

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

C.A.F.

ANNUAL REPORT 2012

FEBRUARY 2013

**2012 DIRECTORS' REPORT
OF THE
CONSOLIDATED GROUP**

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

EARNINGS

The aggregates in 2012 were as follows:

- Profit attributable to the Parent from continuing operations amounted to EUR 100,054 thousand after tax, and EUR 127,765 thousand before tax, compared to EUR 129,607 thousand and EUR 143,867 thousand, respectively, in 2011.
- Consequently, the fall in post-tax profit from continuing operations, 23% compared to 2011, was due mainly to the effect of the increase in the income tax rate from approximately 10% in 2011 to 22% in 2012. Had the tax rate applied in 2011 still been in force in 2012, the decline in post-tax profit would have been approximately 11%.
- The depreciation and amortisation charge and impairment losses relating to non-current assets amounted to EUR 40,513 thousand which, added to the profit for the year before tax from continuing operations, generated a cash flow of EUR 168,278 thousand, representing a decline of approximately 19% on 2011, which amounted to EUR 207,921 thousand.
- EBITDA from continuing operations totalled EUR 181,901 thousand, down approximately 21% on 2011 (EUR 228,837 thousand).
- Revenue amounted to EUR 1,721,186 thousand in 2012, down 0.2% on 2011 (EUR 1,725,099 thousand).
- The backlog amounted to EUR 4,941,428 thousand at 31 December 2012, down 2% on the EUR 5,035,940 thousand at 31 December 2011, and 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. It is proposed to use EUR 35,995 thousand of the profit of CAF, S.A., the Parent, to pay dividends (the same as last year) and to allocate EUR 4,503 thousand to voluntary reserves, giving rise to a gross value of EUR 10.5 per share.
- If the proposed distribution of profit is approved, the profit allocated to reserves will raise the Group's equity to a total of EUR 671,605 thousand.
- Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held treasury shares in the course of 2012.

COMMERCIAL ACTIVITY

At year-end, the backlog exceeded EUR 4,941 million, approximately 2% lower than the figure at 2011 year-end. In view of the current situation in Spain, the CAF Group's commercial activity was dominated by trade in the export market.

In the Spanish market, agreements were entered into with Metro de Sevilla to refurbish the former Metrocentro units and adapt them for use on the Seville underground. Agreements were signed with Renfe for certain minor modifications to the Civia units, and with ADIF for the maintenance of gauge changing platforms.

Worthy of mention in this connection is that the certification of the Oaris high speed train is ongoing and that the Zaragoza tram has started operating normally in the catenary-free sections. The operating tests started in September, and since 29 October a commercial service has been operating, firstly between two stations but extended to four last Christmas. The entire line is expected to enter commercial service in the first quarter of 2013.

As regards the export market, agreements have been entered into to supply trams to the cities of Birmingham (UK), Cuiabá (Brazil), Cincinnati (US) and Sydney (Australia).

The Birmingham contract involves supplying the UK's second-largest city in terms of inhabitants with Urbos units similar to those currently in use in Zaragoza. The initial order is for 20 trams with an option to extend the order for an additional six units.

The Cuiabá contract, for the capital of the State of Mato Grosso and one of the venues for the 2014 World Cup Championship to be held in Brazil, is the first turnkey tramway project commissioned in Latin America. As part of the successful consortium, CAF will supply 40 seven-carriage trams and the signalling system.

The city of Cincinnati, in the north-eastern US state of Ohio, joins Pittsburgh, Sacramento and Houston as metropolises where streetcars manufactured by CAF will be operating. The initial order is for five units and the maintenance thereof.

In addition to the contract obtained in New Zealand last year, this year CAF was awarded a contract to supply six new light rail vehicles for the expansion of the Inner-West light rail network in Sydney, Australia. In addition to the supply contract, CAF also won the contract to maintain the vehicles for three years, in a separate tender.

Also, in the tram segment, the previously-obtained order to supply 15 three-car units to the city of Stockholm was extended by another seven four-car units.

In addition to the aforementioned Cuiabá project, CAF confirmed its leadership position in the Brazilian market with another two contracts. The first is to supply ten four-car units to CBTU (Companhia Brasileira de Trens Urbanos) for the Brazilian city of Belo Horizonte, the capital of the State of Minas Gerais, one of the venues for the 2014 World Cup Championship, 2014 and co-host of the 2016 Olympic Games. The second contract is for the supply of all the bogies for the 15 new four-car trains that the city of Porto Alegre, the capital of the State of Rio Grande do Sul, is acquiring for TRENURB (Empresa de Trens Urbanos de Porto Alegre).

In the underground segment, mention must be made of the renewal of Rome City Council's confidence in CAF, with a contract for the production of 15 new six-car units, which will join the 53 units already supplied to Rome's underground since the contract was first signed in 2002.

Similarly noteworthy is the commission for 20 four-car units to operate automatically on the metro system in Helsinki, the Finnish capital. And the contract for Kolkata Metro Rail Corporation, the body responsible for the development, construction and operation of the east-west metro line of the city of Kolkata, commissioning 14 six-car metro units, which may be extended by up to 21 additional cars.

In Italy, the Italian Venezia Friuli Giulia region has extended the initial order for the supply of eight Civity trains, which was entered into last year, by an additional four units, giving a total of twelve trains.

With regard to regional trains, the contract in force for Sardinia was extended to include one additional train, increasing the order to a total of eight.

Two contracts were entered into in the long-distance train segment, both of which were for the supply of push-pull units in Saudi Arabia. The first contract, with Saudi Railway Organization (SRO) was to extend an existing order for twelve units by another four units. The second, for Saudi Railway Company (SAR), is for the design, manufacture, supply and maintenance of five trains capable of reaching speeds of around 200 kilometres per hour. This model features family sections, areas for children and for prayer, facilities specially designed for passengers with reduced mobility, dining carriage, and car carrier to enable passengers who so wish to transport their own vehicle.

Lastly, as in previous years, the maintenance, concessions and rolling stock businesses between them continue to account for a significant percentage of the backlog.

INDUSTRIAL ACTIVITY

2012 saw the completion and delivery of various projects such as the 30 Civia IV trains for RENFE, the contract for 50 medium-distance diesel-traction trains for the same operator, the last three of the eight trainsets (locomotive + carriages) for the Saudi Arabian railway network, the last of the 13 trains commissioned for the Medellín underground in Colombia, eleven trains completing the contract for 20 commissioned by Northern Ireland, the last five of the 13 units for the STM in Mallorca, 22 trains of various formations to complete the order for the underground in Madrid, the last 14 trains for the Istanbul underground, the last two two-carriage trains for Ferrocarriles de Vía Estrecha (FEVE) and 21 trams which complete the contract for the city of Zaragoza.

Also in 2012, deliveries continued of other projects initiated in previous years, such as the seven trains for Euskotren, 25 of the 48 trains commissioned by the Caracas underground, 19 train units for Project PPP-5000 in the city of São Paulo, the 17 trams for Belgrade (Republic of Serbia) and 21 of the contract for 30 trains for Line 12 of the Mexican underground.

As regards more recent projects, deliveries were made of the first two trains for Recife (Brazil), five of the eight Civity trains for Trieste, eleven trains for the Chilean underground, the first two tram-trains for the Bahía de Cádiz and ten of the twelve trams for the city of Nantes.

Also in 2012, starts were made on the initial manufacturing phases of new contracts such as the eight diesel-traction trains for Sardinia, the trams for the city of Besançon, the trams for the city of Debrecen and the contract for 26 trains for the city of São Paulo. The first stages of the manufacture of the contract for 57 trains for Auckland (New Zealand), 3 trains for Montenegro, the light rail trains for the city of Houston and the project for 16 trains for the Bucharest underground were also completed.

The most important products manufactured in 2012 were as follows:

	No. of vehicles
Medium-distance diesel units for RENFE	3
Medium-distance trains for NIR (Northern Ireland)	33
Civity medium-distance trains for Trieste	25
Locomotives for Saudi Arabia	4
Carriage compositions for Saudi Arabia	15
Commuter trains for Euskotren	28
Commuter trains for Project PPP-5000 in São Paulo	152
Commuter trains for Mallorca	20
CIVIA IV commuter trains for RENFE	15
Commuter trains for Recife	8
Bahía de Cádiz tram-train	3
Madrid underground, Lot 1	54
Madrid underground, Lot 2	26
Madrid underground, Lot 3	20
Caracas underground	175
Istanbul underground	56
Mexico underground	147
Medellín underground	3
Chile underground	99

Trams for Zaragoza	45
Trams for Granada	15
Trams for Belgrade	85
Trams for Nantes	50
Trams for Stockholm	3
Two-carriage units for FEVE	4
TOTAL	1,088

BOGIES

With welded steel chassis	1,768
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ROLLING STOCK

Wheelsets (power car + trailer car)	4,338
Loose axle bodies	9,169
Wheels	50,129
Couplers	1,127
Gear units	936
Tyres	779

HUMAN RESOURCES

Although in overall terms the Group's labour force remained stable in 2011, the actual headcount rose at subsidiaries and fell at the Parent.

The changes in the Group's overall headcount were as follows:

	<u>ANNUAL AVERAGE</u>	
12/31/11	6952	6926
12/31/12	6979	7004

In 2012, the human resources management activities at the CAF Group focused mainly on providing support for the specific challenges of each business.

Both the biennial training plan and the individual development plans were completed in 2012. The management and efficiency indicators stood at levels that are above the targets set. The foundations were laid for the plans for the coming years. The measure of the level of satisfaction of the organisation's employees with these processes is positive.

The training actions performed in 2012 were similar, in terms of the number of hours of training and individuals involved, to those of 2011.

Mention must be made of the high level of progress made in the competency development and management skills, an area in which a special effort was made to cover the training needs disclosed through the assessment of the university graduates.

The good employee management practices were extended to all the businesses in the Group in order to increase the effectiveness and efficiency of the processes. In 2012 the Group's new activities were certified to the benchmark standards in the railway industry.

Progress was made on strengthening the management structures at the main industrial plants and at the international subsidiaries with projects in progress, in order to have the appropriate local structures in place, thus developing CAF's international expansion strategy.

The European market was the focus for the main efforts regarding incorporations. Also, CAF continues to develop commercial offices in emerging countries, continuing with a policy implemented in previous years.

Significant activity was maintained in the international Labour Relations area, as subsidiaries were incorporated and industrial and business facilities set up in the various countries.

The OHSAS 18001 and the ISO 14001:2004 Occupational Risk Prevention and Environmental certifications awarded to the Beasain, Irun and Zaragoza centres were retained.

The Occupational Risk Prevention Plan was implemented, and the preventive actions envisaged for 2012 were performed.

In 2012 the Second Equality Plan, for 2012-2014, was implemented at the Beasain plant, upholding the objectives of encouraging equal opportunities for men and women and guaranteeing the same opportunities for incorporation and professional development at all levels. Work is continuing in the Equality Committees at the Irun and Zaragoza plants with these same aims.

ENVIRONMENTAL ACTIVITY

The CAF Group is aware that industrial activity affects the environment and therefore its general policies include the environmental policy, under which the protection of the environment is assumed as one of the organisation's objectives, also 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 May 2012, the audit was performed for maintenance of ISO 14001:2004 certification for the environmental management systems at the Irun and Zaragoza plants. The audit was performed at the Beasain plant in September 2012. This system has been in operation since 2001.

Efforts in this area were geared towards complying with the applicable environmental legislation, as well as 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. Specifically, in 2012, mention must be made of the deployment of the canopy at the steelworks in the Beasain plant, which was installed with the aim of gathering the diffuse emissions generated in the electric arc furnace.

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

Aware of the importance of environmental awareness in the manufacturing chain for achieving environmental improvements, in 2012 CAF organised a series of environmental awareness workshops, which were attended by a large number of employees.

CAF's aim is to provide more efficient means of transport that respect the environment and are competitive in a market that is increasingly demanding with respect to the environment. Its commitments include that of introducing eco-design methods into engineering processes in order to optimise and control the environmental impact of products from the design stage and throughout their life cycle. In 2012 CAF performed the Life Cycle Assessment (LCA) and obtained the Environmental Product Declaration (EPD) for the version of the Civity train platform for the Italian Friuli Venezia Giulia autonomous region.

The Life Cycle Assessment (LCA) and the Environmental Product Declaration (EPD) for the Civity platform for the city of Trieste were audited by a certified external auditor under the Unife-Environdec standard.

Also, it must be stated, in compliance with the Kyoto Protocol, that greenhouse gas emissions fell in 2012 compared to 2011 levels, thus consolidating the significant reduction achieved in recent years.

INVESTMENTS

CAF's capital expenditure amounted to EUR 36,102 thousand in 2012. These investments focused mainly on modernising the production systems and facilities in general, in addition to implementing improvements relating to workplace safety and the environment. The most noteworthy investments were as follows:

In the Rolling Stock Business Unit, particularly in relation to the forging facilities and the wheel machining line, in 2012 work commenced to improve the reheating furnace in order to increase its capacity and to implement a second machining cell, similar to the recently completed one, as part of the investment plan to optimise the rolling stock facilities initiated in recent years.

Also underway is the second phase of the environmental investment for the installation of a new fume collection and filtration system at the steelworks, the work on which will be completed in 2013.

Noteworthy among the investments in the Railway Vehicles Business Unit was the construction of the new warehouse for the manufacture of austenitic stainless steel structures, including the acquisition of automated systems for sidewalls and bodyends. Mention should also be made of the Group's commitment to the modernisation of its installations through the purchase of new machinery to manufacture frames, ceilings and box structures, in order to prepare for the projects to be developed by the Group in the future.

In the Technology area, the new data processing and communications centre serving the entire Group was completed, and investment continued on the provision of the technical means and tools, including new software, required to enhance both operations and management in the various areas of the Company.

Also, the installations at CAF's new industrial facilities in France came into service, featuring new office space and a warehouse for testing. Also, due to its importance, mention must be made of the investment in the CAF plant in the United States, which started last year and is basically aimed at the modernisation of the facilities, mainly in the structure and finishing areas, with a view to the supply of the products currently under development.

TECHNOLOGICAL DEVELOPMENT

As regards CAF and CAF R&D, in 2012 a new Group Technology Plan for 2013-2015 was completed, under which a total of 28 new projects for CAF and its subsidiaries will be implemented. A total of 78 projects under the Technology Plan will be underway in 2013.

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

- Provincial Government of Guipuzcoa
- Basque Autonomous Community Government
- Spanish Secretariat of State for Research, Development and Innovation
- Spanish Ministry of Industry, Energy and Tourism
- European Commission

The Technology Plan implemented in 2012 fostered projects involving CAF, CAF R&D and various Group subsidiaries, and ongoing close collaboration was maintained with different technology centres and universities.

The projects included in the 2012-2014 Technology Plan and those underway since 2012 encompassed the following fields:

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

All of the above combine the execution of projects aimed at assimilating technologies with the commercial development of products based thereon. Noteworthy projects included:

- Projects for the development of various types of vehicle and prototype.
- 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, railway dynamics, noise and vibrations, and energy accumulation systems.
- OARIS high-speed train.
- ERTMS-ETCS system for the development of on-board signalling equipment.
- Development of elastic wheels for trams and gear units.

Within this group of projects, mention must be made of a series of track tests conducted with the OARIS high-speed train, which had travelled a total of 50,000 km at 2012 year-end, 30,000 km of which were run faster than 300 km/h. Around 100 journeys at speeds of over 350 km/h had been completed. The results obtained from this prototype enable the rest of the final testing program, which will foreseeably take place in 2013, to be viewed with confidence.

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

- European TREND projects for the development of validation environments for EMC in railway vehicles, the OSIRIS project for reducing energy consumption in urban rail systems (with the involvement of the most important companies in the industry) and 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.
- The European Dynotrain, Aerotrain and Euroaxles projects involving CAF and CAF R&D, aimed at simplifying current certification processes.

Worthy of mention in 2012 is the life cycle certification obtained from TÜV Rheinland, under CENELEC standards, for the development of hardware and software components of security elements in railway applications.

CAF's subsidiaries continued their normal R&D project development activity, the most noteworthy being as follows:

- The entry into commercial service of the catenary-free, autonomous energy accumulation system installed in the Seville tramway and its application to the Zaragoza and Granada tramways.
- The development of traction equipment covering a range of catenary voltages of up to 25 kV, enabling it to be commercialised in a project for India.
- Completion of the track trials for CAF's Euskotren train units, which include video-information and video surveillance equipment developed under the technology plan of the subsidiary CAF Power & Automation, S.L.
- The development of ERTMS track products.

The most relevant engineering projects undertaken by the Group in 2012 were as follows:

- FGC s/113 electric units
- Electric units for Auckland (New Zealand)
- Electric units for Recife (Brazil)
- Electric units for Line 8 CPTM (Brazil)
- Tilting diesel trains for Sardinia
- CIVITY train for Trieste (Italy)
- CIVITY train for Montenegro
- Civity platform for DB (Germany)
- Trailer cars for Amtrak (US)
- Besançon tram (France)
- Nantes tram (France)
- Stockholm tram (Sweden)
- Debrecen tram (Hungary)
- Light rail vehicle for Houston (US)
- Bucharest underground (Romania)
- Line 5 of the São Paulo underground (Brazil)

The following projects were also initiated:

- Cincinnati streetcars (USA)
- Birmingham tram (UK)
- Cuiabá tram (Brazil)
- Light rail vehicles for Sydney (Australia)
- Milan underground bogies (Italy)
- Kolkata underground (India)
- Line B of the Rome underground (Italy)

Similarly, work continued on the basic development of new types of vehicles to extend CAF's product range.

RISK MANAGEMENT POLICY

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

1.- Financial risks

The financial risk management policy adopted by the CAF Group focuses on handling 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 Indian rupee, the Swedish krona and the Mexican peso, inter alia).

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, whenever 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 service 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 the risk 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 as to whether or not to enter into the hedge is taken on the basis of the type of customer and the country where it operates.

c) Liquidity risk

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

The CAF Group manages liquidity risk by:

- Seeking the highest possible level of self-financing with respect to each of the contracts
- Maintaining a strong short-term liquidity position
- Maintaining 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 with respect to current transactions is to resort in exceptional circumstances only 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. The objective of long-term financing transactions is to maintain a fixed interest rate structure, as far as the markets allow.

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 controlled through the use of a detailed system for reporting each of the cost items, which compares on an ongoing basis the budget for those items 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.- Risks arising from harm caused to third parties as a result of deficiencies or delays in the provision of services

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

CAF also implements a highly demanding policy under which it takes out insurance to duly protect itself from the economic consequences of any of these risks actually 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 this 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 every year. CAF also has an Employee Training Plan in this area.

OUTLOOK

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

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

EVENTS AFTER THE REPORTING PERIOD

At 31 January 2013, the Group had a firm backlog of EUR 4,894,538 thousand.

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2012 forms part of the Directors' Report and, at the date of publication of the Annual Financial Report, will be available on the CNMV's website:

<http://www.cnmv.es/Portal/consultas/EEE/InformacionGobCorp.aspx?nif=A20001020>

It will also be published on CAF's corporate web site: www.caf.net.

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND
DEPENDENT COMPANIES THAT MAKE UP THE CAF GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2012

FEBRUARY 2013

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

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

Consolidated Balance Sheets at 31 December 2012 and 2011 (Notes 1, 2 and 3) (Thousands of Euros)

Assets	31/12/12	31/12/11 (*)	Equity and Liabilities	31/12/12	31/12/11 (*)
Non-current assets:			Equity (Note 14):		
Intangible assets (Note 7)-			Shareholders' equity-		
Goodwill	15	232	Registered share capital	10.319	10.319
Other intangible assets	42.036	30.567	Share premium	11.863	11.863
	42.051	30.799	Revaluation reserve	58.452	58.452
Property, plant and equipment, net (Note 8)	300.102	288.539	Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	554.784	444.554
Investments accounted for using the equity method (Note 9)	13.167	11.558	Profit for the year attributable to the Parent	99.454	146.182
Non-current financial assets (Note 9)	760.828	420.422		734.872	671.370
Deferred tax assets (Note 18)	102.075	110.353	Valuation Adjustments-		
Total non-current assets	1.218.223	861.671	Translation differences	(28.508)	(5.106)
			Hedges	(4.449)	(1.820)
				(32.957)	(6.926)
			Equity attributable to the Parent	701.915	664.444
			Non-controlling interests	5.685	2.820
			Total equity	707.600	667.264
			Non-current liabilities:		
			Long-term provisions (Note 20)	4.678	3.662
			Non-current financial liabilities (Notes 15 and 16)-		
			Bank borrowings	480.517	242.171
			Other financial liabilities	69.222	84.159
				549.739	326.330
			Deferred tax liabilities (Note 18)	84.283	85.956
			Other non-current liabilities (Note 3-p)	22.741	8.727
			Total non-current liabilities	661.441	424.675
			Current liabilities:		
Current assets:			Short-term provisions (Note 20)	348.681	247.798
Inventories (Note 11)	250.827	365.464	Current financial liabilities (Notes 15 and 16)-		
Trade and other receivables-			Bank borrowings	108.962	5.878
Trade receivables for sales and services (Notes 10, 11 and 12)	896.025	776.715	Other financial liabilities	30.808	28.096
Other accounts receivable (Notes 7, 10 and 19)	83.491	48.841		139.770	33.974
Current tax assets (Note 19)	12.844	3.684	Trade and other payables-		
	992.360	829.240	Payable to suppliers (Note 25)	439.866	417.312
Other current financial assets (Note 13)	129.025	235.519	Other accounts payable (Notes 10, 11, 15 and 19)	369.900	584.089
Other current assets	1.742	2.691	Current tax liabilities (Note 19)	1.089	5.322
Cash and cash equivalents	76.682	86.214	Other current liabilities	512	365
Total current assets	1.450.636	1.519.128	Total current liabilities	1.299.818	1.288.860
Total assets	2.668.859	2.380.799	Total equity and liabilities	2.668.859	2.380.799

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated balance sheet at 31 December 2012.

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

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

**Consolidated Income Statements
for the years ended 31 December 2012 and 2011**

**(Notes 1, 2 and 3)
(Thousands of Euros)**

	(Debit) Credit	
	2012	2011 (*)
Continuing operations:		
Revenue (Notes 6, 9 and 10)	1.721.186	1.725.099
+/- Changes in inventories of finished goods and work in progress	(222.057)	66.356
In-house work on non-current assets	1.325	2.054
Procurements (Note 21)	(595.441)	(965.028)
Other operating income (Note 21)	5.327	6.402
Staff costs (Note 22)	(352.334)	(342.745)
Other operating expenses (Note 21)	(376.105)	(263.301)
Depreciation and amortisation charge (Notes 7 and 8)	(39.231)	(36.788)
Impairment and gains or losses on disposals of non-current assets (Notes 7, 8 and 9)	(1.282)	(27.266)
Profit from operations	141.388	164.783
Finance income (Notes 3-d, 9, 10 and 13)	24.437	9.620
Finance costs (Notes 9 and 16)	(35.273)	(26.627)
Exchange differences	(3.176)	39
Impairment and gains or losses on disposals of financial instruments (Note 9)	355	(639)
Change in fair value of financial instruments	17	(8)
Financial loss	(13.640)	(17.615)
Result of companies accounted for using the equity method (Note 9)	17	(3.301)
Profit before tax	127.765	143.867
Income tax (Note 18)	(27.711)	(14.260)
Profit for the year from continuing operations	100.054	129.607
Profit (Loss) for the year from discontinued operations (Note 2-g)	-	11.842
Consolidated profit (loss) for the year	100.054	141.449
Attributable to:		
The Parent	99.454	146.182
Non-controlling interests	600	(4.733)
Earnings per share (in euros)		
Basic	29,01	42,64
Diluted	29,01	42,64

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated income statement for the year ended 31 December 2012.

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

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

**Consolidated Statements
of Comprehensive Income for 2012 and 2011
(Notes 1 to 3)
(Thousands of Euros)**

	2012	2011 (*)
A) Consolidated profit for the year	100.054	141.449
B) Income and expense recognised directly in equity	(26.030)	(19.666)
Arising from cash flow hedges	(3.390)	(2.528)
Translation differences	(23.401)	(17.846)
Tax effect	761	708
C) Transfers to consolidated profit or loss	-	10.232
Translation differences	-	10.232
Total comprehensive income (A+B+C)	74.024	132.015
Attributable to:		
The Parent	73.423	137.111
Non-controlling interests	601	(5.096)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2012.

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

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

**Consolidated Statements of Changes in Equity
for 2012 and 2011 (Notes 1 to 3)
(Thousands of Euros)**

	Equity Attributable to the Parent								Non-controlling interests	Total equity
	Shareholders' Equity					Valuation adjustments	Translation differences			
	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Other reserves	Net profit for the year					
Balances at 31 December 2010 (*)	10.319	11.863	58.452	351.221	129.624	-	2.145	9.660	573.284	
Total recognised income/expense	-	-	-	-	146.182	(1.820)	(7.251)	(5.096)	132.015	
Transactions with shareholders or owners	-	-	-	(296)	(35.995)	-	-	(229)	(36.520)	
Dividends paid	-	-	-	-	(35.995)	-	-	(86)	(36.081)	
Transactions with non-controlling shareholders	-	-	-	(296)	-	-	-	(143)	(439)	
Other changes in equity	-	-	-	93.629	(93.629)	-	-	(1.515)	(1.515)	
Transfers between equity items	-	-	-	93.629	(93.629)	-	-	-	-	
Changes in the scope of consolidation	-	-	-	-	-	-	-	(1.515)	(1.515)	
Balances at 31 December 2011 (*)	10.319	11.863	58.452	444.554	146.182	(1.820)	(5.106)	2.820	667.264	
Total recognised income/expense	-	-	-	-	99.454	(2.629)	(23.402)	601	74.024	
Transactions with shareholders or owners	-	-	-	43	(35.995)	-	-	2.264	(33.688)	
Dividends paid	-	-	-	-	(35.995)	-	-	(137)	(36.132)	
Transactions with non-controlling shareholders	-	-	-	43	-	-	-	2.401	2.444	
Other changes in equity	-	-	-	110.187	(110.187)	-	-	-	-	
Transfers between equity items	-	-	-	110.187	(110.187)	-	-	-	-	
Balances at 31 December 2012	10.319	11.863	58.452	554.784	99.454	(4.449)	(28.508)	5.685	707.600	

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2012.

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

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

**Consolidated Statements
of Cash Flows for 2012 and 2011 (Notes 1 to 3)
(Thousands of Euros)**

	2012	2011 (*)
Cash flows from operating activities:		
Profit for the year	100.054	141.449
Adjustments for-		
Income tax	27.711	32.067
Depreciation and amortisation charge (Notes 7 and 8)	39.231	44.196
Impairment losses (Notes 7 and 9)	1.128	27.125
Changes in provisions (Notes 3-I and 20)	123.318	42.336
Gains or losses due to changes in the scope of consolidation (Note 2-g)	-	(64.462)
Other income and expenses	13.910	(167)
Gains and losses on disposals of non-current assets (Note 8)	210	770
Investments accounted for using the equity method (Note 9)	(17)	3.301
Finance income	(24.437)	(10.097)
Finance costs	35.273	59.057
Changes in working capital-		
Trade receivables and other current assets (Notes 3-d and 12)	(102.089)	(125.597)
Inventories (Note 11)	103.276	(17.462)
Trade payables	(188.077)	10.605
Other current liabilities	147	(1.222)
Other non-current assets and liabilities	13.731	(43.150)
Other cash flows from operating activities-		
Income tax recovered (paid) (Note 19)	(33.265)	(27.273)
Other amounts received/(paid) relating to operating activities	(5.132)	(3.540)
Net cash flows from operating activities (I)	104.972	67.936
Cash flows from investing activities:		
Payments due to investment-		
Group companies and associates (Note 9)	(2.265)	(13.348)
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	(56.166)	(44.766)
Other financial assets (Notes 9 and 13)	(508.435)	(312.894)
Business unit (changes in the scope of consolidation)	-	-
Proceeds from disposal-		
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	215	745
Other financial assets (Notes 9 and 13)	125.798	133.769
Interest received	11.098	10.514
Changes in the scope of consolidation - Decrease in cash due to loss of control (Note 2-g)	-	(10.571)
Net cash flows from investing activities (II)	(429.755)	(236.551)
Cash flows from financing activities:		
Issue of shares by non-controlling interests	763	-
Acquisition of non-controlling interests (Note 2-f)	(215)	(394)
Proceeds/(Payments) relating to financial liability instruments-		
Issue (Notes 15 and 16)	400.893	287.267
Repayment (Notes 15 and 16)	(13.669)	(28.439)
Dividends and returns on other equity instruments paid	(36.132)	(36.081)
Other cash flows from financing activities-		
Interest paid (Note 16)	(35.165)	(20.682)
Other amounts received/(paid) relating to financing activities	-	-
Net cash flows from financing activities (III)	316.475	201.671
Net increase in cash and cash equivalents (I+II+III)	(8.308)	33.056
Cash and cash equivalents at beginning of year	86.214	55.705
Effect on cash of foreign exchange rate changes	(1.224)	(2.547)
Cash and cash equivalents at end of year	76.682	86.214

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2012.

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

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 2012 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 financial position at 31 December 2012 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 2011 were approved by the shareholders at the Annual General Meeting of CAF on 2 June 2012. The 2012 consolidated financial statements of the Group and the 2012 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, CAF's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Adoption of new standards and interpretations issued

The CAF Group's consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with International Financial Reporting Standards, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, taking into account all the mandatory accounting principles and rules and measurement bases with a material effect thereon, as well as the alternative treatments permitted by the relevant standards in this connection.

In 2012 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

The entry into force of the amendments to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets became effective for the first time for annual reporting periods beginning on or after 1 July 2011. These amendments have significantly increased the disclosure requirements relating to transfers of financial assets where the transferor retains some form of continuing involvement in the transferred asset.

Accordingly, although the entry into force of this standard did not have any effect on the reported figures, it did give rise to an increase in the disclosures in relation to the factoring agreements with financial institutions (see Note 16). In the first year of application comparative information for the new disclosures is not required.

Furthermore, the main amendment to IAS 12, Income Taxes is the exception introduced in respect of the general principles of IAS 12 that affects deferred taxes arising from investment property measured using the fair value model in IAS 40 for the calculation of deferred taxes, where the carrying amount of these assets is deemed to be recoverable in full through their sale. This amendment did not have any effect on the Group's consolidated financial statements.

Standards and interpretations issued but not yet in force

The new standards, amendments and interpretations mandatorily applicable in years subsequent to the year beginning 1 January 2012 are as follows:

Pronouncement	Effective date - IASB	Effective date - European Union
IFRS 9, Financial Instruments	1 January 2015	Outstanding
IFRS 10, Consolidated Financial Statements	1 January 2013	1 January 2014 (*)
IFRS 11, Joint Arrangements	1 January 2013	1 January 2014 (*)
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013	1 January 2014 (*)
IAS 27, Separate Financial Statements (2011)	1 January 2013	1 January 2014 (*)
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013	1 January 2014 (*)
IFRS 13, Fair Value Measurement	1 January 2013	1 January 2013 (**)
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 January 2013 (**)
Amendment to IAS 19, Employee Benefits	1 January 2012	1 January 2013 (**)
Amendment to IAS 7, Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities	1 January 2013	1 January 2013
Amendment to IAS 32, Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities	1 January 2013	1 January 2013 (**)
Amendment to IFRS 1, First-time Adoption: Severe Hyperinflation and Removal of Fixed Dates	1 July 2011	1 January 2013 (**)

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

(**) Early application permitted.

IFRS 9, Financial Instruments: Classification and Measurement

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 13, Fair Value Measurement

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

The Group is analysing the potential impact of the new definition of fair value on the measurement of certain assets, which is not expected to give rise to significant changes in the assumptions, methods or calculations currently used.

Amendments to IAS 19, Employee Benefits

The main changes introduced by these amendments to IAS 19 will affect the accounting treatment of defined benefit plans since the “corridor” is eliminated under which companies are currently permitted to opt for deferred recognition of a given portion of actuarial gains and losses. When the amendments come into effect, all actuarial gains and losses must be recognised immediately in other comprehensive income and the total plan deficit or surplus will be recognised in the consolidated balance sheet. Also, the interest cost and the expected return on plan assets are replaced in the new version by an amount of net interest, which will be calculated by multiplying the defined benefit liability (or asset) by the discount rate. The amendments also include significant changes in the presentation of cost components in the statement of comprehensive income, which will be aggregated and presented in a different way.

The CAF Group does not have any employee benefits of this kind and, therefore, the entry into force of these amendments will not have any impact.

Amendments to IAS 32, Financial Instruments: Presentation, and to IFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities.

The amendments to IAS 32 introduce certain additional clarifications in 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 already indicates that a financial asset and a financial liability may only be offset when an entity has a legally enforceable right to set off the recognised amounts.

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

The parallel amendments to IFRS 7 introduce a specific section of new disclosure requirements for all recognised financial instruments that are set off, and also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The entry into force of these amendments should not give rise to any changes in accounting policies since the analysis performed by the Group to assess whether or not to present certain financial assets and financial liabilities as offset is in line with the clarifications introduced by the standard. The parallel amendments to IFRS 7 will foreseeably give rise to an increase in the disclosures made by the Group, which are the disclosures that are currently required for situations of this nature.

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 established in Note 2-f.

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 2012 and 2011 is as follows:

Currency	Equivalent Value in Thousands of Euros			
	31/12/12		31/12/11	
	Assets	Liabilities	Assets	Liabilities
Chilean peso	7,060	5,600	5,677	4,553
Mexican peso	49,411	34,625	51,082	27,996
Argentine peso	3,746	1,639	3,588	1,362
Brazilian real (Note 3-d)	806,327	586,724	558,220	351,593
US dollar (Note 3-d)	386,457	318,635	36,523	30,924
Pound sterling	5,297	4,293	3,163	2,429
Algerian dinar	3,726	2,834	2,848	1,892
Turkish lira	16,177	12,717	11,467	8,673
Venezuelan bolivar	1,113	681	463	328
Indian rupee	3,128	2,929	2,876	2,575
Australian dollar	392	214	203	70
Colombian peso	2,759	2,314	1,899	1,489
Saudi riyal	2,670	2,254	-	-
Total	1,288,263	975,459	678,009	433,884

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

Nature of the Balances	Equivalent Value in Thousands of Euros			
	31/12/12		31/12/11	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	180	-	267	-
Property, plant and equipment	69,604	-	74,707	-
Non-current financial assets and deferred tax assets	675,082	-	265,522	-
Inventories	80,219	-	135,543	-
Trade and other receivables	401,131	-	128,147	-
Other current financial assets	26,522	-	40,330	-
Cash and cash equivalents	35,525	-	33,493	-
Non-current liabilities	-	592,872	-	250,387
Current liabilities	-	382,587	-	183,497
Total	1,288,263	975,459	678,009	433,884

d) Use of estimates

In the consolidated financial statements of the CAF Group for 2012 estimates were occasionally made.

Although these estimates were made on the basis of the best information available at 31 December 2012 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

There have not been any changes in accounting estimates with respect to 2011 that might have had a material impact on these consolidated financial statements.

e) Comparative information

As required by IAS 1, the information relating to 2012 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2011.

The 2011 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 2012.

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 2012 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	Marketing and manufacture of railway equipment and components	Deloitte
CAF Brasil Industria e Comercio, S.A.	100%	Sao Paulo	Manufacturing and maintenance	Deloitte
CAF Argentina, S.A.	100%	Buenos Aires	Repairs and maintenance	Ernst&Young
CAF Rail UK, Ltda.	100%	Belfast	Repairs and maintenance	Deloitte
CAF Italia, S.R.L.	100%	Rome	Repairs and maintenance	Deloitte
CAF Chile, S.A.	100%	Santiago de Chile	Manufacturing and maintenance	Deloitte
CAF Francia, S.A.S.	100%	Paris	Manufacturing and maintenance	Deloitte
CAF Turquía, L.S.	100%	Istanbul	Manufacturing and maintenance	Deloitte
CAF Argelia, E.U.R.L.	100%	Algiers	Manufacturing and maintenance	Deloitte
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance	Deloitte
Houston LRV 100, LLC.	100%	Delaware	Manufacturing	-
CAF Rail Australia Pty. Ltd.	100%	Queensland	Manufacturing and maintenance	-
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance	Deloitte
CFD Bagneres, S.A.	100%	Paris	Manufacturing and maintenance	Deloitte
Trenes de Navarra, S.A.U.	100%	Navarre	Manufacturing	Deloitte
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid	Manufacturing	G. Thornton
Construcciones Ferroviarias - CAF Santana, S.A.	83.73%	Jaén	Manufacturing	Deloitte
Tradinsa Industrial, S.A.	100%	Lleida	Repairs and maintenance	Deloitte
CAF New Zealand Ltd	100%	Auckland	Manufacturing and maintenance	-
CAF Sisteme Feroviare SRL	100%	Bucharest	Manufacturing and maintenance	-
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	-
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
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.	30%	Zhejiang	Electronic and power equipment	-
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
Seinalia, S.L.	100%	Guipúzcoa	Signalling	Deloitte
CAF Signalling, S.L.U.	100%	Madrid	Signalling	Deloitte
CAF Sinyalizasyon Sistemleri Ticaret Ltd. Sirketi	90%	Istanbul	Signalling	Deloitte
Services Subgroup				
Actren, S.A. (*)	51%	Madrid	Maintenance	Deloitte
Sermanfer, S.A.	100%	Madrid	Maintenance	Audyge
Sefemex, S.A. de C.V.	100%	Mexico City	Rendering of services	Almaguer
Corporación Trainemex, S.A. de C.V.	100%	Mexico City	Administrative services	Almaguer
Inversiones en Concesiones Ferroviarias, S.A.	100%	Guipúzcoa	Business development	Deloitte
Urbanización Parque Romareda, S.A.	100%	Zaragoza	Holding company	-
Ctrens Companhia de Manutenção, S.A.	100%	Sao Paulo	Lease services	Deloitte
Provetren, S.A. de C.V.	100%	Mexico City	Lease services	Deloitte
Sermantren, S.A. de C.V.	100%	Mexico City	Rendering of services	Almaguer
Ennera Energy and Mobility, S.L.	100%	Guipúzcoa	Power generation	Bsk
Ennera Inversiones en Microgeneración, S.L.U.	100%	Guipúzcoa	Power generation	Bsk
Sempere Componentes, S.L.	100%	Guipúzcoa	Marketing	Bsk
Miralbaida Energía XV, S.L.U.	100%	Guipúzcoa	Power generation	Bsk
Garraiotech, S.L.	100%	Guipúzcoa	Logistics services	Bsk
Construction Subgroup				
Constructora de Sistemas Ferroviarios, S.L.	100%	Guipúzcoa	Equipment	Deloitte
Constructora Mexicana del Ferrocarril Suburbano, S.A. de C.V.	100%	Mexico City	Equipment	Deloitte
Companies accounted for using the equity method (Note 9) -				
Industrial Subgroup				
Compañía de Vagones del Sur, S.A.	29.3%	Jaén	Manufacturing	-
Technology Subgroup				
Asirys Vision Technologies, S.A.	22.33%	Guipúzcoa	Automated production	-
Services Subgroup				
Ferrocarriles Suburbanos, S.A. de C.V.	43.35%	Mexico City	Transport services	Deloitte
Plan Metro, S.A.	40%	Madrid	Lease services	Deloitte
Consorcio Traza, S.A. (**)	25%	Zaragoza	Holding company	Deloitte

(*) Proportionately consolidated company.

(**) The Company holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

Changes in the scope of consolidation

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

On 10 February 2012, the acquisition of 100% of Miralbaida Energía XV, S.L., amounting to EUR 3 thousand, was executed through Ennera Energy and Mobility, and the share capital was subsequently increased by EUR 1,600 thousand.

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

Also, since the non-controlling shareholder of Garraiotech, S.L. did not subscribe any shares in the capital increase at the latter, the Group now has an ownership interest of 100% in that company (80% in 2011).

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

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

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

In addition to the change explained in Note 2-g) below, in 2011 CAF New Zealand, Ltd, CAF Systeme Ferroviaire, S.R.L., CAF Colombia, S.A.S. and Ennera Inversiones en Microgeneración, S.L.U. were incorporated.

In 2011 ownership interests of 40% and 47.89% were acquired in Desarrollo Software Miramon 4, S.L. and Lets Ingenieros, S.L. (subsequently absorbed by Traintic, S.L.), for EUR 250 thousand and EUR 144 thousand, respectively, as a result of which these two companies are now wholly owned.

Also, since the non-controlling shareholder of Construcciones Ferroviarias - CAF Santana, S.A. did not subscribe any shares in the capital increase at the latter, the Group's ownership interest in that company increased to 83.73% (67% in 2010).

In addition to the assets and liabilities of Eliop Seinalia, S.L.U. acquired in 2010, the purchase agreement provided for the obligation for the seller to transfer its ownership interest (90%) in the Turkish subsidiary Eliop Otomatik Kontrol Sistemleri San Ve Tic for EUR 500 thousand. This amount was paid in 2010 although this subsidiary was effectively transferred in the first half of 2011, thereby giving rise to goodwill of EUR 217 thousand (see Note 7).

Consolidation method

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

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

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

Translation of foreign currency financial statements

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

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

g) Profit (Loss) from discontinued operations and assets classified as held for sale

Discontinued operations-

The detail of "Profit (Loss) for the Year from Discontinued Operations" in the consolidated income statement for the year ended 31 December 2011 is as follows:

	Thousands of euros
	2011
Profit (Loss) from discontinued operations	(27,228)
Gains (Losses) on disposal	39,070
Total	11,842

On 25 August 2005, the Mexican Ministry of Communications and Transportation granted Ferrocarriles Suburbanos, S.A. de C.V. a concession to operate a railway line in Mexico (see Note 7).

Due to various delays in the implementation of services and infrastructure not attributable to CAF, the income of the concession has been lower than expected since it came into operation.

Therefore, on 30 December 2011 the Parent, on the one hand, and the Mexican Ministry of Communications and Transportation ("SCT") and the Mexican National Infrastructure Fund ("the Fund") on the other, agreed on the financial restructuring of the concession for the operation of the suburban railway line between the Mexican municipalities of Cuautitlán and Buenavista ("the concession") operated by the subsidiary Ferrocarriles Suburbanos, S.A. de C.V. ("FFSS").

The most significant information on this financial restructuring was as follows:

- It was agreed that capital would be increased at FFSS through the conversion of debt (contingent debt fund -"fondo contingente para la deuda"-) into equity which was subscribed in full by the Fund. Under the agreement, the Fund acquired 49% of the company's share capital and the CAF Group's previously held 85% interest was diluted to 43%.
- The Fund granted FFSS new reimbursable aid through an increase in the contingent debt fund existing at that date to MXN 2,340 million.
- The term of the concession was extended until 2050.

As a result of these agreements, the economic results of FFSS in 2012 were accounted for using the equity method in the CAF Group's consolidated financial statements since the CAF Group does not exercise control over this investment (see Note 9). In 2011 Group calculated the fair value of the investment by estimating future cash flows using certain assumptions regarding passenger numbers and other factors, as well as certain payments expected to be made to suppliers as a result of the arbitration proceedings that ended in 2012 (see Note 25).

Accordingly, since this transaction fulfilled all the requirements in IAS 27 and IFRS 5 on the loss of control and non-current assets classified as held for sale, these operations were classified as discontinued operations in 2011. The information relating to the assets and liabilities associated with this activity, and the related results and cash flows for 2010 and 2011 until the date of loss of control is disclosed in the notes to the Group's 2011 consolidated financial statements.

h) 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 2011.

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 2012 and 2011 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).

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to each of the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. Instead, these cash-generating units are tested for impairment at least once a year using the methodology described in Note 3-c and, where appropriate, are written down.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

b) Property, plant and equipment

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

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

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

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

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

In general, for items of property, plant and equipment requiring a period of over one year to get ready for their intended use, the capitalised costs include the borrowing costs incurred until the asset becomes operational, charged by the supplier or relating to specific- or general-purpose external financing loans that are directly attributable to the acquisition or production thereof.

c) Impairment of assets

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

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

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

In 2012 and 2011 impairment losses were recognised on certain intangible assets and items of property, plant and equipment (see Notes 7 and 8) after having performed the appropriate tests.

d) Financial instruments

Trade and other receivables

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

The required adjustments are recognised for the difference between the recoverable amount of accounts receivable and their carrying amount determined as indicated in the preceding paragraph. At 31 December 2012 and 2011, there were certain long-term accounts receivable not earning explicit interest, basically from public authorities (see Note 9). In this regard, at 2011 year-end, the Group recognised an amount of EUR 15,387 thousand with a charge to "Finance Costs" for the effect of the interest cost of the long-term accounts receivable not earning explicit interest. In 2012 the Group collected a portion of the accounts receivable that it considered long-term because certain customers had raised the necessary funds, through specific actions, to meet their obligations. Accordingly, the Group reversed an amount of EUR 12,361 thousand, with a credit to "Finance Income" in the accompanying consolidated income statement (see Note 9).

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. In 2012 and 2011, in addition to the effect of discounting described in Note 9, net write-downs of approximately EUR 195 thousand and EUR 451 thousand, respectively, were recognised for the accounts receivable (see Note 12).

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. No balances had been factored at 31 December 2012 or 31 December 2011.

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.

At 31 December 2012 and 2011, the Group did not have any assets in this category.

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

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

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

Cash and cash equivalents

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

Trade and other payables

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

Bank borrowings and other financial liabilities

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

Derivative financial instruments

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

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

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

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

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

- In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under "Financial Profit (Loss)" in the accompanying consolidated income statement. The Group recognises as fair value hedges the hedges arranged for construction work when the necessary conditions are met for hedges of this nature (existence of a firm commitment).
- In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under "Valuation Adjustments". This method is used by the Group to hedge work in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction. To the extent that a highly probable transaction gives rise to a firm commitment, the amounts previously recognised in equity are reclassified to the consolidated income statement.
- In hedges of net investments in foreign operations, the gains or losses attributable to the portion of the hedging instrument qualifying as an effective hedge are recognised temporarily in equity under "Translation Differences". This type of hedging was used for the equity of CAF USA, Inc., Provetren S.A. de C.V. and CAF Brasil Industria e Comercio, S.A.

e) Inventory measurement bases

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

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

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

f) Recognition of contract revenue and profit

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

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

- With a percentage of completion of between 0% and 10%, no profit or revenue is recognised.
- From 10% onwards, a percentage of profit and revenue equal to the percentage of completion is recognised.

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

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

g) Customer advances and completed contract work

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

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

In the accompanying consolidated balance sheet debts due to be settled within twelve months are classified as current items and those due to be settled within more than twelve months as non-current items.

j) Government grants

The Group companies recognise government grants received as follows:

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

k) Post-employment benefits

The consolidated companies' legal and contractual obligations to certain of their employees in relation to retirement and death are met through premiums under defined contribution and defined benefit plans to external funds deposited or in the process of being externalised at independent insurance companies (see Note 24). The contributions made in 2012 and 2011 for various groups of employees amounted to EUR 3,874 thousand and EUR 4,938 thousand, respectively, and were recognised under "Staff Costs – Other Expenses" in the accompanying consolidated income statements. The Group did not have any amounts payable or any actuarial deficits in this connection at 31 December 2012 or 2011. In accordance with the applicable collective agreement, the Parent contributes an additional 1.75% of the annual base salary of all its employees to a pension plan (EPSV) (see Note 22).

Also, the Parent's directors, based on the conclusions of a study conducted by their legal advisers, considered in 2006 that a historical right of certain of its employees had vested. In accordance with the accrual basis of accounting, the Group recognised a provision of EUR 34 thousand (31 December 2011: EUR 989 thousand), calculated by an independent valuer, under "Trade and Other Payables-Other Accounts Payable" in the consolidated balance sheet at 31 December 2012. This amount is the difference between the present value of the defined benefit obligations and the fair value of the assets qualifying as plan assets. The future modifications to the obligations assumed will be recognised in profit or loss for the related year. In 2012 and 2011 the Group paid EUR 762 thousand and EUR 360 thousand, respectively, and reversed provisions amounting to EUR 193 thousand and recognised provisions amounting to EUR 418 thousand, respectively, with a charge to "Staff Costs - Wages and Salaries" in the accompanying consolidated income statement (see Notes 15, 18 and 22).

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

Lastly, certain subsidiaries have defined contribution obligations to their employees pursuant to the legislation in the countries in which they are located, and the related provisions at 31 December 2012 were recognised under "Long-Term Provisions" and "Short-Term Provisions" for EUR 1,047 thousand and EUR 233 thousand, respectively (31 December 2011: EUR 427 thousand and EUR 533 thousand, respectively) (see Note 20).

l) Early retirements and termination benefits

At 31 December 2012, "Non-Current Financial Liabilities - Other Financial Liabilities" and "Trade and Other Payables - Other Accounts Payable" in the accompanying consolidated balance sheet included EUR 5,556 thousand and EUR 3,347 thousand, respectively, (2011: EUR 7,029 thousand and EUR 3,535 thousand) relating to the present value estimated by the Parent's directors of the future payments to be made to employees with whom hand-over contracts had been entered into at 31 December 2012. This provision was recognised with a charge of EUR 2,354 thousand (2011: EUR 3,423 thousand) to "Staff Costs - Wages and Salaries" in the consolidated income statement for 2011 (see Notes 18 and 22).

m) Income tax

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

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

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

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

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

n) Leases

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

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

At 31 December 2012, the Group had various outstanding operating leases for which it had recognised EUR 6,423 thousand in 2012 (2011: EUR 5,948 thousand) with a charge to "Other Operating Expenses" in the accompanying consolidated income statement. The Company expects to continue to lease these assets (principally computer hardware and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2012 amounted to EUR 16,955 thousand over the next few years, of which EUR 4,792 thousand are due in 2013.

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

n) Provisions and contingencies

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

- a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations.
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

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

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

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

o) Environmental matters

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

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

Also, Royal Decree 1370/2006 regulating the Spanish National CO₂ Emission Allowances Plan for 2008-2012 was approved in 2006 and subsequently amended by Royal Decree 1030/2007. In accordance with this legislation, the Group must hold CO₂ emission allowances allocated to it on or after 1 January 2008. Under the Royal Decree, the allocation at zero cost of individual emission allowances for each facility for 2008-2012 was approved. The Group was allocated allowances for the emission of 154,365 tonnes of CO₂ in that period. If the emissions exceed the volume of allowances allocated, emission allowances will have to be acquired in the market.

Furthermore, in accordance with Commission Regulation (EU) No 601/2012 of 21 June 2012, on the monitoring and reporting of greenhouse gas emissions, the Parent made the related request and submitted the 2013-2020 monitoring plan, which has yet to be approved.

From 2005 onwards European companies that emit CO₂ in the course of their business activity must deliver in the first few months of the following year CO₂ emission allowances equal to the emissions made during the year.

In 2012 the Group emitted 15,570 tonnes of CO₂ (2011: 17,087 tonnes), whereas it had been allocated allowances for the emission of 30,927 tonnes for 2011 (2010: 30,927 tonnes). As a result, the Group did not recognise any liability at year-end. In 2012 emission allowances were sold in the amount of EUR 81 thousand, which was recognised under "Other Operating Income" in the accompanying consolidated income statement.

p) Revenue and expense recognition

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

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

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

"Other Non-current Liabilities" in the accompanying consolidated balance sheets at 31 December 2012 and 2011 includes the amount relating to the income received early which is earmarked for meeting the estimated costs of major repairs to be made under maintenance contracts.

q) Consolidated statements of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents.
- Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings 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 2012 and 2011, the basic earnings per share and the diluted earnings per share coincided since there were no dilutive potential shares outstanding in those years.

s) Discontinued operations

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

In 2011 the concession for the Buenavista-Cuautitlán railway line in Mexico City was classified as a discontinued operation (see Notes 2-g and 6).

t) Related party transactions

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

u) Administrative concessions

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

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

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

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

4. Distribution of the profit of the Parent

The distribution of the Parent's profit for 2012 proposed by its directors is as follows:

Distribution	Thousands of euros
To voluntary reserves	4,503
Dividends	35,995
Total	40,498

5. Financial and other risk management policy

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

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

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

a) Market risk

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

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 2012 and 2011, 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 by:

- Seeking the highest possible level of self-financing with respect to each of the contracts
- Maintaining a strong short-term liquidity position
- Maintaining 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 with respect to current transactions is to resort in exceptional circumstances only 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, the financial liabilities at 31 December 2012 related substantially in full to the concessions obtained in Brazil and Mexico (see Notes 9 and 16). The debt relating to the train lease company in Brazil is a structured project finance loan without recourse to the other Group companies which is tied to the TJLP (a reference rate published by the Central Bank of Brazil). For the debt relating to the train lease company in Mexico, the Group entered into an interest rate swap in order to convert the loan's floating interest rate into a fixed rate, for 80% of the amount drawn down on the loan, affecting in turn 80% of its term.

Taking into consideration the balance at 31 December 2012 and 2011, if the average interest rate of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, considering the hedging policies described above, the finance costs arising from the financial debt would have risen/decreased by approximately EUR 4,276 thousand and EUR 500 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 an internal process created for this purpose in which all the departments involved in the projects participate.

f) Risks arising from harm caused to third parties as a result of deficiencies or delays in the provision of services

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 business" and the "Components and Spare parts" operating activities.
- Information based on the Group's geographical location is also included.

b) Basis and methodology for segment reporting

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

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

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

- Rolling Stock business
- Components and Spare parts

In 2011 the concession business was discontinued (see Note 2-g).

Segment information on the businesses is as follows:

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

Segmentation by business unit	2011 (Thousands of euros)					
	Rolling Stock business	Components and Spare parts	Concession Business	General	Inter-Segment	Total
REVENUE:						
External sales	1,657,372	67,727	-	-	-	1,725,099
Inter-segment sales	-	36,740	-	-	(36,740)	-
Total sales	1,657,372	104,467	-	-	(36,740)	1,725,099
PROFIT OR LOSS:						
Profit (Loss) from operations	171,253	7,434	-	(13,904)	-	164,783
Financial profit (loss) (*)	(24,817)	-	-	7,202	-	(17,615)
Share of net results of associates	(3,301)	-	-	-	-	(3,301)
Profit (Loss) before tax	143,135	7,434	-	(6,702)	-	143,867
Income tax (*)	-	-	-	(14,260)	-	(14,260)
Profit (Loss) for the year from continuing operations	143,135	7,434	-	(20,962)	-	129,607
Profit (Loss) from discontinued operations	-	-	11,842	-	-	11,842
Profit (Loss) attributable to non-controlling interests	287	-	4,446	-	-	4,733
Profit (Loss) attributable to the Parent	143,422	7,434	16,288	(20,962)	-	146,182
Depreciation and amortisation charge (Notes 2-g, 7 and 8)	27,464	8,951	-	373	-	36,788
ASSETS	1,718,441	102,530	-	559,828	-	2,380,799
LIABILITIES	1,466,740	18,190	-	228,605	-	1,713,535
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	40,042	2,772	-	-	-	42,814
OTHER ITEMS NOT AFFECTING CASH FLOWS:						
Asset impairment – Income (Expense) (Notes 7, 8 and 9)	(17,600)	-	-	(9,666)	-	(27,266)

(*) 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 Rolling Stock business segment in 2012 includes sales of goods amounting to EUR 1,372,814 thousand (2011: EUR 1,465,952 thousand).

The information based on geographical location is as follows:

- a) The breakdown of sales by geographical area at 31 December 2012 and 2011 is as follows (thousands of euros):

Geographical area	2012	%	2011	%
Spain	305,332	17.74%	435,293	25.23%
Abroad	1,415,854	82.26%	1,289,806	74.77%
Total	1,721,186	100.00%	1,725,099	100.00%

- b) The distribution of net investments in property, plant and equipment by geographical area at 31 December 2012 and 2011 is as follows (in thousands of euros):

Geographical area	2012	2011
Spain	226,411	210,121
Abroad	73,691	78,418
Total	300,102	288,539

7. Other intangible assets

The changes in the years ended 31 December 2012 and 2011 in "Other Intangible Assets" and in the related accumulated amortisation were as follows:

	Thousands of euros				
	Administrative concessions	Development expenditure	Computer software and other	Goodwill	Total
Cost at 31/12/10					
Cost	194,039	58,555	13,510	596	266,700
Accumulated amortisation	(21,319)	(22,794)	(10,126)	-	(54,239)
Net balance	172,720	35,761	3,384	596	212,461
Cost-					
Translation differences	(25,769)	2	(30)	-	(25,797)
Changes in the scope of consolidation	(168,270)	-	-	217	(168,053)
Additions or charge for the year	-	11,058	1,195	-	12,253
Transfers	-	676	(630)	-	46
Transfers to inventories	-	(4,767)	-	-	(4,767)
Disposals or reductions	-	-	(78)	(581)	(659)
Cost at 31/12/11	-	65,524	13,967	232	79,723
Translation differences	-	(1)	(37)	-	(38)
Additions or charge for the year	-	21,610	984	-	22,594
Transfers	-	348	(353)	-	(5)
Transfers to inventories (Note 11)	-	(2,979)	-	-	(2,979)
Disposals or reductions	-	(10,455)	(21)	(217)	(10,693)
Cost at 31/12/12	-	74,047	14,540	15	88,602
Accumulated amortisation-					
Translation differences	3,528	(2)	4	-	3,530
Changes in the scope of consolidation	25,263	-	(4)	-	25,259
Additions or charge for the year	(7,472)	(6,541)	(758)	-	(14,771)
Transfers	-	25	1	-	26
Transfers to inventories	-	165	-	-	165
Disposals or reductions	-	-	71	-	71
Accumulated amortisation at 31/12/11	-	(29,147)	(10,812)	-	(39,959)
Translation differences	-	1	14	-	15
Additions or charge for the year	-	(7,203)	(909)	-	(8,112)
Disposals or reductions	-	1,770	16	-	1,786
Accumulated amortisation at 31/12/12	-	(34,579)	(11,691)	-	(46,270)
Impairment-					
Impairment at 31/12/10	-	-	-	-	-
Recognised in 2011	-	(8,965)	-	-	(8,965)
Impairment at 31/12/11	-	(8,965)	-	-	(8,965)
Amounts used for their intended purpose	-	8,684	-	-	8,684
Impairment at 31/12/12	-	(281)	-	-	(281)
Net balance at 31/12/11	-	27,412	3,155	232	30,799
Net balance at 31/12/12	-	39,187	2,849	15	42,051

The amount recognised under “Administrative Concessions” at 31 December 2010 relates to the gross cost incurred and the related accumulated depreciation and amortisation of the assets required to operate the concession in Mexico, totalling EUR 278,688 thousand and EUR 21,319 thousand, respectively, net of the grants received, which amounted to EUR 84,649 thousand. On 30 December 2011, an agreement was reached for the financial restructuring of the concession, which led to the loss of control thereover (see Note 2-g).

The additions in 2012 and 2011 recognised under “Development Expenditure” relate to the costs incurred in projects for new products, including most notably the new high speed train and a new suburban train platform for European customers, together with certain licences amounting to EUR 1.7 million.

In 2011 an impairment loss of EUR 8,965 thousand was recognised with a charge to “Impairment and Gains or Losses on Disposals of Non-Current Assets” in relation to the various development projects that, per estimates made by the directors, do not meet the requirements to be assured of their expected future economic and financial profitability. In 2012 no impairment losses were recognised and the Group derecognised development expenditure for which provisions had been recognised in the previous year for a cost of EUR 10,455 thousand, accumulated amortisation of EUR 1,770 thousand and a provision of EUR 8,684 thousand. As a result, these projects did not generate any additional losses.

As discussed in Note 3-a, in 2012 the Group transferred approximately EUR 2,979 thousand of capitalised development expenditure for projects to various contracts it had won that incorporated the technology developed (2011: EUR 4,602 thousand).

The detail, by company, of the goodwill is as follows (in thousands of euros):

	Thousands of euros	
	31/12/12	31/12/11
CAF Sinyalizasyon Sistemleri Ticaret Ltd. Sirketi (Nota 2-f)	-	217
Other	15	15
Total	15	232

Based on the estimates and projections available to the Group's directors and the forecast cash attributable to the cash-generating units to which the goodwill was allocated, an impairment loss of EUR 217 thousand was recognised on these assets with a charge to “Impairment and Gains or Losses on Disposals of Non-Current Assets” in the accompanying consolidated income statement (an impairment loss of EUR 581 thousand was recognised in this connection in 2011).

8. Property, plant and equipment

The changes in the years ended 31 December 2012 and 2011 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 31/12/10						
Cost	240,628	238,699	19,639	29,740	4,878	533,584
Accumulated depreciation	(68,319)	(137,303)	(9,284)	(17,711)	-	(232,617)
Net balance	172,309	101,396	10,355	12,029	4,878	300,967
Cost-						
Changes in the scope of consolidation	7	-	17	8	-	32
Additions	5,651	12,519	620	571	11,200	30,561
Transfers	100	11,310	555	(3,168)	(8,791)	6
Disposals or reductions	(480)	(3,605)	(1,027)	(599)	(3)	(5,714)
Translation differences	(3,431)	(1,500)	(237)	(246)	114	(5,300)
Transfers to inventories	-	(37)	(13)	(292)	-	(342)
Balance at 31/12/11	242,475	257,386	19,554	26,014	7,398	552,827
Additions	9,022	17,506	1,974	1,102	6,498	36,102
Transfers	2,786	6,592	(103)	3	(9,266)	12
Disposals or reductions	(421)	(2,176)	(172)	(1,979)	(3)	(4,751)
Translation differences	(3,405)	(2,881)	(211)	(70)	(142)	(6,709)
Other transfers (Note 20)	-	-	-	11,444	-	11,444
Balance at 31/12/12	250,457	276,427	21,042	36,514	4,485	588,925
Accumulated depreciation-						
Changes in the scope of consolidation	-	-	-	(19)	-	(19)
Additions or charge for the year	(5,935)	(19,463)	(1,355)	(2,672)	-	(29,425)
Transfers	(127)	(211)	(76)	363	-	(51)
Disposals or reductions	480	3,529	314	293	-	4,616
Translation differences	168	224	48	48	-	488
Transfers to inventories	-	1	2	-	-	3
Accumulated depreciation at 31/12/11	(73,733)	(153,223)	(10,351)	(19,698)	-	(257,005)
Additions or charge for the year	(6,398)	(21,667)	(1,342)	(2,189)	-	(31,596)
Transfers	(136)	4	3	(8)	-	(137)
Disposals or reductions	317	2,100	80	1,959	-	4,456
Translation differences	395	649	80	46	-	1,170
Accumulated depreciation at 31/12/12	(79,555)	(172,137)	(11,530)	(19,890)	-	(283,112)
Impairment-						
Impairment at 31/12/2010	-	-	-	-	-	-
Recognised in 2011	(7,283)	-	-	-	-	(7,283)
Impairment at 31/12/11	(7,283)	-	-	-	-	(7,283)
Recognised in 2012	1,572	-	-	-	-	1,572
Impairment at 31/12/12	(5,711)	-	-	-	-	(5,711)
Net balance at 31/12/11	161,459	104,163	9,203	6,316	7,398	288,539
Net balance at 31/12/12	165,191	104,290	9,512	16,624	4,485	300,102

In 2012 and 2011 the Group made investments in order to increase and enhance its production capacity. These investments were aimed mainly at the acquisition and maintenance of the structure of the industrial plants, the acquisition of machinery, various prepayments for the US plant and an advance payment for the acquisition of a right of use of land located in India (see Note 21-c).

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

At 31 December 2012 and 2011, the Group had firm capital expenditure commitments amounting to approximately EUR 17,238 thousand and EUR 10,074 thousand, respectively, mainly in Spain and India.

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2012 and 2011, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2012 and 2011, the gross cost of fully depreciated assets in use amounted to approximately EUR 153,581 thousand and EUR 147,758 thousand, respectively.

The losses incurred on property, plant and equipment disposals in 2012 amounted to approximately EUR 171 thousand and were recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement (the related loss in 2011 amounted to EUR 770 thousand).

As a result of the impairment test conducted by the Group of a facility in Spain in view of the low volume of activity projected for the coming years, in 2011 an impairment loss on property, plant and equipment of EUR 7,283 thousand was recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement for 2011. The impairment loss was calculated on the basis of a study of selling prices for land, buildings and certain items of machinery performed by an independent valuer, and the related costs to sell were deducted from those selling prices. In 2012 an amount of EUR 1,572 thousand was reversed under "Impairment and Gains or Losses on Disposals of Non-Current Assets" and a depreciation charge of the same amount was recognised.

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 2012, the net amount of the grants received not yet allocated to profit or loss totalled EUR 5,428 thousand (31 December 2011: EUR 6,927 thousand). EUR 1,494 thousand were allocated to income in this connection in 2012 (2011: EUR 2,994 thousand), and this amount was recognised under "Depreciation and Amortisation Charge" in the accompanying consolidated income statement.

The directors consider that there were no indications of impairment of the Group's assets at 31 December 2012 or 2011 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 2012 and 2011 in "Investments Accounted for Using the Equity Method" and "Non-Current Financial Assets" were as follows:

	Thousands of euros								
	Investments in associates	Equity instruments		Other financial assets		Derivative financial instruments (Note 17)	Loans and receivables		Total
		Cost	Cost	Allowance	Cost	Allowance	Market value	Cost	
Balance at 31/12/10	16,979	22,663	-	1,046	-	2,025	57,962	(26,978)	73,697
Changes in the scope of consolidation (Note 2-f)	2,055	-	-	41	-	-	-	-	2,096
Translation differences	-	-	-	(22)	-	(23)	(7,793)	1,265	(6,573)
Additions or charge for the year	(3,766)	467	(440)	826	-	21,862	367,158	(13,820)	372,287
Disposals or reductions	-	(11)	-	(96)	-	-	(702)	-	(809)
Transfers and write-offs	-	-	-	-	-	(2,025)	(8,559)	5,576	(5,008)
Hedges (Note 17)	(3,710)	-	-	-	-	-	-	-	(3,710)
Balance at 31/12/11	11,558	23,119	(440)	1,795	-	21,839	408,066	(33,957)	431,980
Changes in the scope of consolidation (Note 2-f)	2,265	-	-	-	-	-	-	-	2,265
Translation differences	-	-	-	(820)	-	(28)	(50,731)	2,270	(49,309)
Additions or charge for the year	17	198	(763)	23,641	-	-	512,234	2,999	538,326
Disposals or reductions	-	(199)	-	(266)	-	-	(38,244)	-	(38,709)
Transfers and write-offs	-	-	-	(555)	-	(17,314)	(97,846)	5,830	(109,885)
Hedges (Note 17)	(673)	-	-	-	-	-	-	-	(673)
Balance at 31/12/12	13,167	23,118	(1,203)	23,795	-	4,497	733,479	(22,858)	773,995

A detail of the Group's non-current financial assets at 31 December 2012 and 31 December 2011, by nature and category, for valuation purposes, is as follows:

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

Financial Assets: Nature / Category	Thousands of euros				
	31/12/11				
	Available- for-Sale financial assets	Loans and receivables	Held-to- maturity investments	Hedging derivatives	Total
Equity instruments	22,679	-	-	-	22,679
Hedging derivatives (Note 17)	-	-	-	21,839	21,839
Other financial assets	151	374,109	1,644	-	375,904
Long-term / non-current	22,830	374,109	1,644	21,839	420,422

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

2012

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

2011

	2013	2014	2015	2016 and subsequent years	Total
Loans and receivables	72,074	119,145	48,010	134,880	374,109
Held-to-maturity investments	830	113	33	668	1,644
Hedging derivatives	10,404	5,083	5,815	537	21,839
Total	83,308	124,341	53,858	136,085	397,592

a) Investments in associates

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

Name	Location	Line of business	Ownership interest		Investments in associates	Basic financial data (1)			Revenue	Assets
			Direct	Indirect		Share capital	Reserves, share premium and accumulated profits (Losses) (Note 17)	2012 profit (Loss)		
Compañía de Vagones del Sur, S.A. (8)	Jaén (Spain)	Manufacturing	-	35% (2)	-	-	-	-	-	-
Asirys Vision Technologies, S.A. (8)	Guipúzcoa (Spain)	Automated production	-	22.33% (3)	41	154	5	-	-	166
Plan Metro, S.A. (7) (9)	Madrid (Spain)	Lease services	-	40% (4)	-	60	20,261	(16,431)	25,589	457,732
Consortio Traza, S.A. (7)	Zaragoza (Spain)	Holding company	25% (5)	-	12,943	555	51,158	61	14,314	319,809
Ferrocarriles Suburbanos, S.A. de C.V. (7)	Mexico City	Transport services	28.05%	15.30% (4)	-	206,052	(97,927)	(24,096)	32,150	314,454
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd (8)	Zhejiang (China)	Electronic and power equipment	-	30% (6)	183	695	1	(88)	-	689
					13,167					

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

	Thousands of euros	
	2012	2011
Beginning balance	11,558	16,979
Company profit (loss)	17	(3,301)
Adjustment to margins	-	(465)
Gains and losses on hedges (Note 17)	(673)	(3,710)
Changes in the scope of consolidation (Note 2-f)	2,265	2,055
Ending balance	13,167	11,558

In 2012 and 2011 various capital increases were carried out at Consortio Traza, S.A. and subscribed by the Group, which paid EUR 2,056 thousand and EUR 2,055 thousand, respectively, thereby maintaining its percentage of ownership interest. The Group also incorporated Zhejiang Sunking Trainelec Traintic Electric Co, Ltd with a payment of EUR 209 thousand. No contingencies were assumed as a consequence of these associates. The balances and transactions with these companies are detailed in Note 10.

b) Non-current investment securities

Name	% of ownership	Cost of the investment (Thousands of euros)	
		2012	2011
Alquiler de Trenes, A.I.E.	5	1,202	1,202
Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A.	10.31	13,220	13,220
Ferromovil 3000, S.L.	10	3,181	3,181
Alquiler de Metros, A.I.E.	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	744	1,372
FIK Advanlife, S.L.	10.29	1	1
Albali Señalización, S.A.	3	165	298
Other		47	50
Total		21,915	22,679

At 31 December 2012 and 2011, these assets had been pledged to secure a financing agreement entered into by Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A. and a bank on 16 February 2004.

The Group holds ownership interests in the share capital of Iniciativa FIK, A.I.E. and FIK Advanlife S.L. whose company object is the research, development and use of scientific and technological knowledge. The par value of the 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%. The Group has outstanding payments for these shares amounting to EUR 1,178 thousand (31 December 2011: EUR 1,313 thousand), payable in six-monthly payments of EUR 190 thousand each. In 2012 the Group wrote down its investment in Iniciativa FIK, AIE on the basis of its estimate of the recoverable amount of the investment, after taking into account the outstanding payments.

All the investments were measured at cost since their market value could not be determined reliably (see Note 3-d).

c) Other financial assets

At 31 December 2012, the Group had recognised EUR 21,128 thousand under "Non-Current Financial Assets" in relation to guarantees connected with the increase in the financial debt of the subsidiary Ctrens Companhia Manutenção (see Note 16). This guarantee, which earns 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 "Loans and Receivables" is as follows (thousands of euros):

	31/12/12	31/12/11
Loans to employees	4,752	4,236
Share ownership scheme obligations	7,293	17,664
Provisions for share ownership scheme	-	(6,967)
Non-current tax receivables and payables (Note 19)	60,657	57,842
Provisions for tax payables (Note 19)	(19,884)	(19,728)
Non-current trade receivables	643,325	312,111
Allowance for non-current trade receivables	(2,974)	(7,262)
Loans to associates (Note 10)	16,067	15,104
Loans to third parties	1,385	1,109
Total	710,621	374,109

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 Company does not discount these amounts since it considers that the effect of discounting this amount is scantily material.

Share ownership scheme

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

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

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

Since the Parent purchased the aforementioned rights at a higher price than the sum of the price at which it sold them to its employees and the contributions made to the scheme by Cartera Social, S.A., the Parent incurred losses of EUR 49,587 thousand on the purchases of the aforementioned rights, which were recognised in full in previous years, including the applicable adjustments.

The majority of the rights not yet sold to employees at 31 December 2012 relate to the last phase in 2007. All of the schemes were set up under similar terms and conditions.

As a result of the foregoing, at 31 December 2012, the Parent had recognised a gross amount of EUR 7,293 thousand (2011: EUR 17,664 thousand) in relation to these rights under "Non-Current Financial Assets – Loans and Receivables" in the accompanying consolidated balance sheet at 31 December 2012.

In order to reduce the cost of the rights acquired to their net recoverable amount, at 31 December 2012, the Group recognised an impairment loss of EUR 7,481 thousand relating to the impairment of current financial assets (EUR 16,374 thousand at 31 December 2011, of which EUR 6,967 thousand related to impairment of non-current financial assets). At 31 December 2012, the portion of this asset expected to be sold within one year and the related impairment loss were recognised under "Other Current Financial Assets" in the consolidated balance sheet at that date (see Note 13). In 2012 rights with a cost and impairment loss amounting to approximately EUR 13,014 thousand and EUR 7,757 thousand, respectively, were sold (2011: EUR 18,643 thousand and EUR 9,691 thousand, respectively).

In 2012 the Group reversed EUR 1,137 thousand of the impairment loss with a credit to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated income statement (2011: EUR 3,108 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 2012 and 2011, Cartera Social, S.A. owned 1,013,897 CAF, S.A. shares, equal to 29.56% of its share capital (see Note 14).

Non-current tax receivables

At 31 December 2012, the Group recognised EUR 60,657 thousand under "Non-Current Financial Assets – Loans and Receivables" in connection with the VAT refundable by foreign tax authorities (31 December 2011: EUR 57,842 thousand). In 2012 a provision of EUR 2,426 thousand was recognised (2011: EUR 9,666 thousand) with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement based on the estimates made regarding the recovery of this tax.

Non-current trade receivables

Non-current trade receivables include EUR 43,360 thousand relating to accounts receivable from non-Group third parties with financial difficulties that are not expected to be collected at short term (2011: EUR 46,331 thousand), relating basically to public authorities, as a result of which the related amounts were reclassified to long term. The Group considers that these amounts will be collected at more than one year and recognised an allowance of EUR 2,974 thousand at long term, together with another of EUR 52 thousand at short term under "Trade and Other Receivables - Trade Receivables for Sales and Services" in the accompanying consolidated balance sheet (2011: EUR 7,262 thousand at long term and EUR 8,125 thousand at short term). At each year-end, the difference between the amounts of the allowances was recognised under "Finance Income" in the accompanying consolidated income statement.

The transaction (see Note 3-n) also implicitly includes an account receivable amounting to EUR 9,613 thousand (EUR 808 thousand at short term) relating to a finance lease of moving stock for a total amount payable of EUR 10,570 thousand, under which the Group will receive constant monthly lease payments over a period of 120 months. In 2012 EUR 378 thousand were received and an amount of EUR 230 thousand, from the interest rate implicit in the transaction, was credited to "Finance Income" in the accompanying consolidated income statement (see Note 3-n).

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

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

- The payments are guaranteed by CPTM. The concession operator must meet certain minimum capital requirements, in both absolute terms and in terms of a percentage of assets.
- The concession operator must secure with a bank guarantee of BRL 100,713 thousand (approximately EUR 42 million) the proper performance of its obligations to CPTM.

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

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

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

- The consideration payable by STC is secondarily guaranteed by a system of trusts with funds from the "Remanentes de las Participaciones Federales" (Federal Participation Surpluses).
- The concession operator must secure the correct performance of its obligations to STC with a bank guarantee of 10% of the payments expected to be received by it in the current year.
- 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, Concession Arrangements, since the related requirements are met, and, pursuant to IFRIC 12, the various services provided (construction, operation/maintenance and financing) were separated. Therefore, at 31 December 2012, the Group recognised EUR 590,352 thousand under "Non-Current Financial Assets - Loans and Receivables" (31 December 2011: EUR 265,780 thousand) relating to the construction phase recognised by reference to the stage of completion (see Notes 3-f and 11). The investment made in 2012 was EUR 399,579 thousand (2011: EUR 356,567 thousand).

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

10. Balances and transactions with related parties

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

Company	Thousands of euros					
	2012			2011		
	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.	85,547	-	890	72,546	-	329
Consorcio Traza, S.A. (*)	21,874	-	-	20,275	-	-
Compañía de Vagones del Sur, S.A.	-	-	-	8	-	89
Ferrocarriles Suburbanos, S.A. de C.V.	11,200	8	-	10,759	-	-
	118,621	8	890	103,588	-	418

(*) Including transactions with the public-private partnership 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 2012, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2012 and 2011 were as follows (see Note 2-f):

	Thousands of euros							
	31/12/12				31/12/11			
	Accounts receivable	Accounts payable	Net advances based on stage of completion	Long-term loans (Note 9-e)	Accounts receivable	Accounts payable	Net advances based on stage of completion	Long-term loans (Note 9-e)
Plan Metro, S.A. (Note 9-e)	4,378	-	(8,417)	16,067	7,930	-	50,938	15,104
Public-private partnership Los Tranvías de Zaragoza, S.A.	9,846	-	(1,982)	-	3,509	-	(2,918)	-
Compañía de Vagones del Sur, S.A.	-	-	-	-	-	-	-	-
Ferrocarriles Suburbanos, S.A. de C.V.	8,042	7	-	-	16,660	112	-	-
	22,266	7	(10,399)	16,067	28,099	112	48,020	15,104

In 2011 the subsidiary Inversiones en Concesiones Ferroviarias, S.A. granted Plan Metro, S.A. a loan of EUR 15,104 thousand to enable the latter to meet certain financial obligations. These amounts earn minimum interest that makes the net present value of the loan amounts equal to certain future projected cash flows of Plan Metro, S.A.

Due to certain delays in payment by the customer, this associate is negotiating with the banks in order to adapt the financial model to the new circumstances, and it is considered that the resulting scenario will enable the amounts advanced by the CAF Group to be recovered.

"Trade and Other Receivables - Other Accounts Receivable" in the consolidated balance sheet at 31 December 2012 includes an account receivable from Cartera Social, S.A. amounting to EUR 21,776 thousand (31 December 2011: EUR 14,004 thousand) (see Notes 9 and 14-a). This loan earns interest at a market rate under the loan agreement entered into by the two parties and, accordingly, EUR 681 thousand were recognised with a credit to "Finance Income" in the accompanying consolidated income statement.

11. Inventories and construction contracts

The detail of inventories at 31 December 2012 and 2011 is as follows:

	Thousands of euros	
	31/12/12	31/12/11
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 21)	233,057	345,347
Advances to suppliers	17,770	20,117
	250,827	365,464

At 31 December 2012, the Group had firm raw materials purchase commitments amounting to approximately EUR 559,898 thousand (see Note 26) (31 December 2011: EUR 357,639 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2012 and 2011, the insurance policies taken out covered the carrying amount of the inventories at those dates.

As described in Note 3-a, 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 2012 was EUR 880 thousand (2011: EUR 1,040 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 2012 and 2011 is as follows:

	Thousands of euros	
	31/12/12	31/12/11
Deferred billings (Note 9)	590,352	265,780
Deferred billings (asset) (Notes 3-g and 12)	469,093	380,331
Prebillings (liability) (Note 3-g)	(259,616)	(505,826)
Net	799,829	140,285
Costs incurred plus profits and losses recognised based on stage of completion	2,723,181	2,057,093
Billings made excluding advances	(1,663,736)	(1,410,982)
Advances received	(259,616)	(505,826)
Net	799,829	140,285

12. Trade and other receivables

The detail of "Trade and Other Receivables" at 31 December 2012 and 2011 is as follows:

	Thousands of euros	
	31/12/12	31/12/11
Trade receivables - in euros	476,450	568,101
Trade receivables - in foreign currency (Note 3-h)	421,357	210,201
Write-downs (Note 3-d)	(1,782)	(1,587)
	896,025	776,715

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 47% in 2012 (2011: 51%), has been billed to customers. The remainder relates to "Amounts to Be Billed for Work Performed" (see Note 11). The main balances are in euros.

At 31 December 2012, 51% of the billed balances receivable related to the top five customers (31 December 2011: 37%). "Trade Receivables" includes retentions at 31 December 2012 amounting to EUR 10,485 thousand (31 December 2011: EUR 6,905 thousand).

The detail of balances past due at 31 December 2012 and 2011 is as follows:

	Thousands of euros	
	31/12/12	31/12/11
Past due > 90 days	20,637	26,946
Past due > 180 days (*)	62,250	51,648
	82,887	78,594

(*) 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 2012, EUR 1,782 thousand (31 December 2011: EUR 1,587 thousand) posed a collection risk and recognised the corresponding write-downs.

13. Other current financial assets

The detail of "Other Current Financial Assets" at 31 December 2012 and 2011 is as follows:

2012

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

2011

Financial assets: Nature/category	Loans and receivables (Note 9-e)	Held-to- maturity investments	Hedging derivatives (Note 17)	Total
Financial derivatives	-	-	17,561	17,561
Other financial assets	3,970	213,988	-	217,958
Short term / current	3,970	213,988	17,561	235,519

The Group's policy is to invest cash surpluses in government debt securities, repos, short-term deposits, term deposits or promissory notes. These are short-term investments, the results of which are recognised with a credit to "Finance Income" in the accompanying consolidated income statement. In 2012 the Group recognised income in this connection amounting to EUR 9,769 thousand (2011: EUR 8,285 thousand).

14. Equity

a) Share capital of the Parent

At 31 December 2012 and 2011, 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 2012 and 2011 were as follows:

	Percentage of Ownership in 2012	Percentage of Ownership in 2011
Cartera Social, S.A. (Notes 9 and 10) (*)	29.56%	29.56%
Kutxabank, S.A. (**)	19.06%	-
Gipuzkoa Donostia Kutxa (Note 20-b)	-	19.06%
BNP Paribas Securities Services	5.47%	5.47%
La Caixa (***)	3.01%	-
Banca Cívica, S.A.	-	3.01%

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

(**) Following the merger, the shares owned by Gipuzkoa Donostia Kutxa have been held by Kutxabank, S.A. since 1 January 2012.

(***) On 3 August 2012, the merger by absorption of Banca Cívica, S.A. by Caixabank, S.A. took place. In turn, Caja de Ahorros y Pensiones de Barcelona (La Caixa) controls Caixabank, S.A.

At the Annual General Meeting on 5 June 2010, the shareholders empowered the Board of Directors 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 2012 and 2011 is as follows:

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

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

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

Revaluation reserve Guipúzcoa Regulation 11/1996

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

d) Legal reserve

Under the Consolidated Spanish 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.

e) Restricted reserves

The separate financial statements of the consolidated companies include reserves amounting to approximately EUR 18,493 thousand and EUR 15,436 thousand at 31 December 2012 and 2011, respectively, relating to the legal reserve, revaluation reserve, reserve for retired capital and other reserves which are restricted as to their use. Also, certain companies have reserves that are restricted as a result of financing agreements (see Note 16).

Until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Accordingly, at 2012 year-end EUR 36,814 thousand of the reserves were restricted as to their use (2011 year-end: EUR 28,554 thousand).

f) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2012 and 2011 is as follows:

	Thousands of euros	
	31/12/12	31/12/11
CAF México, S.A. de C.V.	(128)	(576)
CAF Brasil Ind. e C., S.A.	(3,363)	4,854
CAF Argentina, S.A.	(348)	(17)
CAF USA, Inc.	(267)	(209)
CAF Rail UK, Ltda.	(47)	(62)
CAF Chile, S.A.	187	112
Sefemex, S.A. de C.V.	(37)	(58)
Constructora Mex. del Fer. Sub, S.A. de C.V.	(400)	(643)
Corporación Trainemex, S.A. de C.V.	3	(10)
CAF Turquía, L.S.	(322)	(414)
CAF Argelia, E.U.R.L.	(117)	(61)
CAF India Private Limited	(44)	(32)
Ctrens Companhia de Manutenção, S.A.	(24,400)	(7,992)
Trenes CAF Venezuela, C.A.	(11)	(1)
Provetren, S.A. de C.V.	747	4
CAF Sinyalizasyon Sistemleri Ticaret Ltd Sirket	(33)	(42)
CAF Rail Australia Pty, Ltd.	35	35
CAF Colombia, S.A.S.	32	6
Sermantren, S.A. de C.V.	(1)	-
CAF Arabia, Co.	6	-
	(28,508)	(5,106)

g) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes therein in 2012 and 2011 is as follows:

	Thousands of euros
Balance at 31 December 2010	9,660
Loss attributable to non-controlling interests	(4,733)
Translation differences	(363)
Changes in the scope of consolidation	(1,658)
Other	(86)
Balance at 31 December 2011	2,820
Profit attributable to non-controlling interests	600
Translation differences	1
Changes in the scope of consolidation (Note 2-f)	2,401
Dividends	(137)
Balance at 31 December 2012	5,685

h) Capital management

The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital while 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 2012 and 2011, most of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (see Notes 3-u, 7 and 9). Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of euros	
	31/12/12	31/12/11
Net financial debt:		
Refundable advances with interest (Note 15)	3,282	-
Bank borrowings - Non-current liabilities (Note 16)	480,517	242,171
Bank borrowings - Current liabilities (Note 16)	108,962	5,878
Financial assets - Non-current assets (Note 9-c)	(22,711)	-
Current financial assets (Note 13)	(109,037)	(214,243)
Cash and cash equivalents	(76,682)	(86,214)
	384,331	(52,408)
Equity:		
Of the Parent	701,915	664,444
Non-controlling interests	5,685	2,820
	707,600	667,264

15. Other current and non-current financial liabilities and other obligations

The detail of the Group's financial liabilities at 31 December 2012 and 2011, by nature and category, for valuation purposes, is as follows:

Financial liabilities: Nature/category	Thousands of euros		
	31/12/12		
	Accounts payable	Hedging derivatives	Total
Bank borrowings (Note 16)	480,517	-	480,517
Other financial liabilities (without hedging derivatives)	64,352	-	64,352
Hedging derivatives (Note 17)	-	4,870	4,870
Non-current liabilities / non-current financial liabilities	544,869	4,870	549,739
Bank borrowings (Note 16)	108,962	-	108,962
Other financial liabilities (without hedging derivatives)	22,408	-	22,408
Hedging derivatives (Note 17)	-	8,400	8,400
Current liabilities / current financial liabilities	131,370	8,400	139,770
Total	676,239	13,270	689,509

Financial liabilities: Nature/category	Thousands of euros		
	31/12/11		
	Accounts payable	Hedging derivatives	Total
Bank borrowings	242,171	-	242,171
Other financial liabilities (without hedging derivatives)	64,845	-	64,845
Hedging derivatives	-	19,314	19,314
Non-current liabilities / non-current financial liabilities	307,016	19,314	326,330
Bank borrowings	5,878	-	5,878
Other financial liabilities (without hedging derivatives)	17,436	-	17,436
Hedging derivatives	-	10,660	10,660
Current liabilities / current financial liabilities	23,314	10,660	33,974
Total	330,330	29,974	360,304

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

	Thousands of euros	
	31/12/12	31/12/11
Refundable advances	56,472	54,673
Employee benefit obligations	6,061	7,457
Other liabilities (Note 16)	1,819	2,715
Total	64,352	64,845

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

	2012		2011
2014	8,958	2013	13,618
2015	9,193	2014	9,285
2016	9,303	2015	8,938
2017	7,712	2016	8,552
2018 and subsequent years	29,186	2017 and subsequent years	24,452
Total	64,352	Total	64,845

Refundable advances

Through research and development programmes the Group has received certain grants to conduct research and development projects. This aid, which is recognised on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project, consists of:

- Grants to partially meet the expenses and costs of these projects.
- Refundable advances in the form of loans which are generally interest-free (see Note 14), 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 2012 and 2011 in relation to the long-term portion of the aforementioned programmes (at present value) were as follows:

	Thousands of euros
	Refundable advances
Balance at 31/12/10	53,358
Additions	11,239
Transfers to short term	(9,924)
Balance at 31/12/11	54,673
Additions	12,636
Transfers to short term	(10,837)
Balance at 31/12/12	56,472

Also, the amount recognised in the short term relating to accounts payable for refundable advances amounted to EUR 16,676 thousand at 31 December 2012 (31 December 2011: EUR 14,507 thousand).

Employee benefit obligations

The Group has recognised the future obligations to the employees who have entered into hand-over contracts (see Note 3-l).

Also, the detail of the present value of the obligations assumed by the Group relating to post-employment benefits and long-term employee benefits, of the plan assets allocated for the coverage thereof, and of the amounts not recognised at the end of 2012 and 2011, is as follows (see Note 3-k):

	Thousands of euros	
	31/12/12	31/12/11
Present value of the obligations assumed-	20,215	18,998
Less – Fair value of plan assets	(20,181)	(18,009)
Trade and other payables – Other accounts payable	34	989

The present value of the obligations 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	2012	2011
Discount rate	5.15% (1)	5.06% (1)
Mortality tables	PERM/F 2000P	PERM/F 2000P
Annual pension increase rate	3%	3%
Retirement age	65-67	65

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

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

The expected return on the plan assets was calculated in accordance with the valuation of the assigned investment portfolio performed by the insurance company Mapfre Vida and in 2012 amounted to 5.15% (2011: 5.06%).

16. Bank borrowings

The detail of the related headings in the accompanying consolidated balance sheets is as follows:

	Thousands of euros			
	31/12/12		31/12/11	
	Non-current	Current	Non-current	Current
Bank loans and credit accounts	480,517	107,418	242,171	2,912
Unmatured accrued interest	-	1,544	-	1,946
Discounted notes and bills	-	-	-	1,020
Total (Note 15)	480,517	108,962	242,171	5,878

Pursuant to IAS 39, the bank borrowings are presented in the 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, on 10 May 2011, the subsidiary Ctrens-Companhia de Manutenção, S.A. (Ctrens) arranged with Banco Nacional de Desenvolvimento 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 2012, BRL 892,513 thousand of this loan had been drawn down (EUR 312,985 thousand at long term and EUR 17,288 thousand at short term) (2011: BRL 577,707 thousand and EUR 239,113 thousand at long term).

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

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

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

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

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

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

The shares of the subsidiary Ctrens-Companhia de Manutenção, 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, provided by CAF, S.A. in the respective periods of manufacture of the two fleets of trains, which will be completed in 2013.

The remaining non-current borrowings relate to loans received by various subsidiaries that bear interest at market rates.

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

	31/12/12		31/12/11
2014	45,978	2013	15,956
2015	33,570	2014	17,334
2016	35,755	2015	18,816
2017	38,456	2016	20,259
2018 and subsequent years	326,758	2017 and subsequent years	169,806
Total	480,517	Total	242,171

In addition to this financing, at 31 December 2012, the consolidated companies had been granted various loans, credit lines and factoring lines by banks, basically in euros and bearing interest at market rates, largely tied to EURIBOR plus a spread, with a limit of EUR 354,398 thousand (31 December 2011: EUR 248,028 thousand). At 2012 year-end EUR 89 million had been drawn down (2011 year-end: EUR 3 million).

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 3-d). 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 3-d).

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

2012

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

(*) Including the net investment hedge in CAF USA, Inc. and in Provotren amounting to USD 89,443 thousand.

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

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

	Thousands of euros			
	Fair value		Cash flow	
	31/12/12	31/12/11	31/12/12	31/12/11
Hedges :				
USD foreign currency hedges	6,423	4,550	(92)	2,625
GBP foreign currency hedges	29	(404)	-	-
MXP foreign currency hedges	277	-	-	-
BRL foreign currency hedges	1,848	2,786	-	-
CHF foreign currency hedges	-	(131)	-	-
EUR foreign currency hedges	(767)	-	-	-
AUD foreign currency hedges	(80)	-	-	-
SEK foreign currency hedges	15	-	-	-
RON foreign currency hedges	(19)	-	-	-
NZD foreign currency hedges	100	-	-	-
Measurement at year-end (*)	7,826	6,801	(92)	2,625

(*) Before considering the related tax effect.

2011

Currency put options at 31/12/11 (fair value hedges)	Maturity (in currency)		
	2012	2013	2014 and subsequent years
Hedges :			
USD foreign currency hedges (*)	357,980,882	123,371,268	225,258,778
GBP foreign currency hedges	51,436,091	-	-
EUR foreign currency hedges	8,096,693	15,544,452	1,648,654
BRL foreign currency hedges (**)	85,235,979	43,743,563	-
CAD foreign currency hedges	368,527	-	-
SEK foreign currency hedges	-	303,271,515	63,815,900

(*) Including the hedge of the net investment in CAF USA, Inc.

(**) Including the partial hedge of the net investment in CAF Brasil Ind, C.S.A. amounting to BRL 43,774 thousand.

Currency call options at 31/12/11 (fair value hedges)	Maturity (in currency)		
	2012	2013	2014 and subsequent years
Hedges :			
USD foreign currency hedges	76,339,674	912,000	-
GBP foreign currency hedges	136,029	-	-
EUR foreign currency hedges	30,367,432	6,017,725	-
CHF foreign currency hedges	3,222,790	-	-
BRL foreign currency hedges	70,755,603	-	-

Currency call options at 31/12/11 (cash flow hedge)	Maturity (in currency)		
	2012	2013	2014 and subsequent years
Hedges - USD foreign currency hedges	11,672,635	6,721,261	41,466,147

At 2012 and 2011 year-end the associate SEM Los Tranvías de Zaragoza, S.A. (see Note 9-a) had arranged various financial swaps relating to the nominal value of its financial debt. These swaps were designated as cash flow interest rate hedges, and the value thereof attributable to the Group amounted to EUR 4,383 thousand at 31 December 2012, net of the related tax effect (31 December 2011: EUR 3,710 thousand).

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

The fair value of the derivative financial instruments was calculated using variables based on observable market data (closing exchange rates and interest rate curves).

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

In 2012 the ineffective portion of the hedging transactions recognised in the consolidated income statement gave rise to an expense of EUR 2,292 thousand (2011: expense of EUR 245 thousand).

Also, the settlement and the change in the value of fair value derivatives amounted to an expense of EUR 3,403 thousand in 2012 (2011: expense of EUR 25,984 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 2012, 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	
	2012	2011
Accounting profit before tax	127,765	143,867
Tax rate of the Parent	28%	28%
Income tax calculated at the tax rate of the Parent	35,774	40,283
Effect of the different tax rate of subsidiaries	6,272	1,875
Effect of exempt income and non-deductible expenses for tax purposes	162	2,891
Effect of tax credits and other tax relief recognised in the year	(11,086)	(29,596)
Tax effect of tax assets and deferred taxes not recognised	(545)	(10)
Tax effect of the impairment of tax assets and deferred taxes	-	220
Adjustments recognised in the year relating to prior years' income tax	(2,833)	(1,441)
Change in tax rate	(33)	38
Total income tax expense (benefit) recognised in the consolidated income statement	27,711	14,260
Current income tax expense (benefit) (*)	20,475	28,156
Deferred tax expense (benefit)	7,236	(13,896)

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

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

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

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

	Thousands of euros					
	31/12/10	Additions	Disposals	Translation differences	Changes in the scope of consolidation (Note 2-g)	31/12/11
Deferred tax assets:						
Tax credit and tax loss carryforwards	32,630	45,294	(15,707)	(1,586)	(21,304)	39,327
Provisions temporarily not deductible	45,588	38,907	(12,680)	(1,239)	(4,317)	66,259
Share ownership scheme	8,169	-	(3,584)	-	-	4,585
Elimination of profits on consolidation	26,618	86	(1,130)	-	(25,392)	182
	113,005	84,287	(33,101)	(2,825)	(51,013)	110,353
Deferred tax liabilities:						
Unrestricted and accelerated depreciation	24,840	21,941	(3,432)	16	-	43,365
Investment valuation provisions	16,179	9,461	-	5	-	25,645
Cash flow hedges	-	735	-	-	-	735
Revaluation of land	11,829	-	-	-	-	11,829
Goodwill	210	74	-	-	-	284
Elimination of profits on consolidation and other	2,876	4,010	(2,797)	9	-	4,098
	55,934	36,221	(6,229)	30	-	85,956

In 2012 the Group expects to take tax credits amounting to EUR 39,886 thousand (2011: EUR 22,542 thousand) mainly in relation to tax credits for R&D expenditure, contribution to venture promotion companies and double taxation tax credits. Unused tax credits after projected income tax for 2012 amounted to EUR 49,537 thousand (2011: EUR 29,805 thousand), of which EUR 14,866 thousand are recognised under "Deferred Tax Assets - Tax Credit and Tax Loss Carryforwards" (2011: EUR 22,260 thousand). At 31 December 2012, the recognised tax loss carryforwards amounted to EUR 4,932 thousand (2011: EUR 17,067 thousand).

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

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 43,664 thousand (2011: EUR 19,579 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 amounting to EUR 16,245 thousand (2011: EUR 11,536 thousand).

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

	Thousands of euros	
	31/12/12	31/12/11
Expiring in 2016	-	1,160
Expiring in 2017	366	366
Expiring in 2018	796	796
Expiring in 2019	380	547
Expiring in 2020	557	644
Expiring in 2021	96	303
Expiring in 2022	5	1
Expiring in 2023	16	19
Expiring in 2024	70	160
Expiring in 2025	156	23
Expiring in 2026	7,058	5,926
Expiring in 2027 and subsequent years	27,966	5,890
Unlimited	6,198	3,744
	43,664	19,579

In calculating the income tax payable for 2012, the Group deducted tax credits amounting to EUR 21,839 thousand (2011: EUR 28,964 thousand), of which EUR 6,065 thousand had been recognised under "Deferred Tax Assets" in the accompanying consolidated balance sheet at 31 December 2011. An expense for taxes abroad amounting to EUR 3,212 thousand was considered in connection with these tax credits. Also, the differences between the estimated income tax for 2011 and the tax return ultimately filed gave rise to income of EUR 2,833 thousand, basically due to the higher-than-expected tax credits (2011: income of EUR 1,441 thousand).

The Parent files income tax returns in accordance with the provisions of Guipúzcoa Corporation Tax Regulation 7/1996, of 4 July. On 30 December 2008, Guipúzcoa Regulation 8/2008, of 23 December, amending Guipúzcoa Regulation 7/1996, was published and came into force with effect for tax periods commencing on or after 1 January 2008, and sets, among other measures, a standard tax rate of 28%. Guipúzcoa Regulation 8/2008 has been appealed against at the Supreme Court, although the directors consider that this circumstance will not give rise to material liabilities.

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 2012 year-end the Group had 2008 and subsequent years open for review by the tax authorities for income tax and 2009 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.

In 2010 the Group was subject to an inspection by the tax authorities that did not give rise to material liabilities.

On 14 February 2012, the Parent was notified of the commencement of a tax audit of the R&D tax credits reported in 2009 by the Parent and the subsidiary Trainelec, S.L. At the date of formal preparation of these consolidated financial statements for 2012, although this tax audit remained open, the directors considered that no material liabilities would arise.

On 7 February 2013, Guipúzcoa Regulatory Decree 1/2013, of 5 February, on asset revaluation, was published in the Guipúzcoa Official Gazette. This is a voluntary procedure since, in accordance with the regulation, it is possible to revalue the items of non-current assets that were recognised in the balance sheet at 31 December 2012 and with a single tax of 5% on the revaluation reserve.

The Parent's Board of Directors is currently assessing the impact that this regulation could have on the separate financial statements of the companies concerned for the purpose of deciding whether to apply it within the legally established periods. In the event that the Group companies apply the aforementioned regulation, the asset revaluation must be approved by the shareholders at the Annual General Meeting before 30 June 2013, and its impact on the separate financial statements must be recognised for accounting purposes in 2013.

19. Tax receivables and payables

The detail of the tax receivables and tax payables at 31 December 2012 and 2011 is as follows:

	Thousands of euros							
	31/12/12				31/12/11			
	Assets		Liabilities		Assets		Liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Accrued social security taxes	-		-	7,166	-	-	-	7,180
Regular taxes- VAT (Note 9)	40,773	50,031	-	42,074	38,114	22,119	-	20,142
Other	-	1,036	-	-	-	1,493	-	155
Personal income tax withholdings	-	-	-	9,632	-	-	-	7,430
Income tax (Note 3-m)	-	12,844	-	1,089	-	3,684	-	5,322
Grants receivable	-	5,326	-	-	-	7,199	-	-
	40,773	69,237	-	59,961	38,114	34,495	-	40,229

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 2012 and 2011 the Group made payments of EUR 1,306 thousand and EUR 1,523 thousand, respectively, and recognised provisions amounting to EUR 2,329 thousand and EUR 3,039 thousand, respectively, mainly with a charge to "Staff Costs - Wages and Salaries" (see Note 22) in the consolidated income statement.

Short-term provisions -

The changes in "Short-Term Provisions" (see Note 3-ñ) in 2012 and 2011 were as follows (in thousands of euros):

	Warranty and support services, contractual liability, etc. (Notes 3-f and 3-ñ)	Other provisions (Notes 3-m, 3-ñ and 8)	Total
Balance at 31/12/10	208,078	3,026	211,104
Net charge for the year (Notes 3-k, 3-ñ and 18)	39,533	(236)	39,297
Amounts used	(2,047)	-	(2,047)
Translation differences	(556)	-	(556)
Balance at 31/12/11	245,008	2,790	247,798
Net charge for the year (Notes 3-k, 3-ñ and 18)	123,302	583	123,885
Amounts used	(22,197)	-	(22,197)
Translation differences	(805)	-	(805)
Balance at 31/12/12	345,308	3,373	348,681

In 2012 the Group recognised a short-term provision of EUR 3,168 thousand (2011: EUR 19,195 thousand) in relation to the outcome of a lawsuit with a charge to "Other Operating Expenses" in the accompanying consolidated income statement. In addition, provisions amounting to EUR 19,311 thousand recognised in 2011 for the cancellation of the contract indicated in Note 8 were used, and the Group recognised EUR 9,201 thousand under "Trade and Other Payables - Other Accounts Payable" in connection with the advance payment received.

Also, EUR 8,202 thousand were recognised under "Other Operating Expenses" in the accompanying consolidated income statement in relation to various lawsuits in progress against the Group. The directors do not expect any liabilities additional to those recognised at 31 December 2012 to arise.

The additional short-term provisions at 31 December 2012 and 2011 relate basically to provisions for contractual liability (EUR 227 million at 31 December 2012 and EUR 120 million at 31 December 2011) and for warranties and after-sales services (EUR 111 million at 31 December 2012 and EUR 109 million at 31 December 2011).

The consolidated companies recognised under "Other Operating Expenses" in the accompanying consolidated income statement for 2012 EUR 121,051 thousand (2011: expense of EUR 38,433 thousand) relating to the difference between the provisions required in this connection at 2012 year-end and the provisions recognised at 2011 year-end. The expenses incurred in 2012 and 2011 in connection with the provision of contractual warranty services (approximately EUR 58,189 thousand and EUR 41,293 thousand, respectively) were recognised under "Procurements" and "Staff Costs" in the accompanying consolidated income statements for 2012 and 2011.

The Group entered into an agreement in 2008 with Metro de Caracas for an amount net of retentions made by the customer of approximately EUR 602,000 thousand for the manufacture and supply of 48 trains to be manufactured in Spain. At 31 December 2012, 40 trains had already been dispatched to the customer and five more were ready to be dispatched. Due to the contractual terms and conditions, the Group had recorded a provision at that date with a charge to the contract, amounting to EUR 41,583 thousand, which was recognised under contractual liability in the table above.

21. Income and expenses

a) Procurements

	Thousands of euros	
	2012	2011
Materials used (*)	543,876	917,735
Work performed by other companies	50,784	47,293
Impairment losses on raw materials	781	-
	595,441	965,028

(*) 77% in euros, and the remainder mainly in US dollars and Brazilian reais (2011: 76% in euros).

b) Other operating expenses

	Thousands of euros	
	2012	2011
Outside services	250,131	220,624
Taxes other than income tax	2,934	2,452
Change in operating provisions and allowances and other	121,858	38,885
Other current operating expenses	1,182	1,340
	376,105	263,301

The fees for audit services (including six-monthly reviews) relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 710 thousand in 2012 (2011: EUR 686 thousand). Of this amount, EUR 564 thousand related to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2011: EUR 527 thousand). In addition, fees were billed for other professional services amounting to EUR 508 thousand (2011: 552 thousand), of which EUR 438 thousand (2011: EUR 518 thousand) relate to the principal auditor, EUR 73 thousand were billed for other audit-related attest services, EUR 151 thousand for tax services and the remainder for other services (2011: EUR 352 thousand, EUR 93 thousand and EUR 73 thousand, respectively).

c) Information on the environment

In 2012 investments amounting to EUR 2,579 thousand (2011: EUR 1,216 thousand) were made in systems, equipment and facilities designed for environmental protection and improvement.

In 2012 and 2011 the Group did not obtain any environmental grants.

At 31 December 2012 and 2011, 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 2012 the Group incurred environmental expenses amounting to EUR 412 thousand (2011: EUR 42 thousand).

d) Grants related to income

Most of the grants transferred to profit or loss in 2012 and 2011 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 2012 under "Other Operating Income" in the accompanying consolidated income statement amounted to EUR 4,422 thousand (2011: EUR 5,231 thousand).

22. Average headcount and staff costs

The average headcount in 2012 and 2011 was as follows:

Professional category	Average number of employees	
	2012	2011
Employees	2,820	2,613
Manual workers	4,184	4,313
Total (*)	7,004	6,926

(*) At 31 December 2012, there were 6,979 employees (31 December 2011: 6,952 employees).

The breakdown, by gender, of the average headcount in 2012 and 2011 is as follows:

Professional category	2012		2011	
	Men	Women	Men	Women
Employees	2,126	694	1,990	623
Manual workers	4,040	144	4,168	145
Total	6,166	838	6,158	768

All of CAF's directors are men.

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

	2012	2011
Wages and salaries (Notes 3-k, 3-l and 3-ñ)	262,936	255,442
Social security costs	72,385	70,320
Other costs (Note 3-k)	17,013	16,983
	352,334	342,745

23. Information on the Board of Directors

a) Remuneration and other benefits of directors

In 2012 and 2011 the Parent recognised approximately EUR 1,394 thousand and EUR 1,293 thousand of remuneration and attendance fees earned by its directors, whereas the directors of the subsidiaries did not earn any remuneration in this connection. At 31 December 2012 and 2011, neither the Parent nor the subsidiaries had granted any advances, guarantees or loans to their current or former directors and, except as indicated in Note 3-k, the Group did not have any pension or life insurance obligations to them.

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

Conflicts of interest-

In 2012 and 2011 the members of the Board of Directors and the persons related to them as defined in Article 231 of the Spanish Limited Liability Companies Law did not create directly or indirectly any situations of conflict of interest with the Company.

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

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

- Kutxabank, S.A., through CK Corporación Kutxa, S.L., has a 95% ownership interest in the capital of Alquiler de Trenes, AIE and a 75% ownership interest in the capital of Alquiler de Metros, AIE, companies incorporated together with CAF (see Note 9).

24. Remuneration of senior executives

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

In 2012 and 2011 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 2012, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 1,609,523 thousand (31 December 2011: EUR 1,715,798 thousand) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 55,119 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 2011: EUR 73,765 thousand).

In 2011 arbitration proceedings commenced with two suppliers in relation to the suburban railway works in Mexico City, and the unfavourable ruling of one of them was handed down in 2012, the related provision for which, amounting to EUR 13,974 thousand, had been recognised since 2011.

The Parent's directors do not expect these proceedings to give rise to any material losses for the Group, except for those taken into account in the financial statements following the analysis performed of the amounts claimed and of the costs already recognised.

In 2012 and 2011 the CAF Group did not identify any significant contingent asset or liability other than that indicated above.

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

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

	Amounts paid and payable at year-end (thousands of euros)			
	2012		2011	
	Amount	%	Amount	%
Paid in the maximum payment period	267,653	49.48	213,741	48.72%
Remainder	273,304	50.52	224,979	51.28%
Total payments made in the year	540,957	100%	438,720	100%
Weighted average period of early payment (in days)	30.65		23.61	
Weighted average period of late payment (in days)	26.06		25.97	
Weighted average payment period	73.00		86.82	
Payments at year-end not made in the maximum payment period	21,610		13,096	

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

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

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

26. Events after the balance sheet date

At 31 December 2012, the firm backlog, net of progress billings, amounted to approximately EUR 4,941,428 thousand (31 December 2011: EUR 5,035,940 thousand) (see Note 11). At 31 January 2013, the total was EUR 4,894,538 thousand (31 January 2012: EUR 4,988,950 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 (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

JOSE M^a BAZTARRICA GARIJO

CHAIRMAN

ANDRES ARIZKORRETA GARCIA

CEO

ALEJANDRO LEGARDA ZARAGÜETA

DIRECTOR AND GENERAL MANAGER

JOSE IGNACIO BERROETA ECHEVARRIA

DIRECTOR

**KUTXABANK, S.A.
REPRESENTED BY:
JOSE ANTONIO MUTILOA IZAGIRRE
DIRECTOR**

LUIS MIGUEL ARCONADA ECHARRI

DIRECTOR

JOSE MIGUEL DE LA RICA BASAGOITI

DIRECTOR

FERMIN ARRESE ARRATIBEL

DIRECTOR

XABIER GARAIALDE MAIZTEGUI

DIRECTOR

JUAN JOSE ARRIETA SUDUPE

DIRECTOR

ALFREDO BAYANO SARRATE

SECRETARY

APPROVAL BY THE BOARD OF DIRECTORS

JOSÉ M^a BAZTARRICA GARIJO

ANDRES ARIZKORRETA GARCIA

ALEJANDRO LEGARDA ZARAGÜETA

JOSÉ ANTONIO MUTILOA IZAGIRRE

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JOSÉ MIGUEL DE LA RICA BASAGOITI

FERMÍN ARRESE ARRATIBEL

XABIER GARAIALDE MAIZTEGUI

JOSE IGNACIO BERROETA ECHEVARRIA

JUAN JOSE ARRIETA SUDUPE

ALFREDO BAYANO SARRATE

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 2012 by the Board of Directors at its meeting on 27 February 2013, the directors have signed this document, consisting of 83 sheets numbered sequentially from 3266 to 3348, 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, 27 February 2013.

Approved by

THE CHAIRMAN

JOSÉ M^a BAZTARRICA GARIJO

Approved by

THE SECRETARY OF THE BOARD

ALFREDO BAYANO SARRATE