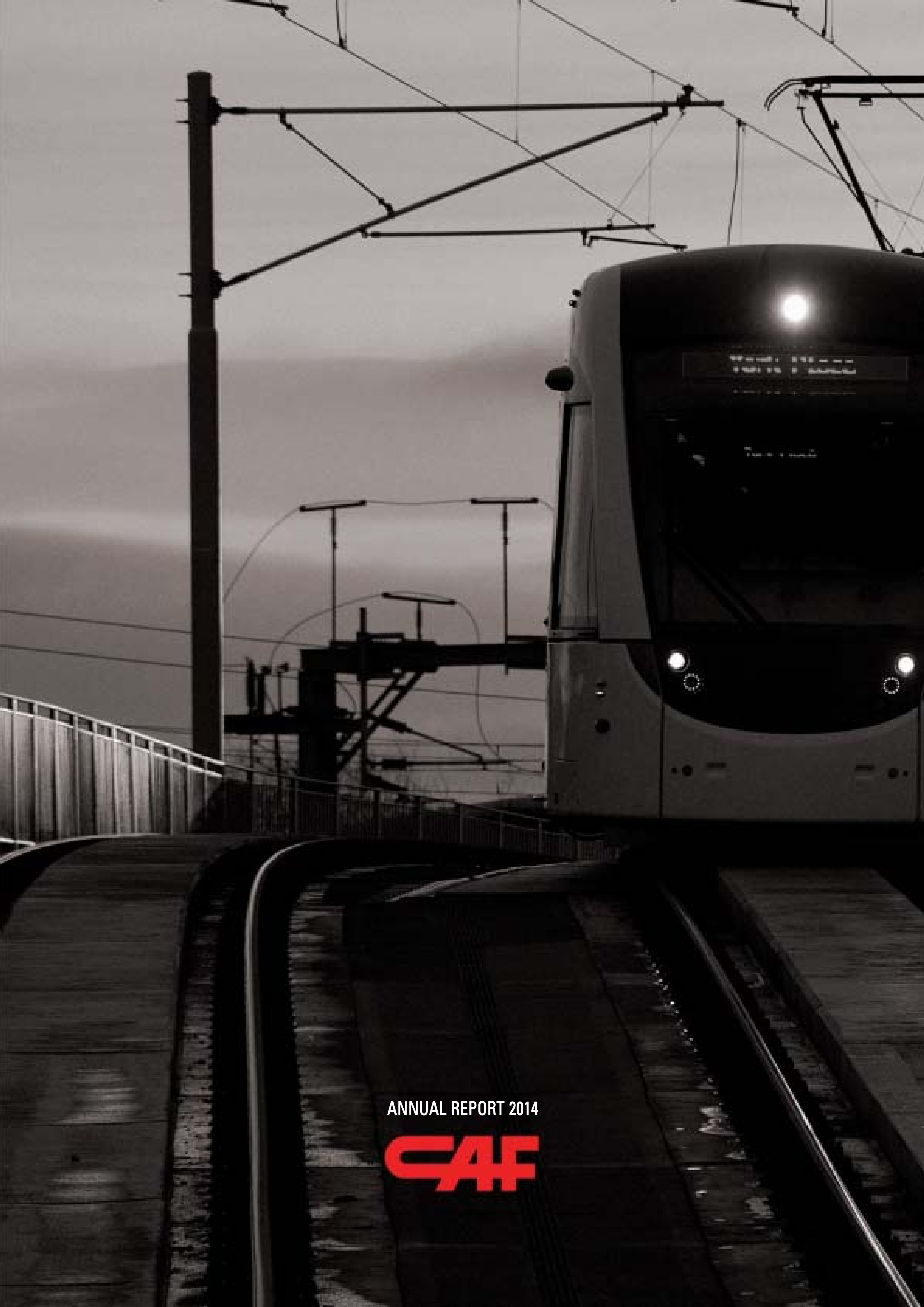


ANNUAL REPORT 2014

ANNUAL REPORT 2014

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,

It is an honour to present to you the Annual Report for 2014, in which you will find detailed information on the financial statements and the performance of the various activities of the CAF Group in 2014.

2014 further reaffirmed various trends which arose in recent years within the railway industry, two of the most significant of which were the globalisation of the economy and the current period of financial difficulty.

We find ourselves in a globalised market of customers and competitors which has become increasingly complex, difficult and plagued with unknowns. But, at the same time, it is a vibrant, changeable market with many opportunities to explore.

In this context, we have come to the end of a year characterised by the need, now more than ever, for continuous effort and attention when it comes to developing our projects and meeting the obligations we have undertaken to our customers. But, at the same time, it was a year in which the Group was rewarded for its firm commitment to developing advanced transport solutions in the form of new contracts which are significant not only in terms of volume, but also because they position the Group in market segments of great importance, due to their favourable growth prospects.

In terms of figures, this translates to a sales volume in 2014 of EUR 1,447.1 million, 82% of which related to international projects which continue to comprise most of our activity, as has been the case in recent years. Profit after tax at 2014 year-end amounted to EUR 62.1 million, lower than in 2013 due to the competitive pressure in the industry, to which we are not immune. EBITDA totalled EUR 146.4 million, just slightly above 10% of annual sales. Cash flow in 2014 amounted to EUR 109 million and, finally, the backlog at 2014 year-end was 9.3% higher than in 2013, at EUR 5,251.1 million, an all-time high for the Company, thereby providing visibility for the Group's medium-term industrial activities.

In light of these results, we propose to the Annual General Meeting a dividend payment of EUR 5.25 gross per share, also strengthening the Company's equity in line with our standard policy in this connection.

The factors which, at global level, will necessarily drive the development of new railway mobility projects are still present. I refer to growing concerns about the environment, to continual traffic congestion in many urban and suburban areas, or to volatile prices and availability of energy resources. At European level, note must be made of the significant increase in financial resources for railway systems as part of the new EU multiannual budget, which is also the case in other geographical areas in the form of renewed investment plans. This is expected to give rise to a continuous year-on-year increase of 2.7% for the industry as a whole from now until 2019, according to the latest UNIFE

World Rail Market Study, following several years of apathy burdened by the financial difficulties of public authorities.

In a world where technological leadership takes on an increasingly important role in determining an industry's competitiveness, CAF Group's commitment to invest in 2014 was evidenced by 81 innovation projects. Several were aimed at increasing the Group's presence in what will be key segments in coming years.

For example, the Group has worked on the definitive official accreditation its high-speed OARIS platform, an effort which, in 2015, resulted in our first contract in Norway for this type of train.

The Group also developed proprietary signalling systems in accordance with the ERTMS standard which, as in the aforementioned cased, enabled the Group to formalise agreements with ADIF to install our solution in stretches of Level 2 high-speed railway, the most demanding in terms of traffic safety. Also, as a result of this work, the Group's first units equipped with proprietary on-board ERTMS technology, some of which are destined for foreign markets, are leaving our facilities.

The ongoing maintenance of the catenary-free, autonomous energy accumulation systems for trams, already in operation in Seville and Zaragoza and soon to be in operation in Granada and Kaohsiung (Taiwan), boosts the commercial success of our family of URBOS trams which in 2014 counted on the support of new cities such as Budapest and Tallinn and which was a factor in the Group receiving an award for best rolling stock material manufacturer in the UK in 2014, specifically for the project performed in the city of Birmingham, England.

Also of note is the agreement reached with the Netherlands railway system to supply 118 Civity family trains, a project which gave the seal of approval for this platform in the European regional railway market, one of the largest in terms of volume, and which enables us to tackle similar opportunities across the entire continent. Just as significant was the agreement entered into for the construction of the Mexico City-Toluca connection, the engineering and integration of which will be led by CAF and for which we will supply on-board ERTMS equipment, a traffic control station, an ATO system and various electro-mechanical components, as well as the trains themselves.

A new agreement for driverless automated metro systems in Istanbul follows on from previous experiences in Chile and Helsinki in this particular segment of rapid growth. We have also seen the addition of various contracts for conventional metros (Rome, Medellín, Bucharest) and light vehicles (Boston) which strengthen our position in urban transport, as well as the extension of agreements for carriages and push-pull locomotives in Saudi Arabia.

Activities related to concession agreements, maintenance and rolling stock have, for yet another year, continued to make a growing contribution to the Group's sales, which will see the addition of the refurbishment of locomotives of the Italian public operator (Trenitalia) and of metro trains in the city of Lyon, France, a market area which we aim to develop in the coming years.

The involvement and contribution of all those who form part of the CAF Group have brought us to where we are today, and I would like to sincerely thank you for that. However, I will not cease to encourage you to continue and persevere with renewed enthusiasm. The effort and commitment we demonstrate every day, above all to ourselves, will be key to advancing in an environment of increasing competitive pressure, but which is exciting and full of opportunities.

To conclude, I would also like to give my most sincere thanks to our shareholders. Your constant support, the trust placed in us and your contribution throughout the years encourages us to look forward, set new objectives and strengthen our project.

Many thanks,

José María Baztarrica Garijo
Chairman and CEO

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

CAF, which has been operating for over a hundred years, designs, manufactures, supplies and maintains equipment and components for railway systems throughout the world

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)
- Nederlandse Spoorwegen (NS)

ARTICULATED LIGHT RAILWAY

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

SUBWAY TRAINS

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

STREETCARS

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

2014 DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

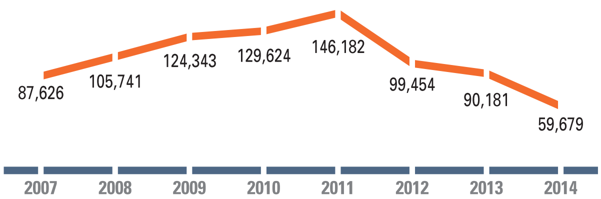
EARNINGS

Profit from continuing operations amounted to EUR 62,129 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 17,997 thousand to pay dividends, giving rise to gross earnings of EUR 5.25 per share

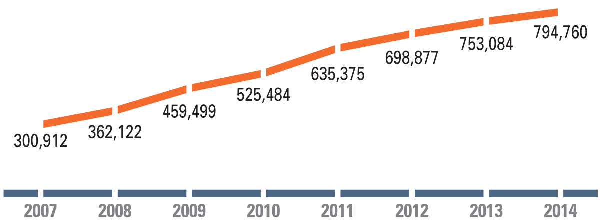
The aggregates in 2014 were as follows:

- Profit from continuing operations amounted to EUR 62,129 thousand after tax and EUR 80,456 thousand before tax, compared to EUR 91,037 thousand and EUR 114,299 thousand in 2013, representing a fall of 32% and 30%, respectively.
- The depreciation and amortisation charge and impairment losses relating to non-current assets amounted to EUR 31,440 thousand which, added to the profit for the year before tax from continuing operations, generated a cash flow of EUR 111,896 thousand, representing a decrease of approximately 40% on 2013, which amounted to EUR 185,916 thousand.
- EBITDA from continuing operations totalled EUR 146,425 thousand, down approximately 34% on 2013 (EUR 222,928 thousand).
- Revenue amounted to EUR 1,447,141 thousand in 2014, down 6% on 2013 (EUR 1,535,240 thousand).
- The backlog amounted to EUR 5,251,114 thousand at 2014 year-end, up 9% on 2013 (EUR 4,802,858 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, it is proposed to use EUR 17,997 thousand of the profits of the Parent, CAF, S.A., to pay dividends, amounting to a gross value of EUR 5.25 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 730,916 thousand.
- Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held treasury shares in the course of 2014.

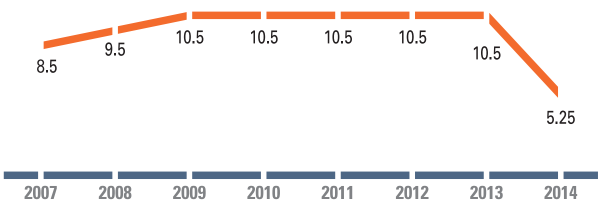
Profit attributable to the Parent
(in thousands of euros)



Groups shareholder's equity
(in thousands of euros)



Dividend/share performance
(in euros)



8 COMMERCIAL ACTIVITY

The backlog at 2014 year-end exceeded EUR 5,251 million, a new record high, recovering the trend of recent years

The backlog at 2014 year-end exceeded EUR 5,251 million, a new historical high, representing a recovery of the trends of recent years. As in prior years, the balance between the contribution of the domestic and export markets to the figure shows the continuing dominance of the foreign market.

The most significant events in 2014, at a domestic level, were the commissioning by EuskoTren of 28 three-carriage trains amounting to EUR 150 million and, at an international level, the contract with the Netherlands state operator, Nederlandse Spoorwegen (NS), to purchase 118 Civity suburban trains for over EUR 500 million.

In Mexico the consortium led by CAF was awarded the intercity train joining Mexico City with Toluca, commissioned by the Secretaria de Comunicaciones y Transporte de México (SCT), for which CAF will manufacture 30 five-carriage electric units. In addition, other companies in the CAF Group will be responsible for supplying the ATO system, the control centre, the on-board ERTMS equipment, the electromechanical installations, the integration engineering and coordination of the project.

In Budapest, the Hungarian capital, the company responsible for city transport has acquired from CAF 37 five- and nine-module low-floor trams, which were increased by a further 10 trams in 2014, resulting in a total contract amount of approximately EUR 106 million, supported by EU funding.

In Istanbul, CAF will supply 21 metro units which will be operated with driverless technology in the suburban rail network of the Turkish capital, with the contract totalling up to EUR 119 million.

On the American continent, CAF has secured a contract for the Boston metro, the Massachusetts Bay Transport Authority (MBTA), for 24 light vehicles, for over EUR 85 million, to provide service on the Green Line, the oldest subway line in the United States.

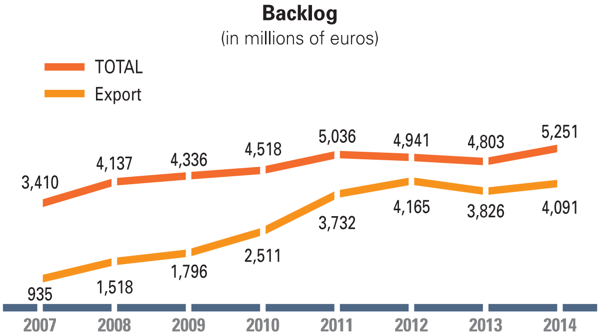
Taking into account this variety of railway material, plus the new contracts for high-speed trains, represented by the Oaris train, catenary-free and/or energy saving driving systems and "mixed" vehicles such as the Bahía de Cádiz tram-train, CAF clearly has a considerable capacity to respond to each customer's specific needs.

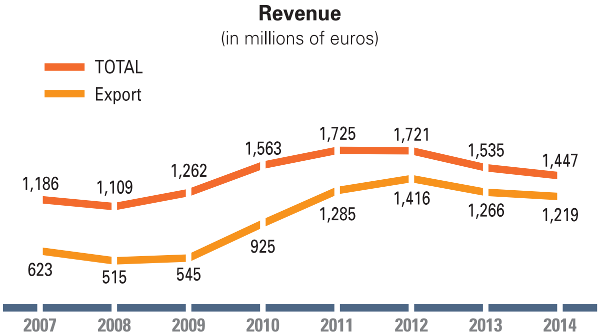
Accordingly, at the Light Rail Awards held in London, CAF received an award in the best rolling stock manufacturer of the year category.

In addition, in 2014, various customers increased the scopes of their supply contracts, thereby demonstrating CAF's sound performance. The Rome metro (Italy) increased its last order by three units, bringing the total number of carriages supplied to this customer to 426. The Medellín metro (Colombia) increased its fleet by three additional units and commissioned equipment for its workshops totalling approximately EUR 15 million. Metrorex, the metro operator in Bucharest (Romania), increased its order for 16 units made in 2011 by an additional 8 units, with funding from the European Investment Bank.

In the tramway segment an extension was concluded for Tallinn (Estonia) for 4 trams, in addition to the 16 originally commissioned and the Saudi Arabian long-distance railways (SAR) increased their order by 3 locomotives and 17 carriages.

The spare parts and maintenance activities continue to contribute a significant percentage to the backlog. Of particular note is the entry into the railway material refurbishment markets of Italy and France. Forty electric locomotives will be refurbished for the Italian public operator Ferrovia del Stato, and in France 35 trains will be refurbished for the Lyon metro.





INDUSTRIAL ACTIVITY

874 different kinds of carriages (long- and medium-distance, commuter, locomotive, metros, trams, etc.) were supplied in 2014 to countries in Europe, America, Asia and Oceania

Several of the projects begun in prior years were completed over the 2014 financial year, such as the contract for 30 trains with Euskotren, the 12 trains for Ferrocarriles Catalanes (FGC) or the first phase of the 16 trains for the Bucharest metro, from the EMU (Electrical Multiple Unit) and Metro ranges. The first two trains of the Civity platform contract with the Bari region (Italy) have been finished, as have the four trains for the Trieste (Italy) and Austrian geographical area. In the tram range, the projects for 14 units for Malaga, 19 compositions for Besançon, 18 trams for Debrecen and 40 units for Cuiaba (Brazil) have been completed. In addition, the manufacture of eight diesel traction trains for Sardinia in the three- and four-carriage versions was completed.

Also during this period, delivery continued of other projects such as the 28 baggage carriages for long-distance trains, for the US operator Amtrak, as well as 4 locomotive compositions and 5 trailer cars for SRO in Saudi Arabia, 18 of the 26 trains of the contract entered into with the Sao Paulo metro, 37 trains for Auckland (New Zealand), 20 trams for Houston, 16 trains for the Rome metro and the first of the 10 EMUs for Belo Horizonte (Brazil). The manufacture was completed of the last 4 trams of the order for 14 for Malaga, 10 trams in the three- and four-module versions for Stockholm, 7 trams for Debrecen, 16 trams for Birmingham, 5 trams for Sydney (Australia), 9 trams for Kaoshiung (Taiwan) and the first tram of the contract for 20 for Tallinn (Estonia).

In addition, the first phases of the manufacture of the most recent projects have begun, such as the contract for 35 trains for CPTM, the 37 trains for the Chile metro, 47 trams for Budapest, the new project for 28 trains for Euskotren, the addition of 8 trains for the Bucharest metro, the contract for 5 trams for Cincinnati, and the project for 20 trains for the Helsinki metro.

The most important products manufactured in 2014 were as follows:

VEHICLE UNIT (NO. OF VEHICLES)	
Long-distance Amtrak carriages	28
Locomotive for Saudi Arabia (SRO)	3
Trailer car arrangement for Saudi Arabia (SRO)	15
Medium distance Civity trains for Trieste-Austria	20
Medium distance Civity trains for Bari	8
Medium-distance trains for Sardinia (3 carriages)	6
Commuter trains for Euskotren	4
Commuter trains for FCG (4 carriages)	28
Commuter trains for FCG (3 carriages)	9
Commuter trains for Auckland	111
Commuter trains for Belo-Horizonte	4
Sao Paulo metro	108
Bucharest metro	72
Rome metro	96
Trams for Malaga	20
Trams for Besançon	24
Trams for Stockholm (3 modules)	12
Trams for Stockholm (4 modules)	24
Trams for Debrecen	35
Trams for Birmingham	80
Trams for Cuiabá	42
Trams for Sydney	20
Trams for Kaohsiung	35
Trams for Freiburg	7
Trams for Tallinn	3
Trams for Houston	60
TOTAL	**874**
BOGIES	
With welded chassis	1,464
COMPONENTS AND SPARE PARTS UNIT	
Assembled axles (power car + trailer car)	5,607
Loose axle bodies	10,171
Monoblock wheels	57,659
Elastic wheels	1,033
Couplers	997
Gear units	2,315
Tyres	672

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HUMAN RESOURCES

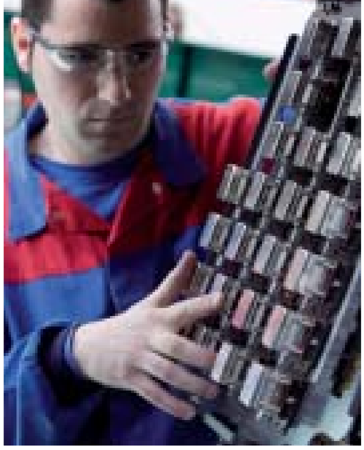
The increase in the headcount arose in the area of maintenance activities and due to increased capacity at the plants in the USA and Brazil. The measures foreseen in the area of occupational risk prevention were generally implemented

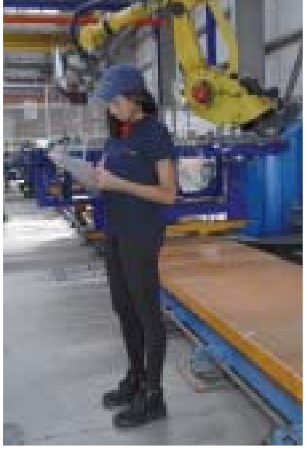
The increase in the workforce occurred in relation to the maintenance activities and in manufacturing the increased capacities of the plants in the US and Brazil were of particular note well into the year, although slowing down towards the end of the year. The forecast reduction at these plants from that time on and, particularly, in 2015, should be noted.

EMPLOYEES	TOTAL	ANNUAL AVERAGE
31/12/13	7,632	7,477
31/12/14	8,206	8,027

With respect to training, development plans for personnel have been boosted with greater focus on individualisation through the increased use of individual mentoring.

The 2013-2014 Training Plan, with more than 100,000 hours of training initiatives focused particularly on technical or product training, occupational risk prevention, quality and team management skills.





A computer application has been implemented at CAF, S.A., CAF P&A, and CAF I+D, to support the personnel management processes which may be extended to other Group companies.

In the area of communication the Employee Portal is currently up and running. It is now the only channel for access to the various applications and information services and tools in the CAF Group. Progress has also been made in consolidating the Osinberde magazine, communicating significant management issues to all CAF personnel.

Internal skills training and mobility have been boosted as a method of responding to the various needs for resources.

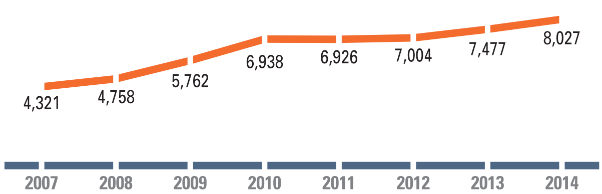
In the area of occupational risk prevention, certification based on the OHSAS 18001 standard was maintained for the Beasain, Irún and Zaragoza centres.

In general the planned prevention initiatives were carried out, in some cases improving the accident indicators.

In international terms, activities were focused on managing resources for launching new projects, with respect to both rolling stock and warranty and maintenance services, and on deploying personnel management processes at the more established subsidiaries.

In addition, activities were particularly carried out to improve control of labour costs in international projects and to manage international mobility, most notably at the Elmira plant.

Employees
(number of persons)



14 ENVIRONMENTAL ACTIVITY

In 2014 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 the outset, the environmental impact of the products over their whole life cycle (LCA).
As an indication of this, note should be made that greenhouse gas emissions were kept below the level of their allocated emission allowances

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 the manufacturing plants of CAF S.A., the environmental management system has been up and running and has been certified, in accordance with ISO14001 since 2001, including the organisational structure, the planning of environmental protection initiatives, responsibilities, environmental objectives and the resources for carrying out, reviewing and updating the environmental policy.

In May and November 2014, the audits for maintenance of the ISO 14001:2004 certification for the environmental management systems at the Beasain, Irun and Zaragoza plants were carried out with a satisfactory outcome.

Efforts carried out in this area are geared towards adopting the necessary and economically viable measures to control and, where necessary, minimise important areas of environmental concern, such as emissions into the atmosphere, waste generation and energy consumption. The aim is to preserve natural resources, in line with the environmental advantages relating to the manufacturing of means of railway transport which are favoured due to their reduced impact on the environment. It should be noted that, at present, in order to offer more efficient means of transport that are environmentally friendly while also being competitive in a market that is increasingly demanding with regard to respect for the environment, CAF is in the process of implementing the "product sustainability function" by introducing ecodesign methods into the engineering processes to optimise and control from the conception of products their environmental impacts over their life cycles.

CAF integrates methods and tools into its design processes that enable it to assess and select the best product solutions and configurations using:

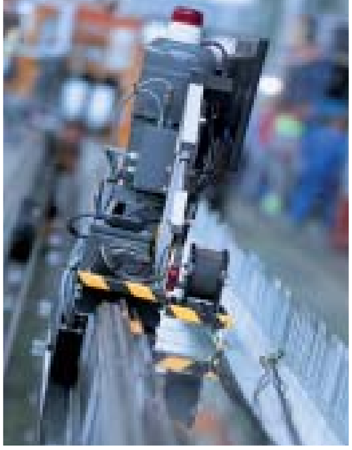
- Recyclability analysis in accordance with the ISO 22628 standard to select the best materials.
- Analysis of the life cycle in accordance with the ISO 14040 standard for the environmental evaluation of the product in each stage of its life cycle.

As a result, in 2014 CAF renewed the verification and publication of the environmental product declaration (EPD) for the Civity train for the Friuli Venezia Giulia Autonomous Community of 2012, which has been maintained together with the declarations performed in prior years for the Urbos tram in Stockholm and the tram in Zaragoza. All the declarations were renewed using external verification in accordance with the Unife-Environdec PCR standard and published on its website (http://www.environdec.com).

As an indication, it should be noted that the greenhouse gas emissions in 2014, in compliance with the Kyoto Protocol, were under the allocated emission allowances.

INVESTMENTS

Investments in 2014 amounted to EUR 10,085 thousand.
These investments were aimed at updating the production systems and facilities in general, as well as engineering and IT systems


Capital expenditure by CAF in 2014 amounted to EUR 10,085 thousand. The most noteworthy investments in 2014 included the following:

- In the spare parts business unit the last phase of the investments carried out in recent years to optimise and automate the wheel machining line was completed. Specifically, the second machining cell was put into operation, the investment in the automatic wheel measuring system was completed, together with the robotisation of the painting area and the improvements to the wheel production flow. Added to this were the various improvements relating to increased productivity in other areas of the division.

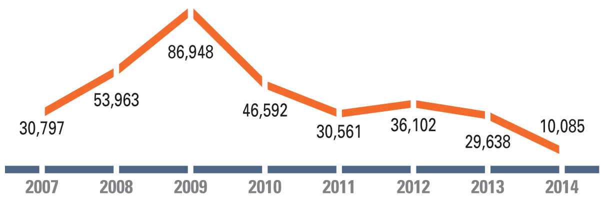
- In the vehicles business unit, investments in 2014 concentrated mainly on preparing and updating the general installations in order to cater for the various projects incorporated into the production activities, and on issues relating to the adaptation of machinery and installations to existing regulations and occupational safety requirements.

- In the other areas, of particular note in engineering and IT, in addition to the mandatory upgrade of computer hardware and technical resources, improvements were made to the access management system and storage capacity was increased. All of these activities were performed together with the compulsory ongoing development of IT security in the corporate environment.

Lastly, concerning investments abroad, also of note were the investments being made to increase the capacity of the Elmira plant in the US, which is directly related to the needs generated by projects currently being carried out by CAF in the country.

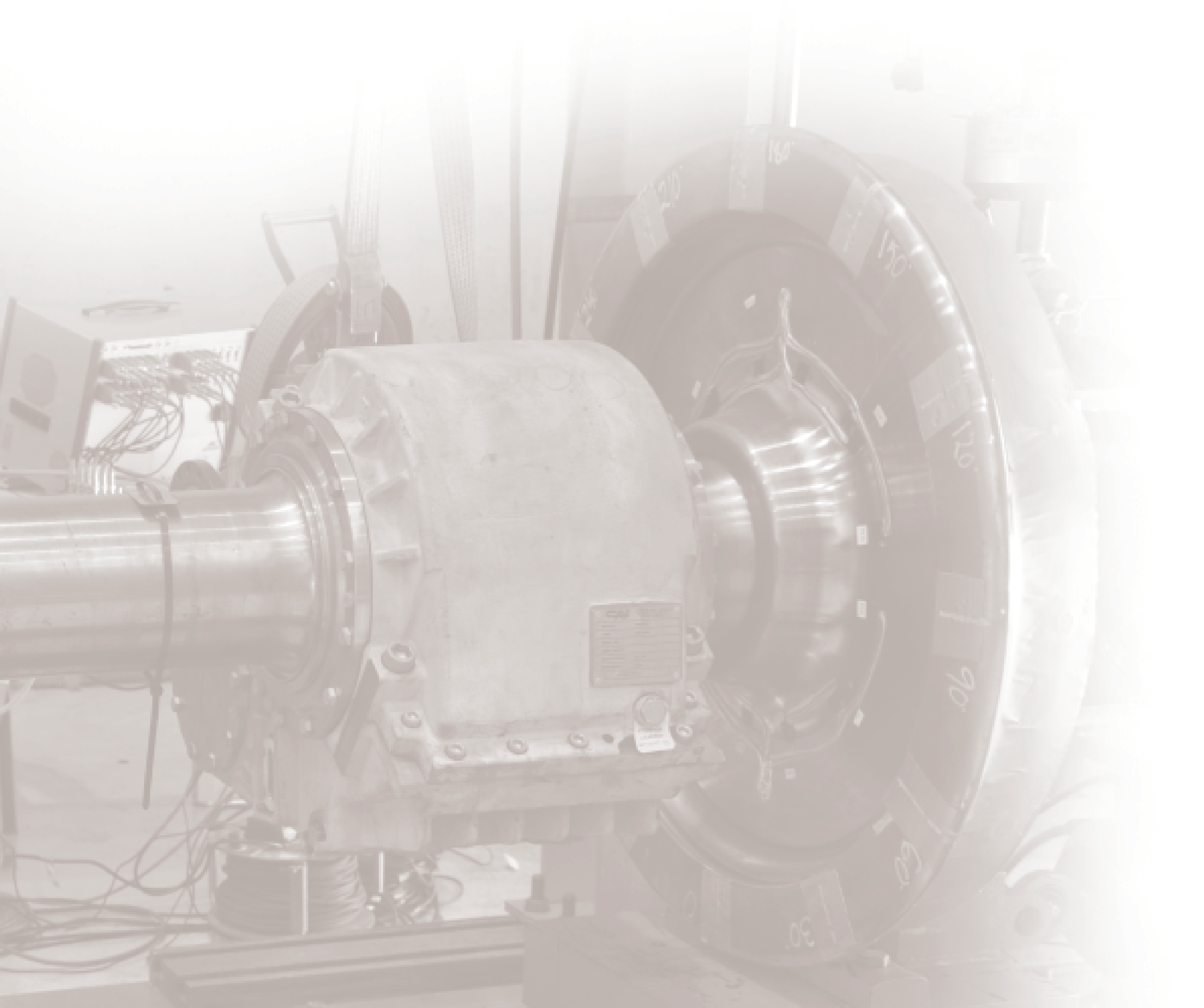
Investments

(in thousands of euros)



TECHNOLOGICAL DEVELOPMENT

With regard to CAF and CAF I+D, a total of 81 projects included in the technology plan were carried out in 2014. Also, the CAF Group's new technology plan for 2015-2017 was finalised in 2014



As regards CAF and CAF I+D, in 2014 the new Group Technology Plan for 2015-2017 was completed which, aligned with the Strategic Plan, will set in motion a total of 57 new projects for CAF and its subsidiaries, and continue another 49. A total of 81 projects under the Technology Plan were underway in 2014.

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.

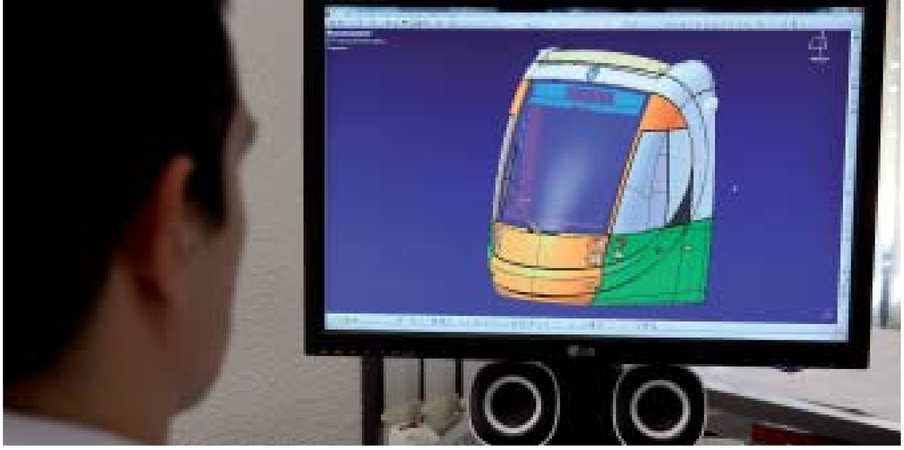
The Technology Plan implemented in 2014 fostered projects involving CAF, CAF I+D and various subsidiaries, promoting ongoing close collaboration with different technology centres and universities.

The projects included in the 2014-2016 Technology Plan 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.
- Signalling (on-board and fixed).
- Integration, comprising global transport system projects.
- Specific products and developments using basic rail technologies, traction, spare parts, gear units, control and communications, maintenance, etc.

All of the above were combined with 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.
- Project VEGA for the development of safety electronics.
- Project for electronic train control, including safety functions.
- Projects for the development of expertise in driving resistance, Electromagnetic Compatibility (EMC), railway dynamics, noise and vibrations, energy management, and energy accumulation systems, with the support of regional and autonomous community governments.
- OARIS high-speed train prototype.
- ERTMS-ETCS system for the development of on-board signalling equipment.



TECHNOLOGICAL DEVELOPMENT

Of particular note in this group of projects was the completion of on-track trials relating to vehicle-track interaction (dynamic, aerodynamic, pantograph-catenary, etc.) performed with the OARIS high-speed train prototype, as well as the preparation of the prototype for the final trials for approval and entry into service.

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

European projects:

- SAFEJOINT for the development of metal-metal and metal-composite hybrid structures.
- TREND for the development of validation environments for EMC in railway vehicles.
- REFRESCO for the development of car body structure solutions in composite material.
- OSIRIS 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.

- NGTC for the study of an interface between ERTMS and the satellite positioning module.
- EURAXLES for the minimisation of failure due to the fatigue of axles in service.

In European projects CAF is one of the eight founding members of the Shift²Rail Joint Undertaking (JU) to promote railway R&D activity as part of the Horizon 2020 programme. This JU, with an overall budget of EUR 920 million was launched on 31 July 2014. The technology development work on this project will continue until 2020.

The subsidiaries continued their normal technological development activity including the following milestones:

- The successful commercial operation of the catenary-free, autonomous energy accumulation system installed in the Seville tramway and its application to the Zaragoza and Granada tramways and future application in Kaohsiung (Taiwan) and Cuiabá (Brazil).
- The development of traction equipment covering a range of catenary voltages of up to 25 kV, enabling its commercialisation in projects for Indian Railways, Auckland Metro and locomotive refurbishment projects in various countries.
- The performance and award of various tenders by ADIF for ERTMS track products.

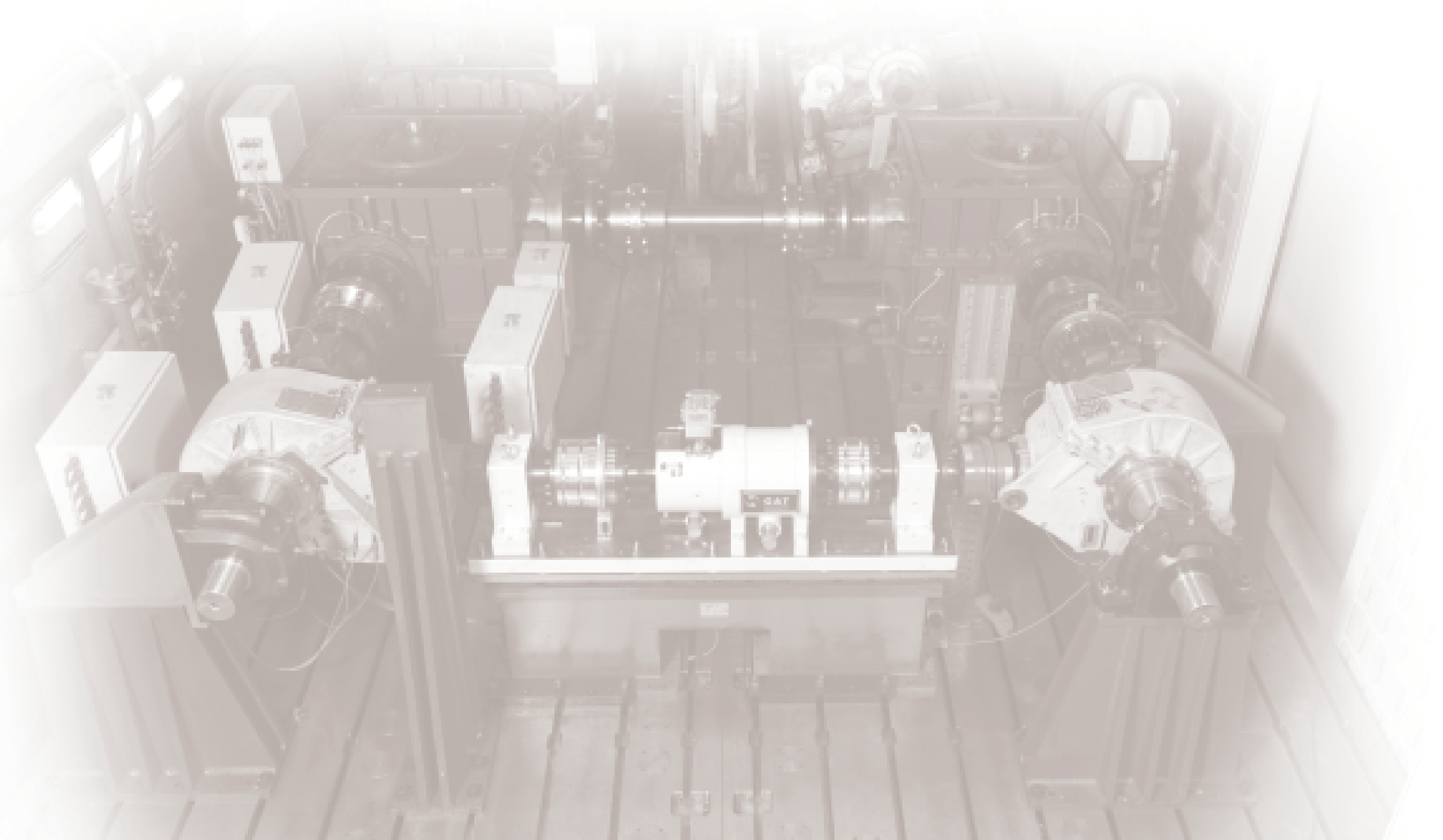
The most relevant engineering projects undertaken by the Group in 2014 were as follows:

- Trailer cars for Amtrak (US).
- UTO for Helsinki Metro (Finland).
- Locomotives and trailer cars for SAR (Saudi Arabia).
- Cincinnati tram (USA).
- Kaohsiung tram (Taiwan).
- Tallinn tram (Estonia).
- Freiburg tram (Germany).
- Cagliari tram (Italy).

The following engineering projects entered into service in 2014:

- UTO for Santiago de Chile Metro (Chile).
- Euskotren s/950 electric units.
- LRV for Boston Metro (USA).
- Civity train for NS (Netherlands).
- Kansas tram (USA).
- Budapest tram (Hungary).

The CAF Group has also carried out work on the basic development of new types of vehicles to extend its 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 New Taiwan dollar, the Swedish krona, the Australian dollar, the New Zealand 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.

The average payment period to suppliers in 2014 was 76.54 days.

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

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

Tender specifications and railway vehicle manufacturing contracts include numerous requirements concerning technical aspects and quality levels (with the introduction of 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, offering complete ready-to-operate systems with the use of alliances if necessary.
- Development of new rolling stock systems and vehicles, together with the implementation of advanced comprehensive project management systems.
- Ongoing strengthening of the Group's presence in international railway material markets.
- Ongoing systematic rollout of cost-reduction and quality improvement programmes to all Group business areas.
- Ongoing adaptation of the organisation, processes and systems in a changing scenario based mainly on foreign markets with a variety of cultures and requirements.
- Ongoing implementation of a process based management model.

EVENTS AFTER THE REPORTING PERIOD

At 31 January 2015, the Group had a firm backlog of EUR 5,496,451 thousand.

CORPORATE GOVERNANCE

annual corporate governance report 2014

The Annual Corporate Governance Report for 2014 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 in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. ("the Parent") and Subsidiaries ("the Group", see Note 2-f), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of profit or loss, 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.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries 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 in Spain and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended 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 in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries, the evolution of their 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 2014. 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 Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries.

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

Javier Giral Gracia
25 February 2015

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 2014

Consolidated Balance Sheets

at 31 December 2014 and 2013 (Notes 1, 2 and 3) (Thousands of Euros)

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

Assets	31-12-14	31-12-13 (*)
Non-current assets:		
Intangible assets (Note 7)		
Goodwill	15	15
Other intangible assets	37,673	35,172
	37,688	**35,187**
Property, plant and equipment, net (Note 8)	**271,839**	**286,593**
Investments accounted for using the equity method (Note 9)	**12,257**	**14,902**
Non-current financial assets (Note 9)	**669,549**	**657,233**
Deferred tax assets (Note 18)	**163,842**	**162,283**
Total non-current assets	**1,155,175**	**1,156,198**
Current assets:		
Inventories (Note 11)	**180,504**	**159,857**
Trade and other receivables		
Trade receivables for sales and services (Notes 10, 11 and 12)	1,107,006	1,040,576
Other receivables (Notes 10 and 19)	188,410	206,739
Current tax assets (Note 19)	6,493	17,604
	1,301,909	**1,264,919**
Other current financial assets (Note 13)	**123,945**	**97,703**
Other current assets	**4,591**	**2,022**
Cash and cash equivalents	**197,111**	**127,150**
Total current assets	**1,808,060**	**1,651,651**
Total assets	**2,963,235**	**2,807,849**

Equity and liabilities	31-12-14	31-12-13 (*)
Equity (Note 14):		
Shareholders' equity		
Registered share capital	10,319	10,319
Share premium	11,863	11,863
Revaluation reserve	39,119	58,452
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	691,777	618,264
Profit for the year attributable to the Parent	59,679	90,181
	812,757	**789,079**
Valuation adjustments		
Available-for-sale financial assets (Note 9-b)	-	3,704
Hedges	(6,212)	(2,882)
Translation differences	(70,336)	(70,789)
	(76,548)	**(69,967)**
Equity attributable to the Parent	**736,209**	**719,112**
Non-controlling interests	**12,704**	**10,249**
Total equity	**748,913**	**729,361**
Non-current liabilities:		
Long-term provisions (Note 20)	**5,075**	**4,785**
Non-current financial liabilities (Notes 15 and 16)		
Bank borrowings	683,062	477,934
Other financial liabilities	76,405	73,590
	759,467	**551,524**
Deferred tax liabilities (Note 18)	**152,426**	**147,020**
Other non-current liabilities (Note 3-p)	**66,880**	**52,366**
Total non-current liabilities	**983,848**	**755,695**
Current liabilities:		
Short-term provisions (Note 20)	**265,329**	**335,027**
Current financial liabilities (Notes 15 and 16)		
Bank borrowings	158,039	232,705
Other financial liabilities	46,733	39,074
	204,772	**271,779**
Trade and other payables		
Payable to suppliers (Note 25)	463,067	460,652
Other payables (Notes 10, 11, 15, 19 and 20)	293,197	252,808
Current tax liabilities (Note 19)	3,513	1,866
	759,777	**715,326**
Other current liabilities	**596**	**661**
Total current liabilities	**1,230,474**	**1,322,793**
Total equity and liabilities	**2,963,235**	**2,807,849**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated balance sheet as at 31 December 2014.

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

Consolidated Statements of Profit or Loss

for the years ended 31 December 2014 and 2013 (Notes 1, 2 and 3) (Thousands of Euros)

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

(Debit) Credit	2014	2013 (*)
Continuing operations:		
Revenue (Notes 6, 9 and 10)	1,447,141	1,535,240
+/- Changes in inventories of finished goods and work in progress	7,690	(149,530)
In-house work on non-current assets	9,840	7,106
Procurements (Note 21)	(743,140)	(560,010)
Other operating income (Note 21)	5,289	4,117
Staff costs (Note 22)	(406,236)	(394,460)
Other operating expenses (Note 21)	(174,159)	(219,535)
Depreciation and amortisation charge (Notes 7 and 8)	(42,398)	(42,552)
Impairment and gains or losses on disposals of non-current assets (Notes 7, 8 and 9)	10,958	(29,065)
Profit from operations	**114,985**	**151,311**
Finance income (Notes 3-d, 9, 10 and 13)	10,187	13,974
Finance costs (Notes 9 and 16)	(47,252)	(47,687)
Exchange differences	(2,394)	(3,645)
Impairment and gains or losses on disposals of financial instruments (Note 9)	4,357	1,013
Change in fair value of financial instruments	373	(275)
Financial loss	**(34,729)**	**(36,620)**
Result of companies accounted for using the equity method (Note 9)	200	(392)
Profit before tax	**80,456**	**114,299**
Income tax (Note 18)	(18,327)	(23,262)
Profit for the year from continuing operations	**62,129**	**91,037**
Consolidated profit for the year	**62,129**	**91,037**
Attributable to:		
The Parent	59,679	90,181
Non-controlling interests	2,450	856
Earnings per share (in euros)		
Basic	17.41	26.31
Diluted	17.41	26.31

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2014.

Consolidated Statements of Comprehensive Income

for 2014 and 2013 (Notes 1, 2 and 3) (Thousands of Euros)

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

	2014	2013 (*)
A) Consolidated profit for the year	**62,129**	**91,037**
B) Income and expense recognised directly in equity	**(2,877)**	**(37,016)**
Arising from revaluation of financial instruments	-	3,838
Arising from cash flow hedges (Note 17)	(3,501)	1,594
Translation differences (Note 14)	454	(42,287)
Tax effect (Note 18)	170	(161)
C) Transfers to consolidated profit or loss	**(3,703)**	**-**
Arising from revaluation of financial instruments (Note 9-b)	(3,838)	-
Translation differences	-	-
Tax effect (Note 18)	135	-
Total comprehensive income (A+B+C)	**55,549**	**54,021**
Attributable to:		
The Parent	53,098	53,171
Non-controlling interests	2,451	850

(*) 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 2014.

Consolidated Statements of Changes in Equity

for 2014 and 2013 (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 as 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 as at 31 December 2013 (*)	**10,319**	**11,863**	**58,452**	**618,264**	**90,181**	**822**	**(70,789)**	**10,249**	**729,361**
Total comprehensive income	**-**	**-**	**-**	**-**	**59,679**	**(7,034)**	**453**	**2,451**	**55,549**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(35,995)**	**-**	**-**	**4**	**(35,991)**
Dividends paid	-	-	-	-	(35,995)	-	-	(895)	(36,890)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	899	899
Other changes in equity	**-**	**-**	**(19,333)**	**73,513**	**(54,186)**	**-**	**-**	**-**	**(6)**
Transfers between equity items (Note 14-c)	-	-	(19,333)	73,513	(54,186)			-	(6)
Balances as at 31 December 2014	**10,319**	**11,863**	**39,119**	**691,777**	**59,679**	**(6,212)**	**(70,336)**	**12,704**	**748,913**

(*) 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 2014.

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

Consolidated Statements of Cash Flows

for 2014 and 2013 (Notes 1,2 and 3) (Thousands of Euros)

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

	2014	2013 (*)
Cash flows from operating activities:		
Profit before tax	80,456	114,299
Adjustments for		
Depreciation and amortisation charge (Notes 7 and 8)	42,398	42,552
Impairment losses (Notes 7 and 9)	(10,754)	27,800
Changes in provisions (Notes 3-l and 20)	(68,868)	(10,981)
Other income and expenses	1,757	12,641
Gains and losses on disposals of non-current assets (Note 8)	(4,336)	73
Investments accounted for using the equity method (Note 9)	(200)	392
Finance income	(10,187)	(13,974)
Finance costs	47,252	47,687
Changes in working capital		
Trade receivables and other current assets (Notes 3-d and 12)	(66,236)	(258,466)
Inventories (Note 11)	(20,256)	85,914
Trade payables	37,066	(89,841)
Other current liabilities	4,476	158
Other non-current assets and liabilities	35,662	24,140
Other cash flows from operating activities		
Income tax recovered (paid) (Note 19)	(4,064)	(23,783)
Other amounts received/(paid) relating to operating activities	(1,735)	(2,050)
Net cash flows from operating activities (I)	**62,431**	**(43,439)**
Cash flows from investing activities:		
Payments due to investment		
Group companies and associates (Note 9)	-	(633)
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	(24,306)	(49,482)
Other financial assets (Notes 9 and 13)	(46,992)	(58,258)
Proceeds from disposal		
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	475	237
Other financial assets (Notes 9 and 13)	52,979	105,373
Interest received (Note 13)	5,963	10,415
Net cash flows from investing activities (II)	**(11,881)**	**7,652**
Cash flows from financing activities:		
Issue of shares by non-controlling interests	899	1,829
Proceeds/(Payments) relating to financial liability instruments		
Issue (Notes 15 and 16)	421,162	245,304
Repayment (Notes 15 and 16)	(329,743)	(70,899)
Dividends and returns on other equity instruments paid	(38,990)	(36,914)
Other cash flows from financing activities		
Interest paid (Note 16)	(38,471)	(42,921)
Net cash flows from financing activities (III)	**14,857**	**96,399**
Net increase in cash and cash equivalents (I+II+III)	**65,407**	**60,612**
Cash and cash equivalents at beginning of year	127,150	76,682
Effect on cash of foreign exchange rate changes	4,554	(10,144)
Cash and cash equivalents at end of year	**197,111**	**127,150**

(*) 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 2014.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

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 2014 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 2014 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 2013 were approved by the shareholders at the Annual General Meeting of CAF on 7 June 2014. The 2014 consolidated financial statements of the Group and the 2014 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

In 2014 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

Since their entry into force on 1 January 2014, the Group has applied the following standards and interpretations which gave rise to a change in the Group's accounting policies:

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.

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 (joint ventures), which will begin to be accounted for using the equity method.

IAS 27 and IAS 28 are revised in conjunction with the issue of the aforementioned new IFRSs. In the case of the Group, they did 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 they be subsidiaries, associates, joint arrangements or other interests) and includes new disclosure requirements.

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

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

The amended application guidance states, inter alia, that in order to meet this criterion, 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 did not give rise to a change in the Group's accounting policies in relation to offsetting financial assets and financial liabilities.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the most significant new standards, amendments and interpretations that had been published by the IASB but which had not come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

Pronouncement	Effective date IASB	Effective date European Union
IFRIC 21, Levies	1 January 2014	17 June 2014 (*)
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions	1 July 2014	1 July 2014
Amendments to IASs 16 and 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Pending
Amendments to IFRS 11 - Acquisitions of Interests in Joint Operations	1 January 2016	Pending
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Pending
Amendments to IAS 27 - Equity Method in Separate Financial Statements	1 January 2016	Pending
Amendments to IASs 16 and 41 - Bearer Plants	1 January 2016	Pending
IFRS 15, Revenue from Contracts with Customers	1 January 2017	Pending
IFRS 9, Financial Instruments	1 January 2018	Pending

(*) The EU endorsed IFRIC 21 (EU Journal of 14 June 2014), changing the original effective date established by the IASB (1 January 2014) to 17 June 2014.

IFRS 15, Revenue recognition

IFRS 15, Revenue from Contracts with Customers is the new comprehensive standard on the recognition of revenue from contracts with customers and will supersede the following standards and interpretations currently in force: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue-Barter Transactions Involving Advertising Services for reporting periods beginning on or after 1 January 2017.

At the date of authorisation for issue of these consolidated financial statements the Group was analysing the impacts of adopting this standard and it will not possible to make a reasonable estimate of its effects until this analysis has been completed.

IFRS 9, Financial Instruments

IFRS 9 will in the future replace IAS 39. There are very significant differences with respect to the current standard, the most relevant of which is the new approach and the classification and measurement categories for financial assets; a new impairment model based on expected credit losses instead of losses incurred; and a new hedge accounting model which attempts to more closely align accounting rules with risk management.

At the date these consolidated financial statements were authorised for issue the Group was analysing all the future impacts of adopting this standard and it will not be possible to make a reasonable estimate of its effects until this analysis has been completed.

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 2014 estimates were occasionally made.

Although these estimates were made on the basis of the best information available at 31 December 2014 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 statements of profit or loss.

There have not been any changes in accounting estimates with respect to 2013 that might have had a material impact on these consolidated financial statements.

e) Comparative information

As required by IAS 1, the information relating to 2014 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2013.

The 2013 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 2014.

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 2014 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%	Mexico City	Manufacturing and maintenance	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	G. Thornton
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 Turquía, L.S.	100%	Istanbul	Manufacturing and maintenance	Deloitte
CAF Argelia, E.U.R.L.	100%	Algiers	Manufacturing and maintenance	CACF Audit
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance	Deloitte
CAF Rail Australia Pty. Ltd.	100%	Sydney	Manufacturing and maintenance	Pitcher Partners
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance	Deloitte
CAF France, SAS	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	Bsk
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
CAF Hungria, K.F.T.	100%	Budapest	Manufacturing and maintenance	Deloitte

	% of control or influence	Location	Line of business	Auditor
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	-
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	-
UPR Argentina, S.A.	100%	Buenos Aires	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
Beasain Energía Solar, S.L.	100%	Guipúzcoa	Power generation	-
El Yelmo Energía Solar, S.L.	100%	Guipúzcoa	Power generation	-
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
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	100%	Mexico City	Equipment	Deloitte
Companies accounted for using the equity method (Note 9)				
Industrial Subgroup				
Compañía de Vagones del Sur, S.A.	29.3%	Jaén	Manufacturing	-
Urban Transport Solutions B.V. (*)	49%	Amsterdam	Manufacturing and maintenance	-
Ferrocarril Interurbano, S.A. de C.V.	49.63%	Mexico City	Manufacturing and equipment	-

	% of control or influence	Location	Line of business	Auditor
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	-
Tumaker, S.L.	24.9%	Guipúzcoa	Printing 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

In 2014 Beasain Energía Solar, S.L., El Yelmo Energía Solar, S.L., CAF Hungria, K.F.T., UPR Argentina, S.A. and Ferrocarril Interurbano, S.A. de C.V. were incorporated, while CAF Francia, S.A.S. and Houston LRV 100, LLC, both of which were dormant, were liquidated. Also, an ownership interest of 24.9% in Tumaker, S.L. was acquired by means of a capital increase amounting to EUR 200,000.

In July 2014 a corporate reorganisation transaction was carried out within the Group involving the merger by absorption of Ennera Inversiones en Microgeneración, S.L.U. into Ennera Energy and Mobility, S.L.

In 2014 CFD Bagneres, S.A. changed its corporate name to CAF France, S.A.S. and Constructora Mexicana del Ferrocarril Suburbano, S.A. de C.V. to Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.

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).

Consolidation method

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; control exists when the Parent has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

Also, "associates" are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. A "joint venture" is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations, less any impairment of the individual investments (in the case of transactions with an associate, the related profits or losses are eliminated in proportion to the Group's ownership interest).

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control, which exists only when decisions on significant activities require the unanimous consent of the parties sharing control. When a Group company carries on its activities under the framework of a joint operation, the Group as a joint operator will recognise the following in relation to its ownership interest in the joint operation:

– its assets and liabilities, including its share of any assets and liabilities held or incurred jointly;

– its share of the revenue and expenses arising from the joint operation.

Translation of foreign currency financial statements

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

The difference between the amount of the foreign companies' equity translated at historical exchange rates (except for the profit or loss for the year, which is translated as stated above) and the asset value arising from the translation of the assets, rights and obligations at the closing exchange rates 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 2013.

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 2014 and 2013 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 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 that 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 statement of profit or loss 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.

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, there were certain long-term accounts receivable not earning explicit interest, basically from public authorities (see Note 9). In this regard, at 2013 year-end the Group recognised a provision of EUR 799 thousand for the effect of the interest cost of the long-term accounts receivable not earning explicit interest. In 2014 the Group received partial payment in connection with the accounts receivable classified as long-term; it is considered that the amounts not yet received will be paid to the Group in the short term. Accordingly, the Group reversed the provision, with a credit to "Finance Income" in the accompanying consolidated statement of profit or loss (see Note 9) (2013: the Group reversed EUR 2,227 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 2014, no receivables had been factored under a non-recourse arrangement (31 December 2013: EUR 31,292 thousand).

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 statement of profit or loss.

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 2014 and 2013 is as follows:

2014

	Level 1	Level 2	Total
Assets			
Derivatives (Note 17)	-	44,943	44,943
Held-for-trading financial assets (Note 13)	52,018	-	52,018
Total assets	**52,018**	**44,943**	**96,961**
Liabilities			
Derivatives (Note 17)	-	46,256	46,256
Total liabilities	**-**	**46,256**	**46,256**

2013

	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 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 statement or profit or loss 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, and to hedge the interest rate risk arising from loan drawdowns (see Notes 5 and 17).

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

The Group reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i.e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is 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 Loss" in the accompanying consolidated statement of profit or loss. The Group recognises as fair value hedges the hedges arranged for construction work when the necessary conditions are met for hedges of this nature (existence of a firm commitment).
- In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under "Valuation Adjustments - Hedges". This method is used by the Group to hedge projects in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction, and for interest rate hedges. To the extent that a highly probable transaction gives rise to a firm commitment, the amounts previously recognised in equity are reclassified to profit or loss.
- In hedges of net investments in foreign operations, the gains or losses attributable to the portion of the hedging instrument qualifying as an effective hedge are recognised temporarily in equity under "Translation Differences". 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:

– Materials and expenses allocated to each project: at the average acquisition or production cost.

– Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.

– 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 statement of profit or loss and a credit to "Inventories" on the asset side of the consolidated balance sheet (see Note 11).

Revenue from the sales of products, basically spare parts, is 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 Payables" (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 non-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

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, the directors' 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).

j) Government grants

The Group companies recognise government grants received as follows:

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

– Grants related to income are recognised in profit or loss when they are definitively granted 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 2014 and 2013 for various groups of employees amounted to EUR 4,360 thousand and EUR 4,017 thousand, respectively, and were recognised under “Staff Costs” in the accompanying consolidated statements of profit or loss. At 31 December 2014, EUR 2,000 thousand were recognised under short-term provisions and payable by the Group in this connection (31 December 2013: EUR 3,000 thousand) In accordance with the applicable collective agreement, the Parent contributes an additional 2.3% 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, at 31 December 2014, the Group recognised an asset of EUR 210 thousand (31 December 2013: an asset of EUR 34 thousand), calculated by an independent valuer, under “Current Assets” in the consolidated balance sheet at 31 December 2014. This amount is the difference between the present value of the defined benefit obligations accrued 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 2014 and 2013 the Group paid EUR 528 thousand and EUR 358 thousand, respectively, and recognised provisions amounting to EUR 352 thousand and reversed provisions amounting to EUR 290 thousand, respectively, with a charge to “Staff Costs” in the accompanying consolidated statements of profit or loss (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 2014 were recognised under “Long-Term Provisions" and "Short-Term Provisions" for EUR 1,815 thousand and EUR 97 thousand, respectively (31 December 2013: EUR 1,498 thousand and EUR 168 thousand, respectively) (see Note 20).

l) Early retirements and termination benefits

At 31 December 2014, “Non-Current Financial Liabilities - Other Financial Liabilities” and “Trade and Other Payables - Other Payables” in the accompanying consolidated balance sheet included EUR 5,259 thousand and EUR 4,185 thousand, respectively (31 December 2013: EUR 9,904 thousand and EUR 7,291 thousand), relating to the present value estimated by the Parent's directors of the future payments to be made to employees who in December 2014 were included in the pre-retirement plan approved in 2013, or with whom hand-over contracts had been entered into. This provision was recognised with a charge of EUR 1,567 thousand (2013: EUR 12,243 thousand) to "Staff Costs" in the consolidated statement of profit or loss (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 statement of profit or loss, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

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 consolidated profit or loss as earned using the effective interest method (see Note 9-e).

At 31 December 2014, the Group had various outstanding operating leases for which it had recognised EUR 7,342 thousand in 2014 (2013: EUR 7,223 thousand) with a charge to "Other Operating Expenses" in the accompanying consolidated statement of profit or loss. 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 2014 amounted to EUR 18,594 thousand over the next few years, of which EUR 6,309 thousand are due in 2015 (31 December 2013: EUR 15,057 thousand and EUR 5,146 thousand to be paid in 2014).

Expenses arising in connection with leased assets are allocated to "Other Operating Expenses" in the consolidated statement of profit or loss 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 (see Note 20).

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 (see Note 25).

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 statement of profit or loss (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 consolidated statement of profit or loss.

“Other Non-Current Liabilities” in the accompanying consolidated balance sheet at 31 December 2014 relates in full to the income received early which is earmarked for meeting the estimated costs of major repairs to be made under maintenance contracts. In 2014 the net amount recognised was EUR 14,514 thousand with a charge to “Procurements” in the accompanying consolidated statement of profit or loss.

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 2014 and 2013, 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 statement of profit or loss.

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 is returned to the concession grantor, generally for no consideration. The concession arrangement must provide for the management or operation of the infrastructure. Another common feature is the existence of obligations to acquire or construct all the items required to provide the concession service over the concession term.

These concession arrangements are accounted for in accordance with IFRIC 12, Service Concession Arrangements. In general, a distinction must be drawn between two clearly different phases: the first in which the 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. The concessions recognised by the Group (see Note 9) are classified as financial assets.

4. DISTRIBUTION OF THE PROFIT OF THE PARENT

The distribution of the Parent's profit for 2014 proposed by its directors is as follows:

Distribution	Thousands of euros
To voluntary reserves	9,045
Dividends	17,997
Total	**27,042**

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, any 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 New Zealand 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 consolidated statement of profit or loss (sensitivity) for 2014 of a 10% depreciation of the Brazilian real against the euro at 31 December 2014 would be a loss of EUR 7,148 thousand (31 December 2013: EUR 2,153 thousand). The sensitivity of the statement of profit or loss to the other foreign currencies was not material.

At 31 December 2014 and 2013, 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 2014 and 2013 is as follows:

	Equivalent value in thousands of euros					
		31/12/14			31/12/13	
Currency	**Assets**	**Liabilities**	**Net exposure**	**Assets**	**Liabilities**	**Net exposure**
Chilean peso	15,532	14,023	1,509	11,392	10,704	688
Mexican peso	31,279	17,306	13,973	33,340	24,120	9,220
Argentine peso	4,781	2,841	1,940	3,816	2,085	1,731
Brazilian real	746,292	553,286	193,006	639,129	459,726	179,403
US dollar (Note 3-d) (*)	506,947	389,829	(711)	466,940	395,626	154
Pound sterling	7,567	6,391	1,176	6,417	5,702	715
Algerian dinar	4,050	2,841	1,209	4,458	3,619	839
Turkish lira	13,248	11,423	1,825	13,359	11,941	1,418
Venezuelan bolivar	272	265	7	1,150	635	515
Indian rupee	9,827	174	9,653	8,942	658	8,284
Australian dollar	1,841	1,472	369	670	453	217
Colombian peso	1,427	974	453	2,436	1,824	612
Saudi riyal	8,792	8,041	751	7,739	7,549	190
New Zealand dollar	3,312	3,118	194	1,678	1,588	90
Romanian leu	456	392	64	1,120	1,115	5
New Taiwan dollar	22,917	21,886	1,031	18,075	18,005	70
Hungarian forint	345	338	7	-	-	-
Total	**1,378,885**	**1,034,600**	**226,456**	**1,220,661**	**945,350**	**204,151**

(*) At 31 December 2014, there were hedges of net investments in foreign operations (see Note 17) amounting to EUR 117,829 thousand, applying the year-end exchange rate (31 December 2013: EUR 71,160 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 22,646 thousand at 31 December 2014 (31 December 2013: EUR 20,400 thousand).

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

	Equivalent value in thousands of euros			
	31/12/14		31/12/13	
Nature of the balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	221	-	226	-
Property, plant and equipment	66,890	-	66,560	-
Non-current financial assets and deferred tax assets	674,787	-	649,070	-
Inventories	124,230	-	79,277	-
Trade and other receivables	405,736	-	324,884	-
Other current financial assets	25,122	-	45,861	-
Cash and cash equivalents	81,899	-	54,783	-
Non-current liabilities	-	541,787	-	566,764
Current liabilities	-	492,813	-	378,586
Total	**1,378,885**	**1,034,600**	**1,220,661**	**945,350**

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 2014 and 2013, the Group had insured a portion of its accounts receivable from customers in certain countries abroad through credit insurance policies (see 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:

– 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.

In this regard, a significant portion of the financial debt at 31 December 2014 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.

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.

With regard to the Parent's debt at 31 December 2014, EUR 145 million were drawn down at market interest rates and EUR 200 million at fixed interest rates (of which EUR 20 million at fixed rates as a result of interest rate derivatives) (see Notes 16 and 17). At 2013 year-end, all debt outstanding with credit institutions was subject to changes in interest rates.

Taking into consideration the balance at 31 December 2014 and 2013, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, and considering the hedging policies described above, the finance costs arising from the financial debt would have risen/decreased by approximately EUR 5,024 thousand and EUR 5,598 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

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 management of its projects, the CAF Group 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 Group 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 the segment's operating activities or to the ownership interests in companies engaged in that activity.

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

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

– Rolling stock

– Components and Spare parts

Segment information on the businesses is as follows:

	2014 (Thousands of euros)				
Segmentation by business unit	**Rolling stock**	**Components and spare parts**	**General**	**Inter-segment**	**Total**
REVENUE:					
External sales	1,364,873	82,268	-	-	1,447,141
Inter-segment sales	-	38,423	-	(38,423)	-
Total sales	**1,364,873**	**120,691**	**-**	**(38,423)**	**1,447,141**
PROFIT OR LOSS:					
Profit from operations	99,579	4,846	10,560	-	114,985
Financial profit (loss) (*)	(27,909)	78	(6,898)	-	(34,729)
Share of net results of associates	200	-	-	-	200
Profit before tax	**71,870**	**4,924**	**3,662**	**-**	**80,456**
Income tax (*)	-	-	(18,327)	-	(18,327)
Profit (Loss) for the year from continuing operations	**71,870**	**4,924**	**(14,665)**	**-**	**62,129**
Profit (Loss) attributable to non-controlling interests	(2,450)	-	-	-	(2,450)
Profit (Loss) attributable to the Parent	**69,420**	**4,924**	**(14,665)**	**-**	**59,679**
Depreciation and amortisation charge (Notes 7 and 8)	30,964	10,966	468	-	42,398
ASSETS	**2,237,084**	**92,584**	**633,567**	**-**	**2,963,235**
LIABILITIES	**1,451,747**	**27,676**	**734,899**	**-**	**2,214,322**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	21,225	3,175	-	-	24,400
OTHER ITEMS NOT AFFECTING CASH FLOWS:					
Asset impairment – Income (Expense) (Notes 7, 8 and 9)	(46)	-	11,004	-	10,958

	2013 (Thousands of euros)				
Segmentation by business unit	**Rolling stock**	**Components and spare parts**	**General**	**Inter-segment**	**Total**
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)

(*) 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 2014 includes sales of goods amounting to EUR 997,512 thousand (2013: EUR 1,110,145 thousand).

The information based on geographical location is as follows:

a) The breakdown of sales by geographical area at 31 December 2014 and 2013 is as follows (thousands of euros):

Geographical area	2014	%	2013	%
Spain	228,430	15.78	269,596	17.56
Rest of the world	1,218,711	84.22	1,265,644	82.44
Total	**1,447,141**	**100.00**	**1,535,240**	**100.00**

b) The distribution of net investments in property, plant and equipment by geographical area at 31 December 2014 and 2013 is as follows (in thousands of euros):

Geographical area	2014	2013
Spain	203,125	218,230
Rest of the world	68,714	68,363
Total	**271,839**	**286,593**

7. OTHER INTANGIBLE ASSETS

The changes in the years ended 31 December 2014 and 2013 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 31/12/12				
Net balance	**74,047**	**14,540**	**15**	**88,602**
Cost				
Translation differences	1	(75)	-	(74)
Additions or charge for the year	20,013	1,258	-	21,271
Transfers	(242)	293	-	51
Transfers to inventories	(657)	-	-	(657)
Disposals or reductions	-	(21)	-	(21)
Cost at 31/12/13	**93,162**	**15,995**	**15**	**109,172**
Translation differences	-	1	-	1
Additions or charge for the year	12,932	1,383	-	14,315
Transfers	-	-	-	-
Transfers to inventories	(1,201)	-	-	(1,201)
Disposals or reductions	(694)	-	-	(694)
Cost at 31/12/14	**104,199**	**17,379**	**15**	**121,593**
Accumulated amortisation				
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)**
Translation differences	-	1	-	1
Additions or charge for the year	(9,487)	(1,126)	-	(10,613)
Transfers	-	-	-	-
Disposals or reductions	412	-	-	412
Accumulated amortisation at 31/12/14	**(53,297)**	**(13,987)**	**-**	**(67,284)**
Impairment				
Impairment at 31/12/12	**(281)**	**-**	**-**	**(281)**
Recognised in 2013	(16,620)	-	-	(16,620)
Impairment at 31/12/13	**(16,901)**	**-**	**-**	**(16,901)**
Reversed in 2014	280	-	-	280
Impairment at 31/12/14	**(16,621)**	**-**	**-**	**(16,621)**
Net balance at 31/12/13	**32,039**	**3,133**	**15**	**35,187**
Net balance at 31/12/14	**34,281**	**3,392**	**15**	**37,688**

The additions in 2014 and 2013 recognised under "Development Expenditure" correspond to the costs incurred in new product projects and other projects, including most notably the new high-speed train, a tramcar adapted to the American market 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 various projects in the development stage in relation to which the directors considered there were reasonable doubts as to their future economic and financial profitability. In 2014 the Group did not recognise any amount in connection with the impairment of intangible assets.

As discussed in Note 3-a, in 2014 the Group transferred approximately EUR 1,201 thousand of capitalised development expenditure for projects to various contracts it had won that incorporated the technology developed (2013: EUR 657 thousand).

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2014 and 2013 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 31/12/12	**250,457**	**276,427**	**21,042**	**36,514**	**4,485**	**588,925**
Cost						
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**
Additions	3,005	3,568	723	672	2,117	10,085
Transferred from inventories	-	-	-	3,550	-	3,550
Transfers	1,591	567	22	110	(2,282)	8
Disposals or reductions	(1,134)	(1,263)	(168)	(948)	-	(3,513)
Translation differences	2,645	1,885	26	62	1	4,619
Balance at 31/12/14	**265,824**	**284,030**	**21,607**	**38,353**	**166**	**609,980**
Accumulated depreciation						
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 depreciation at 31/12/13	**(84,462)**	**(185,955)**	**(12,466)**	**(18,752)**	**-**	**(301,635)**
Additions or charge for the year	(6,317)	(21,428)	(1,384)	(2,606)	-	(31,735)
Transfers	(6)	1	2	(6)	-	(9)
Disposals or reductions	929	1,155	106	948	-	3,138
Translation differences	(296)	(549)	(15)	(37)	-	(897)
Accumulated depreciation at 31/12/14	**(90,152)**	**(206,776)**	**(13,757)**	**(20,453)**	**-**	**(331,138)**
Impairment						
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)**
Impairment at 31/12/14	**(5,661)**	**(1,329)**	**-**	**(13)**	**-**	**(7,003)**
Net balance at 31/12/13	**169,594**	**91,989**	**8,538**	**16,142**	**330**	**286,593**
Net balance at 31/12/14	**170,011**	**75,925**	**7,850**	**17,887**	**166**	**271,839**

In 2014 the Group invested in its plants in order to improve their production capacity. These investments were aimed mainly at modernising the Group's production structure and at CAF USA's plant, in which the structures, finishing and testing areas were expanded. Also, investments were made in land development, the adaptation of buildings and parking lots.

In prior years the Group transferred to "Property, Plant and Equipment" the estimated recoverable amount of locomotives manufactured for a customer the contract for which was subsequently cancelled (see Note 20). Following an impairment test performed on the locomotives, the Parent's directors considered that they were not impaired. At 31 December 2014, the carrying amount of the locomotives was EUR 10,299 thousand (31 December 2013: EUR 10,871 thousand).

At 31 December 2014 and 2013, the Group had firm capital expenditure commitments amounting to approximately EUR 726 thousand and EUR 3,150 thousand, respectively, mainly in Spain.

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2014 and 2013, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2014 and 2013, the gross cost of fully depreciated assets in use amounted to approximately EUR 185,734 thousand and EUR 168,844 thousand, respectively.

The losses incurred on property, plant and equipment disposals in 2014 amounted to approximately EUR 46 thousand and were recognised under “Impairment and Gains or Losses on Disposals of Non-Current Assets” in the accompanying consolidated statement of profit or loss (the related loss in 2013 amounted to EUR 73 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 statement of profit or loss. No amount was recognised in this regard in 2014.

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 2014, the net amount of the grants received not yet allocated to profit or loss totalled EUR 3,002 thousand (31 December 2013: EUR 4,165 thousand). EUR 1,169 thousand were allocated to profit or loss in this connection in 2014 (2013: EUR 1,379 thousand), and this amount was recognised under “Depreciation and Amortisation Charge” in the accompanying consolidated statement of profit or loss.

The directors consider that there were no indications of impairment of the Group’s assets at 31 December 2014 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 2014 and 2013 in "Investments Accounted for Using the Equity Method" and "Non-Current Financial Assets" were as follows:

	Thousands of euros							
	Investments in associates (Note 9-a)	**Equity instruments**		**Other financial assets**	**Derivative financial instruments (Note 17)**	**Loans and receivables**		**Total**
	Cost	**Cost**	**Allowance (Note 9-b)**	**Cost**	**Market value**	**Cost**	**Allowance**	
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 (Note 2-f)	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	-	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
Balance at 31/12/13	**14,902**	**27,843**	**(1,225)**	**18,133**	**9,193**	**630,843**	**(27,554)**	**672,135**
Translation differences	(28)	-	-	130	202	33,948	(615)	33,637
Additions or charge for the year	200	380	(180)	960	8,198	125,126	11,803	146,487
Disposals or reductions	-	(17,058)	-	(535)	-	(2,307)	-	(19,901)
Transfers (Notes 3-d and 3-u)	147	(61)	-	(1,024)	-	(146,651)	-	(147,588)
Hedges (Note 17)	(2,964)	-	-	-	-	-	-	(2,964)
Balance at 31/12/14	**12,257**	**11,104**	**(1,405)**	**17,664**	**17,593**	**640,959**	**(16,366)**	**681,806**

A detail of the Group's non-current financial assets at 31 December 2014 and 31 December 2013, by nature and category, for valuation purposes, is as follows:

	Thousands of euros				
	31/12/14				
Financial assets: Nature/category	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Hedging derivatives**	**Total**
Equity instruments	9,699	-	-	-	9,699
Hedging derivatives (Note 17)	-	-	-	17,593	17,593
Other financial assets	-	624,593	17,664	-	642,257
Long-term/non-current	**9,699**	**624,593**	**17,664**	**17,593**	**669,549**

	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**

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

2014

	2016	**2017**	**2018**	**2019 and subsequent years**	**Total**
Loans and receivables	127,685	132,901	126,337	237,670	624,593
Held-to-maturity investments	781	933	-	15,950	17,664
Hedging derivatives	6,208	9,233	685	1,467	17,593
Total	**134,674**	**143,067**	**127,022**	**255,087**	**659,850**

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**

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) Share capital	Reserves, share premium and accumulated profits (losses) (Note 17)	2014 profit (loss)	Revenue	Assets
Asirys Vision Technologies, S.A.(4)	Guipúzcoa (Spain)	Automated production	22.33%	41	154	5	-	-	166
Plan Metro, S.A.(4) (5)	Madrid (Spain)	Lease services	40%	-	60	(14,575)	(2,474)	46,492	432,468
Consorcio Traza, S.A.(4)	Zaragoza (Spain)	Holding company	25%(2)	12,068	575	46,534	1,162	26,224	295,579
Ferrocarriles Suburbanos, S.A. de C.V.(3)	Mexico City	Transport services	43.35%	-	106,865	(48,586)	(23,378)	38,185	365,304
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.(4)	Zhejiang (China)	Electronic and power equipment	30%	57	695	(267)	(238)	-	420
Urban Transport Solutions B.V.(4) (6)	Amsterdam	Manufacturing and maintenance	49%	91	300	(76)	(39)	-	187
				12,257					

(1) After adjustments and unification for consolidation purposes (in thousands of euros).
(2) Consorcio Traza, S.A. holds an 80% ownership interest in the public-private entity Los Tranvías de Zaragoza, S.A.
(3) Audited by Deloitte.
(4) Unaudited.
(5) This company's shares are pledged to certain banks.
(6) Urban Transport Solutions, B.V. has a wholly-owned, fully consolidated subsidiary, Urban Transport Solutions, LLC.

	Thousands of euros 2014	2013
Beginning balance	**14,902**	**13,167**
Company profit (loss)	200	(392)
Translation differences	(28)	(3)
Gains and losses on hedges (Note 17)	(2,964)	1,497
Changes in the scope of consolidation and transfers	147	633
Ending balance	**12,257**	**14,902**

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 it is not necessary to consolidate the additional losses incurred by these associates valued at zero.

b) Non-current investment securities

Name	% of ownership	Cost of the investment (Thousands of euros) 2014	2013
Alquiler de Trenes, AIE	5	1,202	1,202
Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A.	-	-	17,058
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, A.I.E.	12.49	1,302	1,102
FIK Advanlife, S.L.	10.29	1	1
Albali Señalización, S.A.	3	398	398
Other		260	321
Total		**9,699**	**26,618**

On 10 March 2014, the Group sold its ownership interest in Metro de Sevilla Sociedad Concesionaria de la Junta de Andalucía, S.A., which had been recognised under "Available-for-Sale Financial Assets", for EUR 17,058 thousand. The ownership interest was sold for EUR 17,587 thousand, which were received in full and, as a result, the Group recognised a gain of EUR 4,367 thousand under "Impairment and Gains or Losses on Disposals of Financial instruments" in the accompanying consolidated statement of profit or loss, of which EUR 3,838 (disregarding the tax effect) had been recognised under "Valuation Adjustments - Available-for-Sale Financial Assets" in the consolidated balance sheet at 31 December 2013.

The other investments 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 Group's ownership interest in Iniciativa FIK, A.I.E. rose from 6.25% to 12.5%. At 31 December 2014, the payments not yet made in connection with these ownership interests amounted to EUR 798 thousand (EUR 418 thousand long term and EUR 380 thousand short term), which were payable in half-yearly amounts of EUR 190 thousand. Also, in 2014 the Group recognised an impairment loss of EUR 180 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 statement of profit or loss.

c) Other financial assets

At 31 December 2014, the Group had recognised an amount of EUR 15,044 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):

	31/12/14	31/12/13
Loans to employees	5,091	5,149
Share ownership scheme obligations	432	1,226
Non-current tax receivables and payables (Note 19)	53,488	52,824
Provisions for tax payables (Note 19)	(16,366)	(26,756)
Non-current trade receivables	562,301	554,214
Allowance for non-current trade receivables	-	(799)
Loans to associates (Note 10)	19,111	16,067
Loans to third parties	536	1,364
Total	**624,593**	**603,289**

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 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, in the accompanying consolidated balance sheet at 31 December 2014 the Parent recognised a gross amount of EUR 432 thousand (31 December 2013: EUR 1,226 thousand) in relation to these rights under "Non-Current Financial Assets – Loans and Receivables" and EUR 2,122 thousand under "Other Current Financial Assets" (31 December 2013: EUR 5,202 thousand).

In 2014 rights with a cost and impairment loss amounting to approximately EUR 6,084 thousand and EUR 684 thousand, respectively, were sold (2013: EUR 10,355 thousand and EUR 5,558 thousand, respectively).

In 2014 the Group reversed EUR 203 thousand of the impairment loss with a credit to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated statement of profit or loss (2013: EUR 1,036 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 2014, Cartera Social, S.A. owned 915,828 CAF, S.A. shares, equal to 26.72% of its share capital (see Note 14). At 31 December 2013, Cartera Social, S.A. owned 996,617 shares, representing 29.07% of CAF, S.A.'s share capital.

Non-current tax receivables

At 31 December 2014, the Group recognised EUR 53,488 thousand under "Non-Current Financial Assets – Loans and Receivables" in connection with the VAT refundable by foreign tax authorities (31 December 2013: EUR 52,824 thousand). In 2014 the Group took measures to claim the tax receivables from the Brazilian tax authorities and as a result reversed EUR 11,004 thousand thereof (2013: recognised EUR 11,615 thousand) with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss based on the directors' best estimates regarding the recovery of this tax.

Non-current trade receivables

"Non-Current Trade Receivables" includes an account receivable amounting to EUR 7,949 thousand at long term (2013: EUR 8,813 thousand) and EUR 1,044 thousand at short term (2013: EUR 985 thousand) relating to a finance lease of rolling 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 2014 EUR 1,500 thousand (2013: EUR 1,375 thousand) were received and an amount of EUR 695 thousand (2013: EUR 754 thousand), from the interest rate implicit in the transaction, was credited to "Finance Income" in the accompanying consolidated statement of profit or loss (see Note 3-n).

Also, at 31 December 2013, EUR 21,429 thousand were recognised in connection with receivables from non-Group third parties with financial difficulties, mainly tax receivables. As a result of these financial difficulties the receivables were reclassified as non-current receivables and an allowance of EUR 799 thousand was recognised. In 2014 the Group received EUR 17,777 thousand of the receivables classified as non-current, reclassified the portion not yet received as current, and derecognised the allowance. The difference between the allowances at each year-end was recognised under "Finance Income" in the accompanying consolidated statement of profit or loss for 2014 (see Notes 3-d and 12).

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 secures with a bank guarantee the proper performance of its obligations to CPTM (see Note 25-a). At 31 December 2014, this guarantee amounted to BRL 30,673 thousand (EUR 9,524 thousand).

– 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 metro.

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

– The consideration payable by STC is secondarily guaranteed by a system of trusts with funds from the "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 2014 the Group recognised balances of EUR 554,352 thousand under "Non-Current Financial Assets - Loans and Receivables" (31 December 2013: EUR 523,972 thousand) and EUR 114,981 thousand under "Current Assets - Other Receivables" (31 December 2013: EUR 122,902 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. There was no investment in this regard in 2014.

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. 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 that were not eliminated on consolidation (see Note 2-f) is as follows:

	Thousands of euros					
	2014			2013		
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.	7,590	-	2,788	4,868	-	-
Consorcio Traza, S.A.(*)	592	-	-	2,235	-	-
Ferrocarriles Suburbanos, S.A. de C.V.	10,822	38	-	12,234	38	-
Tumaker, S.L.	200	-	-	-	-	-
	19,204	**38**	**2,788**	**19,337**	**38**	**-**

(*) 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 2014, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2014 and 2013 were as follows (see Note 2-f):

	Thousands of euros							
	31.12.14				31.12.13			
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. (Note 9-e)	2,555	-	(7,132)	19,111	2,726	-	(8,096)	16,067
S.E.M. de Los Tranvías de Zaragoza, S.A.	-	-	-	-	9,746	-	-	-
Ferrocarriles Suburbanos, S.A. de C.V.	516	11	-	-	5	4	-	-
Tumaker, S.L.	42	-	-	-	-	-	-	-
	3,113	**11**	**(7,132)**	**19,111**	**12,477**	**4**	**(8,096)**	**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. Also, the Group came to an agreement with Plan Metro, S.A. to harmonise the different interpretations of the aforementioned loan agreements and recognised finance income of EUR 2,788 thousand in relation to the interest accrued on the loan with a credit to "Finance Income" in the accompanying consolidated statement of profit or loss.

"Trade and Other Receivables - Other Receivables" in the consolidated balance sheet at 31 December 2014 includes an account receivable from Cartera Social, S.A. amounting to EUR 880 thousand. The EUR 24,500 thousand credit line which had been drawn down in full by Cartera Social, S.A. at 31 December 2013 was repaid in 2014. This credit line accrued interest on an arm's length basis, in accordance with the annual agreement entered into on 24 December 2013, amounting to EUR 321 thousand (2013: EUR 771 thousand), which was recognised in the accompanying consolidated statement of profit or loss with a credit to "Finance Income".

11. INVENTORIES AND CONSTRUCTION CONTRACTS

The detail of "Inventories" at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	31/12/14	**31/12/13**
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 21)	149,513	129,605
Advances to suppliers	30,991	30,252
Total	**180,504**	**159,857**

At 31 December 2014, the Group had firm raw materials purchase commitments amounting to approximately EUR 401,882 thousand (see Note 26) (31 December 2013: EUR 453,427 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2014 and 2013, 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 2014 was EUR 2,817 thousand (2013: EUR 1,756 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 2014 and 2013 is as follows:

	Thousands of euros	
	31/12/14	31/12/13
Deferred billings (asset) (Notes 3-g and 12)	818,730	672,451
Prebillings (liability) (Note 3-g)	(203,196)	(156,421)
Net	**615,534**	**516,030**
Costs incurred plus profits and losses recognised based on stage of completion	2,278,578	1,525,742
Billings made excluding advances	(1,459,848)	(853,291)
Advances received	(203,196)	(156,421)
Net	**615,534**	**516,030**

12. TRADE AND OTHER RECEIVABLES

The detail of “Trade and Other Receivables” at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	31/12/14	31/12/13
Trade receivables - in euros	612,395	710,296
Trade receivables - in foreign currency (Note 3-h)	497,610	333,512
Write-downs (Note 3-d)	(2,999)	(3,232)
Total	**1,107,006**	**1,040,576**

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 26% in 2014 (2013: 35%), was 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 137,235 thousand (2013: EUR 136,583 thousand) relates to an agreement with Metro de Caracas, and whose collection is covered by an insurance policy and a provision (see Note 20). The main balances are in euros.

At 31 December 2014, 45% of the billed balances receivable related to the top five customers (31 December 2013: 41%). "Trade Receivables" includes retentions at 31 December 2014 amounting to EUR 1,126 thousand (31 December 2013: EUR 6,808 thousand).

The past-due balances recognised under "Trade and Other Receivables" at 31 December 2014 and 2013 included in the non-current accounts receivable (see Note 9-e) is as follows:

	Thousands of euros	
	31/12/14	**31/12/13**
Past due > 90 days	14,591	31,234
Past due > 180 days (*)	77,868	115,066
Total	**92,459**	**146,300**

(*) 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 2014, EUR 2,999 thousand (31 December 2013: EUR 3,232 thousand) posed a collection risk and recognised the corresponding write-downs. In 2014, in addition to the effect of discounting described in Note 9, net write-downs of approximately EUR 894 thousand were recognised for the accounts receivable (2013: approximately EUR 1,586 thousand) under "Other Operating Expenses" in the accompanying consolidated statements of profit or loss (see Note 12).

13. OTHER CURRENT FINANCIAL ASSETS

The detail of "Other Current Financial Assets" at 31 December 2014 and 2013 is as follows:

2014

	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	-	-	-	27,350	27,350
Other financial assets	3,122	41,455	52,018	-	96,595
Short-term/current	**3,122**	**41,455**	**52,018**	**27,350**	**123,945**

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**

"Held-to-Maturity Investments" and "Held-for-Trading Financial Assets" include the cash surpluses invested 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 statement of profit or loss. In 2014 the Group recognised income in this connection amounting to EUR 5,205 thousand (2013: EUR 7,532 thousand).

14. EQUITY

a) Share capital of the Parent

At 31 December 2014 and 2013, 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 2014 and 2013 were as follows:

	Percentage of ownership in 2014	Percentage of ownership in 2013
Cartera Social, S.A. (Note 9) (*)	26.72	29.07
Kutxabank, S.A.	19.06	19.06
Caixabank, S.A.	-	3.01
Norges Bank	-	3.34
Templeton Investment Counsel, LLC.	3.03	3.03

(*) The shareholders of this company are employees of the Parent (see Note 9).

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 2014 and 2013 is as follows:

	Thousands of euros	
	31/12/14	31/12/13
Revaluation of property, plant and equipment:		
Land (IFRS 1)	30,418	30,418
Revaluation reserve Law 9/1983	-	7,954
Revaluation reserve Guipúzcoa Decree 13/1991	-	11,379
Revaluation reserve Guipúzcoa Regulation 11/1996	8,701	8,701
Total	**39,119**	**58,452**

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

Pursuant to current legislation, the balances of these accounts were unrestricted as to their use and, therefore, in 2014 the Parent transferred them to voluntary reserves.

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 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 2014 and 2013 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 61,641 thousand at 31 December 2014 (31 December 2013: approximately EUR 45,338 thousand) relating to the legal reserve, revaluation reserve, productive investment reserve (Guipúzcoa Regulation 2/2014), 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 2014 year-end EUR 34,681 thousand of the reserves were restricted as to their use (2013 year-end: EUR 32,039 thousand).

f) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	31/12/14	31/12/13
CAF México, S.A. de C.V.	(550)	(688)
CAF Brasil Industria e Comercio, S.A.	(17,787)	(18,381)
CAF Argentina, S.A.	(1,237)	(1,049)
CAF USA, Inc.	(89)	(23)
CAF Rail UK, Ltda.	(6)	(70)
CAF Chile, S.A.	30	(28)
Sefemex, S.A. de C.V.	(55)	(56)
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	(571)	(563)
Corporación Trainemex, S.A. de C.V.	(15)	(17)
CAF Turquía, L.S.	(706)	(761)
CAF Argelia, E.U.R.L.	(119)	(144)
CAF India Private Limited	(749)	(1,697)
Ctrens Companhia de Manutençao, S.A.	(48,312)	(49,785)
Trenes CAF Venezuela, C.A.	(619)	(171)
Provetren, S.A. de C.V.	597	2,744
CAF Sinyalizasyon Sistemleri Ticaret Ltd Sirket	(76)	(87)
CAF Rail Australia Pty, Ltd.	4	(3)
CAF Colombia, S.A.S.	(144)	6
Sermantren, S.A. de C.V.	(2)	(2)
CAF Arabia, Co.	62	(5)
CAF New Zealand Ltd.	8	(2)
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.	14	(3)
CAF Taiwan Ltd.	23	(4)
Urban Transport Solutions, B.V.	(37)	-
Total	**(70,336)**	**(70,789)**

g) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes therein in 2014 and 2013 is as follows:

	Thousands of euros
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**
Profit attributable to non-controlling interests	2,450
Translation differences	1
Changes in the scope of consolidation	899
Dividends	(895)
Balance at 31 December 2014	**12,704**

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 2014 and 2013, 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	
	31/12/14	**31/12/13**
Net financial debt:		
Refundable advances with interest (Note 15)	8,391	3,736
Bank borrowings - Non-current liabilities (Note 16)	683,062	477,934
Bank borrowings - Current liabilities (Note 16)	158,039	232,705
Financial assets - Non-current assets (Note 9-c)	(15,911)	(16,874)
Current financial assets (Note 13)	(93,473)	(58,149)
Cash and cash equivalents	(197,111)	(127,150)
	542,997	**512,202**
Equity:		
Attributable to the Parent (Note 14)	736,209	719,112
Non-controlling interests (Note 14)	12,704	10,249
	748,913	**729,361**

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

The detail of the Group's financial liabilities at 31 December 2014 and 2013, by nature and category, for measurement purposes, is as follows:

	Thousands of euros		
	31/12/14		
Financial liabilities: Nature/category	**Accounts payable**	**Hedging derivatives**	**Total**
Bank borrowings (Note 16)	683,062	-	683,062
Other financial liabilities (excluding hedging derivatives)	57,848	-	57,848
Hedging derivatives (Note 17)	-	18,557	18,557
Non-current liabilities/non-current financial liabilities	**740,910**	**18,557**	**759,467**
Bank borrowings (Note 16)	158,039	-	158,039
Other financial liabilities (excluding hedging derivatives)	19,034	-	19,034
Hedging derivatives (Note 17)	-	27,699	27,699
Current liabilities/current financial liabilities	**177,073**	**27,699**	**204,772**
Total	**917,983**	**46,256**	**964,239**

	Thousands of euros		
	31/12/2013		
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**

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

	Thousands of euros	
	31/12/14	**31/12/13**
Refundable advances	50,866	52,897
Employee benefit obligations (Notes 3-l and 22)	5,259	9,904
Other liabilities (Note 16)	1,723	1,760
Total	**57,848**	**64,561**

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

	2014
2016	11,502
2017	10,407
2018	10,185
2019	5,094
2020 and subsequent years	20,660
Total	**57,848**

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

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 2014 and 2013 in relation to the long-term portion of the aforementioned programmes (at present value) were as follows:

	Thousands of euros
	Refundable advances
Balance at 31/12/12	**56,472**
Additions	6,400
Transfers to short term	(9,975)
Balance at 31/12/13	**52,897**
Additions	6,157
Adjustments and other	1,979
Transfers to short term	(10,167)
Balance at 31/12/14	**50,866**

Also, the amount recognised in the short term relating to accounts payable for refundable advances amounted to EUR 17,136 thousand at 31 December 2014 (31 December 2013: EUR 17,235 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 4,185 thousand were recognised under "Other Payables" in the accompanying consolidated balance sheet at 31 December 2014 (31 December 2013: EUR 7,291 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, at the end of 2014 and 2013, is as follows (see Note 3-k):

	Thousands of euros	
	31/12/14	31/12/13
Present value of the obligations assumed	21,414	20,790
Less – Fair value of plan assets	(21,624)	(20,824)
Trade and other payables - Other payables	**(210)**	**(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	2014	2013
Discount rate	3.20% (1)	4.41% (1)
Mortality tables	PERM/F 2000P	PERM/F 2000P
Annual pension increase rate	2%	2%
Retirement age	65-67	65-67

(1) During the first 30 years. Thereafter, at 1.15% (2.42% according to the assumptions used at the end of 2013).

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 sheet is as follows:

	Thousands of euros			
	31/12/14		31/12/13	
	Non-current	Current	Non-current	Current
Loans from and credit accounts with banks	683,062	154,151	477,934	228,727
Unmatured accrued interest	-	3,888	-	3,978
Total (Note 15)	**683,062**	**158,039**	**477,934**	**232,705**

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 will be paid in January 2013. At 31 December 2014, the balance drawn down was BRL 805,064 thousand (EUR 249,972 thousand, of which EUR 235,232 thousand mature at long term and EUR 14,740 thousand at short term). At 31 December 2013, the balance drawn down was BRL 850,476 thousand (EUR 261,096 thousand, of which EUR 247,101 thousand mature at long term and EUR 13,995 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-e, 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 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. At 31 December 2014, the financial liability according to the amortised cost method amounted to USD 207,069 thousand (EUR 170,562 thousand, of which EUR 150,448 thousand mature at long term and EUR 20,114 thousand at short term). At 31 December 2013, the financial liability amounted to USD 255,070 thousand (EUR 184,951 thousand, of which EUR 148,732 thousand mature at long term and EUR 36,219 thousand at short 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 subsidiaries 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 2014 the Parent arranged nine new loans for a total of EUR 295,000 thousand and repaid eight loans for EUR 132,000 thousand. The Parent also renewed a loan for EUR 50,000 thousand. These loans were arranged on an arm's length basis. Of the amount drawn down, EUR 200,000 thousand bear interest at a fixed interest rate (EUR 20,000 thousand as a result of an interest-rate swap, see Note 17) and EUR 145,000 thousand bear interest tied to Euribor. At 31 December 2014, the balance drawn down, according to the amortised cost method, was EUR 280,478 thousand long term and EUR 63,750 thousand short term (31 December 2013: EUR 70,000 thousand long term and EUR 112,000 short term).

In 2013 the Parent arranged four new loans, maturing at long term, for a total of EUR 70,000 thousand. Also, the Company renewed three loans for a total of EUR 78,000 thousand and arranged two additional loans for a total of EUR 34,000 thousand, which mature at long term. 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.

The subsidiary CAF Brasil Industria e Comercio, S.A. drew down against credit facilities financing working capital an amount of BRL 133,800 thousand (31 December 2013: BRL 60,000 thousand), equal to EUR 41,544 thousand, of which EUR 12,420 thousand mature at long term and EUR 29,124 at short term (31 December 2013: EUR 6,140 thousand matured at long term and EUR 12,332 at short term).

The subsidiary CAF USA, Inc. drew down against credit facilities USD 30,000 thousand (EUR 24,730 thousand) maturing at long term for the purpose of financing its working capital requirements.

The remaining financial debt of EUR 6,177 thousand, of which EUR 1,693 thousand mature at short term (31 December 2013: EUR 6,847 thousand, of which EUR 886 thousand mature at short term) relates 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, which is tied to Euribor, matures in 2015 and has a limit of EUR 125,000 thousand. This facility is subject to the achievement of certain financial ratios. At 31 December 2014 and 2013, the Company had not drawn down any amounts against this credit facility.

In addition to the aforementioned credit facility and to the borrowings drawn down by the Group described in the previous paragraphs, the Group companies have undrawn credit facilities amounting to EUR 299,975 thousand (31 December 2013: 148,112 thousand) in the form of undrawn loans, credit facilities and factoring arrangements, which are tied mainly to Euribor plus a market spread.

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

	31/12/14
2016	71,242
2017	72,076
2018	62,381
2019	237,975
2020 and subsequent years	239,388
Total	**683,062**

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

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 2014 and 2013 is as follows:

2014

Currency put options at 31/12/14 (fair value hedges)	Maturity (in currency) 2015	2016	2017 and subsequent years
Hedges:			
USD currency forwards (*)	421,624,251	96,014,491	135,817,996
GBP currency forwards	4,903,048	89,463	-
EUR currency forwards	31,493,289	-	-
BRL currency forwards	121,244,649	-	-
SEK currency forwards	253,221,468	31,664,353	-
AUD currency forwards	16,774,529	-	-
NZD currency forwards	6,409,759	-	-
TRY currency forwards	1,034,918	-	-
TWD currency forwards	1,546,385,865	77,422,500	-
SAR currency forwards	595,270,630	9,944,560	-
MXP currency forwards	394,308,394	1,854,650,000	-

(*) Includes the hedge of a net investment in CAF USA, Inc. and in Provetren amounting to USD 143,057 thousand.

Currency call options at 31/12/14 (fair value hedges)	Maturity (in currency) 2015	2016	2017 and subsequent years
Hedges:			
USD currency forwards	7,913,422	1,800,000	700,000
EUR currency forwards	36,794,294	-	-
BRL currency forwards	44,983,891	-	-
MXP currency forwards	198,327,459	-	-
GBP currency forwards	600,000	-	-

	Thousands of euros			
	Fair value		Cash flow	
	31/12/14	31/12/13	31/12/14	31/12/13
Hedges:				
USD currency forwards	(879)	11,713	-	-
GBP currency forwards	140	94	-	-
MXP currency forwards	103	(368)	-	-
BRL currency forwards	442	380	-	-
CHF currency forwards	(131)	(131)	-	-
EUR currency forwards	986	3,950	-	-
AUD currency forwards	39	441	-	-
SEK currency forwards	(157)	(176)	-	-
RON currency forwards	-	(56)	-	-
NZD currency forwards	(34)	7	-	-
SAR currency forwards	(1,316)	(84)	-	-
TWD currency forwards	(39)	914	-	-
Interest rate forwards	(96)	-	(371)	-
Measurement at year-end (*)	**(942)**	**16,684**	**(371)**	**-**

(*) Before considering the related tax effect.

Interest rate derivatives (cash flow hedges)	Loan maturity (in currency) 2015	2016	2017 and subsequent years
Euribor swap	-	-	EUR 20,000,000
CDI cross-currency-swap	BRL 63,800,000	-	-
LIBOR swap	USD 19,534,698	USD 20,206,653	USD 130,071,328

2013

Currency put options at 31/12/13 (fair value hedges)	Maturity (in currency) 2014	2015	2016 subsequent years
Hedges:			
USD currency forwards (*)	493,833,384	139,626,362	11,618,797
GBP currency forwards	18,525,640	2,355,052	89,463
EUR currency forwards	17,765,804	13,506,809	-
BRL currency forwards	168,884,775	-	-
SEK currency forwards	428,707,270	63,815,900	31,664,353
AUD currency forwards	22,931,513	15,441,320	-
NZD currency forwards	7,794,375	-	-
RON currency forwards	2,900,000	-	-
CAD currency forwards	416,481	-	-
TWD currency forwards	1,303,011,183	876,064,543	-
SAR currency forwards	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 subsequent years
Hedges:			
USD currency forwards	30,512,719	1,810,394	-
EUR currency forwards	34,059,205	-	-
BRL currency forwards	43,040,891	-	-
MXP currency forwards	257,066,278	91,943,459	-
GBP currency forwards	500,000	-	-
AUD currency forwards	532,000	-	-
NZD currency forwards	454,898	-	-

At 2014 and 2013 year-end the associate S.E.M. 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 negative value thereof attributable to the Group amounted to EUR 5,850 thousand at 31 December 2014, net of the related tax effect (31 December 2013: EUR 2,886 thousand). This amount was recognised under "Equity - Valuation Adjustments - Hedges" in the consolidated balance sheet as at 31 December 2014.

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

In 2014 the ineffective portion of the hedging transactions recognised in the consolidated statement of profit or loss gave rise to an expense of EUR 391 thousand (2013: expense of EUR 26 thousand).

Also, the settlement and the change in the value of the fair value derivatives resulted in an expense of EUR 4,069 thousand in 2014 (2013: expense of EUR 3,886 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 2014, 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	
	2014	**2013**
Accounting profit before tax	**80,456**	**114,299**
Tax rate of the Parent	28%	28%
Income tax calculated at the tax rate of the Parent	**22,528**	**32,004**
Effect of the different tax rate of subsidiaries	3,817	3,785
Effect of exempt income and non-deductible expenses for tax purposes	2,018	1,723
Effect of tax credits and other tax relief recognised in the year	(10,760)	(6,879)
Effect of tax assets and deferred taxes not recognised in previous years	390	(3,779)
Tax effect of the impairment of tax assets and deferred taxes	400	110
Adjustments recognised in the year relating to prior years' income tax	(74)	455
Change in tax rate	8	(2)
Effect of asset revaluation-Guipúzcoa Regulation 1/2013	-	(4,155)
Total income tax expense (benefit) recognised in the consolidated statement of profit or loss	**18,327**	**23,262**
Current income tax expense (benefit) (*)	**14,175**	**19,861**
Deferred tax expense (benefit)	**4,152**	**3,401**

(*) 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 and the changes in these balances is as follows:

	Thousands of euros				
	31/12/13	Additions	Reductions	Translation differences	31/12/14
Deferred tax assets:					
Tax credit and tax loss carryforwards (Notes 3-m and 9)	76,648	42,653	(20,070)	5,680	104,911
Provisions temporarily not deductible	77,900	8,819	(36,825)	754	50,648
Share ownership scheme (Note 9)	248	-	(248)	-	-
Effect of asset revaluation-Guipúzcoa Regulation 1/2013	4,393	-	(675)	-	3,718
Elimination of profits on consolidation and other	3,094	1,525	(43)	(11)	4,565
	162,283	**52,997**	**(57,861)**	**6,423**	**163,842**
Deferred tax liabilities:					
Unrestricted and accelerated depreciation (Notes 7, 8 and 9)	105,581	6,930	(9,589)	9,504	112,426
Investment valuation provisions	25,110	-	-	-	25,110
Cash flow hedges (Note 17)	-	-	(61)	-	(61)
Revaluation of land (Note 14)	11,829	-	-	-	11,829
Available-for-sale financial assets	134	-	(134)	-	-
Goodwill	362	1	-	-	363
Elimination of profits on consolidation and other	4,004	415	(1,514)	(146)	2,759
	147,020	**7,346**	**(11,298)**	**9,358**	**152,426**

	Thousands of euros				
	31/12/12	Additions	Reductions	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 and other	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**

In 2014 the Group expects to take tax credits amounting to EUR 9,057 thousand (2013: EUR 15,298 thousand) mainly in relation to tax credits for R&D expenditure and double taxation tax credits. Unused tax credits after projected income tax for 2014 amounted to EUR 72,683 thousand (2013: EUR 60,723 thousand), of which EUR 31,052 thousand (arising mainly from the Parent's tax group) are recognised under "Deferred Tax Assets - Tax Credit and Tax Loss Carryforwards" (2013: EUR 19,903 thousand). At 31 December 2014, recognised tax loss carryforwards amounted to EUR 73,859 thousand (31 December 2013: EUR 56,745 thousand). EUR 28,948 thousand of these amounts related to the Parent's tax group and EUR 43,183 thousand to Provetren, S.A. de C.V., which arose from the accelerated depreciation for tax purposes of a significant portion of its assets as a result of the certificate for environmentally friendly assets obtained from the Federal Prosecutor's Office for Environmental Protection (PROFEPA). Also, Provetren, S.A. de C.V. recognised deferred tax liabilities of EUR 76,288 thousand to reflect the temporary difference between the assets' carrying amounts in the financial statements and their tax bases measured by applying the 30% tax rate in accordance with current Mexican tax legislation.

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 54,477 thousand (2013: EUR 51,939 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 12,533 thousand (2013: EUR 13,558 thousand).

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

	Thousands of euros	
	31/12/14	**31/12/13**
Expiring in 2015	-	18
Expiring in 2016	63	24
Expiring in 2017	401	416
Expiring in 2018	1,281	1,374
Expiring in 2019	380	380
Expiring in 2020	557	557
Expiring in 2021	168	168
Expiring in 2022	-	-
Expiring in 2023	-	-
Expiring in 2024	-	43
Expiring in 2025	2,007	3,879
Expiring in 2026	8,366	7,411
Expiring in 2027 and subsequent years	31,891	30,069
Unlimited	21,896	21,158
	67,010	**65,497**

In calculating the income tax payable for 2014, the Group deducted tax credits amounting to EUR 265 thousand (2013: EUR 6,402 thousand), which were recognised under "Deferred Tax Assets" in the accompanying consolidated balance sheet as at 31 December 2013. An expense for taxes abroad amounting to EUR 3,194 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 income of EUR 74 thousand (2013: an expense of EUR 455 thousand).

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 2014 year-end the Group had 2010 and subsequent years open for review by the tax authorities for income tax and 2011 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. The Parent's directors consider that the audit will not give rise to losses additional to those already recognised.

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 2014, one of the processes was ongoing and the directors estimate that no material liabilities will arise.

The shareholders at the Annual General Meetings of the Parent and CAF Investigación y Desarrollo, S.L. approved the application of the asset revaluation provisions of Guipúzcoa Decree-Regulation 1/2013, of 5 February 2013. As a result of adopting this measure, a positive amount of EUR 4,155 thousand was recognised under "Income Tax" in the consolidated statement of profit or loss, 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 2014 and 2013 is as follows:

	Thousands of euros							
	31/12/14				31/12/13			
	Assets		Liabilities		Assets		Liabilities	
Concept	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Accrued social security taxes	-	6	-	8,595	-	4	-	7,887
Regular taxes-								
VAT (Note 9)	37,122	63,126	-	15,101	26,068	51,311	-	16,703
Other	-	810	-	192	-	1,247	-	178
Personal income tax withholdings	-	-	-	9,411	-	-	-	9,313
Income tax (Note 3-m)	-	6,493	-	3,513	-	17,604	-	1,866
Grants receivable	-	1,635	-	-	-	1,254	-	-
Total	**37,122**	**72,070**	**-**	**36,812**	**26,068**	**71,420**	**-**	**35,947**

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 2014 and 2013 the Group made payments of EUR 1,736 thousand and EUR 2,050 thousand, respectively, and recognised provisions amounting to EUR 1,946 thousand and EUR 2,287 thousand, respectively, mainly with a charge to "Staff Costs - Wages and Salaries" (see Note 22) in the consolidated statement of profit or loss.

Short-term provisions

The changes in "Short-Term Provisions" (see Note 3-ñ) in 2014 and 2013 were as follows (in thousands of euros):

	Warranty and support services, contractual liability, etc. (Notes 3-f and 3-ñ)	Litigation	Other provisions (Notes 3-ñ)	Total
Balance as 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)
Translation differences	(2,244)	-	-	(2,244)
Balance as at 31/12/13	**324,745**	**7,766**	**2,516**	**335,027**
Net charge for the year (Notes 3-k, 3-ñ and 18)	(70,669)	(72)	(137)	(70,878)
Translation differences	1,180	-	-	1,180
Balance as at 31/12/14	**255,256**	**7,694**	**2,379**	**265,329**

Contractual liability and warranty and support services

The short-term provisions at 31 December 2014 and 2013 relate basically to provisions for contractual liability (EUR 147 million at 31 December 2014 and EUR 210 million at 31 December 2013) and for warranties and after-sales services (EUR 108 million at 31 December 2014 and EUR 116 million at 31 December 2013).

The consolidated companies recognised income of EUR 70,878 thousand under "Other Operating Expenses" in the accompanying consolidated statement of profit loss for 2014 (2013: EUR 15,912 thousand) relating to the difference between the provisions required in this connection at 2014 year-end and the provisions recognised at 2013 year-end. The expenses incurred in 2014 and 2013 in connection with the provision of contractual warranty services (approximately EUR 57,453 thousand and EUR 53,829 thousand, respectively) were recognised under "Procurements" and "Staff Costs" in the accompanying consolidated statements of profit or loss for 2014 and 2013.

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 2014 and 2013, all the trains had been sent to the customer. Due to the contractual terms and conditions, at 31 December 2014 the Group had recorded a provision with a charge to the contract, amounting to EUR 66,535 thousand (31 December 2013: EUR 65,204 thousand), which is recognised under contractual liability in the table above (see Note 12).

Litigation

At 31 December 2014, the provision for litigation related mainly to the possible disbursements which might arise as a consequence of the cancellation of two agreements with two customers for which, additionally, an amount of EUR 9,201 thousand was recognised under "Trade and Other Payables - Other Payables" in the accompanying consolidated balance sheet (see Note 8). At the date of formal preparation of these consolidated financial statements decisions had not yet been handed down in connection with the various appeals filed, and the directors' best estimates were recognised in this regard.

The Parent's directors do not expect any liabilities additional to those recognised at 31 December 2014 to arise and also estimate that the outflow of resources related thereto will occur in the period 2015-2017.

21. INCOME AND EXPENSES

a) Procurements

	Thousands of euros	
	2014	**2013**
Materials used (*)	673,189	494,514
Work performed by other companies	69,951	65,496
Total	**743,140**	**560,010**

(*) 73% in euros, and the remainder mainly in US dollars and Brazilian reals (2013: 85% in euros).

b) Other operating expenses

	Thousands of euros	
	2014	**2013**
Outside services	237,776	231,631
Taxes other than income tax	2,395	1,838
Change in operating provisions and allowances and other (Note 20)	(66,354)	(14,326)
Other current operating expenses	342	392
Total	**174,159**	**219,535**

The fees for audit services (including six-monthly reviews) relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries amounted to EUR 792 thousand in 2014 (2013: EUR 770 thousand). Of this amount, EUR 590 thousand relate to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2013: EUR 582 thousand). In addition, fees for other professional services provided by the principal auditor amounting to EUR 290 thousand were billed in 2014 (2013: 241 thousand): EUR 49 thousand for audit-related attest services, EUR 206 thousand for tax services and the remainder for other services (2013: EUR 49 thousand, EUR 137 thousand and the remainder, respectively).

c) Information on the environment

In 2014 investments amounting to EUR 95 thousand (2013: EUR 738 thousand) were made in systems, equipment and facilities designed for environmental protection and improvement.

In 2014 the Group received environmental grants of EUR 61 thousand.

The final free allocation 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 must be acquired in the market.

In 2014 the Group emitted 17,765 tonnes of CO_2 (2013: 16,782 tonnes), whereas it had been allocated allowances for the emission of 19,846 tonnes (2013: 20,197 tonnes) As a result, the Group did not recognise any liability at year-end. The Group did not sell any emission allowances in either 2014 or 2013.

At 31 December 2014 and 2013, 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 2014 the Group incurred environmental expenses amounting to EUR 985 thousand (2013: EUR 859 thousand).

d) Grants related to income

Most of the grants transferred to profit or loss in 2014 and 2013 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 2014 under "Other Operating Income" in the accompanying consolidated statement of profit or loss amounted to EUR 3,823 thousand (2013: EUR 2,225 thousand).

22. AVERAGE HEADCOUNT AND STAFF COSTS

The average headcount in 2014 and 2013 was as follows:

	Average number of employees	
Professional category	**2014**	**2013**
Employees	3,324	3,162
Manual workers	4,703	4,315
Total (*)	**8,027**	**7,477**

(*) At 31 December 2014, there were 8,206 employees (31 December 2013: 7,632 employees).

The breakdown, by gender, of the average headcount in 2014 and 2013 is as follows:

	2014		2013	
Professional category	**Men**	**Women**	**Men**	**Women**
Employees	2,497	827	2,384	778
Manual workers	4,503	200	4,150	165
Total	**7,000**	**1,027**	**6,534**	**943**

All of CAF's directors are men.

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

	2014	2013
Wages and salaries (Notes 3-k, 3-l and 3-ñ)	299,653	296,156
Social security costs	88,001	80,238
Other costs (Note 3-k)	18,582	18,066
Total	**406,236**	**394,460**

A reversal of EUR 1,567 thousand in relation to pre-retirement provisions is included under "Staff Costs - Wages and Salaries" in the consolidated statement of profit or loss for 2014 (2013: a charge of EUR 12,243 thousand) (see Note 15).

23. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2014 and 2013 the Parent recognised approximately EUR 1,297 thousand and EUR 1,399 thousand in connection with remuneration, attendance fees and life insurance earned by its directors, whereas the directors of the subsidiaries did not earn any amounts in this regard. At 31 December 2014 and 2013, 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 obligations to them.

b) Information regarding situations of conflict of interest involving the directors

In 2014 and 2013 neither the members of the Board of Directors nor persons related to them as defined in the Spanish Limited Liability Companies Law notified the Board of any direct or indirect conflict of interest that they might have with the Company.

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-a above, in accordance with the mandatory obligation defined in the corporate governance report.

In 2014 and 2013 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 2014, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 1,728,878 thousand (31 December 2013: EUR 1,735,795 thousand) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 37,147 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 2013: EUR 49,571 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. Also, in March 2014 the Sao Paulo State Public Prosecutor filed two claims in relation to this matter, one of which was dismissed in the court of first instance (Line 5), while the second (maintenance) was in the notification and conduct stage of the proceedings, with certain of the unlawful acts adjudged statute-barred. Lastly, the subsidiary filed an appeal in relation to the freezing of a current account, which had a balance frozen of EUR 279 thousand at 31 December 2014. At the date of formal preparation of these consolidated financial statements there were no economic claims filed against this subsidiary.

In March 2014, the government of Mexico City suspended the elevated section of Line 12 after the discovery of faults in the stations and structure, evidencing errors that resulted in the destabilisation of the tracks.

The Secretariat of Works and Services of Mexico City agreed together with the Line 12 construction consortium, CAF and various local agencies to collaborate with TSO and SYSTRA for the purposes of performing the technical measurements, studies and analyses required to design the rehabilitation actions on Line 12.

Since the PPS agreement was entered into, and particularly since the date of partial closure of Line 12, the CAF Group has demonstrated the utmost cooperation with the government of Mexico City, at both technical and management levels, and has ensured that the trains manufactured by CAF México meet all international standards applicable to the PPS agreement and, therefore, Provetren and CAF México have no liability in relation to the partial suspension of passenger transportation Line 12.

At the date of formal preparation of these consolidated financial statements, the studies and analyses aimed at determining the required corrective actions are ongoing and the agreements which aim to resolve the situation are being established.

In 2014 and 2013 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 (certain articles of which were amended by Law 11/2013, of 27 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)			
	2014		2013	
	Amount	%	Amount	%
Paid in the maximum payment period	148,184	25.77	156,682	28.95
Remainder	426,880	74.23	384,619	71.05
Total payments made in the year	**575,064**	**100**	**541,301**	**100**
Weighted average period of late payment (in days)	35.79		32.51	
Weighted average payment period	76.54		74.79	
Payments at year-end not made in the maximum payment period	33,309		36,322	

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 Payables - Sundry Accounts Payable" under "Current Liabilities" in the consolidated balance sheet.

Weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers outside the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year 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 Group in 2013 under Law 3/2004, and pursuant to the transitional provisions contained in Law 15/2010, on combating late payment in commercial transactions, was 60 days. The maximum payment period applicable to the Group in 2014 under Law 11/2013, which amended certain articles of Law 3/2004, is the period established in the agreement with the supplier, which may not exceed 60 days in any case.

26. EVENTS AFTER THE BALANCE SHEET DATE

At 31 December 2014, the firm backlog, net of progress billings, amounted to approximately EUR 5,251,114 thousand (31 December 2013: EUR 4,802,858 thousand) (see Note 11). At 31 January 2015, the total was EUR 5,496,451 thousand (31 January 2014: EUR 4,709,071 thousand).

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (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	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 2014 by the Board of Directors at its meeting on 25 February 2015, the directors have signed this document, consisting of 131 sheets numbered sequentially from 4694 to 4824, 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, 25 February 2015.

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 13 June 2015 at 12:30 pm at first call and, if necessary, on 14 June 2015 at the same time and place at second call:

AGENDA

First: Discussion and eventual approval of Annual Accounts and Management Report of Construcciones y Auxiliar de Ferrocarriles, S.A., and Annual Accounts and Annual Report of the consolidated group of companies for year 2014, as well as the performance of the Board of Directors.

Second: Approval of the proposed distribution of earnings for year 2014, with a distribution of dividend in the gross amount of €5.25 per share.

Third: Re-election of auditors.

Fourth: Appointment and re-election of Directors.

4.1 Appointment of Mr. Javier Martínez Ojinaga
4.2 Appointment of Ms. María José de Larrea García-Morato
4.3. Re-election of Mr. José María Baztarrica Garijo
4.4. Re-election of Mr. Alejandro Legarda Zaragüeta
4.5. Re-election of Mr. Xabier Garaialde Maiztegi

Fifth: Amendment to the Articles of Association

5.1. Amendments to the rules and operation of the General Shareholders´ Meeting: amendment to articles 12, 13, 16, 18, 20, 22, 25 and 26 of the Articles of Association.
5.2. Amendments to the rules and operation of the Board of Directors: amendment to articles 28, 29, 31, 32, 33, 34, 35, 36, 38 and 39 of the Articles of Association.
5.3. Amendments to the Board of Directors Commissions: amendment to articles 37 and 37 bis of the Articles of Association and addition of new Article 37 ter.
5.4. Other amendments to the Articles of Association: amendment to Articles 2 (corporate purpose) and 42 (approval of the accounts) of the Articles of Association.

Sixth: Amendments to the General Meeting Regulations.

Seventh: Advisory vote on the annual report on Directors' Remuneration.

Eighth: Authorisation to the Board of Directors of the Company for the acquisition of own shares in the secondary market.

Ninth: Information to the Shareholders´ Meeting on amendments to the Board Regulations approved by CAF's Board of Directors.

Tenth: Delegation of powers to the Board of Directors for the execution of the aforementioned resolutions.

Proposed distribution of income

To appropriate EUR 27,042 thousand of the Parent's post-tax profit of EUR 17,997 thousand to dividends, EUR 9,045 thousand to voluntary reserves.

Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman and CEO
ANDRÉS ARIZCORRETA GARCÍA	Chief Executive Officer
ALEJANDRO LEGARDA ZARAGÜETA	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 25 February 2015 the Directors owned 19.064% of the capital stock.

SUPPLEMENTARY INFORMATION 2010-2014

Consolidated Balance Sheets
Consolidated Income Statements
Stock market Information

Consolidated Balance Sheets

as of December 31st 2014, 2013, 2012, 2011, 2010 (Thousands of Euros)

Assets	2014	2013	2012	2011	2010
Non-current assets:					
Intangible assets					
Goodwill	15	15	15	232	596
Other intangible assets	37,673	35,172	42,036	30,567	211,865
	37,688	**35,187**	**42,051**	**30,799**	**212,461**
Property, plant and equipment, net	**271,839**	**286,593**	**300,102**	**288,539**	**300,967**
Investments accounted for using the equity method	**12,257**	**14,902**	**13,167**	**11,558**	**16,979**
Non-current financial assets	**669,549**	**657,233**	**760,828**	**420,422**	**56,718**
Deferred tax assets	**163,842**	**162,283**	**102,075**	**110,353**	**113,005**
Total non-current assets	**1,155,175**	**1,156,198**	**1,218,223**	**861,671**	**700,130**
Current assets:					
Inventories	**180,504**	**159,857**	**250,827**	**365,464**	**354,906**
Trade and other receivables					
Trade receivables for sales and services	1,107,006	1,040,576	761,312	716,010	669,400
Other receivables	188,410	206,739	218,204	109,546	77,328
Current tax assets	6,493	17,604	12,844	3,684	4,324
	1,301,909	**1,264,919**	**992,360**	**829,240**	**751,052**
Other current financial assets	**123,945**	**97,703**	**129,025**	**235,519**	**358,467**
Other current assets	**4,591**	**2,022**	**1,742**	**2,691**	**3,433**
Cash and cash equivalents	**197,111**	**127,150**	**76,682**	**86,214**	**55,705**
Total current assets	**1,808,060**	**1,651,651**	**1,450,636**	**1,519,128**	**1,523,563**
Total assets	**2,963,235**	**2,807,849**	**2,668,859**	**2,380,799**	**2,223,693**

The figures for 2012 and 2011 were reclassified as described in Note 2-e to the consolidated financial statements for 2013.

Equity and liabilities	2014	2013	2012	2011	2010
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	39,119	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	691,777	618,264	554,784	444,554	351,221
Profit for the year attributable to the Parent	59,679	90,181	99,454	146,182	129,624
	812,757	**789,079**	**734,872**	**671,370**	**561,479**
Valuation adjustments					
Available-for-sale financial assets	-	3,704	-	-	-
Hedges	(6,212)	(2,882)	(4,449)	(1,820)	-
Translation differences	(70,336)	(70,789)	(28,508)	(5,106)	2,145
	(76,548)	**(69,967)**	**(32,957)**	**(6,926)**	**2,145**
Equity attributable to the Parent	**736,209**	**719,112**	**701,915**	**664,444**	**563,624**
Non-controlling interests	**12,704**	**10,249**	**5,685**	**2,820**	**9,660**
Total equity	**748,913**	**729,361**	**707,600**	**667,264**	**573,284**
Non-current liabilities:					
Long-term provisions	**5,075**	**4,785**	**4,678**	**3,662**	**2,146**
Non-current financial liabilities					
Bank borrowings	683,062	477,934	480,517	242,171	240,565
Other financial liabilities	76,405	73,590	69,222	84,159	66,624
	759,467	**551,524**	**549,739**	**326,330**	**307,189**
Deferred tax liabilities	**152,426**	**147,020**	**84,283**	**85,956**	**55,934**
Other non-current liabilities	**66,880**	**52,366**	**22,741**	**8,727**	**5,546**
Total non-current liabilities	**983,848**	**755,695**	**661,441**	**424,675**	**370,815**
Current liabilities:					
Short-term provisions	**265,329**	**335,027**	**348,681**	**247,798**	**211,104**
Current financial liabilities					
Bank borrowings	158,039	232,705	108,962	5,878	20,344
Other financial liabilities	46,733	39,074	30,808	28,096	21,946
	204,772	**271,779**	**139,770**	**33,974**	**42,290**
Trade and other payables					
Payable to suppliers	463,067	460,652	439,866	417,312	440,363
Other payables	293,197	252,808	369,900	584,089	580,235
Current tax liabilities	3,513	1,866	1,089	5,322	4,013
	759,777	**715,326**	**810,855**	**1,006,723**	**1,024,611**
Other current liabilities	**596**	**661**	**512**	**365**	**1,589**
Total current liabilities	**1,230,474**	**1,322,793**	**1,299,818**	**1,288,860**	**1,279,594**
Total equity and liabilities	**2,963,235**	**2,807,849**	**2,668,859**	**2,380,799**	**2,223,693**

Consolidated Incomes Statements

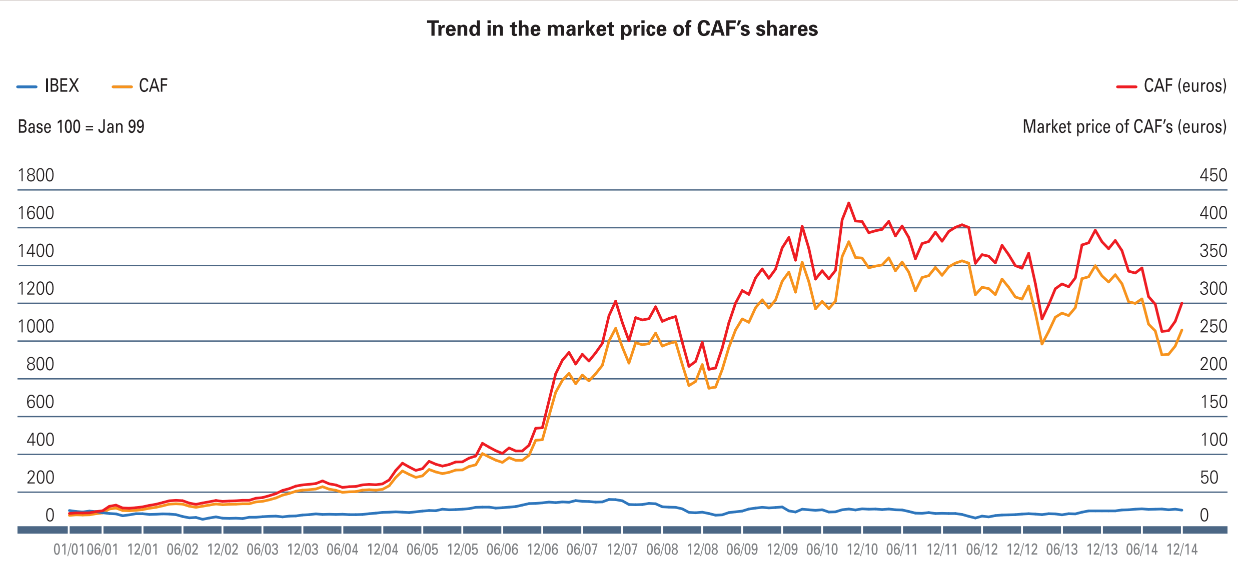
as of December 31st 2014, 2013, 2012, 2011, 2010 (Thousands of Euros)

(Debit) Credit	2014	2013	2012	2011	2010
Continuing operations:					
Revenue	1,447,141	1,535,240	1,721,186	1,725,099	1,563,206
+/- Changes in inventories of finished goods and work in progress	7,690	(149,530)	(222,057)	66,356	(20,207)
In-house work on non-current assets	9,840	7,106	1,325	2,054	1,783
Procurements	(743,140)	(560,010)	(595,441)	(965,028)	(829,824)
Other operating income	5,289	4,117	5,327	6,402	9,172
Staff costs	(406,236)	(394,460)	(352,334)	(342,745)	(318,160)
Other operating expenses	(174,159)	(219,535)	(376,105)	(263,301)	(203,711)
Ebitda	**146,425**	**222,928**	**181,901**	**228,837**	**202,259**
Depreciation and amortisation charge	(42,398)	(42,552)	(39,231)	(36,788)	(31,278)
Impairment and gains or losses on disposals of non-current assets	10,958	(29,065)	(1,282)	(27,266)	(14,337)
Profit from operations	**114,985**	**151,311**	**141,388**	**164,783**	**156,644**
Finance income	10,187	13,974	24,437	9,620	11,473
Finance costs	(47,252)	(47,687)	(35,273)	(26,627)	(2,102)
Exchange differences	(2,394)	(3,645)	(3,176)	39	(9,217)
Impairment and gains or losses on disposals of financial instruments	4,357	1,013	355	(639)	2,685
Change in fair value of financial instruments	373	(275)	17	(8)	(45)
Financial loss	**(34,729)**	**(36,620)**	**(13,640)**	**(17,615)**	**2,794**
Result of companies accounted for using the equity method	200	(392)	17	(3,301)	(846)
Profit before tax	**80,456**	**114,299**	**127,765**	**143,867**	**158,592**
Income tax	(18,327)	(23,262)	(27,711)	(14,260)	(14,880)
Profit for the year from continuing operations	**62,129**	**91,037**	**100,054**	**129,607**	**143,712**
Profit (Loss) for the year from discontinued operations	-	-	-	11,842	(18,272)
Consolidated profit for the year	**62,129**	**91,037**	**100,054**	**141,449**	**125,440**
Attributable to:					
The Parent	59,679	90,181	99,454	146,182	129,624
Non-controlling interests	2,450	856	600	(4,733)	(4,184)
Earnings per share (in euros)					
Basic	17.41	26.31	29.01	42.64	37.81
Diluted	17.41	26.31	29.01	42.64	37.81

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

Stock market information

As of December 31, 2014, 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.



	2014	2013	2012	2011	2010
Stock market capitalization					
Figures as of December 31	1,036,478,476	1,317,409,223	1,196,398,175	1,319,808,875	1,336,949,250
Per-share data					
Net earnings per share	17.41	26.31	29.01	42.64	37.81
Dividend per share	5.25	10.50	10.50	10.50	10.50
Per-share net book value	214.76	209.77	204.75	193.82	164.41
Stock market ratios					
PER	18.53	12.53	13.08	9.02	10.07
Average price/EBITDA (*)	7.55	5.07	7.15	5.76	6.46
MV/BV (average price/book value)	1.50	1.57	1.85	1.98	2.32
Dividend yield	1.63%	3.18%	2.77%	2.73%	2.76%
Pay-out	30.16%	39.91%	36.19%	24.62%	27.77%

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

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