Annual Report 2002

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

Contents

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Annual Report **2002**

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

This publication, is also published in CD ROM format.

Futher information can be obtained at www.caf.net

Letter from the Chairman

Dear shareholder,

As in previous years, I am writing this letter in view of the forthcoming General Shareholders' Meeting, in order to present the most relevant data for 2002, whose accounts I hereby submit for your approval.

As in previous years, during 2002 we have focused on consolidating our order book, in order to ensure a solid basis for our activities in the coming years. On 31 December 2002, the order book totalled 1,391.6 million euros, an increase of 135.4 million euros (10.7%) over last year's figure. Of this order book, 66% corresponds to exports.

The sales figures for the consolidated CAF Group in the year 2002 were slightly higher than in 2001, totalling 392.48 million euros. Of these, 60% were export sales. Pre-tax profits totalled 12.56 million euros, a 1% increase over the previous year; while pre-tax cash flow increased by 3% to 24.9 million euros.

As regards orders booked during the year, and in relation to the domestic market, CAF signed contracts to supply 10 trains to Madrid Metro and 3 trains to Barcelona Metro, as well as entering into a contract for the supply of 64 ICE-350 High-Speed cars and 1,050 Y-21 bogies to Renfe. All orders currently under production are progressing smoothly, having delivered trains to Madrid Metro and being currently manufacturing trains for Barcelona Metro and Ferrocarrils de la Generalitat de Catalunya, and Diesel cars for Majorca. We have delivered for on track testing the prototype of the new-generation of commuter trains for Renfe and the first regional Diesel trains with CAF's designed tilting system are currently in the final assembly stage. We have also started work on the manufacture of High-Speed cars for the Brava Variable Gauge trains.

Our success in the international market deserves a special mention, as the most significant orders have been obtained there. These orders include 153 cars for Mexico Metro, which reinforces our already solid presence in this country, 67 mainline carriages for Iarnrod Eireann (Irish Rail) and 23 Diesel trains for Northern Ireland Railways. In the United States we have continued to deliver cars to Washington Metro and articulated cars to the City of Sacramento. In *the near future, we will be sending our first cars to Pittsburgh. The orders for Rome, Mexico and Ireland are currently at different phases of design and manufacture.*

In addition to the solid backing provided by this extensive order book, which guarantees a high level of activity for the coming years, we have also focused our attention on preparing offers for a number of tenders issued during 2002, both on the domestic market and abroad. Renfe as well as other Spanish rail companies have started a new period of intense activity calling for new tenders which enables us to view this market with optimism, due to the dynamism shown in recent times. Currently, the tenders for a number of important contracts are still pending, and CAF is hopeful as regards its chances. One result of these new tenders has been the recent award by the Andalusian Regional Government of a 35-year franchise for line 1 of the Seville Metro to a joint venture of which CAF is a shareholder. Our company will be supplying all the rolling stock.

We follow very closely the acquisition programmes in the international market, where we are steadily consolidating our position, and have gained a well-deserved reputation with a wide range of customers due to the quality of our proposals and achievements. To this end, we continue to strive to improve our production resources and develop our own technology through a permanent effort in the research and development of new solutions to the diverse requirements demanded by the numerous projects in which we are involved. This commitment to technology has formed the basis of our growth over recent years and will continue to be a top priority in the future, along with efforts to increase our management capacity which will enable us to simultaneously manage a greater number of projects.

I must conclude once again by expressing my gratitude to all the staff at CAF who are working so hard to achieve the ambitious goals we set ourselves and without whose contribution we would not be where we are today. Finally, I would also like to thank you for the trust placed in our company, and to assure you that we will continue working with dedication and enthusiasm in order to ensure that CAF remains a sound, viable option well into the future.

Thank you very much.

José María Baztarrica Garijo
Chairman and CEO

CITY/SUBURBAN

Metros

- Bilbao
- Barcelona
- Madrid
- Hong Kong
- Washington
- Sao Paulo
- Mexico
- Rome
- Seville

Articulated light rail vehicles

- Pittsburgh (USA)
- Sacramento (USA)
- Amsterdam (Holland)
- Monterrey (Mexico)
- Coastal train (Argentina)

Regional Trains

- Red Nacional de Ferrocarriles Españoles (RENFE)
- Basque Railways (ET/FV)
- Catalonia Railways (FGC)
- Narrow Track Spanish Railways (FEVE)
- Majorca (SFM)
- Finland (Finnish Railways)
- UK (Heathrow Express)
- Portugal (Lisbon)
- China (Hong-Kong Lar Airport)

Trams

- Valencia
- Lisbon
- Bilbao

International leader in the design, manufacture, maintenance and supply of material and equipment for rail systems

MAJOR LINES

Intercity trains

- Compartments and luxury lounge
- Sleeping cars and couchettes
- Restaurant and cafeteria cars
- High-speed electric trains

High-speed trains

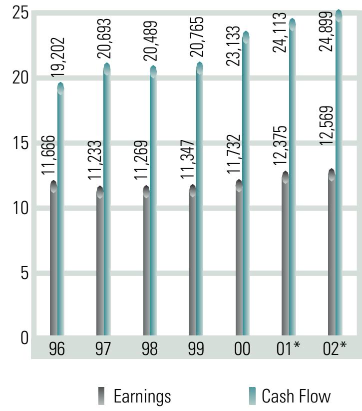
- High-speed trains for the Madrid-Seville line
- High-speed trains for the future Madrid-French border line
- Shuttle trains (RENFE)
- Variable Gauge powered trains

MANAGEMENT REPORT OF THE CONSOLIDATED GROUP

Earnings

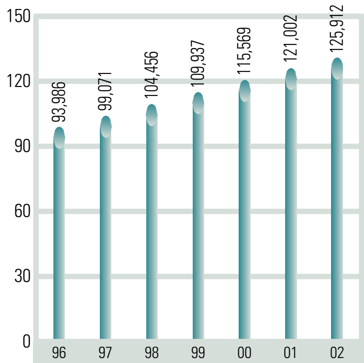
The statement of income shows income of 9,838 thousand after taxes.

Earnings and Cash Flow before taxes
(thousand of euros)

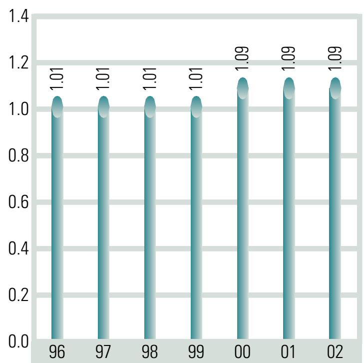


* Consolidated data 2001 and 2002

Shareholders' Equity
(thousand of euros)



Evolution of dividends/shares
(in euros)



The CAF Group's 2002 financial results were:

— Income after taxes amounted to €9,838 thousand, up approximately 1% on 2001.

— The depreciation and amortization charge of €12,330 thousand, plus the income for the year before taxes, generated a cash flow of €24,899 thousand.

— Net sales totaled €392,489 thousand.

— The backlog of €1,391,633 thousand at December 31, 2002, exceeded the 2001 year-end figure and will permit the Company's operations to progress steadily.

— The proposed distribution of €3,737 of income after taxes of the Parent Company to pay dividends and €4,899 to voluntary reserves supports the policy of prior years of strengthening the Parent Company's net worth.

— The proposed allocation of income to reserves, if approved, will increase the Parent Company's shareholders' equity to €125,912 thousand.

— Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held any treasury stock in 2002.

Commercial activity

Backlog at 2002 year-end amounted to €1,391 million, the highest amount ever obtained by CAF.

2002 was a year of intense commercial activity in Spain and abroad, and contracts were secured for €527.8 million. Backlog at year-end was €1,391.6 million.

This backlog exceeds the 2001 year-end figure by €134.5 million, representing an increase of 10.7% and a record for CAF in recent years. Exports rose to 66% as compared to 59% as of the same date in 2001.

RENFE awarded contracts for 1,050 Y21 bogies and our involvement in contacts for ICE-350 High Speed Trains was consolidated with a contract for the supply of 64 cars, representing 50% of the total. Ten trains of the 2000 series were ordered by the Madrid subway authority, extending previous orders. Also the Barcelona subway authority has ordered, through a purchase option, three S/500 trains based on those recently delivered and the current order from SFM was extended to 6 power cars and two trailers.

There have been significant achievements in the area of exports. After two international tenders CAF was awarded and signed the contract for 23 diesel trains with Northern Ireland Railways, which includes their maintenance for a 14-year period and an order for 67 passenger cars of various types with Irish Rail (Irish Republic).

Noteworthy was the contract for 153 cars with the Mexico City subway authority, following an international call for tenders, enabling us to recommence supplies to this country in which we have had a solid presence for years, including in the area of maintenance.

With these contracts and, as we announced in the 2001 management report, we have consolidated our presence in Europe and Mexico providing the Company with invaluable credentials.

The start-up of the contract for 33 trains for the Rome subway authority extends the number of European customers that have confidence in CAF's capacity to complete its investments. Markets are opening throughout Europe and this will bear fruit particularly in the coming years when a series of countries, offering significant possibilities due to the growth potential of their railroad transportation systems, join the Single Market.

The new order for the Mexico City subway authority and our plants in the U.S.A enable us to view with confidence our possibilities in the American continent.

We continue to place greatest emphasis on maintenance activities. In 2002 the long-term contracts in force have been executed with normality, with new additions or extensions in some cases. The bases for the expansion of this activity have been established as a result of the commitments acquired under the contracts to be performed in the near term and which have included this service for 14 years.

2002 was a very positive year for rolling stock contracts, CAF's traditional line of business, to which we devote considerable attention.

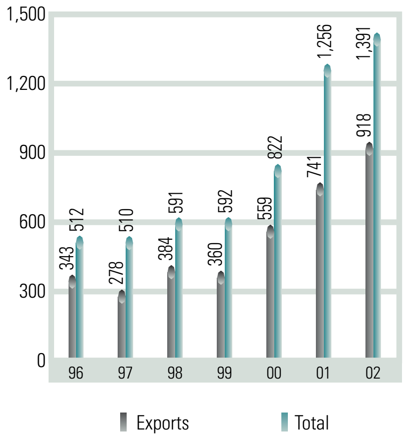
In Spain in the second half of the year, significant tenders have been called both by RENFE and by other railroad companies, enabling CAF to submit its bids to all of them. These contracts involve various materials which had not yet been awarded at 2002 year-end. We are confident that tenders will be awarded in 2003.

In accordance with the railroad infrastructure plan being implemented in Spain, significant medium-term acquisitions will be required of various types of materials for the new high-speed services. The coexistence of the international gage and of the Renfe gage enables CAF to foresee that the appropriate materials will be required for these workings. CAF is already in the process of executing its first order in this connection. As regards local trains, the acquisition process has already commenced enabling new demand to be met and existing stock to be renewed over the coming years.

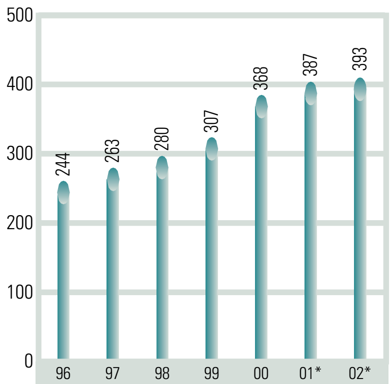
With regard to urban and suburban transport in large cities, extensions of various subway networks are being implemented or studied, as are various streetcar systems, confirming a demand for materials that will be of great importance in the coming years.

CAF's decisive commitment to boost its technological development has enabled it to rely on a wide range of products to meet any of its customers' requirements. In this connection, it has a Railroad Technological Center, which is already fully operative, ensuring leading support for the Group's commercial activity.

Order Book
(million of euros)



Total Sales
(million of euros)



Industrial activity

Subway trains, Articulated Trains, Regional Trains, Streetcars, Intercity Trains, Shuttle Service Trains, Variable-gage Axle Trains, ...

The delivery of 8 diesel cars for Mallorca and 5 "O.S." cars for Heathrow Express was completed in 2002.

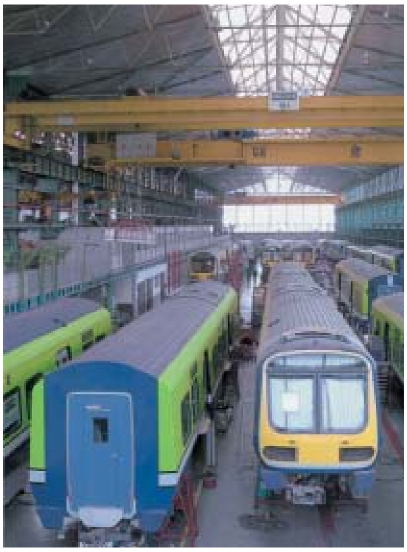
In addition, in 2002 35 units were delivered for the Washington subway, 7 streetcar units for the new line of the Bilbao streetcar, 17 S/8000 units for line 8 of the Madrid subway and Metrosur, 2 Northern Spirit "O.S." cars and 24 "R.I." S/6000 cars for the Madrid subway.

The same period saw the completion of two LRV units for Sacramento, two diesel train units for the Irish Republic, highlighting as the year's main milestone the termination of the new generation local train prototype for RENFE.

Noteworthy in terms of the latest projects in Spain for RENFE is the development of the projects involving 21 ADR diesel trains and 12 ATPRD Brava trains.

It is worth highlighting that during the year the Group has continued to develop the project, already in the advance phase, for 28 new LRVs and the restoration of 40 others for Pittsburgh -Pennsylvania-, and the first two units were produced to a shell finish. Also, the project for 23 DMU units for Northern Ireland Railways is in the advanced design phase.

As regards the other American projects, the manufacture and completion of trains at all CAF plants in the U.S.A was consolidated in 2002: in Hunt Valley (Maryland), in Elmira Heights (New York) and in McClellan (California).



The most noteworthy manufacturing projects executed in 2002 were as follows:

VEHICLES	
Units (PC+PC) for the Washington DC Subway	70
Units (PC+PC) for the Sacramento LRV (USA)	4
Units (2PC+T) for the Bilbao streetcar	14
Powered diesel cars (PC), Mallorca	8
Diesel train (PC+PC+PC+PC), Irish Republic	4
S/8000 Units (PC+T+PC) for Madrid subway, line 8–Metrosur	51
"O.S." cars for Northern Spirit	2
"R.I." S/6000 cars for the Madrid Subway	24
Local train units (A1+A2+A3+A4) 2000 train	4
"O.S." cars for Heathrow Express	5
	186

BOGIES	
With welded steel rack (power car + trailer)	870

COMPONENTS	
Mounted axles	2,889
Axles (Total)	8,469
Wheels (Total)	40,403
Brackets	628
Grease boxes	4,478
Reduction gear	316
Pneumatic suspension units	7
Brake blocks	96
Scharfenberg couplers	330

Other supplementary materials manufactured were as follows:	
Forged bars	31 tones
Steel	47,531 tones
Molded steel	954 tonnes
Rings and flanges crane wheels (units)	4,317
Reinforced plastic	400 tones
Door wings (units)	3,038
Cranes	2

The repairs carried out included:	
s/3500 electric units	4
s/200 electric units	2

Human resources

1,020 people have taken part in 73 training sessions relating to new technologies. In 2001 the accident rate fell at all the company's plants.

The variations of the consolidated Group's labor force in 2002 was as follows:

	Permanent	Total	Average Headcount
12-31-01	2,450	2,892	2,872
12-31-02	2,684	3,527	3,213

Efforts have continued to be geared towards new technologies and management in the training area and a total of 1,020 people have participated in 73 training sessions.

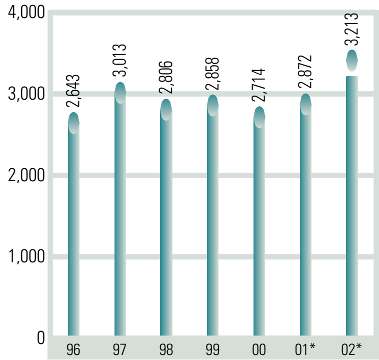
The implementation through the computer network of the System for the Training of Engineers and Graduates has continued. Actions were commenced in which 175 people participated, with the support of new training technologies.

In 2002 audits were performed to maintain the ISO 14001 Certification.

The environmental program has been implemented, obtaining sizeable improvements in energy and water consumption in manufacturing processes and the reuse of industrial water in painting processes.

In the area of occupational risk prevention, the industrial accident rate was down on 2001 at all the Company's plants.

Employees
(number of persons)



* Consolidated data 2001 and 2002

Capital expenditure in 2002

The main aims have been to increase productivity and work safety and to improve environmental conditions.

In 2002 the Company made significant investments in its plants amounting to €17,050 thousand (excluding the exchange rate effect), in line with the investment drive in prior years. Capital expenditure was mainly geared towards increasing productivity, safety in the workplace and improving environmental conditions.

The most representative investments made were as follows:

— Renovation of steel works (phase 2).

— Duplex machines and drilling machines.

— Installation of smelting furnace.

— New machinery for mechanization of axes.

— Robotics for soldering work for mechanical units.

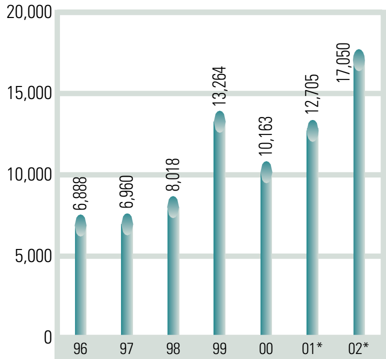
— Adaptation of electricity, compressed air and gas facilities.

— Acquisition of CATIA work stations.

— Welding and automation (phase 2).

— Adaptation of Technology Centers.

Investments
(thousand of euros)



* Consolidated data 2001 and 2002

Technological development

The most outstanding construction project is that of the 250 Km/h Variable Width Train which represents CAF's first contribution to the High Speed field.

The main activities performed by the Technology Department in 2002 were as follows:

Basic research and technology

In 2002 progress was made in the process for the official accreditation of the variable-gage axle bogies. At 2002 year-end the last phases of the process were at a very advanced stage, prior to the passenger service: 1,000,000 km of variable-gage axle and 100,000 km of the variable-gage axle bogies train without travelers.

The industrialization project for the COSMOS train communications and control system based on the TCN standard continued. Apart from ensuring the internal communications of the new suburban units (CIVIA train) and the self-propelled variable-gage axle train (ATPRD), which are both for RENFE, the project will also be used in the diesel units for the railroads in Northern Ireland.

Throughout 2002 CAF has continued with its policy of working with prestigious technological centers. To the agreement previously entered into with Escuela de Ingenieros de San Sebastián, two more have been added with technological centers in the Basque Country, a further one in Aragón and a fourth one in the Autonomous Community of Madrid.

Preliminary designs

Many preliminary designs were developed to support the Company's commercial activity. These preliminary designs include:

Domestic market:

— Units for the Barcelona subway.

— 100% low-floor streetcar for the Seville subway.

— 100% low-floor streetcar for railroads in the Valencia Autonomous Community.

— Variable gage traction unit for RENFE.

U.S. market:

— Trains for the Mexico City subway.

— Articulated trains for the U.S.A.

European market:

— Trains for the Brussels subway.

— Trains for the Oslo subway.

— Passenger cars for railroads in the Irish Republic.

Construction projects

Work at the Technical Offices focused mainly on the completion of projects initiated in 2001, such as:

— Madrid subway, 8000 series (Metrosur and the Airport versions).

— Articulated units for Sacramento.

— Streetcars for Bilbao, 100% low floor bogies.

— New RENFE suburban units.

— Variable-gage axle bogie with the related tests.

— Articulated units for Pittsburgh (new and refitted).

— Diesel trains for railroads in the Irish Republic.

Work also began on the following:

— NIR diesel trains for Northern Ireland.

— Rome subway.

— New diesel tilting-system trains for RENFE.

— Variable-gage axle train (250 Km/h) for RENFE.

— Trains for the Mexico City subway.

The most noteworthy of the projects listed above is the variable-gage axle train (250 Km/h) due to its technical complexity and to its strategic importance for CAF, since it represents the introduction of CAF technology in the high-speed field.

New Railroad Technology Center

The two campuses in Beasaín and Zaragoza currently employ more than 250 engineers and technicians.

The center is by far the largest in the railroad industry in Spain.

Outlook

CAF's short-term outlook may be summarized as follows:

— Maintenance of CAF's industrial activity in the U.S.

— Strengthening of CAF's industrial, technological and organizational areas through capital expenditure.

— Development of new products and implementation of advanced integral project management systems.

— The increase of CAF's presence in the international railroad equipment markets.

— Harnessing of CAF's potential in railroad service business lines.

— Adaptation of the technological, industrial and human resources required to manage industrial activities in countries in which CAF has manufacturing or maintenance orders.

Subsequent events

As of February 28, 2003, there was a firm backlog of €1,334,973 thousand.

There were no other significant events subsequent to 2002 year-end.

Auditor's Report

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Deloitte & Touche

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain (see Note 22). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group (see Notes 1 and 2-c), which consist of the consolidated balance sheet as of December 31, 2002, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made. Our work included the examination of the financial statements for the year ended December 31, 2002 of the consolidated companies Construcciones y Auxiliar de Ferrocarriles, S.A. (parent company) and CAF México, S.A. de C.V. The financial statements of the other consolidated companies, whose assets, net sales and shareholders' equity represent 18.95%, 18.27% and 11.80%, respectively, of the related consolidated totals, were audited by other auditors and our opinion as expressed in this report on the consolidated financial statements of the CAF Group is based, with respect to the ownership interests in these companies, solely on the report of the other auditors.

2. As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2002 figures for each item in the consolidated balance sheet and consolidated statement of income, the figures for 2001. Our opinion refers only to the 2002 consolidated financial statements. Our auditors' report dated March 26, 2002, on the 2001 consolidated financial statements of the CAF Group contained an unqualified opinion.

3. Under the amendment to Valuation Standard no.16 of the Spanish National Chart of Accounts, which was published on March 20, 2002, unused tax assets are recorded for accounting purposes subject to compliance with certain conditions. In accordance with this Standard, in 2002 the Parent Company recorded these unused tax assets and, in accordance with the principle of prudence, recorded a provision for a portion of them (see Notes 4-n and 15).

4. In our opinion, based on our audit work and on the report of the other auditors, the 2002 consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the Construcciones y Auxiliar de Ferrocarriles Group as of December 31, 2002, and of the results of their operations in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.

5. The accompanying consolidated management report for 2002 contains the explanations which the directors of the Parent Company consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2002. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the Companies' accounting records.

DELOITTE & TOUCHE ESPAÑA, S.L.
Registered in ROAC under no. S0692

Pedro Mª Azcárate

March 28, 2003

Financial Statements of the Consolidated Group

Construcciones y Auxiliar de Ferrocarriles, S.A.
and Subsidiaries (Consolidated)

Consolidated Balance Sheets

as of December 31, 2002 and 2001

(Notes 1, 2 and 4) (In Euros)

Assets

	12-31-02	12-31-01
FIXED AND OTHER NONCURRENT ASSETS		
Start-up expenses	**119,728**	**61,207**
Intangible assets, net (Note 5)	**14,205,971**	**11,131,958**
Tangible fixed assets (Note 6)		
Land and structures	78,449,694	74,116,122
Plant and machinery	125,149,082	116,730,807
Other fixtures, tools and furniture	8,371,022	8,205,360
Other tangible fixed assets	12,948,327	10,948,517
Advances and construction in progress	1,575	—
Accumulated depreciation	(149,131,408)	(139,862,651)
	75,788,292	**70,138,155**
Long-term investments, net (Note 7)	**11,046,968**	**17,669,197**
Total fixed and other noncurrent assets	**101,160,959**	**99,000,517**
DEFERRED CHARGES (Notes 4-d and 12)	**9,959,326**	**7,339,782**
CURRENT ASSETS		
Inventories (Note 8)	**64,218,845**	**78,209,717**
Accounts receivable		
Trade receivables for sales and services (Notes 9 and 12)	261,424,930	170,874,989
Receivable from associated companies (Note 7)	7,905,597	8,015,290
Sundry accounts receivable	3,091,648	3,119,541
Taxes receivable (Note 14)	4,623,438	1,096,132
Allowances	(1,054,460)	(795,638)
	275,991,153	**182,310,314**
Short-term financial investments (Note 10)	**3,766,493**	**4,603,170**
Cash	**810,362**	**2,032,972**
Accrual accounts	**761,531**	**1,487,024**
Total current assets	**345,548,384**	**268,643,197**
TOTAL ASSETS	**456,668,669**	**374,983,496**

Shareholders' Equity and Liabilities

	31-12-02	31-12-01
SHAREHOLDERS' EQUITY (Note 11)		
Capital stock	10,318,506	10,318,506
Additional paid-in capital	11,863,347	11,863,347
Revaluation reserve	28,034,368	28,034,368
Other reserves of the Parent Company	70,796,603	65,350,408
Reserves at companies consolidated by global integration method and carried by equity method	3,593,683	3,025,483
Translation differences	(4,367,890)	(1,599,407)
Income attributable to the Parent Company	9,838,103	9,753,152
Total shareholders' equity	**130,076,720**	**126,745,857**
MINORITY INTERESTS	**2,849,061**	**1,714,994**
DEFERRED REVENUES (Note 12)	**16,246,338**	**12,618,369**
PROVISIONS FOR CONTINGENCIES AND EXPENSES (Note 4-o)	**1,323,572**	**2,282,121**
LONG-TERM DEBT		
Other accounts payable (Notes 4-l and 12)	37,752,011	24,195,551
Taxes payable (Note 14)	1,891,966	1,055,581
Total long-term debt	**39,643,977**	**25,251,132**
CURRENT LIABILITIES		
Payable to credit institutions (Note 13)	322,839	1,619,674
Payable to associated companies (Note 7)	324,306	106,331
Trade accounts payable		
Advances received on orders	133,314,097	72,083,919
Accounts payable for purchases and services (Note 12)	95,176,233	98,139,994
	228,490,330	**170,223,913**
Other nontrade payables		
Other payables	274,418	—
Taxes payable (Note 14)	12,964,141	11,503,137
Compensation payable	7,440,751	6,240,844
	20,679,310	**17,743,981**
Operating allowances (Note 15)	**16,666,957**	**16,634,874**
Accrual accounts	**45,259**	**42,250**
Total current liabilities	**266,529,001**	**206,371,023**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**456,668,669**	**374,983,496**

The accompanying Notes 1 to 22 are an integral part of the consolidated balance sheet as of December 31, 2002.

Construcciones y Auxiliar de Ferrocarriles, S.A.
and Subsidiaries (Consolidated)

Consolidated Statements

of income for the years ended December 31, 2002 and 2001

(Notes 1, 2 and 4) (In Euros)

Debit

	2002	2001
EXPENSES		
Decrease in finished goods and work-in-process inventories	14,429,237	2,893,831
Raw materials and other consumables used (Note 16)	195,035,331	209,744,906
Personnel expenses (Note 17)	118,095,336	104,227,928
Depreciation and amortization expense (Notes 5 and 6)	12,330,570	11,746,349
Net variation in operating allowances (Notes 4-g, 7 and 15)	(2,653,410)	3,285,565
Other operating expenses		
Outside services	47,319,458	41,038,717
Taxes other than income tax	1,266,670	1,701,820
Operating income	**13,877,437**	**13,900,653**
Financial and similar expenses (Notes 4-d, 12 and 13)	7,313,922	4,089,274
Variation in investment valuation allowances	—	2,191,675
Financial income	—	—
Income from ordinary activities	**12,509,311**	**12,065,818**
Variation in intangible asset, tangible fixed asset and portfolio allowances	—	(60,101)
Extraordinary expenses (Note 7)	510,080	2,614,138
Extraordinary income	**59,552**	**308,835**
Consolidated income before taxes (Note 14)	**12,568,863**	**12,374,653**
Corporate income tax (Notes 4-n, 14 and 15))	8,606,613	2,620,827
Consolidated income for the year	**9,962,250**	**9,753,826**
Income attributed to minority interests	124,147	674
Income for the year attributed to the Parent Company	**9,838,103**	**9,753,152**

Credit

	2002	2001
REVENUES		
Net sales (Note 16)	392,488,865	386,845,107
Capitalized expenses of in-house work on fixed assets	342,751	360,818
Other operating revenues		
Non-core and other current operating revenues (Note 12)	2,961,296	671,294
Operating subsidies (Note 12)	3,907,717	662,550
Operating loss	—	—
Revenues from shareholdings (Note 7)	4,676	204,074
Other interest and similar revenues (Note 10)	5,698,298	4,024,678
Financial loss	**1,610,948**	**2,052,197**
Share in the income of companies accounted for by the equity method	242,822	217,362
Loss on ordinary activities	—	—
Gains on tangible fixed asset disposals (Note 6)	77,877	47,101
Capital subsidies transferred to income for the year	420,903	373,793
Prior years' revenues and income	5,611	—
Extraordinary revenues	65,241	2,441,978
Extraordinary loss	—	—
Consolidate loss before taxes	—	—
Positive adjustments to income taxes (Note 4-n)	6,000,000	—
Consolidated loss for the year	—	—
Loss attributed to minority interests	—	—
Loss for the year attributed to the Parent Company	—	—

The accompanying Notes 1 to 22 are an integral part of the consolidated statement of income for the year ended December 31, 2002.

Construcciones y Auxiliar de Ferrocarriles, S.A.
and Subsidiaries

Notes to Consolidated Financial Statements

for the year ended December 31, 2002

1
DESCRIPTION OF THE PARENT COMPANY

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

Its corporate purpose is described in Article 2 of its bylaws.

The Parent Company currently engages mainly in the manufacture of railroad materials.

Individual financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (CAF Group)

The Parent Company, as part of its business activities, owns majority holdings in the capital stock of other companies (see Note 2-c).

The Parent Company prepares separate individual financial statements, which are also subject to independent audit, and applies the same accounting principles and methods as those described in Note 4. Consequently, the individual financial statements as of December 31, 2002, do not reflect the increase in assets, income and net sales for 2002 (€13,768 thousand, €1,203 thousand and €71,732 thousand, respectively) nor the decrease in reserves (€774 thousand) resulting from applying consolidation methods.

2
BASIS OF THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) True and fair view

The accompanying consolidated financial statements as of December 31, 2002, which were prepared from the individual accounting records of the consolidated companies and are presented in accordance with the Spanish National Chart of Accounts and with Royal Decree 1815/1991 on the Preparation of Consolidated Financial Statements, give a true and fair view of the CAF Group's net worth, financial position and results of operations for 2002. These consolidated financial statements, which were prepared by the Parent Company's directors, will be submitted for approval by the Parent Company's Shareholders' Meeting and are expected to be approved without any changes.

The 2001 consolidated financial statements prepared by the Board of Directors were approved by the Shareholders' Meeting on June 8, 2002 (see Note 11).

b) Accounting policies

The accounting principles used in preparing these consolidated financial statements are those included in the Spanish Commercial Code, the current Spanish Corporations

Law, the Spanish National Chart of Accounts approved by Royal Decree 1643/1990 and Royal Decree 1815/1991 enacting the Regulations for the Preparation of Consolidated Financial Statements.

c) Consolidable Group and consolidation principles

Scope of consolidation

The accompanying consolidated financial statements for the year ended December 31, 2002 were prepared from the individual accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. (see Note 1) and from those of the subsidiaries listed below:

	% of Direct and Indirect Ownership	Location	Line of Business	Auditor
Fully consolidated companies				
CAF	Parent Company	Gipúzcoa (Spain)	Marketing and manufacture of railroad equipment and components	Deloitte & Touche
CAF México, S.A. de C.V.	100%	Mexico City (Mexico)	Marketing and manufacture of railroad equipment and components	Deloitte & Touche
CAF Brasil Ind. e C., S.A.	100%	Sao Paulo (Brazil)	Marketing and manufacture of railroad equipment and components	Ernst & Young
CAF Argentina, S.A.	99.9%	Buenos Aires (Argentina)	Repair and maintenance of railroad equipment and components	Ernst & Young
CAF USA, Inc.	100%	Delaware (USA)	Manufacture and assembly of railroad equipment and components	Ernst & Young
Inversiones en Concesiones Ferroviarias, S.A.	77.6%	Gipúzcoa (Spain)	Promotion and development of companies through short-term holdings in their capital stock	Arco Auditores
Sermanfer, S.A.	100%	Madrid (Spain)	Railroad material maintenance services	Audiconta
Urbanización Parque Romareda, S.A.	100%	Zaragoza (Spain)	Promotion and sale of urban properties	N/A
Gestión de M. Ind. y Sistemas G., S.A.	100%	Gipúzcoa (Spain)	Creation, composition and drafting of operating manuals	Alter Consulting
Metro de Salvador, S.A.	85%	Salvador de Bahía (Brasil)	Maintenance and operation through concession of the public transportation service	Ernst & Young
Companies accounted for by the equity method (Note 7)				
AAI-CAF Transit, LLC	50%	Maryland (USA)	Assembly of railroad equipment and components	Ernst & Young
Sab Ibérica, S.A.	24.5%	Madrid (Spain)	Sale of railroad braking equipment	Deloitte & Touche

The main inclusion in the scope of consolidation is Metro de Salvador, S.A. This Company was incorporated with capital stock of 25 million reais, 85% of which was subscribed by Group companies. 10% of this capital stock has been paid.

The main financial data on the consolidated companies, after consolidation adjustments and unification, are as follows (in euros):

Company	Total Assets	Net sales and Other Operating Revenues	Income (Loss)	Shareholders' Equity
CAF	442,900,862	327,608,993	8,635,510	129,648,334
CAF Brasil Ind. e C., S.A.	1,856,952	4,223,151	(591,572)	1,044,067
CAF Argentina, S.A.	1,130,422	3,599,696	(744,340)	545,171
CAF USA, Inc.	77,633,568	64,394,022	113,286	6,397,681
CAF México S.A. de C.V.	64,866,987	1,270,136	(44,354)	569,953
Metro de Salvador, S.A.	781,799 (*)	—	—	663,200 (*)
Inversiones en Concesiones ferroviarias, S.A.	12,217,995	—	429,341	8,073,851
Sermanfer, S.A.	337,664	19,147	9,266	318,374
Urbanización Parque Romareda, S.A.	133,303	—	6,245	107,573
Geminys, S.A.	431,574	454,475	2,866	175,835
AAI-CAF Transit, LLC	8,576,120	11,463,359	12,074	22,129
Sab Ibérica, S.A.	3,899,588	8,743,460	991,112	1,914,688

(*) Net of capital payments outstanding.

Consolidation method

The majority holdings were consolidated by global integration method and, where appropriate, the minority interests were recognized under the "Minority Interests" caption in the accompanying consolidated balance sheet. All material accounts and transactions between the consolidated companies were eliminated in preparing the consolidated financial statements.

Also, except as indicated below, the holdings in the capital stock of companies in which there is an ownership interest of 20% or more but of less than 50% are valued at the fraction of the net worth corresponding to these holdings, net of the dividends collected from them and other net worth eliminations (equity method). The effect of proportionally consolidating the investment in AAI-CAF Transit, LLC would not be material.

Also, in accordance with Royal Decree 1815/1991 enacting the Regulations for the Preparation of Consolidated Financial Statements, the Parent Company's directors have excluded from the consolidable Group the companies listed in Note 7, in which there is an ownership interest equal to or exceeding 20%, since it is considered that as a whole they are of scant significance with respect to the stated purpose. Consequently, these companies are valued as indicated in Note 4-c.

Translation of financial statements in foreign currency

The financial statements in foreign currency of CAF México, S.A. de C.V., CAF Brasil Ind. e C. S.A., Metro de Salvador, S.A., CAF Argentina, S.A., CAF USA. Inc. and AAI-CAF Transit, LLC 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 exchange rates prevailing at year-end and the income-statement accounts 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 result for the year, which is translated as stated above) and the net worth position arising from the translation of the assets, rights and obligations at the year-end exchange rates is recorded under "Shareholders' Equity - Translation Differences" in the consolidated balance sheet, net of the portion of the difference that relates to minority interests, which is recorded under the "Minority Interests" caption.

In line with standard practices, the consolidated financial statements do not include the tax effect of transferring the reserves and income of the consolidated subsidiaries to the Parent Company's accounts.

d) Comparative information

The 2001 consolidated financial statements were prepared in pesetas. However, in order to facilitate their comparison with the 2002 consolidated financial statements, the figures in the consolidated balance sheet as of December 31, 2001, and in the consolidated statement of income for the year then ended were translated to euros at the conversion rate established by Article 2 of Law 46/1998 on the introduction of the euro (1 euro = Ptas. 166.386), duly rounded off.

3
DISTRIBUTION OF INCOME

The Parent Company's directors propose the following distribution of 2002 income:

Distribution	**Euros**
To voluntary reserves	4,898,908
Dividends	3,736,602
Total	**8,635,510**

At 2002 year-end the unamortized research and development expenses amounted to approximately €8,936 thousand.

4
VALUATION STANDARDS

The main valuation methods applied by the CAF Group in preparing its consolidated financial statements as of December 31, 2002, in accordance with current legislation, were as follows:

a) Intangible assets

Computer software and research and development projects for which there are no doubts as to their technical and commercial success are valued at their acquisition cost (or at the accumulated manufacturing cost allocated in accordance with inventory valuation methods -see Note 4-e- as appropriate) and are amortized on a straight-line basis over five years from their acquisition or from the project completion date, respectively (see Note 5).

b) Tangible fixed assets

Tangible fixed assets are carried at cost, revalued in the case of the Parent Company pursuant to the applicable legislation, including Guipúzcoa Regulation 11/1996 and Guipúzcoa Regulation 13/1990 (see Notes 6 and 11-f).

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to asset life-cycle extensions are capitalized.

In-house work performed by the consolidated companies on fixed assets is recorded at the related accumulated production cost allocated in accordance with inventory valuation methods (see Note 4-e).

Tangible fixed assets are depreciated by the straight-line method at annual rates based on the following years of estimated useful life:

	Years of Estimated Useful Life
Structures	25 – 50
Plant and machinery	6 – 10
Other fixtures, tools and furniture	3 – 10
Other tangible fixed assets	10

c) Long- and short-term investments

Long-term investments (see Note 7) not fully consolidated or accounted for by the equity method (see Note 2-c) are valued at cost, or at redemption or market value (taken to be the share market price or underlying book value as of December 31, 2002, as appropriate) if the latter two values are lower, in which case the related allowance is recorded.

Long-term accounts receivable are valued at the amount effectively granted. As of December 31, 2002, there were no material long-term accounts receivable without explicit interest.

Short-term investments (see Note 10) are valued at the lower of cost or redemption value. The related interest earned is recorded under "Other Interest and Similar Revenues" in the accompanying consolidated statement of income.

d) Deferred charges

As explained in Note 12, the Parent Company received certain refundable interest-free advances to finance certain R&D projects (see Notes 5 and 12).

The Parent Company recorded with a charge to "Deferred Charges" the financial effect relating to the discount to present value of these loans (€5,302 thousand in 2002), which will be allocated to income ("Financial and Similar Expenses") by the interest method. Simultaneously, this same amount was recorded as a subsidy received for certain R&D projects under "Deferred Revenues", and will be allocated to income in accordance with the accounting methods described in Notes 4-f and 4-i.

In 2002 the Parent Company amortized €1,385 thousand in this connection with a charge to "Financial and Similar Expenses".

e) Inventory valuation

Raw materials and other supplies and merchandise are valued at the lower of average cost or market.

Work-in-process and finished and semifinished goods are presented net of settled costs by the method described in Note 4-f, and are valued as follows:

1. The average acquisition or production cost for materials and expenses allocated to each project.
2. Standard hourly absorption rates for processing expenses (including labor and indirect manufacturing expenses), which do not differ materially from actual hourly rates.

f) Partial contract income or loss recognition

The CAF Group generally recognizes income on contracts on the basis of the estimated percentage of completion, calculated on the basis of the ratio of actual hours allocated to a contract to the total budgeted hours. Potential losses on project contracts are recorded in full when they become known or can be estimated.

Once projected income on each contract has been determined, the CAF Group applies the following correcting coefficients:

— With a percentage of completion from 0 to 10%, no income is recorded.

— From 10% onwards, a percentage of income equal to the percentage of completion is recorded.

Based on the billings made on the income recognized on each contract (determined as described above) and on the percentage of completion, inventories are retired for the amount of the settled costs with a charge to the related income statement account and a credit to the "Goods- and Work-in-Process Settlements in Excess of Incurred Cost" caption which is recorded as a reduction of the "Inventories" caption on the asset side of the consolidated balance sheet (see Note 8).

g) Allowance for bad debts

The CAF Group records provisions to this allowance to cover bad debts due to late payment, "suspensión de pagos" (Chapter II-type insolvency proceedings), insolvency or other reasons, after performing a case-by-case analysis of the collectibility of the receivables. As a result, the CAF Group recorded a provision of approximately €1,630 thousand in 2002 (see Note 7).

h) Foreign currency transactions and other commitments

As a result of the introduction of the euro as the official currency, all currency units of non-EMU countries are deemed to be foreign currencies (see Note 16).

Asset and liability balances denominated in foreign currencies of foreign consolidated companies were translated to euros as explained in Note 2. The remaining foreign currency asset and liability balances (see Notes 9 and 10) are generally translated to euros at the exchange rates prevailing at the transaction date or at the hedged exchange rates, except for the unhedged foreign currency cash balances, which were translated at the exchange rates prevailing as of December 31, 2002.

i) Subsidies

1. Nonrefundable capital subsidies are recorded under "Deferred Revenues" when definitively granted, for the amount granted, and are credited to income basically in proportion to the period depreciation on the subsidized assets.
2. Operating subsidies are credited to income on the date on which they are definitively granted. In accordance with the principle of prudence, for the projects described in Note 12, the date on which they are definitively granted is considered to be the date on which the project or the portion of the project for which the subsidy was granted has been performed. On that date, the proportional part of the subsidy relating to expenses incurred is credited to income. The remaining portion is allocated to income as indicated in Note 4-f. The Group recorded revenues of €3,907 thousand in this connection in 2002.

j) Long-term debt

In the accompanying consolidated balance sheet, debts maturing in over 12 months from the balance sheet date are recorded at their repayment value.

k) Early retirement payments and severance costs

The accompanying consolidated financial statements as of December 31, 2002, do not include any provision in this connection, since the consolidated companies have not approved any early retirement plan and no terminations giving rise to significant severance costs are expected. The amounts paid in this connection in 2002 were not material.

l) Provisions for pension commitments

The consolidated companies pay defined-benefit premiums to an external pension funds deposited at an independent insurance company to cover their statutory and contractual obligations to certain of their employees in the case of retirement or death.

m) Operating allowances

This caption in the accompanying consolidated balance sheet includes the allowances recorded by the CAF Group to cover mainly warranty and contract support service expenses (see Note 15) and other contingencies arising in the course of its operations (royalties, penalties, etc.). The consolidated companies recorded under "Variation in Operating Allowances" the difference between the operating allowances required at year-end and those recorded at 2001 year-end. The expenses incurred in 2002 (approximately €3,977 thousand) were recorded under "Raw Materials and Other Consumables Used" and "Personnel Expenses".

n) Corporate income tax

The expense for corporate income tax for the year, which includes taxes borne abroad, is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, which are deemed to be the differences arising between the taxable income and the book income before taxes which do not reverse in subsequent periods.

Through December 31, 2001, the tax benefit relating to the various tax relief and tax credits envisaged by current legislation was treated as a reduction of the corporate income tax expense for the year in which they are taken. From 2002, and in accordance with current legislation, the tax assets relating to unused tax relief and tax credits are recorded for accounting purposes provided that it is anticipated that they will meet the conditions established by tax legislation. As of December 31, 2002, the Group recorded a tax asset of €6,000 thousand in this connection relating basically to the tax credits and tax relief arising in prior years and which were recorded with a credit to the "Positive Adjustments to Income Taxes" caption in the accompanying statement of income. In addition, and in view of the inherent uncertainty regarding the recovery of assets of this nature, the Group, in accordance with the accounting principle of prudence and based on the current backlog (see Note 20), recorded a provision of €3.5 million with a charge to the "Corporate Income Tax" caption in the accompanying 2002 statement of income (see Note 15).

Also, €5,043 thousand of the recorded tax asset were recorded under the "Long-Term Investments - Long-Term Claims Arising From Unused Tax Credits and Tax Relief –" caption (see Note 7) and the remainder was recorded under the "Taxes Receivable – Short-Term Claims Arising From Unused Tax Credits and Tax Relief" caption in the accompanying consolidated balance sheet as of December 31, 2002 (see Note 14).

ñ) Recognition of revenues and expenses

Revenues and expenses are recognized 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 consolidated companies only record realized income at year-end, whereas foreseeable contingencies and losses, including potential losses, are recorded as soon as they become known.

o) Provisions for contingencies and expenses

The CAF Group records provisions for contingencies and expenses for the estimated amount required to adequately cover probable or certain third-party liability arising from contingencies, litigation in progress and/or obligations of undetermined amount. In 2002 the CAF Group made payments amounting to €976 thousand and recorded €117 thousand in this connection with a charge to "Other Expenses – Personnel Expenses" (see Note 17).

p) Customer advances and completed production

The difference between the revenues recognized under each contract (see Note 4-f) and the amount billed is recorded as follows:

— If the amount is positive, under "Trade Receivables for Sales and Services - Unbilled Completed Projects".

— If the amount is negative, under "Advances Received on Orders".

q) Environmental matters

The Group records environmental investments at acquisition or production cost, net of accumulated depreciation, under the appropriate "Tangible Fixed Assets" caption (see Notes 6 and 21).

Expenses incurred in compliance with environmental legislation applicable are recorded by type under the "Other Operating Expenses" caption in the accompanying statement of income (see Note 21).

5
INTANGIBLE ASSETS

The variations in this caption in 2002 were as follows (in euros):

	Balance at 12.31.01	Net Additions or Provisions (*)	Balance at 12.31.02
Cost:			
Research and development expenses (Notes 4-i and 12)	9,360,799	3,755,451	13,116,250
Computer software	7,574,592	1,672,000	9,246,592
Total Cost	**16,935,391**	**5,427,451**	**22,362,842**
Accumulated amortization:			
Research and development expenses	3,204,690	976,147	4,180,837
Computer software	2,598,743	1,377,291	3,976,034
Total accumulated Amortization	**5,803,433**	**2,353,438**	**8,156,871**
Intangible assets, net	**11,131,958**	**3,074,013**	**14,205,971**

(*) Including the exchange rate effect.

6
TANGIBLE FIXED ASSETS

The variations in tangible fixed asset accounts and in the related accumulated depreciation in the year ended December 31, 2002, were as follows:

	Euros				
	Balance at 12.31.01	**Additions or Provisions (*)**	**Transfers**	**Reductions or Retirements (*)**	**Balance at 12.31.02**
Cost:					
Land and structures	74,116,122	4,300,162	37,009	(3,599)	78,449,694
Plant and machinery	116,730,807	8,545,949	—	(127,674)	125,149,082
Other fixtures, tools and furniture	8,205,360	273,324	(37,009)	(70,653)	8,371,022
Other tangible fixed assets	10,948,517	2,020,511	—	(20,701)	12,948,327
Advances and construction in progress	—	1,575	—	—	1,575
Total cost	**210,000,806**	**15,141,521**	**—**	**(222,627)**	**224,919,700**
Accumulated depreciation:					
Structures	41,085,218	1,571,221	—	(2,331)	42,654,108
Plant and machinery	85,841,014	6,502,217	—	(117,212)	92,226,019
Other fixtures, tools and furniture	4,898,086	424,853	—	(367)	5,322,572
Other tangible fixed assets	8,038,333	896,029	—	(5,653)	8,928,709
Total accumulated depreciation	**139,862,651**	**9,394,320**	**—**	**(125,563)**	**149,131,408**
Tangible fixed assets, net	**70,138,155**	**5,747,201**	**—**	**(97,064)**	**75,788,292**

(*) Including the exchange rate effect.

The revaluations made pursuant to Guipúzcoa Regulation 11/1996 and Guipúzcoa Decree 13/1991 increased the depreciation charges for 2002 and prior years by approximately €437 thousand and €13,949 thousand, respectively.

As of December 31, 2002, the CAF Group had firm tangible fixed asset purchase commitments amounting to approximately €5,374 thousand.

The consolidated companies take out insurance policies to adequately protect their tangible fixed assets. As of December 31, 2002, the insurance policies covered the net book value of the tangible fixed assets at that date.

The gross cost of the fully depreciated assets still in use as of December 31, 2002, totaled approximately €94,666 thousand.

7
LONG-TERM INVESTMENTS

a) Variations

The variations in "Long-Term Investments" in 2002 are as follows:

	Euros				
	Balance at 12.31.01	**Additions or Net Provisions (*)**	**Retirements or Reductions (*)**	**Transfers**	**Balance at 12.31.02**
Long-term investments:					
Investments in companies accounted for by the equity method (Note 2-c)	443,637	25,462	—	—	469,099
Other holdings	9,055,485	509,577	(7,853,461)	—	1,711,601 (1)
Other loans	1,584,671	290,701	(120,112)	—	1,755,260
Other financial investments	4,283,125	231,195	(4,506,649)	—	7,671
	15,366,918	**1,056,935**	**(12,480,222)**	**—**	**3,943,631**
Taxes receivable (Note 14):					
Prepaid taxes	2,118,526	860,378	—	(955,440)	2,023,464
Long-term claims arising from unused tax credits and tax relief (Note 14)	—	6,000,000	—	(957,000)	5,043,000
Other	835,689	155,541	(989,601)	—	1,629
	2,954,215	**7,015,919**	**(989,601)**	**(1,912,440)**	**7,068,093**
Trade receivables for sales and services (Note 9)	10,348,954	45,613	(1,317,873)	(7,356,209)	1,720,485
Allowances (Note 4-g)	(11,000,890)	(208,646)	9,524,295	—	(1,685,241)
Total long-term investments	**17,669,197**	**7,909,821**	**(5,263,401)**	**(9,268,649)**	**11,046,968**

(*) Including the exchange rate effect.
(1) Including the 5% holding in AIE Metro Barcelona.

b) Basic data on investees

The investees in which the Group has an ownership interest of more than 20% and the information there on as of December 31, 2002, are as follows:

Concepts	**Companies (Euros)**			
Name	CAF-I+D, S.L. (Sole-Shareholder Company)	IPAR SISTEMAS 2002, S.L.	Traintic, S.L.	Lander Simulation and Training Solutions, S.A.
Registered office	Gipúzcoa	Gipúzcoa	Gipúzcoa	Gipúzcoa
Line of business	Research and development of new technologies	Portfolio company	Manufacture and marketing of electronic products for the transportation industry	Study, design and development, manufacture and assembly of simulators
Percentage of capital owned:				
Directly	100%	99.9%	99.9%	40%
Indirectly	—	—	—	—
Book value	3,000	176,105	60,000	270,446
Basic financial data:				
Capital	3,000	3,606	60,000	150,250
Reserves and accumulated income	—	171,287	—	210,971
2002 income (loss)	—	(801)	(2,345)	—
Net sales and other operating revenues	(*)	(*)	(*)	303,578
Dividends received during the year	—	—	—	—
Auditor	N/A	N/A	Alter Consulting	S.M. Auditores

(*) Formed in 2002 and virtually inactive.

c) Transactions with associated companies

	Euros		
Company	**Services Provided or Sales**	**Services Received or Purchases**	**Dividends**
Sab Ibérica, S.A.	33,561	2,144,769	217,360
Gestión E. de M.I.I. y Servicios C., S.L.	121,098	—	—
AAI-CAF Transit, LLC	47,816	—	—
RTP- Rio Trens Participações Group	66,578	—	—

As a result of these transactions, of those performed in prior years and of the advances granted, in addition to the data contained in Note 7-b, the CAF Group's balances with associated companies as of December 31, 2002, were as follows (see Note 4-c):

	Euros	
Company	**Accounts Receivable**	**Accounts Payable**
Sab Ibérica, S.A.	8,456	324,306
AAI-CAF Transit, LLC (*)	7,776,042	—
Gestión E. de M.I.I. y Servicios C., S.L.	121,099	—
	7,905,597	**324,306**

(*) Short-term interest-free financing, scheduled to be collected in 2003 if the company collects from the Washington Metropolitan Area Transit Authority.

In addition, the Group recorded an account receivable from Cartera Social for €1,902 thousand (see Note 11).

8
INVENTORIES

The breakdown of the balance of the "Inventories" caption as of December 31, 2002, is as follows:

	Euros
Raw materials and other supplies (Note 16)	14,700,814
Goods-in-process, and finished and semifinished goods	323,903,554
Goods- and work-in-process settlements in excess of incurred cost (Note 4-f)	(301,511,917)
Advances to suppliers	27,126,394
	64,218,845

As of December 31, 2002, the CAF Group had firm raw material purchase commitments of approximately €287,396 thousand (see Note 20).

9
TRADE RECEIVABLES FOR SALES AND SERVICES

The breakdown of the balance of "Trade Receivables for Sales and Services" caption as of December 31, 2002, is as follows:

	Euros
Receivable from customers billed in euros	94,428,177
Receivable from customers billed in foreign currencies (Note 4-h)	166,996,753
	261,424,930

The balance of "Receivable from Customers Billed in Euros" as of December 31, 2002 included mainly the accounts receivable from Renfe for approximately €22,259 thousand and from Metro Madrid for approximately €16,384 thousand. The balance of "Receivable from Customers Billed in Foreign Currencies" included mainly the accounts receivable for the work for the Washington Metropolitan Area Transit Authority and the R.T. Sacramento for an equivalent euro value of €72,422 thousand and €20,219 thousand, respectively. Receivables maturing at over 12 months from the balance-sheet date are classified by the CAF Group as long-term receivables.

10

SHORT-TERM INVESTMENTS

The detail of the balance of this caption as of December 31, 2002, is as follows:

	Euros
Time deposits	2,560,570
Foreign currency deposits (Note 4-h)	726,600
Rights under the share-ownership scheme	881,999
Other	741,358
Allowances (Note 14)	(1,144,034)
	3,766,493

In prior years the Company acquired from Cartera Social, S.A. (see Note 11) an asset instrumented in a series of rights comprising a CAF share-ownership scheme consisting basically in the delivery by Cartera Social to CAF's employees, at the date of termination of their employment relationship with the Company, of one share of CAF for each right. The rights recorded by CAF as of December 31, 2002, will foreseeably be sold to employees in the coming years. Rights with a cost and a related provision of approximately €1,530 thousand and €723 thousand, respectively, were sold in 2002.

The revenues from time deposits and the returns on temporary cash surpluses and bank deposits totaled €1,404 thousand and are recorded under "Other Interest and Similar Revenues". The remaining balance relates to exchange gains.

11
CAPITAL STOCK OF THE PARENT COMPANY

a) Variations

The variations in equity accounts in 2002 were as follows:

	Euros								
		Reserves							
	Capital Stock	Additional Paid-in Capital	Revaluation Reserve	Legal Reserve	Voluntary Reserves	Translation Differences	Reserves at Consolidated Companies	Income for the Year	Dividends
Balance at December 31, 2001	10,318,506	11,863,347	28,034,368	2,063,704	63,286,701	(1,599,407)	3,025,483	9,753,152	—
Distribution of 2001 income	—	—	—	—	5,446,198	—	570,351	(9,753,152)	3,736,603
2002 income	—	—	—	—	—	—	—	9,838,103	—
Other additions	—	—	—	—	—	(2,768,483)	(2,151)	—	—
Balance at December 31, 2002	**10,318,506**	**11,863,347**	**28,034,368**	**2,063,704**	**68,732,899**	**(4,367,890)**	**3,593,683**	**9,838,103**	**3,736,603**

b) Capital stock of the Parent Company

As of December 31, 2002, the Parent Company's capital stock consisted of 3,428,075 fully subscribed and paid listed shares of €3.01 par value each, all of which are traded by the book-entry system.

The companies holding over 10% of the Parent Company's capital stock as of December 31, 2002, are as follows:

	% of Ownership
Cartera Social, S.A. (Note 10)	18.43% (*)
Bilbao Bizkaia Kutxa	22.47%
Gipuzkoa Donostia Kutxa	16.36%

(*) The shareholders of this company are also employees of the Parent Company.

On June 5, 1999, the Shareholders' Meeting resolved to empower the Board of Directors of the Parent Company to increase capital stock by up to €5,159,253 within five years at one or several times, respecting the preemptive subscription right. This authorization has not yet been used. Also, on June 8, 2002, the Shareholders' Meeting empowered the Board of Directors to acquire treasury stock within 18 months from that date.

The balance of the "Additional Paid-in Capital" account is unrestricted as to its use.

The amount of the unrestricted reserve of the Parent Company as of December 31, 2002, with respect to the balance of the unamortized research and development expenses, signifies that there are no restrictions on the payment of dividends.

c) Reserves and results of companies consolidated by the global integration method and carried by the equity method

The detail of the contribution of the consolidated companies to the reserves recorded in this caption in the consolidated balance sheet as of December 31, 2002, and to consolidated income for 2002, is as follows:

	Euros	
	Reserves	**Income (Loss)**
CAF México, S.A. de C.V.	528,850	(44,354)
CAF Brasil Ind. e C. S.A.	144,616	(*)
CAF Argentina, S.A.	1,786,830	(*)
CAF USA, Inc.	645,551	99,914
Inversiones en Concesiones Ferroviarias, S.A.	(329)	429,341
Sermanfer, S.A.	8,608	9,266
Urbanización Parque Romareda, S.A.	49,490	6,245
Gestión de M. Ind. y Sistemas G., S.A.	112,868	2,866
Sab Ibérica, S.A.	358,808	242,822
A.A.I. CAF Transit, LLC	(41,609)	13,372
	3,593,683	

(*) The related effect was taken into account in the individual financial statements of the Parent Company.

d) Translation differences

The detail, by company, of the "Translation Differences" caption as of December 31, 2002, is as follows:

	Euros
CAF México, S.A. de C.V.	(263,130)
CAF Brasil Ind. e C., S.A.	(613,643)
CAF Argentina, S.A.	(2,175,990)
CAF USA, Inc.	(827,389)
Metro de Salvador, S.A.	(487,738)
	(4,367,890)

e) Legal reserve

Under the revised Corporations Law, 10% of income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of capital stock. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount.

Except as mentioned above, until the legal reserve exceeds 20% of capital stock it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

f) Revaluation reserve

The amount of these asset revaluations (see Notes 4-b and 6) as of December 31, 2002, was allocated to the following accounts:

	Euros
Revaluation reserve Law 9/1983	7,954,468
Revaluation reserve Guipúzcoa Decree 13/1991	11,378,927
Revaluation reserve Guipúzcoa Regulation 11/1996	8,700,973
	28,034,368

Revaluation pursuant to Law 9/1983 and Guipúzcoa Decree 13/1991

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

Revaluation pursuant to Guipúzcoa Regulation 11/1996

This balance can be used to offset recorded losses and to increase capital stock, and the remainder, if any, can be added 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.

12
OTHER LONG-TERM PAYABLES

Pursuant to the Ministerial Order of March 7, 2000, approving the regulations governing the system of aid and management for the Program to Foster Research and Technology (PROFIT), the Ministry of Science and Technology granted certain aid to the Parent Company to conduct research and development projects in the period from 2000 to 2003. This aid consisted of:

- Subsidies to partially offset the expenses and costs of these projects and activities.
- Refundable advances in the form of interest-free loans. These advances, pursuant to EU regulations, have a theoretical monetary or subsidy equivalent aimed to offset a portion of the research and development costs, which is determined in accordance with this EU regulation as the result of calculating the interest relief applicable to Spain (see Notes 4-d and 4-i).

The Parent Company recorded all the subsidies and equivalent aid received as of December 31, 2002 under the "Deferred Revenues" caption (€10,151 thousand in 2002).

The Parent Company conducts certain of the subsidized projects with third parties. The project coordinator in these projects is responsible vis-à-vis the Ministry of Science and Technology for the performance of the project and collects the total amount of the aid from the Ministry. The Parent Company recorded €6,099 thousand under "Trade Receivables for Sales and Services" and €25,462 thousand under "Trade Accounts Receivable" relating to the accounts receivable from and payable to those third parties for these joint projects.

For the costs not yet incurred, the Profit program provides for nonrefundable subsidies and/or financial aid. In accordance with the accounting principle of prudence, subsidies and advances are recorded when they are effectively received or when they are collected by the coordinator of the related joint project.

As of December 31, 2002, the CAF Group recorded €31,186 thousand under the "Long-Term Debt - Other Payables" caption relating to the amount repayable at maturity of the financing received under the Profit Program, and the related interest was recorded under "Deferred Charges" (see Note 4-d). This financing has an initial three-year grace period and is subsequently repayable over a period longer to 10 years. As of December 31, 2002, these amounts matured as follows: approximately €541 thousand in 2004, €1,488 thousand in 2005, €2,700 thousand in 2006 and €26,451 thousand in 2007 and subsequent years.

Also, the Company recorded approximately €2,596 thousand with a credit to the "Non-Core and Other Current Operating Revenues" caption, which had been recorded under the "Other Long-Term Payables" caption as of December 31, 2001, relating to contributions of funds from third parties to a failed research and development project.

13
PAYABLE TO CREDIT INSTITUTIONS

As of December 31, 2002, the consolidated companies had credit facilities at several financial institutions with an aggregate limit of €118,933 thousand. The amount drawn down at that date was not material.

14
TAX MATTERS

The breakdown of the "Taxes Receivable" and "Taxes Payable" captions as of December 31, 2002 is as follows:

	Euros			
	Assets		**Liabilities**	
Concepto	**Long-Term Investments (Note 7)**	**Accounts Receivables**	**Current Liabilities**	**Long-Term Debt**
Social security taxes	—	3,202	2,616,677	—
Regular taxes				
VAT	—	3,042,913	4,728,545	—
Other	1,629	249,002	289,936	—
Personal income tax withholdings	—	16,875	2,253,097	—
Deferred income tax	—	—	4,935	1,891,966
Prepaid income tax (Note 7)	2,023,464	90,036	53,623	—
Claims arising from unused tax credits and tax relief (Notes 4-n and 7)	5,043,000	957,000	—	—
Corporate income tax (Note 4-n)	—	264,410	1,083,728	—
Ministry of Science and Technology	—	—	1,933,600	—
	7,068,093	**4,623,438**	**12,964,141**	**1,891,966**

a) Tax matters

As of December 31, 2002, the companies composing the CAF Group basically had the last four years open for review by the tax inspection authorities for the main taxes applicable to them.

The Parent Company files corporate income tax returns with both the Spanish State tax authorities and the Guipúzcoa and Vizcaya provincial tax authorities on the basis of the volume of operations carried out in each area, although it is subject to Guipúzcoa tax regulations and, consequently, a corporate income tax rate of 32.5% was applied in 2002.

The reconciliation of the Parent Company's income per books for 2002 to the taxable income for corporate income tax purposes is as follows:

	Euros
Income for the year per books (before taxes)	10,182,200
Permanent differences, net (Note 15)	(1,723,560)
Net increases and decreases due to timing differences and accelerated depreciation	(5,558,990)
Taxable income	**2,899,650**

The balance of prepaid income taxes (see Note 7) relates to 32.5% of the provision for the share-ownership scheme rights (see Note 10) and to timing differences due to provisions which were not tax-deductible in the year in which they were recorded (see Note 15). The balance of the deferred income taxes relates to 32.5% of the amount by which the depreciation taken for tax purposes exceeds the depreciation taken for accounting purposes as a result of the tax benefits relating to unrestricted and accelerated depreciation provided by Guipúzcoa Regulation 6/1988, Guipúzcoa Regulation 7/1996 and Guipúzcoa Regulation 11/1993. Also, tax credits and differences between the estimate and settlement of the 2001 corporate income tax for approximately €1.2 million were taken into account.

In addition to that indicated in Note 4-n, the Parent Company generated tax assets that will be recorded if they can be taken in subsequent years in accordance with the limits and terms established by current legislation.

The varying interpretations which can be made of the tax regulations applicable to the CAF Group for the years open for review may give rise to certain contingent tax liabilities that cannot be objectively quantified. Also, certain tax benefits regulated by the Guipúzcoa provincial government were appealed against at various court instances. However, taking into account the provisions recorded in 2002 (see Note 15), the Parent Company's directors consider that any tax liability which might arise would not have a material effect on the accompanying consolidated financial statements.

15
OPERATING ALLOWANCES

The variations in 2002 operating allowances (see Note 4-m) were as follows (in euros):

	12-31-01	Net Variation in Allowances (Notes 4-m and 14)	Other Provisions (Notes 4-n and 14)	Release (Notes 7-c and 14)	12-31-02
Warranties, assistance, penalties, etc.	10,291,372	(1,906,543)	—	—	8,384,829
Other allowances (Note 7-c)	6,343,502	(2,376,869)	6,000,000	(1,684,505)	8,282,128
	16,634,874	**(4,283,412)**	**6,000,000**	**(1,684,505)**	**16,666,957**

16
REVENUES AND EXPENSES

a) Breakdown of net sales

	Thousands of Euros
By Geographical Market	
Spain	157,509
Exports	234,980
	392,489
By activity	
Railroad:	
Vehicles	344,754
Rolling stock, repairs and integral maintenance	32,291
Others	15,444
	392,489 (*)

(*) 61% in euros and the remainder basically in U.S. dollars.

b) Raw materials and other consumables used

	Euros
Purchases (*)	175,188,168
Work performed by other companies	6,696,449
Inventories variation	13,150,714
	195,035,331

(*) 73% in euros and the remainder basically in U.S. dollars.

c) Joint ventures

In carrying on its business activities, the Parent Company has an ownership interest in a joint venture, whose accounts were integrated into the consolidated financial statements of the CAF Group based on the percentages of ownership, the effect of which is not material.

d) Other operating expenses

The fees for the audit of the financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (both individual and consolidated) and Subsidiaries amounted to €222 thousand. Of this amount, the fees incurred for the annual audits of the companies reviewed by firms belonging to the Deloitte & Touche worldwide organization amounted to €130 thousand.

17

AVERAGE LABOR FORCE AND PERSONNEL EXPENSES

The average headcount in 2002, by category, was as follows:

Professional Category	**Average Number of Employees**
Employees	972
Manual workers	2,241
Total (*)	**3,213**

(*) As of December 31, 2002, the Parent Company had 3,527 permanent and temporary employees.

The detail of the personnel expenses in 2002 is as follows:

	Euros
Wages and salaries	88,521,732
Social security costs	25,172,044
Other expenses (Notes 4-k, 4-l and 4-o)	4,401,560
	118,095,336

18

DIRECTORS' COMPENSATION AND OTHER BENEFITS

In 2002 the Parent Company recorded approximately €571 thousand of compensation and attendance fees earned by its directors. As of December 31, 2002, the Parent Company had not granted any advances, guarantees or loans to its current or former directors and, except as indicated in Note 4-l, had no pension or life insurance commitments to them.

Moreover, the directors of the subsidiaries comprising the CAF Group in 2002 did not earn any attendance fees or compensation of any other type. No advances or loans have been granted to these companies' current or former directors and there are no pension, life insurance or any other commitments to them.

19

COLLATERAL AND OTHER GUARANTEES

As of December 31, 2002, €707,800 thousand of guarantees had been provided by financial institutions to customers for the Parent Company to secure the performance of commercial transactions. Of this amount, €72,672 thousand relate to guarantees for refundable subsidies and advances granted by the Ministry of Science and Technology and other public-sector institutions.

In addition, guarantees were provided by Group companies for the concession of various projects for approximately €1,189 thousand. The Group considers that no material liabilities will arise in this connection (see Notes 4-m and 15).

20

EVENTS SUBSEQUENT TO YEAR-END

As of February 28, 2003, the Parent Company's firm backlog, net of prebillings, amounted to approximately €1,334,973 thousand (see Note 8).

21

ENVIRONMENTAL INFORMATION

The main investments made in systems, equipment and facilities earmarked for environmental protection and improvement and included in tangible fixed assets (see Note 6) amounted to €558 thousand in 2002.

In 2002 the Company did not obtain any subsidies of an environmental nature.

As of December 31, 2002, the Company did not have any lawsuits in progress or contingencies arising from environmental protection and improvement. The Company's directors consider that no material liabilities will arise as a result of its environmental activities, and, accordingly, the accompanying balance sheet does not include any provisions in this connection.

22

EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Parent Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

Approval by the Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director for Bilbao Bizkaia Kutxa
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
PASCUAL JOVER LAGUARDIA	Director for Vital Kutxa
ALEJANDRO LEGARDA ZARAGÜETA	Director
ANDRÉS ARIZCORRETA GARCÍA	Director
LUIS MIGUEL ARCONADA ECHARRI	Director
FERNANDO SPAGNOLO DE LA TORRE	Director for Gipuzkoa Donostia Kutxa
ELOY LOBO AMESTOY	Director
FERMÍN ARRESE ARRATIBEL	Director
ALFREDO BAYANO SARRATE	Secretary

Certificate issued by the Secretary attesting that, following the preparation of the consolidated financial statements and management report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and Subsidiaries composing the CAF Group (Consolidated) for the year ended December 31, 2002, by the Board of Directors at its meeting on March 27, 2003, the directors have signed this document, consisting of 39 sheets numbered sequentially from 565 through 603, all approved by the Secretary, who also signs them, and countersigned by the Chairman, and signed by each of the directors at the end of the document.

San Sebastián, March 27, 2003.

Approved by

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

Resolutions submitted by the Board of Directors for Approval by the Shareholders' Meeting

Ordinary Shareholders' Meeting to be held at the Company's registered office in Beasain, Gipuzkoa, at 12.00 am on June 7 2003, at first call, and, if appropriate, at the same time and place the following day.

First. Review and approval, if appropriate, of the financial statements for the year ended 31 December 2002 and of Company management.

Second. Approval, if appropriate, of the proposed distribution of the income for the year.

Third. To delegate to the Board of Directors the faculty to increase the capital stock within the limits established under the terms of Article 153.1.b) of the Spanish Corporate Act and to annul the faculty conferred to the Board pursuant to the agreements of the Regular Meeting of shareholders held on 5 June 1999.

Fourth. Re-election of Directors.

Fifth. Authorize the Company's Board of Directors for the derivative acquisition of treasury stock under the terms required by law, rendering null and void the authorization previously granted under a resolution of the General Meeting held on 8 June 2002.

Sixth. Re-election of auditors.

Seventh. Modification of the Articles of Association with the addition of a new article regulating the Audit Commission.

Eighth. Authorize the Board of Directors, with the scope necessary, to record in a public deed those of the foregoing resolutions which so require, with express powers to clarify, rectify or supplement said resolutions in accordance with the mercantile registrar's verbal or written requirements, and to perform any acts necessary to record these resolutions in the mercantile register.

Ninth. Approval of the minutes of the meeting.

Proposed Distribution of Income

Distribution of income after taxes of 8,635 thousands of Euros: 3,737 thousands of Euros for dividends, 4,899 thousands of Euros to voluntary reserves.

Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director for Bilbao Bizkaia Kutxa
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
PASCUAL JOVER LAGUARDIA	Director for Vital Kutxa
ALEJANDRO LEGARDA ZARAGÜETA	Director
ANDRÉS ARIZCORRETA GARCÍA	Director
LUIS MIGUEL ARCONADA ECHARRI	Director
FERNANDO SPAGNOLO DE LA TORRE	Director for Gipuzkoa Donostia Kutxa
ELOY LOBO AMESTOY	Director
FERMÍN ARRESE ARRATIBEL	Director
ALFREDO BAYANO SARRATE	Secretary

At 31 March 2003 the Board of Directors held 45.32% of the capital stock.

Supplementary Information

Balance Sheets

as of December 31st 2002*, 2001*, 2000, 1999 and 1998 (In Euros)

Assets

	2002	2001	2000	1999	1998
FIXED AND OTHER NONCURRENT ASSETS					
START UP EXPENSES	119,728	61,207	—	—	—
INTANGIBLE ASSETS	14,205,971	11,131,958	8,634,272	4,886,295	1,759,385
TANGIBLE FIXED ASSETS					
Land and structures	78,449,694	74,116,122	65,348,797	63,273,028	61,481,026
Technical installations and machinery	125,149,082	116,730,807	107,141,382	100,941,798	90,858,341
Other installations, tools and furniture	8,371,022	8,205,360	7,192,017	6,654,670	6,618,213
Advances and construction in progress	—	—	—	—	—
Other tangible fixed assets	12,948,327	10,948,517	9,658,156	8,380,008	9,357,596
Advances and construction in progress	1,575	—	—	—	—
Accumulated depreciation	(149,131,408)	(139,862,651)	(129,946,179)	(120,627,042)	(112,532,617)
	75,788,292	70,138,155	59,394,174	58,622,462	55,782,560
LONG-TERM FINANCIAL INVESTMENTS	11,046,968	17,669,197	23,425,054	23,536,860	12,535,009
TOTAL FIXED AND OTHER NONCURRENT ASSETS	101,160,959	99,000,517	91,453,500	87,045,617	70,076,954
DEFERRED CHARGES	9,959,326	7,339,782	—	—	—
CURRENT ASSETS					
INVENTORIES	64,218,845	78,209,717	57,075,613	113,584,316	129,154,382
ACCOUNTS RECEIVABLE					
Customer receivables for sales and services	261,424,930	170,874,989	118,018,235	104,747,070	88,944,941
Receivable from Group and associated companies	—	—	10,642,001	15,320,706	4,307,436
Receivable from associated companies	7,905,597	8,015,290	—	—	—
Sundry accounts receivable	3,091,648	3,119,541	2,506,990	1,571,611	1,704,542
Tax receivables	4,623,438	1,096,132	565,462	625,395	505,758
Provisions	(1,054,460)	(795,638)	—	(804,905)	(804,905)
	275,991,153	182,310,314	131,732,688	121,459,876	94,657,772
SHORT-TERM FINANCIAL INVESTMENTS	3,766,493	4,603,170	12,800,157	6,874,479	19,917,529
CASH	810,362	2,032,972	130,041	57,343	289,898
ACCRUAL ACCOUNTS	761,531	1,487,024	420,408	827,606	517,135
TOTAL CURRENT ASSETS	345,548,384	268,643,197	202,158,908	242,803,619	244,536,716
TOTAL ASSETS	**456,668,669**	**374,983,496**	**293,612,407**	**329,849,236**	**314,613,669**

* Years 2002 and 2001 consolidated Balance Sheet.

Shareholders' equity and liabilities

	2002	2001	2000	1999	1998
SHAREHOLDERS' EQUITY					
Capital stock	10,318,506	10,318,506	10,318,506	10,318,506	10,301,576
Additional paid-in capital	11,863,347	11,863,347	11,863,348	11,863,348	11,863,348
Revaluation reserve	28,034,368	28,034,368	28,034,366	28,034,366	28,034,366
Legal reserve	—	—	2,063,707	2,060,312	2,060,312
Voluntary reserves	—	—	57,662,598	52,190,010	46,822,209
Other reserves of the Controlling Company	70,796,603	65,350,408			
Reserves at companies consolidated by global integration method and carried by the equity method	3,593,683	3,025,483			
Translation differences	(4,367,890)	(1,599,407)			
Income attributable to the Controlling Company	9,838,103	9,753,152			
Income for the year			9,372,868	8,944,370	8,846,069
TOTAL SHAREHOLDERS' EQUITY	130,076,720	126,745,857	119,315,393	113,410,912	107,927,879
MINORITY INTERESTS	2,849,061	1,714,994			
DEFERRED REVENUES	16,246,338	12,618,369	482,697	1,183,315	1,978,953
PROVISIONS FOR CONTINGENCIES AND EXPENSES	1,323,572	2,282,121	939,184	554,512	259,727
LONG-TERM DEBT					
Other accounts payable	37,752,011	24,195,551	3,044,126	2,698,544	—
Accrued taxes payable	1,891,966	1,055,581	1,117,690	1,232,832	1,633,569
TOTAL LONG-TERM DEBT	39,643,977	25,251,132	4,161,816	3,931,376	1,633,569
CURRENT LIABILITIES					
Payable to credit entities	322,839	1,619,674	48,177	122,306	130,341
	322,839	1,619,674	48,177	122,306	130,341
Payable to associated companies	324,306	106,331			
Payable to Group and associated companies			9,712,915	631,159	873,156
Trade accounts payable					
Advances received on orders	133,314,097	72,083,919	74,091,035	123,312,695	114,095,074
Payables for purchases and services	95,176,233	98,139,994	59,490,372	61,215,817	54,729,953
	228,490,330	170,223,913	133,581,407	184,528,512	168,825,027
Other nontrade payables					
Other accounts payable	274,418	—	—	—	—
Accrued taxes payable	12,964,141	11,503,137	6,561,874	6,131,598	16,435,698
Compensation payable	7,440,751	6,240,844	5,325,490	4,979,764	4,863,041
	20,679,310	17,743,981	11,887,364	11,111,362	21,298,739
GUARANTEES AND DEPOSITS RECEIVED	—	—	—	—	52,601
OPERATING PROVISIONS	16,666,957	16,634,874	13,441,197	14,261,422	11,561,556
ACCRUAL ACCOUNTS	45,259	42,250	42,257	114,361	72,121
TOTAL CURRENT LIABILITIES	266,529,001	206,371,023	168,713,317	210,769,121	202,813,542
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**456,668,669**	**374,983,496**	**293,612,407**	**329,849,236**	**314,613,669**

Statements of Income

as of December 31st 2002*, 2001*, 2000, 1999 and 1998 (In Euros)

Debit

	2002	2001	2000	1999	1998
EXPENSES					
Decrease in finished product and					
work-in-process inventories	14,429,237	2,893,831	42,173,993	14,096,733	—
Raw materials used					
and other consumables	195,035,331	209,744,906	181,002,416	148,933,270	139,633,845
Personnel expenses	118,095,336	104,227,928	92,647,302	95,800,662	92,283,527
Period depreciation and					
amortization	12,330,570	11,746,349	11,398,988	9,426,376	9,220,902
Variation in operating provisions	(2,653,410)	3,285,565	(45,683)	1,844,536	(1,132,295)
Other operating expenses					
Outside services	47,319,458	41,038,717	28,981,104	26,003,534	31,115,136
Taxes other than income tax	1,266,670	1,701,820	511,023	541,842	761,681
OPERATING INCOME	13,877,437	13,900,653	12,883,650	11,803,794	11,473,297
Financial and similar expenses	7,313,922	4,089,274	2,321,439	2,223,246	1,716,965
Variation in financial investment provisions	—	2,191,675	—	—	—
FINANCIAL INCOME	—	—	—	—	—
INCOME FROM ORDINARY ACTIVITIES	12,509,311	12,065,818	11,890,015	10,944,124	11,017,688
Variation in intangible asset, tangible fixed asset					
and portfolio provisions	—	(60,101)	—	—	—
Extraordinary expenses	510,080	2,614,138	875,584	426,719	601,012
EXTRAORDINARY INCOME	59,552	308,835	—	403,261	250,304
INCOME BEFORE TAXES	12,568,863	12,374,653	11,732,477	11,347,385	11,267,991
Corporate income tax	8,606,613	2,620,827	2,359,610	2,403,015	2,421,923
Consolidaated income for the year	9,962,250	9,753,826	9,372,868	8,944,370	8,846,069
Income attributed to minority interest	124,147	674			
INCOME FOR THE YEAR	**9,838,103**	**9,753,152**	**9,372,868**	**8,944,370**	**8,846,069**

* Years 2002 and 2001 consolidated Statement of Income.

Credit

	2002	2001	2000	1999	1998
REVENUES					
Net sales	392,488,865	386,845,107	368,186,428	306,662,550	280,342,889
Increase in finished products and work-in-process inventories	—	—	—	—	694,349
Capitalized expenses of in-house work on fixed assets	342,751	360,818	208,593	84,316	125,161
Other operating revenues					
Non-core and other current operating revenues	2,961,296	671,294	839,848	850,390	911,062
Subsidies	3,907,717	662,550	317,923	853,491	1,282,632
OPERATING LOSS	—	—	—	—	—
Revenues from shareholdings	4,676	204,074	147,248	88,349	44,174
Other interest and similar revenues	5,698,298	4,024,678	1,180,556	1,275,227	1,217,182
FINANCIAL LOSS	1,610,948	2,052,197	993,635	859,670	455,609
Share in the income of companies carried by the equity method	242,822	217,362			
LOSS ON ORDINARY ACTIVITIES	—	—	—	—	—
Gains on tangible fixed assets disposals	77,877	47,101	17,429	34,342	37,227
Capital subsidies transferred to income for the year	420,903	373,793	700,618	795,638	814,089
Prior years' revenues and income	5,611	—	—	—	—
Extraordinary revenues	65,241	2,441,978	—	—	—
EXTRAORDINARY LOSS	—	—	157,537	—	—
LOSS BEFORE TAXES	—	—	—	—	—
Positive adjustments to income taxes (Note 4-n)	6,000,000	—	—	—	—
Consolidated loss for the year	—	—	—	—	—
Loss attributed to minority interests	—	—	—	—	—
LOSS FOR THE YEAR	—	—	—	—	—

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