Annual Report **2004**

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

Contents

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Annual Report ***2004***

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

This document, contains the statutory documentation of CAF and Subsidiaries.

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

Letter from Chairman

Dear shareholder:

As in previous years, I address to you on the occasion of the presentation of the Management Report and the Financial Statements for 2004, to inform you of the most outstanding aspects occurred during the mentioned year. Likewise, I will make some considerations about the coming future of our Company.

We can state that 2004 has been a good year for CAF. We have had an important sales increase, a higher benefit level than in 2003, and a record year of contracts, which has allowed us to finish the year with the biggest backlog of the history of CAF.

During the previous years, sales for CAF consolidated Group were 578 millions of euros, with an increase of a 16.6% regarding year 2003.

The positive result of the Group has been of 14 millions of euros, a 21% higher than the one in the previous year. The benefit before interests, taxes and amortizations (EBITDA) has been of 32.7 millions of euros, a 12.8% higher than the one in previous year and the cash-flow has increased, too, to 32.7 millions of euros, a 17.4% higher than in 2003.

These facts allow us to propose the Board to set aside 4.7 millions of euros to the remuneration to the shareholders, meaning an increase of a 25.7% over last year's.

As I previously pointed out, one of the most relevant facts of the year has been the high level of contracts. In fact, it has been 1,433 millions of euros in new contracts, an increase of a 107% over last year. The backlog at the end of the year was of 2,445 millions of euros.

The sales in 2004 are specially expressed in 30 high-speed trains to 250 Km per hour, 45 high-speed and variable-gauge trains to 250 Km per hour, 445 cars for the Metro in Madrid, as well as the increase by 6 new trains for the Metro in Rome.

I want to indicate, regarding the deliveries, that the ones corresponding to the new units of Pittsburgh have been completed, and the diesel trains for RENFE and Northern Ireland are in a very advanced process, as well as the trains of 250 Km per hour, the ones of steady-gauge as well as the variable-gauge ones. The deliveries to the Metros in Rome and in Mexico DF have started, too.

Regarding to the first months of 2005, I would point out, for one side, the normal development of the programmed industrial activities, and on the other hand the new contracts. Regarding to these last ones, I will emphasize the increase by 50 cars for the Metro in Barcelona and the 12 diesel trains for Argelia.

The important backlog allows us to take next years with calm, but being conscious of the need to continue with our technological development and the global improvement of the productivity, therefore, to establish the solid basis which allow us to compete in a more opened market.

We work in a sector with future. The bet for the train as a good way to solve the problems of public transportation is firmer. That is why our challenge is the quality and the technological innovation to be able to offer our clients a complete and competitive range of trains.

I am sure that our human team will continue to be compromised with the global goals of the Company, so we can face the future with optimism.

One more year, the reliance on our Company by all the shareholders stimulate us to keep working hard to achieve the challenge that we have proposed ourselves.

Thank you very much.

José María Baztarrica Garijo
Chairman and CEO

CITY/SUBURBAN

Subway Trains

- Barcelona
- Bilbao
- Brussels
- Hong Kong
- Madrid
- Mexico
- Rome
- São Paulo
- Seville
- Washington

Articulated Light Railway Vehicles

- Amsterdam (The Netherlands)
- Buenos Aires (Argentina)
- Monterrey (Mexico)
- Pittsburgh (USA)
- Sacramento (USA)
- Valencia (Spain)

Regional Trains

- Red Nacional de Ferrocarriles Españoles (RENFE)
- Eusko Trenbideak-Ferrocarriles Vascos (ET/FV)
- Ferrocarriles Españoles de Vía Estrecha (FEVE)
- Ferrocarrils de la Generalitat de Catalunya (FGC)
- SFM de Mallorca
- Caminhos de Ferro Portugueses (CFP)
- Finish Railways (VR Ltd)
- Heathrow Express
- Hong Kong Airport
- Irish Rail
- Northern Ireland Railways
- Northern Spirit

Streetcars

- Bilbao
- Lisbon
- Valencia

MAIN LINES

High Speed Trains

- High Speed Trains and Variable Gauge Trains ATPRD/120
- High Speed Trains for the Madrid-Seville Line
- Shuttle Trains / RENFE

Intercity Trains

- Tilting System ADR Trains
- Intercity, Push-Pull Service

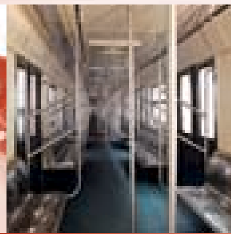
Passenger Cars

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

CAF is an international lider for its technology, quality and service. CAF trains run in 20 countries.

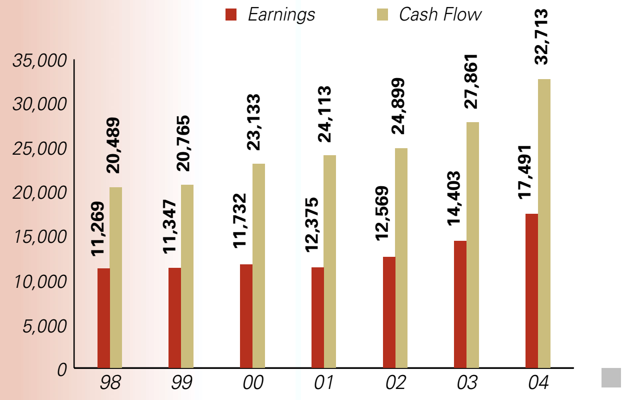
Management Report of the Consolidated Group





Earnings and Cash Flow before taxes

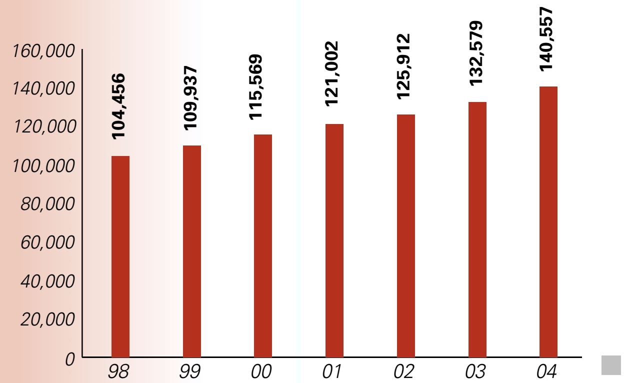
(thousand of euros)



* Consolidated data 2001, 2002, 2003 and 2004

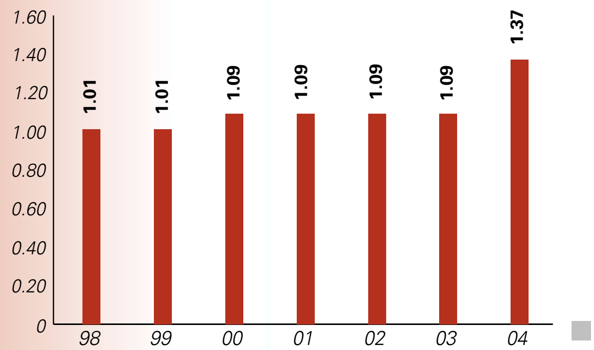
Shareholders' Equity

(thousand of euros)



Evolution of dividends/shares

(in euros)



Earnings

The CAF Group's 2004 financial results were as follows:

- Income after taxes amounted to €14,056 thousand, up approximately 21% on 2003.
- The depreciation and amortization charge of €15,223 thousand, plus the income for the year before taxes, generated a cash flow of €32,713 thousand.
- Net sales totaled €578,012 thousand.
- The backlog of €2,445,230 thousand as of December 31, 2004, which exceeded the 2003 year-end figure, will enable the Company to continue to pursue its normal business activities.
- The proposed distribution of €4,696 thousand of the Parent Company's income after taxes to pay dividends and €7,977 thousand 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 €140,557 thousand.
- Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held any treasury stock in 2004.

Income after taxes amounted to €14,056 thousand, up approximately 21% on 2003.

Commercial activity

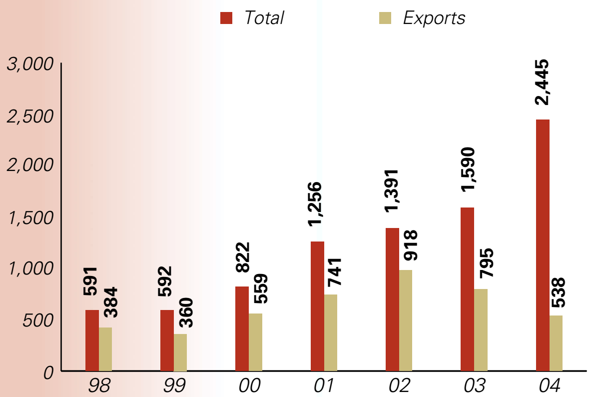
The Group's backlog at 2004 year-end stood at €2,445 million, up 54% on 2003.

In 2004 commercial activity was very strong, especially in the domestic market, and CAF obtained contracts for €1,433 million, up 107% on those obtained in 2003. At 2004 year-end the Group's backlog stood at €2,445 million.

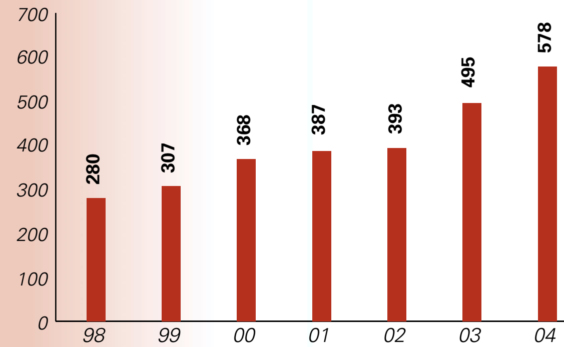
This backlog, which exceeded the 2003 figure by 54%, is once again the highest ever reached by CAF, following last year's trend, and evidences a highly substantial increase in domestic contracts. As a result of the orders won in the domestic market, the share of this market accounted for 78% of the total backlog.

Noteworthy in the domestic market was the award to a consortium formed by CAF and another manufacturer, which we announced in last year's report, of the supply of 30 250 km/h high-speed trains and 45 variable-gage 250 km/h high-speed trains. The second order is of particular importance for CAF, since it reinforces its commitment to such a special segment and guarantees its presence with proprietary technology in the high-speed segment. Additionally, the switch to variable gage, due to the characteristics of the RENFE lines in which two different gages coexist, offers a promising future.

Order Book
(million of euros)



Total Sales
(million of euros)



** Consolidated data 2001, 2002, 2003 and 2004*

A highly important contract was entered into with the Madrid subway authority for 36 six-car series 3000 trains and 54 four-car dual-voltage series 3000 trains. Also, a contract was signed with the Madrid subway authority for 14 series 8000 power cars and nine series 6000 trailer cars in order to add them to the respective units of these series which had already been supplied in previous orders. These contracts are for 455 cars in total and amount to €514 million.

Maintenance work experienced considerable growth and almost tripled the backlog for 2003. This performance was due mainly to the new high-speed supply contracts from RENFE, which have the added value of including maintenance for 14-year contractual periods, a target which CAF has pursued in order to achieve stability in this segment.

Significant effort was made in the exports area, although in 2004 it only materialized in the increase of the order from the Rome subway authority by 6 units. In any event, the foundations have been laid for new contracts to be signed in the next few months.

In the urban and suburban transport area, various local governments are implementing or studying the extension of their current networks or the creation of new ones which, given our position in this market, will undoubtedly enable us to make successful bids in any call for tenders.

RENFE's Strategic Infrastructure and Transport Plan (PEIT), which covers until the year 2020 and envisages sizeable investments, has just been approved. CAF takes a favorable view of this development given its technological and industrial position.

In particular, in addition to high-speed trains, the Plan envisages, inter alia, investments in urban transport for which CAF has already supplied some CIVIA trains and is in the process of manufacturing others. This will enable CAF to continue to hold a very strong position in this segment.

Industrial activity

Variable-gage, shuttle, Intercity, suburban and subway trains, articulated units, street cars...

In 2004, with the delivery of the last three TUs for the Washington subway, 8 LRV units for the city of Sacramento, the low-floor streetcar for Bilbao, one diesel train for the Republic of Ireland, one car for Mallorca and three two-car CIVIA trains for RENFE, CAF completed the delivery schedule for the vehicles associated with these projects

2004 also saw the delivery of 22 new LRV units and two refurbished LRV units for Pittsburgh, 12 ADR diesel trains and 4 s/104 shuttle trains for RENFE and 3 Brava variable-gage ATPRD trains, two of which are being subject to line tests and one of which is in the certification process, also for RENFE. The first train for the Mexico subway, 10 DMU's trains for NIR, Northern Ireland, the first two trains for the Rome subway and two series 2000 units for the Madrid subway were also delivered.

Particularly worthy of note in other projects currently at the development phase are the advanced stage of manufacturing of the prototype of the 67 passenger cars for the Republic of Ireland, the first trains covered by the last contract for Mallorca and the DMU trains under the second contract for Ireland, and the manufacture of the first racks and boxes of the Seville light subway.

Worthy of mention concerning other projects awarded recently was the performance of the design at the reengineering phase of 40 new CIVIA trains for RENFE, the commencement of the detail engineering and the supply of materials for 15 six-car trains for Brussels, the manufacture of bodies for 14 M.M. S/8000 cars, the commencement of the finishing of the first cars of the 39 five-car trains for the Barcelona subway and the commencement of the manufacture of the structures of four trains for FGC, Ferrocarriles de la Generalitat de Catalunya.

It is worth pointing out in connection with the latest projects awarded that the 54 dual-voltage S/3000 trains and the 36 single-voltage S/3000 trains for the Madrid subway and the nine trailer cars ordered for the series 6000 are at the basic engineering development stage.

The most important manufacturing projects in 2004 were as follows:

VEHICLES

Units (M+M) for the Washington DC subway	6
Units (M+M) for the Sacramento LRV (USA)	16
Units (M+M) for the Pittsburgh LRV (USA)	44
Refurbished units (M+M) for the LRV Pittsburgh (USA)	4
Suburban units (B1+B2) 2000 Train for RENFE	6
S/2000 units (M+R) for the Madrid subway	4
100% low-floor streetcars (2M + R) for Bilbao	3
Diesel train (DM1+MDT+MT+DM2) for the Republic of Ireland	4
ADR diesel train (M1+R+M2) for RENFE	36
Brava ATPRD train (MCT + MIT + MIP + MCP) for RENFE	12
DMU train (DM1+M+DM2) for Northern Ireland Railways (NIR)	30
Train (2RCP + 2M1 + 2M2) for the Rome subway	12
s/104 shuttle trains (CPM + CMIP + CMI + CMT) for RENFE	16
Trains (M1+M2+4N+2R+PR) for the Mexico subway	9
Diesel cars (5M+2R) for Mallorca	1
TOTAL	203

BOGIES

With welded steel rack (power car + trailer)	780

COMPONENTS

Mounted axles	3,945
Axle shafts (Total)	7,548
Wheels (Total)	33,478
Brackets	641
Grease boxes	3,113
Reduction gear	262
Pneumatic suspension units	85
Brake blocks	65
Scharfenberg couplers	639

Other supplementary materials manufactured were as follows:

Steel	34,013 Tm
Molded steel	368 Tm
Rings and flanges + crane wheels (units)	2,475

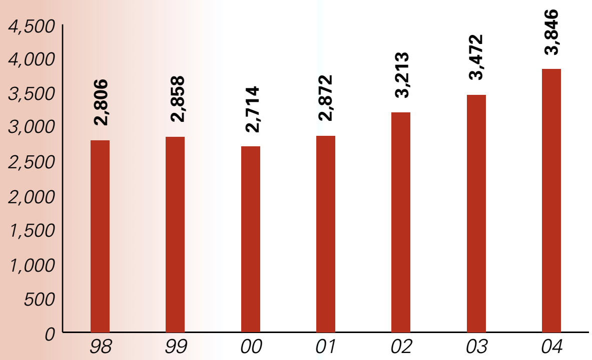
The repairs carried out included:

S/3500 electric units	2
S/200 electric units	2
Cars for Mallorca	5
Bogies for Bilbao subway	40

Human resources

Employee portal with internet technology for improvements in Human Resources communications and management. Renewal of ISO 14001 Environmental Management Certificate.

Employees
(number of persons)



* Consolidated data 2001, 2002, 2003 and 2004

The variations in the consolidated Group's labor force in 2004 were as follows:

	Permanent	Total	Annual Average Headcount
12-31-03	2,705	3,505	3,472
12-31-04	2,853	3,855	3,846

In the first half of the year, new employees continued to join the Company to strengthen several of its divisions, and capacity in technological areas was boosted through the development of investees.

102 courses were given in 2004. Noteworthy were the training in the new version of the computer design system and the involvement throughout the organizational structure of the Finishings Division in the area of personnel management.

The Employee Portal was implemented, by taking advantage of Internet technology, which will make it possible to improve the Human Resources communication and management.

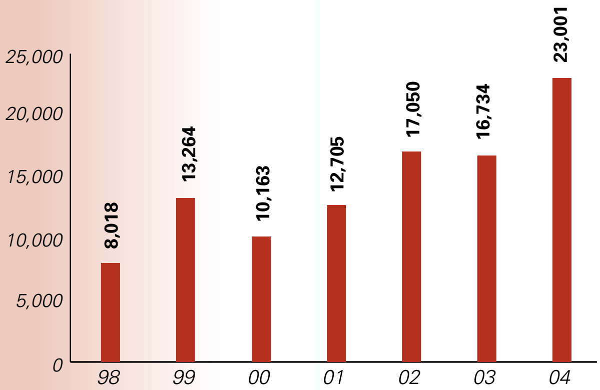
The activities envisaged in the Prevention Plan were carried out. Noteworthy in 2004 was the considerable action taken in employee training and communication. Significant progress was also made in the coordination of business activities with contractors and subcontractors.

CAF obtained the renewal of the ISO 14001 Environmental Management Certificate.

Capital expenditure in 2004

Geared mainly towards increasing productivity, safety in the workplace and improving environmental conditions.

Investments
(thousand of euros)



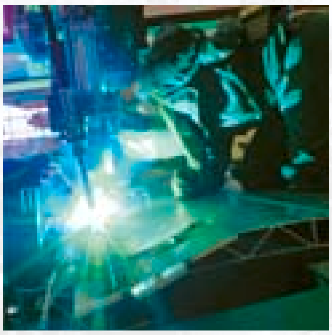
** Consolidated data 2001, 2002, 2003 and 2004*

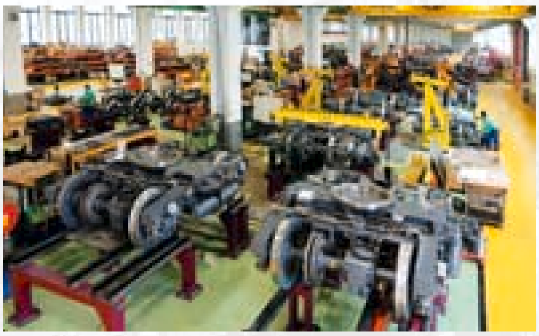
In 2004 the Group's investments in fixed assets for its plants amounted to €23,001 thousand (excluding the effect of exchange rates), in line with the investment drive in prior years.

Most of this expenditure was geared towards increasing productivity, safety in the workplace and improving environmental conditions.

The most representative investments made were as follows:

- New plant for the manufacture of Bogies to handle more technological products.
- Adaptation, extension and modernization of the Beasain, Irun and Zaragoza finishing plants.
- Commencement of work for the new Laboratory and Testing Center for railroad vehicles.
- Technical resources for the design and renewal of hardware at the engineering offices.
- Adaptation of the means of production to environmental regulations.





Technological development

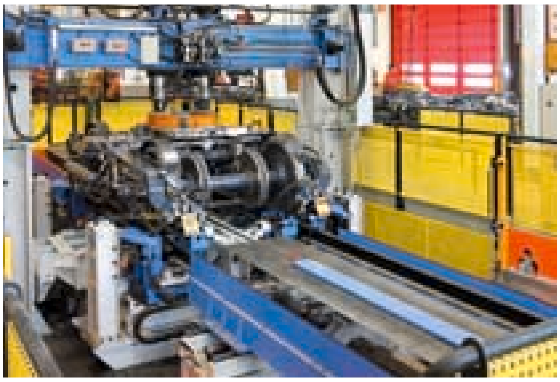
Completion and tests of tilting-system ADR trains, high-speed, variable-gage ATPRD trains for the Rome and Mexico subways.

The company's technological activity was highly important in line with recent year's policy.

In addition to the research and development activities discussed below, it is worth noting that work began on the construction of the new Testing Center on land relating to the old smelting plant.

The activity of CAF I+D and investees such as Géminis, Traintic, Lander and Asiris was also consolidated.

The most significant activities performed in 2004 were as follows:



Basic research and technology

During 2004 the TRD trains equipped with BRAVA variable-gage bogies continued to provide commercial service on the Calatayud-Zaragoza-Huesca-Jaca line as normal.

In 2004 tests commenced for the fine-tuning and certification of the variable-gage, high-speed ATPRD trains manufactured for the RENFE Long-Distance Lines Business Unit, which are already at a very advanced stage.

CAF, together with its subsidiary Traintic, continued their activity related to the development and supply of new electronic equipment. Also, new activities began in this area. The ATPRD train project represented an opportunity for the development of new electronic equipment with demanding safety measures.

CAF continued with its policy established in previous years of working together with technological centers and universities and tried to extend its collaboration to new entities and technological areas.

In 2004 Basque provincial, autonomous, state and European governments continued to support our Research & Development activities. Collaboration agreements were entered into with companies, technological centers and universities from different countries in order to participate in European projects.

New developments

To support and supplement the commercial activity performed in the year, it was necessary for the Group to prepare various technical proposals for customers with which it already works and a total of 26 draft projects were drawn up which included, most notably:

In the domestic market:

Bids to Renfe for various high-speed material. (Variable-gage trains for long-distance lines, variable-gage trains for the high-speed trains, traction units, shuttle trains and 300 km/h trains).

Bids for various series of subway material (series 3000, 8000 and 9000) and streetcars for the Madrid subway authority.

In the export market:

- Diesel trains for the Republic of Ireland.
- Electric units for Gauteng (South Africa).
- Diesel train for TTA in North Carolina.
- Articulated units for Rotterdam.
- Electric trains for SOB (Switzerland) and SNCB (Belgium).
- Cars for intercity service in Israel.

The construction projects commenced in prior years on which work continued in 2004 included most notably the following:

- Passenger cars for the Republic of Ireland (nine-car sets for the intercity service).
- Trains for the Seville subway.
- Trains for the Barcelona subway.
- Completion and testing of tilting-system ADR trains, high-speed, variable-gage ATPRD trains and trains for the Rome and Mexico subways.

Additionally, the following projects were commenced for:

- Brussels subway.
- Madrid subway, series 3000.
- New high-speed, variable-gage trains for Renfe.

Outlook

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

- Gradual expansion of production capacity to cater for the increase in the backlog.
- Strengthening of the Company's industrial, technological and organizational areas through capital expenditure.
- Development of new products and implementation of advanced integrated project management systems.
- Maintenance of CAF's presence in the international railroad material markets.
- Harnessing of the Company's potential in railroad service business lines.

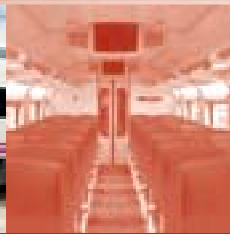
Subsequent events

As of February 28, 2005, there was a firm backlog of €2,359,380 thousand.

As of the same date, Cartera Social, S.A. became CAF's major shareholder since it increased its holding to 23.11%.

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

Auditor's Report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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. 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, 2004, 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.

2. As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2004 figures for each item in the consolidated balance sheet and consolidated statement of income, the figures for 2003. Our opinion refers only to the 2004 consolidated financial statements. Our auditors' report dated March 30, 2004, on the 2003 consolidated financial statements of the CAF Group contained an unqualified opinion.

3. In our opinion, the consolidated financial statements for 2004 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 CAF Group as of December 31, 2004, 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.

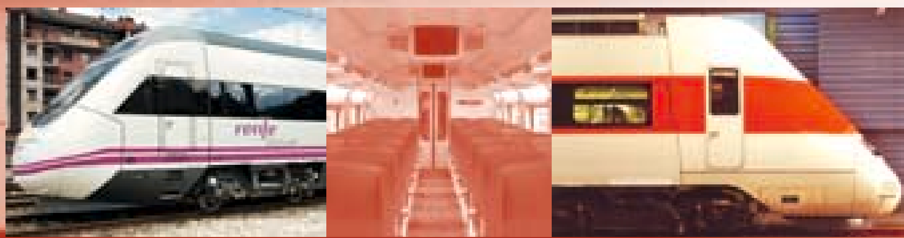
4. The accompanying consolidated management report for 2004 contains the explanations which the directors of the Parent Company consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2004. 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
Registered in ROAC under no. S0692

Joseba Ijalba Ruiz

March 30, 2005

Financial Statements of the Consolidated Group



Consolidated Balance Sheets

as of December 31, 2004 and 2003 (Notes 1, 2 and 4) (In Euros)

Assets

	12-31-04	12-31-03
FIXED AND OTHER NONCURRENT ASSETS		
Start-up expenses	71,063	45,288
Intangible assets, net (Note 5)	14,119,310	17,596,420
Tangible fixed assets (Note 6)		
Land and structures	93,198,525	81,364,820
Plant and machinery	139,887,650	135,093,360
Other fixtures, tools and furniture	9,684,552	8,600,657
Other tangible fixed assets	16,053,567	13,969,511
Advances and construction in progress	—	476,828
Accumulated depreciation	(163,051,043)	(158,084,722)
	95,773,251	81,420,454
Long-term investments, net (Note 7)	21,221,676	18,779,808
Total fixed and other noncurrent assets	131,185,300	117,841,970
DEFERRED CHARGES	5,382	—
CURRENT ASSETS		
Inventories (Note 8)	19,848,218	29,452,853
Accounts receivable		
Trade receivables for sales and services (Notes 9 and 12)	433,952,412	320,383,994
Receivable from associated companies (Note 7)	17,896	932,444
Sundry accounts receivable	603,464	2,773,568
Tax receivables (Note 14)	9,617,684	5,718,570
Allowances	(1,011,285)	(1,082,406)
	443,180,171	328,726,170
Short-term investments (Note 10)	23,679,429	49,815,394
Cash	1,434,482	3,226,237
Accrual accounts	456,634	315,002
Total current assets	488,598,934	411,535,656
TOTAL ASSETS	619,789,616	529,377,626

Shareholders' equity and liabilities

	12-31-04	12-31-03
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	82,363,334	75,695,511
Reserves at fully consolidated companies and companies accounted for by the equity method	3,682,317	2,254,338
Translation differences	(2,809,287)	(2,750,817)
Income attributable to the Parent Company	14,056,123	11,605,548
Total shareholders' equity	***147,508,708***	***137,020,801***
MINORITY INTERESTS	**1,958,626**	**1,879,346**
DEFERRED REVENUES (Note 12)	**4,058,492**	**5,014,021**
PROVISIONS FOR CONTINGENCIES AND EXPENSES (Note 4-o)	**1,225,961**	**830,969**
LONG-TERM DEBT		
Other payables (Notes 4-l and 12)	66,605,018	47,363,700
Taxes payable (Note 14)	2,421,133	2,432,730
Uncalled capital payments payable	103,336	2,104,850
Total long-term debt	***69,129,487***	***51,901,280***
CURRENT LIABILITIES		
Payable to credit institutions	154,036	47,197
Payable to associated companies (Note 7)	2,832,918	1,329,363
Trade accounts payable		
Advances received on orders	172,906,288	133,407,850
Accounts payable for purchases and services (Note 12)	154,280,808	140,998,531
	327,187,096	**274,406,381**
Other nontrade payables		
Other payables	168,315	4,377,756
Taxes payable (Note 14)	32,283,433	20,963,598
Compensation payable	8,754,343	7,989,858
	41,206,091	**33,331,212**
Operating allowances (Note 15)	***23,956,498***	***23,574,121***
Accrual accounts	***571,703***	***42,935***
Total current liabilities	***395,908,342***	***332,731,209***
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**619,789,616**	**529,377,626**

The accompanying Notes 1 to 22 are an integral part of the consolidated balance sheet as of December 31, 2004.

Consolidated Statements

of income for the years ended December 31, 2004 and 2003 (Notes 1, 2 and 4) (In Euros)

Debit

	2004	2003
EXPENSES		
Decrease in finished goods and work-in-process inventories	57,619,642	82,767,840
Raw materials and other consumables used (Note 16)	284,154,227	195,072,687
Personnel expenses (Note 17)	152,155,231	133,177,214
Depreciation and amortization expense (Notes 5 and 6)	15,223,632	13,458,120
Net variation in operating allowances (Notes 7 and 15)	2,524,251	3,461,222
Other operating expenses		
Outside services	52,494,462	55,048,333
Taxes other than income tax	1,485,110	1,410,819
Operating income	**18,258,903**	**15,731,682**
Financial and similar expenses (Note 13)	3,063,815	4,535,016
Financial income	—	—
Income from ordinary activities	**18,401,396**	**14,733,286**
Variation in tangible fixed asset, intangible asset and control portfolio allowances	148,614	393,411
Extraordinary expenses (Note 7)	632,381	9,632
Losses on tangible fixed assets (Note 6)	316,499	—
Extraordinary income	—	—
Consolidated income before taxes	**17,490,726**	**14,403,429**
Corporate income tax (Notes 4-n, 14 and 15)	5,428,251	3,819,985
Consolidated income for the year	**14,118,945**	**11,645,754**
Income attributed to minority interests	62,822	40,206
Income for the year attributed to the Parent Company	**14,056,123**	**11,605,548**

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 22). In the event of a discrepancy, the Spanish-language version prevails.

Credit

	2004	2003
REVENUES		
Net sales (Note 16)	578,012,441	495,479,207
Capitalized expenses of in-house work on fixed assets	331,588	1,087,200
Other operating revenues		
Non-core and other current operating revenues	406,670	598,342
Operating subsidies (Note 12)	5,164,759	2,963,168
Operating loss	—	—
Revenues from equity investments (Note 7)	17,170	954
Other interest and similar revenues (Note 10)	2,972,184	3,322,165
Financial loss	**74,461**	**1,211,897**
Share in the income of companies accounted for by the equity method	216,954	213,501
Loss on ordinary activities	—	—
Gains on tangible fixed asset disposals (Note 6)	102,671	68,306
Capital subsidies transferred to income for the year	76,773	—
Prior years' revenues and income	—	4,880
Extraordinary revenues	13,380	—
Extraordinary loss	**910,670**	**329,857**
Consolidated loss before taxes	—	—
Positive adjustments to income taxes (Notes 4-n and 7)	2,056,470	1,062,310
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, 2004.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 22). In the event of a discrepancy, the Spanish-language version prevails.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2004

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.

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

2 Basis of presentation of the consolidated financial statements

a) True and fair view

The accompanying consolidated financial statements as of December 31, 2004, 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 2004. 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 2003 consolidated financial statements prepared by the Board of Directors were approved by the Shareholders' Meeting on June 5, 2004 (see Note 11).

b) Accounting policies

The accounting principles used in preparing the accompanying consolidated financial statements are those included in the Spanish Commercial Code, the current Spanish Corporations Law, the Spanish National Chart of Accounts, as approved by Royal Decree 1643/1990, and Royal Decree 1815/1991 approving the Rules 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, 2004, were prepared from the individual accounting records as of December 31, 2004, of Construcciones y Auxiliar de Ferrocarriles, S.A. (Parent Company) (see Note 1) and of the subsidiaries listed below:

	% of Direct and Indirect Ownership	Location	Line of Business	Auditor
Fully consolidated companies (**)				
CAF, S.A.	Parent Company	Guipúzcoa (Spain)	Marketing and manufacture of railroad equipment and components	Deloitte
CAF USA, Inc.	100%	Delaware (USA)	Manufacture and assembly of railroad equipment and components	Deloitte
CAF México, S.A. de C.V.	100%	México D.F. (Mexico)	Marketing and manufacture of railroad equipment and components	Deloitte
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 Irlanda, Ltda.	100%	Belfast (Norhern Ireland)	Marketing and manufacture of railroad equipment and components	Deloitte
Inversiones en Concesiones Ferroviarias, S.A. (*)	77.6%	Guipúzcoa (Spain)	Promotion and development of companies through short-term holdings in their capital stock	Arco Auditores
Urbanización Parque Romareda, S.A.	100%	Zaragoza (Spain)	Ownership of shares	N/A
CAF I+D Subgroup				
CAF I+D, S.L. (Sole-Shareholder Company)	100%	Guipúzcoa (Spain)	Research and Development in connection with railroad material	N/A
Sasismag, S.A.	100%	Guipúzcoa (Spain)	Preparation of operating manuals (inactive)	Alter Consulting
Ipar Sistemas 2002, S.L.	99.9%	Vizcaya (Spain)	Holding company	-
Traintic, S.L.	99.9%	Guipúzcoa (Spain)	Manufacture of electronic products	BSK
Sermanfer Subgroup				
Sermanfer, S.A.	100%	Madrid (Spain)	Railroad material maintenance services	Audiconta
Sefemex, S.A. de C.V.	100%	Mexico D.F. (Mexico)	Provision of services and administration of personnel	Horacio Ramírez y Asociados, S.C.
Tradinsa Industrial, S.A. (*)	80%	Lleida (Spain)	Repair and maintenance of railroad material	Roig y Roig, Asociados
Companies accounted for by the equity method (Note 7) (**)				
AAI-CAF Transit, LLC	50%	Maryland (USA)	Assembly of railroad equipment and components (inactive)	Deloitte
Sab Ibérica, S.A.	24.5%	Madrid (Spain)	Sale of railroad braking equipment	Deloitte (In progress)
CAF I+D Subgroup				
Lander Simulation and Training Solutions, S.A.	40%	Guipúzcoa (Spain)	Study and manufacture of simulators	S.M. Auditores
Asirys Vision Technologies, S.A.	31%	Guipúzcoa (Spain)	Study and manufacture of automatic production systems	S.M. Auditores

(*) The only companies that contribute "Minority Interests".
(**) The Parent Company guarantees financial support for its subsidiaries for a minimum period of one year.

The main variation in the scope of consolidation in 2004 was the inclusion on January 1, 2004 of CAF Irlanda, Ltda., CAF I+D, S.L. and its subsidiaries and associated companies Sasismag, S.A., Ipar Sistemas, S.L., Traintic, S.L., Lander Simulation and Training Solutions, S.A. and Asirys Vision Technologies, S.A. and the subsidiaries of Sermanfer, S.A., Sefemex, S.A. de C.V. and Tradinsa Industrial, S.A.

Consolidation method

The majority holdings were fully consolidated 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 accompanying 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.

Translation of financial statements in foreign currency

The financial statements in foreign currency 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 income/loss for the year, which is translated as stated above) and the net equity value resulting from the translation of the assets, rights and obligations at the year-end exchange rates is recorded under the "Shareholders' Equity - Translation Differences" caption 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.

3 Distribution of Income

The Parent Company's directors propose the following distribution of 2004 income:

Distribution	***Euros***
To voluntary reserves	7,977,486
Dividends	4,696,463
Total	***12,673,949***

4 Valuation standards

The main valuation methods applied by the CAF Group in preparing its consolidated financial statements as of December 31, 2004, 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, as appropriate, at the accumulated manufacturing cost allocated in accordance with inventory valuation methods - see Note 4-d). Computer software is amortized on a straight-line basis over five years from its acquisition (see Note 5). The R&D projects are amortized on a straight-line basis over five years from the date of their acquisition or completion or are recovered as an addition to the cost of the development contracts obtained over that period, in which case they are transferred to or from inventories (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-g).

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets 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-d).

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 (not fully consolidated or accounted for by the equity method - see Notes 2-c and 7) 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, 2004, as appropriate) if the latter two values are lower, in which case the related allowance is recorded with a charge to the “Variation in Investment Valuation Allowances” caption.

Long-term accounts receivable are valued at the amount effectively granted. As of December 31, 2004, 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 the “Other Interest and Similar Revenues” caption in the accompanying consolidated statement of income.

d) 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-e, and are valued as follows:

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

2. Processing expenses: based on standard hourly absorption rates for labor and direct and indirect manufacturing expenses, which do not differ materially from actual hourly rates.

e) Recognition of partial revenues and income on contracts

The Group generally recognizes revenues and 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 the projected income on each contract has been determined, the Group applies the following correcting coefficients to determine income and revenues:

– With a percentage of completion from 0 to 10%, no income or revenues are recorded.

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

Based on the revenues earned, the projected income for each contract (determined as described above) and 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).

f) Customer advances and completed projects

The difference between the revenues recognized and the amount billed for each project (see Note 4-e) is recorded as follows:

– If the difference is positive, under the "Trade Receivables for Sales and Services – Unbilled Completed Projects" caption (see Note 9).

– If it is negative, under "Advances Received on Orders".

g) Allowance for bad debts

The Group records provisions to this allowance to cover bad debts due to late payment, "suspension de pagos" (Chapter 11-type insolvency proceedings), insolvency or other reasons, after performing a case-by-case analysis of the collectibility of the receivables. In 2004 the net variation in the allowance for bad debts was an allocation to income of approximately €62 thousand.

h) Foreign currency transactions and other commitments

The foreign currency asset and liability balances of consolidated foreign 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, 2004.

i) Subsidies

1. Nonrefundable capital subsidies are recorded under "Deferred Revenues" when definitively granted, at 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 addition to the revenues described in Note 12, in 2004 the Group recorded revenues of €569 thousand under the "Other Operating Revenues – Operating Subsidies" caption.

j) Long-term debt

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

k) Early retirement payments and severance costs

The accompanying consolidated financial statements as of December 31, 2004, 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 2004 were not material (see Note 17).

l) Provisions for pension commitments

The consolidated companies pay defined-contribution premiums to external pension funds deposited at independent insurance companies 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 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 2004 year-end and those recorded at 2003 year-end. The expenses incurred in 2004 (approximately €4,967 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.

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, 2004, the Group had recorded a tax asset of €6,000 thousand in this connection after estimating the corporate income tax charge for 2004 (see Note 14) and after recording €2,056 thousand with a credit to the "Positive Adjustments to Income Taxes" caption in the accompanying consolidated 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 an evaluation of its backlog, maintained the provision of €3.5 million already recorded in 2003 (see Note 15).

€5,229 thousand of the recorded tax asset were included in the "Long-Term Investments - Tax Credits and Tax Relief Deductible at Long Term" account (see Note 7) and the remainder was recorded under the "Tax Receivables – Tax Credits and Tax Relief Deductible at Short Term" account in the accompanying consolidated balance sheet as of December 31, 2004 (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 Group records provisions 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 2004 the Group made payments amounting to €834 thousand and recorded €1,229 thousand in this connection with a charge to “Personnel Expenses - Other Expenses” (see Note 17).

p) 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 16-d).

Expenses incurred in compliance with applicable environmental legislation are recorded by type under the “Other Operating Expenses” caption in the accompanying statement of income (see Note 16-d).

q) Exchange rate hedges

The Company uses these instruments to hedge the project contracts obtained by it and certain investments in investees.

The purpose of these transactions is to eliminate or significantly reduce the exchange rate risk exposure on asset and liability positions or on other transactions and, since they meet the necessary conditions, they are treated as hedging transactions. The amounts relating to projects in progress are translated to euros at the hedged rate, whereas the gain or loss arising from investment hedging transactions is accrued symmetrically to the revenues or costs of the hedged item under the “Translation Differences” caption.

5 Intangible assets

The variations in this caption in 2004 were as follows:

	Euros					
	Beginning Balance	**Inclusions in the Consolidated Group (Note 2.c) (*)**	**Additions or Provisions (*)**	**Transfers from Inventories (Note 8)**	**Transfer to Inventories (Note 8)**	**Ending Balance**
Cost:						
Research and development expenses (Note 12)	19,906,916	—	6,637,442	2,328,788	(8,295,995)	20,577,151
Computer software	9,205,829	102,438	—	—	—	9,308,267
Other	—	29,713	—	—	—	29,713
Total Cost	***29,112,745***	***132,151***	***6,637,442***	***2,328,788***	***(8,295,995)***	***29,915,131***
Accumulated amortization:						
Research and development expenses	5,765,618	—	2,844,918	—	—	8,610,536
Computer software	5,750,706	6,497	1,416,396	—	—	7,173,599
Other	—	11,685	—	—	—	11,685
Total accumulated amortization	***11,516,324***	***18,182***	***4,261,314***	—	—	***15,795,821***
Intangible assets, net	***17,596,420***	***113,969***	***2,376,128***	***2,328,788***	***(8,295,995)***	***14,119,310***

(*) Includes the effect of translation of foreign currencies.

6 Tangible fixed assets

The variations in tangible fixed asset accounts and in the related accumulated depreciation in the year ended December 31, 2004, were as follows:

	Euros					
	Beginning Balance	**Inclusions in the Consolidated Group (Note 2-c) (*)**	**Additions or Provisions (*)**	**Transfers**	**Retirements or Reductions (*)**	**Ending Balance**
Cost:						
Land and structures	81,364,820	2,450,608	10,859,055	(404,840)	(1,071,118)	93,198,525
Plant and machinery	135,093,360	331,884	8,655,539	473,982	(4,667,115)	139,887,650
Other fixtures, tools and furniture	8,600,657	152,728	934,996	(3,829)	—	9,684,552
Other tangible fixed assets	13,969,511	135,342	1,949,928	19,140	(20,354)	16,053,567
Advances and construction in progress	476,828	—	12,465	(489,293)	—	—
Total cost	***239,505,176***	***3,070,562***	***22,411,983***	***(404,840)***	***(5,758,587)***	***258,824,294***
Accumulated depreciation:						
Structures	44,594,890	—	1,807,103	(404,840)	(978,989)	45,018,164
Plant and machinery	97,641,356	185,545	6,982,434	—	(4,404,936)	100,404,399
Other fixtures, tools and furniture	5,698,364	9,866	514,440	—	—	6,222,670
Other tangible fixed assets	10,150,112	136	1,259,975	—	(4,413)	11,405,810
Total accumulated depreciation	***158,084,722***	***195,547***	***10,563,952***	***(404,840)***	***(5,388,338)***	***163,051,043***
Tangible fixed assets, net	***81,420,454***	***2,875,015***	***11,848,031***	—	***(370,249)***	***95,773,251***

(*) Includes the effect of translation of foreign currencies.

The revaluations made pursuant to Guipúzcoa Regulation 11/1996 and Guipúzcoa Decree 13/1991 increased the depreciation charges for 2004 and prior years by approximately €306 thousand and €3,194 thousand, respectively.

As of December 31, 2004, the Group had firm tangible fixed asset purchase commitments amounting to approximately €6,340 thousand.

The consolidated companies take out insurance policies to adequately cover their tangible fixed assets. As of December 31, 2004, 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, 2004, totaled approximately €118,163 thousand.

7 Long-term investments

a) Variation

The variations in "Long-Term Investments" in 2004 were as follows:

	Euros					
	Beginning Balance	***Inclusions in the Consolidated Group (Note 2-c) (*)***	***Net Additions or Provisions (*)***	***Retirements or Reductions (*)***	***Transfers, Repayments and Writedowns (Note 15)***	***Ending Balance***
Long-term investments:						
Investments in companies accounted for by the equity method (Note 2-c)	439,778	427,469	—	(50,095)	—	817,152
Other holdings	9,624,451	—	—	(1,504)	—	9,622,947
Other loans	2,390,558	540,708	2,686,965	(71,422)	(333,998)	5,212,810
	12,454,787	***968,177***	***2,686,965***	***(123,021)***	***(333,998)***	***15,652,909***
Tax receivables (Note 14):						
Prepaid taxes	1,730,017	—	—	—	(619,052)	1,110,965
Tax credits and tax relief deductible at long term (Notes 4-n and 14)	4,978,000	—	2,056,470	(1,805,470)	—	5,229,000
Other (Note 14)	1,629	—	338,678	—	—	340,307
	6,709,646	—	***2,395,148***	***(1,805,470)***	***(619,052)***	***6,680,272***
Trade receivables for sales and services (Note 9)	1,749,128	—	—	—	—	1,749,128
Allowances	(2,133,753)	—	(749,614)	19,038	3,696	(2,860,633)
Total long-term investments	***18,779,808***	***968,177***	***4,332,498***	***(1,909,453)***	***(949,354)***	***21,221,676***

(*) Includes the effect of translation of foreign currencies.

b) Basic data on investees

In accordance with the Spanish National Chart of Accounts, set forth below are the salient data on the investees more than 20% and less than 50% owned by the Group.

Name	*Registered Office*	*Line of Business and Corporate Purpose*	*Percentage of Ownership*		*Gross Book Value*	*Basic Financial Data (1)*			*Auditor*
			Direct	*Indirect*		*Capital*	*Reserves and Accumulated Income/Loss*	*2004 Income (Loss)*	
Sab Ibérica, S.A.	Madrid (Spain)	Sale of railroad breaking equipment	24.5%	—	84,826	84,140	839,436	163,406	Deloitte (in progress)
Lander Simulation and Training Solutions, S.A.	Guipúzcoa (Spain)	Study and manufacture of simulators	—	40%	270,446	150,250	481,440	65,530	S.M. Auditores, S.A.
Asirys Vision Technologies, S.A.	Guipúzcoa (Spain)	Study and manufacture of automatic manufacturing systems	—	31%	172,854	109,090	—	(11,982)	S.M. Auditores, S.A.

(1) After adjustments and unification for consolidation purposes.

The Company also has direct and indirect holdings of 5% and 7.6% in Alquiler de Trenes A.I.E. and Guadalquivir Sociedad Concesionaria de la Junta de Andalucia – Guadalmetro, S.A., respectively.

c) Transactions with associated companies

	Euros		
Company	***Services Provided or Sales***	***Services Received or Purchases***	***Dividends Received***
Sab Ibérica, S.A.	66,988	2,516,495	213,501
CAF I+D Subgroup	—	1,683,237	—

As a result of these transactions, of those performed in prior years and of the advances granted, the Group's balances with investees which were not fully consolidated as of December 31, 2004, were as follows (see Note 4-c):

	Euros	
Company	***Accounts Receivable***	***Accounts Payable***
Sab Ibérica, S.A.	17,896	717,457
Alquiler de trenes AIE (1)	—	41,945,520
Guadalmetro (2)	—	4,895,762
Other	—	10,611
	17,896	***47,569,350***

(1) Recorded under the "Trade Accounts Payable – Advances Received on Orders" caption.
(2) Includes €2,104,850 relating to unpaid capital stock of Guadalmetro and €2,790,912 of advances recorded under the "Trade Accounts Payable - Advances Received on Orders" caption.

At the end of 2004 Metro de Salvador, S.A. was definitively liquidated. Since a provision had been recorded for the full amount of this investment, which amounted to €333,998 thousand, this operation did not have any impact on the statement of income.

On June 18, 2004, the Parent Company sold to its subsidiary Inversiones en Concesiones Ferroviarias, S.A. 84,194 shares and a loan of “Guadalquivir Sociedad Concesionaria de la Junta de Andalucia – Guadalmetro, S.A.”, representing 9.79% of the aforementioned company’s capital stock which were 75% paid, thus reducing the Group’s investment in the aforementioned company to 7.60%. As a result of a financing contract entered into by Guadalmetro, S.A. and a bank on February 16, 2004, these shares had been pledged as of December 31, 2004.

Also, in 2004 the Parent Company acquired for €2,835 thousand a new asset instrumented in a series of “Rights” composing a CAF share-ownership scheme. These “Rights” were acquired from Cartera Social, S.A. (see Notes 11 and 20), a company in which CAF’s employees have equity interests and whose corporate purpose is to promote permanent employees’ ownership of CAF’s capital stock. The Company has the commitment to sell and employees have the commitment to acquire these “Rights” at 84 similar monthly maturity dates. The above-mentioned shares will be owned by Cartera Social, S.A. until the exercise of the “Right” which cannot be exercised prior to the termination of the employer/employee relationship. During this period Cartera Social, S.A. will finance ownership of the shares basically with the amount paid by CAF to purchase the aforementioned rights. This new asset was recorded under the “Other Loans” caption.

Since the Company bought the above-mentioned “Rights” at a price which, net of the 20% discount on the sale to its employees, is higher than their selling price, this Scheme will give rise to a loss which will be incurred during the above-mentioned seven-year period. However, CAF may unilaterally terminate this commitment to Cartera Social, S.A. and to its employees, in which case CAF will be entitled to the proportional refund of the amount of the “Rights” it acquired but did not sell to its employees, at the same original cost and without incurring any additional cost for doing so. CAF’s directors agreed that the Ownership Scheme will last for the agreed period of seven years.

As a result of this commitment, and in order to adjust the cost of the rights acquired to their net realizable value, as of December 31, 2004, the Parent Company recorded a provision of €601 thousand with a charge to the “Extraordinary Expenses” caption in the accompanying statement of income. As of December 31, 2004, the portion of this asset which will foreseeably be sold in under one year, together with its related provision, were recorded under the “Short-term Investments” caption in the accompanying balance sheet at that date (see Note 10). In 2004 rights with a cost and provision of approximately €607 thousand and €232 thousand, respectively, were sold (see Note 10).

8 Inventories

The breakdown of the balance of the “Inventories” caption as of December 31, 2004 and 2003, is as follows:

	Euros	
	12/31/04	***12/31/03***
Raw materials and other supplies (Note 16)	78,167,782	49,615,098
Work-in-process and finished and semifinished goods	380,198,468	346,470,538
Goods and work-in-process settlements in excess of incurred cost	(501,595,563)	(410,247,991)
Advances to suppliers	63,077,531	43,615,208
	19,848,218	***29,452,853***

The “Goods and Work-In-Process Settlements in Excess of Incurred Cost” account relates to the settlement of costs on the basis of the actual percentage of completion (see Notes 4-e and 9).

As of December 31, 2004, the Group had firm raw material purchase commitments amounting to approximately €520,812 thousand (see Note 20).

9 Trade receivables for sales and services

The breakdown of the balance of the "Trade Receivables for Sales and Services" caption as of December 31, 2004, is as follows:

	Euros
Trade receivables - in euros	396,282,843
Trade receivables - in foreign currencies (Note 4-h)	37,669,569
	433,952,412

These balances receivable arose as a result of the recognition of the percentage of completion of contracts as described in Note 4-e. A portion of the aforementioned balances had been invoiced to customers, mainly in the euro area as of December 31, 2004, including most notably the balances receivable from Renfe and Société des Transports Inter Communaux de Bruxelles amounting to €41,943 thousand and €13,031 thousand, respectively. The balance of "Trade Receivables - in Foreign Currencies" included mainly the accounts receivable relating to the work performed for Sacramento Regional Transit, Port Authority of Allegheny County (Pittsburgh) and Washington Metropolitan Area Transit Authority for an equivalent euro value of €10,046 thousand, €14,770 thousand and €5,621 thousand, respectively.

10 Short-term investments

The detail of the balance of this caption as of December 31, 2004, is as follows:

	Euros
Time deposits	21,947,200
Foreign currency deposits (Note 4-h)	999,389
Other	284,590
Rights under the share-ownership scheme (Note 7)	703,870
Allowances (Note 7)	(255,620)
	23,679,429

The revenues from time deposits and the returns on temporary cash surpluses and bank deposits totaled €579 thousand and are recorded under the "Other Interest and Similar Revenues" caption. The remaining balance relates to exchange gains.

11 Shareholders' equity

a) Variations

The variations in equity accounts in 2004 were as follows:

	Capital Stock	Additional Paid-in Capital	Revaluation Reserve	Legal Reserve	Voluntary Reserves	Translation Differences	Reserves at Consolidated Companies	Income for the Year	Dividends
		Euros							
		Reserves							
Balance at December 31, 2003	10,318,506	11,863,347	28,034,368	2,063,704	73,631,807	(2,750,817)	2,254,338	11,605,548	—
Distribution of 2003 income	—	—	—	—	6,667,823	—	1,201,122	(11,605,548)	3,736,603
2004 income	—	—	—	—	—	—	—	14,056,123	—
Other additions	—	—	—	—	—	(58,470)	226,857	—	—
Balance at December 31, 2004	***10,318,506***	***11,863,347***	***28,034,368***	***2,063,704***	***80,299,630***	***(2,809,287)***	***3,682,317***	***14,056,123***	***3,736,603***

b) On June 5, 2004, the Shareholders' Meeting resolved to distribute a dividend of €3,736,603 out of 2003 income.

c) Capital stock of the Parent Company

As of December 31, 2004, the Parent Company's capital stock consisted of 3,428,075 fully subscribed and paid book-entry shares of €3.01 par value each, all of which are listed on the stock exchange.

The companies or shareholder entities holding over 10% of the Parent Company's capital stock as of December 31, 2004, are as follows:

	% of Ownership
Cartera Social, S.A. (Notes 7 and 20)	18.43% (*)
Bilbao Bizkaia Kutxa	24.82%
Gipuzkoa Donostia Kutxa	20.71%
Bestinver Gestión, S.A. SGIIC	11.3%

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

On June 7, 2003, 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 7, 2003, the Shareholders' Meeting empowered the Board of Directors to acquire treasury stock within 18 months from that date. As of the date of preparation of these consolidated financial statements this acquisition had not been performed.

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

The amount of the unrestricted reserves of the Parent Company as of December 31, 2004, with respect to the balance of the unamortized research and development expenses, signifies that there are no restrictions on the payment of dividends.

d) Reserves and results of fully consolidated companies and companies accounted for by the equity method

The detail of the contribution of the consolidated companies to the balance of the "Reserves at Fully Consolidated Companies and Companies Accounted for by the Equity Method" caption in the consolidated balance sheet as of December 31, 2004, and to consolidated income for 2004, is as follows:

	Euros	
	Reserves	***Income (Loss)***
CAF México, S.A. de C.V.	573,819	63,201
CAF Brasil Ind. e C., S.A.	612,989	491,458
CAF Argentina, S.A.	56,942	286,295
CAF USA, Inc.	1,678,414	537,888
CAF Irlanda, Ltda.	—	(547)
CAF I+D subgroup	143,844	422,186
Sermanfer subgroup	70,744	183,851
Inversiones en Concesiones Ferroviarias, S.A.	139,193	73,805
Urbanización Parque Romareda, S.A.	42,869	3,252
Sab Ibérica, S.A.	354,949	163,406
Other	8,554	(43,425)
A.A.I. CAF Transit, LLC	(*)	(*)
	3,682,317	

(*) The related effect was taken into account in the individual financial statements of CAF USA, Inc.

e) Translation differences

The detail, by company, of the "Translation Differences" caption as of December 31, 2004, is as follows:

	Euros
CAF México, S.A. de C.V.	(439,760)
CAF Brasil Ind. e C., S.A.	(592,843)
CAF Argentina, S.A.	(150,687)
CAF USA, Inc.	(1,609,850)
CAF Irlanda, Ltda.	(7)
Sermanfer subgroup	(16,140)
	(2,809,287)

f) 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. As of December 31, 2004, the Parent Company had already recorded 20% of capital stock in this account.

g) Revaluation reserve

The amount of these asset revaluations (see Notes 4-b and 6) as of December 31, 2004, 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 reserves 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 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

Under the Program to Foster Research and Technology (PROFIT), the Ministry of Science and Technology granted certain aid to the Group to conduct research and development projects in the period from 2000 to 2004. This aid, which is recorded on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project, consists of:

- Subsidies to partially offset the expenses and costs of these projects.
- Refundable advances in the form of interest-free loans, which usually have an initial grace period of three years and are repayable in a period of over 10 years.

This aid, which in the event of the R&D investments projected for these projects not being achieved must be refunded with interest, is recorded as follows:

– Subsidies are recorded under the "Deferred Revenues" caption and are taken to income with a credit to the "Operating Subsidies" caption.

– Refundable advances are recorded under the "Long-Term Debt – Other Payables" caption.

The variations in 2004 were as follows:

	Euros				
	Beginning Balance	***Additions***	***Amount Taken to Income***	***Transfers to Short Term (Notes 14 and 15)***	***Ending Balance***
Deferred revenues	5,014,021	3,331,466	(4,595,634)	(91,361)	3,658,492
Ministry of Science and Technology	46,065,292	21,684,510	—	(2,110,247)	65,639,555

Also, in 2004 one of the subsidiaries received €400 thousand of capital subsidy which is not part of the PROFIT program. This amount was recorded under the "Deferred Revenues" caption.

The short-term accounts payable are recorded in Notes 14 and 15.

In joint projects, the project coordinator 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 Group recorded €6,137 thousand under the "Accounts Receivable - Trade Receivables for Sales and Services" caption and €20,338 thousand under "Trade Accounts Payable- Accounts Payable for Purchases and Services" caption, relating to the accounts receivable from and payable to third parties in connection with joint projects.

As of December 31, 2004, the maturities for the coming years were as follows:

	Thousands of Euros
2006	3,326
2007	6,659
2008	7,603
2009 and subsequent years	48,052
	65,640

13 Payable to credit institutions

As of December 31, 2004, the consolidated companies had credit facilities at several financial institutions with an aggregate limit of €96,530 thousand. The amount drawn down at that date was not material.

14 Tax receivables and taxes payable

The breakdown of the "Tax Receivables" and "Taxes Payable" captions as of December 31, 2004, is as follows:

	Euros			
	Assets		*Liabilities*	
	Long-Term Investments (Note 7)	*Accounts Receivable*	*Current Liabilities*	*Long-Term Debt*
Social security taxes	—	211,912	3,076,530	—
Regular taxes				
VAT (Note 7)	338,678	7,370,564	10,584,231	—
Other	1,629	467,875	166,679	—
Personal income tax withholdings	—	—	2,879,449	—
Deferred income tax	—	—	168,599	2,421,153
Prepaid income tax (Note 7)	1,110,965	153,321	—	—
Tax credits and tax relief deductible (Notes 4-n and 7)	5,229,000	771,000	—	—
Corporate income tax (Note 4-n)	—	643,012	4,082,300	—
Ministry of Science and Technology (Notes 5, 12 and 15)	—	—	11,325,645	—
	6,680,272	***9,617,684***	***32,283,433***	***2,421,133***

a) Tax matters

As of December 31, 2004, 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. However, since it is subject to Guipúzcoa tax regulations, a corporate income tax rate of 32.5% was applied in 2004.

The reconciliation of the Parent Company's income per books for 2004 to the taxable income for corporate income tax purposes is as follows:

	Thousands of Euros
Income for the year per books (before taxes)	15,660
Permanent differences, net (Notes 6 and 15)	1,117
Net increases and decreases due to timing differences and accelerated depreciation	3,759
Taxable income	***20,536***

The balance of prepaid income taxes (see Note 7) relates basically to 32.5% of the provision for the share-ownership scheme rights and to timing differences due to provisions which were not tax-deductible in the year in which they were recorded. The balance of the deferred income tax relates basically to 32.5% of the amount by which the depreciation taken for tax purposes exceeds that taken for accounting purposes as a result of the tax benefits relating to unrestricted and accelerated depreciation provided for by Guipúzcoa Regulations 6/1988, 7/1996 and 11/1993. Also, tax credits of €3,128 thousand were taken into account, €2,901 thousand of which were capitalized under the "Long-Term Investments" caption in the accompanying consolidated balance sheet as of December 31, 2003. Also, the differences between the income tax estimated and paid for 2003 involved the final recognition of less tax assets amounting to €845 thousand, which had a net impact on expenses of approximately €304 thousand. Lastly, there were other items whose impact on expenses for the year amounted to €120 thousand.

In 2004 the Parent Company availed itself of the reinvestment exemption tax benefit amounting to approximately €2,613 thousand (see Note 6), which represents a reinvestment commitment of approximately €5,753 thousand. As of December 31, 2004, the Parent Company had fully complied with the above-mentioned commitment and the full amount had been reinvested.

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

The tax and legal authorities' varying interpretations and disputes in connection with the tax regulations applicable for the years open for review may give rise to certain contingent tax liabilities that cannot be objectively quantified. Accordingly, certain articles of Guipúzcoa regulations and certain tax benefits regulated by the Guipúzcoa provincial government were appealed against at various court instances. However, the Parent Company's directors and their tax advisers consider that any tax liability which might arise in this connection would not have a material effect on the accompanying consolidated financial statements.

15 Operating allowances

The variations in 2004 in operating allowances (see Note 4-m) were as follows (in euros):

	Beginning Balance	Net Provision to Allowances (Note 4-m)	Transfers (Notes 6, 7 and 12)	Ending Balance
Warranties, assistance, penalties, etc. (Note 4-m)	11,362,749	2,462,446	(252,413)	13,572,782
Other allowances (Notes 4-m, 4-n, 7, 12 and 14)	12,211,372	123,954	(1,951,610)	10,383,716
	23,574,121	***2,586,400***	***(2,204,023)***	***23,956,498***

16 Revenues and expenses

a) Breakdown of net sales

	Thousands of Euros
By geographical market	
Spain	257,261
Exports	320,751
	578,012

	Thousands of Euros
By activity	
Railroad	555,813
Other	22,199
	578,012 (*)

(*) 68% in euros and the remainder basically in U.S. dollars.

b) Raw materials and other consumables used

	Euros
Purchases (*)	295,105,109
Work performed by other companies	17,601,802
Inventory variation	(28,552,684)
	284,154,227

(*) 96% in euros and the remainder basically in U.S. dollars.

c) 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 €277 thousand. Of this amount, the fees incurred for the annual audits of the companies reviewed by firms belonging to the Deloitte worldwide organization amounted to €231 thousand. Additionally, Deloitte billed the Group for €53 thousand relating to fees for other professional services.

d) Environmental information

The main investments made in systems, equipment and facilities designed for environmental protection and improvement and included in tangible fixed assets (see Note 6) in 2004 amounted to €1,009 thousand.

In 2004 the Group obtained environmental subsidies amounting to €4 thousand.

As of December 31, 2004, the Group did not have any lawsuits 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.

17 Average labor force and personnel expenses

The average headcount in 2004, by category, was as follows:

Professional Category	***Average Number of Employees***
Employees	1,157
Manual workers	2,689
Total (*)	***3,846***

(*) As of December 31, 2004, there were 3,855 permanent and temporary employees.

The detail of the personnel expenses is as follows:

	Euros
Wages and salaries	111,896,927
Social security costs	33,110,223
Other expenses (Notes 4-k and 4-l)	7,148,030
	152,155,230

18 Information on the Board of Directors

a) Directors' compensation and other benefits

In 2004 the Parent Company recorded approximately €638 thousand of compensation and attendance fees earned by its directors, whereas the directors of the subsidiaries did not earn any amount in this connection. As of December 31, 2004, the Parent Company and the subsidiaries had not granted any advances, guarantees or loans to their current or former directors and, except as indicated in Note 4-l, the Group had no pension or life insurance commitments to them.

b) Detail of holdings in companies engaging in similar activities and performance, as independent professionals or as employees, of similar activities by the directors, pursuant to Article 127 ter.4 of the Spanish Corporations Law

The members of the Board of Directors and their representatives mentioned below have owned holdings in the capital stock of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes CAF's corporate purpose:

- Caja de Ahorros y Monte de Piedad de Guipúzcoa y San Sebastián: has comunicated its holdings with the 95% in the capital stock of Alquiler de Trenes, AIE, company constituted along with CAF (see Note 7) and confirms that it does not own any other holdings in the capital stocks of any other companies engaging in an identical, similar or complementary activity.

The rest of the members of the Board of Directors say that they do not own any holdings in the capital stocks of any other companies engaging in an identical, similar or complementary activity, except for the ones held by some administrators in the execution of their responsibility (see Note 7).

19 Collateral and other guarantees

As of December 31, 2004, €891,016 thousand of guarantees had been provided to the Group by financial institutions for customers to secure the performance of commercial transactions. Of this amount, €111,321 thousand related to guarantees for the refundable subsidies and advances granted by the Ministry of Science and Technology and other public-sector institutions.

20 Events subsequent to year-end

As of December 31, 2004, the backlog, net of prebillings, amounted to approximately €2,445,230 thousand (see Note 8). As of February 28, 2005, it amounted to €2,359,380 thousand.

On February 11, 2005, Cartera Social, S.A. (see Note 11) became CAF's major shareholder since it raised its ownership interest to 23.11% in order to extend the Share-ownership Scheme described in Note 7.

21 Transition to International Financial Reporting Standards (IFRSs)

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any EU Member State must prepare their consolidated financial statements for the years beginning on or after January 1, 2005, in conformity with the International Financial Reporting Standards (IFRSs) previously ratified by the European Union. Consequently, the CAF Group is required to prepare its consolidated financial statements for the year ending December 31, 2005, in conformity with the IFRSs ratified by the European Union as of that date.

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards, the Group's 2005 consolidated financial statements must necessarily include (for comparison purposes) a consolidated balance sheet as of December 31, 2004, and a consolidated statement of income for the year then ended prepared in accordance with the methods established by the IFRSs in force as of December 31, 2005.

As a result of the foregoing, the CAF Group is implementing a plan for transition to IFRSs which includes, inter alia, an analysis of the accounting method differences, the selection of accounting methods to be applied when alternative treatments are permitted and an assessment of the changes in reporting procedures and systems.

As of the date of preparation of these consolidated financial statements, the Group was preparing the information required to enable it to estimate, with reasonable objectivity, the extent to which the 2004 consolidated balance sheet and consolidated statement of income will differ from those to be prepared in the future in accordance with the accounting methods contained in the IFRSs in force as of December 31, 2005, for their inclusion in the 2005 consolidated financial statements.

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 Group 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
GREGORIO ROJO GARCÍA	Director for Vital Kutxa
ALEJANDRO LEGARDA ZARAGÜETA	Director
ANDRÉS ARIZCORRETA GARCÍA	Director
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ ANTONIO MUTILOA IZAGIRRE	Director for Gipuzkoa Donostia Kutxa
FERMÍN ARRESE ARRATIBEL	Director
XABIER GARAIALDE MAIZTEGUI	Director
ALFREDO BAYANO SARRATE	Secretary

Certificate issued by the Secretary attesting that, following the preparation of the consolidated financial statements and consolidated management report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and Subsidiaries composing the CAF Group (Consolidated) for the year ended December 31, 2004, by the Board of Directors at its meeting on March 22, 2005 (the consolidated financial statements for the year ended December 31, 2003, had been duly formalized in the past), the directors have signed this document, consisting of 37 sheets numbered sequentially from 1,277 through 1,313, 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 22, 2005

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 4 2005, 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 2004 and of Company management.

Second. Approval, if appropriate, of the proposed distribution of the income for the year, with an income of dividens amounting 1.37 € per share gross.

Third. Re-election of Directors.

Fourth. Ratification of appointment of directors by co-optation.

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 5 June 2004.

Sixth. Re-election of auditors.

Seventh. 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.

Eighth. Approval of the minutes of the meeting.

Proposed Distribution of Income

Distribution of income after taxes of 12,674 thousands of Euros: 4,696 thousands of Euros for dividends, 7,978 thousands of Euros to voluntary reserves.

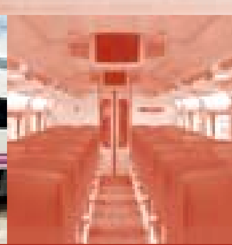
Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director for Bilbao Bizkaia Kutxa
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
GREGORIO ROJO GARCÍA	Director for Vital Kutxa
ALEJANDRO LEGARDA ZARAGÜETA	Director
ANDRÉS ARIZCORRETA GARCÍA	Director
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ ANTONIO MUTILOA IZAGIRRE	Director for Gipuzkoa Donostia Kutxa
FERMÍN ARRESE ARRATIBEL	Director
XABIER GARAIALDE MAIZTEGUI	Director
ALFREDO BAYANO SARRATE	Secretary

At 30 March 2005 the Board of Directors held 45.72% of the capital stock.

Supplementary Information 2000-2004

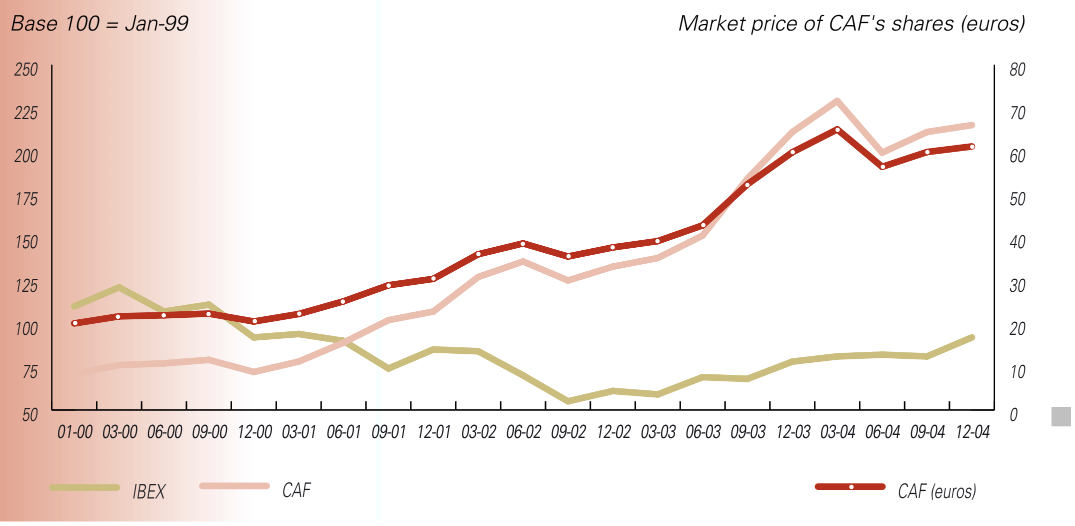
Stock market information
Balance Sheets
Statements of Income


Stock market information

As of December 31, 2004, the Parent Company's capital stock amounted to €10,318,506 and consisted of 3,428,075 fully subscribed and paid listed shares of €3.01 par value each, traded by the book-entry system.

Trend in the market price of CAF's shares



	*2004**	*2003**	*2002**	*2001**	*2000*
Stock market capitalization					
Figures as of December 31	212,540,650	202,599,233	127,695,794	102,842,250	68,561,500
Per-share data					
Net earnings per share	4.10	3.39	2.87	2.85	2.73
Net income before taxes	5.10	4.20	3.67	3.61	3.42
Dividend per share	1.37	1.09	1.09	1.09	1.09
Per-share net book value	43.03	39.97	37.94	36.97	34.81
Stock market ratios					
PER	14.58	13.56	12.58	9.49	7.71
Average price/EBITDA	6.26	5.42	4.69	3.83	2.98
MV/BV ratio (average price/book value)	1.39	1.15	0.95	0.73	0.61
Dividend yield	2.29%	2.37%	3.02%	4.05%	5.19%
Pay-out	33.41%	32.20%	37.98%	38.44%	40.00%

* Consolidated 2001, 2002, 2003 and 2004.

Balance Sheets

as of December 31st 2004*, 2003*, 2002*, 2001* and 2000 (In Euros)

Assets

	2004	2003	2002	2001	2000
FIXED AND OTHER NONCURRENT ASSETS					
START-UP EXPENSES	71,063	45,288	119,728	61,207	—
INTANGIBLE ASSETS	14,119,310	17,596,420	14,205,971	11,131,958	8,634,272
TANGIBLE FIXED ASSETS					
Land and structures	93,198,525	81,364,820	78,449,694	74,116,122	65,348,797
Plant and machinery	139,887,650	135,093,360	125,149,082	116,730,807	107,141,382
Other fixtures, tools and furniture	9,684,552	8,600,657	8,371,022	8,205,360	7,192,017
Advances and construction in progress	—	476,828	1,575	—	—
Other tangible fixed assets	16,053,567	13,969,511	12,948,327	10,948,517	9,658,156
Accumulated depreciation	(163,051,043)	(158,084,722)	(149,131,408)	(139,862,651)	(129,946,179)
	95,773,251	81,420,454	75,788,292	70,138,155	59,394,174
LONG-TERM INVESTMENTS, NET	21,221,676	18,779,808	11,046,968	17,669,197	23,425,054
TOTAL FIXED AND OTHER NONCURRENT ASSETS	131,185,300	117,841,970	101,160,959	99,000,517	91,453,500
DEFERRED CHARGES	5,382	—	9,959,326	7,339,782	—
CURRENT ASSETS					
INVENTORIES	19,848,218	29,452,853	64,218,845	78,209,717	57,075,613
ACCOUNTS RECEIVABLE					
Trade receivables for sales and services	433,952,412	320,383,994	261,424,930	170,874,989	118,018,235
Receivable from Group and associated companies	—	—	—	—	10,642,001
Receivable from associated companies	17,896	932,444	7,905,597	8,015,290	—
Sundry accounts receivable	603,464	2,773,568	3,091,648	3,119,541	2,506,990
Tax receivables	9,617,684	5,718,570	4,623,438	1,096,132	565,462
Allowances	(1,011,285)	(1,082,406)	(1,054,460)	(795,638)	—
	443,180,171	328,726,170	275,991,153	182,310,314	131,732,688
SHORT-TERM INVESTMENTS	23,679,429	49,815,394	3,766,493	4,603,170	12,800,157
CASH	1,434,482	3,226,237	810,362	2,032,972	130,041
ACCRUAL ACCOUNTS	456,634	315,002	761,531	1,487,024	420,408
TOTAL CURRENT ASSETS	488,598,934	411,535,656	345,548,384	268,643,197	202,158,908
TOTAL ASSETS	**619,789,616**	**529,377,626**	**456,668,669**	**374,983,496**	**293,612,407**

* Years 2004, 2003, 2002 and 2001 consolidated Balance Sheet.

Shareholders' equity and liabilities

	2004	2003	2002	2001	2000
SHAREHOLDERS' EQUITY					
Capital stock	10,318,506	10,318,506	10,318,506	10,318,506	10,318,506
Additional paid-in capital	11,863,347	11,863,347	11,863,347	11,863,347	11,863,348
Revaluation reserve	28,034,368	28,034,368	28,034,368	28,034,368	28,034,366
Legal reserve	—	—	—	—	2,063,707
Voluntary reserves	—	—	—	—	57,662,598
Other reserves of the Parent Company	82,363,334	75,695,511	70,796,603	65,350,408	—
Reserves at fully consolidated companies and companies accounted for by the equity method	3,682,317	2,254,338	3,593,683	3,025,483	—
Translation differences	(2,809,287)	(2,750,817)	(4,367,890)	(1,599,407)	—
Income attributable to the Parent Company	14,056,123	11,605,548	9,838,103	9,753,152	—
Income for the year	—	—	—	—	9,372,868
TOTAL SHAREHOLDERS' EQUITY	147,508,708	137,020,801	130,076,720	126,745,857	119,315,393
MINORITY INTERESTS	1,958,626	1,879,346	2,849,061	1,714,994	—
DEFERRED REVENUES	4,058,492	5,014,021	16,246,338	12,618,369	482,697
PROVISIONS FOR CONTINGENCIES AND EXPENSES	1,225,961	830,969	1,323,572	2,282,121	939,184
LONG-TERM DEBT					
Other payables	66,605,018	47,363,700	37,752,011	24,195,551	3,044,126
Taxes payable	2,421,133	2,432,730	1,891,966	1,055,581	1,117,690
Uncalled capital payments payable	103,336	2,104,850	—	—	—
TOTAL LONG-TERM DEBT	69,129,487	51,901,280	39,643,977	25,251,132	4,161,816
CURRENT LIABILITIES					
Payable to credit institutions	154,036	47,197	322,839	1,619,674	48,177
	154,036	47,197	322,839	1,619,674	48,177
Payable to associated companies	2,832,918	1,329,363	324,306	106,331	—
Payable to Group and associated companies	—	—	—	—	9,712,915
Trade accounts payable					
Advances received on orders	172,906,288	133,407,850	133,314,097	72,083,919	74,091,035
Accounts payable for purchases and services	154,280,808	140,998,531	95,176,233	98,139,994	59,490,372
	327,187,096	274,406,381	228,490,330	170,223,913	133,581,407
Other nontrade payables					
Other payables	168,315	4,377,756	274,418	—	—
Taxes payable	32,283,433	20,963,598	12,964,141	11,503,137	6,561,874
Compensation payable	8,754,343	7,989,858	7,440,751	6,240,844	5,325,490
	41,206,091	33,331,212	20,679,310	17,743,981	11,887,364
GUARANTEES AND DEPOSITS RECEIVED	—	—	—	—	—
OPERATING ALLOWANCES	23,956,498	23,574,121	16,666,957	16,634,874	13,441,197
ACCRUAL ACCOUNTS	571,703	42,935	45,259	42,250	42,257
TOTAL CURRENT LIABILITIES	395,908,342	332,731,209	266,529,001	206,371,023	168,713,317
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**619,789,616**	**529,377,626**	**456,668,669**	**374,983,496**	**293,612,407**

Statements of Income

as of December 31st 2004*, 2003*, 2002*, 2001* and 2000 (In Euros)

Debit

	2004	2003	2002	2001	2000
EXPENSES					
Decrease in finished goods					
and work-in-process inventories	57,619,642	82,767,840	14,429,237	2,893,831	42,173,993
Raw materials and other consumables used	284,154,227	195,072,687	195,035,331	209,744,906	181,002,416
Personnel expenses	152,155,231	133,177,214	118,095,336	104,227,928	92,647,302
Depreciation and amortization expense	15,223,632	13,458,120	12,330,570	11,746,349	11,398,988
Net variation in operating allowances	2,524,251	3,461,222	(2,653,410)	3,285,565	(45,683)
Other operating expenses					
Outside services	52,494,462	55,048,333	47,319,458	41,038,717	28,981,104
Taxes other than income tax	1,485,110	1,410,819	1,266,670	1,701,820	511,023
OPERATING INCOME	18,258,903	15,731,682	13,877,437	13,900,653	12,883,650
Financial and similar expenses	3,063,815	4,535,016	7,313,922	4,089,274	2,321,439
Variation in financial investment provisions	—	—	—	2,191,675	—
FINANCIAL INCOME	—	—	—	—	—
INCOME FROM ORDINARY ACTIVITIES	18,401,396	14,733,286	12,509,311	12,065,818	11,890,015
Variation in tangible fixed asset, intangible asset					
and control portfolio allowances	148,614	393,411	—	(60,101)	—
Extraordinary expenses	632,381	9,632	510,080	2,614,138	875,584
Losses on tangible fixed assets	316,499	—	—	—	—
EXTRAORDINARY INCOME	—	—	59,552	308,835	—
CONSOLIDATED INCOME BEFORE TAXES	17,490,726	14,403,429	12,568,863	12,374,653	11,732,477
Corporate income tax	5,428,251	3,819,985	8,606,613	2,620,827	2,359,610
Consolidated income for the year	14,118,945	11,645,754	9,962,250	9,753,826	9,372,868
Income attributed to minority interests	62,822	40,206	124,147	674	—
INCOME FOR THE YEAR	**14,056,123**	**11,605,548**	**9,838,103**	**9,753,152**	**9,372,868**

* Years 2004, 2003, 2002 and 2001 consolidated Statement of Income.

Credit

	2004	2003	2002	2001	2000
REVENUES					
Net sales	578,012,441	495,479,207	392,488,865	386,845,107	368,186,428
Increase in finished products and work-in-process inventories	—	—	—	—	—
Capitalized expenses of in-house work on fixed assets	331,588	1,087,200	342,751	360,818	208,593
Other operating revenues					
Non-core and other current operating revenues	406,670	598,342	2,961,296	671,294	839,848
Operating subsidies	5,164,759	2,963,168	3,907,717	662,550	317,923
OPERATING LOSS	—	—	—	—	—
Revenues from equity investments	17,170	954	4,676	204,074	147,248
Other interest and similar revenues	2,972,184	3,322,165	5,698,298	4,024,678	1,180,556
FINANCIAL LOSS	74,461	1,211,897	1,610,948	2,052,197	993,635
Share in the income of companies accounted for by the equity method	216,954	213,501	242,822	217,362	—
LOSS ON ORDINARY ACTIVITIES	—	—	—	—	—
Gains on tangible fixed asset disposals	102,671	68,306	77,877	47,101	17,429
Capital subsidies transferred to income for the year	76,773	—	420,903	373,793	700,618
Prior years' revenues and income	—	4,880	5,611	—	—
Extraordinary revenues	13,380	—	65,241	2,441,978	—
EXTRAORDINARY LOSS	910,670	329,857	—	—	157,537
CONSOLIDATED LOSS BEFORE TAXES	—	—	—	—	—
Positive adjustments to income taxes	2,056,470	1,062,310	6,000,000	—	—
Consolidated loss for the year	—	—	—	—	—
Loss attributed to minority interests	—	—	—	—	—
LOSS FOR THE YEAR	**—**	**—**	**—**	**—**	**—**

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES. S,A.

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