ANNUAL REPORT 2013

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ANNUAL REPORT 2013

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.
AND DEPENDENT COMPANIES THAT MAKE UP THE CAF GROUP

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

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

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

LETTER FROM THE CHAIRMAN

Dear Shareholders,

I am pleased to present you with the financial statements and directors' report for 2013 with the aim of informing you about the most noteworthy elements of the CAF Group's activity during the year, a summary of which follows.

The six years that have passed since the onset of the financial difficulties that have affected many national economies, and the resulting budgetary constraints placed on national governments in relation to railway investment, particularly in Spain, have witnessed a steady increase in competitive pressures in the industry.

Against such a complex and complicated backdrop the CAF Group managed, nevertheless, to perform reasonably well in 2013 in that it achieved solid returns and stable and acceptable operating ratios, with the international markets being a key factor in all of this.

In figures, the foregoing corresponds to a turnover of EUR 1,535.2 million, a slight fall on 2012 but in line with general tendencies in the industry. Of this amount, 82% relates specifically to international projects. At EUR 91 million, profit after tax saw a decrease of 9% in comparison to the figure for 2012 but the fall was in line with the annual variation in revenue. EBITDA stood at EUR 222.9 million, a year-on-year increase of 23% that was primarily the result of a more favourable sales mix. Cash flow increased 10% on 2012 and amounted to EUR 185 million. Lastly, at the end of 2013 sales orders stood at EUR 4,802.9 million, slightly below the figure at the same time last year but representing a solid base from which to develop our operations in the medium term.

Consequent to all of the above, we propose to continue with the dividend distribution policy of prior years and will submit the proposal to pay out a gross dividend of EUR 10.5 per share to the Annual General Meeting.

Going forward, the factors that should make railway a growth industry remain pertinent. The following are considered examples of such: energy pressures, environmental concerns, transport capacity and rates of urbanisation. In order to convert this potential into opportunities it will be necessary to progress in every aspect that reinforces our competitive positioning, whether technological, commercial or relating to the efficiency we have demonstrated in the development of industrial operations in all our business areas.

In 2013 the Group became involved in 93 innovation projects, encompassing a wide range of technological fields: power electronics, aerodynamics, signalling, energy storage and rolling stock.

Of particular note is our OARIS high-speed train prototype, which is currently seeking official approval. Noteworthy also is the completion of our first ERTMS signalling project, following on from the achievement of European-level approval in 2012, which allowed the CAF Group to become a full member of UNISIG, the industry group that brings together the small number of current suppliers of this advanced technology. We are confident that this will open the way for significant commercial and industrial developments in this area in the medium term.

Of further note is the entry into commercial operation in the past year of the catenary-free, autonomous energy accumulation systems along the entire lengths of the Seville and Zaragoza tramway networks, which has given the CAF Group a competitive advantage in this area that will soon be replicated in

Granada and Kaohsiung (Taiwan). A brake energy accumulation version will also be used in the tramway systems of Cuiabá (Brazil) and Tallinn. The foregoing represent advanced energy storage and management technologies that we hope will contribute towards new commercial successes.

Within the tramway segment, our commercial offering, centred around the URBOS product range, was chosen by various European customers in the past year for their urban transport networks, including Freiburg, Cagliari, Birmingham and Tallinn, with the latter network making use of catenary-free energy accumulation technology. Outside of Europe, our trams are to be used in both Kansas City and, as previously noted, in Kaohsiung. Together with the trams themselves, the latter contract includes signalling, electrification and the ticketing system in the form of a turnkey project, thus providing continuity with previously undertaken projects of a similar nature.

As regards suburban rail, two new contracts for the São Paulo Metropolitan Train Company (CPTM) have consolidated the CAF Group's leadership in the Brazilian passenger rail transport industry: The first, for the supply of 35 commuter trains; the second, for the maintenance for a five-year period of two fleets of trains previously supplied by CAF. In terms of metros, 2013 saw the award of a new project for the urban transport network of Santiago (Chile), which, together with the manufacture and delivery of the vehicles, includes on this occasion the integration of the train subsystems, signalling and other railway electromechanical subsystems, and stations designed for driver-free mode, which CAF hopes to use to launch its leadership in this area, one which is increasingly in demand from metropolitan rail administrators. The contract also includes the maintenance of all elements of this system for a 20-year period.

On the other hand, the concessions, maintenance, rolling stock and signalling businesses have continued their increasing contribution to the Group's backlog.

We are, therefore, part of a promising and exciting industry, which at the same time will require dedication, commitment and effort in terms of innovation from all of us. Increasing competitive pressures, the industrial localization policies being followed by many governments and the growing importance of financing solutions for contracts demands all of this.

With the firm belief that the distance covered to date and the future that lies ahead are due to the dedication and perseverance of all of us who make up the CAF Group, I wish to offer my most sincere thanks to our workforce for the work contributed during the year. I also wish to encourage you to continue with the same drive and ambition through which we will doubtless be able to achieve the objectives and goals that lie ahead of us.

To conclude, I wish to extend this gratitude to our shareholders for the trust they have shown us throughout the years and for their contribution to this shared undertaking. Their constant support propels us towards new challenges and allows us to strengthen the future that we are building for the CAF Group.

Many thanks,

José María Baztarrica Garijo
Chairman and CEO

CAF

CAF, which has been operating for over a hundred years, is an international benchmark in the railway industry, due to its advanced technology, the quality of its products and its customer service

CITY-SUBURBANS

REGIONAL TRAINS

- Red Nacional de Ferrocarriles Españoles (RENFE)
- Eusko Trenbideak-Ferrocarriles Vascos (ET/FV)
- Ferrocarriles Españoles de Vía Estrecha (FEVE)
- Ferrocarrils de la Generalitat de Catalunya (FGC)
- Compañía Paulista de Trenes Metropolitanos (Brazil)
- Secretaría de Comunicaciones y Transportes (Mexico)
- Serveis Ferroviaris de Mallorca (SFM)
- Caminhos de Ferro Portugueses
- Finnish Railways (VR Ltd)
- Heathrow Airport Express (UK)
- Hong-Kong Airport Express
- Irish Rail
- Izban (Turkey)
- Northern Ireland Railways
- Northern Spirit (UK)
- Delhi airport
- Regione Autonoma Friuli Venezia Giulia (Italy)
- Companhia Brasileira de Trens Urbanos (Brazil)
- Montenegro
- Auckland (New Zealand)

SUBWAY TRAINS

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

ARTICULATED LIGHT RAILWAY

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

STREETCARS

- Antalya
- Belgrade
- Besançon
- Bilbao
- Birmingham
- Cádiz-Chiclana
- Cincinnati
- Cuiabá
- Debrecen
- Edinburgh
- Stockholm
- Freiburg
- Granada
- Houston
- Kaohsiung
- Lisbon
- Nantes
- Seville
- Sidney
- Tallinn
- Valencia
- Vélez-Málaga
- Vitoria
- Zaragoza

MAIN LINES

HIGH SPEED TRAINS

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

INTERCITY TRAINS

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

PASSENGER CARS

- Saloons and Luxury Lounge
- Sleeping Cars and Couchettes
- Restaurant and Cafeteria Cars

2013 DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

EARNINGS

Profit from continuing operations amounted to EUR 91,037 thousand.
The proposal for the distribution of earnings is in line with the policy of prior years of strengthening the Company's equity.
Consequently, it is proposed to use EUR 35,995 thousand to pay dividends, giving rise to a gross value of EUR 10.5 per share

The aggregates in 2013 were as follows:

- Profit from continuing operations amounted to EUR 91,037 thousand after tax and EUR 114,299 thousand before tax, compared to EUR 100,054 thousand and EUR 127,765 thousand in 2012, representing a fall of 9% and 11%, respectively.

- The depreciation and amortisation charge and impairment losses relating to non-current assets amounted to EUR 71,617 thousand which, added to the profit for the year before tax from continuing operations, generated a cash flow of EUR 185,916 thousand, representing an increase of approximately 10.5% on 2012, which amounted to EUR 168,278 thousand.

- EBITDA from continuing operations totalled EUR 222,928 thousand, up approximately 23% on 2012 (EUR 181,901 thousand).

- Revenue amounted to EUR 1,535,240 thousand in 2013, down 11% on 2012 (EUR 1,721,186 thousand).

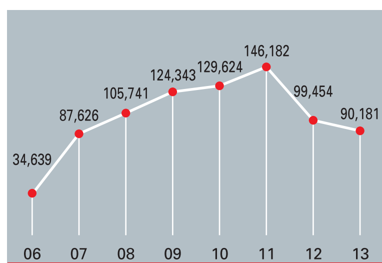
- The backlog amounted to EUR 4,802,858 thousand in 2013, down 3% on 2012 (EUR 4,941,428 thousand). This backlog continues to guarantee the continuation of the Group's normal business activities.

- The proposal for the distribution of earnings is in line with the policy of prior years of strengthening the Company's equity. Consequently, as in 2012, it is proposed to use EUR 35,995 thousand of the profits of the Parent, CAF, S.A., to pay dividends, giving rise to a gross value of EUR 10.5 per share.

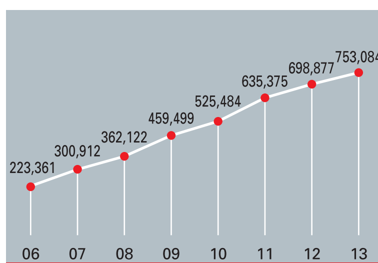
- If the proposed distribution of profit is approved, the profit allocated to reserves will raise the Group's equity to a total of EUR 693,366 thousand.

- Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held treasury shares in the course of 2013.

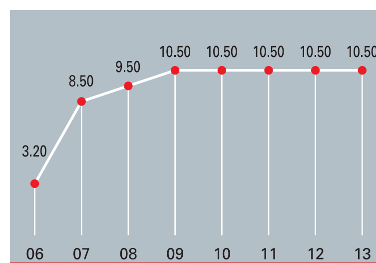
Profit attributable to the Parent
(in thousands of euros)



Groups shareholder's equity
(in thousands of euros)



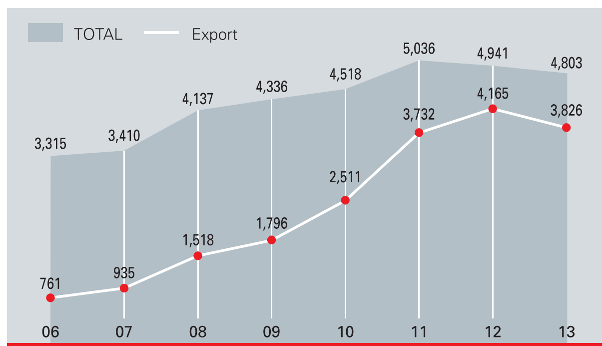
Dividend/share performance
(in euros)



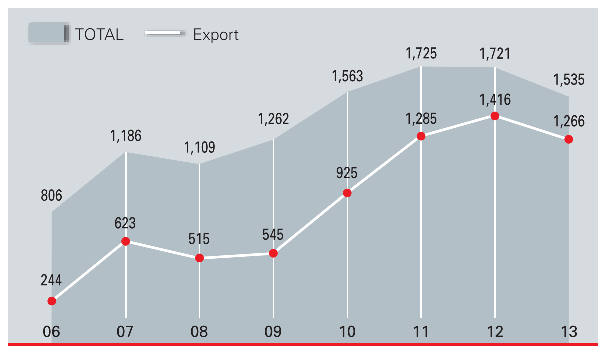
COMMERCIAL ACTIVITY

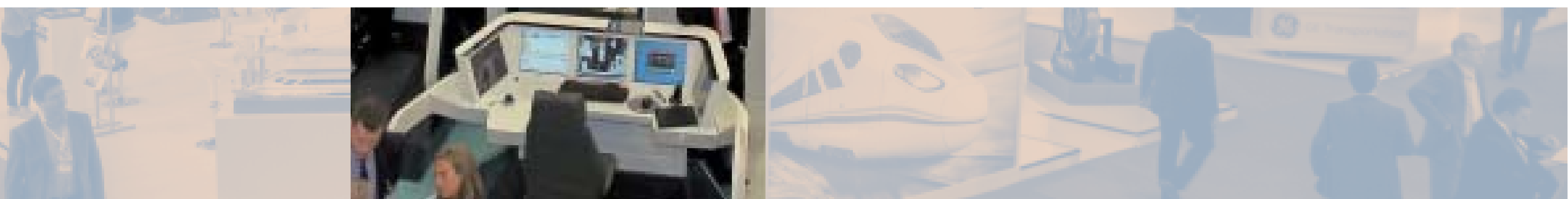
At 2013 year-end the backlog exceeded EUR 4,800 million.
Sales activity has been predominantly export-based.
The approval process of the Oaris high-speed train continues its course, reaching a speed of 350km/h, without any major problems

Backlog
(in millions of euros)



Revenue
(in millions of euros)





The backlog at 2013 year-end exceeded EUR 4,800 million, 3% down on the figure in 2012. The continuation of the difficult situation experienced in the domestic market in recent years is reflected in a contract profile of a predominately export nature.

The most significant contribution from the domestic market to the backlog in 2013 was the long-term confirmation of various maintenance contracts.

In the same market, but in another line of business, of particular note was the award of the contract for the installation of security and telecommunications systems in a section of the Atlantic Corridor high-speed train route to a consortium led by CAF. The certification process for the Oaris high-speed train is still in progress, and speeds of 350 km/h have been reached without any incidents. As reported in 2012, the Zaragoza tram is already using all of the tramway and is a success among users as well as a technological success.

In 2013 delivery began of the series 113 units commissioned by Ferrocarriles de la Generalitat de Cataluña (FGC), which entered into commercial service in January 2014.

In foreign markets, the segment which has achieved the greatest success in contracts has been the tramway segment, with contracts being arranged in Europe, Asia, the Americas and Oceania.

In Europe contracts were signed for this type of product in Germany, Estonia, Italy and the United Kingdom.

The company responsible for public transport in Freiburg (Germany) signed a contract for the supply of twelve seven-module low-floor trams.

In the Republic of Estonia, the tram operator in the capital, Tallinn, commissioned sixteen three-module trams, powered by the Rapid Charge Accumulator –(ACR) system that enables a significant reduction in the energy consumption of the tramway itself.

In Italy, in Cagliari on the island of Sardinia, three five-module tram units were acquired and the contract includes an option to extend this initial order figure.

Lastly, the tramway operator in the UK city of Birmingham extended the existing tram order to twenty-one units.

In south-east Asia of particular note was the award of the contract for the turnkey supply of tramways, signalling, electrification and a ticketing system for the light rail system in Kaohsiung, the second largest city in Taiwan, as part of a consortium with a local construction company. The first phase of this light railway system is 8.6 km in length and will be completely catenary-free thanks to the ACR system powering the Urbos3 trams.

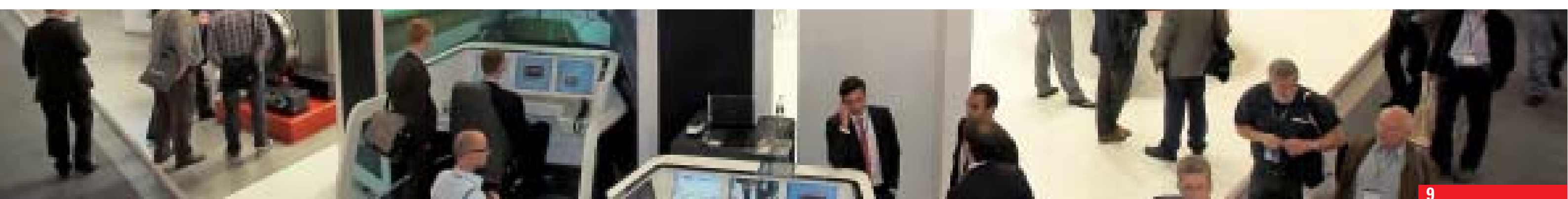
In the United States, Kansas City, Missouri has commissioned four three-module streetcars that will operate on the new line in the centre of the city, thereby joining the other US cities, Cincinnati, Pittsburgh, Sacramento and Houston, that have also acquired CAF vehicles.

In Chile, a consortium led by CAF was awarded the supply and maintenance of automatically driven trains for the new Lines 3 and 6 of the metro of the capital city Santiago de Chile.

Two contracts were obtained in Brazil with Compañía Paulista de Trenes Metropolitanos (CPTM) in Sao Paulo. One is for the supply of thirty-five eight-carriage units for transport in the metropolitan area of Sao Paulo; and the other is for comprehensive maintenance services over five years for the 7000 and 7500 series trains, both built by CAF for CPTM.

These contracts, in addition to those obtained in recent years with CPTM, Metro de Sao Paulo and various cities such as Recife, Cuiabá, Belo Horizonte and Porto Alegre, have made CAF the top manufacturer of trains in Brazil, and our production plant in Hortolandia is the most modern in Latin America.

The maintenance and concession activities continue to contribute a significant percentage to the backlog.



INDUSTRIAL ACTIVITY

697 different kinds of train (medium-distance, commuter, underground, trams, etc.) were supplied in 2013 to countries in Europe, America, Asia and Oceania

In 2013 several of the projects in progress were completed, such as the PPP-5000 contract for 36 trains for Sao Paulo (Brazil), the 48 trains of the contract with the Caracas metro, the last eight trains for Line 12 of the Mexico City metro, the contract for 30 trams for Belgrade, with the delivery of the last three trains, the 12 trams for the city of Nantes, the eight Civity trains for Trieste and the three trains of the same platform for Montenegro, as well as 14 trains for the Chile metro.

Also in 2013 delivery was made of five three-carriage diesel-traction trains and one five-carriage diesel-traction train for Sardinia, three trams for Malaga, 11 trams for Besançon (France), ten trams for Stockholm, 11 trams for Debrecen (Hungary), three trams for Birmingham, 34 trams of the order for 40 for the city of Cuiabá (Brazil), and two of the 12 trams for Sydney (Australia), the first of the 39 trams for Houston, 12 train units for Euskotren, two trains for Ferrocarriles Catalanes (FGC), 13 trains for Recife (Brazil), the first of the 26 trains for the Sao Paulo metro (Brazil) and the first seven train units for Auckland (New Zealand), as well as the first four metro units for Bucharest.

With respect to new projects, in 2013 manufacture began of the 15 units for the Rome metro, the ten electric-traction units for Belo Horizonte (Brazil), as well as the first assembly stages for the four Civity trains of the project for Trieste-Austria or the two Civity trains for Bari (Italy) and the four units of the extension contract for the Saudi Railways Organisation operator.

The most important products manufactured in 2013 were as follows:

VEHICLE UNIT NO. OF VEHICLES	
Medium-distance Civity trains - Trieste	15
Medium-distance trains for Montenegro	9
Medium-distance trains for Sardinia (5 carriages)	15
Medium-distance trains for Sardinia (3 carriages)	5
Commuter trains for Euskotren	48
Commuter trains for FGC	8
Commuter trains for Project PPP-5000 in São Paulo	8
Commuter trains for Recife	52
Commuter trains for Auckland	21
Caracas metro	21
Mexico City metro	14
Chilean metro	27
Sao Paulo metro	6
Bucharest metro	24
Trams for Malaga	15
Trams for Houston	3
Trams for Belgrade	15
Trams for Besançon	33
Trams for Nantes	10
Trams for Stockholm	30
Trams for Debrecen	55
Trams for Birmingham	15
Trams for Cuiabá	238
Trams for Sydney	10
TOTAL	697

NO. OF BOGIES	
Bogies with welded steel chassis	1,271

COMPONENTS AND SPARE PARTS UNIT	
Assembled axles (power car + trailer car)	6,695
Loose axle bodies	9,947
Monoblock wheels	50,672
Elastic wheels	1,160
Couplers	803
Gear units	2,240
Tyres	1,177

HUMAN RESOURCES

There was an increase in the labour force of the CAF Group companies as a whole, most notably in the area of international operations, whereas there was a decrease in the labour force in the area of operations in Spain.
Great efforts have been made in the area of labour relations both at international level and at the Parent, covering matters of collective bargaining and driving protocol advances in the areas of equality, work-life balance and occupational risk-prevention

In overall terms there was an increase in headcount at the Group companies, particularly in the area of international activity, and a decrease in the headcount assigned to domestic business.

Employees	Total	Annual average
31/12/12	6,979	7,004
31/12/13	7,632	7,477

The different activities included in the people management process were carried out in 2013, including notably those relating to training, development and communication with the aim of adapting employees to the needs of the businesses.

At the beginning of 2013 the Training Plan for 2013 and 2014 was published. It contains the needs arising from CAF's challenges as well as the requirements of the systems implemented at CAF and of the Company's customers.

In 2013 over 58,000 hours of training, divided into almost 900 training activities, were managed. Of particular note among the training activities were the training given on occupational risk prevention, quality, technical or product training, as well as activities based on the skills training and internal mobility processes, in order to promote internal knowledge transfer.

The indicators and effectiveness of the people management processes were above target at levels of around 90% and represented an improvement on the results for 2012. Numerous improvement initiatives were carried out in the area of communication in 2013. The communication process has been reviewed in order to support CAF's activities and needs with information, consolidating current practices and incorporating new channels of communication, including the publication of the new corporate magazine, OSINBERDE.

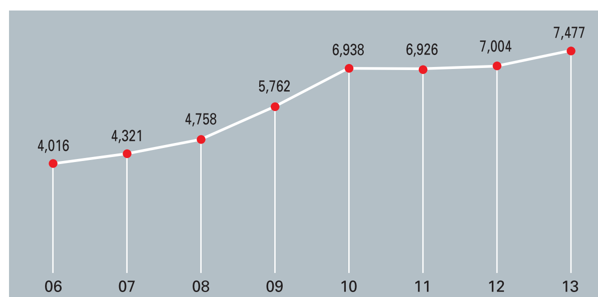
Progress was also made with respect to people management activities in the international sphere, with the implementation of processes focussing on training and performance management in certain of the Group's international projects and subsidiaries.

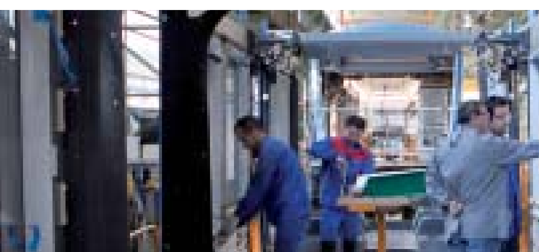
The work of extending the best practices in this area to all of the CAF Group's activities continued, thereby extending IRIS certification to the manufacturing plants in Irún and Zaragoza, and evidencing, through the IRIS audit, considerable progress also in human resources activities in the services business unit.

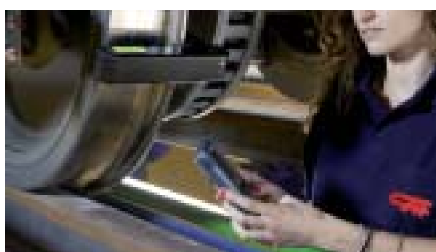
Intense activity was carried out in the area of labour relations both internationally and domestically, covering collective bargaining issues, as well as fostering progress in action protocols concerning occupational equality, conciliation and prevention, while also complying with legislation.

The occupational risk prevention and environmental certifications based on the OHSAS 18001 and the ISO 14001:2004 standards were maintained at the Beasain, Irun and Zaragoza centres. Prevention and training activities were carried out in 2013 as part of the employment risk prevention plan, and the results relating to several indicators were improved.

Employees
(number of persons)







ENVIRONMENTAL ACTIVITY

In 2013 CAF renewed its commitment to offer more efficient and environmentally friendly means of transport and continued to apply Ecodesign methods in its engineering processes in order to control and optimise, right from their conception, the environmental impact of the products over their entire life cycle (LCA)

The CAF Group is aware that industrial activity affects the environment and therefore its general policy includes the environmental policy, under which the protection of the environment is assumed as one of the organisation's objectives, as is ensuring that the systems, equipment and railway material it produces are of the highest standard, not only insofar as safety and efficiency are concerned but also as regards respect for the environment.

In February 2013, the audit was performed for recertification of ISO 14001:2004 certification for the environmental management systems at the Beasain, Irun and Zaragoza plants. This system has been in operation since 2001.

Efforts in this area were geared towards adopting the necessary and economically viable measures to control and, where necessary, minimise important areas of environmental concern, including mainly atmospheric emissions, waste generation and energy consumption.

Likewise, better use of natural resources and the generation of renewable energy are also encouraged.

Aware of the importance of environmental awareness in the manufacturing chain for achieving improvements in environmental objectives, in 2013 CAF organised a series of workshops on various environmental issues.

In parallel, an audit was performed by an external company in October to ensure that the Beasain plant complies with the Ecuador principles on environmental risk assessment and management.

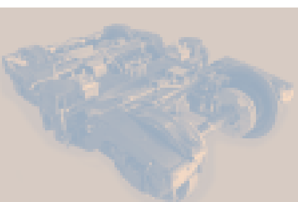
In 2013 CAF renewed its commitment to providing more efficient and environmentally friendly means of transport and continued to apply eco-design methods in engineering processes in order to control and optimise the environmental impact of products from the design stage and throughout their lifecyle (ACV).

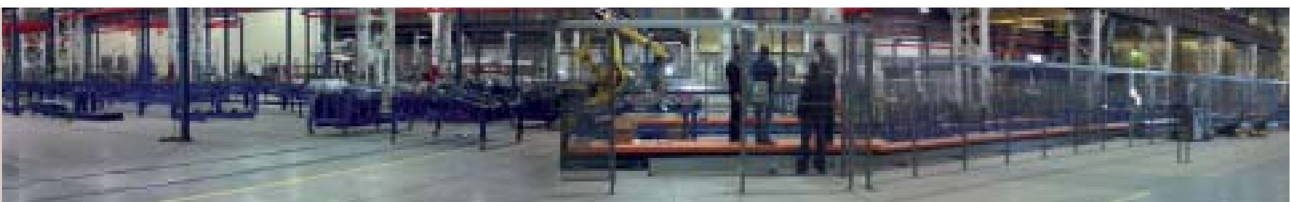
As a result, in 2013 we published a new Environmental Product Declaration (EPD) on the new Urbos axle trams for Stockholm, which joins the other declarations made in prior years in relation to the Civity regional train for the Friuli-Venezia Giulia Autonomous Region and the Zaragoza tram, all of which were subject to external audit in accordance with the UNIFE-Environdec PCR standard.

Also, in compliance with the Kyoto Protocol, greenhouse gas emissions were reduced in 2013 compared to 2012, thereby consolidating the significant reduction achieved in recent years.

INVESTMENTS

CAF's capital expenditure in 2013 amounted to EUR 29,638 thousand. These investments have been aimed mainly at updating production systems and facilities in general and improving areas such as occupational safety and the environment



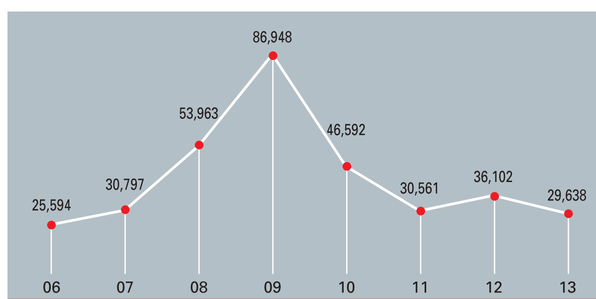


Capital expenditure by CAF amounted to EUR 29,638 thousand in 2013. The most significant investments in 2013 included the following:

- In the components and spare parts unit, in addition to completing the improvements undertaken in 2012 to the reheating furnace to increase its capacity, the last phase of the investments is being carried out to optimise and automate the wheel machining line, which in 2013 consisted mainly of installing and placing into operation the second machining cell. Added to this was the completion in the first few months of the year of the environmental investment for the installation of the fume collection and filtration system at the steelworks, which was begun two years ago.

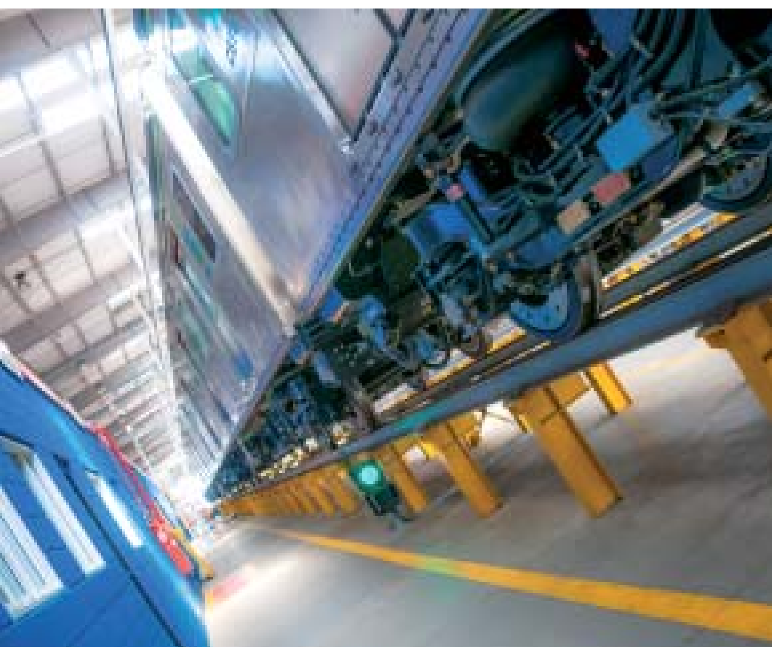
- In the vehicles unit of particular note was the acquisition of a new bogie press, as well as the completion in the first half of the year of the equipping of new industrial premises for the manufacture of austenitic stainless steel structures. Likewise, the policy of refurbishing and updating the main installations where the ordinary manufacturing processes for the projects in development are carried on.

Investments
(in thousands of euros)



- In the engineering and information systems area in 2013 investment continued to provide the technical means, tools, new design stations and general computer equipment to meet the new needs and an ambitious programme of investment in new storage, backup and server equipment was carried out, due to the significant increase in the number of projects and services managed by these departments.

Lastly, of note were the investments made in the Elmira plant in the United States, which began in 2012, and are aimed at modernising the structures and finishing areas, as well as extending the testing premises, in order to cater for the projects that the company is currently carrying out in that country. In addition, various maintenance centres, where the company started the activity of new projects in 2013, were adapted and placed into service.



TECHNOLOGICAL DEVELOPMENT

In 2013 CAF and CAF I+D completed the new 2014-2016 technology plan, which, in parallel with the Strategic Plan, will see the launch of a total of 32 new CAF and subsidiaries projects. In 2013 there were a total of 93 projects in the work technology programme and the basic development of new kinds of vehicles continued in order to broaden the CAF product range

As regards CAF and CAF I+D, in 2013 a new Group Technology Plan for 2014-2016 was completed which, aligned with the Strategic Plan, will set in motion a total of 32 new projects for CAF and its technological subsidiaries. A total of 93 projects under the Technology Plan were underway in 2013.

The financing for the aforementioned projects included financial support for R&D activities from the following entities:

- Provincial Government of Guipuzcoa.
- Basque Autonomous Community Government.
- Ministry of Economy and Competitiveness.
- Ministry of Industry, Energy and Tourism.
- European Commission.

The Technology Plan implemented in 2013 fostered projects involving CAF, CAF I+D and various subsidiaries, promoting ongoing close collaboration with different technology centres and universities.

The projects included in the 2013-2015 Technology Plan and those underway since 2013 encompassed the following fields:

- High-speed.
- Specific railway products.
- Energy management and ecodesign, comprising projects relating to the reduction of energy consumption in trains and in the system as a whole, energy capture for catenary-free trams, etc.
- Lighting (on-board and fixed).
- Integration, comprising global transport system projects.
- Specific products and developments using basic rail technologies, traction, rolling stock, gear units, control and communications, maintenance, etc.

All of the above combine the execution of projects aimed at assimilating new technologies through the development of products based thereupon. Noteworthy projects included:

- Projects for the development of various types of vehicle and prototypes.
- Project VEGA for the development of safety electronics.
- Project for electronic train control, including safety functions.
- Power electronics projects.
- Projects for the development of expertise in driving resistance, Electromagnetic Compatibility (EMC), railway dynamics, fluids and temperature distribution, noise and vibrations, and energy accumulation systems.
- OARIS high-speed train prototype.
- ERTMS-ETCS system for the development of on-board signalling equipment.

The CAF Group also participated in joint projects on a domestic level and also with various international authorities and companies as part of the 7th European Framework Programme. Noteworthy projects included:

- TREND projects for the development of validation environments for EMC in railway vehicles.
- OSIRIS project for reducing energy consumption in urban rail systems (with the involvement of the most important companies in the industry).
- MERLIN for the establishment of energy management strategies at global network level and the development of tools to optimise the energy consumption and cost associated with a railway network.
- REFRESCO for the establishment of a regulatory framework for a fast, efficient and safe implementation of new materials in the railway industry, through the evolution of the railway rolling stock material certification process.
- DYNOTRAIN, aimed at completing points that remain open in relation to aerodynamics in interoperability specifications.
- EURAXLES for the minimisation of failure risk due to the fatigue of axles in service.

CAF's subsidiaries continued their normal development activities, the most noteworthy being as follows:

- The entry into commercial operation of the catenary-free, autonomous energy accumulation system installed in the Seville tramway and its application to the Zaragoza, Granada, Cuiabá (Brazil) and Kaohsiung (Taiwan) tramways.
- The development of traction equipment covering the entire range of standard catenary voltages in the market.
- The development of boarding control equipment.
- The development of ERTMS track products.

TECHNOLOGICAL DEVELOPMENT

The most relevant engineering projects undertaken by the Group in 2013 were as follows:

- Dual-voltage CIVITY train for Trieste (Italy).
- Trailer cars for Amtrak (US).
- Locomotives and trailer cars for SAR (Saudi Arabia).
- Rome metro (Italy).
- Line 5 of the São Paulo metro (Brazil).
- Electric units for Belo Horizonte (Brazil).
- Electric units for Auckland (New Zealand).
- Houston tram (USA).
- Stockholm tram (Sweden).
- Debrecen tram (Hungary).
- Birmingham tram (UK).
- Cincinnati tram (USA).
- Cuiabá tram (Brazil).
- Adaptation of RENFE s/446 and 447 PMR units.

The following projects were also initiated:

- Helsinki driverless metro.
- CPTM metro (Brazil).
- Santiago de Chile driverless metro.
- Kaohsiung tram (Taiwan).
- Sydney tram (Australia).
- Cagliari tram (Italy).
- Tallin tram (Estonia).
- Freiburg tram (Germany).
- Light metro for Valencia (Venezuela).

Work has also been carried out on the basic development of new types of vehicles to extend CAF's product range.

RISK MANAGEMENT POLICY

The most significant risks facing the Group can be grouped together in the following categories:

1. Financial risks

The financial risk management policy adopted by the CAF Group focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the Group's financial performance.

The Group's Financial Department identifies, assesses and hedges financial risks by establishing policies to manage overall risk and specific risk areas such as foreign currency, interest rate and liquidity risks, the use of derivative and non-derivative instruments, the investment of cash surpluses and deviations from project budgets.

a) Market risk

The various CAF Group companies operate on an international stage and, therefore, are exposed to foreign currency risk in their foreign currency transactions (currently the US dollar, the Brazilian real, the pound sterling, the Taiwan dollar, the Swedish krona, the Australian dollar, the Saudi riyal and the Mexican peso, among others).

The Group companies use forward contracts to hedge the foreign currency risk arising from future commercial transactions and recognised assets and liabilities. This risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency other than the functional currency of the Group (the euro).

CAF's standard practice is to hedge, provided that the cost is reasonable, the market risk associated with contracts denominated in currencies other than its functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various agreements entered into, so that the Group's results present fairly its industrial and services activity.

For the most significant raw materials, CAF places the orders and agrees on the price when each new project commences. The risk of a rise in raw material prices having an adverse effect on the Group's contractual margins is thus hedged.

b) Credit risk

Most of the Group's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Group's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, marketable securities and available funds to cover the Group's financial obligations fully and effectively.

The CAF Group manages liquidity risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be coincide in the same timeframe, which results in financial resources being consumed.
- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.
- Maintaining a strong short-term liquidity position.
- Maintaining surplus undrawn credit balances.

d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises on borrowings. The Group's policy for working capital financing transactions is to resort to third-party borrowings in the form of short-term debt tied to floating market indices, normally Euribor, thereby substantially mitigating its interest rate risk exposure. For long-term financing transactions, the Group sets an objective,

to the extent permitted by the markets, of maintaining a fixed interest rate structure.

e) Risks arising from variances with respect to project budgets

Variances from project budgets that served as the basis for drawing up the various bids are analysed and monitored through the use of a detailed system for reporting each of the cost items, which compares on an ongoing basis the budget for that item with the actual situation regarding the costs of each project. In this way, these data are monitored on an ongoing basis over the life of the projects using a complex internal process created for this purpose in which all the departments involved in the projects participate.

2. Risks arising from environmental damage

CAF is fully committed to protecting the environment. With this objective in mind, it has implemented the principles of the EU's environmental action programme based on preventative measures and the rectification of problems at source. To this end, the Company has introduced a programme of measures in various areas of environmental concern relating to the atmosphere, spills, waste, consumption of raw materials, energy, water and noise, and has obtained certification under the ISO14001 standard.

3. Legal and contractual risks arising mainly from harm caused to third parties as a result of deficiencies or delays in the provision of services

The CAF Group is exposed to this risk in the normal course of its operations. Tender specifications and railway vehicle manufacturing contracts include numerous requirements concerning technical aspects and quality levels (with the introduction of new hi-tech products), requirements relating to compliance with delivery deadlines, certification needs, manufacturing location requirements and other operational risks which usually involve penalty levels and conditions subsequent or precedent. In this respect, discrepancies may arise with regard to such requirements between the CAF Group and its customers, which may result in claims for delays, incorrect performance of work or the performance of additional work.

To handle the difficulties concerning the management of the CAF Group's projects, it operates a risk management system which is built into the Group's quality system that starts when the bid is prepared and enables the Group to identify and manage the various risks it faces in the normal course of its business.

All CAF's plants use the most advanced technology available and state-of-the-art techniques in order to optimise production pursuant to the ISO 9001 standard.

CAF also implements a stringent policy of taking out insurance to protect itself sufficiently from the economic consequences for the company of any of these risks materialising.

4. Occupational risks or damage to plant assets

CAF has an Occupational Risk Prevention System in place audited by an independent firm. The Prevention System Manual created for that purpose defines, inter alia, the risk assessment, accident investigation, safety inspection, health monitoring and training activities. There is also an annual Prevention Plan for the appropriate planning of preventative measures each year. CAF also has an Employee Training Plan in this area.

OUTLOOK

The Group's outlook for the coming years is focused on the following points:

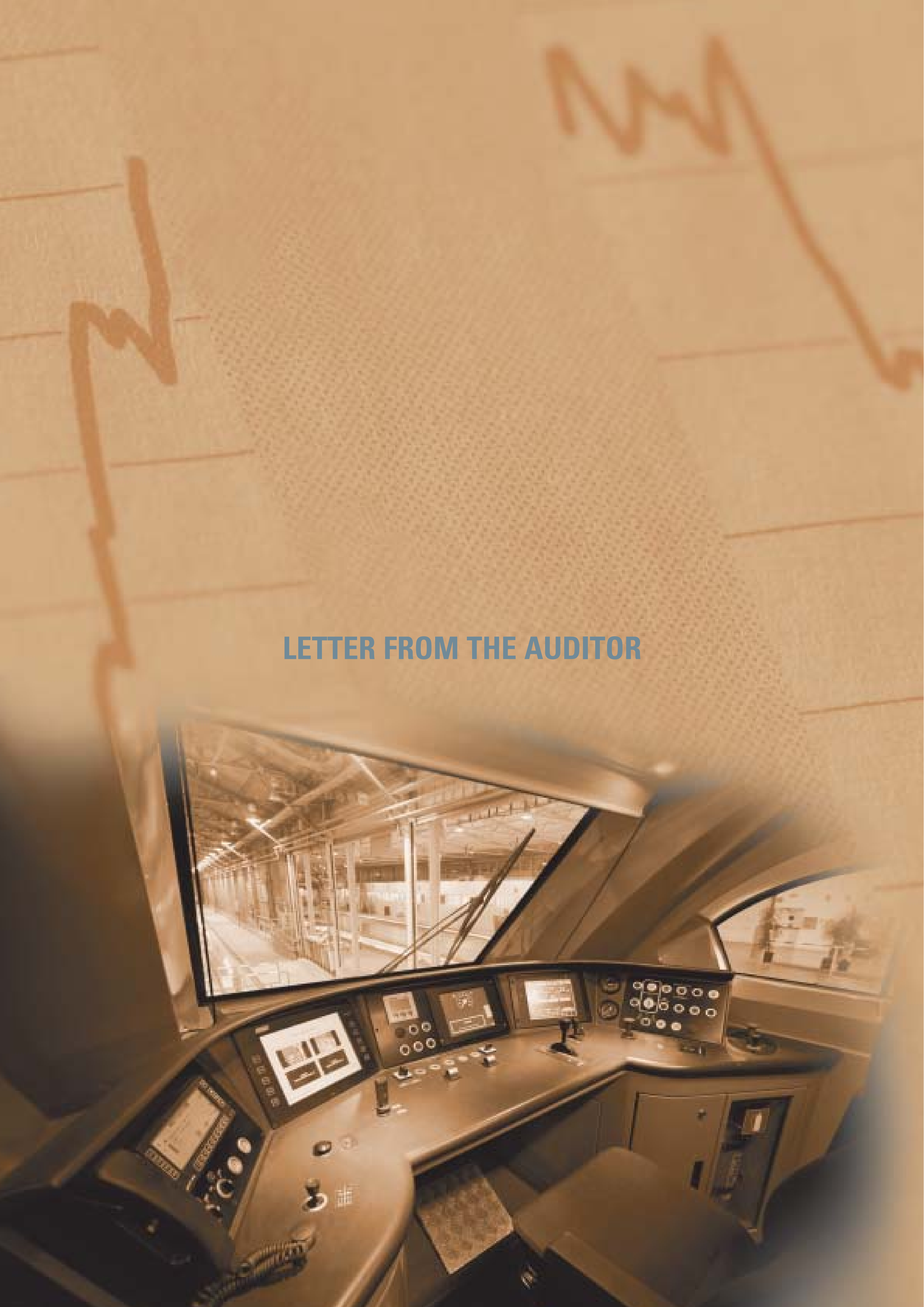
- Development of the Group's potential in railway-related services, such as concessions, and train lease and maintenance.
- Development of the Group's potential in turnkey systems and railway signalling.
- Development of new rolling stock systems and vehicles, together with the implementation of advanced comprehensive project management systems.
- Increased presence of the Group in international railway material markets.
- Ongoing systematic rollout of cost-reduction and quality improvement programmes to all Group business areas.

EVENTS AFTER THE REPORTING PERIOD

At 31 January 2014, the Group had a firm backlog of EUR 4,709,071 thousand.

CORPORATE GOVERNANCE
annual corporate governance report 2013

The Annual Corporate Governance Report for 2013 forms part of the Directors' Report and is published on CAF's website (www.caf.net), following notification as a relevant event to the Spanish National Securities Market Commission.



LETTER FROM THE AUDITOR

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Construcciones y Auxiliar de Ferrocarriles, S.A.:

We have audited the consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") and Subsidiaries composing the CAF Group (see Note 2-f), which comprise the consolidated balance sheet at 31 December 2013 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2-a, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group at 31 December 2013, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated directors' report for 2013 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the Company and of its Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Giral Gracia
26 February 2014

Deloitte S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

FINANCIAL STATEMENTS OF THE CONSOLIDATED GROUP
YEAR 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Balance Sheets

at 31 December 2013 and 2012 (Notes 1, 2 and 3) (Thousands of Euros)

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

Assets	31-12-13	31-12-12 (*)
Non-current assets:		
Intangible assets (Note 7)		
Goodwill	15	15
Other intangible assets	35,172	42,036
	35,187	**42,051**
Property, plant and equipment, net (Note 8)	**286,593**	**300,102**
Investments accounted for using the equity method (Note 9)	**14,902**	**13,167**
Non-current financial assets (Note 9)	**657,233**	**760,828**
Deferred tax assets (Note 18)	**162,283**	**102,075**
Total non-current assets	**1,156,198**	**1,218,223**
Current assets:		
Inventories (Note 11)	**159,857**	**250,827**
Trade and other receivables		
Trade receivables for sales and services (Notes 10, 11 and 12)	1,040,576	761,312
Other accounts receivable (Notes 7, 10 and 19)	206,739	218,204
Current tax assets (Note 19)	17,604	12,844
	1,264,919	**992,360**
Other current financial assets (Note 13)	**97,703**	**129,025**
Other current assets	**2,022**	**1,742**
Cash and cash equivalents	**127,150**	**76,682**
Total current assets	**1,651,651**	**1,450,636**
Total assets	**2,807,849**	**2,668,859**

Equity and Liabilities	31-12-13	31-12-12 (*)
Equity (Note 14):		
Shareholders' equity		
Registered share capital	10,319	10,319
Share premium	11,863	11,863
Revaluation reserve	58,452	58,452
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	618,264	554,784
Profit for the year attributable to the Parent	90,181	99,454
	789,079	**734,872**
Valuation Adjustments		
Available-for-sale financial assets (Note 9-b)	3,704	-
Hedges	(2,882)	(4,449)
Translation differences	(70,789)	(28,508)
	(69,967)	**(32,957)**
Equity attributable to the Parent	**719,112**	**701,915**
Non-controlling interests	**10,249**	**5,685**
Total equity	**729,361**	**707,600**
Non-current liabilities:		
Long-term provisions (Note 20)	**4,785**	**4,678**
Non-current financial liabilities (Notes 15 and 16)		
Bank borrowings	477,934	480,517
Other financial liabilities	73,590	69,222
	551,524	**549,739**
Deferred tax liabilities (Note 18)	**147,020**	**84,283**
Other non-current liabilities (Note 3-p)	**52,366**	**22,741**
Total non-current liabilities	**755,695**	**661,441**
Current liabilities:		
Short-term provisions (Note 20)	**335,027**	**348,681**
Current financial liabilities (Notes 15 and 16)		
Bank borrowings	232,705	108,962
Other financial liabilities	39,074	30,808
	271,779	**139,770**
Trade and other payables-		
Payable to suppliers (Note 25)	460,652	439,866
Other accounts payable (Notes 10, 11, 15 and 19)	252,808	369,900
Current tax liabilities (Note 19)	1,866	1,089
	715,326	**810,855**
Other current liabilities	**661**	**512**
Total current liabilities	**1,322,793**	**1,299,818**
Total equity and liabilities	**2,807,849**	**2,668,859**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated balance sheet at 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Income Statements

for the years ended 31 December 2013 and 2012 (Notes 1, 2 and 3) (Thousands of Euros)

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

(Debit) Credit	2013	2012 (*)
Continuing operations:		
Revenue (Notes 6, 9 and 10)	1,535,240	1,721,186
+/- Changes in inventories of finished goods and work in progress	(149,530)	(222,057)
In-house work on non-current assets	7,106	1,325
Procurements (Note 21)	(560,010)	(595,441)
Other operating income (Note 21)	4,117	5,327
Staff costs (Note 22)	(394,460)	(352,334)
Other operating expenses (Note 21)	(219,535)	(376,105)
Depreciation and amortisation charge (Notes 7 and 8)	(42,552)	(39,231)
Impairment and gains or losses on disposals of non-current assets (Notes 7, 8 and 9)	(29,065)	(1,282)
Profit from operations	**151,311**	**141,388**
Finance income (Notes 3-d, 9, 10 and 13)	13,974	24,437
Finance costs (Notes 9 and 16)	(47,687)	(35,273)
Exchange differences	(3,645)	(3,176)
Impairment and gains or losses on disposals of financial instruments (Note 9)	1,013	355
Change in fair value of financial instruments	(275)	17
Financial loss	**(36,620)**	**(13,640)**
Result of companies accounted for using the equity method (Note 9)	(392)	17
Profit before tax	**114,299**	**127,765**
Income tax (Note 18)	(23,262)	(27,711)
Profit for the year from continuing operations	**91,037**	**100,054**
Profit/Loss for the year from discontinued operations	-	-
Consolidated profit for the year	**91,037**	**100,054**
Attributable to:		
The Parent	90,181	99,454
Non-controlling interests	856	600
Earnings per share (in euros)		
Basic	26,31	29,01
Diluted	26,31	29,01

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

The accompanying Notes 1 to 27 are an integral part of the consolidated income statement for the year ended 31 December 2013.

Consolidated Statements of Comprehensive Income

for 2013 and 2012 (Notes 1, 2 and 3) (Thousands of Euros)

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

	2013	2012 (*)
A) Consolidated profit for the year	**91,037**	**100,054**
B) Comprehensive income recognised directly in equity	**(37,016)**	**(26,030)**
Arising from revaluation of financial instruments	3,838	-
Arising from cash flow hedges	1,594	(3,390)
Translation differences	(42,287)	(23,401)
Tax effect	(161)	761
C) Transfers to consolidated profit or loss	**-**	**-**
Translation differences	-	-
Total comprehensive income (A+B+C)	**54,021**	**74,024**
Attributable to:		
The Parent	53,171	73,423
Non-controlling interests	850	601

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2013.

Consolidated Statements of Changes in Equity

for 2013 and 2012 (Notes 1, 2 and 3) (Thousands of Euros)

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

	Equity attributable to the Parent								
	Shareholders' equity								
	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Other reserves	Net profit for the year	Valuation adjustments	Translation differences	Non-controlling interests	Total equity
Balances at 31 December 2011 (*)	**10,319**	**11,863**	**58,452**	**444,554**	**146,182**	**(1,820)**	**(5,106)**	**2,820**	**667,264**
Total comprehensive income	**-**	**-**	**-**	**-**	**99,454**	**(2,629)**	**(23,402)**	**601**	**74,024**
Transactions with shareholders or owners	**-**	**-**	**-**	**43**	**(35,995)**	**-**	**-**	**2,264**	**(33,688)**
Dividends paid	-	-	-	-	(35,995)	-	-	(137)	(36,132)
Transactions with non-controlling shareholders	-	-	-	43	-	-	-	2,401	2,444
Other changes in equity	**-**	**-**	**-**	**110,187**	**(110,187)**	**-**	**-**	**-**	**-**
Transfers between equity items	-	-	-	110,187	(110,187)	-	-	-	-
Balances at 31 December 2012 (*)	**10,319**	**11,863**	**58,452**	**554,784**	**99,454**	**(4,449)**	**(28,508)**	**5,685**	**707,600**
Total comprehensive income	**-**	**-**	**-**	**-**	**90,181**	**5,271**	**(42,281)**	**850**	**54,021**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(35,995)**	**-**	**-**	**3,714**	**(32,281)**
Dividends paid	-	-	-	-	(35,995)	-	-	(2,465)	(38,460)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	6,179	6,179
Other changes in equity	**-**	**-**	**-**	**63,480**	**(63,459)**	**-**	**-**	**-**	**21**
Transfers between equity items	-	-	-	63,480	(63,459)	-	-	-	21
Balances at 31 December 2013	**10,319**	**11,863**	**58,452**	**618,264**	**90,181**	**822**	**(70,789)**	**10,249**	**729,361**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Statements of Cash Flows

for 2013 and 2012 (Notes 1,2 and 3) (Thousands of Euros)

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

	2013	2012 (*)
Cash flows from operating activities:		
Profit before tax	114,299	127,765
Adjustments for-		
Depreciation and amortisation charge (Notes 7 and 8)	42,552	39,231
Impairment losses (Notes 7 and 9)	27,800	1,128
Changes in provisions (Notes 3-l and 20)	(10,981)	123,318
Other income and expenses	12,641	13,910
Gains and losses on disposals of non-current assets (Note 8)	73	210
Investments accounted for using the equity method (Note 9)	392	(17)
Finance income	(13,974)	(24,437)
Finance costs	47,687	35,273
Changes in working capital-		
Trade receivables and other current assets (Notes 3-d and 12)	(258,466)	(102,089)
Inventories (Note 11)	85,914	103,276
Trade payables	(89,841)	(188,077)
Other current liabilities	158	147
Other non-current assets and liabilities	24,140	13,731
Other cash flows from operating activities-		
Income tax recovered (paid) (Note 19)	(23,783)	(33,265)
Other amounts received/(paid) relating to operating activities	(2,050)	(5,132)
Net cash flows from operating activities (I)	**(43,439)**	**104,972**
Cash flows from investing activities:		
Payments due to investment		
Group companies and associates (Note 9)	(633)	(2,265)
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	(49,482)	(56,166)
Other financial assets (Notes 9 and 13)	(58,258)	(508,435)
Business unit (changes in the scope of consolidation)	-	-
Proceeds from disposal		
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	237	215
Other financial assets (Notes 9 and 13)	105,373	125,798
Interest received	10,415	11,098
Changes in the scope of consolidation - Decrease in cash due to loss of control (Note 2-g)	-	-
Net cash flows from investing activities (II)	**7,652**	**(429,755)**
Cash flows from financing activities:		
Issue of shares by non-controlling interests	1,829	763
Acquisition of non-controlling interests (Note 2-f)	-	(215)
Proceeds/(Payments) relating to financial liability instruments-		
Issue (Notes 15 and 16)	245,304	400,893
Repayment (Notes 15 and 16)	(70,899)	(13,669)
Dividends and returns on other equity instruments paid	(36,914)	(36,132)
Other cash flows from financing activities-		
Interest paid (Note 16)	(42,921)	(35,165)
Other amounts received/(paid) relating to financing activities	-	-
Net cash flows from financing activities (III)	**96,399**	**316,475**
Net increase in cash and cash equivalents (I+II+III)	**60,612**	**(8,308)**
Cash and cash equivalents at beginning of year	76,682	86,214
Effect on cash of foreign exchange rate changes	(10,144)	(1,224)
Cash and cash equivalents at end of year	**127,150**	**76,682**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2013.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

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

1. DESCRIPTION AND ACTIVITIES OF THE PARENT

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") was incorporated for an indefinite period of time in San Sebastián (Guipúzcoa).

The Parent's object is described in Article 2 of its bylaws.

The Parent currently engages mainly in the manufacture of railway materials.

The Parent, as part of its business activities, owns majority ownership interests in other companies (see Note 2-f).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Basis of presentation

The consolidated financial statements for 2013 of the CAF Group were formally prepared by the directors:

- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, including International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the Group's accompanying consolidated financial statements are summarised in Note 3.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3.
- So that they present fairly the CAF Group's consolidated equity and consolidated financial position at 31 December 2013 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The CAF Group's consolidated financial statements for 2012 were approved by the shareholders at the Annual General Meeting of CAF on 8 June 2013. The 2013 consolidated financial statements of the Group and the 2013 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, CAF's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Adoption of new standards and interpretations issued

The CAF Group's consolidated financial statements for the year ended 31 December 2013 were prepared in accordance with International Financial Reporting Standards, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, taking into account all the mandatory accounting principles and rules and measurement bases with a material effect thereon, as well as the alternative treatments permitted by the relevant standards in this connection.

In 2013 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

The entry into force of amendments to IAS 1, Presentation of Other Items of Comprehensive Income gave rise to minor changes with regard to the items presented in "Other Comprehensive Income" (Consolidated Statement Comprehensive Income). The entry into force of these amendments did not have a significant impact on the Group.

The entry into force of the amendments to IFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities introduced a specific section of new disclosures required for recognised financial assets and financial liabilities that are set off; these disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement (IAS 32). The entry into force of these amendments did not have a significant impact on the Group.

Also, other new accounting standards came into force on 1 January 2013, ("Amendments to IAS 12, Income Tax - Deferred Taxes Arising from Investment Property", "Amendments to IAS 19, Employee Benefits", "Improvements to IFRSs, 2009-2011" and "IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine") which did not have a significant impact on the Group.

IFRS 13, Fair Value Measurement was issued to set out in a single standard a framework for measuring the fair value of assets or liabilities, or equity, when other standards require that the fair value measurement model be used. IFRS 13 changes the current definition of fair value and introduces new factors to be taken into account; it also extends the disclosure requirements in this area.

The new IFRS 13 definition of the fair value of a liability based on the notion of the transfer of that liability to a market participant confirms that an entity's own credit risk must be taken into account in measuring the fair value of liabilities. Until now the Group, in conformity with the former settlement-based IAS 39 definition of the fair value of a liability, had adopted the approach of not including the impact of own credit risk in fair value measurements.

Thus, from 1 January 2013 onwards, the Group has included this risk in the fair value measurement of financial liabilities. Under IFRS 13 the impact of first-time application of this standard must be recognised prospectively in profit or loss, together with the other changes in fair value of the derivatives, i.e. in the same way as any other change in accounting estimates.

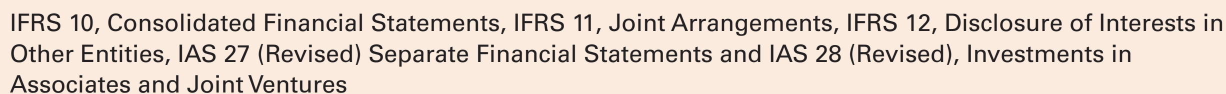
Note 17 includes a description of all the assumptions and methods used in measuring derivatives and, specifically, those associated with credit risk. At 1 January 2013, this amendment did not have a significant impact on the CAF Group.

Standards and interpretations issued but not yet in force

At the date of the preparation of these consolidated financial statements, the new standards, amendments and interpretations mandatorily applicable in years subsequent to the year beginning 1 January 2013 are as follows:

Pronouncement	**Effective date IASB**	**Effective date European Union**
IFRS 10, Consolidated Financial Statements	1 January 2013	1 January 2014 (*)
IFRS 11, Joint Arrangements	1 January 2013	1 January 2014 (*)
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013	1 January 2014 (*)
IAS 27, Separate Financial Statements (2011)	1 January 2013	1 January 2014 (*)
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013	1 January 2014 (*)
IFRS 9, Financial Instruments	Outstanding	Outstanding
Amendments to IAS 32, Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 January 2014
Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	1 January 2014
Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	1 January 2014
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions	1 July 2014	Outstanding
IFRIC 21 – Levies	1 January 2014	Outstanding

(*) Early application permitted together with the other "package of new consolidation standards".



IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (Revised) Separate Financial Statements and IAS 28 (Revised), Investments in Associates and Joint Ventures

IFRS 10 modifies the current definition of control. The new definition of control sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns.

The Group is analysing how this new definition of control will affect the consolidated companies taken as a whole. Foreseeably, it will not give rise to any change.

IFRS 11, Joint Arrangements supersedes IAS 31. The fundamental change introduced by IFRS 11 with respect to the current standard is the elimination of the option of proportionate consolidation for jointly controlled entities, which will begin to be accounted for using the equity method.

This new Standard will not have a material effect on the Group's consolidated financial statements, although the option that has been applied for the consolidation of joint ventures has been the proportionate consolidation of their financial statements (see Note 2-f).

IAS 27 and IAS 28 are revised in conjunction with the issue of the aforementioned new IFRSs.

In the case of the Group, they will not have any impacts other than those discussed above.

Lastly, IFRS 12 represents a single standard presenting the disclosure requirements for interests in other entities (whether these be subsidiaries, associates, joint arrangements or other interests) and includes new disclosure requirements.

Accordingly, its entry into force will foreseeably give rise to an increase in the disclosures that the Group has been making, i.e., those currently required for interests in other entities and other investment vehicles.

IFRS 9, Financial Instruments: Classification and Measurement

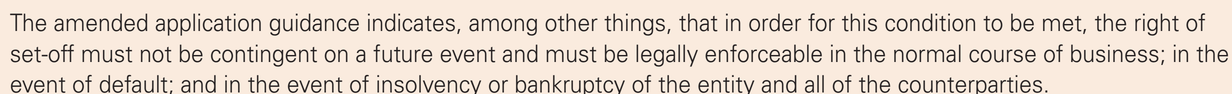
IFRS 9 will in the future replace the part of IAS 39 currently relating to classification and measurement. There are very significant differences with respect to the current standard, in relation to financial assets, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current "held-to-maturity investments" and "available-for-sale financial assets" categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial asset contracts.

In relation to financial liabilities, the classification categories proposed by IFRS 9 are similar to those currently contained in IAS 39 and, therefore, there should not be any very significant differences, except, in the case of the fair value option for financial liabilities, for the requirement to recognise changes in fair value attributable to own credit risk as a component of equity.

The Group considers that the future application of IFRS 9 will not have a material impact on the financial assets and financial liabilities disclosed herein.

Amendments to IAS 32, Financial Instruments - Offsetting Financial Assets and Financial Liabilities.

The amendments to IAS 32 introduce certain additional clarifications in the implementation guidance on the standard's requirements for offsetting a financial asset and a financial liability in the balance sheet. IAS 32 already indicates that a financial asset and a financial liability may only be offset when an entity has a legally enforceable right to set off the recognised amounts.



The amended application guidance indicates, among other things, that in order for this condition to be met, the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The entry into force of these amendments should not give rise to any changes in accounting policies since the analysis performed by the Group to assess whether or not to present certain financial assets and financial liabilities as offset is in line with the clarifications introduced by the standard.

c) Functional currency

These consolidated financial statements are presented in euros, since it is the currency of the main economic area in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 2-f.

d) Use of estimates

In the consolidated financial statements of the CAF Group for 2013 estimates were occasionally made.

Although these estimates were made on the basis of the best information available at 31 December 2013 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

There have not been any changes in accounting estimates with respect to 2012 that might have had a material impact on these consolidated financial statements.

e) Comparative information

As required by IAS 1, the information relating to 2013 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2012.

The 2012 consolidated financial statements, which are included for comparison purposes, were also prepared in accordance with IFRSs as adopted by the European Union on a basis consistent with that applied in 2013.

At 31 December 2013, the Group recognised a current financial asset arising from concessions in accordance with the "IFRIC 12, Financial Asset Model" method under "Trade and Other Receivables - Other Receivables" for greater clarity, and, accordingly, the related comparative figure for 2012 of EUR 134,713 thousand recognised under "Trade and Other Receivables - Trade Receivables for Sales and Services" was reclassified (see Note 9-e).

f) Consolidated Group and basis of consolidation

Scope of consolidation

The accompanying consolidated financial statements include the Parent and the companies over which it exercises control; control is defined as the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The accompanying consolidated financial statements for the year ended 31 December 2013 were prepared from the separate accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Parent - see Note 1) at that date and of the subsidiaries and associates listed below:

	% of control or influence	Location	Line of business	Auditor
Fully consolidated companies				
Industrial Subgroup				
CAF, S.A.	Parent	Guipúzcoa	Marketing and manufacture of railway equipment and components	Deloitte
CAF USA, Inc.	100%	Delaware	Manufacturing	G. Thornton
CAF México, S.A. de C.V.	100%	México D.F.	Marketing and manufacture of railway equipment and components	Deloitte
CAF Brasil Industria e Comercio, S.A.	100%	Sao Paulo	Manufacturing and maintenance	Deloitte
CAF Argentina, S.A.	100%	Buenos Aires	Repairs and maintenance	Ernst&Young
CAF Rail UK, Ltda.	100%	Belfast	Repairs and maintenance	Deloitte
CAF Italia, S.R.L.	100%	Rome	Repairs and maintenance	Deloitte
CAF Chile, S.A.	100%	Santiago de Chile	Manufacturing and maintenance	Deloitte
CAF Francia, S.A.S.	100%	Paris	Manufacturing and maintenance	Deloitte
CAF Turquía, L.S.	100%	Istanbul	Manufacturing and maintenance	Deloitte
CAF Argelia, E.U.R.L.	100%	Algiers	Manufacturing and maintenance	Deloitte
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance	Deloitte
Houston LRV 100, LLC.	100%	Delaware	Manufacturing	-
CAF Rail Australia Pty. Ltd.	100%	Queensland	Manufacturing and maintenance	Pitcher Partners
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance	Deloitte
CFD Bagneres, S.A.	100%	Paris	Manufacturing and maintenance	Deloitte
Trenes de Navarra, S.A.U.	100%	Navarre	Manufacturing	Deloitte
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid	Manufacturing	G. Thornton
Construcciones Ferroviarias - CAF Santana, S.A.	83.73%	Jaén	Manufacturing	Deloitte
Tradinsa Industrial, S.A.	100%	Lleida	Repairs and maintenance	Deloitte
CAF New Zealand Ltd.	100%	Auckland	Manufacturing and maintenance	Staples Rodway
CAF Sisteme Feroviare SRL	100%	Bucharest	Manufacturing and maintenance	Deloitte
CAF Colombia, S.A.S.	100%	Medellín	Manufacturing and maintenance	Deloitte
CAF Arabia, Co.	100%	Riyadh	Manufacturing and maintenance	Deloitte
CAF Latvia SIA	100%	Riga	Manufacturing and maintenance	-
CAF Deutschland GmbH	100%	Munich	Manufacturing and maintenance	-
CAF Taiwan Ltd.	100%	Kaohsiung	Manufacturing and maintenance	Deloitte
Technology Subgroup				
CAF I+D, S.L. (Sole-Shareholder Company)	100%	Guipúzcoa	R&D	Deloitte
CAF Power & Automation, S.L.U.	100%	Guipúzcoa	Electronic and power equipment	Deloitte
Nuevas Estrategias de Mantenimiento, S.L.	85%	Guipúzcoa	Technology solutions	Bsk
Urban Art Alliance for Research on Transport A.I.E.	60%	Guipúzcoa	R&D	Deloitte
Vectia Mobility, S.L.	60%	Guipúzcoa	Solutions for urban transport	-

	% of control or influence	Location	Line of business	Auditor
CAF Transport Engineering, S.L.U.	100%	Vizcaya	Engineering	Bsk
Centro de Ensayos y Análisis Cetest, S.L.	100%	Guipúzcoa	Tests	Bsk
Lander Simulation and Training Solutions, S.A.	57%	Guipúzcoa	Simulators	Bsk
Geminys, S.L.	100%	Guipúzcoa	Operating manuals	Bsk
CAF Signalling, S.L.U.	100%	Guipúzcoa	Signalling	Deloitte
CAF Sinyalizasyon Sistemleri Ticaret Ltd. Sirketi	90%	Istanbul	Signalling	Deloitte
Services Subgroup				
Actren, S.A.	51%	Madrid	Maintenance	Deloitte
Sermanfer, S.A.	100%	Madrid	Maintenance	Audyge
Sefemex, S.A. de C.V.	100%	Mexico City	Rendering of services	Almaguer
Corporación Trainemex, S.A. de C.V.	100%	Mexico City	Administrative services	Almaguer
Inversiones en Concesiones Ferroviarias, S.A.	100%	Guipúzcoa	Business development	Deloitte
Urbanización Parque Romareda, S.A.	100%	Zaragoza	Holding company	-
Ctrens Companhia de Manutençao, S.A.	100%	Sao Paulo	Lease services	Deloitte
Provetren, S.A. de C.V.	100%	Mexico City	Lease services	Deloitte
Regiotren, S.A. de C.V.	100%	Mexico City	Lease services	-
Sermantren, S.A. de C.V.	100%	Mexico City	Rendering of services	Almaguer
Ennera Energy and Mobility, S.L.	100%	Guipúzcoa	Power generation	Bsk
Ennera Inversiones en Microgeneración, S.L.U.	100%	Guipúzcoa	Power generation	Bsk
Rail Line Components, S.L.U	100%	Guipúzcoa	Marketing	Bsk
Miralbaida Energia XV, S.L.U.	100%	Guipúzcoa	Power generation	Bsk
Construction Subgroup				
Constructora de Sistemas Ferroviarios, S.L.	100%	Guipúzcoa	Equipment	Deloitte
Constructora Mexicana del Ferrocarril Suburbano, S.A. de C.V.	100%	Mexico City	Equipment	Deloitte
Companies accounted for using the equity method (Note 9)				
Industrial Subgroup				
Compañia de Vagones del Sur, S.A.	29.3%	Jaén	Manufacturing	-
Urban Transport Solutions B.V. (*)	49%	Amsterdam	Manufacturing and maintenance	-
Technology Subgroup				
Asirys Vision Technologies, S.A.	22.33%	Guipúzcoa	Automated production	-
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.	30%	Zhejiang	Electronic and power equipment	-
Services Subgroup				
Ferrocarriles Suburbanos, S.A. de C.V.	43.35%	Mexico City	Transport services	Deloitte
Plan Metro, S.A.	40%	Madrid	Lease services	-
Consorcio Traza, S.A. (**)	25%	Zaragoza	Holding company	-
Arabia One for Clean Energy Investments PSC	40%	Ma'an	Power generation	-

(*) The Company owns all the shares of Urban Transport Solutions, LLC, with registered office in Russia.
(**) The Company holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

Changes in the scope of consolidation

The following companies were incorporated in 2013: CAF Taiwan, Ltd., Vectia Mobility, S.L., Regiotren, S.A. de C.V., Urban Transport Solutions B.V. and Arabia One for Clean Energy Investment PSC.

Two corporate restructuring transactions were carried out within the Group in 2013. Garraiotech, S.L. was merged by absorption into Rail Line Components, S.L.U. (formerly Sempere Componentes, S.L.U.). In addition, the ownership interest held by Inversiones en Concesiones Ferroviarias, S.A. in CAF Signalling, S.L.U. was spun off to Seinalia, S.L. in order to execute subsequently a downstream merger, the post-merger company being CAF Signalling, S.L.U.

Also, in 2013 the Group fully consolidated its investment in Actren Mantenimiento Ferroviario, S.A., which was previously proportionately consolidated (see Note 14-g).

The following companies were incorporated in 2012: CAF Arabia, Co., CAF Latvia, S.I.A. and CAF Deutschland Gmbh. In addition, Urban Art Alliance for Research on Transport, A.I.E. and Zhejiang Trainelec Traintic Electric Co, Ltd were incorporated through CAF Power & Automation, S.L.U. (formerly Trainelec, S.L.).

On 10 February 2012, the acquisition of all of the shares of Miralbaida Energia XV, S.L., amounting to EUR 3 thousand, was executed through Ennera Energy and Mobility, and the share capital was subsequently increased by EUR 1,600 thousand.

On 16 February 2012, the remaining 4.42% of Tradinsa Industrial, S.L. was acquired for EUR 215 thousand.

Also, since the non-controlling shareholder of Garraiotech, S.L. did not subscribe any shares in the capital increase of the latter in 2012, the Group now owns all the company's shares (80% in 2011).

Several corporate restructuring transactions were carried out within the Group in 2012. Firstly, Agarregune, S.L.U. and Predictove Ingenieros, S.L were dissolved. Secondly, CAF Power & Automation, S.L. (formerly Trainelec, S.L.), Desarrollo Software Miramón 4, S.L. and Traintic, S.L. were merged into CAF Power & Automation, S.L. and were dissolved.

Lastly, in November 2012 there was a capital increase amounting to EUR 100 million at Inversiones en Concesiones Ferroviarias, S.A., of which EUR 30 million related to share capital and the remainder to the share premium. This amount was fully paid on 15 November 2012.

In 2012 the company name of Eliop Seinalia, S.L.U. was changed to CAF Signalling, S.L.U., the company name of Eliop Otomatik Kontrol Sistemleri San. Ve. Tic Ltd. Sirketi to CAF Sinyalizasyon Sistemleri Tikaret Ltd. Sirketi and the company name of Bizkaia Ferroviaria, S.L. to CAF Transport Engineering, S.L.U.

Consolidation method

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; control exists when the Parent has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. This control is presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee or, even if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control. The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

Also, associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Usually this capacity arises because it holds -directly or indirectly- more than 20% of the voting power of the investee. In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations, less any impairment of the individual investments (in the case of transactions with an associate, the related profits or losses are eliminated in proportion to the Group's ownership interest).

"Joint ventures" are ventures in which the activity is subject to joint control, control being understood to be the power to manage the financial and operating policy of an entity. Joint ventures are proportionately consolidated in the consolidated financial statements, i.e. the financial statements of each venturer include the part of the assets, liabilities, expenses and income that is in proportion to its percentage of ownership.

Translation of foreign currency financial statements

The financial statements in foreign currencies were translated to euros using the year-end exchange rate method, which consists of translating all the assets, rights and obligations to euros at the closing exchange rates and the income statement items at the average exchange rates for the year.

The difference between the amount of the foreign companies' equity translated at historical exchange rates (except for the profit or loss for the year, which is translated as stated above) and the asset value arising from the translation of the assets, rights and obligations at the closing exchange rates from 1 January 2004 is presented in equity under "Translation Differences" in the consolidated balance sheet, net of the portion of the difference that relates to non-controlling interests, which is recognised under "Equity – Non-Controlling Interests".

g) Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2012.

3. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT BASES APPLIED

The principal accounting policies used by the CAF Group in preparing its consolidated financial statements at 31 December 2013 and 2012 were as follows:

a) Intangible assets

Computer software and development projects for which there are no doubts as to their technical and commercial success are measured at their acquisition cost (or, where appropriate, at their accumulated production cost applied in accordance with inventory measurement bases - see Note 3-e). Computer software is amortised on a straight-line basis over five years from its acquisition (see Note 7). Development projects are amortised on a straight-line basis over five years from their acquisition or completion, or are recovered as an addition to the cost of the development-related contracts obtained over that period, in which case they are transferred to inventories (see Note 7).

b) Property, plant and equipment

Items of property, plant and equipment are carried at cost revalued, where appropriate, pursuant to the applicable legislation, including Guipúzcoa Regulation 11/1996, of 5 December, and Guipúzcoa Regulation 13/1991, of 13 December, and the surplus resulting therefrom was treated as part of the cost of these assets, in accordance with IFRSs and pursuant to the alternative accounting treatment provided for by IFRS 1, whereby the fair value at the date of transition is used as the deemed cost for certain specific assets.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work performed by the consolidated companies on items of property, plant and equipment is recognised at the related accumulated production cost allocated in accordance with inventory measurement bases (see Note 3-e).

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25 – 50
Plant and machinery	6 – 10
Other fixtures, tools and furniture	3 – 10
Other items of property, plant and equipment	10 – 20

In general, for items of property, plant and equipment necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans borrowed specifically or generally directly attributable to the acquisition or production of the assets.

c) Impairment of assets

At each balance sheet date, the CAF Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

If the recoverable amount of an asset is less than its carrying amount, the related impairment loss is recognised for the difference with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement and a credit to "Property, Plant and Equipment" or "Intangible Assets", as appropriate, in the accompanying consolidated balance sheet.

Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which must not be reversed.

In 2013 impairment losses were recognised on certain intangible assets and items of property, plant and equipment (see Notes 7 and 8) after having performed the appropriate tests.

d) Financial instruments

Trade and other receivables

Trade and other receivables are initially recognised at fair value in the consolidated balance sheet and are subsequently measured at amortised cost using the effective interest method.

The required adjustments are recognised for the difference between the recoverable amount of accounts receivable and their carrying amount determined as indicated in the preceding paragraph. At 31 December 2013 and 2012, there were certain long-term accounts receivable not earning explicit interest, basically from public authorities (see Note 9). In this regard, at 2012 year-end the Group recognised a provision of EUR 3,026 thousand for the effect of the interest cost of the long-term accounts receivable not earning explicit interest. In 2013 the Group collected a portion of the accounts receivable that it considered long-term because certain customers had raised the necessary funds, through specific actions, to meet their obligations. Accordingly, the Group reversed an amount of EUR 2,227 thousand, with a credit to "Finance Income" in the accompanying consolidated income statement (see Note 9) (2012: EUR 12,361 thousand).

The Group recognises an allowance for debts in an irregular situation due to late payment, administration, insolvency or other reasons, after performing a case-by-case collectability analysis.

Also, the Group derecognises trade receivable balances for the amount of the accounts receivable factored provided that substantially all the risks and rewards inherent to ownership of these accounts receivable (non-recourse factoring) have been transferred. At 31 December 2013, receivables amounting to EUR 31,292 thousand had been factored under a non-recourse arrangement (no balances had been factored at 31 December 2012).

Financial assets

In accordance with the classification criteria established by IAS 39, the Group classifies its financial assets in the following categories:

(1) Loans and other long-term receivables. Loans and other long-term receivables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method. The amortised cost is understood to be the initial cost minus principal repayments and any reduction for impairment or uncollectability. The effective interest rate is the discount rate that exactly matches the initial carrying amount of a financial instrument to all its cash flows.

(2) Held-to-maturity investments. Financial assets with fixed maturity that the Group has the intention and ability to hold to maturity. These investments are also initially recognised at fair value and are subsequently measured at amortised cost.

(3) Held-for-trading financial assets, classified as at fair value through profit or loss. These assets must have any of the following characteristics:

- They have been classified as held-for-trading because they have been acquired to generate a profit through short-term fluctuations in their prices.
- They are financial derivatives provided that they have not been designated as part of a hedging relationship.
- They have been included in this category of assets since initial recognition.

(4) Available-for-sale financial assets. Available-for-sale financial assets are measured at fair value. This category includes financial assets acquired that are not held for trading purposes and are not classified as held-to-maturity investments or as financial assets at fair value through profit or loss. Substantially all these assets relate to equity investments. These investments are also presented in the consolidated balance sheet at their fair value which, in the case of unlisted companies, is obtained using alternative methods, such as comparisons with similar transactions or, if sufficient information is available, discounting the expected cash flows. Changes in fair value are recognised with a charge or credit to "Valuation Adjustments" in the consolidated balance sheet until the investments are disposed of, at which time the cumulative balance of this heading relating to the investments disposed of is recognised in full in the consolidated income statement.

Equity investments in unlisted companies, the market value of which cannot be measured reliably using alternative methods such as those indicated in the preceding paragraph, are measured at cost.

The CAF Group decides on the most appropriate classification for each asset on acquisition.

Fair value measurements of financial assets and liabilities are classified according to the following hierarchy established in IFRS 13:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

The detail of the CAF Group's assets and liabilities measured at fair value according to the levels indicated above at 31 December 2013 is as follows:

	Level 1	Level 2	Total
Assets			
Equity instruments (Note 9-b)	-	17,058	17,058
Derivatives (Note 17)	-	43,594	43,594
Held-for-trading financial assets (Note 13)	52,359	-	52,359
Total assets	**52,359**	**60,652**	**113,011**
Liabilities			
Derivatives (Note 17)	-	26,910	26,910
Total equity and liabilities	**-**	**26,910**	**26,910**

Cash and cash equivalents

"Cash and Cash Equivalents" in the accompanying consolidated balance sheet includes cash and demand deposits.

Trade and other payables

Accounts payable are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate.

Bank borrowings and other financial liabilities

Bank borrowings and other financial liabilities are initially recognised at the proceeds received, net of transaction costs, i.e. equivalent to the subsequent application of the amortised cost model, for which the effective interest rate is used. Borrowing costs are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise (see Note 16).

Derivative financial instruments

The Group uses derivative financial instruments to hedge the foreign currency risk to which its project contracts and certain investments in investees are exposed. Accordingly, the CAF Group has arranged forward currency contracts denominated mainly in US dollars, Mexican pesos, pounds sterling, Brazilian reals, Swedish kronor, New Taiwan dollars, Saudi riyal and Australian dollars (see Note 17).

The fair value of the derivative financial instruments was calculated including the credit risk, the entity's own credit risk for liability derivative financial instruments, and the counterparty's credit risk for asset derivative financial instruments.

Also, certain companies have entered into interest rate hedges (see Note 17).

The Group reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i.e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is sufficient documentation to evidence that the financial derivative was arranged specifically to hedge certain balances or transactions and how it was intended to achieve and measure the effectiveness of the hedge, provided that this was consistent with the Group's risk management policy.

The CAF Group has defined financial risk management objectives and policies which set forth, in writing, the Group's policy in respect of the arrangement of derivatives and hedging strategy.

These financial instruments are initially recognised at acquisition cost. The changes in the fair value of the derivative financial instruments that were designated and effective as hedges are subsequently recognised as follows:

– In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under "Financial Profit (Loss)" in the accompanying consolidated income statement. The Group recognises as fair value hedges the hedges arranged for construction work when the necessary conditions are met for hedges of this nature (existence of a firm commitment).

– In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under "Valuation Adjustments". This method is used by the Group to hedge work in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction. To the extent that a highly probable transaction gives rise to a firm commitment, the amounts previously recognised in equity are reclassified to the consolidated income statement.

– In hedges of net investments in foreign operations, the gains or losses attributable to the portion of the hedging instrument qualifying as an effective hedge are recognised temporarily in equity under "Translation Differences". This type of hedging was used for the equity of CAF USA, Inc. and Provetren, S.A. de C.V.

e) Inventory measurement bases

Raw materials and other supplies and goods held for resale are measured at the lower of average acquisition cost or net realisable value.

Work in progress and finished and semi-finished goods are presented net of costs already settled as described in Note 3-f and are measured as follows:

1. Materials and expenses allocated to each project: at the average acquisition or production cost.
2. Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.
3. Borrowing costs: calculated on the basis of the financing requirements directly allocable to each project contract.

f) Recognition of contract revenue and profit

For construction contracts, the Group generally recognises the income and profit or loss on each contract by reference to the estimated stage of completion of the contract, calculated on the basis of the actual hours incurred in each contract as a percentage of the estimated total hours, which is in keeping with other methods for determining the stage of completion on the basis of the costs incurred compared with the budgeted costs. Potential losses on project contracts are recognised in full when they become known or can be estimated.

Once the projected profit or loss on each contract has been determined, the Group applies the following correcting coefficients to determine actual profit or loss and revenue:

– With a percentage of completion of between 0% and 10%, no profit or revenue is recognised.

– From 10% onwards, a percentage of profit and revenue equal to the percentage of completion is recognised.

Based on the revenue realised, the projected profit or loss on each contract (calculated as described above) and the stage of completion, inventories are derecognised for the amount of the settled costs with a charge to the related consolidated income statement and a credit to "Inventories" on the asset side of the consolidated balance sheet (see Note 11).

Sales of products, basically rolling stock, are recognised when the goods and title thereto are transferred.

g) Customer advances and completed contract work

The difference between revenue recognised on each project (see Note 3-f) and the amount billed for the project is recognised as follows:

– If the difference is positive, under "Trade and Other Receivables - Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed" (deferred billings) (see Note 11).

– If the difference is negative, under "Trade and Other Payables - Other Accounts Payable" (prebillings) (see Note 11).

h) Foreign currency transactions and other obligations

The foreign currency asset and liability balances of consolidated foreign companies were translated to euros as explained in Note 2-f. The other monetary foreign currency asset and liability balances were translated at the exchange rate prevailing at each year-end, and the positive and negative exchange differences between the exchange rate used and the year-end exchange rate were recognised in profit or loss. Foreign currency transactions for which the CAF Group decided to arrange financial derivatives in order to mitigate the foreign currency risk are recognised as described in Note 3-d.

i) Current/Non-current classification

In the accompanying consolidated balance sheet debts are classified by maturity at year-end. Current debts are those due to be settled within twelve months and non-current debts are those due to be settled within more than twelve months.

j) Government grants

The Group companies recognise government grants received as follows:

1. Grants related to assets are recognised at the amount granted, as a reduction of the value of the subsidised asset when they are definitively granted and are credited to profit or loss in proportion to the period depreciation on the assets for which the grants were received.

2. Grants related to income are recognised in profit or loss when they are definitively granted by reducing the expenses for which the grants are intended to compensate.

k) Post-employment benefits

The consolidated companies' legal and contractual obligations to certain of their employees in relation to retirement and death are met through premiums under defined contribution and defined benefit plans to external funds deposited or in the process of being externalised at independent insurance companies (see Note 23). The contributions made in 2013 and 2012 for various groups of employees amounted to EUR 4,017 thousand and EUR 3,401 thousand, respectively, and were recognised under "Staff Costs" in the accompanying consolidated income statements. The Group did not have any amounts payable or any actuarial deficits in this connection at 31 December 2013 or 2012. In accordance with the applicable collective agreement, the Parent contributes an additional 1.75% of the annual base salary of all its employees to a pension plan (EPSV) (see Note 22).

Also, the Parent's directors, based on the conclusions of a study conducted by their legal advisers, considered in 2006 that a historical right of certain of its employees had vested. In accordance with the accrual basis of accounting, the Group recognised an asset of EUR 34 thousand (31 December 2012: a liability of EUR 34 thousand), calculated by an independent valuer, under "Current Assets" in the consolidated balance sheet at 31 December 2013. This amount is the difference between the present value of the defined benefit obligations and the fair value of the assets qualifying as plan assets. The future modifications to the obligations assumed will be recognised in profit or loss for the related year. In 2013 and 2012 the Group paid EUR 358 thousand and EUR 762 thousand, respectively, and recognised provisions amounting to EUR 290 thousand and reversed provisions amounting to EUR 193 thousand,

respectively, with a charge to “Staff Costs” in the accompanying consolidated income statement (see Notes 15, 18 and 22).

In the assumptions applied in the actuarial study performed by an independent third party, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past.

Lastly, certain subsidiaries have other obligations to their employees pursuant to the legislation in the countries in which they are located, and the related provisions at 31 December 2013 were recognised under “Long-Term Provisions" and "Short-Term Provisions" for EUR 1,498 thousand and EUR 168 thousand, respectively (31 December 2012: EUR 1,047 thousand and EUR 233 thousand, respectively) (see Note 20).

l) Early retirements and termination benefits

At 31 December 2013, “Non-Current Financial Liabilities - Other Financial Liabilities” and “Trade and Other Payables - Other Accounts Payable” in the accompanying consolidated balance sheet included EUR 9,904 thousand and EUR 7,291 thousand, respectively, (2012: EUR 5,556 thousand and EUR 3,347 thousand) relating to the present value estimated by the Parent’s directors of the future payments to be made to employees included in the early retirement plan approved in 2013, or with whom hand-over contracts had been entered into. This provision was recognised with a charge of EUR 12,243 thousand (2012: EUR 2,354 thousand) to “Staff Costs - Wages and Salaries” in the consolidated income statement (see Notes 18 and 22).

m) Income tax

The expense for income tax and other similar taxes applicable to the foreign consolidated entities are recognised in the consolidated income statement, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

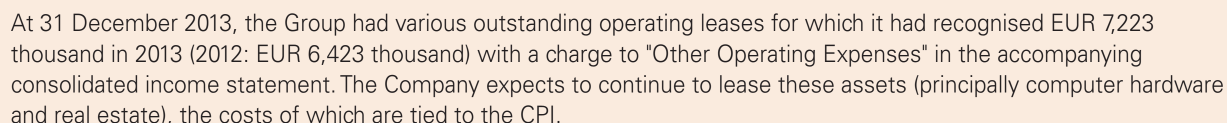
Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets are recognised for tax loss and tax credit carryforwards and temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be utilised, which at the consolidated CAF Group are deemed to be those that will be earned in the period covered by its backlog.

Pursuant to IFRSs, deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

n) Leases

The CAF Group classifies as finance leases, lease arrangements whereby the lessor transfers all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

In finance leases in which the Group acts as the lessor, at inception of the lease an account receivable is recognised equal to the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the interest rate implicit in the lease. The difference between the account receivable recognised and the amount to be received, which relates to unearned finance income, is allocated to profit or loss as earned using the effective interest method (see Note 9-e).



At 31 December 2013, the Group had various outstanding operating leases for which it had recognised EUR 7,223 thousand in 2013 (2012: EUR 6,423 thousand) with a charge to "Other Operating Expenses" in the accompanying consolidated income statement. The Company expects to continue to lease these assets (principally computer hardware and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2013 amounted to EUR 15,057 thousand over the next few years, of which EUR 5,146 thousand are due in 2014 (31 December 2012: EUR 16,955 thousand and EUR 4,792 thousand to be paid in 2014).

Expenses arising in connection with leased assets are allocated to “Other Operating Expenses” in the consolidated income statement over the term of the lease on an accrual basis.

ñ) Provisions and contingencies

When preparing the consolidated financial statements, the Parent’s directors made a distinction between:

a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The consolidated financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised, as a result of which the Group is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be quantified reasonably are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying consolidated financial statements do not include any provision in this connection since no situations of this nature are expected to arise.

o) Environmental matters

The Group recognises environmental investments at acquisition or production cost, net of the related accumulated depreciation, and classifies them by nature in the appropriate “Property, Plant and Equipment” accounts (see Notes 8 and 21-c).

Expenses incurred in order to comply with the applicable environmental legislation are classified by nature under “Other Operating Expenses” in the accompanying consolidated income statement (see Note 21-c).

p) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

In accordance with the accounting principle of prudence, the Group only recognises realised revenue at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement.

"Other Non-current Liabilities" in the accompanying consolidated balance sheets at 31 December 2013 and 2012 includes the amount relating to the income received early which is earmarked for meeting the estimated costs of major repairs to be made under maintenance contracts.

q) Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows, which were prepared using the indirect method, with the meanings specified:

– Cash flows: inflows and outflows of cash and cash equivalents.

– Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

– Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

– Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

r) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year.

In the consolidated financial statements of the CAF Group for the years ended 31 December 2013 and 2012, the basic earnings per share and the diluted earnings per share coincided since there were no dilutive potential shares outstanding in those years (see Note 14-a).

s) Discontinued operations

A discontinued operation is a sufficiently significant line of business that it has been decided to abandon and/or sell, whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Income and expenses of discontinued operations are presented separately in the consolidated income statement.

t) Related party transactions

The Group carries out all of its transactions with related companies on an arm's length basis. Also, transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

u) Administrative concessions

Concessions represent arrangements between a public sector grantor and CAF Group companies to provide public services such as preventative, corrective and inspection services for various railway lines through the operation of infrastructure. Revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession and required to provide the service are returned to the concession grantor, generally for no consideration. The concession arrangement must provide for the management or operation of the infrastructure. Another common feature is the existence of obligations to acquire or construct all the items required to provide the concession service over the concession term.

These concession arrangements are accounted for in accordance with IFRIC 12, Service Concession Arrangements. In general, a distinction must be drawn between two clearly different phases: the first in which the concession operator provides construction or upgrade services which are recognised as an intangible asset or a financial asset by reference to the stage of completion pursuant to IAS 11, Construction Contracts, and a second phase in which the concession operator provides a series of infrastructure maintenance or operation services, which are recognised in accordance with IAS 18, Revenue.

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

v) Current/Non-current classification

Items are classified under "Current Assets" and "Current Liabilities" (prebillings and deferred billings (see Note 3-g) and "Short-Term Provisions") which may be realised within more than twelve months. Considering the items as a whole, estimates indicate that the current assets will be realised essentially in the short term and, in any event, the current liabilities to be realised in more than twelve months exceed the current assets that would be realised in more than twelve months (see Notes 11 and 20).

4. DISTRIBUTION OF THE PROFIT OF THE PARENT

The distribution of the Parent's profit for 2013 proposed by its directors is as follows:

Distribution	Thousands of euros
To voluntary reserves	47,814
To productive investment reserve	10,000
Dividends	35,995
Total	**93,809**

5. FINANCIAL AND OTHER RISK MANAGEMENT POLICY

The CAF Group engages in activities that are exposed to various financial risks: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, cash flow interest rate risk and the risk of variances in relation to projects.

The financial risk management policy adopted by the CAF Group focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the Group's financial performance.

The Group's Financial Department identifies, assesses and hedges financial risks by establishing policies to manage overall risk and specific risk areas such as foreign currency, interest rate and liquidity risks, the use of derivative instruments and the investment of cash surpluses.

a) Market risk

The various CAF Group companies operate on an international stage and, therefore, are exposed to foreign currency risk in their foreign currency transactions (currently the US dollar, the Brazilian real, the pound sterling, the New Taiwan dollar, the Swedish krona, the Australian dollar, the Saudi riyal and the Mexican peso, among others).

The Group companies use forward contracts to hedge the foreign currency risk arising from future commercial transactions and recognised assets and liabilities. This risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the functional currency of the Group (the euro).

The Group's standard practice is to hedge, provided that the cost is reasonable, the market risk associated with contracts denominated in currencies other than its functional currency, which is the euro. The hedges are intended to avoid the impact of currency fluctuations on the various agreements entered into, so that the Group's results present fairly its industrial and service activity. The impact on the income statement ("sensitivity") for 2013 of the 10% depreciation of the Brazilian real against the euro at 31 December 2013 would give rise to a loss of EUR 2,153 thousand (not material at 31 December 2012). The sensitivity of the income statement to the other foreign currencies was not material.

At 31 December 2013 and 2012, the Group was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of the US dollar, the exposure to which is hedged.

The detail of the equivalent value in thousands of euros of the assets and liabilities of the subsidiaries with functional currencies other than the euro at 31 December 2013 and 2012 is as follows:

	Equivalent value in thousands of euros					
	31/12/13			31/12/12		
Currency	Assets	Liabilities	Net exposure	Assets	Liabilities	Net exposure
Chilean peso	11,392	10,704	688	7,060	5,600	1,460
Mexican peso	33,340	24,120	9,220	49,411	34,625	14,786
Argentine peso	3,816	2,085	1,731	3,746	1,639	2,107
Brazilian real	639,129	459,726	179,403	806,327	586,724	219,603
US dollar (Note 3-d) (*)	466,940	395,626	154	386,457	318,635	31
Pound sterling	6,417	5,702	715	5,297	4,293	1,004
Algerian dinar	4,458	3,619	839	3,726	2,834	892
Turkish lira	13,359	11,941	1,418	16,177	12,717	3,460
Venezuelan bolivar	1,150	635	515	1,113	681	432
Indian rupee	8,942	658	8,284	3,128	2,929	199
Australian dollar	670	453	217	392	214	178
Colombian peso	2,436	1,824	612	2,759	2,314	445
Saudi riyal	7,739	7,549	190	2,670	2,254	416
New Zealand dollar	1,678	1,588	90	-	-	-
Romanian leu	1,120	1,115	5	-	-	-
New Taiwan dollar	18,075	18,005	70	-	-	-
Total	**1,220,661**	**945,350**	**204,151**	**1,288,263**	**975,459**	**245,013**

(*) At 31 December 2013, there were hedges of net investments in foreign operations (see Note 17) amounting to EUR 71,160 thousand, applying the year-end exchange rate (31 December 2012: EUR 67,791 thousand).

In the event of a 10% appreciation or depreciation of all the foreign currencies, the impact on the Group's equity would amount to EUR 20,400 thousand at 31 December 2013 (31 December 2012: EUR 24,501 thousand).

The detail of the main foreign currency balances of subsidiaries is as follows:

	Equivalent value in thousands of euros			
	31/12/13		31/12/12	
Nature of the balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	226	-	180	-
Property, plant and equipment	66,560	-	69,604	-
Non-current financial assets and deferred tax assets	649,070	-	675,082	-
Inventories	79,277	-	80,219	-
Trade and other receivables	324,884	-	401,131	-
Other current financial assets	45,861	-	26,522	-
Cash and cash equivalents	54,783	-	35,525	-
Non-current liabilities	-	566,764	-	592,872
Current liabilities	-	378,586	-	382,587
Total	**1,220,661**	**945,350**	**1,288,263**	**975,459**

For the most significant raw materials, the Group places the orders and agrees on the price when each new project commences. The risk of a rise in raw material prices having an adverse effect on the contractual margins is thus hedged.

b) Credit risk

Most of the Group's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Group's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

At 31 December 2013 and 2012, the Group had insured a portion of its accounts receivable from customers in certain countries abroad through credit insurance policies (Note 12).

c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, marketable securities and available funds to cover all the Group's financial obligations fully and effectively (see Notes 13 and 16).

The CAF Group manages liquidity risk using the following mechanisms:

– Pursuing and selecting business opportunities with the highest level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects, whose average performance period is approximately three years, billing milestones and execution of the works may not coincide, which entails the use of financial resources.

– Implementing and maintaining active working capital management through the ongoing monitoring of the fulfilment of billing milestones in each of the projects entered into.

– Maintaining a strong short-term liquidity position.

– Maintaining surplus undrawn credit balances.

d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the use of borrowings. The Group's policy for working capital financing transactions is to resort to borrowings from third parties in the form of short-term debt tied to floating market indices, normally Euribor, thereby substantially mitigating its interest rate risk exposure. For long-term financing transactions, the Group sets an objective, to the extent permitted by the markets, of maintaining a fixed interest rate structure.

In this regard, substantially all the financial debt at 31 December 2013 related, on the one hand, to the concessions obtained in Brazil and Mexico (see Notes 9 and 16), and, on the other, to the Parent's debt for the financing of its activity, and that of the other Group companies, which is tied to market indices, generally Euribor.

The debt relating to the train lease company in Brazil is a structured project finance loan without recourse to the other Group companies which is tied to the TJLP (a reference rate published by the Central Bank of Brazil). For the debt relating to the train lease company in Mexico, the Group entered into an interest rate swap in order to convert the loan's floating interest rate into a fixed rate, for 80% of the amount drawn down on the loan, affecting in turn 80% of its term.

Taking into consideration the balance at 31 December 2013 and 2012, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, considering the hedging policies described above, the finance costs arising from the financial debt would have risen/decreased by approximately EUR 5,598 thousand and EUR 4,276 thousand, respectively.

e) Risks arising from variances with respect to project budgets

Variances from project budgets that served as the basis for drawing up the various bids are analysed and monitored through the use of a detailed system for reporting each of the cost items, which compares on an ongoing basis the budget for that item with the actual situation regarding the costs of each project. In this way, these data are monitored on an ongoing basis over the life of the projects using a complex internal process created for this purpose in which all the departments involved in the projects participate.

f) Legal and contractual risks arising primarily from harm caused to third parties as a result of deficiencies or delays in the provision of services

The CAF Groups is exposed to the following risks in the ordinary course of its business. The tender specifications and manufacturing agreements for railway vehicles include numerous requirements regarding technical aspects and quality levels (with the introduction of new, technologically advanced products), requirements related to fulfilment of delivery deadlines, approval requirements, manufacturing location requirements, and other operating risks that normally involve levels of penalties and condition subsequent and condition precedent clauses. There may be conflicts between the CAF Group and its customers regarding these requirements, which may lead to claims for delays, incorrect execution of the works, or performance of additional work.

In order to address the difficulties of managing projects, the CAF Group operates a risk management system, which forms part of the Group's quality system, that begins when the bid is prepared and enables the identification and management of the different risks to which the CAF Group is exposed in the ordinary course of its business.

All CAF's plants use the most advanced technology available and state-of-the-art techniques in order to optimise production pursuant to the ISO 9001 standard.

CAF also implements a stringent policy of taking out insurance to duly protect itself from the economic consequences for the Company of any of these risks materialising.

6. SEGMENT REPORTING

a) Basis of segmentation

Segment reporting on the CAF Group in the accompanying consolidated financial statements is structured as follows:

– By business unit, distinguishing between the “Rolling Stock” and the “Components and Spare parts” operating activities.

– Information based on the Group's geographical location is also included.

b) Basis and methodology for segment reporting

Segment revenue and expenses relate to those directly attributable to the segment and, accordingly, do not include interest, dividends or gains or losses arising from the disposal of investments or on debt redemption or repayment transactions. Segment assets and liabilities are those directly related to its operating activities or to the ownership interests in companies engaged in that activity.

In accordance with the basis for primary segment reporting set forth in IFRSs (IFRS 8, Operating Segments), the CAF Group considered the two business units operated by it as its primary segments, since it considers that its organisational and management structure and its system of internal reporting to its managing and executive bodies are such that the risks and returns are affected predominantly by the fact that its operations are performed in one or the other business area, taken to be all of the related products and services. Accordingly, the segmentation is made up of the CAF Group's identifiable components that are subject to risks and returns that are different from those of components operating in other economic environments.

Therefore, based on historical experience, the following segments were defined that the Group considers fulfil the internal consistency requirements with regard to the similarity of their economic conditions, policies or the risks derived from the applicable regulations, exchange rates or proximity of activities and their differences with respect to the other segments for the same reasons:

– Rolling Stock

– Components and Spare parts

Segment information on the businesses is as follows:

Segmentation by business unit	Rolling stock	Components and spare parts	General	Inter-segment	Total
	2013 (Thousands of euros)				
REVENUE:					
External sales	1,457,357	77,883	-		1,535,240
Inter-segment sales	-	35,062	-	(35,062)	-
Total sales	**1,457,357**	**112,945**	**-**	**(35,062)**	**1,535,240**
PROFIT OR LOSS:					
Profit (Loss) from operations	165,807	(2,456)	(12,040)	-	151,311
Financial profit (loss) (*)	(27,129)	-	(9,491)		(36,620)
Share of net results of associates	(392)	-	-		(392)
Profit (Loss) before tax	**138,286**	**(2,456)**	**(21,531)**	**-**	**114,299**
Income tax (*)	-	-	(23,262)	-	(23,262)
Profit (Loss) for the year from continuing operations	**138,286**	**(2,456)**	**(44,793)**	**-**	**91,037**
Profit (Loss) attributable to non-controlling interests	(856)	-	-	-	(856)
Profit (Loss) attributable to the Parent	**137,430**	**(2,456)**	**(44,793)**	**-**	**90,181**
Depreciation and amortisation charge (Notes 7 and 8)	30,986	11,098	468	-	42,552
ASSETS	**2,164,922**	**103,846**	**539,081**	**-**	**2,807,849**
LIABILITIES	**1,503,003**	**19,892**	**555,593**	**-**	**2,078,488**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	43,116	7,793	-	-	50,909
OTHER ITEMS NOT AFFECTING CASH FLOWS:					
Asset impairment – Income (Expense) (Notes 7, 8 and 9)	(17,392)	(58)	(11,615)	-	(29,065)

Segmentation by business unit	2012 (Thousands of euros) Rolling stock	Components and spare parts	General	Inter-segment	Total
REVENUE:					
External sales	1,661,006	60,180	-	-	1,721,186
Inter-segment sales	-	28,665	-	(28,665)	-
Total sales	**1,661,006**	**88,845**	**-**	**(28,665)**	**1,721,186**
PROFIT OR LOSS:					
Profit (Loss) from operations	152,105	(5,712)	(5,005)	-	141,388
Financial profit (loss) (*)	(13,090)	-	(550)	-	(13,640)
Share of net results of associates	17	-	-	-	17
Profit (Loss) before tax	**139,032**	**(5,712)**	**(5,555)**	**-**	**127,765**
Income tax (*)	-	-	(27,711)	-	(27,711)
Profit (Loss) for the year from continuing operations	**139,032**	**(5,712)**	**(33,266)**	**-**	**100,054**
Profit (Loss) attributable to non-controlling interests	(600)	-	-	-	(600)
Profit (Loss) attributable to the Parent	**138,432**	**(5,712)**	**(33,266)**	**-**	**99,454**
Depreciation and amortisation charge (Notes 7 and 8)	29,616	9,240	375	-	39,231
ASSETS	**2,106,711**	**97,231**	**464,917**	**-**	**2,668,859**
LIABILITIES	**1,599,997**	**20,075**	**341,187**	**-**	**1,961,259**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	48,645	7,051	3,000	-	58,696
OTHER ITEMS NOT AFFECTING CASH FLOWS:					
Asset impairment – Income (Expense) (Notes 7, 8 and 9)	1,181	(37)	(2,426)	-	(1,282)

(*) The borrowing costs relating to specific-purpose borrowings and asset impairment are included in the segment involved. The remaining financial profit or loss and the income tax expense are included in the "General" column since they relate to various legal entities and there is no reasonable basis for allocating them to the segments.

Assets and liabilities for general use and the results generated by them, of which the cash and other current financial asset items are noteworthy, were not allocated to the other segments. Similarly, the reconciling items arising from the comparison of the result of integrating the financial statements of the various business segments (prepared using management criteria) with the CAF Group's consolidated financial statements were not allocated.

The external sales figure of the railway segment in 2013 includes sales of goods amounting to EUR 1,110,145 thousand (2012: EUR 1,372,814 thousand).

The information based on geographical location is as follows:

a) The breakdown of sales by geographical area at 31 December 2013 and 2012 is as follows (thousands of euros):

Geographical area	2013	%	2012	%
Spain	269,596	17.56	305,332	17.74
Rest of the world	1,265,644	82.44	1,415,854	82.26
Total	**1,535,240**	**100.00**	**1,721,186**	**100.00**

b) The distribution of net investments in property, plant and equipment by geographical area at 31 December 2013 and 2012 is as follows (in thousands of euros):

Geographical area	2013	2012
Spain	218,230	226,411
Rest of the world	68,363	73,691
Total	**286,593**	**300,102**

7. OTHER INTANGIBLE ASSETS

The changes in the years ended 31 December 2013 and 2012 in "Other Intangible Assets" and in the related accumulated amortisation were as follows:

	Thousands of euros			
	Development expenditure	**Computer software and other**	**Goodwill**	**Total**
Cost at 31/12/11				
Net balance	**65,524**	**13,967**	**232**	**79,723**
Cost				
Translation differences	(1)	(37)	-	(38)
Additions or charge for the year	21,610	984	-	22,594
Transfers	348	(353)	-	(5)
Transfers to inventories	(2,979)	-	-	(2,979)
Disposals or reductions	(10,455)	(21)	(217)	(10,693)
Cost at 31/12/12	**74,047**	**14,540**	**15**	**88,602**
Translation differences	1	(75)	-	(74)
Additions or charge for the year	20,013	1,258	-	21,271
Transfers	(242)	293	-	51
Transfers to inventories (Note 11)	(657)	-	-	(657)
Disposals or reductions	-	(21)	-	(21)
Cost at 31/12/13	**93,162**	**15,995**	**15**	**109,172**
Accumulated amortisation				
Translation differences	1	14	-	15
Additions or charge for the year	(7,203)	(909)	-	(8,112)
Disposals or reductions	1,770	16		1,786
Accumulated amortisation at 31/12/12	**(34,579)**	**(11,691)**	**-**	**(46,270)**
Translation differences	-	33	-	33
Additions or charge for the year	(9,886)	(1,094)		(10,980)
Transfers	243	(117)	-	126
Disposals or reductions	-	7	-	7
Accumulated amortisation at 31/12/13	**(44,222)**	**(12,862)**	**-**	**(57,084)**
Impairment				
Impairment at 31/12/11	**(8,965)**	**-**	**-**	**(8,965)**
Amounts used	8,684	-	-	8,684
Impairment at 31/12/12	**(281)**	**-**	**-**	**(281)**
Recognised in 2013	(16,620)	-	-	(16,620)
Impairment at 31/12/13	**(16,901)**	**-**	**-**	**(16,901)**
Net balance at 31/12/12	**39,187**	**2,849**	**15**	**42,051**
Net balance at 31/12/13	**32,039**	**3,133**	**15**	**35,187**

The additions in 2013 and 2012 recognised under "Development Expenditure" correspond to the costs incurred in new product projects and other projects, including most notably the new high-speed train and the development, in conjunction with a partner, of an electric bus.

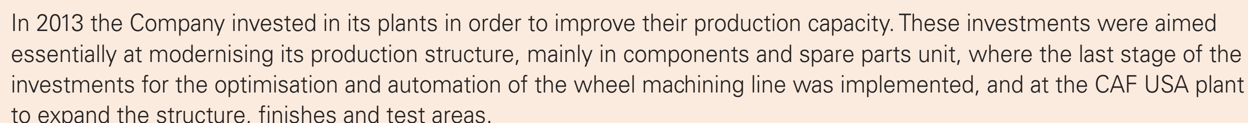
In 2013 an impairment loss of EUR 16,620 thousand was recognised with a charge to “Impairment and Gains or Losses on Disposals of Non-Current Assets” in relation to the various projects in the development stage about which the directors considered there were reasonable doubts as to their future economic and financial profitability. In 2012 no impairment losses were recognised and the Group derecognised development expenditure of EUR 10,455 thousand, accumulated amortisation of EUR 1,770 thousand and a provision of EUR 8,684 thousand, which were fully amortised.

As discussed in Note 3-a, in 2013 the Group transferred approximately EUR 657 thousand of capitalised development expenditure for projects to various contracts it had won that incorporated the technology developed (2012: EUR 2,979 thousand).

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2013 and 2012 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

	Thousands of euros					
	Land and buildings	**Plant and machinery**	**Other fixtures, tools and furniture**	**Other items of property, plant and equipment**	**Advances and property, plant and equipment in the course of construction**	**Total**
Balance at 31/12/11	**242,475**	**257,386**	**19,554**	**26,014**	**7,398**	**552,827**
Cost						
Additions	9,022	17,506	1,974	1,102	6,498	36,102
Transfers	2,786	6,592	(103)	3	(9,266)	12
Disposals or reductions	(421)	(2,176)	(172)	(1,979)	(3)	(4,751)
Translation differences	(3,405)	(2,881)	(211)	(70)	(142)	(6,709)
Other transfers	-	-	-	11,444	-	11,444
Balance at 31/12/12	**250,457**	**276,427**	**21,042**	**36,514**	**4,485**	**588,925**
Additions	10,198	11,837	1,019	2,099	4,485	29,638
Transfers	5,806	3,001	(538)	29	(8,425)	(127)
Disposals or reductions	(275)	(7,417)	(199)	(3,578)	-	(11,469)
Translation differences	(6,469)	(4,575)	(320)	(157)	(215)	(11,736)
Balance at 31/12/13	**259,717**	**279,273**	**21,004**	**34,907**	**330**	**595,231**
Accumulated amortisation						
Additions or charge for the year	(6,398)	(21,667)	(1,342)	(2,189)	-	(31,596)
Transfers	(136)	4	3	(8)	-	(137)
Disposals or reductions	317	2,100	80	1,959	-	4,456
Translation differences	395	649	80	46	-	1,170
Accumulated amortisation at 31/12/12	**(79,555)**	**(172,137)**	**(11,530)**	**(19,890)**	**-**	**(283,112)**
Additions or charge for the year	(5,950)	(22,536)	(1,556)	(2,583)	-	(32,625)
Transfers	119	(200)	409	13	-	341
Disposals or reductions	56	7,395	108	3,587	-	11,146
Translation differences	868	1,523	103	121	-	2,615
Accumulated amortisation at 31/12/13	**(84,462)**	**(185,955)**	**(12,466)**	**(18,752)**	**-**	**(301,635)**
Impairment						
Impairment at 31/12/11	**(7,283)**	**-**	**-**	**-**	**-**	**(7,283)**
Recognised in 2012	1,572	-	-	-	-	1,572
Impairment at 31/12/12	**(5,711)**	**-**	**-**	**-**	**-**	**(5,711)**
Recognised in 2013	585	(1,329)	-	(13)	-	(757)
Reclassification	(535)	-	-	-	-	(535)
Impairment at 31/12/13	**(5,661)**	**(1,329)**	**-**	**(13)**	**-**	**(7,003)**
Net balance at 31/12/12	**165,191**	**104,290**	**9,512**	**16,624**	**4,485**	**300,102**
Net balance at 31/12/13	**169,594**	**91,989**	**8,538**	**16,142**	**330**	**286,593**



In 2013 the Company invested in its plants in order to improve their production capacity. These investments were aimed essentially at modernising its production structure, mainly in components and spare parts unit, where the last stage of the investments for the optimisation and automation of the wheel machining line was implemented, and at the CAF USA plant to expand the structure, finishes and test areas.

At 2012 year-end the Group capitalised an amount net of provisions of approximately EUR 11,444 thousand in relation to the locomotives manufactured for a customer with which the contract was finally cancelled (see Notes 12 and 20). At 31 December 2013, the carrying amount of the locomotives was EUR 10,871 thousand. The directors of the Parent consider, on the basis of their analysis of the estimated future cash flows of the lease payments estimated by them, that there is no impairment.

At 31 December 2013 and 2012, the Group had firm capital expenditure commitments amounting to approximately EUR 3,150 thousand and EUR 17,238 thousand, respectively, mainly in Spain.

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2013 and 2012, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2013 and 2012, the gross cost of fully depreciated assets in use amounted to approximately EUR 168,844 thousand and EUR 153,581 thousand, respectively.

The losses incurred on property, plant and equipment disposals in 2013 amounted to approximately EUR 73 thousand and were recognised under “Impairment and Gains or Losses on Disposals of Non-Current Assets” in the accompanying consolidated income statement (the related loss in 2012 amounted to EUR 171 thousand).

As a result of the analysis of value in use conducted by the Group on various items of property, plant and equipment (supported by studies of selling prices for land, buildings and certain items of machinery performed by an independent valuer) in 2013, EUR 757 thousand were recognised with a charge to “Impairment and Gains or Losses on Disposals of Non-Current Assets” in the consolidated income statement (a reversal of EUR 1,572 thousand in 2012, with a charge to the same item).

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 31 December 2013, the net amount of the grants received not yet allocated to profit or loss totalled EUR 4,165 thousand (31 December 2012: EUR 5,428 thousand). EUR 1,379 thousand were allocated to income in this connection in 2013 (2012: EUR 1,494 thousand), and this amount was recognised under “Depreciation and Amortisation Charge” in the accompanying consolidated income statement.

The directors consider that there were no indications of impairment of the Group’s assets at 31 December 2013 other than those described in this Note.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND NON-CURRENT FINANCIAL ASSETS

The changes in the years ended 31 December 2013 and 2012 in "Investments Accounted for Using the Equity Method" and "Non-Current Financial Assets" were as follows:

	Thousands of euros								
	Investments in associates	Equity instruments		Other financial assets		Derivative financial instruments (Note 17)	Loans and receivables		Total
	Cost	Cost	Allowance	Cost	Allowance	Market value	Cost	Allowance	
Balance at 31/12/11	**11,558**	**23,119**	**(440)**	**1,795**	**-**	**21,839**	**408,066**	**(33,957)**	**431,980**
Changes in the scope of consolidation (Note 2-f)	2,265	-	-	-	-	-	-	-	2,265
Translation differences	-	-	-	(820)	-	(28)	(50,731)	2,270	(49,309)
Additions or charge for the year	17	198	(763)	23,641	-	-	512,234	2,999	538,326
Disposals or reductions	-	(199)	-	(266)	-	-	(38,244)	-	(38,709)
Transfers and write-offs	-	-	-	(555)	-	(17,314)	(97,846)	5,830	(109,885)
Hedges (Note 17)	(673)	-	-	-	-	-	-	-	(673)
Balance at 31/12/12	**13,167**	**23,118**	**(1,203)**	**23,795**	**-**	**4,497**	**733,479**	**(22,858)**	**773,995**
Changes in the scope of consolidation	633	-	-	-	-	-	-	-	633
Translation differences	(3)	-	-	(3,365)	-	(176)	(81,734)	4,744	(80,534)
Additions or charge for the year	(392)	687	(22)	1,492	-	5,074	187,328	(9,389)	184,778
Disposals or reductions	-	-	-	(1,619)	-	-	(751)	-	(2,370)
Transfers and write-offs (Notes 3-d and 3-u)	-	200	-	(2,170)	-	(202)	(207,479)	(51)	(209,702)
Available-for-sale financial assets	-	3,838	-	-	-	-	-	-	3,838
Hedges (Note 17)	1,497	-	-	-	-	-	-	-	1,497
Saldo al 31/12/13	**14,902**	**27,843**	**(1,225)**	**18,133**	**-**	**9,193**	**630,843**	**(27,554)**	**672,135**

A detail of the Group's non-current financial assets at 31 December 2013 and 31 December 2012, by nature and category, for valuation purposes, is as follows:

	Thousands of euros				
	31/12/13				
Financial assets: Nature/category	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Hedging derivatives**	**Total**
Equity instruments	26,618	-	-	-	26,618
Hedging derivatives (Note 17)	-	-	-	9,193	9,193
Other financial assets	-	603,289	18,133	-	621,422
Long-term/non-current	**26,618**	**603,289**	**18,133**	**9,193**	**657,233**

	Thousands of euros				
	31/12/12				
Financial assets: Nature/category	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Hedging derivatives**	**Total**
Equity instruments	21,915	-	-	-	21,915
Hedging derivatives (Note 17)	-	-	-	4,497	4,497
Other financial assets	-	710,621	23,795	-	734,416
Long-term/non-current	**21,915**	**710,621**	**23,795**	**4,497**	**760,828**

The detail, by maturity, of "Non-Current Financial Assets" is as follows (in thousands of euros):

2013

	2015	**2016**	**2017**	**2018 and subsequent years**	**Total**
Loans and receivables	137,496	117,128	119,480	229,185	603,289
Held-to-maturity investments	1,263	111	65	16,694	18,133
Hedging derivatives	3,325	401	1,132	4,335	9,193
Total	**142,084**	**117,640**	**120,677**	**250,214**	**630,615**

2012

	2014	**2015**	**2016**	**2017 and subsequent years**	**Total**
Loans and receivables	200,296	136,152	130,286	243,887	710,621
Held-to-maturity investments	1,691	17	65	22,022	23,795
Hedging derivatives	2,844	1,513	128	12	4,497
Total	**204,831**	**137,682**	**130,479**	**265,921**	**738,913**

a) Investments in associates

Relevant information on the investments in associates accounted for using the equity method is as follows (in thousands of euros):

Name	Location	Line of business	Ownership interest		Investments in associates	Basic financial data (1)			Revenue	Assets
			Direct	Indirect		Share capital	Reserves, share premium and accumulated profits (losses) (Note 17)	2013 Loss		
Compañía de Vagones del Sur, S.A.(8)	Jaén (Spain)	Manufacturing	-	35%(2)	-	-	-	-	-	-
Asirys Vision Technologies, S.A.(8)	Guipúzcoa (Spain)	Automated production	-	22.33%(3)	41	154	5	-	-	166
Plan Metro, S.A.(8) (9)	Madrid (Spain)	Lease services	-	40%(4)	-	60	3,683	(12,962)	31,752	436,189
Consorcio Traza, S.A.(8)	Zaragoza (Spain)	Holding company	25%(5)	-	14.744	575	59,714	(1,312)	22,913	317,392
Ferrocarriles Suburbanos, S.A. de C.V.(7)	Mexico City	Transport services	28.05%	15.30%(4)	-	106,865	(25,657)	(21,796)	34,023	314,149
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.(8)	Zhejiang (China)	Electronic and power equipment	-	30%(6)	117	695	(95)	(211)	-	465
					14,902					

(1) After adjustments and unification for consolidation purposes (in thousands of euros).
(2) Through CAF Santana, S.A., investee also 83.73% owned. In liquidation.
(3) Through CAF I+D, S.L.
(4) Through Inversiones en Concesiones Ferroviarias, S.A.
(5) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.
(6) Through CAF Power & Automation, S.L.U.
(7) Audited by Deloitte.
(8) Unaudited.
(9) This company's shares are pledged to certain banks

	Thousands of euros	
	2013	**2012**
Beginning balance	**13,167**	**11,558**
Company profit (loss)	(392)	17
Translation differences	(3)	-
Gains and losses on hedges (Note 17)	1,497	(673)
Changes in the scope of consolidation	633	2,265
Ending balance	**14,902**	**13,167**

In 2013 a capital increase was carried out at Consorcio Traza, S.A. and subscribed by the Group, which paid EUR 633 thousand (2012: EUR 2,056 thousand), maintaining its previous percentage of ownership. Zhejiang Sunking Trainelec Traintic Electric Co, Ltd. was incorporated in 2012 with a disbursement of EUR 209 thousand. No contingencies were assumed as a consequence of these associates. The balances and transactions with these companies are detailed in Note 10.

In consolidating the ownership interests, the Group has eliminated the sales margins on railway material in proportion to its ownership interest. Since the CAF Group has not incurred any legal or explicit obligations or made payments on behalf of the associates and the related ownership interests are valued at zero, it is not necessary to consolidate the additional losses incurred by those associates.

b) Non-current investment securities

Name	% of ownership	Cost of the investment (Thousands of euros)	
		2013	2012
Alquiler de Trenes AIE	5	1,202	1,202
Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A (Nota 3.d)	10.31	17,058	13,220
Ferromovil 3000, S.L.	10	3,181	3,181
Alquiler de Metros AIE	5	66	66
Plan Azul 07, S.L.	5,2	1,381	1,381
Arrendadora de Equipamientos Ferroviarios, S.A.	15	1,908	1,908
Iniciativa FIK, AIE	12.49	1,102	744
FIK Advanlife, S.L.	10.29	1	1
Albali Señalización, S.A.	3	398	165
Other		321	47
Total		**26,618**	**21,915**

At 31 December 2013 and 2012, these assets had been pledged to secure a financing agreement entered into by Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A. and a bank on 16 February 2004.

In 2013 the ownership interest held in Metro de Sevilla was recognised at fair value, which was determined on the basis of comparable transactions for an amount of EUR 17,058 thousand (see Note 3-d). The increase in value of this ownership interest was recognised with credits of EUR 3,704 thousand to "Equity - Valuation Adjustments - Available-for-sale financial assets" and EUR 134 thousand to "Deferred Tax Liabilities" in the consolidated balance sheet at 31 December 2013 (Note 3-d).

The other transactions were measured at acquisition cost, as their fair value could not be determined reliably, although there is no indication of impairment on these ownership interests (see Note 3-d).

In 2008 the Group subscribed shares representing 6.25% and 6% of the share capital of Iniciativa FIK, A.I.E. and FIK Advanlife S.L., respectively, whose company object is the research, development and use of scientific and technological knowledge. The par value of the subscribed shares amounted to EUR 3,125 thousand and EUR 313 thousand, respectively. In 2012 following amendments to shareholders agreements that did not give rise to additional payments for the Group, a new payment schedule was approved and the Company's ownership interest in Iniciativa FIK, A.I.E. rose from 6.25% to 12.5%. At 31 December 2013, the outstanding payments for these shares amounted to EUR 1,178 thousand, EUR 798 thousand at long term and EUR 380 thousand at short term, payable in six-monthly payments of EUR 190 thousand each. Also, in 2013 the Group recognised an impairment loss of EUR 22 thousand, to reflect the impairment loss on these investments, with a charge to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated income statement.

c) Other financial assets

At 31 December 2013, the Group had recognised an amount of EUR 15,711 thousand under "Non-Current Financial Assets - Other Financial Assets" in relation to guarantees connected with the increase in the financial debt of the subsidiary Ctrens Companhia Manutençao (see Note 16). This guarantee, which bears interest at market rates and relates to the six monthly repayments of the loan, will be discharged in the last six loan repayments from November 2025 to April 2026.

d) Derivative financial instruments

"Derivative Financial Instruments" includes the fair value of the foreign currency hedges expiring at long term (see Note 17).

e) Loans and receivables

The detail of non-current loans and receivables is as follows (thousands of euros):

	31/12/13	31/12/12
Loans to employees	5,149	4,752
Share ownership scheme obligations	1,226	7,293
Non-current tax receivables and payables (Note 19)	52,824	60,657
Provisions for tax payables (Note 19)	(26,756)	(19,884)
Non-current trade receivables	554,214	643,325
Allowance for non-current trade receivables	(799)	(2,974)
Loans to associates (Note 10)	16,067	16,067
Loans to third parties	1,364	1,385
Total	**603,289**	**710,621**

Loans to employees

In accordance with the agreements entered into with employees, the Parent grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Group does not discount these amounts since it considers that this effect is scantly material.

Share ownership scheme (Cartera Social)

The share ownership scheme was set up in 1994 to promote permanent employees' ownership of CAF's share capital through the creation of Cartera Social S.A. This company is the owner of CAF, S.A.'s shares and eight employees or former employees of the Parent act as trustees thereat. Since that date, Cartera Social, S.A. has sold the rights on the shares it owns in CAF, S.A. to the Parent.

"Non-Current Financial Assets – Loans and Receivables" and "Other Current Financial Assets" in the accompanying consolidated balance sheet include the investment in the aforementioned rights which belong to the share ownership scheme acquired from Cartera Social, S.A. The sole purpose of acquiring these rights was to resell them after several years to the Parent's employees.

This scheme was implemented basically in three phases. The first began in 1994 with the acquisition by the Parent of 632,000 rights on CAF, S.A. shares owned by Cartera Social, S.A. for EUR 26.9 million. The second involved the acquisition of 210,150 rights in 2005 for EUR 14.3 million. At the end of 2007 the third phase was agreed upon with the acquisition of 171,747 additional rights at an acquisition cost for CAF, S.A. of EUR 50.7 million.

Since the Parent purchased the aforementioned rights at a higher price than the sum of the price at which it sold them to its employees and the contributions made to the scheme by Cartera Social, S.A., the Parent incurred losses of EUR 49,587

thousand on the purchases of the aforementioned rights, which were recognised in full in previous years, including the applicable adjustments.

As a result of the foregoing, at 31 December 2013, the Parent had recognised a gross amount of EUR 1,226 thousand (31 December 2012: EUR 7,293 thousand) in relation to these rights under "Non-Current Financial Assets – Loans and Receivables" in the accompanying consolidated balance sheet at 31 December 2013.

In order to reduce the cost of the rights acquired to their net recoverable amount, at 31 December 2013, the Group recognised an impairment loss of EUR 887 thousand relating to the impairment of current financial assets (31 December 2012: EUR 7,481). At 31 December 2013, the portion of this asset expected to be sold within one year and the related impairment loss were recognised under "Other Current Financial Assets" in the consolidated balance sheet at that date (see Note 13). In 2013 rights with a cost and impairment loss amounting to approximately EUR 10,355 thousand and EUR 5,557 thousand, respectively, were sold (2012: EUR 13,014 thousand and EUR 7,757 thousand, respectively).

In 2013 the Group reversed EUR 1,036 thousand of the impairment loss with a credit to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated income statement (2012: EUR 1,137 thousand).

With regard to this obligation, Cartera Social, S.A. is the sole owner of the shares of CAF, S.A. and, consequently, is entitled to exercise all the related dividend and voting rights corresponding to it as shareholder of the Parent. Accordingly, CAF, S.A. does not have any rights, obligations or risks with respect to the economic profit or loss that might arise at Cartera Social, S.A. The Parent is only obliged to sell at a fixed price and the employees are obliged to acquire the aforementioned rights in 84 similar monthly instalments from the date on which each phase of the scheme is implemented. The aforementioned shares are owned by Cartera Social, S.A. until the employee exercises his/her right, which cannot occur prior to termination of the employment relationship of each employee with CAF, S.A. During this period, Cartera Social, S.A. finances ownership of these shares essentially with the amount paid by CAF, S.A. to purchase the aforementioned rights.

At 31 December 2013, Cartera Social, S.A. owned 996,617 shares of CAF, S.A., equal to 29,07% of its share capital (see Note 14). At 31 December 2012, it owned 1,013,897 shares, equal to 29.56% of its share capital.

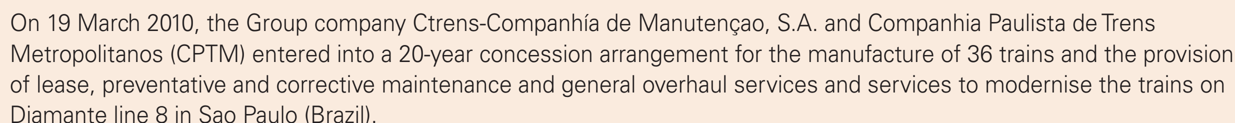
Non-current tax receivables

At 31 December 2013, the Group recognised EUR 52,824 thousand under "Non-Current Financial Assets – Loans and Receivables" in connection with the VAT refundable by foreign tax authorities (31 December 2012: EUR 60,657 thousand). In 2013 a provision of EUR 11,615 thousand was recognised (2012: EUR 2,426 thousand) with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement based on the estimates made by the directors regarding the recovery of this tax.

Non-current trade receivables

Non-current trade receivables include EUR 21,429 thousand relating to accounts receivable from non-Group third parties with financial difficulties that are not expected to be collected at short term (2012: EUR 43,360 thousand), relating basically to public authorities, as a result of which the related amounts were reclassified to long term. The Group estimates that this amount will be collected in a period of over twelve months, and recognised an allowance of EUR 799 thousand at long term (2012: EUR 2,974 thousand at long term and EUR 52 thousand at short term). In 2013 the Company collected a portion of the receivables which were estimated to be collected at long term. The difference between the amounts of the allowances at each year-end was recognised under "Finance Income" in the accompanying consolidated income statement for 2013 (see Notes 3-d and 12).

The transaction (see Note 3-n) also implicitly includes an account receivable amounting to EUR 8,813 thousand (EUR 985 thousand at short term) relating to a finance lease of moving stock for a total amount receivable of EUR 10,570 thousand, under which the Group will receive constant monthly lease payments over a period of 120 months. In 2013 EUR 1,375 thousand were received and an amount of EUR 754 thousand, from the interest rate implicit in the transaction, was credited to "Finance Income" in the accompanying consolidated income statement (see Note 3-n).



On 19 March 2010, the Group company Ctrens-Companhía de Manutençao, S.A. and Companhia Paulista de Trens Metropolitanos (CPTM) entered into a 20-year concession arrangement for the manufacture of 36 trains and the provision of lease, preventative and corrective maintenance and general overhaul services and services to modernise the trains on Diamante line 8 in Sao Paulo (Brazil).

The main features of this arrangement, in addition to those indicated above, are as follows:

– The payments are guaranteed by CPTM. The concession operator must meet certain minimum capital requirements, in both absolute terms and in terms of a percentage of assets.

– The concession operator must secure with a bank guarantee of BRL 100,713 thousand (approximately EUR 42 million) the proper performance of its obligations to CPTM (see Note 25-a).

– All the assets associated with the concession, except for the capital goods, acquired, produced or implemented by the concession operator to provide the services under the concession arrangement must be returned to CPTM at the end of the concession term for no consideration.

On 31 May 2010, the Group company Provetren, S.A. de C.V. and Sistema de Transporte Colectivo (STC) entered into a 15-year concession arrangement for the construction of 30 trains and for the provision of lease and integral and general overhaul services for Line 12 of the Mexico City underground.

The main features of this arrangement, in addition to those indicated above, are as follows:

– The consideration payable by STC is secondarily guaranteed by a system of trusts with funds from the "Remanentes de las Participaciones Federales" (Federal Participation Surpluses).

– The concession operator must secure the correct performance of its obligations to STC with a bank guarantee of 10% of the payments expected to be received by it in the current year (see Note 25-a).

– All the assets associated with the concession, except for the capital goods, acquired, produced or implemented by the concession operator to provide the services under the concession arrangement must be returned to STC at the end of the concession term for no consideration.

These concessions are accounted for in accordance with IFRIC 12, Service Concession Arrangements, since the related requirements are met, and, pursuant to IFRIC 12, the various services provided (construction, operation/maintenance and financing) were separated.

Consequently, at 31 December 2013 the Group recognised balances of EUR 523,972 thousand under "Non-Current Assets - Loans and Receivables" (31 December 2012: EUR 590,352) and EUR 122,902 thousand under "Current Assets - Other Receivables" (31 December 2012: EUR 134,713 thousand) relating to construction activities and services performed to date, net of billings made. The investment relating to construction activities in 2013 amounted to EUR 21,978 thousand (2012: EUR 399,579 thousand).

The lease and maintenance services started to be provided basically in the first half of 2011 in the case of the Line 8 (Brazil) concession and in the second half of 2012 in the case of the Line 12 (Mexico) concession.

In the case of both contracts the future cash flows from the lease payments are determined and guaranteed in full from the date the contracts are signed. The only potentially variable amount in the payments relates solely to any possible penalties relating to the technical performance of the railway material made available to the customers, with no significant variances in 2013 and 2012. This matter was taken into consideration 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.

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The detail of the transactions performed with associates and other related parties that were not eliminated on consolidation (see Note 2-f) is as follows:

	Thousands of euros					
	2013			2012		
Company	Services provided or sales recognised	Services received or purchases recognised	Finance income	Services provided or sales recognised	Services received or purchases recognised	Finance income
Plan Metro, S.A.	4,868	-	-	85,547	-	890
Consorcio Traza, S.A.(*)	2,235	-	-	21,874	-	-
Ferrocarriles Suburbanos, S.A. de C.V.	12,234	38	-	11,200	8	-
	19,337	**38**	**-**	**118,621**	**8**	**890**

(*) Including transactions with the investee S.E.M. Los Tranvías de Zaragoza, S.A.

The margins earned on transactions performed with associates were duly eliminated on consolidation in proportion to the percentage of ownership therein (see Note 9-a).

As a result of the transactions performed in 2013, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2013 and 2012 were as follows (see Note 2-f):

	Thousands of euros							
	31/12/13				31/12/12			
Company	Accounts receivable	Accounts payabler	Net advances based on stage of completion	Long-term loans (Note 9.e)	Accounts receivable	Accounts payabler	Net advances based on stage of completion	Long-term loans (Note 9.e)
Plan Metro, S.A. (Nota 9-e)	2,726	-	(8,096)	16,067	4,378	-	(8,417)	16,067
Public-private partnership Los Tranvías de Zaragoza, S.A.	9,746	-	-	-	9,846	-	(1,982)	-
Compañía de Vagones del Sur, S.A.	-	-	-	-	-	-	-	-
Ferrocarriles Suburbanos, S.A. de C.V.	5	4	-	-	8,042	7	-	-
	12,477	**4**	**(8,096)**	**16,067**	**22,266**	**7**	**(10,399)**	**16,067**

In 2011 the subsidiary Inversiones en Concesiones Ferroviarias, S.A. granted a loan of EUR 15,104 thousand to Plan Metro, S.A. to enable it to temporarily meet certain financial obligations incurred due to the change in the end client's payment profile. This loan does not form part of the net investment, since it has, in any case, a maturity date and collection is sufficiently guaranteed. Due to certain delays in payment by the customer, this associate negotiated with the banks in 2013 in order to adapt the financial model to the new circumstances, and it is considered that the resulting scenario will enable the amounts advanced by the CAF Group to be recovered.

"Trade and Other Receivables - Other Accounts Receivable" in the consolidated balance sheet at 31 December 2013 includes an account receivable from Cartera Social, S.A. amounting to EUR 24,500 thousand (31 December 2012: EUR 21,776 thousand) (see Notes 9 and 14-a). This credit line, which has been drawn down in full, bears interest tied to Euribor under the agreement entered into on 24 December 2013, with an amount of EUR 771 thousand credited to "Finance Income" in the accompanying consolidated income statement (2012: EUR 681 thousand). This account receivable is secured by the assets of Cartera Social.

The changes in this account receivable are related to the financing needs of Cartera Social, S.A. to fulfil the payment obligations with Group employees under the share ownership scheme (see Note 9-e).

11. INVENTORIES AND CONSTRUCTION CONTRACTS

The detail of inventories at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/13	**31/12/12**
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 21)	129,605	233,057
Advances to suppliers	30,252	17,770
	159,857	**250,827**

At 31 December 2013, the Group had firm raw materials purchase commitments amounting to approximately EUR 453,427 thousand (see Note 26) (31 December 2012: EUR 559,898 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2013 and 2012, the insurance policies taken out covered the carrying amount of the inventories at those dates.

As described in Note 3-e, the Group capitalises the borrowing costs incurred in the year related to inventories that have a production cycle of more than one year. The amount capitalised in this connection prior to the allocation to income of sales in 2013 was EUR 1,756 thousand (2012: EUR 880 thousand).

Construction contracts

The detail of the cumulative amount of costs incurred and of profits recognised (less the related losses recognised) and the amount of advances received at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/13	**31/12/12**
Deferred billings (asset) (Notes 3-g and 12)	672,451	334,380
Prebillings (liability) (Note 3-g)	(156,421)	(259,616)
Net	**516,030**	**74,764**
Costs incurred plus profits and losses recognised based on stage of completion	1,525,742	1,851,543
Billings made excluding advances	(853,291)	(1,517,163)
Advances received	(156,421)	(259,616)
Net	**516,030**	**74,764**

12. TRADE AND OTHER RECEIVABLES

The detail of "Trade and Other Receivables" at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/13	**31/12/12**
Trade receivables - in euros	710,296	476,450
Trade receivables - in foreign currency (Note 3-h)	333,512	286,644
Write-downs (Note 3-d)	(3,232)	(1,782)
	1,040,576	**761,312**

These balances receivable arose mainly as a result of the recognition of the stage of completion, as described in Note 3-f. A portion of these balances, approximately 35% in 2013 (2012: 56%), has been billed to customers. The remaining balance receivable relates to "Amounts to Be Billed for Work Performed" (see Note 11), the main balance of which amounting to EUR 136,583 thousand (2012: EUR 4,237 thousand) relates to an agreement with Metro de Caracas, and whose collection is secured by an insurance policy and a provision (see Note 20). The main balances are in euros.

At 31 December 2013, 41% of the billed balances receivable related to the top five customers (31 December 2012: 51%). "Trade Receivables" includes retentions at 31 December 2013 amounting to EUR 6,808 thousand (31 December 2012: EUR 10,485 thousand).

The past-due balances recognised under "Trade and Other Receivables" at 31 December 2013 and 2012 included in the non-current accounts receivable (see Note 9-e) is as follows:

	Thousands of euros	
	31/12/13	**31/12/12**
Past due > 90 days	31,234	28,144
Past due > 180 days (*)	115,066	76,659
	146,300	**104,803**

(*) This item includes retentions made by customers on invoices

On the basis of a case-by-case analysis of past-due balances, the CAF Group considered that at 31 December 2013, EUR 3,232 thousand (31 December 2012: EUR 1,782 thousand) posed a collection risk and recognised the corresponding write-downs. In 2013, in addition to the effect of discounting described in Note 9, net write-downs of approximately EUR 1,586 thousand were recognised for the accounts receivable (2012: approximately EUR 195 thousand) under "Other Operating Expenses" in the accompanying consolidated income statements.

13. OTHER CURRENT FINANCIAL ASSETS

The detail of "Other Current Financial Assets" at 31 December 2013 and 2012 is as follows:

2013

	Thousands of euros				
Financial assets: Nature/category	**Loans and receivables (Note 9-e)**	**Held-to-maturity investments**	**Held-for-trading financial assets (Note 3-d)**	**Hedging derivatives (Note 17)**	**Total**
Financial derivatives	-	-	-	34,401	34,401
Other financial assets	6,194	4,749	52,359	-	63,302
Short-term/current	**6,194**	**4,749**	**52,359**	**34,401**	**97,703**

2012

	Thousands of euros			
Financial assets: Nature/category	**Loans and receivables (Note 9-e)**	**Held-to-maturity investments**	**Hedging derivatives (Note 17)**	**Total**
Financial derivatives	-	-	16,507	16,507
Other financial assets	3,624	108,894	-	112,518
Short-term/current	**3,624**	**108,894**	**16,507**	**129,025**

The Group’s policy is to invest cash surpluses in government debt securities, repos, short-term deposits, term deposits, promissory notes or fixed-income investment funds. These are short-term investments, the results of which are recognised with a credit to “Finance Income” in the accompanying consolidated income statement. In 2013 the Group recognised income in this connection amounting to EUR 7,532 thousand (2012: EUR 9,769 thousand).

14. EQUITY

a) Share capital of the Parent

At 31 December 2013 and 2012, the Parent's share capital consisted of 3,428,075 fully subscribed and paid shares of EUR 3.01 par value each, traded by the book-entry system, all of which are listed on the stock exchange.

The shareholder companies or entities holding over 3% of the Parent's share capital at 31 December 2013 and 2012 were as follows:

	Percentage of ownership in 2013	Percentage of ownership in 2012
Cartera Social, S.A. (Nota 9) (*)	29.07	29.56
Kutxabank, S.A. (Nota 23.b)	19.06	19.06
Caixabank, S.A. (**)	3.01	3.01
Norges Bank	3.34	-
Templeton Investment Counsel, LLC.	3.03	-
BNP Paribas Securities Services	-	5.47

(*) The shareholders of this company are employees of the Parent (see Note 8).
(**) In January 2014 Caixabank sold the shares it held, as part of its new policy of divestment of its industrial holdings.

On 8 June 2013, at the Annual General Meeting of the Parent, the Board of Directors was empowered to increase the share capital on one or more occasions, through the issuance of new shares with a charge to monetary contributions, over a period of five years and up to half of the amount of the share capital. At the date of preparation of these consolidated financial statements, no capital increase had been performed since that resolution.

At the Annual General Meeting of the Parent held on 5 June 2010, the Board of Directors was empowered to acquire treasury shares within five years from that date. At the date of preparation of these consolidated financial statements, no treasury shares had been acquired since that resolution.

b) Share premium

The share premium account balance has no specific restrictions on its use.

c) Revaluation reserve

The amount held in this reserve in 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/13	**31/12/12**
Revaluation of property, plant and equipment:		
Land (IFRS 1)	30,418	30,418
Revaluation reserve Law 9/1983	7,954	7,954
Revaluation reserve Guipúzcoa Decree 13/1991	11,379	11,379
Revaluation reserve Guipúzcoa Regulation 11/1996	8,701	8,701
	58,452	**58,452**

Revaluation reserve Law 9/1983 and Guipúzcoa Decree 13/1991

Pursuant to current legislation, the balances of these accounts are unrestricted as to their use.

Revaluation reserve Guipúzcoa Regulation 11/1996

This balance can be used to offset accounting losses and to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance were used in a manner other than that provided for in Guipúzcoa Regulation 11/1996, it would be subject to tax.

d) Legal reserve

Under the Consolidated Spanish Public Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2013 and 2012 the balance of this reserve had reached the legally required minimum.

e) Restricted reserves

The separate financial statements of the consolidated companies include reserves amounting to approximately EUR 45,338 thousand and EUR 18,493 thousand at 31 December 2013 and 2012, respectively, relating to the legal reserve, revaluation reserve, reserve for retired capital and other reserves which are restricted as to their use. Also, certain companies have reserves that are restricted as a result of financing agreements (see Note 16).

Until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Accordingly, at 2013 year-end EUR 32,039 thousand of the reserves were restricted as to their use (2012 year-end: EUR 36,814 thousand).

f) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	31/12/13	31/12/12
CAF México, S.A. de C.V.	(688)	(128)
CAF Brasil Ind. e C., S.A.	(18,381)	(3,363)
CAF Argentina, S.A.	(1,049)	(348)
CAF USA, Inc.	(23)	(267)
CAF Rail UK, Ltda.	(70)	(47)
CAF Chile, S.A.	(28)	187
Sefemex, S.A. de C.V.	(56)	(37)
Constructora Mex. del Fer. Sub, S.A. de C.V.	(563)	(400)
Corporación Trainemex, S.A. de C.V.	(17)	3
CAF Turquía, L.S.	(761)	(322)
CAF Argelia, E.U.R.L.	(144)	(117)
CAF India Private Limited	(1,697)	(44)
Ctrens Companhia de Manutençao, S.A.	(49,785)	(24,400)
Trenes CAF Venezuela, C.A.	(171)	(11)
Provetren, S.A. de C.V.	2,744	747
CAF Sinyalizasyon Sistemleri Ticaret Ltd Sirket	(87)	(33)
CAF Rail Australia Pty, Ltd.	(3)	35
CAF Colombia, S.A.S.	6	32
Sermantren, S.A. de C.V.	(2)	(1)
CAF Arabia, Co.	(5)	6
CAF New Zealand Ltd.	(2)	-
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.	(3)	-
CAF Taiwan Ltd.	(4)	-
	(70,789)	**(28,508)**

g) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes therein in 2013 and 2012 is as follows:

	Thousands of euros
Balance at 31 December 2011	**2,820**
Profit attributable to non-controlling interests	600
Translation differences	1
Changes in the scope of consolidation (Note 2-f)	2,401
Dividends	(137)
Balance at 31 December 2012	**5,685**
Profit attributable to non-controlling interests	856
Translation differences	(6)
Changes in the scope of consolidation (Note 2-f)	6,179
Dividends	(2,465)
Balance at 31 December 2013	**10,249**

h) 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 makes it possible to make the creation of value for shareholders compatible with access to financial markets at a competitive cost in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the business activities carried on.

The directors of the CAF Group consider that the fact that the leverage ratio with recourse to the Parent is minimal is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2013 and 2012, a substantial portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (see Notes 3-u and 9-e). Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of euros	
	31/12/13	**31/12/12**
Net financial debt:		
Refundable advances with interest (Note 15)	3,736	3,282
Bank borrowings - Non-current liabilities (Note 16)	477,934	480,517
Bank borrowings - Current liabilities (Note 16)	232,705	108,962
Financial assets - Non-current assets (Note 9-c)	(16,874)	(22,711)
Current financial assets (Note 13)	(58,149)	(109,037)
Cash and cash equivalents	(127,150)	(76,682)
	512,202	**384,331**
Equity:		
Of the Parent	719,112	701,915
Non-controlling interests (Note 14)	10,249	5,685
	729,361	**707,600**

15. OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES AND OTHER OBLIGATIONS

The detail of the Group's financial liabilities at 31 December 2013 and 2012, by nature and category, for measurement purposes, is as follows:

	Thousands of euros		
	31/12/13		
Financial liabilities: Nature/category	**Accounts payable**	**Hedging derivatives**	**Total**
Bank borrowings (Note 16)	477,934	-	477,934
Other financial liabilities (excluding hedging derivatives)	64,561	-	64,561
Hedging derivatives (Note 17)	-	9,029	9,029
Non-current liabilities / non-current financial liabilities	**542,495**	**9,029**	**551,524**
Bank borrowings (Note 16)	232,705	-	232,705
Other financial liabilities (excluding hedging derivatives)	21,193	-	21,193
Hedging derivatives (Note 17)	-	17,881	17,881
Current liabilities / current financial liabilities	**253.898**	**17.881**	**271.779**
Total	**796,393**	**26,910**	**823,303**

	Thousands of euros		
	31/12/12		
Financial liabilities: Nature/category	Accounts payable	Hedging derivatives	Total
Bank borrowings (Note 16)	480,517	-	480,517
Other financial liabilities (excluding hedging derivatives)	64,352	-	64,352
Hedging derivatives (Note 17)	-	4,870	4,870
Non-current liabilities / non-current financial liabilities	**544,869**	**4,870**	**549,739**
Bank borrowings (Note 16)	108,962	-	108,962
Other financial liabilities (excluding hedging derivatives)	22,408	-	22,408
Hedging derivatives (Note 17)	-	8,400	8,400
Current liabilities / current financial liabilities	**131,370**	**8,400**	**139,770**
Total	**676,239**	**13,270**	**689,509**

The detail of "Other Non-Current Financial Liabilities" is as follows:

	Thousands of euros	
	31/12/13	31/12/12
Refundable advances	52,897	56,472
Employee benefit obligations (Note 3.1)	9,904	6,061
Other liabilities (Note 16)	1,760	1,819
Total	**64,561**	**64,352**

The detail, by maturity in the coming years, of other non-current financial liabilities is as follows (in thousands of euros):

	2013
2015	10,801
2016	10,990
2017	10,058
2018	8,293
2019 and subsequent years	24,419
Total	**64,561**

	2012
2014	8,958
2015	9,193
2016	9,303
2017	7,712
2018 and subsequent years	29,186
Total	**64,352**

Refundable advances

Through research and development programmes the Group has received certain grants to conduct research and development projects. 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 which are generally interest-free and which usually have an initial grace period of three years and are taken to income in a period of over ten years.

The changes in 2013 and 2012 in relation to the long-term portion of the aforementioned programmes (at present value) were as follows:

	Thousands of euros
	Refundable advances
Balance at 31/12/11	**54,673**
Additions	12,636
Transfers to short term	(10,837)
Balance at 31/12/12	**56,472**
Additions	6,400
Transfers to short term	(9,975)
Balance at 31/12/13	**52,897**

Also, the amount recognised in the short term relating to accounts payable for refundable advances amounted to EUR 17,235 thousand at 31 December 2013 (31 December 2012: EUR 16,676 thousand).

Employee benefit obligations

The Group has recognised the future obligations to the employees who have entered into pre-retirement plans (see Note 3-l). Short-term obligations of EUR 7,291 thousand were recognised under "Other Accounts Payable" in the accompanying consolidated balance sheet at 31 December 2013 (31 December 2012: EUR 3,347 thousand).

Also, the detail of the present value of the obligations assumed by the Group relating to post-employment benefits and long-term employee benefits, of the plan assets allocated for the coverage thereof, and of the amounts not recognised at the end of 2013 and 2012, is as follows (see Note 3-k):

	Thousands of euros	
	31/12/13	31/12/12
Present value of the obligations assumed-	20,790	20,215
Less - Fair value of the plan assets	20,824	(20,181)
Trade and other payables - Other accounts payable	**(34)**	**34**

The present value of the obligations assumed by the Group was determined by qualified independent actuaries using the following actuarial techniques:

– Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

– Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2013	2012
Discount rate	4.41% (1)	5.15% (1)
Mortality tables	PERM/F 2000P	PERM/F 2000P
Annual pension increase rate	3%	3%
Retirement age	65-67	65-67

(1) During the first 30 years. 2.42% from then onwards.

The fair value of the plan assets was calculated at year-end using the projected unit credit method.

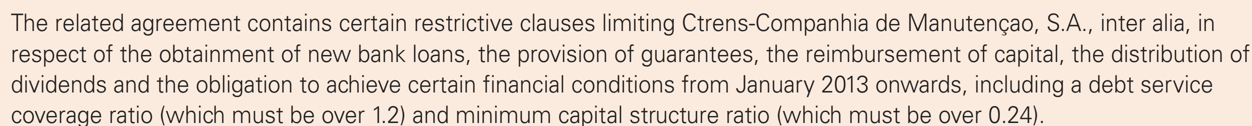
16. BANK BORROWINGS

The detail of "Bank Borrowings" in the accompanying consolidated balance statement is as follows:

	Thousands of euros			
	31/12/13		31/12/12	
	Non-current	Current	Non-current	Current
Loans from and credit accounts with banks	477,934	228,727	480,517	107,418
Unmatured accrued interest	-	3,978	-	1,544
Total (Note 15)	**477,934**	**232,705**	**480,517**	**108,962**

Pursuant to IAS 39, the bank borrowings are presented in the consolidated balance sheet adjusted by the costs incurred in the arrangement of the loans.

In relation to the CPTM train lease transaction described in Note 9-e, on 10 May 2011, the subsidiary Ctrens-Companhia de Manutençao, S.A. (Ctrens) arranged with Banco Nacional de Desenvolvimiento Econômico e Social (BNDES) financing for a maximum amount of BRL 946,890 thousand. The loan bears interest at TJLP (Taxa de Juros de Longo Prazo) plus a spread. The loan principal will be repaid in 160 successive monthly instalments, the first of which has been paid in January 2013. At 31 December 2013, BRL 850,476 thousand had been drawn down of which EUR 247,101 thousand were at long term and EUR 13,995 thousand at short term (2012: BRL 892,513 thousand, EUR 312,985 thousand at long term and EUR 17,288 thousand at short term).



The related agreement contains certain restrictive clauses limiting Ctrens-Companhia de Manutençao, S.A., inter alia, in respect of the obtainment of new bank loans, the provision of guarantees, the reimbursement of capital, the distribution of dividends and the obligation to achieve certain financial conditions from January 2013 onwards, including a debt service coverage ratio (which must be over 1.2) and minimum capital structure ratio (which must be over 0.24).

Also, on 15 June 2011 the subsidiary entered into a "fiduciary" transfer of title agreement with BNDES whereby it assigned as a guarantee such collection rights as CTRENS might have vis-à-vis CPTM, as well as the guarantees provided by CPTM for the subsidiary and any amount claimable by the subsidiary from CPTM, the Parent and CAF Brasil.

In relation to the long-term agreement to provide services for the lease of trains (PPS - Line 12) described in Note 9, on 7 December 2012 the subsidiary Provetren, S.A. de C.V. entered into a long-term financing agreement amounting to a maximum of USD 300 million with a syndicate of banks comprising BBVA Bancomer, S.A., Banco Nacional de México, S.A., Banco Santander (Mexico) S.A., Sumitomo Mitsui Banking Corporation and Caixabank, S.A. The aforementioned loan bears interest at a rate tied to LIBOR. In order to avoid fluctuations in the yield curve and, as is habitual in financing of this kind, Provetren has entered into an interest rate hedge agreement for 80% of the financing and 80% of the term (see Note 17).

The loan principal will be repaid in 39 consecutive quarterly instalments, in line with the collection profile under the PPS, the first maturity date being October 2013. In 2013 the full amount of the loan was drawn down (31 December 2012: USD 222 million -equal to EUR 168,258 thousand), with the financial liability increasing, according to the amortised cost method, to EUR 148,732 thousand at long term and EUR 36,219 thousand at short term at 31 December 2013 (31 December 2012: EUR 161,232 thousand recognised in full at long term).

This related agreement contains certain restrictive clauses limiting Provetren, S.A., de C.V., inter alia, in respect of the obtainment of new bank loans, the provision of guarantees, the reimbursement of capital, the distribution of dividends if certain ratios have not been achieved, and the achievement of certain financial conditions from October 2013 onwards, including a debt service coverage ratio (which must be over 1.15).

Also, on the same date, 7 December 2012, the subsidiary, with Banco Invex acting as Trustee and BBVA Bancomer S.A. acting as Primary Beneficiary, entered into a trust agreement, whereby it assigned as a guarantee such collection rights as Provetren might have under the PPS, any collection rights arising from the interest rate hedge agreement, any collection rights under the manufacture and maintenance agreements, any income from VAT refunds and amounts arising from insurance policies.

The shares of the subsidiary Ctrens-Companhia de Manutençao, S.A. and Provetren, S.A. de C.V. have been pledged to BNDES and the syndicate of banks mentioned above, respectively. In neither of the long-term financing agreements described above can the lenders have recourse to any of the companies composing the CAF Group other than those of a technical nature.

In 2013 the Parent drew down four new loans, maturing at long term, for a total of EUR 70,000 thousand. Also, the Parent renewed three loans totalling EUR 78,000 thousand and drew down EUR 34,000 thousand in new loans maturing at short term (31 December 2012: EUR 87,000 thousand). These loans were arranged on an arm's length basis and bear interest tied to Euribor.

Also, at 31 December 2013 the Parent had drawn down against credit facilities for an amount of EUR 53,295 thousand with maturities of less than twelve months. No amounts had been drawn down against this credit facility at 31 December 2012.

In 2013 CAF Brasil Industria e Comercio, S.A. arranged two new credit facilities totalling approximately BRL 60 million (EUR 18,472 thousand) in order to finance its working capital. EUR 12,332 thousand of this amount fall due in less than one year and, accordingly, this amount is recognised under "Current payables - Bank Borrowings" in the accompanying consolidated balance sheet at 31 December 2013.

The remaining financial debt of EUR 6,847 thousand, of which EUR 886 thousand mature at short term (31 December 2012: EUR 9,430 thousand) relate to loans received by various subsidiaries which are tied to market interest rates.

In 2013 the Parent arranged a credit facility to finance certain research and development projects until 2015, with a limit of EUR 125 million. This facility is subject to the achievement of certain financial ratios. The interest is tied to the Euribor. At 31 December 2013, the Company had not drawn down any amounts against this credit facility.

In addition to the aforementioned credit facility, at 31 December 2013 the consolidated companies had been granted various loans, credit facilities and factoring facilities, mainly in euros, at several banks and which bear interest at market rates, mainly tied to the Euribor plus a market spread, up to an additional EUR 148,112 thousand over the amount already drawn down (31 December 2012: EUR 265,398 thousand).

The envisaged repayment schedule of non-current bank borrowings is as follows (in thousands of euros):

	31/12/13
2015	53,885
2016	88,040
2017	36,343
2018	34,390
2019 and subsequent years	265,276
Total	**477,934**

	31/12/12
2014	45,978
2015	33,570
2016	35,755
2017	38,456
2018 and subsequent years	326,758
Total	**480,517**

17. DERIVATIVE FINANCIAL INSTRUMENTS

The CAF Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates (see Note 5-a). The CAF Group arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned.

Also, certain fully consolidated companies and certain companies accounted for using the equity method have arranged interest rate hedges (see Note 5-a).

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

2013

Currency put options at 31/12/13 (fair value hedges)	Maturity (in currency) 2014	2015	2016 and subsequent years
Hedges :			
USD foreign currency hedges (*)	493,833,384	139,626,362	11,618,797
GBP foreign currency hedges	18,525,640	2,355,052	89,463
EUR foreign currency hedges	17,765,804	13,506,809	-
BRL foreign currency hedges	168,884,775	-	-
SEK foreign currency hedges	428,707,270	63,815,900	31,664,353
AUD foreign currency hedges	22,931,513	15,441,320	-
NZD foreign currency hedges	7,794,375	-	-
RON foreign currency hedges	2,900,000	-	-
CAD foreign currency hedges	416,481	-	-
TWD foreign currency hedges	1,303,011,183	876,064,543	-
SAR foreign currency hedges	81,212,210	361,295,479	-

(*) Includes the hedge of a net investment in CAF USA, Inc. and in Provetren amounting to USD 98,138 thousand.

Currency call options at 31/12/13 (fair value hedges)	Maturity (in currency) 2014	2015	2016 and subsequent years
Hedges :			
USD foreign currency hedges	30,512,719	1,810,394	-
EUR foreign currency hedges	34,059,205	-	-
BRL foreign currency hedges	43,040,891	-	-
MXP foreign currency hedges	257,066,278	91,943,459	-
GBP foreign currency hedges	500,000	-	-
AUD foreign currency hedges	532,000	-	-
NZD foreign currency hedges	454,898	-	-

	Thousands of euros			
	Fair value		Cash flow	
	31/12/13	31/12/12	31/12/13	31/12/12
Hedges :				
USD foreign currency hedges	11,713	6,423	-	(92)
GBP foreign currency hedges	94	29	-	-
MXP foreign currency hedges	(368)	277	-	-
BRL foreign currency hedges	380	1,848	-	-
CHF foreign currency hedges	(131)	-	-	-
EUR foreign currency hedges	3,950	(767)	-	-
AUD foreign currency hedges	441	(80)	-	-
SEK foreign currency hedges	(176)	15	-	-
RON foreign currency hedges	(56)	(19)	-	-
NZD foreign currency hedges	7	100	-	-
SAR foreign currency hedges	(84)	-	-	-
TWD foreign currency hedges	914	-	-	-
Measurement at year-end (*)	**16,684**	**7,826**	**-**	**(92)**

(*) Before considering the related tax effect.

2012

Currency put options at 31/12/12 (fair value hedges)	Maturity (in currency) 2013	2014	2015 and subsequent years
Hedges :			
USD foreign currency hedges (*)	520,928,312	142,264,551	113,519,159
GBP foreign currency hedges	14,775,698	16,855,906	1,728,811
EUR foreign currency hedges	17,593,845	1,460,236	188,418
BRL foreign currency hedges	105,674,223	-	-
SEK foreign currency hedges	306,426,167	162,454,640	95,480,253
AUD foreign currency hedges	14,472,439	4,309,200	-
NZD foreign currency hedges	10,899,435	-	-
RON foreign currency hedges	2,900,000	-	-
CAD foreign currency hedges	549,800	-	-

(*) Includes the hedge of a net investment in CAF USA, Inc. and in Provetren amounting to USD 89,443 thousand.

Currency call options at 31/12/12 (fair value hedges)	Maturity (in currency) 2013	2014	2015 and subsequent years
Hedges :			
USD foreign currency hedges	27,753,401	583,862	1,810,394
EUR foreign currency hedges	98,095,770	-	-
BRL foreign currency hedges	68,194,307	-	-
MXP foreign currency hedges	120,000,000	-	-

Currency call options at 31/12/12 (cash flow hedge)	Maturity (in currency) 2013	2014	2015 ana subsequent years
Hedges :			
USD foreign currency hedges	2,513,100	-	-

At 2013 and 2012 year-end the associate SEM Los Tranvías de Zaragoza, S.A. (see Note 9-a) had arranged various financial swaps relating to the nominal value of its financial debt. These swaps were designated as cash flow interest rate hedges, and the value thereof attributable to the Group amounted to EUR 2,886 thousand at 31 December 2013, net of the related tax effect (31 December 2012: EUR 4,383 thousand). This amount was recognised under "Equity - Valuation Adjustments - Hedges" in the consolidated balance sheet at 31 December 2013.

On 17 December 2012, the subsidiary Provetren arranged an interest rate swap for a portion of the financing arranged (see Note 16), the positive valuation of which amounted to EUR 2,725 thousand at 31 December 2013 (31 December 2012: EUR 179 thousand negative value).

The hedging instruments mature in the same year in which the cash flows are expected to occur.

In 2013 the ineffective portion of the hedging transactions recognised in the consolidated income statement gave rise to an expense of EUR 26 thousand (2012: expense of EUR 2,292 thousand).

Also, the settlement and the change in the value of fair value derivatives resulted in income of EUR 3,886 thousand in 2013 (2012: expense of EUR 3,403 thousand), which is similar to the changes in value of the hedged items.

The items hedged by the Group, as indicated in Note 5-a on market risks, are currency transactions included in each of the commercial agreements. When the hedges are initially arranged these transactions comprise either firm commitments (in which case they are recognised as fair value hedges) or highly probable transactions (in which case they are recognised as cash flow hedges).

18. CURRENT AND DEFERRED TAXES

At 31 December 2013, the companies composing the CAF Group basically had the last four years open for review by the tax authorities for the main taxes applicable to their business activities.

Since 2007 the Parent has filed consolidated income tax returns in the province of Guipúzcoa with certain subsidiaries.

The reconciliation of the Group's accounting profit for the year to the income tax expense is as follows:

	Thousands of euros	
	2013	**2012**
Accounting profit before tax	**114,299**	**127,765**
Tax rate of the Parent	28%	28%
Income tax calculated at the tax rate of the Parent	**32,004**	**35,774**
Effect of the different tax rate of subsidiaries	3,785	6,272
Effect of exempt income and non-deductible expenses for tax purposes	1,723	162
Effect of tax credits and other tax relief recognised in the year	(6,879)	(11,086)
Effect of tax assets and deferred taxes not recognised in previous years	(3,779)	(545)
Tax effect of the impairment of tax assets and deferred taxes	110	-
Adjustments recognised in the year relating to prior years' income tax	455	(2,833)
Change in tax rate	(2)	(33)
Effect of asset revaluation- Guipúzcoa Regulation 1/2013	(4,155)	-
Total income tax expense recognised in consolidated income statement	**23,262**	**27,711**
Current income tax expense (benefit) (*)	**19,861**	**20,475**
Deferred tax expense (benefit)	**3,401**	**7,236**

(*) Including prior years' adjustments and income tax.

The difference between the tax charge allocated and the tax payable for that year is presented under "Deferred Tax Assets" and "Deferred Tax Liabilities" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet.

The detail of the breakdown and changes in these balances is as follows:

	Thousands of euros				
	31/12/12	Additions	Disposals	Translation differences	31/12/13
Deferred tax assets:					
Tax credit and tax loss carryforwards (Notes 3-m and 9)	19,798	67,944	(8,692)	(2,402)	76,648
Provisions temporarily not deductible	78,707	26,131	(24,016)	(2,922)	77,900
Share ownership scheme (Note 9)	2,095	-	(1,847)	-	248
Effect of asset revaluation- Guipúzcoa Regulation 1/2013	-	4,393	-	-	4,393
Elimination of profits on consolidation	1,475	1,842	-	(223)	3,094
	102,075	**100,310**	**(34,555)**	**(5,547)**	**162,283**
Deferred tax liabilities:					
Unrestricted and accelerated depreciation (Notes 7, 8 and 9)	41,426	79,450	(8,707)	(6,588)	105,581
Investment valuation provisions	25,110	-	-	-	25,110
Cash flow hedges (Note 17)	(26)	26	-	-	-
Revaluation of land (Note 14)	11,829	-	-	-	11,829
Available-for-sale financial assets	-	134	-	-	134
Goodwill	358	4	-	-	362
Elimination of profits on consolidation and other	5,586	-	(1,591)	9	4,004
	84,283	**79,614**	**(10,298)**	**(6,579)**	**147,020**

	Thousands of euros				
	31/12/11	Additions	Disposals	Translation differences	31/12/12
Deferred tax assets:					
Tax credit and tax loss carryforwards (Notes 3-m and 9)	39,327	1,784	(21,243)	(70)	19,798
Provisions temporarily not deductible	66,259	24,334	(11,011)	(875)	78,707
Share ownership scheme (Note 9)	4,585	-	(2,490)	-	2,095
Elimination of profits on consolidation	182	3,184	(1,837)	(54)	1,475
	110,353	**29,302**	**(36,581)**	**(999)**	**102,075**
Deferred tax liabilities:					
Unrestricted and accelerated depreciation (Note 7)	43,365	16,796	(17,100)	(1,635)	41,426
Investment valuation provisions	25,645	-	(535)	-	25,110
Cash flow hedges (Note 17)	735	-	(761)	-	(26)
Revaluation of land (Note 14)	11,829	-	-	-	11,829
Goodwill	284	74	-	-	358
Elimination of profits on consolidation and other	4,098	2,309	(826)	5	5,586
	85,956	**19,179**	**(19,222)**	**(1,630)**	**84,283**

In 2013 the Group expects to take tax credits amounting to EUR 15,298 thousand (2012: EUR 39,886 thousand) mainly in relation to tax credits for R&D expenditure and double taxation tax credits. Unused tax credits after projected income tax for 2013 amounted to EUR 60,723 thousand (2012: EUR 49,537 thousand), of which EUR 19,903 thousand are recognised under "Deferred Tax Assets - Tax Credit and Tax Loss Carryforwards" (2012: EUR 14,866 thousand). At 31 December 2013, the recognised tax loss carryforwards amounted to EUR 56,745 thousand (2012: EUR 4,932 thousand).

The Parent availed itself of the tax incentive provided for in Article 39 of the Guipúzcoa Corporation Tax Regulation (see Note 4).

In 2013 Provetren, S.A. de C.V. obtained the a certificate for environmentally friendly goods from the Federal Prosecutor's Office for Environmental Protection (PROFEPA), which enabled it to take accelerated depreciation for tax purposes on a significant portion of its assets. In this regard, the CAF Group recognised, mainly in this connection, an increase of EUR 57,819 thousand in "Deferred Tax Assets" in the accompanying consolidated balance sheet, having included the depreciation taken on the goods in the 2013 tax return. Also, Provetren, S.A. de C.V. recognised deferred tax liabilities of EUR 69,341 thousand to reflect the difference between the assets' carrying amounts in the financial statements and their tax bases. These amounts are measured by applying the 30% tax rate levied by the Mexican tax authorities to the temporary difference.

In general terms, the assets or equity items subject to the aforementioned tax credits must remain in operation in the Group, and be assigned, where applicable, to their intended purpose, for a minimum period of five years, or of three years in the case of movable property, unless the useful life is less, without being transferred, leased or assigned to third parties for their use, with the exception of justified losses.

In view of the uncertainty inherent to the recoverability of deferred tax assets, the Group's recognition policy is based on an assessment of its backlog. As required by this policy, the Group did not recognise tax credits and tax loss carryforwards amounting to EUR 51,939 thousand (2012: EUR 43,664 thousand), which will be recognised to the extent that they can be used in the coming years based on the limits and deadlines provided for in current legislation. Also, the Group has unrecognised deferred tax assets, with no defined last year for deduction, amounting to EUR 13,558 thousand (2012: EUR 16,245 thousand).

The amount of the tax credits (unrecognised), the tax loss carryforwards and deferred tax assets (unrecognised) and their schedule for use by the Group is as follows:

	Thousands of euros	
	31/12/13	**31/12/12**
Expiring in 2015	18	-
Expiring in 2016	24	-
Expiring in 2017	416	366
Expiring in 2018	1,374	796
Expiring in 2019	380	380
Expiring in 2020	557	557
Expiring in 2021	168	96
Expiring in 2022	-	5
Expiring in 2023	-	16
Expiring in 2024	43	70
Expiring in 2025	3,879	156
Expiring in 2026	7,411	7,058
Expiring in 2027 and subsequent years	30,069	27,966
Unlimited	21,158	22,443
	65,497	**59,909**

In calculating the income tax payable for 2013, the Group deducted tax credits amounting to EUR 6,402 thousand (2012: EUR 21,839 thousand), of which EUR 529 thousand had been recognised under "Deferred Tax Assets" in the accompanying consolidated balance sheet at 31 December 2012. An expense for taxes abroad amounting to EUR 3,870 thousand was considered in connection with these tax credits. Also, the differences between the estimated income tax for 2013 and the tax return ultimately filed gave rise to loss of EUR 455 thousand (2012: income of EUR 2,833 thousand, basically due to the higher-than-expected tax credits).

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2013 year-end the Group had 2009 and subsequent years open for review by the tax authorities for income tax and 2010 and subsequent years for the other taxes to which it is subject at the companies which file tax returns in Spain and, at the foreign companies, in accordance with local legislation. The Parent's directors consider that they have settled the aforementioned taxes adequately and, therefore, although discrepancies might arise in the interpretation of the tax legislation in force in terms of the tax treatment of transactions, the resulting liabilities, if any, would not have a material effect on the accompanying consolidated financial statements.

On 14 May 2013, the Municipal Council of Beasain notified the Parent of the commencement of its general audit of various taxes for the years 2009-2013. In addition, in November and December 2013 the Customs and Excise Office notified the Parent of several assessments. At the date of formal preparation of these consolidated financial statements for 2013, the processes were ongoing and the directors estimate that no material liabilities will arise.

On 14 February 2012, the Parent was notified of the commencement of a tax audit of the R&D tax credits reported in 2009 by the Parent and the subsidiary Trainelec, S.L. At the date of formal preparation of these consolidated financial statements for 2013, the tax audit is statute-barred, as the Parent has not been contacted about this matter by the tax authorities.

The shareholders at the Annual General Meetings of the Parent and CAF Investigación y Desarrollo, S.L. approved the application to revalue the assets, in accordance with Guipúzcoa Decree-Regulation 1/2013, of 5 February 2013. As a result of adopting this measure, there is a positive amount of EUR 4,155 thousand under "Income Tax" in the consolidated income statement, corresponding to the recognised tax asset which is expected to be realised net of the 5% revaluation rate established by the regulation.

19. TAX RECEIVABLES AND PAYABLES

The detail of the tax receivables and tax payables at 31 December 2013 and 2012 is as follows:

	Thousands of euros							
	31/12/13				31/12/12			
	Assets		Liabilities		Assets		Liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Accrued social security taxes	-	4	-	7,887	-	-	-	7,166
Regular taxes-								
VAT (Note 9)	26,068	51,311	-	16,703	40,773	50,031	-	42,074
Other	-	1,247	-	178	-	1,036	-	-
Personal income tax withholdings	-	-	-	9,313	-	-	-	9,632
Income tax (Note 3-m)	-	17,604	-	1,866	-	12,844	-	1,089
Grants receivable	-	1,254	-	-	-	5,326	-	-
	26,068	**71,420**	**-**	**35,947**	**40,773**	**69,237**	**-**	**59,961**

In 2011 the Parent and certain subsidiaries were authorised to file consolidated VAT returns.

20. SHORT-AND LONG-TERM PROVISIONS

Long-term provisions

The Group records 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. In 2013 and 2012 the Group made payments of EUR 2,050 thousand and EUR 1,306 thousand, respectively, and recognised provisions amounting to EUR 2,287 thousand and EUR 2,329 thousand, respectively, mainly with a charge to "Staff Costs - Wages and Salaries" (see Note 22) in the consolidated income statement.

Short-term provisions

The changes in "Short-Term Provisions" (see Note 3-ñ) in 2013 and 2012 were as follows (in thousands of euros):

	Warranty and support services, contractual liability, etc. (Notes 3-f and 3-ñ)	Provisions for litigation	Other provisions (Notes 3-m, 3-ñ and 8)	Total
Balance at 31/12/11	**245,008**	**-**	**2,790**	**247,798**
Net charge for the year (Notes 3-k, 3-ñ and 18)	112,048	11,254	583	123,885
Amounts used	(22,197)	-	-	(22,197)
Translation differences	(805)	-	-	(805)
Balance at 31/12/12	**334,054**	**11,254**	**3,373**	**348,681**
Net charge for the year (Notes 3-k, 3-ñ and 18)	(7,065)	(3,488)	(857)	(11,410)
Amounts used	-	-	-	-
Translation differences	(2,244)	-	-	(2,244)
Balance at 31/12/13	**324,745**	**7,766**	**2,516**	**335,027**

Contractual liability and warranty and support services

The short-term provisions at 31 December 2013 and 2012 relate basically to provisions for contractual liability (EUR 210 million at 31 December 2013 and EUR 227 million at 31 December 2012) and for warranties and after-sales services (EUR 116 million at 31 December 2013 and EUR 111 million at 31 December 2012).

The consolidated companies recognised income of EUR 15,912 thousand under "Other Operating Expenses" in the accompanying consolidated income statement for 2013 (2012: expense of EUR 121,051 thousand) relating to the difference between the provisions required in this connection at 2013 year-end and the provisions recognised at 2012 year-end. The expenses incurred in 2013 and 2012 in connection with the provision of contractual warranty services (approximately EUR 53,829 thousand and EUR 58,189 thousand, respectively) were recognised under "Procurements" and "Staff Costs" in the accompanying consolidated income statements for 2013 and 2012.

In 2008 the Group entered into an agreement with Metro de Caracas for the manufacture and supply of 48 trains to be manufactured in Spain. At 31 December 2013, all the trains had been sent to the customer (at 31 December 2012, 40 trains had been sent and five more trains were ready for shipment). Due to the contractual terms and conditions, at 31 December 2013 the Group had recorded a provision with a charge to the contract, amounting to EUR 65,204 thousand (31 December 2012: EUR 41,583 thousand), which was recognised under contractual liability in the table above (Note 12).

Litigation

At 31 December 2013, the provision for litigation had been reduced by EUR 3,488 thousand, as a result of an agreement reached with one client. The remaining provision was recognized, fundamentally, in relation to the disbursements which might arise as a consequence of the cancellation of an agreement with a customer and for which, additionally, an amount of EUR 9,201 thousand was recognised under "Trade and Other Payables" in the accompanying consolidated balance sheet.

The directors do not expect any liabilities additional to those recognised at 31 December 2013 to arise and also estimate that the outflow of resources related thereto will occur in the period 2014-2016.

21. REVENUE AND EXPENSE RECOGNITION

a) Procurements

	Thousands of euros	
	2013	**2012**
Materials used (*)	494,514	543,876
Work performed by other companies	65,496	50,784
Impairment losses on raw materials	-	781
	560,010	**595,441**

(*) 85% in euros, and the remainder mainly in US dollars and Brazilian reals (2012: 77% in euros).

b) Other operating expenses

	Thousands of euros	
	2013	**2012**
Outside services	231,631	250,131
Taxes other than income tax	1,838	2,934
Change in operating provisions and allowances and other	(14,326)	121,858
Other current operating expenses	392	1,182
	219,535	**376,105**

The fees for audit services (including six-monthly reviews) relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 770 thousand in 2013 (2012: EUR 710 thousand). Of this amount, EUR 582 thousand relate to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2012: EUR 564 thousand). In addition, the following fees were billed in 2013: EUR 241 thousand for other professional services provided by the principal auditor (2012: 438 thousand); EUR 49 thousand for attest services; EUR 137 thousand for tax services and the remaining amount was billed for other services (2012: EUR 73 thousand, 151 thousand and remaining).

c) Information on the environment

In 2013 investments amounting to EUR 738 thousand (2012: EUR 2,579 thousand) were made in systems, equipment and facilities designed for environmental protection and improvement.

In 2013 and 2012 the Group did not obtain any environmental grants.

The final allocation for no consideration of CO_2 emissions for 2013-2020 was approved at the Spanish Cabinet meeting held on 15 November 2013, with the Company allocated emission allowances of 151,537 tonnes of CO_2 for the aforementioned period. If the emissions exceed the volume of allowances allocated, emission allowances will have to be acquired in the market.

In 2013 the Group emitted 16,782 tonnes of CO_2 (2012: 15,570 tonnes), whereas it had been allocated allowances for the emission of 20,197 tonnes (2012: 30,927 tonnes). As a result, the Group did not recognise any liability at year-end. In 2013 the Group did not sell any emission allowances (a profit of EUR 81 thousand was made from sales in 2012).

At 31 December 2013 and 2012, the Group did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Group companies' directors do not expect any material liabilities to arise as a result of the Group's environmental activities and, accordingly, the accompanying consolidated balance sheet does not include any provisions in this connection.

In 2013 the Group incurred environmental expenses amounting to EUR 859 thousand (2012: EUR 412 thousand).

d) Grants related to income

Most of the grants transferred to profit or loss in 2013 and 2012 related to grants from various Spanish ministerial programmes from various calls for tender, justifying the costs incurred.

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

The grants related to income recognised in 2013 under "Other Operating Income" in the accompanying consolidated income statement amounted to EUR 2,225 thousand (2012: EUR 4,422 thousand).

22. AVERAGE HEADCOUNT AND STAFF COSTS

The average headcount in 2013 and 2012 was as follows:

	Average number of employees	
Professional category	**2013**	**2012**
Employees	3,162	2,820
Manual workers	4,315	4,184
Total (*)	**7,477**	**7,004**

(*) At 31 December 2013, there were 7,632 employees (31 December 2012: 6,979 employees).

The breakdown, by gender, of the average headcount in 2013 and 2012 is as follows:

	2013		2012	
Professional category	**Men**	**Women**	**Men**	**Women**
Employees	2,384	778	2,126	694
Manual workers	4,150	165	4,040	144
Total	**6,534**	**943**	**6,166**	**838**

All of CAF's directors are men.

The detail of staff costs is as follows (in thousands of euros):

	2013	2012
Wages and salaries (Notes 3-k, 3-l and 3-ñ)	296,156	262,936
Social security costs	80,238	72,385
Other costs (Note 3-k)	18,066	17,013
	394,460	**352,334**

An amount of EUR 12,243 thousand related to pre-retirement provisions is included under "Staff Costs - Wages and Salaries" in the consolidated income statement for 2013 (2012: EUR 2,354 thousand).

23. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2013 and 2012 the Parent recognised approximately EUR 1,399 thousand and EUR 1,394 thousand of remuneration and attendance fees earned by its directors, whereas the directors of the subsidiaries did not earn any remuneration in this connection. At 31 December 2013 and 2012, neither the Parent nor the subsidiaries had granted any advances, guarantees or loans to their current or former directors and, except as indicated in Note 3-k, the Group did not have any pension or life insurance obligations to them.

b) Conflicts of interest and investments in companies engaging in identical, similar or complementary activities

Conflicts of interest

In 2013 and 2012 the members of the Board of Directors and the persons related to them as defined in Article 231 of the Spanish Limited Liability Companies Law did not create directly or indirectly any situations of conflict of interest with the Company.

Investments in companies engaging in identical, similar or complementary activities-

The ownership interests of members of the Board of Directors in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of CAF are as follows:

– Kutxabank, S.A. has a 95% ownership interest in the capital of Alquiler de Trenes, AIE and a 95% ownership interest in the capital of Alquiler de Metros, AIE, companies incorporated together with CAF (see Note 9).

24. REMUNERATION OF SENIOR EXECUTIVES

Since the senior executives of the Parent are also members of its Board of Directors, their staff costs (remuneration in cash or in kind, social security costs, etc.) were disclosed in Note 23 above, in accordance with the mandatory obligation defined in the corporate governance report.

In 2013 and 2012 there were no other transactions with senior executives outside the ordinary course of business.

25. OTHER DISCLOSURES

a) Guarantees and other contingent assets and liabilities

At 31 December 2013, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 1,735,795 thousand (31 December 2012: EUR 1,609,523 thousand) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 49,571 thousand related to guarantees for the refundable grants and advances granted by the Ministry of Science and Technology (see Note 15) and other government agencies (31 December 2012: EUR 55,119 thousand).

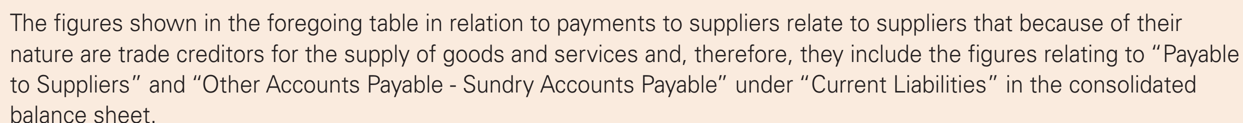
In 2013 the Brazilian Administrative Council for Economic Defence began an investigation process into several railway manufacturers, one of which is a subsidiary of the CAF Group in Brazil, with a view to expressing a conclusion as to the existence of anti-competitive behaviour in the tendering of certain contracts. At the date of preparation of these consolidated financial statements, the Administrative Council has not filed any economic claim against this subsidiary.

In 2013 and 2012 the CAF Group did not identify any significant contingent asset or liability other than that indicated above.

b) Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July:

	Amounts paid and payable at year-end (Thousands of euros)			
	2013		2012	
	Amount	%	Amount	%
Paid in the maximum payment period	156,682	28.95	267,653	49.48
Remainder	384,619	71.05	273,304	50.52
Total payments made in the year	**541,301**	**100**	**540,957**	**100**
Weighted average period of early payment (in days)	28.70		30.65	
Weighted average period of late payment (in days)	32.51		26.06	
Weighted average payment period	74.79		73.00	
Payments at year-end not made in the maximum payment period	36,322		21,610	



The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to "Payable to Suppliers" and "Other Accounts Payable - Sundry Accounts Payable" under "Current Liabilities" in the consolidated balance sheet.

The weighted average period of early payment and the weighted average period of late payment were calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers inside/outside the maximum payment period by the number of days of early/late payment and whose denominator is the total amount of the payments made in the year inside/outside the maximum payment period. The weighted average payment period was calculated taking into account all payments, regardless of whether they were made inside or outside the maximum payment period.

The maximum payment period applicable to the Company under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, was 85 days in the period between the entry into force of the Law and 31 December 2011. The maximum payment period applicable for 2012 was 75 days, whilst for 2013 it was 60 days.

26. EVENTS AFTER THE BALANCE SHEET DATE

At 31 December 2013, the firm backlog, net of progress billings, amounted to approximately EUR 4,802,858 thousand (31 December 2012: EUR 4,941,428 thousand) (see Note 11). At 31 January 2014, the total was EUR 4,709,071 thousand (31 January 2013: EUR 4,894,538 thousand).

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

Approval by the Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman and CEO
ANDRÉS ARIZCORRETA GARCÍA	Chief Executive Officer
ALEJANDRO LEGARDA ZARAGÜETA	Managing Director
JOSÉ ANTONIO MUTILOA IZAGIRRE	Director for KUTXABANK, S.A.
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
FERMÍN ARRESE ARRATIBEL	Director
XABIER GARAIALDE MAIZTEGUI	Director
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director
JUAN JOSÉ ARRIETA SUDUPE	Director
ALFREDO BAYANO SARRATE	Secretary

Certificate issued by the Secretary attesting that, following the authorisation for issue of the consolidated financial statements and consolidated directors' report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and Subsidiaries composing the CAF Group (consolidated) for the year ended 31 December 2013 by the Board of Directors at its meeting on 26 February 2014, the directors have signed this document, consisting of 84 sheets numbered sequentially from 4245 to 4328, inclusive, all approved by the Secretary, who also signs them, countersigned by the Chairman and signed by each of the directors at the end of the document.

San Sebastián, 26 February 2014.

Approved by	Approved by
THE CHAIRMAN OF THE BOARD	THE SECRETARY OF THE BOARD
JOSÉ Mª BAZTARRICA GARIJO	ALFREDO BAYANO SARRATE

Resolutions submitted by the Board of Directors for approval by the Shareholders' meeting

Annual General Meeting to be held at the registered office in Beasain, Gipuzkoa, on 7 June 2014 at 12:30 pm at first call and, if necessary, on 8 June 2014 at the same time and place at second call:

One: Examination and approval, where appropriate, of the financial statements and directors' report of Construcciones y Auxiliar de Ferrocarriles, S.A., of the financial statements and directors' report for 2013 of its consolidated group of companies and of the conduct of the business by the Board of Directors.

Two: Approval of the proposed distribution of the profit for 2013, with dividends of EUR 10.5 gross per share.

Three: Re-election of auditors.

Four: Advisory vote on the remuneration report approved by the Board of Directors.

Five: Authorise the Board of Directors to issue debentures or other similar fixed-income securities, guaranteed or unguaranteed, convertible or non-convertible and/or exchangeable for shares, directly or through Group companies, pursuant to Articles 297.1-b) and 511 of the Spanish Limited Liability Companies Law, Article 319 of the Mercantile Registry Regulations and other applicable regulations, including, in the case of convertible debentures or debentures that grant pre-emption rights, the power to disapply the shareholders' pre-emption rights, for a period of five (5) years from the adoption of this resolution.

Six: Empower the Board of Directors, in the broadest terms necessary, to record the foregoing resolutions in a public deed as required, with the express power to clarify, rectify or supplement such resolutions pursuant to the oral or written assessment of the Mercantile Registrar, performing any such acts as may be required to register such resolutions at the Mercantile Registry.

Proposed distribution of income

To appropriate EUR 35,995 thousand of the Parent's post-tax profit of EUR 93,809 thousand to dividends, EUR 47,814 thousand to voluntary reserves and EUR 10,000 thousand to productive investment reserve.

Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman and CEO
ANDRÉS ARIZCORRETA GARCÍA	Chief Executive Officer
ALEJANDRO LEGARDA ZARAGÜETA	Managing Director
JOSÉ ANTONIO MUTILOA IZAGIRRE	Director for KUTXABANK, S.A.
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
FERMÍN ARRESE ARRATIBEL	Director
XABIER GARAIALDE MAIZTEGUI	Director
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director
JUAN JOSÉ ARRIETA SUDUPE	Director
ALFREDO BAYANO SARRATE	Secretary

At 26 February 2014 the Directors owned 19.064% of the capital stock.

Consolidated Balance Sheets
Consolidated Income Statements
Stock market Information

Consolidated Balance Sheets

as of December 31st 2013, 2012, 2011, 2010, 2009 (Thousands of Euros)

Assets	2013	2012	2011	2010	2009
Non-current assets:					
Intangible assets					
Goodwill	15	15	232	596	5,892
Other intangible assets	35,172	42,036	30,567	211,865	163,908
	35,187	**42,051**	**30,799**	**212,461**	**169,800**
Property, plant and equipment, net	**286,593**	**300,102**	**288,539**	**300,967**	**274,633**
Investments accounted for using the equity method	**14,902**	**13,167**	**11,558**	**16,979**	**12,191**
Non-current financial assets	**657,233**	**760,828**	**420,422**	**56,718**	**51,987**
Deferred tax assets	**162,283**	**102,075**	**110,353**	**113,005**	**88,847**
Total non-current assets	**1,156,198**	**1,218,223**	**861,671**	**700,130**	**597,458**
Current assets:					
Inventories	**159,857**	**250,827**	**365,464**	**354,906**	**336,624**
Trade and other receivables					
Trade receivables for sales and services	1,040,576	761,312	716.010	669,400	814,186
Other accounts receivable	206,739	218,204	109.546	77,328	42,768
Current tax assets	17,604	12,844	3,684	4,324	4,368
	1,264,919	**992,360**	**829,240**	**751,052**	**861,322**
Other current financial assets	**97,703**	**129,025**	**235,519**	**358,467**	**468,818**
Other current assets	**2,022**	**1,742**	**2,691**	**3,433**	**3,172**
Cash and cash equivalents	**127,150**	**76,682**	**86,214**	**55,705**	**81,727**
Total current assets	**1,651,651**	**1,450,636**	**1,519,128**	**1,523,563**	**1,751,663**
Total assets	**2,807,849**	**2,668,859**	**2,380,799**	**2,223,693**	**2,349,121**

The figures for 2012 and 2011 were reclassified per Note 2-e.

Equity and Liabilities	2013	2012	2011	2010	2009
Equity:					
Shareholders' equity					
Registered share capital	10,319	10,319	10,319	10,319	10,319
Share premium	11,863	11,863	11,863	11,863	11,863
Revaluation reserve	58,452	58,452	58,452	58,452	58,452
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	618,264	554,784	444,554	351,221	268,294
Profit for the year attributable to the Parent	90,181	99,454	146,182	129,624	124,343
	789,079	**734,872**	**671,370**	**561,479**	**473,271**
Valuation Adjustments					
Available-for-sale financial assets	3,704				
Hedges	(2,882)	(4,449)	(1,820)	-	(70)
Translation differences	(70,789)	(28,508)	(5,106)	2,145	(13,702)
	(69,967)	**(32,957)**	**(6,926)**	**2,145**	**(13,772)**
Equity attributable to the Parent	**719,112**	**701,915**	**664,444**	**563,624**	**459,499**
Non-controlling interests	**10,249**	**5,685**	**2,820**	**9,660**	**12,946**
Total equity	**729,361**	**707,600**	**667,264**	**573,284**	**472,445**
Non-current liabilities:					
Long-term provisions	**4,785**	**4,678**	**3,662**	**2,146**	**2,661**
Non-current financial liabilities					
Bank borrowings	477,934	480,517	242,171	240,565	187,577
Other financial liabilities	73,590	69,222	84,159	66,624	62,763
	551,524	**549,739**	**326,330**	**307,189**	**250,340**
Deferred tax liabilities	**147,020**	**84,283**	**85,956**	**55,934**	**36,994**
Other non-current liabilities	**52,366**	**22,741**	**8,727**	**5,546**	**4,008**
Total non-current liabilities	**755,695**	**661,441**	**424,675**	**370,815**	**294,003**
Current liabilities:					
Short-term provisions	**335,027**	**348,681**	**247,798**	**211,104**	**217,867**
Current financial liabilities					
Bank borrowings	232,705	108,962	5,878	20,344	15,817
Other financial liabilities	39,074	30,808	28,096	21,946	21,137
	271,779	**139,770**	**33,974**	**42,290**	**36,954**
Trade and other payables					
Payable to suppliers	460,652	439,866	417,312	440,363	521,510
Other accounts payable	252,808	369,900	584,089	580,235	793,201
Current tax liabilities	1,866	1,089	5,322	4,013	12,823
	715,326	**810,855**	**1,006,723**	**1,024,611**	**1,327,534**
Other current liabilities	**661**	**512**	**365**	**1,589**	**318**
Total current liabilities	**1,322,793**	**1,299,818**	**1,288,860**	**1,279,594**	**1,582,673**
Total equity and liabilities	**2,807,849**	**2,668,859**	**2,380,799**	**2,223,693**	**2,349,121**

Consolidated Incomes Statements

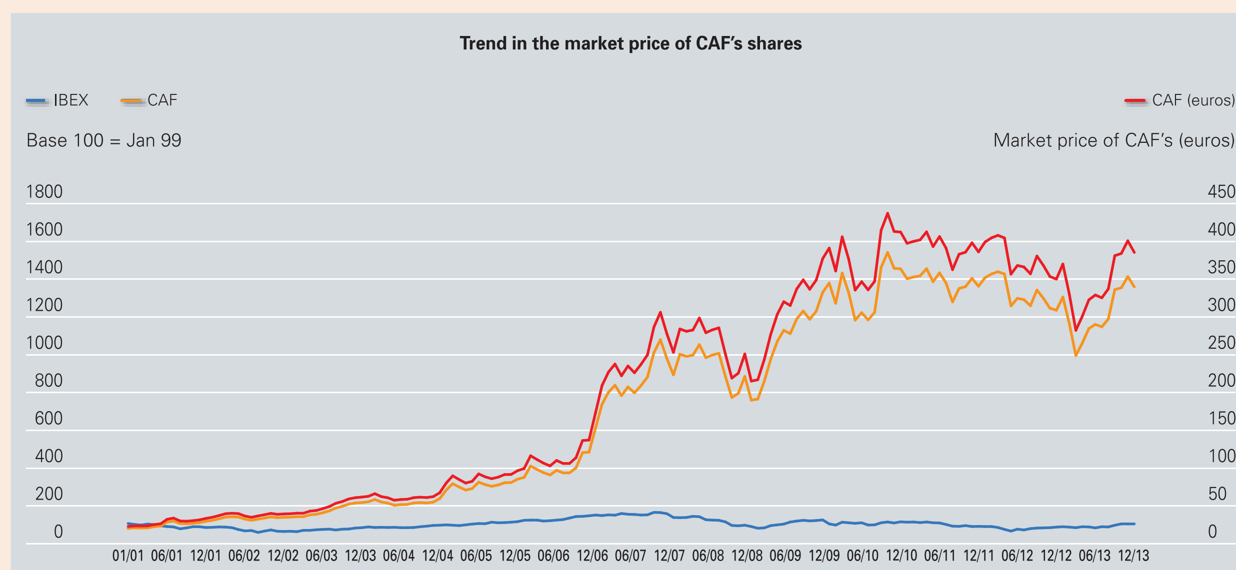
as of December 31st 2013, 2012, 2011, 2010, 2009 (Thousands of Euros)

(Debit) Credit	2013	2012	2011	2010	2009
Continuing operations:					
Revenue	1,535,240	1,721,186	1,725,099	1,563,206	1,261,734
+/- Changes in inventories of finished goods and work in progress	(149,530)	(222,057)	66,356	(20,207)	186,063
In-house work on non-current assets	7,106	1,325	2,054	1,783	827
Procurements	(560,010)	(595,441)	(965,028)	(829,824)	(778,584)
Other operating income	4,117	5,327	6,402	9,172	11,698
Staff costs	(394,460)	(352,334)	(342,745)	(318,160)	(280,119)
Other operating expenses	(219,535)	(376,105)	(263,301)	(203,711)	(236,253)
Other gains or losses	-	-	-	-	(1,051)
Ebitda	**222,928**	**181,901**	**228,837**	**202,259**	**164,315**
Depreciation and amortisation charge	(42,552)	(39,231)	(36,788)	(31,278)	(21,450)
Impairment and gains or losses on disposals of non-current assets	(29,065)	(1,282)	(27,266)	(14,337)	2,407
Profit from operations	**151,311**	**141,388**	**164,783**	**156,644**	**145,272**
Finance income	13,974	24,437	9,620	11,473	6,287
Finance costs	(47,687)	(35,273)	(26,627)	(2,102)	(1,110)
Exchange differences	(3,645)	(3,176)	39	(9,217)	2,416
Impairment and gains or losses on disposals of financial instruments	1,013	355	(639)	2,685	845
Change in fair value of financial instruments	(275)	17	(8)	(45)	-
Financial loss	**(36,620)**	**(13,640)**	**(17,615)**	**2,794**	**8,438**
Result of companies accounted for using the equity method	(392)	17	(3,301)	(846)	(524)
Profit before tax	**114,299**	**127,765**	**143,867**	**158,592**	**153,186**
Income tax	(23,262)	(27,711)	(14,260)	(14,880)	(7,213)
Profit for the year from continuing operations	**91,037**	**100,054**	**129,607**	**143,712**	**145,973**
Profit (Loss) for the year from discontinued operations	-	-	11,842	(18,272)	(26,267)
Consolidated profit (loss) for the year	**91,037**	**100,054**	**141,449**	**125,440**	**119,706**
Attributable to:					
The Parent	90,181	99,454	146,182	129,624	124,343
Non-controlling interests	856	600	(4,733)	(4,184)	(4,637)
Earnings per share (in euros)					
Basic	26.31	29.01	42.64	37.81	36.27
Diluted	26.31	29.01	42.64	37.81	36.27

The figures for 2010 and previous years were adapted to adequately reflect the operations classified as discontinued in 2011.

Stock market information

As of December 31, 2013, the Parent Company's capital stock amounted to EUR 10,318,506 and consisted of 3,428,075 fully subscribed and paid listed shares of EUR 3.01 par value each, traded by the book-entry system.



	2013	2012	2011	2010	2009
Stock market capitalization					
Figures as of December 31	1,317,409,223	1,196,398,175	1,319,808,875	1,336,949,250	1,289,299,008
Per-share data					
Net earnings per share	26.31	29.01	42.64	37.81	36.27
Dividend per share	10.50	10.50	10.50	10.50	10.50
Per-share net book value	209.77	204.75	193.82	164.41	134.04
Stock market ratios					
PER	12.53	13.08	9.02	10.07	8.27
Average price/EBITDA (*)	5.07	7.15	5.76	6.46	6.26
MV/BV (average price/book value)	1.57	1.85	1.98	2.32	2.24
Dividend yield	3.18%	2.77%	2.73%	2.76%	3.50%
Pay-out	39.91%	36.19%	24.62%	27.77%	28.95%

(*) The figures for 2010 and previous years were adapted to adequately reflect the operations classified as discontinued in 2011.

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

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