ANNUAL REPORT 2015

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

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

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

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

Letter from the Chairman

Dear Shareholders,

It is with great pleasure that I address you for the first time as the Executive Chairman of CAF. My first words are for my predecessor in this post and our Honorary Chairman, José María Baztarrica, whom, in addition to expressing my personal admiration, I would like to recognise and thank for his professional work as the head of our company. A professional career which is best summed up by CAF current reality; a business project operating in more than 40 countries on five continents offering transport solutions at the forefront of the industry.

I hereby present to you the Annual Report for 2015, in which you will find a detailed description of the activities carried on by the Group in 2015 and its financial statements.

The general economic climate was characterised, for yet another year, by uncertainty regarding forecasts at global level. Of note were the difficulties affecting several of the main developing economies, which have formed a significant part of our activity base in recent years. For this reason, even greater effort, dedication and close cooperation with our customers and railway authorities are required in order to achieve the industrial and economic commercial targets that we have set ourselves.

The railway industry was extremely dynamic in 2015, both with regard to company consolidations and business opportunities arising in all segments of activity. These features were reflected in terms of the contracts awarded to the Group, some of which were particularly significant, as detailed below.

This also seems to be the scenario for coming years. The latest data published by the Union of European Railway Industries UNIFE shows growth in industry activity over the coming years, at a rate of around 3% per year until 2019. This favourable forecast is based on the investment programmes envisaged by the railway authorities, with a strong commitment to railway transport in response to the challenges raised by increasing mobility demand, the need for urban and city centre congestion solutions, environmental challenges and instability in the supply of scarce raw materials. We need to start working now to ensure that we are in a position to take advantage of the opportunities that will arise.

2015 once more confirmed the strong international focus of our activities. 80% of the Group's revenue, which amounted to EUR 1,283.6 million, was in fact obtained from international projects. Profit before tax amounted to EUR 42.6 million, a 31% decrease on 2014. This decrease was due mainly to the fluctuations in foreign currency exchange rates in 2015. EBITDA amounted to EUR 166 million, representing 13% of revenue, and cash flow amounted to EUR 98 million. The backlog at 2015 year-end amounted to EUR 4,869.1 million, a figure which increased markedly in the first few weeks of 2016 to EUR 5,500 million due to the recent award of CAF's largest rolling stock material contract in Europe.

The proposed distribution of profit which we present to the Annual General Meeting consists of distributing EUR 18 million in dividends, which would give rise to gross earnings of EUR 5.25 per share, thus helping to strengthen the Company's equity in line with prior years.

I shall now refer briefly to the highlights of our business activities in 2015.

CAF's commitment to technological development was manifested by the development of over 60 projects in various areas, such as high-speed rail, energy management systems and signalling, including the projects relating to the European Roll2Rail project (a Shift2Rail lighthouse project), which promotes and channels European support for rolling-stock R&D until 2024 and of which CAF is one of the eight founding members.

The development of new technologies and the products resulting from them should enable CAF to continue its growth in key segments in the future. Noteworthy in this regard was the first commission for trains of our OARIS high-speed train platform, which constituted a substantial investment effort within the Group's Technology Plan and which will enable us to guarantee our success in future tenders in this market segment. I would also like to highlight the innovative nature of the ATO (automatic train operation) over ERTMS system of the Toluca project, which is currently the only application of its kind in the world, as well as the electric traction equipment developed by the Group, which are recording increases in their client base due to projects such as the Indian Railways project and others involving the refitting of locomotives in various countries.

In terms of rolling stock, the market's investment in our URBOS tram platform, with its catenary-free circulation and energy accumulation systems, continues to consolidate, with the addition of Luxembourg to the other cities such as Seville, Zaragoza and Kaohsiung, where these types of units already circulate. Saint-Etienne and Utrecht have also invested in CAF's tram platform in 2015.

A contract was entered into at the beginning of 2015 for the manufacture and supply of passenger cars for the London-Scotland service and, one year later, CAF was awarded the largest rolling stock material contract in Europe, consisting of two CIVITY platform trains for Northern England. This project, which is significant due to its volume (EUR 740 million), is hugely important for the Company as it is the first contract entered into with the German group Deutsche Bahn, through its subsidiary ARRIVA, because it enables CAF to continue to add credentials for its CIVITY platform (after the projects in Italy, Montenegro and the Netherlands) and, in particular, due to the positioning achieved in the UK market, with renewals considered likely for fleets in the coming years.

The project in the Colombian city of Medellín was another addition to the many metro projects currently in operation, reinforcing the trust placed in CAF with a new order for conventional metros. The execution of the driverless automated metro system projects in Istanbul, Santiago de Chile and Helsinki continued without incident in 2015.

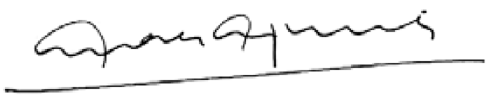
Turnkey projects, concessions and maintenance and rolling stock activities (the latter performed through the new image of the MiiRA brand) continued in 2015, and made a positive contribution to profit. Note should also be made of the completion of the process for CAF's designation as a licensed rail operator for freight and passenger transport, which favours our position in the face of the forthcoming liberalisation of the passenger transport market.

Having briefly shared with you, the Shareholders, a summary of our activities in 2015, I would like to state that 2015 has been a year in which significant milestones for the future of the Company were achieved, and which will enable it to develop sustained growth in the coming years.

In this sense, the Management Plan currently in force will guide the efforts we must undertake in order to grow not only in the traditional segments, but also in more contemporary businesses that relate to the services applied in the railway industry (concessions, operation, leasing, maintenance and refitting) and to the development and construction of turnkey railway and railway signalling systems. Technological development will continue to be key to this growth.

In order to be efficient and to compete in the competitive environment in which we carry on our activities we will need to be able to combine the aforementioned growth with the systematic application of efficiency plans and measures –requiring involvement across the board– both in the project execution phases as well as in the strengthening of the platforms and standard modular solutions developed in recent years. This must be achieved with an adequate level of social responsibility and respect for the environment.

It only remains for me to offer my sincere thanks to all of those who form part of the CAF Group for your demonstrated commitment and the successes achieved, and to encourage everyone to pool our efforts to move forward into the future we are building today. I would also like to extend my gratitude to our shareholders for the trust they have placed in our business project.



Andrés Arizkorreta García
Chairman and CEO

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

MAIN LINES

HIGH SPEED TRAINS

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

INTERCITY TRAINS

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

PASSENGER CARS

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

CITY-SUBURBANS

REGIONAL TRAINS

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

ARTICULATED LIGHT RAILWAY

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

STREETCARS

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

SUBWAY TRAINS

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

DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

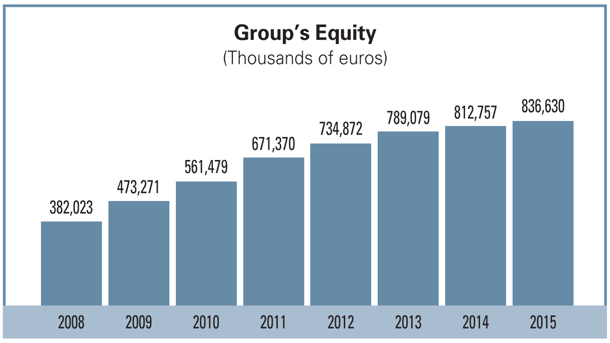
Earnings

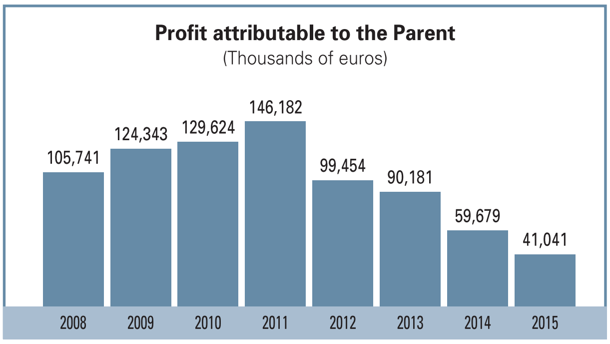
Profit from continuing operations amounting to EUR 42,614 thousand. The proposal for the distribution of earnings is in line with the policy of prior years of strengthening the Company's equity. Consequently, it is proposed to use EUR 17,997 thousand to pay dividends, giving rise to gross earnings of EUR 5.25 per share

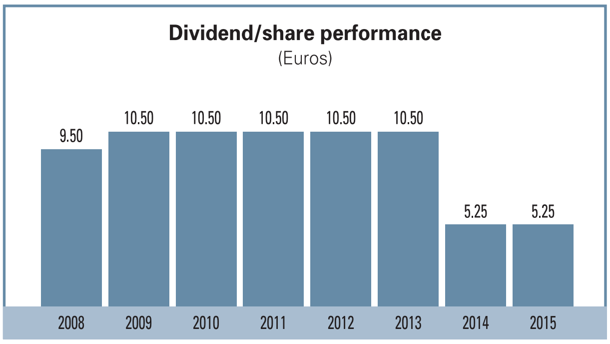
The aggregates in 2015 were as follows:

- Profit from continuing operations amounted to EUR 42,614 thousand after tax and EUR 60,409 thousand before tax, compared to EUR 62,129 thousand and EUR 80,456 thousand in 2014, representing a fall of 31% and 25%, respectively.
- The depreciation and amortisation charge and impairment losses relating to non-current assets amounted to EUR 39,232 thousand which, added to the profit for the year before tax from continuing operations, generated a cash flow of EUR 99,641 thousand, representing a decrease of approximately 11% on 2014, which amounted to EUR 111,896 thousand.
- EBITDA from continuing operations totalled EUR 166,015 thousand, up approximately 13% on 2014 (EUR 146,425 thousand).
- Revenue amounted to EUR 1,283,591 thousand in 2015, down 11% on 2014 (EUR 1,447,141 thousand).
- The backlog amounted to EUR 4,869,061 thousand at 2015 year-end, down 7% on 2014 (EUR 5,251,114 thousand). This backlog continues to guarantee the continuation of the Group's normal business activities.

- The proposal for the distribution of earnings is in line with the policy of prior years of strengthening the Company's equity. Consequently, it is proposed to use EUR 17,997 thousand of the profits of the Parent, CAF, S.A., to pay dividends, amounting to a gross value of EUR 5.25 per share.
- If the proposed distribution of profit is approved, the profit allocated to reserves will raise the Group's equity to a total of EUR 696,930 thousand.
- Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held treasury shares in the course of 2015.







Commercial Activity

The backlog at year-end totalled EUR 4,869 million. This backlog continues to guarantee the Group's normal business activities. At 31 January 2016, the backlog amounted to EUR 5,548 million

A significant event at our Company was the change in the chairmanship thereof, with José María Baztarrica Garijo –Chairman since 1991– becoming honorary chairman at the end of the year. He was replaced in the position of Executive Chairman by Andrés Arizkorreta García.

In Spain, after close to a decade without any calls for tender for the acquisition of new rolling stock by Renfe, CAF was shortlisted in the call for the manufacture and maintenance of high-speed trains. The tender was put out by Renfe-Viajeros at the end of the year, following the instructions of the Ministry of Public Works.

In 2015 the existing contracts from Spanish operators –Renfe-Viajeros, EuskoTren and Ferrocarrils de la Generalitat de Catalunya– were limited to orders for replacement parts and special materials, as well as modifications. Also in Spain, commissions were received for new CAF-technology gauge switching facilities and the remodelling of an existing one from UTE del Corredor Mediterráneo and ADIF.

Also of note in 2015 is CAF's designation as a licensed rail operator by the Ministry of Public Works for freight and passenger transport.

As regards the international arena, it should be noted that the Norwegian operator Flytoget commissioned 8 Oaris train units. These trains will provide the shuttle service connecting the capital with Oslo's airport, with the amount of the contract exceeding EUR 115 million.

On the island of Taiwan, in Kaohsiung –the second largest city after the capital Taipei– the first phase of the 8.7 km circular tramway is currently being tested. This is a turnkey project led by CAF, which in addition supplies the rolling stock, signalling system, electrification, ticketing system and the integration of all subsystems. Since 24 December 2015, there has been free public access to the 4 open stations, although since testing began in mid-October, access to the tram system has been based on an appointment system. It should be noted that this is a totally catenary-free project that uses CAF's Rapid Charge Accumulator (ACR) technology, and if we add to this fact the supply of the components of this system and the global integration of the entire turnkey project, it can be assured that CAF is at the cutting edge of tramway system design, manufacture and integration.

As regards tramway manufacture, various European cities have opted to commission units from CAF for an amount in excess of EUR 180 million. For the capital of Luxembourg, the state-owned company Luxtram has commissioned the supply of 21 trains with a capacity to transport up to 450 passengers, fitted out with the new ACR system for catenary-free circulation as the project includes the removal of the overhead power supply system from the Puente Rojo to the Luxembourg central station.

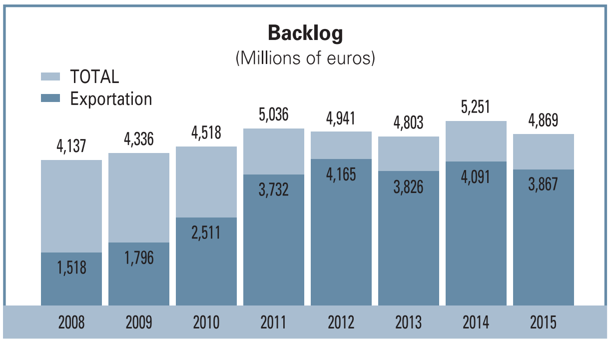
The French city of Saint-Etienne, capital of the Loire department in the Rhône-Alpes region, has acquired 16 new 5-car vehicles for its tramway network, which in addition to adapting to the special features of the metric gauge track and 2.15 m wide carbody, generate significant improvements with respect to the existing units as they are bi-directional and have doors on the ends for added operating flexibility.

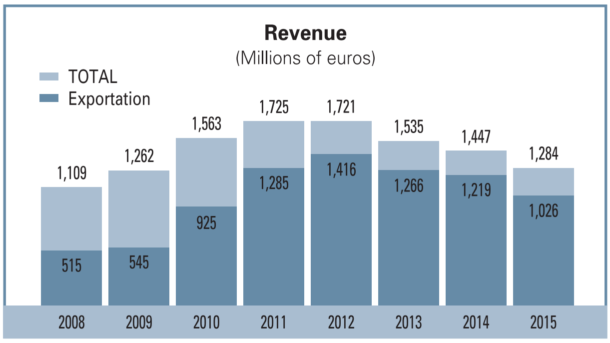
In the Netherlands, the city of Utrecht has commissioned 27 5-car Urbos trams prepared to travel at a service speed of 70 km/h for the new Uithof line which will connect the Central Station with the university campus in the east of the city.

As regards the metro segment, the Columbian city of Medellín has once again renewed the initial confidence it had in CAF with a new order amounting to approximately EUR 89 million for 20 3-car sets, which together with those commissioned in 2009 and 2014 add up to a total of 36 units.

Bringing the focus back on to Europe, and specifically with regard to the hauled stock segment, Serco Group Plc, in order to provide service to the Caledonian Sleeper franchise in Scotland, entered into a contract amounting to approximately EUR 200 million for the manufacture and supply of 75 cars, with first and second class cars, restaurant-cafeteria cars and sleepers.

The wheelset and maintenance activities continue to contribute a significant percentage to the backlog, as has been habitual in recent years.





Industrial Activity

852 different kinds of carriages (long and medium-distance, commuter, locomotive, metros, trams, etc.) were supplied in 2015 to countries in Europe, the Americas, Asia and Oceania

Several projects were completed in 2015, such as the contract entered into with New Zealand's Auckland Transport for the supply of 57 electric units for its commuter train network. Also in this range, the 10-train project for Belo-Horizonte (Brazil) and 3 additional trains to the contract initially entered into with Ferrotramviaria to operate in the area of Bari (Italy) were completed. As regards the tram range, the manufacture of the 39 units for Houston was completed, 15 trams for Granada, 21 trams for Birmingham, and the 7 additional trams to the contract already in force for Stockholm, the project of 12 trams for Sidney and the 9 trams for the city of Kaohsiung (Taiwan). In terms of long-distance trains, the contract for Saudi Arabia (SRO) was completed with the delivery of the last 4 compositions of a locomotive plus trailer cars.

Also in 2015, manufacture continued of certain projects initiated in prior years, of particular note being the 42 trailer cars for the long-distance routes of the US operator Amtrak, 5 of the units of the 26 trains contract entered into with the Sao Paulo metro, 4 of the 8 trains for the Bucharest metro –this being an addendum to the original contract with the same customer for 16 trains– and 54 of the 62 trailer cars for the Saudi Arabian operator SAR which will provide service in this country along with the 12 locomotives manufactured, forming various compositions. The first 6 trains of the 35 commissioned by the operator CPTM for the city of Sao Paulo were manufactured, 4 of the 37 trains for the metro of Santiago de Chile, 25 trams of 5 modules, and 8 of 9 modules

for Budapest, 3 of the 28 train units commissioned by Euskotren, the first 2 trams for the city of Cincinnati, the first 8 trains of a total of 20 commissioned for the city of Helsinki, 5 trains for the city of Freiburg, 17 of the 20 trams relating to the Tallinn project (Estonia) and the first 2 trams for the US city of Kansas.

Also, some of the most recent projects have begun the first phases of manufacture such as the project for 118 trains for NS (Netherlands), the contract for 16 trams for the city of Saint Etienne (France), or the 27 trams for the city of Utrecht.

The most important products manufactured in 2015 were as follows:

VEHICLE UNIT (NO. OF VEHICLES)	
Long-distance Amtrak carriages	42
Locomotive for Saudi Arabia (SRO)	1
Trailer car arrangement for Saudi Arabia (SRO)	6
Locomotive for Saudi Arabia (SAR)	11
Trailer car arrangement for Saudi Arabia (SAR)	54
Medium distance Civity trains for Bari	12
Commuter trains for Euskotren	9
Commuter trains for Auckland	39
Commuter trains for Belo-Horizonte	36
Commuter trains for CPTM	48
Train-trams Bahía de Cadiz	9
Sao Paulo metro	30
Bucharest metro	24
Rome metro	12
Chili metro	20
Helsinki metro	32
Medellin metro	9
Trams for Houston	54
Trams for Budapest (5 modules)	125
Trams for Budapest (9 modules)	72
Trams for Granada	55
Trams for Birmingham	10
Trams for Stockholm (4 modules)	4
Trams for Sydney	30
Trams for Cincinnati	6
Trams for Kaohsiung	10
Trams for Tallinn	51
Trams for Friburgo	35
Trams for Kansas	6
TOTAL	**852**
BOGIES	
With welded chassis	1,130
COMPONENTS AND SPARE PARTS UNIT	
Assembled axles (power car + trailer car)	3,681
Loose axle bodies	6,629
Monoblock wheels	52,502
Elastic wheels	1,120
Couplers	851
Gear units	1,721
Tyres	109

Human Resources

The production capacity has been adapted to manufacturing activity in external facilities. Intensive work has been performed in the area of Labour Relations

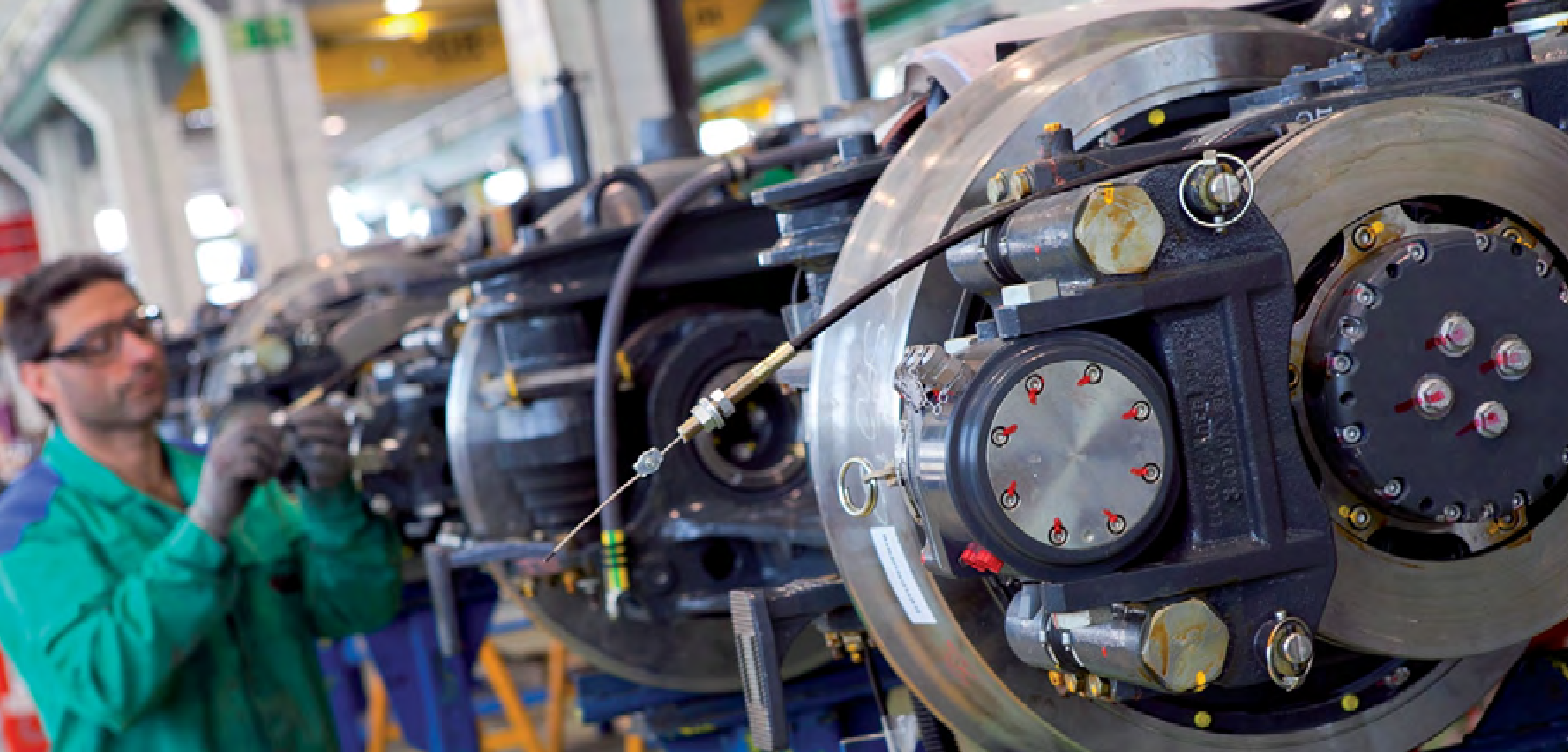
The headcount at the consolidated Group has seen a considerable reduction, which is much more pronounced at the international manufacturing plants.

EMPLOYEES	TOTAL	ANNUAL AVERAGE
31/12/14	8,206	8,027
31/12/15	7,581	7,795

In the Training area, a 2015-2016 training plan has been defined and all the training activities envisaged in it have been performed. One of the main axes of the training plan has been the adaptation of the skills of CAF's employees to the new requirements arising from the projects and the improvement of internal processes.

In 2015 tools and systems have been enhanced to promote leadership and management skills. A community of learning dedicated to management has been initiated, and development initiatives at various levels for this group of employees continue to be implemented. Worthy of mention in this area is the development of a new version of the evaluation process, placing emphasis on improving performance and defining individual development plans.

In the area of internal communication, progress continues to be made and, in addition to consolidating the initiatives put in place to date, a new communications plan to be rolled out in 2016 has been designed.



It underlines the growing importance, within the activities of the human resources area, of the programmes that offer the possibility of making initial contract with the world of business, as a supplement to regulated training. This activity is aimed at individuals in the last years of study and graduates interested in putting their knowledge into practice in an entrepreneurial environment and, in certain cases, in other countries in which CAF has headquarters. 2015 also saw the promotion of doctorate programmes linked to R&D projects.

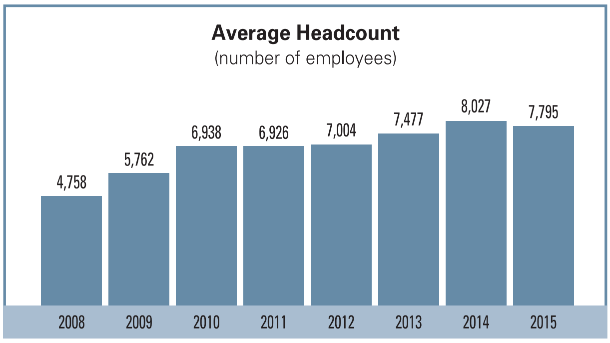
In the area of occupational risk prevention, certification based on the OHSAS 18001 standard was maintained for the Beasain, Irún and Zaragoza centres.

In general the planned prevention initiatives were carried out, in some cases improving the accident indicators defined in the annual occupational risk prevention plan.

Internationally, activities have been centred on the optimisation of the resources allocated to the projects, as a result of the operating efficiency measures put in place, as well as the management of the needs for the start-up of new projects.

A major effort has been made in the area of labour relations, ranging from collective bargaining in several countries to the control of labour costs in international projects.

Also, progress was made in the implementation of people management activities in the international arena, with the roll out of procedures focused on training and performance management.



Investments

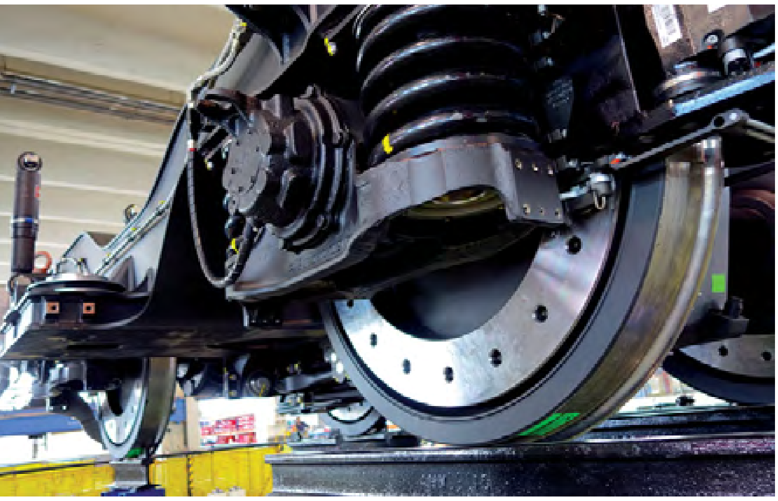
Investments amounted to EUR 10,697 thousand and were aimed at various areas of the production systems. Also noteworthy were the investments in the maintenance centres abroad due to increases in activity or new projects

Capital expenditure by CAF in 2015 amounted to EUR 10,697 thousand. These investments most notably include:

- In the wheelset business unit, following completion of the investments carried out to optimise and automate the wheel machining line, investments were made in the initial engineering and study phase for the implementation of the new axle automated machining and verification line, and will continue beyond 2016 and into the coming years. To this initiative must be added the reorganisation of the flow of production of wheels in the final phases of manufacture, aimed at grouping together the processes of review, verification and shipping, as well as the commencement of the construction of the new offices of the wheelset business unit.

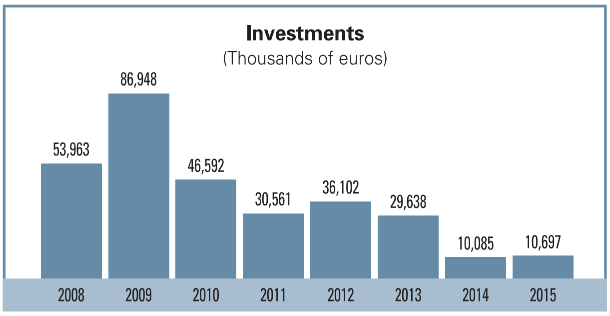
- In the vehicles business unit, investments in 2015 are focused mainly on updating the facilities in general and production machinery at all levels, as well as on the review and improvement of issues relating to safety and occupational risk prevention. New spaces were also refurbished for work on carbody structure, bringing together all the activities relating to this area.

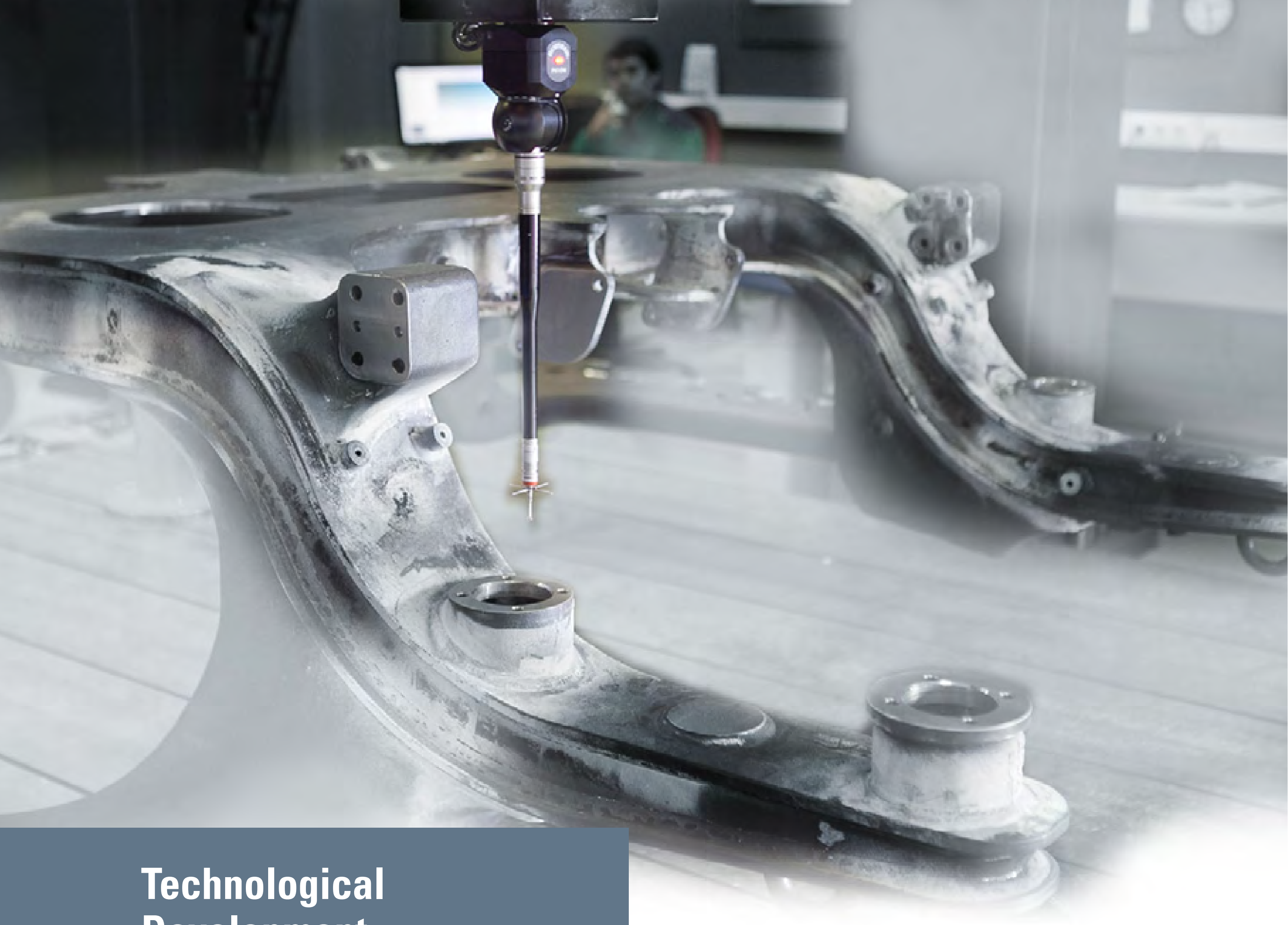
- In the other areas, of particular note from an IT perspective was the development and upgrade of IT software and hardware, with the enhanced capacity in processes, as well the increased storage capacity called for by the organisation



in order to respond to growth and the current influx of new projects.

Lastly, added to this were the significant investments made by the Group at the subsidiary Vectia Mobility, for the development of the electric bus, as well as those carried out at various maintenance centres owned abroad, required in some cases at the beginning of new projects and in others due to the increase in the activities to be performed in those countries.





Technological Development

As regards CAF and CAF I+D, in 2015 the new technology plan for 2016-2018 was completed, which will set in motion a total of 51 new projects for CAF and its subsidiaries. The CAF Group also participated in joint projects with RENFE and ADIF at a public sector level and also with various public authorities and international companies in the area of national programmes, as well as in the FP7 and Shift2rail programmes

As regards CAF and CAF I+D, in 2015 the new Group Technology Plan for 2016-2018 was completed which, aligned with the Strategic Plan, will set in motion a total of 51 new projects for CAF and its subsidiaries, and continue another 59. A total of 66 projects under the Technology Plan were underway in 2015.

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

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

The Technology Plan implemented in 2015-2017 fostered projects involving CAF, CAF I+D and various subsidiaries, promoting ongoing close collaboration with different technology centres and universities.

The projects included in the 2015-2017 Technology Plan encompassed the following fields:

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

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

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

Of particular note in this group of projects was the completion of on-track trials of the OARIS high-speed train prototype and its ERTMS-ETCS on-board system.

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

European projects:

- SAFEJOINT for the development of metal-metal and metal-composite hybrid structures.
- REFRESCO for the development of car body structure solutions in composite material.
- OSIRIS for reducing energy consumption in urban rail systems (with the involvement of the most important companies in the industry).
- MERLIN for the establishment of energy management strategies at global network level and the development of tools to optimise the energy consumption and cost associated with a railway network.
- NGTC for the study of an interface between ERTMS and the satellite positioning module.
- ROLL2RAIL, a 2-year project led from a technical standpoint by CAF and prior to Shift2Rail, the objective of which is the development of a series of key technologies that will enable a major leap forward in innovation in the field of railway vehicles.

In European projects CAF is one of the eight founding members of the Shift2Rail Joint Undertaking (JU) to promote railway R&D activity as part of the Horizon 2020 programme. The technology development work on this project will continue until 2024 and begin in 2016.

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

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

The most relevant engineering projects undertaken by the Group in 2015 were as follows:

- Metro UTO for Santiago de Chile.
- Euskotren s/950.
- LRV for Metro of Boston (USA).
- Train Civity for NS (Holland).
- Trailer cars for Caledonian (UK).
- Trams of Budapest (Hungary) and Kansas (USA).

The following engineering projects entered into service in 2015:

- Oaris high-speed trains for Flytoget (Norway).
- Metro Medellín (Colombia).
- Units for Toluca (Mexico).
- Trams for St Etienne (France), Utrech (Holland), Luxembourg.

Risk Management Policy

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

1. Financial risks

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

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

a) Market risk

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

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

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

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

b) Credit risk

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

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

c) Liquidity risk

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

The CAF Group manages liquidity risk using the following mechanisms:

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

The average payment period to suppliers in 2015 was 69,53 days. In order to reduce this period to the maximum payment period established by Law 11/2013, the Group is to make an effort to align events giving rise to payments to those giving rise to collection in order to reduce the payment time without losing necessary liquidity.

d) Cash flow and fair value interest rate risk

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

e) Risks arising from variances with respect to project budgets

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

2. Risks arising from environmental damage

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

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

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

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

All CAF's plants use the most advanced technology available and state-of-the-art techniques in order to optimise production pursuant to IRIS (International Rail Industry Standard) or the ISO 9001 standard.

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

4. Occupational risks or damage to plant assets

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

Corporate Social Responsibility

In 2015 CAF was fully committed to making advances in the area of Corporate Social Responsibility with the preparation and approval by the Board of Directors on 29 December 2015 of CAF's Corporate social responsibility policy.

Throughout 2015 steps were taken along this line of work, reinforcing CAF's commitment to certain principles of action included in this policy relating, inter alia, to the legal system, good governance practices, information and responsible communication.

The most significant initiatives undertaken in 2015 are as follows:

- Crime Prevention Manual: At its meeting of 29 April 2015, CAF's Board of Directors approved a Crime Prevention Manual, adapted to the provisions of the new Criminal Code that came into force on 1 July 2015.
- Policy on communication and contact with shareholders, institutional investors and voting advisers: On 28 October 2015, the Board of Directors of CAF approved the Policy on communication and contact with shareholders, institutional investors and voting advisers in accordance with the provisions of the Good Governance Code for Listed Companies approved by the Spanish National Securities Market Commission (CNMV).
- Director selection policy: On 28 October 2015, CAF's Board of Directors approved the Director selection policy, thereby complying with the Spanish Limited Liability Companies Law and the recommendations of the Good Governance Code.

The detail of the initiatives undertaken by the Company in relation to certain of the commitments assumed by CAF in its Corporate social responsibility policy is as follows:

Commitment to innovation and sustainability

In the area of innovation, 2015 saw a continuation of R&D activities and the new initiatives included in the technology plan established for the period 2015-2017 were initiated, as discussed herein in the section on Technological Development.

In 2015 advances were made in quality assurance across all the areas of activity of CAF's various businesses and headquarters in accordance with internationally recognised standards as evidenced in the table below:

External audits (ISO 9001:2008 and IRIS v2)

Standard	Scope	Date
ISO 9001:2008	Vehicles - US	01/15
IRIS v2 – ISO 9001:2008	CAF P&A	01/15
ISO 9001:2008	Rail services – various/Spain	02/15
ISO 9001:2008	Transport systems	04/15
IRIS v2 – ISO 9001:2008	Vehicles - Beasain and Irún	05/15
ISO 9001:2008	CAF Signalling	06/15
IRIS v2 – ISO 9001:2008	Vehicles - Zaragoza	09/15
ISO 9001:2008	Vehicles - US	09/15
IRIS v2 – ISO 9001:2008	Wheelsets - Beasain	10/05
IRIS v2 – ISO 9001:2008	Rail services	10/05
ISO 9001:2008	Rail services - Algeria	10/05
ISO 9001:2008	CAF T&E	11/15
IRIS v2 – ISO 9001:-2008	CAF P&A	11/15
ISO 9001:2008	Vehicles - Brazil	11/15

Also, in the area of project safety, the products and services produced and provided by CAF for its customers have seen progress in the definition of proprietary safety systems developed in line with benchmark regulations in the markets in which CAF operates.

As regards safety, CAF implemented Plan S with the objective of reinforcing all the activities aimed at promoting safety across all the operations carried out by it.

In 2015 advances were made in the implementation of the activities contained in Plan S, both in the vehicles business unit and the other businesses of the CAF Group. It should be noted that the vehicles business units defined its own safety management system which was audited and received certification in July 2015, adapting to European Directive 402/2013 –Common Safety Methods– and the international EN 50126 standard. These standards set out the guidelines to be followed across a railway project's entire industrial process, from the design, manufacture, quality testing and service operation offering to the end of the useful life of the product.

Commitment to the environment

CAF assumes environmental protection to be one of the organisation's objectives from various standpoints: to offer more environmentally efficient and respectful means of transport, minimise negative environmental impacts and prevent pollution across all the Group's industrial activities.

In the manufacturing plants of CAF, since 2001 the environmental management system has been up and running and has been certified, in accordance with ISO14001:2004, which includes the organisational structure, the planning of environmental protection initiatives, responsibilities, environmental objectives and the resources for carrying out, reviewing and updating the environmental policy. Also, in the months of May and November 2015 audits for the maintenance and recertification under ISO 14001:2004 of the Environmental Management System were successfully performed at the Beasain, Irún and Zaragoza plants.

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

CAF also integrates methods and tools into its design processes that enable it to assess and select the best product solutions and configurations mainly through the following initiatives:

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

As a result, CAF published environmental product declarations (EPDs) in accordance with ISO 14025 and in 2015 renewed the EPD verifying the Urbos 100 tram for the city of Zaragoza, and published new EPDs for the M3000 Metro for the city of Helsinki, the Urbos AXL for the city of Stockholm and the Urbos 100 for Kaohsiung (Taiwan). All of them have been verified by third parties in accordance with the PCR UN CPC 495 standard of UNIFE-ENVIRONDEC and registered on its website (http://www.environdec.com); 6 EPDs have now been published by CAF.

Also, in fulfilment of the Kyoto Protocol, note should be taken that greenhouse gas emissions were kept below the level of their allocated emission allowances.

Commitment to the shareholder

CAF is highly committed to the creation and promotion of the conditions necessary in order to ensure the involvement of shareholders in the decisions for which it has competence, by guaranteeing the equality of information and the exercise by the shareholders of their rights, within the framework of the corporate interest of the Company.

In this regard, throughout 2015 the corporate website (www.caf.es) has been confirmed as CAF's main official communication channel, with the information that may be of interest to shareholders and investors being updated on a permanent basis.

In 2015 the shareholder and investor helpdesk was strengthened through the allocation of both more human and material resources in order to provide information and effectively and swiftly respond to queries, questions or the shareholders' suggestions.

Commitment to the customer

CAF is committed to offering its customers the projects, products and services best suited to their needs at any one time, thereby providing the highest degree of quality and safety.

In the area of quality and safety, the activities carried out in 2015 have already been mentioned in the section on Sustainability.

It should also be noted that in recent years various initiatives have been launched, designed to improve the customers' experience with CAF's products and projects.

In 2015 advances continued to be made along the lines marked out for the 2016 time horizon in the Plan Q16. Of special note was the consolidation of the product quality area, the objective of which is to ensure the quality of the product offered through new actions focused particularly on the initial phases of design and conception, and the SQA area (Suppliers Quality Assurance), in this case with the aim of optimising the quality assurance activities of the products and materials supplied to CAF.

In the industrial quality area, the inspections in progress have been reorganised to bring them into line with the manufacturing process, in the framework of which major advances have been made in the control of special processes, consolidating, in addition to the process of welding, those of coating, crimping, painting and tightening torques.

Commitment to people

CAF's people are an indispensable factor in its success and CAF undertakes to promote their professional development, taking into account the best possible balance between the Company's objectives and the needs and expectations of the employees. Accordingly, in 2015 more than 1,300 training actions were conducted representing more than 70,000 hours of training, while a 3-year skill reinforcement plan has been launched for the training of employees that will enable them to assume new responsibilities in the future.

In the area of internal communication, a new communications channel was launched consisting of the installation of

information panels that supplement the information provided in the CAF portal, the corporate magazine and the other media available for this purpose.

In this Directors' Report, a specific space is given over to the activities carried on in the people area in relation to: hiring and induction, training and development, communication, labour relations and occupational risk prevention both in Spain and abroad.

Commitment to suppliers

CAF is committed to all supplier selection processes being characterised by the search for competitiveness and quality, thereby ensuring equal opportunities among our organisation's suppliers and other partners.

To this end, CAF launched an on-line bid request and submission platform which in 2015 saw the inclusion of new suppliers and, as a result, at the reporting date a high percentage of orders are responded to through this platform. The platform leads to a standardisation and supervision of the contracting process based on a thorough control of quality, compliance and excellence in line with the commitments acquired in the Corporate Social Responsibility policy.

At the same time, new requirements have been added such as security in the validation process, thereby fostering the active involvement of the other departments that take part in the process of searching for quality and competitiveness in the contracting of suppliers, while also ensuring equal opportunities among all of them.

Commitment to society

CAF is committed to the local, national and international, communities, developing and promoting initiatives aimed at improving the quality of people's lives in the communities in which it operates and in the context of its business activity.

In 2015 CAF continued to create opportunities for the development of young professionals, establishing cooperation agreements with educational bodies and public and private entities.

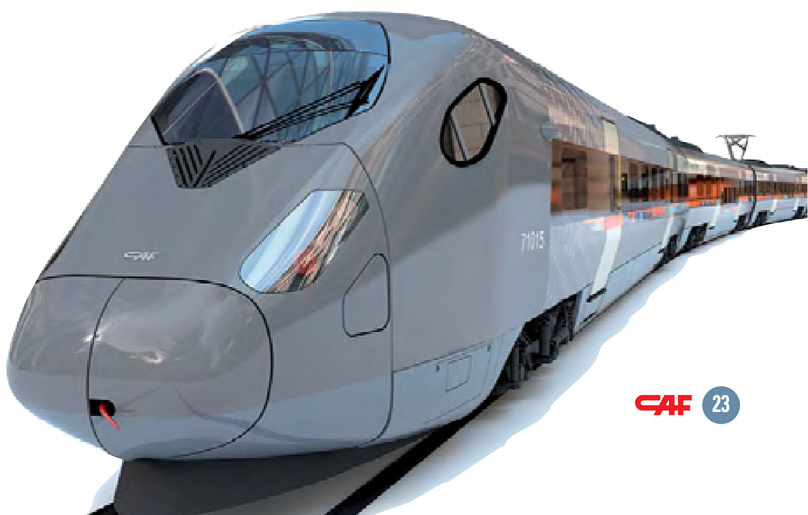
In this period stable agreements were maintained with the principal business schools (e.g. Goierri Eskola) and university centres in the area of the Group's headquarters (e.g. Universidad de Deusto, Universidad del País Vasco, Universidad de Navarra (Tecnun), Universidad de Mondragón, etc.).

Similarly, 170 placements of students and graduates at the organisation were arranged, carrying out targeted learning projects and activities of mutual interest both in Spain and at CAF's headquarters abroad.

In 2015 support continued to be given to certain cultural and linguistic activities. A highlight of the year was the participation, together with Fundación Elhuyar, in the CAF-Elhuyar Awards whose objective is to promote, reward and acknowledge the dissemination of scientific and technological works in the Basque language. Once again CAF supported the Igartza Awards organised by the Beasain Municipal Council and the publisher ELKAR, the objective of which is the promotion of literary creation among the young.

Forthcoming activities

CAF's intention for 2016 is to continue making progress in the implementation of new measures and the development of new practices that are governed by the commitments and principles approved in the Corporate social responsibility policy, in line with internationally accepted policies.



Outlook

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

- Development of the Group’s potential in railway-related services, such as concessions, the operation of rail systems, and the lease, maintenance and refurbishment of trains and locomotives, etc.
- Progressive growth in activities relating to the conception and construction of turnkey rail systems and rail signalling, including on-board and infrastructure ERTMS solutions, capitalising on the developments in these fields made by the Group in prior years, thereby offering complete ready-to-operate systems and, when customers so require, the maintenance or operation thereof, as the case may be, on a stand-alone basis or through the forging of alliances.
- Continuation of the Group's technological development through a major investment effort in the research and development of new systems and subsystems and expansion of our vehicle portfolio (rolling stock). Among others, those envisaged in the European rail technological initiative, Shift2Rail.
- Growth in commercial activity in international markets, particularly in those with the greatest growth potential and the highest volumes, such as the European regional rolling stock segment.
- Promotion of the rolling stock platforms developed in recent years (Civity, Urbos, Oaris) and standardisation of modular solutions since these constitute a major advance towards cost reduction and the maximisation of the reliability of our products.
- Systematic and recurring application of cost and working capital cutting initiatives and the search for excellence in matters of quality across all the Group's business activities and areas in a highly competitive environment.
- Ongoing adaptation of the organisation, strategic and operational processes and the Group's support tools to the changing needs of each specific market, culture and time in which the activity is carried on.

Events after the reporting period

Corporate Governance
annual corporate governance report 2015

At 31 January 2016, the Group had a firm backlog of EUR 5,548,924 thousand.

The Annual Corporate Governance Report for 2015 forms part of the Directors' Report and is published on CAF's website (www.caf.net), following notification as a relevant event to the Spanish National Securities Market Commission.

LETTER FROM THE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. ("the Parent") and Subsidiaries ("the Group", see Note 2-f), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries.

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

Javier Giral Gracia
25 February 2016

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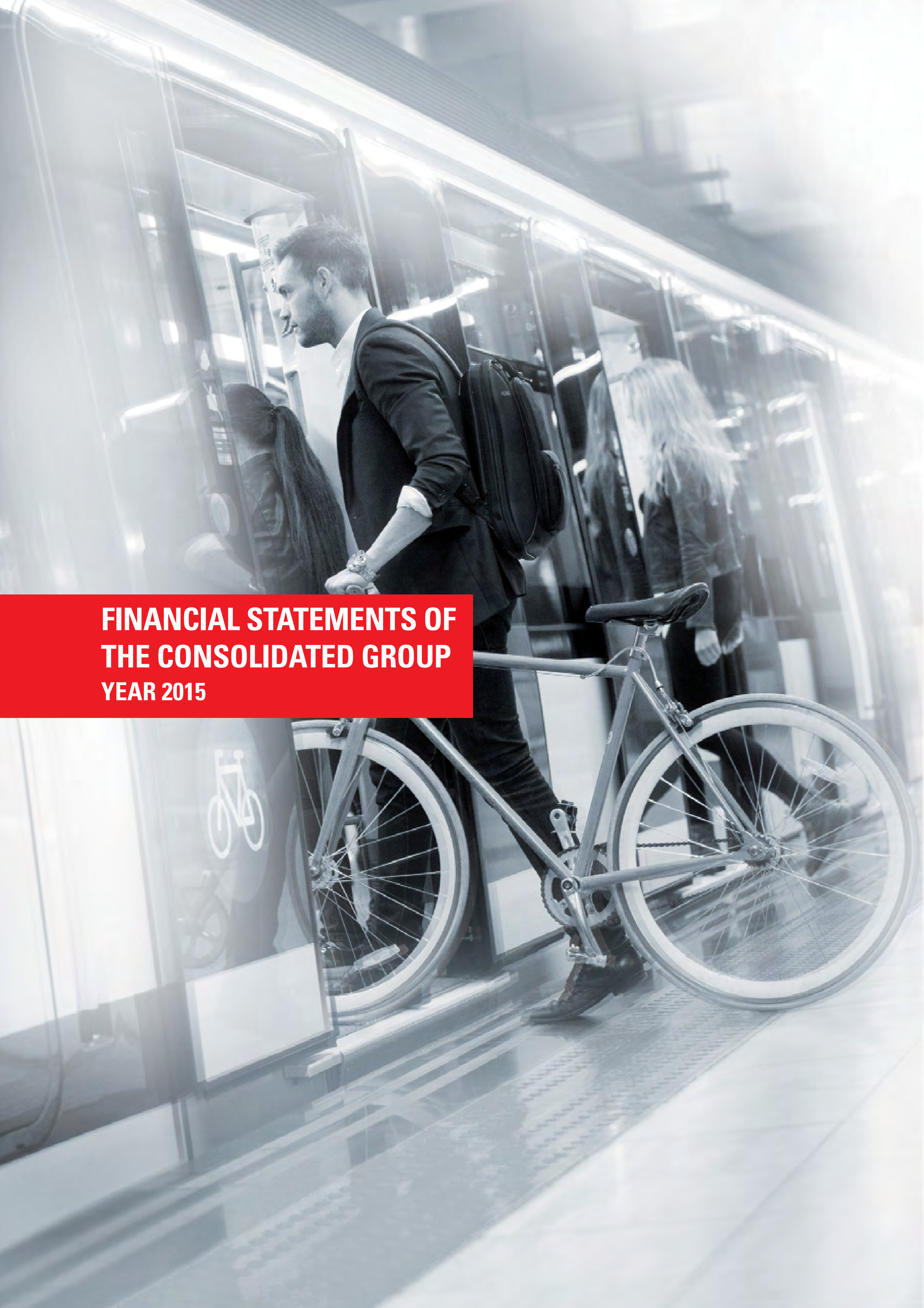
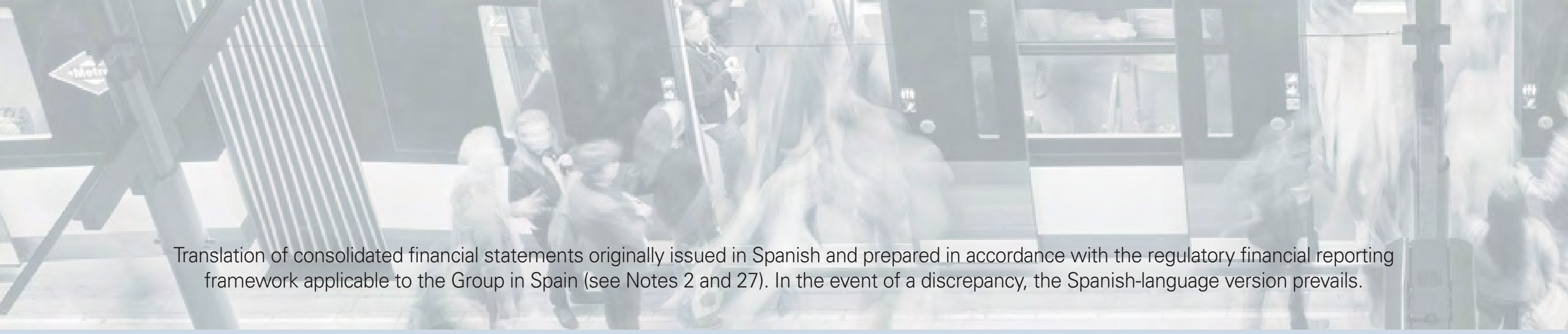
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

FINANCIAL STATEMENTS OF THE CONSOLIDATED GROUP
YEAR 2015





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

Consolidated Balance Sheets

at 31 December 2015 and 2014 (Notes 1, 2 and 3) (Thousands of Euros)

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

Assets	31-12-15	31-12-14 (*)
Non-current assets:		
Intangible assets (Note 7)		
Goodwill	15	15
Other intangible assets	34,719	37,673
	34,734	**37,688**
Property, plant and equipment, net (Note 6 and 8)	**240,787**	**271,839**
Investments accounted for using the equity method (Note 9)	**14,308**	**12,257**
Non-current financial assets (Note 9)	**612,897**	**669,549**
Deferred tax assets (Note 18)	**161,108**	**163,842**
Total non-current assets	**1,063,834**	**1,155,175**
Current assets:		
Inventories (Note 11)	**86,253**	**180,504**
Trade and other receivables		
Trade receivables for sales and services (Notes 10, 11 and 12)	1,120,483	1,107,006
Other receivables (Notes 9, 10 and 19)	169,306	188,410
Current tax assets (Note 19)	8,451	6,493
	1,298,240	**1,301,909**
Other current financial assets (Note 13)	**122,423**	**123,945**
Other current assets	**5,939**	**4,591**
Cash and cash equivalents	**297,440**	**197,111**
Total current assets	**1,810,295**	**1,808,060**
Total assets	**2,874,129**	**2,963,235**

Equity and liabilities	31-12-15	31-12-14 (*)
Equity (Note 14):		
Shareholders' equity		
Registered share capital	10,319	10,319
Share premium	11,863	11,863
Revaluation reserve	39,119	39,119
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	734,288	691,777
Profit for the year attributable to the Parent	41,041	59,679
	836,630	**812,757**
Valuation adjustments		
Hedges	(5,142)	(6,212)
Translation differences	(127,748)	(70,336)
	(132,890)	**(76,548)**
Equity attributable to the Parent	**703,740**	**736,209**
Non-controlling interests	**11,187**	**12,704**
Total equity	**714,927**	**748,913**
Non-current liabilities:		
Long-term provisions (Note 20)	**4,526**	**5,075**
Non-current financial liabilities (Notes 15 and 16)		
Bank borrowings	662,168	683,062
Other financial liabilities	74,924	76,405
	737,092	**759,467**
Deferred tax liabilities (Note 18)	**156,817**	**152,426**
Other non-current liabilities (Note 3-m)	**63,996**	**66,880**
Total non-current liabilities	**962,431**	**983,848**
Current liabilities:		
Short-term provisions (Note 20)	**228,766**	**265,329**
Current financial liabilities (Notes 15 and 16)		
Bank borrowings	203,722	158,039
Other financial liabilities	53,700	46,733
	257,422	**204,772**
Trade and other payables		
Payable to suppliers (Note 25)	352,153	463,067
Other payables (Notes 10, 11, 15, 19 and 20)	355,596	293,197
Current tax liabilities (Note 19)	647	3,513
	708,396	**759,777**
Other current liabilities	**2,187**	**596**
Total current liabilities	**1,196,771**	**1,230,474**
Total equity and liabilities	**2,874,129**	**2,963,235**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated balance sheet as at 31 December 2015.

Consolidated Statements of Profit or Loss

for the years ended 31 December 2015 and 2014 (Notes 1, 2 and 3) (Thousands of Euros)

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

(Debit) Credit	2015	2014 (*)
Continuing operations:		
Revenue (Notes 6, 9 and 10)	1,283,591	1,447,141
+/- Changes in inventories of finished goods and work in progress	(126,137)	7,690
In-house work on non-current assets	6,490	9,840
Procurements (Note 21)	(435,014)	(743,140)
Other operating income (Note 21)	4,245	5,289
Staff costs (Note 22)	(402,164)	(406,236)
Other operating expenses (Note 21)	(164,996)	(174,159)
Depreciation and amortisation charge (Notes 7 and 8)	(38,399)	(42,398)
Impairment and gains or losses on disposals of non-current assets (Notes 2-f, 7, 8 and 9)	(833)	10,958
Profit from operations	**126,783**	**114,985**
Finance income (Notes 9, 10 and 13)	10,476	10,187
Finance costs (Notes 9 and 16)	(56,632)	(47,252)
Exchange differences	(19,632)	(2,394)
Impairment and gains or losses on disposals of financial instruments (Note 9)	(589)	4,357
Change in fair value of financial instruments	3	373
Financial loss	**(66,374)**	**(34,729)**
Result of companies accounted for using the equity method (Note 9)	-	200
Profit before tax	**60,409**	**80,456**
Income tax (Note 18)	(17,795)	(18,327)
Profit for the year from continuing operations	**42,614**	**62,129**
Consolidated profit for the year	**42,614**	**62,129**
Attributable to:		
The Parent	41,041	59,679
Non-controlling interests	1,573	2,450
Earnings per share (in euros)		
Basic	11.97	17.41
Diluted	11.97	17.41

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2015.

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

Consolidated Statements of Comprehensive Income

for 2015 and 2014 (Notes 1, 2 and 3) (Thousands of Euros)

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

	2015	2014 (*)
A) Consolidated profit for the year	**42,614**	**62,129**
B) Income and expense recognised directly in equity	**(56,502)**	**(2,877)**
Arising from actuarial gains and losses (Note 3-j)	1,151	-
Arising from cash flow hedges (Note 17)	191	(3,501)
Translation differences (Note 14)	(61,758)	454
Tax effect (Note 18)	3,914	170
C) Transfers to consolidated profit or loss	**983**	**(3,703)**
Arising from revaluation of financial instruments (Note 9-b)	-	(3,838)
Arising from cash flow hedges (Note 17)	1,114	-
Translation differences	-	-
Tax effect (Note 18)	(131)	135
Total comprehensive income (A+B+C)	**(12,905)**	**55,549**
Attributable to:		
The Parent	(14,472)	53,098
Non-controlling interests	1,567	2,451

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2015.

Consolidated Statements of Changes in Equity

for 2015 and 2014 (Notes 1, 2 and 3) (Thousands of Euros)

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

	Equity attributable to the Parent								
	Shareholders' equity								
	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Other reserves	Net profit for the year	Valuation adjustments	Translation differences	Non-controlling interests	Total equity
Balances as at 31 December 2013 (*)	**10,319**	**11,863**	**58,452**	**618,264**	**90,181**	**822**	**(70,789)**	**10,249**	**729,361**
Total comprehensive income	**-**	**-**	**-**	**-**	**59,679**	**(7,034)**	**453**	**2,451**	**55,549**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(35,995)**	**-**	**-**	**4**	**(35,991)**
Dividends paid	-	-	-	-	(35,995)	-	-	(895)	(36,890)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	899	899
Other changes in equity	**-**	**-**	**(19,333)**	**73,513**	**(54,186)**	**-**	**-**	**-**	**(6)**
Transfers between equity items	-	-	(19,333)	73,513	(54,186)	-	-	-	(6)
Balances as at 31 December 2014 (*)	**10,319**	**11,863**	**39,119**	**691,777**	**59,679**	**(6,212)**	**(70,336)**	**12,704**	**748,913**
Total comprehensive income	**-**	**-**	**-**	**829**	**41,041**	**1,070**	**(57,412)**	**1,567**	**(12,905)**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(17,997)**	**-**	**-**	**(3,084)**	**(21,081)**
Dividends paid	-	-	-	-	(17,997)	-	-	(3,224)	(21,221)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	140	140
Other changes in equity	**-**	**-**	**-**	**41,682**	**(41,682)**	**-**	**-**	**-**	**-**
Transfers between equity items (Note 14)	-	-	-	41,682	(41,682)	-	-	-	-
Balances as at 31 December 2015	**10,319**	**11,863**	**39,119**	**734,288**	**41,041**	**(5,142)**	**(127,748)**	**11,187**	**714,927**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2015.

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

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

Consolidated Statements of Cash Flows

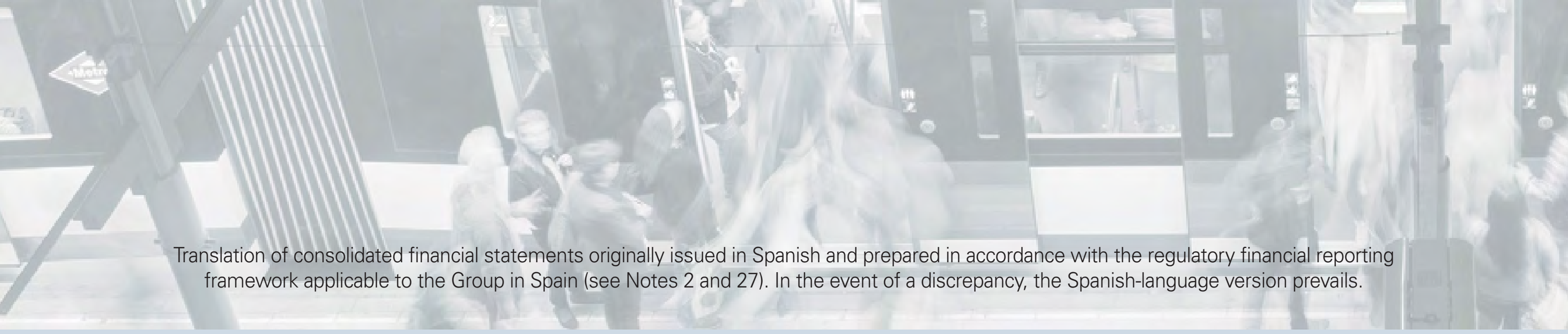
for 2015 and 2014 (Notes 1,2 and 3) (Thousands of Euros)

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

	2015	2014 (*)
Cash flows from operating activities:		
Profit before tax	60,409	80,456
Adjustments for		
Depreciation and amortisation charge (Notes 7 and 8)	38,399	42,398
Impairment losses (Notes 7, 8 and 9)	2,293	(10,754)
Changes in provisions (Notes 3 and 20)	(30,581)	(68,868)
Other income and expenses	19,881	1,757
Gains and losses on disposals of non-current assets (Note 2-f and 8)	(836)	(4,336)
Investments accounted for using the equity method (Note 9)	-	(200)
Finance income	(10,476)	(10,187)
Finance costs	56,632	47,252
Changes in working capital		
Trade receivables and other current assets (Notes 3-d and 12)	(68,735)	(66,236)
Inventories (Note 11)	80,418	(20,256)
Trade payables	(32,778)	37,066
Other current liabilities	1,688	4,476
Other non-current assets and liabilities	(1,805)	35,662
Other cash flows from operating activities		
Income tax recovered (paid) (Note 19)	(16,986)	(4,064)
Other amounts received/(paid) relating to operating activities	(2,009)	(1,735)
Net cash flows from operating activities (I)	**95,514**	**62,431**
Cash flows from investing activities:		
Payments due to investment		
Group companies and associates (Note 9 and 10)	(2,670)	-
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	(19,210)	(24,306)
Other financial assets (Notes 9 and 13)	(7,195)	(46,992)
Proceeds from disposal		
Group companies and associates (Note 2-f)	3,963	-
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	137	475
Other financial assets (Notes 9 and 13)	22,324	52,979
Interest received (Notes 9 and 13)	7,989	5,963
Net cash flows from investing activities (II)	**5,338**	**(11,881)**
Cash flows from financing activities:		
Issue of shares by non-controlling interests	140	899
Proceeds/(Payments) relating to financial liability instruments		
Issue (Notes 15 and 16)	217,842	421,162
Repayment (Notes 15 and 16)	(139,083)	(329,743)
Dividends and returns on other equity instruments paid	(21,221)	(38,990)
Other cash flows from financing activities		
Interest paid (Note 16)	(53,894)	(38,471)
Net cash flows from financing activities (III)	**3,784**	**14,857**
Net increase in cash and cash equivalents (I+II+III)	**104,636**	**65,407**
Cash and cash equivalents at beginning of year	197,111	127,150
Effect on cash of foreign exchange rate changes	(4,307)	4,554
Cash and cash equivalents at end of year	**297,440**	**197,111**

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

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2015



Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

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

1. DESCRIPTION AND ACTIVITIES OF THE PARENT

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

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

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

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Basis of presentation

The consolidated financial statements for 2015 of the CAF Group were formally prepared by the directors:

– In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, including International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the Group's accompanying consolidated financial statements are summarised in Note 3.

– Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3.

– So that they present fairly the CAF Group's consolidated equity and consolidated financial position at 31 December 2015 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

– On the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The CAF Group's consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting of CAF on 13 June 2015. The 2015 consolidated financial statements of the Group and the 2015 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, CAF's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Adoption of new standards and interpretations issued

In 2015 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

Since their entry into force on 1 January 2015, the Group has applied the following standards and interpretations which gave rise to a change in the Group's accounting policies:

IFRIC 21, Levies

This interpretation addressees when to recognise a liability to pay a levy imposed by a government and concludes that the liability must be recognised when the obligating event giving rise to its recognition occurs, which is normally the activity

and point in time identified by legislation as being those which trigger the payment of the levy, i.e. the taxable event and tax obligation. This standard must be applied retrospectively on adoption.

The application of IFRIC 21 changed the Group's previous practice regarding the recognition of various levies, noteworthy among which was the Spanish property tax, which was previously accrued throughout the year, and which must now be recognised on 1 January each year, according to the IFRIC 21 guidelines. However, given the nature of this change in accounting policy, it will not have any impact on the consolidated statement of profit or loss for the year, and for the same reasons it was not necessary to make any changes retrospectively.

Standards and interpretations issued but not yet in force

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

Standard or amendment	Effective date IASB	Effective date European Union
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions	1 July 2014	1 February 2015
Amendments to IASs 16 and 38, Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 January 2016
Amendments to IFRS 11, Acquisitions of Interests in Joint Operations	1 January 2016	1 January 2016
Amendments to IASs 16 and 41, Bearer Plants	1 January 2016	1 January 2016
Amendments to IAS 27, Equity Method in Separate Financial Statements	1 January 2016	1 January 2016
Amendments to IAS 1, Disclosure Initiative	1 January 2016	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Pending
IFRS 15, Revenue from Contracts with Customers	1 January 2018	Pending
IFRS 9, Financial Instruments	1 January 2018	Pending
IFRS 16, Leases	1 January 2019	Pending

IFRS 15, Revenue recognition

IFRS 15, Revenue from Contracts with Customers is the new comprehensive standard on the recognition of revenue from contracts with customers and will supersede the following standards and interpretations currently in force: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue-Barter Transactions Involving Advertising Services for reporting periods beginning on or after 1 January 2018.

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

IFRS 9, Financial Instruments

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

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

IFRS 16, Leases

IFRS 16 will supersede the current IAS 17 and will be effective for annual periods beginning on or after 1 January 2019. The main change is the introduction of a single lessee accounting model which requires a lessee to recognise all leases (with certain limited exceptions) as if they were financed purchases, i.e. with an impact similar to the current finance leases. However, in the case of lessors, a dual model, similar to that currently in force under IAS 17, will continue to be used.

Note 3-m to the consolidated financial statements includes a breakdown of the payments relating to the operating leases currently held.

c) Functional currency

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

d) Use of estimates

In the consolidated financial statements of the CAF Group for 2015 estimates were occasionally made. These estimates, which were made on the basis of the best information available, relate basically to the following:

– The assessment of possible impairment losses on certain assets (see Notes 7, 8, 9, 10, 11, 12 and 13);

– The assumptions used in the actuarial calculation of pension and other obligations to employees (see Note 15);

– The useful life of the property, plant and equipment and intangible assets (see Notes 3-a and 3-b);

– The fair value of certain financial assets (see Note 3-d);

– The calculation of provisions (see Note 20);

– The assessment of the probability of having future taxable profits against which to utilise unused recognised tax assets (see Note 18);

– Changes in estimated costs in the budgets for construction projects performed (see Notes 3-f and 3-n);

Although these estimates were made on the basis of the best information available at 31 December 2015 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated statements of profit or loss.

There have not been any changes in accounting estimates with respect to 2014 that might have had a material impact on these consolidated financial statements.

e) Comparative information

As required by IAS 1, the information relating to 2015 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2014.

The 2014 consolidated financial statements, which are included for comparison purposes, were also prepared in accordance with IFRSs as adopted by the European Union on a basis consistent with that applied in 2015.

f) Consolidated Group and basis of consolidation

Scope of consolidation

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

The accompanying consolidated financial statements for the year ended 31 December 2015 were prepared from the separate accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Parent - see Note 1) at that date and of the subsidiaries and associates listed below:

	% of control or influence	Location	Line of business	Auditor
Fully consolidated companies				
Industrial Subgroup				
CAF, S.A.	Parent	Guipúzcoa	Marketing and manufacture of railway equipment and components	Deloitte
CAF USA, Inc.	100%	Delaware	Manufacturing	G. Thornton
CAF México, S.A. de C.V.	100%	Mexico City	Manufacturing and maintenance	Deloitte
CAF Brasil Industria e Comercio, S.A.	100%	Sao Paulo	Manufacturing and maintenance	Deloitte
CAF Argentina, S.A.	100%	Buenos Aires	Repairs and maintenance	G. Thornton
CAF Rail UK, Ltda.	100%	Belfast	Repairs and maintenance	Deloitte
CAF Italia, S.R.L.	100%	Rome	Repairs and maintenance	Deloitte
CAF Chile, S.A.	100%	Santiago de Chile	Manufacturing and maintenance	Deloitte
CAF Turquía, L.S.	100%	Istanbul	Manufacturing and maintenance	Deloitte
CAF Argelia, E.U.R.L.	100%	Algiers	Manufacturing and maintenance	CACF Audit
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance	Deloitte
CAF Rail Australia Pty. Ltd.	100%	Sydney	Manufacturing and maintenance	Pitcher Partners
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance	Deloitte
CAF France, SAS	100%	Paris	Manufacturing and maintenance	Deloitte
Trenes de Navarra, S.A.U.	100%	Navarre	Manufacturing	Deloitte
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid	Manufacturing	G. Thornton
Construcciones Ferroviarias - CAF Santana, S.A.	83.73%	Jaén	Manufacturing	Bsk
Tradinsa Industrial, S.A.	100%	Lleida	Repairs and maintenance	Deloitte
CAF New Zealand Ltd	100%	Auckland	Manufacturing and maintenance	Staples Rodway
CAF Sisteme Feroviare SRL	100%	Bucharest	Manufacturing and maintenance	Deloitte
CAF Colombia, S.A.S.	100%	Medellín	Manufacturing and maintenance	Deloitte
CAF Arabia, Co.	100%	Riyadh	Manufacturing and maintenance	Deloitte
CAF Deutschland GmbH	100%	Munich	Manufacturing and maintenance	-
CAF Taiwan Ltd.	100%	Kaohsiung	Manufacturing and maintenance	Deloitte
CAF Hungria, K.F.T.	100%	Budapest	Manufacturing and maintenance	Deloitte

	% of control or influence	Location	Line of business	Auditor
Technology Subgroup				
CAF I+D, S.L. (Sole-Shareholder Company)	100%	Guipúzcoa	R&D	Deloitte
CAF Power & Automation, S.L.U.	100%	Guipúzcoa	Electronic and power equipment	Deloitte
Nuevas Estrategias de Mantenimiento, S.L.	85%	Guipúzcoa	Technology solutions	Bsk
Vectia Mobility Research &Development A.I.E.	60%	Guipúzcoa	R&D	Deloitte
Vectia Mobility, S.L.	60%	Guipúzcoa	Solutions for urban transport	-
CAF Transport Engineering, S.L.U.	100%	Vizcaya	Engineering	Bsk
Centro de Ensayos y Análisis Cetest, S.L.	100%	Guipúzcoa	Tests	Bsk
Lander Simulation and Training Solutions, S.A.	57%	Guipúzcoa	Simulators	Bsk
Geminys, S.L.	100%	Guipúzcoa	Operating manuals	Bsk
CAF Signalling, S.L.U.	100%	Guipúzcoa	Signalling	Deloitte
CAF Sinyalizasyon Sistemleri Ticaret Ltd. Sirketi	90%	Istanbul	Signalling	Deloitte
Services Subgroup				
Actren, S.A.	51%	Madrid	Maintenance	Deloitte
Sermanfer, S.A.	100%	Madrid	Maintenance	Audyge
Sefemex, S.A. de C.V.	100%	Mexico City	Rendering of services	Almaguer
Corporación Trainemex, S.A. de C.V.	100%	Mexico City	Administrative services	Almaguer
Inversiones en Concesiones Ferroviarias, S.A.	100%	Guipúzcoa	Business development	Deloitte
Urbanización Parque Romareda, S.A.	100%	Zaragoza	Holding company	-
UPR Argentina, S.A.	100%	Buenos Aires	Holding company	-
Ctrens Companhia de Manutençao, S.A.	100%	Sao Paulo	Lease services	Deloitte
Provetren, S.A. de C.V.	100%	Mexico City	Lease services	Deloitte
Regiotren, S.A. de C.V.	100%	Mexico City	Lease services	-
Sermantren, S.A. de C.V.	100%	Mexico City	Rendering of services	Almaguer
Ennera Energy and Mobility, S.L.	100%	Guipúzcoa	Power generation	Bsk
Rail Line Components, S.L.U	100%	Guipúzcoa	Marketing	Bsk
Construction Subgroup				
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	100%	Mexico City	Equipment	Deloitte
Companies accounted for using the equity method (Note 9)				
Industrial Subgroup				
Compañía de Vagones del Sur, S.A.	29.3%	Jaén	Manufacturing	-
Urban Transport Solutions B.V. (*)	49%	Amsterdam	Manufacturing and maintenance	-
Ferrocarril Interurbano, S.A. de C.V.	49.63%	Mexico City	Manufacturing and equipment	-
Basa TMB, S.L.	33.33%	Vizcaya	Repairs and maintenance	-

	% of control or influence	Location	Line of business	Auditor
Technology Subgroup				
Asirys Vision Technologies, S.A.	22.33%	Guipúzcoa	Automated production	-
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.	30%	Zhejiang	Electronic and power equipment	-
Tumaker, S.L.	24.9%	Guipúzcoa	Printing equipment	-
Services Subgroup				
Ferrocarriles Suburbanos, S.A. de C.V.	43.35%	Mexico City	Transport services	Deloitte
Plan Metro, S.A.	40%	Guipúzcoa	Lease services	-
Consorcio Traza, S.A. (**)	25%	Zaragoza	Holding company	-
Arabia One for Clean Energy Investments PSC	40%	Ma'an	Power generation	-

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

Changes in the scope of consolidation

In 2015 Basa TMB, S.L. was incorporated and CAF Latvia, SIA, which was dormant, was liquidated.

In September 2015 a corporate reorganisation transaction was carried out within the Group involving the merger by absorption of Constructora de Sistemas Ferroviarios, S.L. into CAF Transport Engineering, S.L.U.

In December 2015 all the shares of Miralbaida Energia XV, S.L., Beasain Energia Solar, S.L. and El Yelmo Solar, S.L. (companies engaging mainly in energy production using solar panels (see Note 8)) were sold for approximately EUR 3,708 thousand, and a gain of EUR 1,041 thousand was recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss.

In 2015 the name of Urban Art Alliance for Research on Transport A.I.E. was changed to Vectia Mobility Research & Development, A.I.E.

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

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

Consolidation method

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

Also, "associates" are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. A "joint venture" is an arrangement whereby the parties that have joint control of the arrangement have

rights to the net assets of the arrangement In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations, less any impairment of the individual investments (in the case of transactions with an associate, the related profits or losses are eliminated in proportion to the Group's ownership interest).

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

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

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

Translation of foreign currency financial statements

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

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

g) Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2014.

3. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT BASES APPLIED

The principal accounting policies used by the CAF Group in preparing its consolidated financial statements at 31 December 2015 and 2014 were as follows:

a) Intangible assets

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

b) Property, plant and equipment

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

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

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

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

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

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

c) Impairment of assets

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

d) Financial instruments

Trade and other receivables

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

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

Also, the Group derecognises trade receivable balances for the amount of the accounts receivable factored provided that substantially all the risks and rewards inherent to ownership of these accounts receivable (non-recourse factoring) have been transferred. At 31 December 2015, the Group derecognised receivables amounting to EUR 31,364 thousand (31 December 2014: EUR 0).

Financial assets

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

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

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

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

– They have been classified as held-for-trading because they have been acquired to generate a profit through short-term fluctuations in their prices.

– They are financial derivatives provided that they have not been designated as part of a hedging relationship.

– They have been included in this category of assets since initial recognition.

(4) Available-for-sale financial assets. Available-for-sale financial assets are measured at fair value. This category includes financial assets acquired that are not held for trading purposes and are not classified as held-to-maturity investments or as financial assets at fair value through profit or loss. Substantially all these assets relate to equity investments. Changes in fair value are recognised with a charge or credit to "Valuation Adjustments" in the consolidated balance sheet until the investments are disposed of, at which time the cumulative balance of this heading relating to the investments disposed of is recognised in full in the consolidated statement of profit or loss. In this regard, (permanent) impairment is presumed to exist if the market value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered.

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

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

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

– Level 1: Quoted prices in active markets for identical assets or liabilities.

– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: Inputs for the asset or liability that are not based on observable market data.

The detail of the CAF Group's assets and liabilities measured at fair value according to the levels indicated above at 31 December 2015 and 2014 is as follows (thousands of euros):

2015

	Level 1	Level 2	Total
Assets			
Derivatives (Note 17)	-	54,932	54,932
Held-for-trading financial assets (Note 13)	50,814	-	50,814
Total assets	**50,814**	**54,932**	**105,746**
Liabilities			
Derivatives (Note 17)	-	58,589	58,589
Total liabilities	**-**	**58,589**	**58,589**

2014

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

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

Cash and cash equivalents

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

Derivative financial instruments

The Group uses derivative financial instruments to hedge the foreign currency risk to which its project contracts and certain investments in investees are exposed, and to hedge the interest rate risk arising from loan drawdowns (see Notes 5 and 17).

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

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

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

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

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

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

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

e) Inventory measurement bases

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

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

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

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

– Borrowing costs: calculated on the basis of the financing requirements directly allocable to each project contract.

f) Recognition of contract revenue and profit

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

The Group only recognises revenue from claims when the customer has accepted the claim and there is evidence of the acceptance thereof by means of a contractual amendment or legal document of similar nature.

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

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

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

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

Revenue from the sales of products, basically spare parts, is recognised when the goods and title thereto are transferred.

g) Customer advances and completed contract work

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

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

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

h) Current/Non-current classification

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

i) Government grants

The Group companies recognise government grants received as follows:

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

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

j) Post-employment benefits

The consolidated companies' legal and contractual obligations to certain of their employees in relation to retirement and death are met through premiums under defined contribution and defined benefit plans to external funds deposited or in the process of being externalised at independent insurance companies. The contributions made in 2015 and 2014 for various groups of employees amounted to EUR 1,734 thousand and EUR 4,360 thousand, respectively, and were recognised under "Staff Costs" in the accompanying consolidated statements of profit or loss. At 31 December 2015, the Group did not have any payables in this connection (at 31 December 2014 it had a short-term provision of EUR 2,000 thousand). In accordance with the applicable collective agreement, the Parent contributes an additional 2.3% of the annual base salary of all its employees to a pension plan (EPSV) (see Note 22, 23 and 24).

Also, the Parent's directors, based on the conclusions of a study conducted by their legal advisers, considered in 2006 that a historical right of certain of its employees had vested. In accordance with the accrual basis of accounting, at 31 December 2015, the Group recognised an asset of EUR 268 thousand (31 December 2014: an asset of EUR 210 thousand), calculated by an independent valuer, under "Current Assets" in the consolidated balance sheet at 31

December 2015. This amount is the difference between the present value of the defined benefit obligations accrued and the fair value of the assets qualifying as plan assets. The future modifications to the obligations assumed will be recognised in profit or loss for the related year. In 2015 and 2014 the Group received a return amounting to EUR 423 thousand and settled a premium of EUR 528 thousand, respectively. Also, charges of EUR 672 thousand and EUR 352 thousand, respectively, were made to “Staff Costs” in the accompanying consolidated statements of profit or loss (see Notes 15, 18 and 22). In addition, actuarial gains for 2015 amounting to EUR 1,151 thousand were recognised with a credit to equity.

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

Lastly, certain subsidiaries have other obligations to their employees pursuant to the legislation in the countries in which they are located, and the related provisions at 31 December 2015 were recognised under “Long-Term Provisions" and "Short-Term Provisions" for EUR 2,089 thousand and EUR 1,999 thousand, respectively (31 December 2014: EUR 1,815 thousand and EUR 2,320 thousand, respectively) (see Note 20).

k) Early retirements and termination benefits

At 31 December 2015, “Non-Current Financial Liabilities - Other Financial Liabilities” and “Trade and Other Payables - Other Payables” in the accompanying consolidated balance sheet included EUR 3,005 thousand and EUR 2,298 thousand, respectively (31 December 2014: EUR 5,259 thousand and EUR 4,185 thousand), relating to the present value estimated by the Parent’s directors of the future payments to be made to employees who in December 2015 were included in the pre-retirement plan approved in 2013, or with whom hand-over contracts had been entered into. This provision was recognised with a charge of EUR 11 thousand (2014: EUR 1,567 thousand) to “Staff Costs” in the consolidated statement of profit or loss (see Note 22).

l) Income tax

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

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

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

m) Leases

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

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

At 31 December 2015 and 2014, the Group had various outstanding operating leases for which it had recognised EUR 7,901 thousand and 7,342 thousand, respectively with a charge to "Other Operating Expenses" in the accompanying consolidated statement of profit or loss. The Company expects to continue to lease these assets (principally computer hardware and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2015 amounted to EUR 17,759 thousand over the next few years, of which EUR 5,749 thousand are due in 2016 (31 December 2014: EUR 18,594 thousand and EUR 6,309 thousand to be paid in 2015).

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

n) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. The Group only recognises realised revenue at year-end.

Maintenance revenue is recognised on an accrual basis. The Group has certain maintenance contracts billed on a straight-line basis which envisage the performance of in-depth inspections on a periodic basis. In these cases, the difference between the billings and the amounts accrued, determined on the basis of the costs incurred as a percentage of total contract costs, is recognised with a charge to "Revenue" and a credit to "Other Non-Current Liabilities" in the accompanying consolidated balance sheet. In 2015 the net amount recognised with a credit to “Revenue” in the accompanying consolidated statement of profit or loss totalled EUR 1,805 thousand. Also, translation differences reduced this amount by EUR 1,079 thousand, due mainly to changes in the value of the Brazilian real.

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

ñ) Administrative concessions

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

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

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

The financial income derived from valuing the financial asset of the concessions at amortised cost is recognized in the heading "Revenue" of the consolidated statement of profit or loss. The concessions recognised by the Group (see Note 9) are classified as financial assets, since the required conditions for such classification are met.

4. DISTRIBUTION OF THE PROFIT OF THE PARENT

The distribution of the Parent's profit for 2015 proposed by its directors is as follows:

Distribution	Thousands of euros
To voluntary reserves	12,091
Dividends	17,997
Total	**30,088**

5. FINANCIAL AND OTHER RISK MANAGEMENT POLICY

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

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

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

a) Market risk

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

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

The Group's standard practice is to hedge, provided that the cost is reasonable, the market risk associated with contracts denominated in currencies other than its functional currency, which is the euro. The hedges are intended to avoid the impact of currency fluctuations on the various agreements entered into, so that the Group's results present fairly its industrial and service activity. The impact on the consolidated statement of profit or loss (sensitivity) for 2015 of a 10% depreciation of the Brazilian real against the euro at 31 December 2015 would be a loss of EUR 4,841 thousand (31 December 2014: EUR 7,148 thousand). The sensitivity of the statement of profit or loss to the other foreign currencies was not material.

At 31 December 2015 and 2014, the Group was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of the US dollar, the exposure to which is hedged.

The detail of the equivalent value in thousands of euros of the assets and liabilities of the subsidiaries with functional currencies other than the euro at 31 December 2015 and 2014 is as follows:

	Equivalent value in thousands of euros					
	31/12/15			31/12/14		
Currency	**Assets**	**Liabilities**	**Net exposure**	**Assets**	**Liabilities**	**Net exposure**
Chilean peso	14,607	14,024	583	15,532	14,023	1,509
Mexican peso	33,973	20,347	13,626	31,279	17,306	13,973
Argentine peso	3,580	2,180	1,400	4,781	2,841	1,940
Brazilian real	578,238	352,299	225,939	746,292	553,286	193,006
US dollar (Note 3-d) (*)	521,753	370,962	208	506,947	389,829	(711)
Pound sterling	10,706	9,969	737	7,567	6,391	1,176
Algerian dinar	4,698	2,355	2,343	4,050	2,841	1,209
Turkish lira	8,043	6,565	1,478	13,248	11,423	1,825
Venezuelan bolivar	72	53	19	272	265	7
Indian rupee	9,483	126	9,357	9,827	174	9,653
Australian dollar	1,278	1,024	254	1,841	1,472	369
Colombian peso	1,047	623	424	1,427	974	453
Saudi riyal	13,705	12,943	762	8,792	8,041	751
New Zealand dollar	3,339	2,906	433	3,312	3,118	194
Romanian leu	231	148	83	456	392	64
New Taiwan dollar	24,147	23,175	972	22,917	21,886	1,031
Hungarian forint	551	397	154	345	338	7
Total	**1,229,451**	**820,096**	**258,772**	**1,378,885**	**1,034,600**	**226,456**

(*) At 31 December 2015, there were hedges of net investments in foreign operations (see Note 17) amounting to EUR 150,583 thousand, applying the year-end exchange rate (31 December 2014: EUR 117,829 thousand).

In the event of a 10% appreciation or depreciation of all the foreign currencies, the impact on the Group's equity would amount to EUR 25,877 thousand at 31 December 2015 (31 December 2014: EUR 22,646 thousand).

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

	Equivalent value in thousands of euros			
	31/12/15		31/12/14	
Nature of the balances	Assets	Liabilities	Assets	Liabilities
Intangible assets	85	-	221	-
Property, plant and equipment	56,372	-	66,890	-
Non-current financial assets and deferred tax assets	607,524	-	674,787	-
Inventories	66,542	-	124,230	-
Trade and other receivables	435,107	-	405,736	-
Other current financial assets	23,900	-	25,122	-
Cash and cash equivalents	39,921	-	81,899	-
Non-current liabilities	-	465,204	-	541,787
Current liabilities	-	354,892	-	492,813
Total	**1,229,451**	**820,096**	**1,378,885**	**1,034,600**

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

b) Credit risk

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

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

At 31 December 2015 and 2014, the Group had insured a portion of its accounts receivable from customers in certain countries abroad through credit insurance policies (see Note 12).

c) Liquidity risk

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

The CAF Group manages liquidity risk using the following mechanisms:

– Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be coincide in the same timeframe, which results in financial resources being consumed.

– Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.

– Maintaining a strong short-term liquidity position.

– Maintaining surplus undrawn credit balances.

d) Cash flow and fair value interest rate risk

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

In this regard, a significant portion of the financial debt at 31 December 2015 related, on the one hand, to the concessions obtained in Brazil and Mexico (see Notes 9 and 16), and, on the other, to the Parent's debt for the financing of its activity and that of the other Group companies.

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

With regard to the Parent's debt at 31 December 2015, EUR 138 million were drawn down at market interest rates (at 31 December 2014: EUR 145 million) and EUR 244 million at fixed interest rates (at 31 December 2014: EUR 200 million), of which EUR 20 million at fixed rates as a result of interest rate derivatives (see Notes 16 and 17). The borrowings of the subsidiaries CAF USA and CAF Brasil are tied to the market interest rates of their respective countries.

Taking into consideration the balance at 31 December 2015 and 2014, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, and considering the hedging policies described above, the finance costs arising from the financial debt would have risen/decreased by approximately EUR 4,418 thousand and EUR 5,024 thousand, respectively.

e) Risks arising from variances with respect to project budgets

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

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

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

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

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

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

6. SEGMENT REPORTING

a) Basis of segmentation

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

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

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

b) Basis and methodology for segment reporting

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

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

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

– Rolling Stock

– Components and spare parts

Segment information on the businesses is as follows:

	2015 (Thousands of Euros)				
Segmentation by business unit	**Rolling stock**	**Components and spare parts**	**General**	**Inter-segment**	**Total**
REVENUE:					
External sales	1,205,111	78,480	-	-	1,283,591
Inter-segment sales	-	33,402	-	(33,402)	-
Total sales	**1,205,111**	**111,882**	**-**	**(33,402)**	**1,283,591**
PROFIT OR LOSS:					
Profit from operations	121,020	4,365	1,398	-	126,783
Financial profit (loss) (*)	(25,930)	124	(40,568)	-	(66,374)
Share of net results of associates	-	-	-	-	-
Profit before tax	**95,090**	**4,489**	**(39,170)**	**-**	**60,409**
Income tax (*)	-	-	(17,795)	-	(17,795)
Profit (Loss) for the year from continuing operations	**95,090**	**4,489**	**(56,965)**	**-**	**42,614**
Profit (Loss) attributable to non-controlling interests	(1,573)	-	-	-	(1,573)
Profit (Loss) attributable to the Parent	**93,517**	**4,489**	**(56,965)**	**-**	**41,041**
Depreciation and amortisation charge (Notes 7 and 8)	29,418	8,775	206	-	38,399
ASSETS	**2,082,545**	**82,401**	**712,075**	**(2,892)**	**2,874,129**
LIABILITIES	**1,303,150**	**20,477**	**835,801**	**(226)**	**2,159,202**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	12,856	7,568	-	-	20,424
OTHER ITEMS NOT AFFECTING CASH FLOWS:					
Asset impairment – Income (Expense) (Notes 2-f, 7, 8 and 9)	(612)	-	(221)	-	(833)

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

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

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

The breakdown of sales, by product group and type of service provided, is as follows (in thousands of euros):

	2015	2014
High-speed	-	5,938
Regional and commuter	372,304	388,078
Metropolitan railway	195,085	280,318
Tram and light rail	202,565	249,267
Bogies, refitting and other	53,299	73,911
Trains	**823,253**	**997,512**
Services	**326,782**	**318,458**
Rolling stock and spare parts	**78,480**	**82,268**
Other	**55,076**	**48,903**
Total	**1,283,591**	**1,447,141**

The information based on geographical location is as follows:

a) The breakdown of sales by geographical area at 31 December 2015 and 2014 is as follows (thousands of euros), including the significant countries (those which suppose more than 5% of the total of the sales during 2015):

	2015	2014
National	**257,213**	**228,430**
Italy	52,488	165,814
Hungary	80,262	16,745
Finland	69,399	35,963
Others	165,214	152,807
European Union	**367,363**	**371,329**
United States	108,291	110,582
New Zealand	19,437	110,689
Others	164,051	130,587
OECD	**291,779**	**351,858**
Brazil	234,382	264,719
Saudi Arabia	88,583	100,500
Others	44,271	130,305
Rest of the world	**367,236**	**495,524**
Total	**1,283,591**	**1,447,141**

In 2015 one customer represented 17% of the Group's revenue. In 2014 no client represented more than 10% of the Group's sales.

b) The distribution of net investments in property, plant and equipment by geographical area at 31 December 2015 and 2014 is as follows (in thousands of euros):

Geographical area	2015	2014
Spain	182,335	203,125
Rest of the world	58,452	68,714
Total	**240,787**	**271,839**

7. OTHER INTANGIBLE ASSETS

The changes in the years ended 31 December 2015 and 2014 in “Other Intangible Assets” and in the related accumulated amortisation were as follows:

	Thousands of Euros			
	Development expenditure	**Computer software and other**	**Goodwill**	**Total**
Cost at 31/12/13	**93,162**	**15,995**	**15**	**109,172**
Cost				
Translation differences	-	1	-	1
Additions or charge for the year	12,932	1,383	-	14,315
Transfers to inventories	(1,201)	-	-	(1,201)
Disposals or reductions	(694)	-	-	(694)
Cost at 31/12/14	**104,199**	**17,379**	**15**	**121,593**
Translation differences	1	(111)	-	(110)
Additions or charge for the year	7,910	1,817	-	9,727
Transfers to inventories	(2,514)	-	-	(2,514)
Disposals or reductions	(2,617)	(104)	-	(2,721)
Cost at 31/12/15	**106,979**	**18,981**	**15**	**125,975**
Accumulated amortisation				
Accumulated amortisation at 31/12/13	**(44,222)**	**(12,862)**	**-**	**(57,084)**
Translation differences	-	1	-	1
Additions or charge for the year	(9,487)	(1,126)	-	(10,613)
Disposals or reductions	412	-	-	412
Accumulated amortisation at 31/12/14	**(53,297)**	**(13,987)**	**-**	**(67,284)**
Translation differences	(1)	66	-	65
Additions or charge for the year	(9,016)	(1,106)	-	(10,122)
Disposals or reductions	2,617	104	-	2,721
Accumulated amortisation at 31/12/15	**(59,697)**	**(14,923)**	**-**	**(74,620)**
Impairment				
Impairment at 31/12/13	**(16,901)**	**-**	**-**	**(16,901)**
Recognised in 2014	280	-	-	280
Impairment at 31/12/14	**(16,621)**	**-**	**-**	**(16,621)**
Impairment at 31/12/15	**(16,621)**	**-**	**-**	**(16,621)**
Net balance at 31/12/14	**34,281**	**3,392**	**15**	**37,688**
Net balance at 31/12/15	**30,661**	**4,058**	**15**	**34,734**

Research and development expenditure incurred in 2015 amounted to EUR 18,823 thousand (EUR 10,913 thousand were recognised in the consolidated statement of profit or loss and EUR 7,910 thousand were capitalised). Research and development expenditure incurred in 2014 amounted to EUR 28,035 thousand (EUR 15,103 thousand were recognised in the consolidated statement of profit or loss and EUR 12,932 thousand were capitalised). These amounts do not include basic engineering costs associated with contracts or costs relating to the improvement of the standardisation of products and processes.

The additions to "Development Expenditure" in 2015 and 2014 correspond to the costs incurred in new product projects and other projects, including most notably the new high-speed train project, railway signalling projects and the development, in conjunction with a partner, of an electric bus.

As discussed in Note 3-a, in 2015 the Group transferred approximately EUR 2,514 thousand of capitalised development expenditure for projects to various contracts it had won that incorporated the technology developed (2014: EUR 1,201 thousand).

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2015 and 2014 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

	Thousands of Euros					
	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
Balance at 31/12/13	**259,717**	**279,273**	**21,004**	**34,907**	**330**	**595,231**
Cost						
Additions	3,005	3,568	723	672	2,117	10,085
Transferred from inventories	-	-	-	3,550	-	3,550
Transfers	1,591	567	22	110	(2,282)	8
Disposals or reductions	(1,134)	(1,263)	(168)	(948)	-	(3,513)
Translation differences	2,645	1,885	26	62	1	4,619
Balance at 31/12/14	**265,824**	**284,030**	**21,607**	**38,353**	**166**	**609,980**
Additions	1,154	4,603	734	3,906	300	10,697
Transfers	(230)	105	(93)	(76)	(168)	(462)
Disposals or reductions	(830)	(10,803)	(581)	(47)	-	(12,261)
Translation differences	(5,004)	(3,473)	(262)	(65)	10	(8,794)
Balance at 31/12/15	**260,914**	**274,462**	**21,405**	**42,071**	**308**	**599,160**
Accumulated depreciation at 31/12/13	**(84,462)**	**(185,955)**	**(12,466)**	**(18,752)**	**-**	**(301,635)**
Accumulated depreciation						
Additions or charge for the year	(6,317)	(21,428)	(1,384)	(2,606)	-	(31,735)
Transfers	(6)	1	2	(6)	-	(9)
Disposals or reductions	929	1,155	106	948	-	3,138
Translation differences	(296)	(549)	(15)	(37)	-	(897)
Accumulated depreciation at 31/12/14	**(90,152)**	**(206,776)**	**(13,757)**	**(20,453)**	**-**	**(331,138)**
Additions or charge for the year	(6,259)	(18,262)	(1,394)	2,362	-	(28,277)
Transfers	197	15	84	103	-	399
Disposals or reductions	644	4,733	404	46	-	5,827
Translation differences	1,183	1,936	115	66	-	3,300
Accumulated depreciation at 31/12/15	**(94,387)**	**(218,354)**	**(14,548)**	**(22,600)**	**-**	**(349,889)**
Impairment at 31/12/13	**(5,661)**	**(1,329)**	**-**	**(13)**	**-**	**(7,003)**
Impairment at 31/12/14	**(5,661)**	**(1,329)**	**-**	**(13)**	**-**	**(7,003)**
Recognised in 2015	(803)	(558)	(131)	-	-	(1,492)
Translation differences	11	-	-	-	-	11
Impairment at 31/12/15	**(6,453)**	**(1,887)**	**(131)**	**(13)**	**-**	**(8,484)**
Net balance at 31/12/14	**170,011**	**75,925**	**7,850**	**17,887**	**166**	**271,839**
Net balance at 31/12/15	**160,074**	**54,221**	**6,726**	**19,458**	**308**	**240,787**

In 2015 the Group invested in its plants in order to improve their production capacity. These investments were aimed basically at the modernisation of the rolling stock business. Property, plant and equipment disposals include mainly those arising from the sale of solar PV energy generation companies (see Note 2-f).

In prior years the Group transferred to "Property, Plant and Equipment" the estimated recoverable amount of locomotives manufactured for a customer the contract for which was subsequently cancelled (see Note 20). Following an impairment test performed on the locomotives, the Parent's directors considered that they were not impaired. At 31 December 2015, the carrying amount of the locomotives was EUR 9,727 thousand (31 December 2014: EUR 10,299 thousand).

At 31 December 2015 and 2014, the Group had firm capital expenditure commitments amounting to approximately EUR 6,023 thousand and EUR 726 thousand, respectively, mainly in Spain.

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2015 and 2014, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2015 and 2014, the gross cost of fully depreciated assets in use amounted to approximately EUR 215,823 thousand and EUR 185,734 thousand, respectively.

The losses incurred on property, plant and equipment disposals in 2015 amounted to approximately EUR 56 thousand and were recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss (the related loss in 2014 amounted to EUR 46 thousand).

As a result of the analysis of value in use conducted by the Group on various items of property, plant and equipment (supported by studies of selling prices for land, buildings and certain items of machinery performed by an independent valuer) in 2015, EUR 1,492 thousand were recognised with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated statement of profit or loss. No amount was recognised in this regard in 2014.

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 31 December 2015, the net amount of the grants received not yet allocated to profit or loss totalled EUR 2,130 thousand (31 December 2014: EUR 3,002 thousand). EUR 915 thousand were allocated to profit or loss in this connection in 2015 (2014: EUR 1,169 thousand), and this amount was recognised under "Depreciation and Amortisation Charge" in the accompanying consolidated statement of profit or loss.

The directors consider that there were no indications of impairment of the Group's assets at 31 December 2015 other than those described in this Note.

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

The changes in the years ended 31 December 2015 and 2014 in "Investments Accounted for Using the Equity Method" and "Non-Current Financial Assets" were as follows:

	Thousands of Euros							
	Investments in associates (Note 9-a)	Equity instruments (Note 9-b)		Other financial assets (Note 9-c)	Derivative financial instruments (Note 17)	Loans and receivables (Note 9-e)		Total
	Cost	Cost	Allowance	Cost	Market value	Cost	Allowance	
Balance at 31/12/13	**14,902**	**27,843**	**(1,225)**	**18,133**	**9,193**	**630,843**	**(27,554)**	**672,135**
Translation differences	(28)	-	-	130	202	33,948	(615)	33,637
Additions or charge for the year	200	380	(180)	960	8,198	125,126	11,803	146,487
Disposals or reductions	-	(17,058)	-	(535)	-	(2,307)	-	(19,900)
Transfers	147	(61)	-	(1,024)	-	(146,651)	-	(147,589)
Hedges	(2,964)	-	-	-	-	-	-	(2,964)
Balance at 31/12/14	**12,257**	**11,104**	**(1,405)**	**17,664**	**17,593**	**640,959**	**(16,366)**	**681,806**
Translation differences	88	-	-	(4,189)	(17)	(65,605)	4,175	(65,548)
Additions or charge for the year	778	380	(419)	1,722	5,078	106,824	(213)	114,150
Disposals or reductions	(78)	-	-	(888)	(721)	(948)	-	(2,635)
Transfers (Note 3-ñ)	642	-	-	(675)	135	(101,291)	-	(101,189)
Hedges (Note 17)	621	-	-	-	-	-	-	621
Balance at 31/12/15	**14,308**	**11,484**	**(1,824)**	**13,634**	**22,068**	**579,939**	**(12,404)**	**627,205**

A detail of the Group's non-current financial assets at 31 December 2015 and 31 December 2014, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros				
	31/12/15				
Financial assets: Nature/category	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Hedging derivatives**	**Total**
Equity instruments	9,660	-	-	-	9,660
Hedging derivatives (Note 17)	-	-	-	22,068	22,068
Other financial assets	-	567,535	13,634	-	581,169
Long-term / non-current	**9,660**	**567,535**	**13,634**	**22,068**	**612,897**

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

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

2015

	2017	**2018**	**2019**	**2020 and subsequent years**	**Total**
Loans and receivables	118,996	107,711	98,370	242,458	567,535
Held-to-maturity investments	675	15	118	12,826	13,634
Hedging derivatives	19,545	1,479	461	583	22,068
Total	**139,216**	**109,205**	**98,949**	**255,867**	**603,237**

2014

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

a) Investments in associates

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

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the parent	Non-controlling interests	Sales	Profit (Loss) of the parent	Other comprehensive income
Plan Metro, S.A. (3)	396,026	12,724	401,619	29,701	(22,570)	-	51,390	(5,579)	-
Consorcio Traza, S.A. (2)	237,933	69,291	222,696	28,199	51,989	4,340	25,931	1,235	2,484
Ferrocarriles Suburbanos, S.A. de C.V.	277,608	61,811	263,475	58,277	17,667	-	45,193	(18,845)	(793)
Arabia One for Clean Energy Invest. PSC	19,287	2,835	15,649	4,799	1,674	-	-	(497)	28

Name	Equity	% of share capital	Equity attributable to CAF Group	Investment accounted for using the equity method	Recognised profit (loss)
Plan Metro, S,A. (3)	(22,570)	40	(9,028)	-	-
Consorcio Traza, S.A. (2)	51,989	25	12,997	12,997	309
Ferrocarriles Suburbanos, S.A. de C.V.	17,667	43.35	7,659	-	-
Arabia One for Clen Energy Investments PSC	1,674	40	670	670	(199)
Other investments (4)	-	-	641	641	(110)
			12,939	**14,308**	**-**

(1) After adjustments and unification for consolidation purposes (in thousands of euros).

(2) Consorcio Traza, S.A. holds an 80% ownership interest in the public-private entity S.E.M. Los Tranvías de Zaragoza, S.A.

(3) This company's shares are pledged to certain banks.

(4) Dormant companies or companies with no significant activity: Asyris Vision Technologies, S.A.; Urban Transport Solutions, B.V.; Zheijang Sunking Trainelec Traintic Electric Co. Ltd.; Basa TMB , S.L.; Compañía de Vagones del Sur, S.L.; Ferrocarril Interurbano, S.A. de C.V.; and Tumaker, S.L.

In consolidating the ownership interests, the Group took the necessary fair value adjustments into account and eliminated the sales margins on railway material in proportion to its ownership interest. Since the CAF Group has not incurred any legal or explicit obligations or made payments on behalf of the associates, it is not necessary to consolidate the additional losses incurred by these associates, which are valued at zero. At 31 December 2015, the fair value adjustments and sales margins reduced the ownership interests by EUR 43,700 thousand, and no losses exceeding the cost of the ownership interest, amounting to EUR 45,069 thousand, were recognised.

b) Non-current investment securities

Name	% of ownership	Cost of the investment (Thousands of Euros)	
		2015	2014
Alquiler de Trenes, AIE	5	1,202	1,202
Ferromovil 3000, S.L.	10	3,181	3,181
Alquiler de Metros, AIE	5	66	66
Plan Azul 07, S.L.	5.2	1,381	1,381
Arrendadora de Equipamientos Ferroviarios, S.A.	15	1,908	1,908
Iniciativa FIK, AIE	12.49	1,263	1,302
FIK Advanlife, S.L.	10.29	1	1
Albali Señalización, S.A.	3	398	398
Other		260	260
Total		**9,660**	**9,699**

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

The Group owns 12.5% of Iniciativa FIK, AIE, the company object of which is research and development and the exploitation of scientific and technological knowledge. The par value of the shares amounts to EUR 3,125 thousand. At 31 December 2015, the capital payments payable amounted to EUR 418 thousand (EUR 38 thousand at long term). The ownership interest has been written down by EUR 1,824 thousand (31 December 2014: EUR 1,405 thousand) and impairment of EUR 419 thousand was recognised in 2015 under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated statement of profit or loss.

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

c) Other financial assets

At 31 December 2015, the Group had recognised an amount of EUR 12,602 thousand under "Non-Current Financial Assets - Other Financial Assets" in relation to guarantees connected with the increase in the financial debt of the subsidiary Ctrens Companhia Manutençao (see Note 16). This guarantee, which bears interest at market rates and relates to the six monthly repayments of the loan, will be discharged in the last six loan repayments from November 2025 to April 2026.

d) Derivative financial instruments

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

e) Loans and receivables

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

	31/12/15	31/12/14
Loans to employees	5,126	5,091
Share ownership scheme obligations	230	432
Non-current tax receivables and payables (Note 19)	46,660	53,488
Provisions for tax payables (Note 19)	(12,404)	(16,366)
Non-current trade receivables	505,132	562,301
Loans to associates (Note 10)	22,329	19,111
Loans to third parties	462	536
Total	**567,535**	**624,593**

Loans to employees

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

Share ownership scheme (Cartera Social)

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

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

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

Since the Parent purchased the aforementioned rights at a higher price than the sum of the price at which it sold them to its employees and the contributions made to the scheme by Cartera Social, S.A., the Parent recognised the envisaged losses in the corresponding years.

As a result of the foregoing, in the accompanying consolidated balance sheet at 31 December 2015 the Parent recognised a gross amount of EUR 230 thousand (31 December 2014: EUR 432 thousand) in relation to these rights under "Non-Current Financial Assets – Loans and Receivables" and EUR 832 thousand under "Other Current Financial Assets" (31 December 2014: EUR 2,122 thousand).

In 2015 rights with a carrying amount of approximately EUR 1,323 thousand (2014: 6,768 thousand) were sold.

In 2015 the Group reversed EUR 169 thousand of the impairment loss with a credit to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying consolidated statement of profit or loss (2014: EUR 203 thousand).

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

At 31 December 2015, Cartera Social, S.A. owned 892,780 CAF, S.A. shares, equal to 26.04% of its share capital (see Note 14). At 31 December 2014, Cartera Social, S.A. owned 915,828 shares, representing 26.72% of CAF, S.A.'s share capital.

Non-current tax receivables

At 31 December 2015, the Group recognised EUR 46,660 thousand under "Non-Current Financial Assets – Loans and Receivables" in connection with the VAT refundable by foreign tax authorities (31 December 2014: EUR 53,488 thousand). In 2014 the Group took measures to claim the tax receivables from the Brazilian tax authorities and as a result reversed EUR 11,004 thousand thereof with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss based on the directors' best estimates regarding the recovery of this tax. In 2015 the directors, based on their best estimates, recognised EUR 213 thousand with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets".

Non-current trade receivables

"Non-Current Trade Receivables" includes an account receivable amounting to EUR 7,018 thousand at long term (2014: EUR 7,949 thousand) and EUR 1,106 thousand at short term (2014: EUR 1,044 thousand) relating to a finance lease of rolling stock for a total amount receivable of EUR 10,570 thousand, under which the Group will receive constant monthly lease payments over a period of 120 months. In 2015 EUR 1,501 thousand (2014: EUR 1,500 thousand) were received and an amount of EUR 632 thousand (2014: EUR 695 thousand), relating to the interest rate implicit in the transaction, was credited to "Finance Income" in the accompanying consolidated statement of profit or loss.

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

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

– The payments are guaranteed by CPTM through a monthly bank deposit of BRL 11.6 million (in 2009 real terms, amounting to BRL 16.5 million following an adjustment in line with the Sao Paulo State general inflation rate). This account is managed by a Guarantee Agent and can be used to pay the concession operator in the event of non-compliance with the CPTM payment obligations.

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

– The concession operator secures with a bank guarantee the proper performance of its obligations to CPTM (see Note 25-a). At 31 December 2015, this guarantee amounted to BRL 33,891 thousand (EUR 7,860 thousand).

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

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

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

– The consideration payable by STC is secondarily guaranteed by a system of trusts with funds from the "Remanentes de las Participaciones Federales" (Federal Participation Surpluses). In 2015 this guarantee comfortably fulfilled STC's payment obligations for the year.

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

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

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

Consequently, at 31 December 2015 the Group recognised balances of EUR 498,114 thousand under "Non-Current Financial Assets - Loans and Receivables" (31 December 2014: EUR 554,352 thousand) and EUR 112,306 thousand under "Current Assets - Other Receivables" (31 December 2014: EUR 114,981 thousand) relating to construction activities and services performed to date, net of billings made. There was no investments in this regard in 2015 and 2014.

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

In the case of both contracts the future cash flows from the lease payments are determined and guaranteed in full from the date the contracts are signed. The only potentially variable amount in the payments relates solely to any possible penalties relating to the technical performance of the railway material made available to the customers. This matter was taken into consideration when determining the cash flows to be received. There is no demand risk for the CAF Group in these contracts, since the financial flows to be received are unrelated to passenger numbers.

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	Thousands of Euros					
	2015			2014		
Company	**Services provided or sales recognised**	**Services received or purchases recognised**	**Finance income**	**Services provided or sales recognised**	**Services received or purchases recognised**	**Finance income**
Plan Metro, S.A.	11,425	-	1,326	7,590	-	2,788
Consorcio Traza, S.A.(*)	-	-	-	592	-	-
Ferrocarriles Suburbanos, S.A. de C.V.	12,593	36	-	10,822	38	-
Zheijiang Sunking Trainelec Traintic, JV	57	-	-	-	-	-
Arabia One for Clean Energy Investments PSC	-	-	57	-	-	-
Ferrocarril Interurbano, S.A. de C.V.	147	-	-	-	-	-
Tumaker, S.L.	-	-	3	200	-	-
Total	**24,222**	**36**	**1,386**	**19,204**	**38**	**2,788**

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

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

As a result of the transactions performed in 2015, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2015 and 2014 were as follows (see Note 2-f):

	Thousands of Euros							
	31/12/15				31/12/14			
Company	**Accounts receivable**	**Accounts payabler**	**Net advances based on stage of completion**	**Long-term loans (Note 9-e)**	**Accounts receivable**	**Accounts payabler**	**Net advances based on stage of completion**	**Long-term loans (Note 9-e)**
Plan Metro, S.A.	3,798	-	(463)	20,437	2,555	-	(7,132)	19,111
Ferrocarriles Suburbanos, S.A. de C.V.	489	74	-		516	11	-	-
Arabia One for Clean Energy Investments, PSC	14	-	-	1,747	-	-	-	-
Ferrocarril Interurbano, S.A. de C.V.	367	-	-	-	-	-	-	-
Tumaker, S.L.	1	-	-	145	42	-	-	-
Total	**4,669**	**74**	**(463)**	**22,329**	**3,113**	**11**	**(7,132)**	**19,111**

In 2011 the subsidiary Inversiones en Concesiones Ferroviarias, S.A. granted a loan of EUR 15,104 thousand to Plan Metro, S.A. to enable it to temporarily meet certain financial obligations incurred due to the change in the end client's payment profile. This loan does not form part of the net investment, since it has, in any case, a maturity date and collection is sufficiently guaranteed. The current economic and financial model of Plan Metro supports the recovery of the anticipated amounts by CAF Group. Also, the Group has recognised finance income of EUR 1,326 thousand in relation to the interest accrued on the loan with a credit to "Finance Income" in the accompanying consolidated statement of profit or loss (2014: EUR 2,788 thousand).

"Trade and Other Receivables - Other Receivables" in the consolidated balance sheet at 31 December 2014 includes an account receivable from Cartera Social, S.A. amounting to EUR 266 thousand (31 December 2014: EUR 880 thousand).

11. INVENTORIES AND CONSTRUCTION CONTRACTS

The detail of "Inventories" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/15	**31/12/14**
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 21)	58,298	149,513
Advances to suppliers	27,955	30,991
Total	**86,253**	**180,504**

At 31 December 2015, the Group had firm raw materials purchase commitments amounting to approximately EUR 330,906 thousand (31 December 2014: EUR 401,882 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2015 and 2014, the insurance policies taken out covered the carrying amount of the inventories at those dates.

As described in Note 3-e, the Group capitalises the borrowing costs incurred in the year related to inventories that have a production cycle of more than one year. The amount capitalised in this connection prior to the allocation to income of sales in 2015 was EUR 3,258 thousand (2014: EUR 2,817 thousand).

Construction contracts

The detail of the cumulative amount of costs incurred and of profits recognised (less the related losses recognised) and the amount of advances received at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/15	**31/12/14**
Deferred billings (asset) (Notes 3-f and 12)	725,254	681,495
Prebillings (liability) (Note 3-f)	(261,850)	(203,196)
Net	**463,404**	**478,299**
Costs incurred plus profits and losses recognised based on stage of completion	2,426,122	2,141,343
Billings made excluding advances	(1,700,868)	(1,459,848)
Advances received	(261,850)	(203,196)
Net	**463,404**	**478,299**

12. TRADE AND OTHER RECEIVABLES

The detail of "Trade and Other Receivables" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/15	31/12/14
Trade receivables - in euros	594,301	612,395
Trade receivables - in foreign currency	528,767	497,610
Write-downs (Note 3-d)	(2,585)	(2,999)
Total	**1,120,483**	**1,107,006**

These balances receivable arose mainly as a result of the recognition of the stage of completion, as described in Note 3-f. A portion of these balances, (approximately 35% in 2015, 38% in 2014), was billed to customers. The remaining balance receivable relates to "Amounts to Be Billed for Work Performed" (see Note 11), the main balance of which amounting to EUR 137,790 thousand (2014: EUR 137,235 thousand) relates to an agreement with Metro de Caracas, and whose collection is covered by an insurance policy and a provision (see Note 20). The main balances are in euros.

The unincorporated temporary joint venture (Spanish UTE) CSM, as policyholder, has arranged a supplier credit policy with credit risk coverage for the Metro de Caracas Line 1 refurbishment project. The insured under this policy are the venturers in the aforementioned unincorporated temporary joint venture, including CAF. At 31 December 2015, the maximum amount payable to CAF was EUR 59.5 million. At the date of preparation of these consolidated financial statements all the objective conditions necessary for filing a claim under the aforementioned insurance policy had been met, and no claims had been made. The decision on whether to file claims lies within the remit of the governing bodies of UTE CSM. The terms and conditions of the credit insurance set the payment period for a potential indemnity payment at six months.

In relation to the contract with Metro de Caracas, the Group's accounting policy was to recognise only revenue the collection of which was considered probable, understood as revenue already collected, revenue insured under credit policies and revenue that can be offset against accounts payable to that same customer.

At 31 December 2015, the CAF Group had billed receivables from Metro de Caracas amounting to EUR 36,767 thousand (now past-due), which had not been recognised for accounting purposes since the performance of the related projects as there was uncertainty as to their collectability.

At 31 December 2015, 61% of the billed balances receivable related to the top five customers (31 December 2014: 57%). "Trade Receivables" includes retentions at 31 December 2015 amounting to EUR 1,259 thousand (31 December 2014: EUR 1,126 thousand).

The past-due balances recognised under "Trade and Other Receivables" at 31 December 2015 and 2014 included in the non-current accounts receivable (see Note 9-e) is as follows:

	Thousands of Euros	
	31/12/15	31/12/14
Past due > 90 days	5,511	14,591
Past due > 180 days	97,572	77,868
Total	**103,083**	**92,459**

On the basis of a case-by-case analysis of past-due balances, the CAF Group considered that at 31 December 2015, EUR 2,585 thousand (31 December 2014: EUR 2,999 thousand) posed a collection risk and recognised the corresponding write-downs. In 2015 the net changes in the write-downs of trade receivables arose from a reversal of approximately EUR 1,217 thousand with a credit to "Other Operating Expenses" in the accompanying consolidated statement of profit or loss (2014: net additional write-downs of approximately EUR 894 thousand).

13. OTHER CURRENT FINANCIAL ASSETS

The detail of "Other Current Financial Assets" at 31 December 2015 and 2014 is as follows:

2015

	Thousands of Euros				
Financial assets: Nature/category	**Loans and receivables (Note 9-e)**	**Held-to-maturity investments**	**Held-for-trading financial assets (Note 3-d)**	**Hedging derivatives (Note 17)**	**Total**
Financial derivatives	-	-	-	32,864	32,864
Other financial assets	2,254	36,491	50,814	-	89,559
Short-term / current	**2,254**	**36,491**	**50,814**	**32,864**	**122,423**

2014

	Thousands of Euros				
Financial assets: Nature/category	**Loans and receivables**	**Held-to-maturity investments**	**Held-for-trading financial assets**	**Hedging derivatives**	**Total**
Financial derivatives	-	-	-	27,350	27,350
Other financial assets	3,122	41,455	52,018	-	96,595
Short-term/current	**3,122**	**41,455**	**52,018**	**27,350**	**123,945**

"Held-to-Maturity Investments" and "Held-for-Trading Financial Assets" include the cash surpluses invested in government debt securities, repos, short-term deposits, term deposits, promissory notes or fixed-income investment funds. These are short-term investments, the results of which are recognised with a credit to "Finance Income" in the accompanying consolidated statement of profit or loss. In 2015 the Group recognised income in this connection amounting to EUR 7,829 thousand (2014: EUR 5,205 thousand).

14. EQUITY

a) Share capital of the Parent

At 31 December 2015 and 2014, the Parent's share capital consisted of 3,428,075 fully subscribed and paid shares of EUR 3.01 par value each, traded by the book-entry system, all of which are listed on the stock exchange.

The shareholder companies or entities holding over 3% of the Parent's share capital at 31 December 2015 and 2014 were as follows:

	% 2015	% 2014
Cartera Social, S.A. (Note 9) (*)	26.04	26.72
Kutxabank, S.A.	19.06	19.06
Bestinver Gestión S.A. S.G.I.I.C.	3.09	-
Templeton Investment Counsel, LLC.	3.03	3.03

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

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

The Annual General Meeting, held on 7 June 2014, resolved to empower the Company's Board of Directors, for a period of five years from that date, to issue fixed-income securities or ordinary debt instruments of a similar nature, as well as fixed-income securities or other kinds of securities convertible into or exchangeable for shares of the Company or of other Group companies. At the date of preparation of these consolidated financial statements and since the date of the aforementioned resolution, no ordinary, convertible or exchangeable securities had been issued.

The Annual General Meeting, held on 13 June 2015, empowered the Board of Directors to acquire treasury shares in the five-year period from that date. At the date of preparation of these consolidated financial statements, no treasury shares had been acquired since that resolution.

b) Share premium

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

c) Revaluation reserve

The amount held in this reserve in 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/15	**31/12/14**
Revaluation of property, plant and equipment:		
Land (IFRS 1)	30,418	30,418
Revaluation reserve Guipúzcoa Regulation 11/1996	8,701	8,701
Total	**39,119**	**39,119**

Revaluation reserve Guipúzcoa Regulation 11/1996

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

d) Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2015 and 2014 the balance of this reserve had reached the legally required minimum.

e) Restricted reserves

The separate financial statements of the consolidated companies include reserves amounting to approximately EUR 64,231 thousand at 31 December 2015 (31 December 2014: approximately EUR 61,641 thousand) relating to the legal reserve, revaluation reserve, productive investment reserve (Guipúzcoa Regulation 2/2014), reserve for retired capital and other reserves which are restricted as to their use. Also, certain companies have reserves that are restricted as a result of financing agreements (see Note 16).

Until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Accordingly, at 2015 year-end EUR 31,118 thousand of the reserves were restricted as to their use (2014 year-end: EUR 34,681 thousand).

f) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/15	31/12/14
CAF México, S.A. de C.V.	(927)	(550)
CAF Brasil Industria e Comercio, S.A.	(44,276)	(17,787)
CAF Argentina, S.A.	(1,764)	(1,237)
CAF USA, Inc.	(209)	(89)
CAF Rail UK, Ltda.	66	(6)
CAF Chile, S.A.	(24)	30
Sefemex, S.A. de C.V.	(55)	(55)
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	(977)	(571)
Corporación Trainemex, S.A. de C.V.	(25)	(15)
CAF Turquia, L.S.	(832)	(706)
CAF Argelia, E.U.R.L.	(213)	(119)
CAF India Private Limited	(67)	(749)
Ctrens Companhia de Manutençao, S.A.	(79,086)	(48,312)
Trenes CAF Venezuela, C.A.	(624)	(619)
Provetren, S.A. de C.V.	1,198	597
CAF Sinyalizasyon Sistemleri Ticaret Ltd Sirket	(124)	(76)
CAF Rail Australia Pty, Ltd.	4	4
CAF Colombia, S.A.S.	(159)	(144)
Sermantren, S.A. de C.V.	(5)	(2)
CAF Arabia, Co.	147	62
CAF New Zealand Ltd.	5	8
Zhejiang Sunking Trainelec Traintic Electric Co, Ltd.	18	14
CAF Taiwan Ltd.	133	23
Urban Transport Solutions, B.V.	28	(37)
Arabia One for Clean Energy Investments PSC	28	-
Ferrocarril Interurbano, S.A. de C.V.	(7)	-
CAF Sisteme Feroviare, SRL	(1)	-
Total	**(127,748)**	**(70,336)**

g) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes therein in 2015 and 2014 is as follows:

	Thousands of Euros
Balance at 31 December 2013	**10,249**
Profit attributable to non-controlling interests	2,450
Translation differences	1
Changes in the scope of consolidation	899
Dividends	(895)
Balance at 31 December 2014	**12,704**
Profit attributable to non-controlling interests	1,573
Translation differences	(6)
Capital increase	140
Dividends	(3,224)
Balance at 31 December 2015	**11,187**

h) Capital management

The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring a sound financial position. This policy makes it possible to make the creation of value for shareholders compatible with access to financial markets at a competitive cost in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the business activities carried on.

The directors of the CAF Group consider that the fact that the leverage ratio with recourse to the Parent is minimal is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2015 and 2014, a substantial portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (see Notes 3-ñ and 9-e). Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of Euros	
	31/12/15	**31/12/14**
Net financial debt:		
Refundable advances with interest (Note 15)	11,431	8,391
Bank borrowings - Non-current liabilities (Note 16)	662,168	683,062
Bank borrowings - Current liabilities (Note 16)	203,722	158,039
Financial assets - Non-current assets (Note 9-c)	(12,602)	(15,911)
Current financial assets (Note 13)	(88,623)	(93,473)
Cash and cash equivalents	(297,440)	(197,111)
	478,656	**542,997**
Equity:		
Attributable to the Parent	703,740	736,209
Non-controlling interests	11,187	12,704
	714,927	**748,913**

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

The detail of the Group's financial liabilities at 31 December 2015 and 2014, by nature and category, for measurement purposes, is as follows:

	Thousands of Euros		
	31/12/15		
Financial liabilities: Nature/category	**Accounts payable**	**Hedging derivatives**	**Total**
Bank borrowings (Note 16)	662,168	-	662,168
Other financial liabilities (excluding hedging derivatives)	51,833	-	51,833
Hedging derivatives (Note 17)	-	23,091	23,091
Non-current liabilities / non-current financial liabilities	**714,001**	**23,091**	**737,092**
Bank borrowings (Note 16)	203,722	-	203,722
Other financial liabilities (excluding hedging derivatives)	18,202	-	18,202
Hedging derivatives (Note 17)	-	35,498	35,498
Current liabilities / current financial liabilities	**221,924**	**35,498**	**257,422**
Total	**935,925**	**58,589**	**994,514**

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

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

	Thousands of Euros	
	31/12/15	**31/12/14**
Refundable advances	47,172	50,866
Employee benefit obligations (Notes 3-k and 22)	3,005	5,259
Other liabilities (Note 16)	1,656	1,723
Total	**51,833**	**57,848**

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

	2015		2014
2017	11,869	2016	11,502
2018	10,973	2017	10,407
2019	5,970	2018	10,185
2020	5,743	2019	5,094
2021 and subsequent years	17,278	2020 and subsequent years	20,660
Total	**51,833**	**Total**	**57,848**

Refundable advances

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

– Grants to partially meet the expenses and costs of these projects.

– Refundable advances in the form of loans which are generally interest-free and which usually have an initial grace period of three years and are taken to income in a period of over ten years.

The changes in 2015 and 2014 in relation to the long-term portion of the aforementioned programmes (at present value) were as follows:

	Thousands of Euros
	Refundable advances
Balance at 31/12/13	**52,897**
Additions	6,157
Adjustments and other	1,979
Transfers to short term	(10,167)
Balance at 31/12/14	**50,866**
Additions	4,114
Adjustments and other	1,236
Transfers to short term	(9,044)
Balance at 31/12/15	**47,172**

Also, the amount recognised in the short term relating to accounts payable for refundable advances amounted to EUR 15,021 thousand at 31 December 2015 (31 December 2014: EUR 17,136 thousand).

Employee benefit obligations

The Group has recognised the future obligations to the employees who have entered into pre-retirement plans (see Note 3-k). Short-term obligations of EUR 2,298 thousand were recognised under "Other Payables" in the accompanying consolidated balance sheet at 31 December 2015 (31 December 2014: EUR 4,185 thousand).

Also, the detail of the present value of the obligations assumed by the Group relating to post-employment benefits and long-term employee benefits, of the plan assets allocated for the coverage thereof, at the end of 2015 and 2014, is as follows (see Note 3-j):

	Thousands of Euros	
	31/12/15	**31/12/14**
Present value of the obligations assumed	25,679	21,414
Less – Fair value of plan assets	(25,947)	(21,624)
Other current assets	**(268)**	**(210)**

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

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

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

Actuarial assumptions	**2015**	**2014**
Discount rate	2.10%(1)-3.05%(2)	3.20% (2)
Mortality tables	PERM/F/2000P	PERM/F/2000P
Annual pension increase rate	1-2%	2%
Retirement age	65-67	65-67

(1) At 31/12/2015 according to the Iboxx Corporate AA curve with a 18 year duration

(2) During the first 30 years. Thereafter, at 0.3% (1.15% according to the assumptions used at the end of 2014).

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

16. BANK BORROWINGS

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

	Thousands of Euros			
	31/12/15		**31/12/14**	
	Non-current	**Current**	**Non-current**	**Current**
Loans from and credit accounts with banks	662,168	160,780	683,062	154,151
Factoring payables	-	36,755	-	-
Unmatured accrued interest	-	6,187	-	3,888
Total (Note 15)	**662,168**	**203,722**	**683,062**	**158,039**

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

In relation to the CPTM train lease transaction described in Note 9-e, on 10 May 2011, the subsidiary Ctrens-Companhia de Manutençao, S.A. (Ctrens) arranged with Banco Nacional de Desenvolvimiento Econômico e Social (BNDES) financing for a maximum amount of BRL 946,890 thousand. The loan bears interest at TJLP (Taxa de Juros de Longo Prazo) plus a spread. The loan principal will be repaid in 160 successive monthly instalments, the first of which will be paid in January 2013. At 31 December 2015, the balance drawn down was BRL 761,463 thousand (EUR 176,583 thousand, of which EUR 164,924 thousand mature at long term and EUR 11,659 thousand at short term). At 31 December 2014, the balance drawn down was BRL 805,064 thousand (EUR 249,972 thousand, of which EUR 235,232 thousand mature at long term and EUR 14,740 thousand at short term).

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

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

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

The loan principal will be repaid in 39 consecutive quarterly instalments, in line with the collection profile under the PPS, the first maturity date being October 2013. At 31 December 2015, the financial liability according to the amortised cost method amounted to USD 184,258 thousand (EUR 169,241 thousand, of which EUR 146,040 thousand mature at long term and EUR 23,201 thousand at short term). At 31 December 2014, the financial liability according to the amortised cost method amounted to USD 207,069 thousand (EUR 170,562 thousand, of which EUR 150,448 thousand mature at long term and EUR 20,114 thousand at short term).

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

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

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

In 2015 the Parent drew down new loans, maturing at between one and six years, for a total of EUR 102,000 thousand, and repaid loans amounting to EUR 65,401 thousand. These loans were arranged on an arm's length basis. At 31 December 2015, the balance drawn down, using the amortised cost method, was EUR 350,053 thousand maturing at long term and EUR 30,917 thousand maturing at short term (31 December 2014: EUR 280,478 thousand maturing at long term and EUR 63,750 maturing at short term). Of the amount drawn down, EUR 243,750 thousand bear interest at a fixed interest rate (EUR 20,000 thousand as a result of an interest-rate swap, see Note 17) and EUR 137,849 thousand bear interest tied to Euribor.

In 2014 the Parent arranged nine new loans for a total of EUR 295,000 thousand and repaid eight loans for EUR 132,000 thousand. The Parent also renewed a loan for EUR 50,000 thousand. These loans were arranged on an arm's length basis. Of the amount drawn down at December 2014, EUR 200,000 thousand bore interest at a fixed interest rate (EUR 20,000 thousand as a result of an interest-rate swap, see Note 17) and EUR 145,000 thousand bore interest tied to Euribor.

The subsidiary CAF Brasil Industria e Comercio, S.A. drew down approximately BRL 290,067 thousand, equal to EUR 67,267 thousand (31 December 2014: BRL 133,800 thousand, equal to EUR 12,420 thousand maturing at long term and EUR 29,124 maturing at short term), against credit facilities in order to finance working capital needs. BRL 270,067 of these credit facilities are guaranteed by the Parent.

In 2015 the subsidiary CAF USA, Inc. drew down USD 30,000 thousand (EUR 27,586 thousand) against credit facilities maturing at short term for the purpose of financing its working capital requirements (31 December 2014: USD 30,000 thousand, equal to EUR 24,730 thousand). This credit facility is guaranteed by the Parent.

At 31 December 2015, the Parent recognised a liability of EUR 36,755 thousand for collections made as representative of the bank in factoring transactions, and the credit institution was paid in 2016.

The remaining financial debt of EUR 1,301 thousand, of which EUR 150 thousand mature at short term (31 December 2014: EUR 6,177 thousand, of which EUR 1,693 thousand mature at short term) relates to loans received by various subsidiaries, which are tied to market interest rates.

In addition to the aforementioned credit facility and to the borrowings drawn down by the Group described in the previous paragraphs, the Group companies have undrawn credit facilities amounting to EUR 273,000 thousand (31 December 2014: 299,975 thousand) in the form of undrawn loans, credit facilities and factoring arrangements, which are tied mainly to Euribor plus a market spread.

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

	31/12/15
2017	83,094
2018	71,209
2019	296,700
2020	36,492
2021 and subsequent years	174,673
Total	**662,168**

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets at 31 December 2015 and 2014 is as follows:

2015

	Maturity (in currency)		
Currency put options at 31/12/15 (fair value hedges)	**2016**	**2017**	**2018 and subsequent years**
Hedges :			
USD currency forwards (*)	366,133,945	138,995,784	-
GBP currency forwards	28,999,253	-	68,204,871
EUR currency forwards	20,550,367	-	-
BRL currency forwards	115,113,533	-	-
SEK currency forwards	276,206,561	-	-
AUD currency forwards	500,000	-	-
TWD currency forwards	687,732,668	-	-
SAR currency forwards	520,982,164	-	-
MXN currency forwards	2,257,637,478	-	-
CAD currency forwards	3,027,862	-	-
ZAR currency forwards	18,357,300	-	-
HUF currency forwards	5,019,184,783	-	-

(*) Includes the hedge of a net investment in CAF USA, Inc. and in Provetren amounting to USD 163,940 thousand.

	Maturity (in currency)		
Currency call options at 31/12/15 (fair value hedges)	**2016**	**2017**	**2018 and subsequent years**
Hedges :			
USD currency forwards	36,048,990	17,028,630	-
EUR currency forwards	65,653,484	-	-
BRL currency forwards	44,983,891	-	-
MXN currency forwards	59,767,000	-	-
GBP currency forwards	2,500,000	-	-
SAR currency forwards	3,638,765	-	-

Interest rate derivatives	Loan maturity (in currency) 2016	2017	2018 and subsequent years
Swap Euribor	-	-	20,000,000 EUR
Cross-currency-swap CDI	114,800,000 BRL	-	-
Swap LIBOR	20,206,653 USD	21,238,584 USD	108,832,744 USD

	Thousands of Euros			
	Fair value		Cash flow	
	31/12/15	31/12/14	31/12/15	31/12/14
Hedges :				
USD currency forwards	(18,467)	(879)	-	-
GBP currency forwards	195	140	-	-
MXN currency forwards	(64)	103	-	-
BRL currency forwards	6,041	442	-	-
CHF currency forwards	(131)	(131)	-	-
EUR currency forwards	(101)	986	-	-
AUD currency forwards	-	39	-	-
SEK currency forwards	(365)	(157)	-	-
NZD currency forwards	-	(34)	-	-
SAR currency forwards	7,217	(1,316)	-	-
TWD currency forwards	739	(39)	-	-
ZAR currency forwards	(7)	-	-	-
HUF currency forwards	191	-	-	-
Interest rate forwards	(100)	(96)	1,195	(371)
Measurement at year-end (*)	**(4,852)**	**(942)**	**1,195**	**(371)**

(*) Before considering the related tax effect.

2014

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

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

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

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

(*) Before considering the related tax effect.

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

At 2015 and 2014 year-end the associate S.E.M. Los Tranvías de Zaragoza, S.A. (see Note 9-a) had arranged various financial swaps relating to the nominal value of its financial debt. These swaps were designated as cash flow interest rate hedges, and the negative value thereof attributable to the Group amounted to EUR 5,229 thousand at 31 December 2015, net of the related tax effect (31 December 2014: EUR 5,850 thousand). This amount was recognised under "Equity - Valuation Adjustments - Hedges" in the consolidated balance sheet as at 31 December 2015.

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

Following is a reconciliation of the measurement at the end of 2015 and 2014 to the balances reflected in the consolidated sheet (in thousands of euros):

	2015	2014
Non current assets (Note 9)	22,068	17,593
Current assets (Note 13)	32,864	27,350
Non current liabilities (Note 15)	(23,091)	(18,557)
Current liabilities (Note 15)	(35,498)	(27,699)
Net balance total	**(3,657)**	**(1,313)**
Fair value	(4,852)	(942)
Cash flow	1,195	(371)
Total valuation of derivatives	**(3,657)**	**(1,313)**

In 2015 the ineffective portion of the hedging transactions performed recognised in the consolidated statement of profit or loss gave rise to an expense of EUR 192 thousand (2014: expense of EUR 391 thousand).

Also, the settlement and the change in the value of the fair value derivatives resulted in an expense of EUR 35,100 thousand in 2015 (2014: expense of EUR 4,069 thousand), similar to the changes in value of the hedged items.

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

18. CURRENT AND DEFERRED TAXES

At 31 December 2015, the companies composing the CAF Group basically had the last four years open for review by the tax authorities for the main taxes applicable to their business activities.

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

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

	Thousands of Euros	
	2015	2014
Accounting profit before tax	**60,409**	**80,456**
Tax rate of the Parent	28%	28%
Income tax calculated at the tax rate of the Parent	**16,915**	**22,528**
Effect of the different tax rate of subsidiaries	1,975	3,817
Effect of exempt income and non-deductible expenses for tax purposes	3,471	2,018
Effect of tax credits and other tax relief recognised in the year	(4,217)	(10,760)
Effect of tax assets and deferred taxes not recognised in previous years	(549)	390
Tax effect of the impairment of tax assets and deferred taxes	-	400
Adjustments recognised in the year relating to prior years' income tax	137	(74)
Change in tax rate	63	8
Total income tax expense (benefit) recognised in the consolidated statement of profit or loss	**17,795**	**18,327**
Current income tax expense (benefit) (*)	**12,412**	**14,175**
Deferred tax expense (benefit)	**5,383**	**4,152**

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

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

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

	Thousands of Euros				
	31/12/14	Additions	Reductions	Translation differences	31/12/15
Deferred tax assets:					
Tax credit and tax loss carryforwards (Notes 3-l)	104,911	27,672	(15,811)	(113)	116,659
Provisions temporarily not deductible	50,648	3,595	(14,576)	(2,838)	36,829
Effect of asset revaluation-Guipuzcoa Regulation 1/2013	3,718	-	(573)	-	3,145
Elimination of profits on consolidation and other	4,565	679	(98)	(671)	4,475
	163,842	**31,946**	**(31,058)**	**(3,622)**	**161,108**
Deferred tax liabilities:					
Unrestricted and accelerated depreciation (Notes 7, 8 and 9)	112,426	6,509	(1,729)	1,505	118,711
Investment valuation provisions	25,110	-	-	-	25,110
Cash flow hedges (Note 17)	(61)	(36)	26	-	(71)
Revaluation of land (Note 14)	11,829	-	-	-	11,829
Exchange differences	-	78	-	(1)	77
Goodwill	363	3	(350)	-	16
Elimination of profits on consolidation and other	2,759	336	(1,934)	(16)	1,145
	152,426	**6,890**	**(3,987)**	**1,488**	**156,817**

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

In 2015 the Group expects to take tax credits amounting to EUR 7,506 thousand (2014: EUR 9,057 thousand) mainly in relation to tax credits for R&D expenditure and double taxation tax credits. Unused tax credits after projected income tax for 2015 amounted to EUR 80,226 thousand (2014: EUR 72,683 thousand), of which EUR 31,275 thousand (arising mainly from the Parent's tax group) are recognised under "Deferred Tax Assets - Tax Credit and Tax Loss Carryforwards" (2014: EUR 31,052 thousand). At 31 December 2015, recognised tax loss carryforwards amounted to EUR 85,384 thousand (31 December 2014: EUR 73,859 thousand). EUR 40,976 thousand (31 December 2014: EUR 28,948 thousand) of these amounts related to the Parent's tax group and EUR 31,299 thousand (31 December 2014: 43,183 thousand) to Provetren, S.A. de C.V., which arose from the accelerated depreciation for tax purposes of a significant portion of its assets as a result of the certificate for environmentally friendly assets obtained from the Federal Prosecutor's Office for Environmental Protection (PROFEPA). Also, Provetren, S.A. de C.V. recognised deferred tax liabilities of EUR 85,769 thousand to reflect the temporary difference between the assets' carrying amounts in the financial statements and their tax bases measured by applying the 30% tax rate in accordance with current Mexican tax legislation.

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

In view of the uncertainty inherent to the recoverability of deferred tax assets, the Group's recognition policy is based on an assessment of its backlog. As required by this policy, the Group did not recognise tax credits and tax loss carryforwards amounting to EUR 61,761 thousand (2014: EUR 54,477 thousand), which will be recognised to the extent that they can be used in the coming years based on the limits and deadlines provided for in current legislation. Also, the Group has unrecognised deferred tax assets, with no defined last year for deduction, amounting to EUR 12,413 thousand (2014: EUR 12,533 thousand).

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

	Thousands of Euros	
	31/12/15	**31/12/14**
Expiring in 2016	-	63
Expiring in 2017	366	401
Expiring in 2018	847	1,281
Expiring in 2019	407	380
Expiring in 2020	577	557
Expiring in 2021	168	168
Expiring in 2022	-	-
Expiring in 2023	-	-
Expiring in 2024	-	-
Expiring in 2025	3,499	2,007
Expiring in 2026	8,352	8,366
Expiring in 2027 and subsequent years	37,174	31,891
Unlimited	22,784	21,896
	74,174	**67,010**

The differences between the estimated income tax for 2015 and the tax return ultimately filed gave rise to an expense of EUR 137 thousand (2014: income of EUR 74 thousand).

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2015 year-end the Group had 2011 and subsequent years open for review by the tax authorities for income tax and 2012 and subsequent years for the other taxes to which it is subject at the companies which file tax returns in Spain and, at the foreign companies, in accordance with local legislation. The Parent's directors consider that they have settled the aforementioned taxes adequately and, therefore, although discrepancies might arise in the interpretation of the tax legislation in force in terms of the tax treatment of transactions, the resulting liabilities, if any, would not have a material effect on the accompanying consolidated financial statements.

On 14 May 2013, the Municipal Council of Beasain notified the Parent of the commencement of its general audit of various taxes for the years 2009-2013. In May 2015, and as a result of the tax assessments received, a payment of EUR 266 thousand was made, EUR 235 thousand of which were covered by the provision recognised in 2014, and another payment of EUR 223 thousand was made, EUR 192 thousand of which were recognised as an addition to property, plant and equipment. The Company filed claims against these assessments.

Lastly, in relation to the notifications received from the Customs Office in 2013, these have been solved in 2015 without giving rise to losses.

19. TAX RECEIVABLES AND PAYABLES

The detail of the tax receivables and tax payables at 31 December 2015 and 2014 is as follows:

	Thousands of Euros							
	31/12/15				31/12/14			
	Assets		Liabilities		Assets		Liabilities	
Concept	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Accrued social security taxes	-	6	-	8,134	-	6	-	8,595
Regular taxes-								
VAT (Note 9)	34,256	49,280	-	10,733	37,122	63,126	-	15,101
Other	-	1,605	-	176	-	810	-	192
Personal income tax withholdings	-	-	-	8,797	-	-	-	9,411
Income tax (Note 3-l)	-	8,451	-	647	-	6,493	-	3,513
Grants receivable	-	397	-	-	-	1,635	-	-
Total	**34,256**	**59,739**	**-**	**28,487**	**37,122**	**72,070**	**-**	**36,812**

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

20. SHORT- AND LONG-TERM PROVISIONS

The changes in these balances in 2015 and 2014 were as follows (in thousands of euros):

	Short-term provisions					
	Contractual liability	**Warranties and technical assistance**	**Litigation**	**Other provisions**	**Total short-term provisions**	**Long-term provisions**
Balance at 31/12/13	**208,679**	**116,066**	**7,766**	**2,516**	**335,027**	**4,785**
Net charges	(41,902)	47,119	(72)	(137)	5,008	1,946
Charges	(18,440)	(57,446)	-	-	(75,886)	(1,736)
Translation differences	160	1,020	-	-	1,180	9
Transfers	(1,364)	1,364	-	-	-	71
Balance at 31/12/14	**147,133**	**108,123**	**7,694**	**2,379**	**265,329**	**5,075**
Net charges (Notes 3-j, 3-k and 18)	(20,737)	40,961	(3,355)	(340)	16,529	1,636
Charges	(3,513)	(44,994)	(179)	(137)	(48,823)	(2,008)
Translation differences	(706)	(594)	-	-	(1,300)	(254)
Transfers	(1,081)	(1,888)	-	-	(2,969)	77
Balance at 31/12/15	**121,096**	**101,608**	**4,160**	**1,902**	**228,766**	**4,526**

Long-term provisions

The Group records labour-related provisions under "Long-Term Provisions" for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Parent's directors at the reporting date and the obligations are measured at their present value whenever the effect of discounting is material.

Contractual liability and warranty and support services

The provisions for contractual liability relate basically to delays in delivery, in accordance with the production and delivery schedule and the agreed-upon contractual obligation, and to provisions for onerous contracts. Provisions for guarantees and technical assistance relate to the estimate of the future use thereof (based on technical and historical analyses) for which there is an obligation based on the warranty period set out in the contracts. The timetable for the settlement of provisions varies depending on the corresponding item, and the approximate average period is as follows:

– Contractual liability: 1-2 years

– Warranty: 1-4 years (variable, based on the related contractual agreement)

The consolidated companies recognised income of EUR 32,294 thousand under “Other Operating Expenses” in the accompanying consolidated statement of profit loss for 2015 (2014: EUR 70,878 thousand) in relation to the difference between the provisions required in this connection at 2015 year-end and the provisions recognised at 2014 year-end.

The expenses incurred in 2015 and 2014 in connection with the provision of contractual warranty services (approximately EUR 44,994 thousand and EUR 57,446 thousand, respectively) were recognised under “Procurements” and “Staff Costs” in the accompanying consolidated statements of profit or loss for 2015 and 2014. The term of the warranties varies depending on the contractual agreement and the average term ranges from one to four years.

In 2008 the Group entered into an agreement with Metro de Caracas for the manufacture and supply of 48 trains to be manufactured in Spain. At 31 December 2015 and 2014, all the trains had been sent to the customer. Due to the contractual terms and conditions, at 31 December 2015 the Group had recorded a provision with a charge to the contract, amounting to EUR 66,535 thousand (31 December 2014: EUR 66,535 thousand), which is recognised under "Contractual

Liability" in the table above (see Note 12). This provision relates to a contractual liability and, therefore, cannot be offset by the asset (account receivable), unless in the future an additional agreement can be reached with the customer in this connection. There is no litigation in progress in relation to this agreement.

Litigation

At 31 December 2015, the provision for litigation related mainly to the possible disbursements which might arise as a consequence of the cancellation of an agreement with a customer for which, additionally, an amount of EUR 9,201 thousand was recognised under "Trade and Other Payables - Other Payables" in the accompanying consolidated balance sheet (see Note 8). At the date of formal preparation of these consolidated financial statements decisions had not yet been handed down in connection with the various appeals filed, and the directors' best estimates were recognised in this regard.

The Parent's directors do not expect any liabilities additional to those recognised at 31 December 2015 to arise.

21. INCOME AND EXPENSES

a) Procurements

	Thousands of Euros	
	2015	**2014**
Materials used (*)	348,845	673,189
Work performed by other companies	86,169	69,951
Total	**435,014**	**743,140**

(*) 77% in euros, and the remainder mainly in US dollars and Brazilian reals (2014: 73% in euros).

b) Other operating expenses

	Thousands of Euros	
	2015	**2014**
Outside services	198,257	237,776
Taxes other than income tax	2,320	2,395
Change in operating provisions and allowances and other (Notes 12 and 20)	(36,817)	(66,354)
Other current operating expenses	1,236	342
Total	**164,996**	**174,159**

The fees for audit services (including six-monthly reviews) relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries amounted to EUR 798 thousand in 2015 (2014: EUR 792 thousand). Of this amount, EUR 563 thousand relate to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2014: EUR 590 thousand). In addition, fees for other professional services provided by the principal auditor amounting to EUR 178 thousand were billed in 2015 (2014: 290 thousand): EUR 68 thousand for audit-related attest services, EUR 67 thousand for tax services and the remainder for other services (2014: EUR 49 thousand, EUR 206 thousand and the remainder, respectively).

c) Information on the environment

In 2015 no investments were made in systems, equipment and facilities designed for environmental protection and improvement (2014: EUR 95 thousand).

In 2015 the Group received environmental grants of EUR 3 thousand.

The final free allocation of CO_2 emissions for 2013-2020 was approved at the Spanish Cabinet meeting held on 15 November 2013, with the Company allocated emission allowances of 151,537 tonnes of CO_2 for the aforementioned period. If the emissions exceed the volume of allowances allocated, emission allowances must be acquired in the market.

In 2015 the Group emitted 16,550 tonnes of CO2 (2014: 17,765 tonnes), whereas it had been allocated allowances for the emission of 19,491 tonnes (2014: 19,846 tonnes) As a result, the Group did not recognise any liability at year-end. The Group did not sell any emission allowances in either 2015 or 2014.

At 31 December 2015 and 2014, the Group did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Group companies' directors do not expect any material liabilities to arise as a result of the Group's environmental activities and, accordingly, the accompanying consolidated balance sheet does not include any provisions in this connection.

In 2015 the Group incurred environmental expenses amounting to EUR 1,154 thousand (2014: EUR 985 thousand).

d) Grants related to income

Most of the grants transferred to profit or loss in 2015 and 2014 related to grants from various Spanish ministerial programmes from various calls for tender, justifying the costs incurred.

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

The grants related to income recognised in 2015 under “Other Operating Income” in the accompanying consolidated statement of profit or loss amounted to EUR 3,859 thousand (2014: EUR 3,823 thousand).

22. AVERAGE HEADCOUNT AND STAFF COSTS

The average headcount in 2015 and 2014 was as follows:

	Average number of employees	
Professional category	**2015**	**2014**
Board of Directors	2	3
Senior executives	12	-
Employees	3,337	3,321
Manual workers	4,444	4,703
Total (*)	**7,795**	**8,027**

(*) At 31 December 2015, there were 7,581 employees (31 December 2014: 8,206 employees).

The breakdown, by gender, of the average headcount in 2015 and 2014 is as follows:

	2015		2014	
Professional category	**Men**	**Women**	**Men**	**Women**
Board of Directors	2	-	3	-
Senior executives	10	2	-	-
Employees	2,479	858	2,494	827
Manual workers	4,296	148	4,503	200
Total	**6,787**	**1,008**	**7,000**	**1,027**

At 31 December 2015 and 2014 all of directors were men.

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

	2015	2014
Wages and salaries (Notes 3-j)	297,294	299,653
Social security costs	87,919	88,001
Other costs	16,951	18,582
Total	**402,164**	**406,236**

23. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2015 and 2014 the Parent recognised approximately EUR 1,477 thousand and EUR 1,297 thousand in connection with remuneration, attendance fees and life insurance earned by its directors, whereas the directors of the subsidiaries did not earn any amounts in this regard. At 31 December 2015 and 2014, neither the Parent nor the subsidiaries had granted any advances, guarantees or loans to their current or former directors and, the Group did not have any pension obligations to them.

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

In 2015 and 2014 neither the members of the Board of Directors nor persons related to them as defined in the Spanish Limited Liability Companies Law notified the Board of any direct or indirect conflict of interest that they might have with the Company.

24. REMUNERATION OF SENIOR EXECUTIVES

The remuneration of senior executives of the Parent, pursuant to the binding definition of "Senior Executives" in the Corporate Governance Report, amounted to EUR 2,262 thousand in 2015. In 2014 the data were disclosed in the preceding Note since the senior executives were, simultaneously, also members of the Board of Directors.

In 2015 and 2014 there were no other transactions with senior executives outside the ordinary course of business.

25. OTHER DISCLOSURES

a) Guarantees and other contingent assets and liabilities

At 31 December 2015, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 1,929,828 thousand (31 December 2014: EUR 1,728,878 thousand) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 32,542 thousand related to guarantees for the refundable grants and advances granted by the Ministry of Science and Technology (see Note 15) and other government agencies (31 December 2014: EUR 37,147 thousand).

In March 2014 following completion of the investigation process initiated in May 2013 into the involvement of various railway manufacturers, including the subsidiary of the CAF Group in Brazil, the Brazilian Administrative Council for Economic Defence ("CADE") initiated administrative proceedings arising from potentially anti-competitive practices. The subsidiary has submitted preliminary arguments for its defence and has been working closely with the authorities on an ongoing basis, providing the information requested. The possible penalties which may arise as a result of these proceedings may include administrative fines, reimbursement of possible additional expenses, potential disqualification from new tender processes for a predefined period of time and/or criminal charges. At the date of formal preparation of these consolidated financial statements no economic claims had been filed against this subsidiary. Also, on 31 December 2015, as a result of the aforementioned proceedings, the current account amounting to EUR 208 thousand had been blocked and a claim had been filed in this connection. In 2015 the appeal filed by CAF BRASIL was upheld; official publication of the decision is pending, as is the definitive removal of this block.

As a result of the investigations carried out by CADE, other authorities, including, inter alia, the Sao Paulo State Public Prosecutor ("MP/SP"), have initiated criminal proceedings. At the date of preparation of these consolidated financial statements, the Group had not been summoned to give evidence and had not submitted its arguments, as not all the parties involved had been summoned.

After the suspension by the Goverment of Mexico City, in March 2014, of the elevated section of Line 12 of the Public Transport System (STC Metro) due to the discovery of faults in the stations and structure, the technical measurements, studies and analyses required to define the rehabilitation actions on Line 12 were carried out. Corrective measures were taken in 2015 as a result of this technical work and, in November 2015, the STC re-opened the entire Line 12, which since then has operated normally.

b) Disclosures on the average period of payment to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

As permitted by the Single Additional Provision of the aforementioned Resolution, since this is the first reporting period in which it is applicable, no comparative information is presented.

	2015
	Days
Average period of payment to suppliers	69.53
Ratio of transactions settled	73.91
Ratio of transactions not yet settled	53.12

	Thousands of Euros
Total payments made	**408,351**
Total payments outstanding	**108,988**

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

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

The maximum payment period applicable to the Company in 2015 under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, is 60 days, unless no deadline or payment period is set, in which case it is 30 days.

26. EVENTS AFTER THE BALANCE SHEET DATE

At 31 December 2015, the firm backlog, net of progress billings, amounted to approximately EUR 4,869,061 thousand (31 December 2014: EUR 5,251,114 thousand) (see Note 11). At 31 January 2016, the total was EUR 5,548,924 thousand (31 January 2015: EUR 5,496,451 thousand).

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

Approval by the Board of Directors

ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO
ALEJANDRO LEGARDA ZARAGÜETA	Director
JOSÉ ANTONIO MUTILOA IZAGUIRRE	Director
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director
JUAN JOSÉ ARRIETA SUDUPE	Director
XABIER GARAIALDE MAIZTEGI	Director
JAVIER MARTINEZ OJINAGA	Director
MARTA BAZTARRICA LIZARBE	Director-Secretary

Certificate issued by the Secretary of the Board of Directors attesting that, following the authorisation for issue of the consolidated financial statements and consolidated directors' report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and Subsidiaries composing the CAF Group (consolidated) for the year ended 31 December 2015 by the Board of Directors at its meeting on 25 February 2016, the directors have signed this document, consisting of 134 sheets numbered sequentially from 5133 to 5266, inclusive, all approved by the Secretary of the Board of Directors, who also signs them, countersigned by the Chairman and signed by each of the directors at the end of the document.

San Sebastián, 25 February 2016.

Approved by	Approved by
THE CHAIRMAN OF THE BOARD	DIRECTOR-SECRETARY
ANDRÉS ARIZKORRETA GARCÍA	MARTA BAZTARRICA LIZARBE

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

Annual General Meeting to be held at the registered office in Beasain, Gipuzkoa, on 11 June 2016 at 12:00 pm at first call and, if necessary, on 12 June 2016 at the same time and place at second call:

AGENDA

One: Examination and approval, where appropriate, of the financial statements and directors' report of Construcciones y Auxiliar de Ferrocarriles, S.A., and the consolidated financial statements and directors' report of its consolidated group of companies for 2015, and of the management of the Board of Directors.

Two: Approval of the proposed distribution of profit for 2015, paying a dividend of a gross amount of EUR 5.25 per share.

Three: Re-election of auditors.

Four: Ratification and appointment of directors.

4.1. Ratification of José Antonio Mutiloa Izaguirre as Proprietary Director.
4.2. Ratification of Marta Baztarrica Lizarbe as Executive Director.
4.3. Appointment of Carmen Allo Pérez as Independent Director.

Five: Ten-for-one split of the Company's shares by reducing their pair value from EUR €3.01 to EUR 0.301 per share, without changing the amount of the share capital. Consequent amendment of Articles 5, 7 and 21 of the bylaws and delegation of powers of execution to the Board of Directors, with the express power of delegation.

Six: Amendment of Article 9 of the Regulations of the General Meeting to adapt them to the amendments to the bylaws submitted for approval at the Annual General Meeting under point 5 of the Agenda, if they are approved.

Seven: Advisory vote on the Annual Report on Directors' Remuneration.

Eight: Information to the General Meeting regarding the amendments to the Regulations of the Board of Directors approved by CAF's Board.

Nine: Delegation of powers to the Board of Directors to formalise and execute the foregoing resolutions.

Proposed distribution of income

To appropriate EUR 27,042 thousand of the Parent's post-tax profit of EUR 30,088 thousand to dividends, EUR 12,091 thousand to voluntary reserves.

Board of Directors

ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO
ALEJANDRO LEGARDA ZARAGÜETA	Director
JOSÉ ANTONIO MUTILOA IZAGUIRRE	Director
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director
JUAN JOSÉ ARRIETA SUDUPE	Director
XABIER GARAIALDE MAIZTEGI	Director
JAVIER MARTINEZ OJINAGA	Director
MARTA BAZTARRICA LIZARBE	Director-Secretary

This information relates to the composition of the Company's Board of Directors at 25 February 2016, date on which the financial statements of the Company and its consolidated group for 2015 were formally prepared. At the aforementioned date, the members of the Company's Board of Directors held 0.008% of the share capital.

SUPPLEMENTARY INFORMATION 2011-2015

Consolidated Balance Sheets
Consolidated Income Statements
Stock market Information

Consolidated Balance Sheets

as of December 31st 2015, 2014, 2013, 2012, 2011 (Thousands of Euros)

Assets	2015	2014	2013	2012	2011
Non-current assets:					
Intangible assets					
Goodwill	15	15	15	15	232
Other intangible assets	34,719	37,673	35,172	42,036	30,567
	34,734	**37,688**	**35,187**	**42,051**	**30,799**
Property, plant and equipment, net	**240,787**	**271,839**	**286,593**	**300,102**	**288,539**
Investments accounted for using the equity method	**14,308**	**12,257**	**14,902**	**13,167**	**11,558**
Non-current financial assets	**612,897**	**669,549**	**657,233**	**760,828**	**420,422**
Deferred tax assets	**161,108**	**163,842**	**162,283**	**102,075**	**110,353**
Total non-current assets	**1,063,834**	**1,155,175**	**1,156,198**	**1,218,223**	**861,671**
Current assets:					
Inventories	**86,253**	**180,504**	**159,857**	**250,827**	**365,464**
Trade and other receivables					
Trade receivables for sales and services	1,120,483	1,107,006	1,040,576	761,312	716,010
Other receivables	169,306	188,410	206,739	218,204	109,546
Current tax assets	8,451	6,493	17,604	12,844	3,684
	1,298,240	**1,301,909**	**1,264,919**	**992,360**	**829,240**
Other current financial assets	**122,423**	**123,945**	**97,703**	**129,025**	**235,519**
Other current assets	**5,939**	**4,591**	**2,022**	**1,742**	**2,691**
Cash and cash equivalents	**297,440**	**197,111**	**127,150**	**76,682**	**86,214**
Total current assets	**1,810,295**	**1,808,060**	**1,651,651**	**1,450,636**	**1,519,128**
Total assets	**2,874,129**	**2,963,235**	**2,807,849**	**2,668,859**	**2,380,799**

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

Equity and liabilities	2015	2014	2013	2012	2011
Equity:					
Shareholders' equity					
Registered share capital	10,319	10,319	10,319	10,319	10,319
Share premium	11,863	11,863	11,863	11,863	11,863
Revaluation reserve	39,119	39,119	58,452	58,452	58,452
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	734,288	691,777	618,264	554,784	444,554
Profit for the year attributable to the Parent	41,041	59,679	90,181	99,454	146,182
	836,630	**812,757**	**789,079**	**734,872**	**671,370**
Valuation adjustments					
Available-for-sale financial assets	-	-	3,704	-	-
Hedges	(5,142)	(6,212)	(2,882)	(4,449)	(1,820)
Translation differences	(127,748)	(70,336)	(70,789)	(28,508)	(5,106)
	(132,890)	**(76,548)**	**(69,967)**	**(32,957)**	**(6,926)**
Equity attributable to the Parent	**703,740**	**736,209**	**719,112**	**701,915**	**664,444**
Non-controlling interests	**11,187**	**12,704**	**10,249**	**5,685**	**2,820**
Total equity	**714,927**	**748,913**	**729,361**	**707,600**	**667,264**
Non-current liabilities:					
Long-term provisions	**4,526**	**5,075**	**4,785**	**4,678**	**3,662**
Non-current financial liabilities					
Bank borrowings	662,168	683,062	477,934	480,517	242,171
Other financial liabilities	74,924	76,405	73,590	69,222	84,159
	737,092	**759,467**	**551,524**	**549,739**	**326,330**
Deferred tax liabilities	**156,817**	**152,426**	**147,020**	**84,283**	**85,956**
Other non-current liabilities	**63,996**	**66,880**	**52,366**	**22,741**	**8,727**
Total non-current liabilities	**962,431**	**983,848**	**755,695**	**661,441**	**424,675**
Current liabilities:					
Short-term provisions	**228,766**	**265,329**	**335,027**	**348,681**	**247,798**
Current financial liabilities					
Bank borrowings	203,722	158,039	232,705	108,962	5,878
Other financial liabilities	53,700	46,733	39,074	30,808	28,096
	257,422	**204,772**	**271,779**	**139,770**	**33,974**
Trade and other payables					
Payable to suppliers	352,153	463,067	460,652	439,866	417,312
Other payables	355,596	293,197	252,808	369,900	584,089
Current tax liabilities	647	3,513	1,866	1,089	5,322
	708,396	**759,777**	**715,326**	**810,855**	**1,006,723**
Other current liabilities	**2,187**	**596**	**661**	**512**	**365**
Total current liabilities	**1,196,771**	**1,230,474**	**1,322,793**	**1,299,818**	**1,288,860**
Total equity and liabilities	**2,874,129**	**2,963,235**	**2,807,849**	**2,668,859**	**2,380,799**

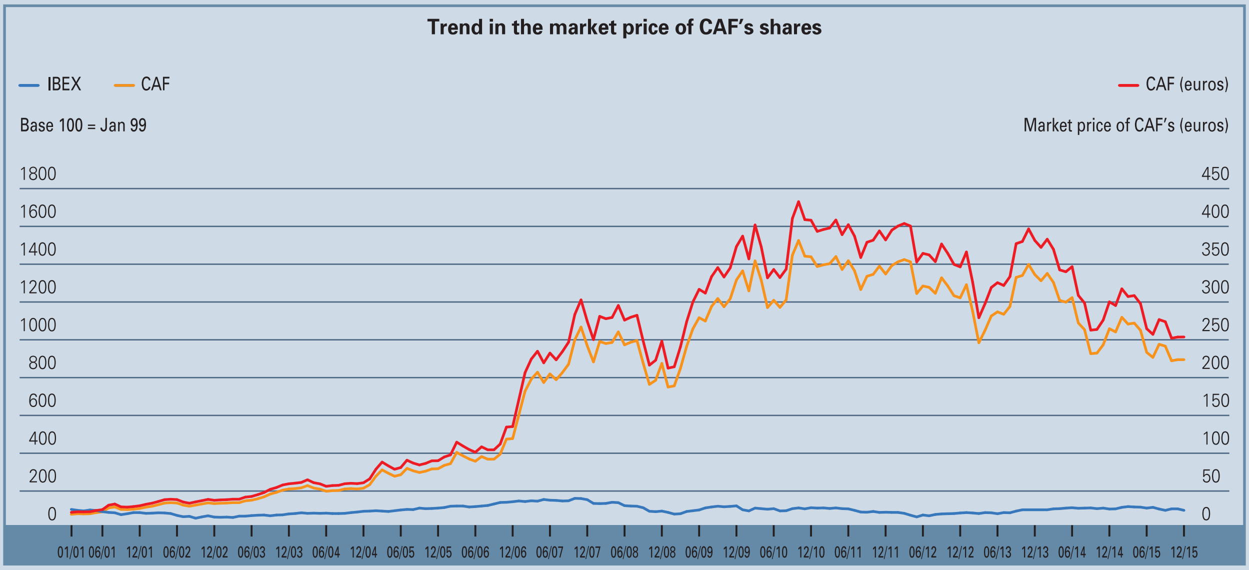
Consolidated Incomes Statements

as of December 31st 2015, 2014, 2013, 2012, 2011 (Thousands of Euros)

(Debit) Credit	2015	2014	2013	2012	2011
Continuing operations:					
Revenue	1,283,591	1,447,141	1,535,240	1,721,186	1,725,099
+/- Changes in inventories of finished goods and work in progress	(126,137)	7,690	(149,530)	(222,057)	66,356
In-house work on non-current assets	6,490	9,840	7,106	1,325	2,054
Procurements	(435,014)	(743,140)	(560,010)	(595,441)	(965,028)
Other operating income	4,245	5,289	4,117	5,327	6,402
Staff costs	(402,164)	(406,236)	(394,460)	(352,334)	(342,745)
Other operating expenses	(164,996)	(174,159)	(219,535)	(376,105)	(263,301)
Ebitda	**166,015**	**146,425**	**222,928**	**181,901**	**228,837**
Depreciation and amortisation charge	(38,399)	(42,398)	(42,552)	(39,231)	(36,788)
Impairment and gains or losses on disposals of non-current assets	(833)	10,958	(29,065)	(1,282)	(27,266)
Profit from operations	**126,783**	**114,985**	**151,311**	**141,388**	**164,783**
Finance income	10,476	10,187	13,974	24,437	9,620
Finance costs	(56,632)	(47,252)	(47,687)	(35,273)	(26,627)
Exchange differences	(19,632)	(2,394)	(3,645)	(3,176)	39
Impairment and gains or losses on disposals of financial instruments	(589)	4,357	1,013	355	(639)
Change in fair value of financial instruments	3	373	(275)	17	(8)
Financial loss	**(66,374)**	**(34,729)**	**(36,620)**	**(13,640)**	**(17,615)**
Result of companies accounted for using the equity method	-	200	(392)	17	(3,301)
Profit before tax	**60,409**	**80,456**	**114,299**	**127,765**	**143,867**
Income tax	(17,795)	(18,327)	(23,262)	(27,711)	(14,260)
Profit for the year from continuing operations	**42,614**	**62,129**	**91,037**	**100,054**	**129,607**
Profit (Loss) for the year from discontinued operations	-	-	-	-	11,842
Consolidated profit for the year	**42,614**	**62,129**	**91,037**	**100,054**	**141,449**
Attributable to:					
The Parent	41,041	59,679	90,181	99,454	146,182
Non-controlling interests	1,573	2,450	856	600	(4,733)
Earnings per share (in euros)					
Basic	11,97	17,41	26,31	29,01	42,64
Diluted	11,97	17,41	26,31	29,01	42,64

Stock market information

As of December 31, 2015, the Parent Company's capital stock amounted to EUR 10,318,506 and consisted of 3,428,075 fully subscribed and paid listed shares of EUR 3.01 par value each, traded by the book-entry system.



	2015	2014	2013	2012	2011
Stock market capitalization					
Figures as of December 31	875,873,163	1,036,478,476	1,317,409,223	1,196,398,175	1,319,808,875
Per-share data					
Net earnings per share	11.97	17.41	26.31	29.01	42.64
Dividend per share	5.25	5.25	10.50	10.50	10.50
Per-share net book value	205.29	214.76	209.77	204.75	193.82
Stock market ratios					
PER	23.76	18.53	12.53	13.08	9.02
Average price/EBITDA (*)	5.87	7.55	5.07	7.15	5.76
MV/BV (average price/book value)	1.39	1.50	1.57	1.85	1.98
Dividend yield	1.85%	1.63%	3.18%	2.77%	2.73%
Pay-out	43.85%	30.16%	39.91%	36.19%	24.62%

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

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