of the Parent (www.caf.net).

The Group's core business is currently the sale of rail and bus mobility solutions, and its centre of activity is Beasain (Gipuzkoa), Spain.

The Parent, Construcciones y Auxiliar de Ferrocarriles, S.A., as part of its business activities, holds majority ownership interests in other companies (Note 3).

The CAF Group's consolidated financial statements for 2021 were approved by the shareholders at the Annual General Meeting of CAF on 11 June 2022.

2. BASIS OF PRESENTATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

a) Basis of presentation

The CAF Group's consolidated financial statements for 2021 were prepared by the Parent's directors in accordance with International Financial Reporting Standards as adopted by the European Union, and the bases of consolidation, accounting policies and measurement bases described in Note 3 to those consolidated financial statements were applied in order to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2021 and its consolidated results, the changes in consolidated equity and its consolidated cash flows for the year then ended.

These interim condensed consolidated financial statements are presented in accordance with IAS 34 – Interim Financial Reporting, and were authorised for issue by the Parent's directors on 29 July 2022 pursuant to Article 12 of Royal Decree 1362/2007. This interim condensed consolidated financial information was prepared on the basis of the accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. and the other companies composing the Group, and includes all the adjustments and reclassifications required to unify the accounting and presentation policies applied by all the Group companies (in all cases, local legislation) with those applied by Construcciones y Auxiliar de Ferrocarriles, S.A. for the purposes of the consolidated financial statements.

In accordance with IAS 34, the interim financial information is prepared for the sole purpose of updating the information contained in the latest consolidated financial statements to have been drawn up by the Group. The interim information focuses on the new activities, events and circumstances to have occurred during the six-month period and does not repeat the information previously published in the consolidated financial statements for financial year 2021. Therefore, for a proper understanding of the information included in these interim condensed consolidated financial statements, they should be read in conjunction with the Group's consolidated financial statements for 2021.

The accounting policies and methods used in preparing these interim condensed consolidated financial statements are the same as those used in the consolidated financial statements for 2021, except for the standards and interpretations which came into force in the first half of 2022 and are detailed below.

b) Entry into force of new accounting standards

During the first half of 2022, various amendments and/or interpretations to IFRS 3 to update the reference to the Conceptual Framework, amendments to IAS 16 in relation to proceeds before intended use, amendments to IAS 37 for onerous contracts and amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 related to improvements to IFRS 2018-2020. These amendments did not have a significant impact on the preparation of the half-yearly condensed consolidated financial statements.

c) Use of estimates

The consolidated results and the determination of consolidated equity are sensitive to the accounting principles and policies, measurement bases and estimates used by the Parent's directors in preparing the interim condensed consolidated financial statements. The main accounting principles and policies and measurement bases used are indicated in Note 3 to the consolidated financial statements for 2021.

In the interim condensed consolidated financial statements estimates were occasionally made by the senior executives of the Parent and of the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

1. The income tax expense which, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average tax rate envisaged by the Group for the full financial year;

2. The assessment of possible impairment losses on certain assets (Notes 5, 6, 7, 8 & 9);

3. The assumptions used in the actuarial calculation of pension and other obligations to employees (Note 11.b);

4. The useful life of the property, plant and equipment and intangible assets (Notes 5 & 6);

5. The fair value of certain financial assets (Note 7);

6. The calculation of provisions and penalties that reduce the selling price (Note 2-d);

7. The assessment of the probability of having future taxable profits against which unused recognised tax assets can be utilised (Note 20);

8. Changes in estimated costs in the budgets for construction projects performed and percentage of completion.

Although the aforementioned estimates were made on the basis of the best information available at the reporting date on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at the end of 2022 or in coming years. Changes in accounting estimates would be applied, if required, prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the corresponding consolidated profit and loss statement.

In the six-month period ended 30 June 2022 there were no significant changes in estimates with respect to those made at 2021 year-end.

d) Contingent assets and liabilities

Notes 20 and 26 to the Group's consolidated financial statements for the year ended 31 December 2021 disclose information on the contingent assets and liabilities at that date, as does Note 12 to the accompanying condensed consolidated financial statements for the six-month period ended 30 June 2022.

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 rendered its administrative decision and thereby ordered the subsidiary to pay a penalty amounting to BRL 167,057,982.53 (EUR 30,806 thousand at 30 June 2022) and recommended the competent authorities not to grant the subsidiary certain tax benefits for five years. The Group posted a provision for this amount in 2019 with a charge to "Other operating expenses" in the condensed consolidated profit and loss statement and a credit to "Non-current provisions" in the accompanying condensed consolidated balance sheet (Note 12). The amount of the fine was increased by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody (SELIC) and EUR 1,867 thousand was recognised in the first half of 2022 with a charge to "Finance costs" in the accompanying condensed interim consolidated profit and loss statement (EUR 345 thousand in 2021). At the date of authorisation for issue of these interim condensed consolidated financial statements, the subsidiary has appealed CADE's decision in court.

The subsidiary rejects CADE's assessment of the events when imposing the aforementioned penalty and argues that its own actions in relation to the events investigated were carried out, at all times, in strict compliance with the applicable legislation. The subsidiary's legal advisers consider that there is a reasonable chance that the final amount of the penalty imposed will be reduced to a quantity substantially lower than the aforementioned amount, all without prejudice to the possibility of the fine being completely annulled. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 161 thousand. As at the date of these statements, the Brazilian courts have ordered the lifting of the block and we must now wait for this ruling to be effectively implemented by the courts.

Also, as a result of the investigations conducted by CADE, other authorities, including the São Paulo State Public Prosecutor, initiated court proceedings against which the Group has already filed its corresponding defences. As a result of CADE´s investigations, an administrative proceeding was also initiated by the Court of Auditors, in response to which the subsidiary presented its preliminary defence during the first half of 2016. Following a finding by the Court of Auditors that no irregular conduct had been proven as a result of the sentence imposed by CADE, during the first half of 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 CADE's investigations, an administrative proceeding was initiated by the São Paulo Court of Auditors in relation to which the subsidiary submitted its initial pleadings in the second half of 2018.

The CAF Group continues to defend its interests in these proceedings. However, at the reporting date it was not possible to determine the result or the impact that these proceedings might have on the condensed interim consolidated financial statements of the Group should the outcome be unfavourable and, therefore, no liabilities have been recognised in this connection in those accounts.

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 10,000,000 Brazilian reals (plus its update) each, and have been banned from taking part in public tenders in Brazil and from claiming tax incentives or borrowing relief for five years. According to the external legal advisors, the sanctions imposed are not considered to be effective until the judgement becomes final (i.e. no longer appealable). Both CAF and its subsidiary in Brazil have since lodged an appeal against the court's findings in relation to the facts of the case and the grounds for the conviction.

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 9). 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, which are currently in the preliminary phase. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the latter half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 17,734 thousand at 30 June 2022) (the subsidiary holds a 36.8% stake in the Consortium, which, was the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.5 million) and a ban on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed the administrative sanction, which is in its initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the prohibition to contract in Brazil. Also in relation to the same project, the subsidiary company continues to pursue its appeal regarding the termination of the contract requested by the State of Mato Grosso and the ensuing consequences.

Meanwhile, on 27 August 2018 the National Commission for Markets and Competition ("CNMC") initiated sanctioning proceedings against various companies, including CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A. (considered jointly and severally liable), in relation to alleged anti-competitive practices. At the date of authorisation for issue of these condensed interim consolidated financial statements, the proceedings had concluded following notification of the ruling of 30 September 2021. While this decision marked an end to the administrative process, it has been the subject of an appeal for judicial review before the National High Court (Audiencia Nacional). The main aspects of the case and the decision, which affect the subsidiary company CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary joined the cartel initiated in 2002 by other entities, consisting of distribution agreements among the various companies involved. The subsidiary was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017) and was handed a fine of EUR 1.7 million. CAF, S.A. is jointly and severally liable for payment of the fine based on the economic unit that makes up the parent company and subsidiary for the purposes of competition regulations. As part of this same case, two former directors of CAF Signalling, S.L.U. were also fined. As at the date of authorisation of issue of these interim condensed consolidated financial statements, CAF, S.A. and CAF Signalling, S.L.U. have filed a contentious-administrative appeal against the CNMC resolution, following the approval of the precautionary suspension of payment of the fine until the Audiencia Nacional rules on the merits of the matter. The proceedings relating to the prohibition on public tendering is also suspended.

With respect to the last lawsuit described above, the Group's legal advisors consider that an unfavourable outcome for the CAF Group is unlikely and that the outcome of these proceedings will not materially affect the financial statements for the years in which that lawsuit may eventually be settled. Therefore, no provision was recognised in this respect at 30 June 2022.

e) Comparative information

The information relating to 2021 contained in these interim condensed consolidated financial statements is presented solely for comparison purposes with the information relating to the six-month period ended 30 June 2022.

f) Seasonality of the Group's transactions

Bus segment sales are mostly recognised in the second half of the year. This seasonality arises from the fact that most bus deliveries are made during this period, according to the contractual dates agreed with customers, particularly in certain key markets such as Germany, Poland, Spain and Romania. However, the Group is looking to reduce this seasonal effect on sales by growing its business through diversification of its target markets. Sales for the last 12 months corresponding to the bus business unit at 30 June 2022 amount to EUR 699,051 thousand (EUR 853,206 thousand in the 12-month period through to 30 June 2021) (Note 17).

In view of the rest of the business activities in which the Group companies engage, as well as the stage of completion method of accounting, the rest of the Group's transactions are not cyclical or seasonal in nature. Therefore, no specific disclosures in this connection are included in these notes to the condensed consolidated financial statements for the six-month period ended 30 June 2022.

g) Materiality

In determining the disclosures to be made in these notes to the condensed consolidated financial statements on the various line items in the condensed consolidated financial statements or on other matters, in accordance with IAS 34 the Group took into consideration materiality with respect to the interim condensed consolidated financial statements.

h) Events after the reporting period

At 30 June 2022, the Group had a firm backlog of EUR 10,753 million.

In June 2022, CAF was selected to supply 60 trams for Montpellier Méditerranée Métropole. The contract is expected to be formally signed in the second half of the year.

In July 2022, Swedish state-owned operator SJ AB has chosen CAF as the supplier of 25 regional units, which may be extended to 60 units.

In August 2022, the CAF Group fully expects to sign the agreement reached with Alstom to acquire the Reichshoffen plant in the Alsace region and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. The enterprise value of the acquired perimeter is estimated at around EUR 75 million and will be financed mainly through CAF debt. The final price will be finalised at completion once the corresponding price adjustments have been made.

i) COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. Since then, the CAF Group has been making every effort possible within the regulatory framework imposed by national and international health authorities to protect the health and safety of all its employees, while maintaining the supply chain to its clients.

Consequently, in order to follow the guidelines set out by the governments of the countries in which the CAF Group operates, the Group adapted its working practices accordingly and drew up action protocols that included a series of prevention and protection measures to avoid the spread of the Coronavirus among its workers, as well as a line of action to be taken in the event that suspicious cases were detected.

In 2021 and 2020, the Group undertook various actions to address the pandemic, the effects of which were recognised in the profit and loss statements and disclosed in the notes to the consolidated financial statements for the financial years in question.

As a result of the conditions and events arisen from COVID-19, there were no significant disputes with customers or suppliers during the period, and commercial activity, order intake, logistics and operations continued under normal conditions at the Group.

j) Climate change

Since 2021, the Group has been making further progress to devise a framework for managing climate change risks and opportunities in the short, medium and long term. Therefore, the Group is analysing sector trends and the risks and opportunities associated with climate change at peer companies, identifying climate risks and opportunities for the Group, including their financial impact, and defining a methodology to monitor and control them accordingly.

Both physical and transition risks are being considered when assessing possible negative deviations from the Group's objectives. Among the physical risks, acute and chronic risks can be distinguished, while among the transition risks a distinction is made between i) political and legal risks; ii) technological risks; iii) market risks; and iv) reputational risks. Along these lines, opportunities that could lead to a positive deviation from the CAF Group's objectives are also identified, such as more sustainable products and services and more efficient resources and energy sources, while also managing certain risks that could unlock benefits and bring added value to the organisation. For financial reporting purposes, the Group does not consider that the process of analysing these risks and opportunities will have a significant impact on the interim condensed consolidated financial statements.

Within the framework of the Group's activities to combat climate change and following its adhesion in 2021 to the alignment initiatives against climate change and the Paris Agreement, SBTi initiative and Race to Zero campaign, during the first half of 2022, the calculation of the carbon footprint for 2019, 2020 and 2021 was verified by a third party so that the Group's decarbonisation strategy could be plotted out in the next quarter, which will include the task of setting targets and drawing up the corresponding emissions reduction plan.

k) Ukraine and macroeconomic situation

The Ukraine-Russia conflict adds a further element of uncertainty to the markets in which the Group operates, affecting various aspects such as the execution of long-term contracts and their monitoring, possible embargoes or sanctions on companies operating in those markets, or possible additional disruptions along the supply chain.

At 30 June 2022, the value of the Group's total assets and turnover in Russia was immaterial.

3. CHANGES IN THE COMPOSITION OF THE GROUP

Note 2-f to the consolidated financial statements for the year ended 31 December 2021 provides relevant information on the Group companies that had been consolidated at that date and on those accounted for using the equity method.

During the first six months of 2022, the companies CAF Polska sp. z.o.o and CAF Portugal Unipessoal, Lda. were incorporated, both fully owned by the Parent. The companies CAF Signalling, S.L.S. Com., CAF Rail Traincare Ltd, CAF Egypt for Transportation Systems and Solaris Estonia OÜ, were also incorporated, all also fully controlled by the Group.

4. DIVIDENDS PAYABLE BY THE PARENT

The following table shows approved dividends to be paid out by the Parent in January 2022 and July 2022, charged in both cases to earnings for 2021 and relating to ordinary shares. The Parent recognised these amounts (net of the corresponding withholding tax) with a credit to "Current financial liabilities – Other financial liabilities" in the condensed balance sheets as at 30 June 2022 and 31 December 2021, respectively:

	30/06/22			31/12/21		
	% of Par Value	Euros per Share	Amount (Thousands of Euros)	% of Par Value	Euros per Share	Amount (Thousands of Euros)
Total dividends payable	200%	0.60	20,569	133%	0.4	13,712

Meanwhile, all approved dividends paid out by the Parent in January 2021 and amounting to EUR 28,864 thousand were charged to 2019 earnings.

5. INTANGIBLE ASSETS

Changes in the six-month period ended 30 June 2022 in the intangible asset accounts and in the related accumulated amortisation were as follows:

	Thousands of Euros					
	Development expenditure	Commercial relationships and customer portfolio	Patents, licenses and trademarks	Computer Software and Other	Goodwill	Total
Balance at 31/12/21						
Cost	175,684	55,003	107,594	67,754	109,655	515,690
Accumulated amortisation	(111,404)	(10,841)	(17,730)	(29,722)	-	(169,697)
Impairment losses	(13,656)	-	-	-	-	(13,656)
Net balance – 31/12/21	**50,624**	**44,162**	**89,864**	**38,032**	**109,655**	**332,337**
Cost –						
Translation differences	(432)	(1,313)	(2,094)	(433)	(2,274)	(6,546)
Additions	5,506	-	-	8,840	-	14,346
Disposals	(4,829)	-	-	-	-	(4,829)
Transfers	-	-	-	-	-	-
Cost at 30/06/22	**175,929**	**53,690**	**105,500**	**76,161**	**107,381**	**518,661**
Accumulated depreciation –						
Translation differences	174	230	367	201	-	972
Additions or change for the year	(8,469)	(1,368)	(2,659)	(4,012)	-	(16,508)
Disposals	2,850	-	-	-	-	2,850
Transfers	-	-	-	-	-	-
Accumulated depreciation at 30/06/22	**(116,849)**	**(11,979)**	**(20,022)**	**(33,533)**	**-**	**(182,383)**
Impairment losses –						
Allowances/Reversals/Transfers	(28)	-	-	-	-	(28)
Translation differences	(4)	-	-	-	-	(4)
Impairment losses at 30/06/22	**(13,688)**	**-**	**-**	**-**	**-**	**(13,688)**
Net balance at 30/06/22	**45,392**	**41,711**	**85,478**	**42,628**	**107,381**	**322,590**

The additions in the first half of 2022 recognised as “Development expenditure” relate to the costs incurred in projects to develop new products and projects, as the Group considered that there were no reasonable doubts regarding the economic and commercial returns thereon. Additionally, the Group initiated in 2019 the process of implementing the new ERP. At 30 June 2022, the Group had investment commitments of EUR 24,580 thousand (31 December 2021: EUR 31,373 thousand), mainly for the new IT system, which is expected to go live in 2023.

In the first six months of 2022 and 2021, there was no significant impairment of, or substantial changes in, the return estimates and assumptions regarding the development projects on which impairment had been recognised in prior years.

6. PROPERTY, PLANT AND EQUIPMENT

a) Changes in the period

The changes in the first half of 2022 are the following:

	Thousands of Euros					
	Opening balance at 31/12/21	Additions / Depreciation and amortisation / Allowances	Transfers	Disposals or reductions	Translation differences	Closing balance at 30/06/22
Cost						
Property, plant and equipment	831,151	7,523	125	(30,011)	4,807	813,595
Rights of use	102,154	15,376	(60)	(3,698)	(1,423)	112,349
Accumulated depreciation						
Property, plant and equipment	(487,090)	(18,052)	(8)	24,563	(4,186)	(484,773)
Rights of use	(47,875)	(9,127)	60	2,702	629	(53,611)
Impairment losses						
Property, plant and equipment	(10,051)	-	-	1,122	7	(8,922)
Net balance	**388,289**	**(4,280)**	**117**	**(5,322)**	**(166)**	**378,638**
Property, plant and equipment	334,010	(10,529)	117	(4,326)	628	319,900
Rights of use	54,279	6,249	-	(996)	(794)	58,738

The main additions in the first half of 2022 were mainly the modernisation of the wheel business facilities, the automation of car welding processes, and the expansion and purchase of equipment for the vehicle finishing areas, all part of the ongoing process of transforming the production model at the CAF Group’s plants in Spain. Outside Spain, highlights included the investment to modernise the French plant at Bagnères-de-Bigorre, the completion of the new warehouse at the Newport plant, and the investments Solaris is undertaking at its plants in Poland with the aim of increasing production capacity and automating operating processes.

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 30 June 2022, the net amount of the grants received not yet allocated to profit or loss totalled EUR 2,229 thousand (31 December 2021: EUR 2,340 thousand). A total of EUR 98 thousand was taken to profit or loss in the six months ended 30 June 2022 (EUR 99 thousand in the six months ended 30 June 2021).

b) Property, plant and equipment purchase commitments

At 30 June 2022 and 31 December 2021, the Group had firm capital expenditure commitments amounting to EUR 7,500 thousand and EUR 2,232 thousand, relating mainly to the fitting out of certain facilities and the purchase of machinery, mainly in Spain, Poland and France.

7. FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Investments accounted for using the equity method

The breakdown of "Investments accounted for using the equity method" in the accompanying half-yearly condensed consolidated financial statements is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Associates:		
Consorcio Traza, S.A.	-	-
Plan Metro, S.A.	-	-
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	-	-
Arabia One for Clean Energy Investments PSC.	1,947	1,733
Great River City Light Rail Pty Ltd	149	64
Joint ventures:		
Momentum Trains Holding Pty Ltd (Note 16)	5,555	(2,424)
CFIR Light Rail Ltd	4,658	2,744
Ferrocarril Interurbano, S.A. de C.V.	3,901	3,222
LAVI Light Rail O&M Ltd (Note 16)	12,384	8,545
Oher investments	1,223	765
TOTAL	**29,817**	**14,649**
Registered under assets	29,817	17,073
Recognised under liabilities (Note 12)	-	(2,424)

Changes in the periods ended 30 June 2022 and 31 December 2021 in "Investments accounted for using the equity method" in the accompanying condensed consolidated balance sheet were as follows:

	Thousands of Euros	
	30/06/22	30/06/21
Opening balance	**14,649**	**(829)**
Amounts (charged)/paid from/to profit or loss	2,530	(446)
Hedges (Note 16)	10,495	3,280
Additions	1,740	2,391
Disposals	-	24
Translation differences	403	137
Closing balance	**29,817**	**4,557**

b) Non-current financial assets

The breakdown of "Non-current financial assets" in the accompanying half-yearly condensed consolidated financial statements is as follows:

	Thousands of Euros			
	30/06/22		31/12/21	
	% of ownership	Amount	% of ownership	Amount
Equity instruments –				
Ferromovil 3000, S.L.	10%	13,573	10%	13,386
Plan Azul 07, S.L.	5.20%	3,803	5.20%	3,775
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	3,793	15%	5,000
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	544	3%	527
Leo Express Global, A.S.	5%	872	5%	913
Other		125		113
Total equity instruments		**23,461**		**24,465**
Other financial assets –				
Amortised cost –				
Guarantees and other financial assets		13,998		11,796
Loans to employees		3,232		3,314
Non-current tax receivables		28,614		26,948
Non-current trade receivables and loans		354,599		340,514
Loans to associates		33,627		32,714
		434,070		**415,286**
Provisions –				
Provisions for tax receivables		(8,072)		(7,690)
Impairment losses		(2,129)		(2,159)
		(10,201)		**(9,849)**
Total Other financial assets		**423,869**		**405,437**
Total		**447,330**		**429,902**

Guarantees and other financial assets

The breakdown of this heading at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Guarantees and other financial assets	3,027	2,773
Non-current deposits	10,971	9,023
Total guarantees and other financial assets	**13,998**	**11,796**
Non-current deposits	10,971	9,023
Impairment of non-current deposits	(161)	(151)
Total Non-current deposits (Note 10-d)	**10,810**	**8,872**

At 30 June 2022, the guarantee relating to the increase in borrowings taken by subsidiary Ctrens Companhia Manutençao, S.A. (Note 11) amounted to EUR 10,869 thousand (31 December 2021: EUR 8,934 thousand).

Non-current tax receivables

At 30 June 2022, the Group had a total of EUR 28,614 thousand recognised under "Non-current financial assets" in respect of receivables from foreign public authorities for value added tax equivalent (31 December 2021: EUR 26,948 thousand), with translation differences generating an increase of EUR 4,459 thousand in the first half of 2022 (increase of EUR 2,189 thousand in the first half of 2021).

At 30 June 2022 and 31 December 2021, the Group had recognised a provision of EUR 8,072 thousand and EUR 7,690 thousand, respectively, to adjust the nominal value of these receivables to their recoverable amount.

Non-current trade receivables and loans

The breakdown of this heading at 30 June 2022 and 31 December 2021 is as follows (in thousands of Euros):

	30/06/22	31/12/21
Concessions – Financial asset	329,146	311,007
Other non-current trade receivables and loans	25,453	29,507
Total	**354,599**	**340,514**

In 2010, the Group signed concession contracts in Brazil and Mexico, the terms of which are described in Note 9-c of the consolidated financial statements for 2021. These concessions are recognised under IFRIC 12 – Service Concession Arrangements, as the relevant conditions have been met and, in accordance with this standard the various activities and services provided (construction, operation/maintenance and financing) have been duly separated.

Consequently, the Group recognised a total of EUR 329,146 thousand under "Non-current financial assets – Financial assets at amortised cost – Non-current trade receivables" (31 December 2021: EUR 311,007 thousand) and EUR 123,669 thousand under "Current assets – Other receivables" (31 December 2021: EUR 97,704 thousand) in relation to construction activities and services performed to date, net of billings made.

In the case of both contracts the future cash flows from the lease payments are determined and guaranteed in full from the date the contracts are signed. The only potentially variable amount in the payments relates solely to any possible penalties relating to the technical performance of the rolling stock material made available to the customer. This aspect has been taken into account when determining the cash flows to be received. There is no demand risk for the CAF Group in these contracts, since the financial flows to be received are unrelated to passenger numbers.

On 3 May 2021, there was an interruption in the operation of Line 12 of the Mexico City Metro, where the Group, through a subsidiary, provides maintenance services for the trains in operation there. The service interruption was caused by the collapse of an elevated section of the line for reasons not attributable to the CAF Group. At the date of authorisation for issue of these interim condensed consolidated financial statements, the Mexican authorities have nearly completed the process of investigating the events that occurred, in which the civil works constructor has been identified as the party responsible for the collapse. The line is now being repaired in order to reopen it and negotiations are being held with the Group for a possible extension of the agreement signed a year earlier in relation to the economic effects of the line's stoppage. The contract envisioned a possible suspension and the parties availed themselves of this option by signing an agreement to temporarily suspend the effects of the contract. This agreement stated that the base remuneration must continue to be paid, while the payment of variable remuneration by the Metro would be temporarily suspended, until the passenger transport service was fully or partially resumed. It is currently envisaged that the agreement to suspend certain aspects of the agreement may remain in force until the last quarter of 2022.

In 2022 and 2021, long-term collection schedules were established with customers in the Buses segment, and an amount of EUR 19,117 thousand was recognised in this connection under this heading in the accompanying condensed consolidated balance sheet (31 December 2021: EUR 20,572 thousand). These loans accrue interest at market rates and are amortised over a period of between two and ten years.

The changes in the first six months of 2022 and 2021 in the balance of the impairment losses on the Group's assets, including non-current tax receivables and expected credit losses under IFRS 9, which form part of the balance of "Non-current financial assets", were as follows:

	Thousands of Euros	
	30/06/22	30/06/21
Balance at the beginning of the period	**(9,849)**	**(8,800)**
Translation differences	(1,521)	(636)
Net impairment losses recognised with a charge to "Impairment and gains or losses on disposals of non-current assets"	892	33
Net impairment losses recognised with a charge to "Other operating expenses"	265	7
Current reclassifications	12	12
Balance at the end of the period	**(10,201)**	**(9,384)**

c) Current financial assets

The breakdown of "Current financial assets" in the accompanying half-yearly condensed consolidated financial statements is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Current financial assets (Note 10-d)	**128,536**	**128,661**
At amortised cost	44,995	42,583
At fair value through profit or loss	83,541	86,078
Other financial assets	**2,734**	**2,711**
At amortised cost	2,734	2,711
Total	**131,270**	**131,372**

8. INVENTORIES

The breakdown of "Inventories" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Trains, traction equipment, civil engineering, signalling	20,818	22,961
Spare parts, components and other	282,885	252,747
Rolling stock	**303,703**	**275,708**
Buses	**244,749**	**211,116**
Total	**548,452**	**486,824**

At 30 June 2022, the Group had posted an impairment provision of EUR 37,044 thousand (31 December 2021: EUR 37,190 thousand).

9. TRADE AND OTHER RECEIVABLES

The breakdown of "Trade receivables for sales and services" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Customers	1,696,116	1,533,391
Write-downs	(21,971)	(21,999)
Total	**1,674,145**	**1,511,392**

The detail of this heading, by trade receivables and contract assets, is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Contract assets	1,194,478	1,004,812
Customers billed	501,638	528,579
Write-downs	(21,971)	(21,999)
Total	**1,674,145**	**1,511,392**

Contract assets and liabilities

The aggregate balance and change in contract assets and liabilities in the first half of 2022 and 2021 are as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Current contract assets	1,194,478	1,004,812
Current contract liabilities (Note 18)	(756,639)	(746,804)
Non-current contract liabilities (Note 14)	(87,992)	(65,889)
Net balance	**349,847**	**192,119**

	Thousands of Euros	
	30/06/22	30/06/21
Balance at the beginning of the period	**192,119**	**(59,084)**
Changes in measure of progress	1,005,848	871,588
Billings	(858,418)	(812,981)
Penalties applied	6,556	25,386
Translation differences	4,075	7,498
Reclassifications and other	(333)	152
Balance at the end of the period	**349,847**	**32,559**

Of the “Current contract liabilities” existing at 31 December 2021, a total of EUR 442,866 was recognised as revenue in the first half of 2022 (first half of 2021: EUR 471,952 thousand). Moreover, no significant revenue was recognised for performance obligations satisfied in prior periods.

The Group also recognised a total of EUR 289,940 thousand under “Trade and other payables — Suppliers” in the accompanying condensed consolidated balance as costs for the provision of services related to train construction contracts, such expenses having accrued based on the measure of progress (31 December 2021: EUR 241,349 thousand).

Provisions for third-party liabilities reducing “Contract assets” amounted to EUR 21,448 thousand at 30 June 2022 (31 December 2021: EUR 23,548 thousand).

Customers billed

“Customer billed” includes retentions at 30 June 2022 amounting to EUR 13,493 thousand (31 December 2021: EUR 10,070 thousand). At 30 June 2022, provisions for contractual liability reducing “Customers billed” amounted to EUR 16,646 thousand (31 December 2021: EUR 13,848 thousand).

At 30 June 2022, invoiced balances included a total of EUR 14,419 thousand (31 December 2021: EUR 28,838 thousand) in relation to the contract signed in previous years with Metro de Caracas; a balance that is now past-due and relates to the work already performed and invoiced to the customer. It is expected to be fully recovered under the credit insurance policy, with 75% of the indemnity having been collected to date. The average collection period for the remaining amount is less than one year and is recognised under “Trade receivables for sales and services” in the accompanying condensed consolidated balance sheet.

The past-due balances recognised under “Trade and other receivables” at 30 June 2022 and 31 December 2021, in addition to the past-due balances with Metro de Caracas, are as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Past due > 90 days	35,498	35,140
Past due > 180 days	148,169	128,358
Total	**183,667**	**163,498**

Balances over 180 days past due include:

• At 30 June 2022, The Group had recognised a total of EUR 51,582 thousand corresponding to billed and unbilled balances receivable under contracts already performed that had yet to be collected after securing arbitration awards favourable to the Group and with subsequent favourable judgments (31 December 2021: EUR 42,234 thousand). At 30 June 2022, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to its recoverability.

• At 30 June 2022, the Group had recognised an amount of EUR 42,679 thousand (31 December 2021: EUR 42,182 thousand) relating to billed and unbilled balances pending collection in respect of a dispute with a customer for a project in which there are cross claims for delays in meeting the contractual milestones signed by the consortium to which CAF belongs. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent’s directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. As at the date of authorisation for issue of these interim condensed consolidated financial statements, two expert reports analysing the alleged delays have been issued as part of the legal proceedings ongoing and the parties are currently awaiting a decision by the court.

• At 30 June 2022, the amount past-due by more than 180 days and recognised under “Trade receivables for sales and services” in relation to a contract for the construction and supply of fleet in Brazil, net of advances received, amounted to EUR 10.4 million (31 December 2021: EUR 8.9 million), without counting the impairment losses or the provisions recognised, which cover the entire amount (Note 2-d).

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales and non-recourse factoring of trade receivables. At 30 June 2022, the unmatured receivables settled by the Group through the aforementioned “non-recourse factoring” transactions amounted to EUR 105,607 thousand (31 December 2021: EUR 80,726 thousand).

Other receivables

The breakdown of the heading “Other receivables” was as follows at 30 June 2022 and 31 December 2021:

	Thousands of Euros	
	30/06/22	31/12/21
Concessions	123,669	97,704
Other taxes receivable	63,722	65,257
Employee receivables	3,143	2,541
Sundry accounts receivable	3,158	2,939
Total	**193,692**	**168,441**

10. EQUITY

a) Issued capital

At both 30 June 2022 and 31 December 2021, the share capital of the Parent was represented by 34,280,750 shares, each with a par value of EUR 0,301, represented by book entries, all fully subscribed for and paid up and all listed on the stock exchange.

Meanwhile, the Annual General Meeting held on 5 June 2021 authorised the Board of Directors to increase the share capital on one or more occasions, for a period of five years from that date and subject to an upper limit of half of the share capital at the time of the authorisation, including the power to disapply pre-emptive subscription rights, if the interests of the company so require and without such exclusion exceeding twenty per cent of the share capital at the time of the authorisation. At the date of preparation of these half-yearly condensed consolidated financial statements, no capital increase had been performed since that resolution.

Lastly, the Annual General Meeting held on 11 June 2022 resolved to vest powers in the Parent’s Board of Directors, with express powers of delegation, for a term of five (5) years running from that date, to issue debt instruments and fixed income or other securities (including warrants) convertible into shares of the Parent or other Group companies, including the power to disapply shareholders’ pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This resolution superseded and rendered null and void the resolution previously adopted at the Annual General Meeting of the Company held on 10 June 2017. As at the date of authorisation for issue of these interim condensed consolidated financial statements, no convertible securities have been issued since that resolution.

b) Treasury shares

During the six-month period ended 30 June 2022 various transactions involving own shares were carried out on the continuous market. The breakdown of transactions with own shares held by the Group is as follows:

	No. of shares	Nominal value (thousands of Euros)	Average purchase price (Euros)	Total cost (thousands of Euros)
Treasury shares at 30 June 2022	50,618	15	29.00	1,468

The following table shows changes in treasury shares in the first six months of 2022:

	No. of shares
Treasury shares at 1 January 2022	-
+ Purchases	176,232
- Sales	(125,614)
Treasury shares at 30 June 2022	**50,618**

The Annual General Meeting held on 13 June 2020 vested powers in the Board of Directors to acquire treasury shares for a period of five years running from that date.

On 5 April 2022, the Company entered into a liquidity contract (the “Liquidity Agreement”) with the company Norbolsa, S.V., S.A. (the “Financial Intermediary”) with the sole purpose of improving the liquidity and regular trading of the Company’s share (ISIN ES0121975009), subject to the limits set out in the authorisation granted to the Company by the Annual General Meeting and by applicable regulations, in particular Circular 1/2017.

The term of the Liquidity Agreement is one year from the date of its signing on 5 April 2022.

The nominal value of own shares acquired directly or indirectly by CAF does not exceed 10% of the share capital during the six-month period ended 30 June 2022.

c) Other comprehensive income

Hedging transactions

Changes in “Cash flow hedges” in the first six months of 2022 and 2021 were as follows:

	Thousands of Euros	
	30/06/22	30/06/21
Balance at the beginning of the period	**2,508**	**(13,575)**
Income and expense recognised in equity	7,573	3,174
Transfers to profit or loss	1,365	224
Tax effect	356	(29)
Balance at the end of the period	**11,802**	**(10,206)**

Translation differences

Changes in “Translation differences” in the first six months of 2022 and 2021 were as follows:

	Thousands of Euros	
	30/06/22	30/06/21
Balance at the beginning of the period	**(203,367)**	**(211,531)**
Net change in the period	20,300	13,436
Balance at the end of the period	**(183,067)**	**(198,095)**

The currencies with highest fluctuations in translation differences in the first six months of 2022 were the Brazilian real, the Mexican peso and the Polish zloty.

d) Capital management

The Group’s capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring a sound financial position. This policy allows the Group to create value for shareholders by accessing the financial markets at a competitive cost in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the Group’s business activities.

The directors of the CAF Group are confident that the level of leverage with recourse and credit quality are befitting the profile of the businesses as indicators of compliance with the objectives set. The CAF Group periodically assesses the adequacy of its liability structure by scrutinising expected cash flows, the debt maturity profile, foreseeable changes in working capital, and other future liquidity needs.

At 30 June 2022 and 31 December 2021, a portion of the borrowings was directly assigned to activities such as the concessions in Brazil and Mexico (Note 7) and Solaris’ operations. Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of Euros	
	30/06/22	31/12/21
Net financial debt:		
Payment deferrals with public entities	-	513
Interest-bearing refundable advances (Note 11)	7,760	8,143
Bank borrowings – Non-current liabilities (Note 11)	695,017	675,569
Bank borrowings and debt instruments – Current liabilities (Note 11)	225,831	282,703
Gross financial debt	**928,608**	**966,928**
Financial assets – Non-current assets (Note 7-b)	(10,810)	(8,872)
Current financial assets (Note 7-c)	(128,536)	(128,661)
Cash and cash equivalents	(484,422)	(551,372)
Net financial debt	**304,840**	**278,023**
Equity:		
Attributable to the Parent	763,926	726,662
Non-controlling interests	15,293	13,798
	779,219	**740,460**

11. FINANCIAL LIABILITIES

a) Bank borrowings and debt instruments or other marketable securities

The breakdown of “Bank borrowings and debt instruments or other marketable securities” in the accompanying consolidated balance sheet is as follows:

	Nominal currency	Thousands of Euros					
		30/06/22			31/12/21		
		Non-current	Current	Total	Non-current	Current	Total
Loans and credit accounts							
Ctrens – BNDES	BRL	57,450	17,551	75,001	56,730	14,669	71,399
Provetren - Banking syndicate	USD	-	32,348	32,348	14,777	26,673	41,450
Parent (CAF, S.A.)	EUR	494,202	32,365	526,567	512,145	113,897	626,042
CAF Investment Projects, S.A.U.	EUR	19,952	-	19,952	19,935	-	19,935
Solaris Group	PLN/EUR	123,077	56,369	179,446	71,615	99,534	171,149
Actren Mantenimiento Ferroviario, S.A.	EUR	-	304	304	-	1,166	1,166
Rest of Group's companies	EUR	336	32	368	367	85	452
		695,017	138,969	833,986	675,569	256,024	931,593
Debt instruments or other marketable securities							
Commercial paper issues	EUR	-	85,900	85,900	-	25,000	25,000
Accrued interest payable		-	962	962	-	1,679	1,679
Total		**695,017**	**225,831**	**920,848**	**675,569**	**282,703**	**958,272**

The main terms and conditions of the loans are disclosed in Note 16 to the consolidated financial statements for 2021.

At 30 June 2022, the Group's companies had undrawn credit facilities amounting to EUR 427,813 thousand (31 December 2021: 411,436 thousand).

b) Other financial liabilities

The breakdown of "Non-current financial liabilities – Other financial liabilities" and "Current financial liabilities – Other financial liabilities" in the half-yearly condensed consolidated balance sheet as at 30 June 2022 and the consolidated balance sheet as at 31 December 2021 is as follows:

Current and Non-Current Financial Liabilities – Other Financial Liabilities	Thousands of Euros					
	30/06/22			31/12/21		
	Non-current	Current	Total	Non-current	Current	Total
Interest-bearing repayable advances (Note 10-d)	6,141	1,619	7,760	6,352	1,791	8,143
Non-interest-bearing repayable advances	19,567	5,906	25,473	20,636	7,855	28,491
Share purchase liabilities	6,358	3,804	10,162	6,312	3,804	10,116
Payable to non-current asset suppliers	-	1,551	1,551	-	5,102	5,102
Obligations under finance leases	44,622	16,718	61,340	39,310	17,194	56,504
Dividend payable	-	18,545	18,545	-	12,381	12,381
Other liabilities	1,290	357	1,647	3,996	580	4,576
Total	**77,978**	**48,500**	**126,478**	**76,606**	**48,707**	**125,313**

Repayable advances

Various research and development programmes have led to the award of certain grants to conduct research and development projects to the Group. This aid is recognised on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

- Grants to partially meet the expenses and costs of these projects.

- Refundable advances in the form of loans, generally interest-free, which usually have an initial grace period of three years and are repaid over a period exceeding 10 years.

Grants must be refunded together with the related interest if the R&D investments envisaged under the projects are not ultimately made.

Share purchase liabilities

This heading includes, as described in Note 15 of the consolidated financial statements for 2021, the amounts payable for the cross call and put options on the remaining share capital of the company BWB Holdings Limited (26% of the remaining share capital), as well as put options granted to the minority shareholders of Lander Simulation and Training Solutions, S.A. (23.87% of the remaining share capital). The strike price of these transactions varies, depending on the certain financial parameters of both companies on the date the options are exercised. The variable consideration payable for the acquisition of 100% of Orbital Sistemas Aeroespaciales, S.L. is also recognised there

The put options granted to non-controlling shareholders for the remaining capital of Lander Simulation and Training Solutions, S.A. were exercised in 2021. The exit option price is currently being calculated by an independent expert.

The change during the first half of 2022 in "Bank borrowings and debt instruments or other marketable securities" and "Other financial liabilities" was as follows:

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	Other financial liabilities	Total
Balance at 31 December 2021	**956,593**	**125,313**	**1,081,906**
Cash flows from financing activities			
New drawdowns	334,801	363	335,164
Maturity payments	(384,849)	(13,716)	(398,565)
Dividend payments	-	(12,374)	(12,374)
Other payments	-	(1,069)	(1,069)
	(50,048)	(26,796)	(76,844)
Other changes (without cash flows)			
Translation differences	12,643	(900)	11,743
Dividends accrued, new leases, other	698	28,861	29,559
	13,341	27,961	41,302
Balance at 30 June 2022	**919,886**	**126,478**	**1,046,364**

12. PROVISIONS AND CONTINGENT LIABILITIES

a) Breakdown

The breakdown of provisions and contingent liabilities is as follows:

	Thousands of Euros	
	30/06/22	31/12/21
Non-current provisions for contingent liabilities and commitments	107,286	91,298
Current provisions	295,045	286,319
Total	**402,331**	**377,617**

b) Non-current provisions for contingent liabilities and commitments

The breakdown by item of the heading "Non-current provisions" in the condensed consolidated balance sheet as at 30 June 2022 and the consolidated balance sheet as at 31 December 2021 is as follows:

Non-current provisions	Thousands of Euros	
	30/06/22	31/12/21
Provisions for litigation	38,005	30,200
Investments accounted for using the equity method (Note 7)	-	2,424
Provisions for warranties (*)	53,413	48,686
Provision for non-current remuneration to staff and other	15,868	9,988
Total	**107,286**	**91,298**

(*) Includes provisions for buses segment maturing in more than one year.

Following the administrative decision delivered in July 2019 arising from the investigation initiated in 2013 into the involvement of various railway manufacturers in possible anti-competitive practices (described in Note 2-d), the Group had a provision of EUR 36 million posted at 30 June 2022 (31 December 2021: EUR 29 million). In the first half of 2022, as a consequence of the appreciation of the Brazilian real, the effect of the translation differences led to an increase in the provision of approximately EUR 5,075 thousand (increase of approximately EUR 2,214 thousand in the first half of 2021, again due to the appreciation of the Brazilian real).

Also, the Group recognises employment-related provisions under "Long-term Provisions" 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 Parent's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material.

c) Current provisions

"Current provisions" in the accompanying condensed consolidated balance sheet includes the provisions recognised by the Group to cover mainly warranty expenses, contractual support services and other matters arising from its business activities.

Changes in current and non-current provisions in 2022 and 2021 were as follows (in thousands of Euros):

	Non-current provisions	Current provisions				
		Contractual liability	Warranty and support services litigation	Lawsuits	Other provisions	Total current provisions
Balance at 31/12/20	**100,195**	**45,151**	**157,202**	**3,938**	**9,957**	**216,248**
Net charge for the period	47,513	12,639	98,866	(2,712)	(1,456)	107,337
Amounts used charged to profit or loss	(4,581)	(11)	(80,796)	(44)	(2,891)	(83,742)
Translation differences	109	3	824	1	-	828
Change in value of investments accounted for using the equity method	(5,775)					-
Transfers	(46,163)	(15,282)	43,791	-	17,139	45,648
Balance at 31/12/21	**91,298**	**42,500**	**219,887**	**1,183**	**22,749**	**286,319**
Net charge for the period	24,021	(28)	39,984	9	425	40,390
Amounts used charged to profit or loss	(1,413)	(921)	(41,392)	(72)	(830)	(43,215)
Translation differences	4,059	39	1,775	9	445	2,268
Change in value of investments accounted for using the equity method	(2,424)	-	-	-	-	-
Transfers	(8,255)	(86)	9,459	-	(90)	9,283
Balance at 30/06/22	**107,286**	**41,504**	**229,713**	**1,129**	**22,699**	**295,045**

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)

Expenses incurred during the first half of 2022 and 2021 in connection with the provision of contractual warranty services (approximately EUR 41,392 thousand and EUR 40,546 thousand, respectively) were recognised under “Procurements” and “Staff costs” in the accompanying consolidated profit and loss statements for 2022 and 2021.

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Group’s “related parties” are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the Parent’s “key management personnel” (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control.

a) Balances and transactions with associates

The transactions performed by the Group with its related parties (significant shareholders, Board members and executives of the Parent and other related parties) in the first six months of 2022 and 2021 are disclosed below. The terms and conditions of the transactions with related parties are equivalent to those in transactions performed on an arm’s length basis and the corresponding payments in kind were charged.

Expenses and Income	Thousands of Euros	
	30/06/22	30/06/21
Expenses:		
Purchases of goods and services	54	388
	54	**388**
Income:		
Revenues	166,582	87,227
Finance income	1,223	1,143
	167,805	**88,370**

Sales during the first six months of 2022 and 2021 were made mainly to Momentum Trains Holding Pty Ltd, CFIR Light Rail Ltd, Ferrocarriles Suburbanos, S.A.P.I. de C.V., Plan Metro S.A. and Ferrocarril Interurbano S.A. de C.V., all companies in which the CAF Group holds non-controlling ownership interests along with other shareholders.

The Group's main balances with investees that had not been fully consolidated at 30 June 2022 and 31 December 2021 were as follows:

	30/06/22	31/12/21
Balances receivable:		
Trade and other receivables	231,617	180,791
Loans and credits granted	34,132	32,714
Balances payable:		
Payable to suppliers and trade payables	84,156	113,412

b) Balances and transactions with shareholders

At 30 June 2022, the Group had the following financial transactions outstanding with shareholders holding 10% or more of the voting rights:

		Thousands of Euros	
Shareholder	**Type of transaction**	**Amount of transaction**	**Balance drawn at 30/06/22**
Kutxabank, S.A.	Bank loans	38,000	38,000
Kutxabank, S.A.	Credit accounts	35,000	-
Kutxabank, S.A.	Bank guarantees	150,000	93,668

In addition, in the first half of 2022 the Group entered into non-recourse factoring transactions with Kutxabank, S.A. and other subsidiaries of Bilbao Bizkaia Kutxa Fundación Bancaria amounting to EUR 25,401 thousand and arranged professional services amounting to EUR 29 thousand.

14. OTHER CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The breakdown of the Group's "Other non-current assets" and "Other current assets" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of Euros	
	30/06/22	**31/12/21**
Assets for the right of return	5,028	5,129
Other non-current assets	**5,028**	**5,129**
Prepayments	13,277	9,013
Other current assets	**13,277**	**9,013**

The detail of the Group's "Other non-current liabilities" and "other current liabilities" at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of Euros	
	30/06/22	**31/12/21**
Non-current contract liabilities (Note 9)	87,992	65,889
Advances received on operating leases	9,179	10,520
Refund liabilities	5,751	5,670
Other non-current liabilities	**102,922**	**82,079**
Advances received on operating leases	724	4,663
Unearned revenue	1,656	1,262
Refund liabilities	397	415
Other current liabilities	**2,777**	**6,340**

As explained in Note 21 to the consolidated financial statements for 2021 certain bus sale contracts included customer return options. If it is determined that the contract is an operating lease, the billings received in advance are recognised under "Advances received on operating leases". If, on the other hand, it is concluded that the contract is a sale with a right of return, the value of the asset to be repurchased by the Parent is recognised under "Assets for the Right of Return" and the amount expected to be paid to recover the asset is recognised under "Refund Liabilities".

15. REMUNERATION AND OTHER BENEFITS OF THE PARENT'S DIRECTORS AND SENIOR MANAGERS

In the first six months of 2022 and 2021, the Parent recognised approximately EUR 960 thousand and approximately EUR 956 thousand, respectively, in relation to remuneration, attendance fees and life insurance coverage earned by the members of its Board of Directors, whereas the directors of the subsidiaries did not earn any amounts in this connection. At 30 June 2022 and 31 December 2021, neither the Parent nor the subsidiaries had granted any advances, guarantees or loans to their current or former directors.

Remuneration of the Parent's senior executives, per the binding definition of "Senior Executives" in the Corporate Governance Report, amounted to EUR 832 thousand and EUR 781 thousand, respectively, in the first six months of 2022 and 2021.

In the first six months of 2022 and 2021, there were no other transactions with executives outside the normal course of business.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The CAF Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange and interest rates (as explained in Note 17 to the consolidated financial statements for 2021). The CAF Group arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned.

Also, certain fully consolidated companies and certain companies accounted for using the equity method have arranged interest rate hedges.

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the condensed consolidated balance sheet as at 30 June 2022 and the consolidated balance sheet as at 31 December 2021 is as follows:

Measurement	Thousands of Euros			
	Fair value		Cash flow	
	30/06/22	31/12/21	30/06/22	31/12/21
Hedges –				
USD currency forwards	(33,547)	(16,278)	-	-
GBP currency forwards	(1,752)	(6,785)	-	-
MXP currency forwards	(2,130)	(815)	-	-
BRL currency forwards	(3,854)	(1,039)	-	-
EUR currency forwards	(507)	(830)	-	-
SEK currency forwards	(1,584)	(2,530)	-	-
SAR currency forwards	91	(378)	(129)	(96)
COP currency forwards	-	1,151	-	1,910
JPY currency forwards	3,947	893	-	-
AUD currency forwards	1,478	(4,610)	2	7
CAD currency forwards	7,828	8,094	-	-
AED currency forwards	(2,255)	-	-	-
NOK currency forwards	1,489	-	-	-
RON currency forwards	(1,896)	-	-	-
Currency forwards in other currencies	(90)	39	(117)	(131)
Forward rate agreements	-	-	96	(356)
Value at end of period (*)	**(32,782)**	**(23,088)**	**(148)**	**1,334**

(*) Before considering the related tax effect.

At 30 June 2022 and 31 December 2021, associate company S.E.M. Los Tranvías de Zaragoza, S.A. had arranged various financial swaps related to the nominal value of its financial debts, which were designated as cash flow hedging instruments for interest rate risk. The negative valuation pertaining to the Group amounted to EUR 3,522 thousand at 30 June 2022, net of the tax effect (31 December 2021: EUR 3,682 thousand). Meanwhile, associate companies Momentum Trains Holding Pty Ltd and LAVI Light Rail O&M Ltd arranged derivatives designated as cash flow hedges. The positive valuation of these instruments pertaining to the Group amounted to EUR 15,436 thousand at 30 June 2022 (31 December 2021: positive net valuation of EUR 5,176 thousand). These amounts were recognised with a charge to "Equity – Other comprehensive income – Hedging transactions" in the accompanying condensed consolidated balance sheet. The hedging instruments mature in the same period in which the cash flows are expected to occur.

In October 2018 the Parent entered into another interest rate swap with an initial nominal amount of EUR 25 million expiring on 31 July 2023.

The maturities of the interest rate and cash flow hedges are is follows:

Maturity (in FX)	30/06/22		
	2022	2023	2024 and subsequent years
Euribor swap (EUR)	-	25,000,000	-

The detail of the periods of expiry of the foreign currency hedges is as follows:

Maturity (in FX)	30/06/2022		
	2022	2023	2024 and subsequent years
Sales hedges-			
Fair value hedges			
USD currency forwards (*)	108,338,107	171,873,364	26,926,522
GBP currency forwards	170,159,727	150,162,226	966,311
EUR currency forwards	5,724,206	-	-

Maturity (in FX)	30/06/2022		
	2022	2023	2024 and subsequent years
BRL currency forwards	100,955,824	-	-
SEK currency forwards	611,873,287	571,378,895	1,911,515,088
AUD currency forwards	206,793,255	403,048,741	122,518,644
TWD currency forwards	1,050,757,342	130,000,000	-
SAR currency forwards	6,883,019	-	-
MXP currency forwards	226,652,831	195,504,775	-
CAD currency forwards	29,848,644	4,632,107	161,244,174
TRY currency forwards	1,124,550	-	-
JPY currency forwards	7,955,846,600	2,137,689,450	-
HKD currency forwards	92,696,630	-	-
HUF currency forwards	191,073,000	-	-
ILS currency forwards	25,383,830	17,285,006	-
INR currency forwards	13,788,712	-	-
RON currency forwards	265,166,776	-	-
AED currency forwards	194,735,287	146,051,465	632,889,683
CZK currency forwards	196,208,155	-	-
NOK currency forwards	5,000,000	713,890,130	-
Sales hedges-			
Cash flow hedges			
SAR currency forwards	15,000,000	-	-
TRY currency forwards	6,663,311	-	-
Purchase hedges-			
Fair value hedges			
USD currency forwards	37,849,126	7,215,454	-
EUR currency forwards	8,057,425	-	-
MXP currency forwards	48,831,835	-	-
JPY currency forwards	604,086,483	1,015,377,689	1,574,640,000
GBP currency forwards	39,446,758	57,374,115	-
AUD currency forwards	9,500,000	19,115,315	29,452,914
NOK currency forwards	52,145,161	104,000,000	-
SEK currency forwards	-	-	104,000,000
TRY currency forwards	-	32,241,513	-
CHF currency forwards	226,100	153,900	-
CZK currency forwards	5,938,929	-	-
HUF currency forwards	-	690,000,000	-
CAD currency forwards	17,800,000	-	-
ILS currency forwards	41,798,566	-	55,284,346
Purchase hedges-			
Cash flow hedges			
AUD currency forwards	1,000,000	-	-
TRY currency forwards	4,695,246	-	-

(*) Includes the partial hedge of a net investment in CAF USA, Inc. and in Provetren, S.A. de C.V. amounting to USD 22,300 thousand and USD 169,687 thousand, respectively.

Maturity (in FX)	30/06/2021		
	2021	2022	2023 and subsequent years
Sales hedges-			
Fair value hedges			
USD currency forwards (*)	264,628,216	37,986,631	195,772
GBP currency forwards	151,277,662	178,814,432	63,657,877
EUR currency forwards	3,000,000	224,206	-
BRL currency forwards	100,955,824	-	-
SEK currency forwards	1,091,618,070	304,985,664	2,070,816,850
AUD currency forwards	86,661,704	321,944,840	381,508,110
TWD currency forwards	720,378,671	460,378,671	-
SAR currency forwards	78,535,012	-	-
MXP currency forwards	919,014,121	47,652,342	-
CAD currency forwards	2,056,000	-	-
TRY currency forwards	893,961	1,124,550	-
JPY currency forwards	9,777,518,022	3,989,392,603	-
HKD currency forwards	-	92,696,630	-
HUF currency forwards	2,960,846,434	-	-
ILS currency forwards	9,993,358	20,000,000	17,285,006
INR currency forwards	-	3,838,712	-
RON currency forwards	153,587,082	-	-

Maturity (in FX)	30/06/2021		
	2021	2022	2023 and subsequent years
Sales hedges-			
Cash flow hedges			
SAR currency forwards	2,000,000	-	-
TRY currency forwards	6,776,778	-	-
Purchase hedges-			
Fair value hedges			
USD currency forwards	21,114,599	17,728,971	-
EUR currency forwards	1,978,519	7,978,640	-
MXP currency forwards	159,684,508	-	-
JPY currency forwards	1,424,210,386	-	-
GBP currency forwards	127,899,372	3,867,293	-
AUD currency forwards	6,383,855	2,500,000	35,839,010
NOK currency forwards	31,000,000	74,800,000	100,000,000
COP currency forwards	-	11,594,882,212	-
Purchase hedges-			
Cash flow hedges			
COP currency forwards	-	28,387,470,244	-
ILS currency forwards	21,798,566	20,000,000	-
AUD currency forwards	1,000,000	-	-
TRY currency forwards	5,793,395	-	-

(*) Includes the partial hedge of a net investment in CAF USA, Inc. and in Provetren, S.A. de C.V. amounting to USD 22,300 thousand and USD 178,616 thousand, respectively.

In the first half of 2022, the ineffective portion of the hedging transactions recognised in the condensed consolidated profit or loss statement for the first half of 2022 amounted to EUR 1,100 thousand in losses (EUR 566 thousand in gains in the first six months of 2021), largely as a result of changes in the estimated amounts of the hedged items.

Following is a reconciliation of the re-measurement at each year-end to the carrying amounts recognised in the consolidated balance sheet (in thousands of Euros):

	30/06/22	31/12/21
Non-current assets	23,016	35,408
Current assets	45,899	48,477
Non-current liabilities	(23,433)	(36,292)
Current liabilities	(78,412)	(69,347)
Balance sheet net total	**(32,930)**	**(21,754)**
Fair value	(32,782)	(23,088)
Cash flow	(148)	1,334
Total derivatives, re-measured	**(32,930)**	**(21,754)**

17. SEGMENT INFORMATION

The criteria applied by the Parent to define its operating segments are disclosed in Note 6 to the consolidated financial statements for the year ended 31 December 2021. There were no changes in the basis of segmentation used.

The detail of revenue, by geographical area, at 30 June 2022 and 2021 is as follows (in thousands of Euros):

Revenue by Geographical Area	Thousands of Euros	
	30/06/22	30/06/21
National area	175,855	140,412
International area		
a) European Union		
Euro Area	486,643	579,879
Non-Euro Area	267,187	219,057
b) Other	600,351	471,976
Total	**1,530,036**	**1,411,324**

The breakdown of sales, by product group and type of service provided, is as follows (in thousands of Euros):

	30/06/22	30/06/21
High-speed. Regional and commuter	386,148	285,067
Metros	94,111	116,202
Tram and light rail	213,125	225,989
Bogies and other	3,147	4,362
Trains	**696,531**	**631,620**
Services (*)	**277,037**	**282,246**
Buses (**)	**334,214**	**356,016**
Integral Systems, Equipment and Other (***)	**222,254**	**141,442**
Total	**1,530,036**	**1,411,324**

(*) Mainly includes all revenues from maintenance services and concession agreements, and sales of railway spare parts.

(**) Includes, in addition to bus sales, revenue from after-sales services related to this segment (maintenance and spare parts).

(***) Mainly civil construction, signalling and engineering contract revenue.

The reconciliation of profit/(loss) by segment to consolidated profit at 30 June 2022 and 2021 is as follows:

	Thousands of Euros			
	30/06/2022			
	Rolling stock	Buses	Inter-segment	Total
External sales	1,195,822	334,214	-	1,530,036
Inter-segment sales	354	-	(354)	-
Total Sales	**1,196,176**	**334,214**	**(354)**	**1,530,036**
EBITDA	**93,228**	**14,373**	**-**	**107,601**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(29,810)	(11,280)	-	(41,090)
Profit/(loss) from operations	**63,418**	**3,093**	**-**	**66,511**
Profit/(loss) before tax	**55,422**	**(6,968)**	**-**	**48,454**
Income tax				(16,090)
Profit/(loss) for the year from continuing operations				**32,364**

	Thousands of Euros			
	30/06/2021			
	Rolling stock	Buses	Inter-segment	Total
External sales	1,055,308	356,016	-	1,411,324
Inter-segment sales	431	-	(431)	-
Total Sales	**1,055,739**	**356,016**	**(431)**	**1,411,324**
EBITDA	**89,722**	**29,900**	**-**	**119,622**
Depreciation and amortisation charge, impairment and gains or losses on disposals of non-current assets	(33,101)	(12,064)	-	(45,165)
Profit/(loss) from operations	**56,621**	**17,836**	-	**74,457**
Profit/(loss) before tax	**52,132**	**8,547**	**-**	**60,679**
Income tax				(18,992)
Profit/(loss) for the year from continuing operations				**41,687**

Segment information includes the parent company's corporate costs and finance costs allocated to each segment.

A description of the performance of the Group's segment revenues and results can be found in the Group's consolidated Management Report.

18. PAYABLE TO SUPPLIERS

The breakdown of the heading "Payable to suppliers" was as follows at 30 June 2022 and 31 December 2021:

	Thousands of Euros	
	30/06/22	31/12/21
Current contract liabilities (Note 9)	756,639	746,804
Other taxes payable	60,972	74,970
Sundry trade payables	71,541	60,903
Staff – Outstanding remuneration	85,310	49,758
Total	**974,462**	**932,435**

19. AVERAGE HEADCOUNT

The average headcount at 30 June 2022 and 2021 was as follows:

	Number of Employees	
	30/06/22	**30/06/21**
Men	11,180	11,002
Women	2,107	2,004
Total	**13,287**	**13,006**

20. TAX POSITION

The Group calculated the provision for income tax at 30 June 2022 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

In relation to the tax assets recognised, the Group's directors apply a recognition policy based on an assessment of backlog.

21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.