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

## Condensed Consolidated Balance Sheets at 30 June 2014 and 31 December 2013 (Notes 1 and 2)
**(Thousands of Euros)**

| Assets | 30.06.14 | 31.12.13 (*) |
|---|---|---|
| **Non-current assets:** | | |
| **Intangible assets (Note 5)-** | | |
| Goodwill | 15 | 15 |
| Other intangible assets | 34,792 | 35,172 |
| | **34,807** | **35,187** |
| **Property, plant and equipment, net (Note 7)** | **279,612** | **286,593** |
| **Investments accounted for using the equity method** | **15,151** | **14,902** |
| **Non-current financial assets (Note 6)** | **638,700** | **657,233** |
| **Deferred tax assets (Note 17)** | **147,593** | **162,283** |
| **Total non-current assets** | **1,115,863** | **1,156,198** |
| **Current assets:** | | |
| **Inventories (Note 8)** | **198,666** | **159,857** |
| **Trade and other receivables-** | | |
| Trade receivables for sales and services (Notes 6, and 8) | 1,251,911 | 1,040,576 |
| Other accounts receivable (Notes 6 and 17) | 199,575 | 206,739 |
| Current tax assets | 22,366 | 17,604 |
| | **1,473,852** | **1,264,919** |
| **Other current financial assets (Note 6)** | **119,835** | **97,703** |
| **Other current assets** | **4,649** | **2,022** |
| **Cash and cash equivalents** | **92,345** | **127,150** |
| **Total current assets** | **1,889,347** | **1,651,651** |
| **Total assets** | **3,005,210** | **2,807,849** |

| Equity and Liabilities | 30.06.14 | 31.12.13 (*) |
|---|---|---|
| **Equity (Note 10):** | | |
| **Shareholders' equity-** | | |
| Registered share capital | 10,319 | 10,319 |
| Issue premium | 11,863 | 11,863 |
| Revaluation reserve | 58,452 | 58,452 |
| Other reserves of the Parent and of fully consolidated companies and companies using the equity method | 672,452 | 618,264 |
| Profit for the year attributable to the Parent | 42,592 | 90,181 |
| | **795,678** | **789,079** |
| **Valuation Adjustments-** | | |
| Financial assets held for sale (Note 6) | - | 3,704 |
| Hedges (Note 14) | (2,754) | (2,882) |
| Translation differences | (56,850) | (70,789) |
| | **(59,604)** | **(69,967)** |
| **Equity attributable to the Parent** | **736,074** | **719,112** |
| **Minority interest** | **11,881** | **10,249** |
| **Total equity** | **747,955** | **729,361** |
| **Non-current liabilities:** | | |
| **Long-term provisions (Note 11)** | **4,737** | **4,785** |
| **Non-current financial liabilities (Notes 9)-** | | |
| Bank borrowings | 582,718 | 477,934 |
| Other financial liabilities | 70,359 | 73,590 |
| **Deferred tax liabilities (Note 17)** | **140,802** | **147,020** |
| **Other non-current liabilities (Note 9)** | **60,785** | **52,366** |
| **Total non-current liabilities** | **859,401** | **755,695** |
| **Current liabilities:** | | |
| **Short-term provisions (Note 11)** | **302,042** | **335,027** |
| **Current financial liabilities (Notes 9)** | | |
| Bank borrowings | 239,919 | 232,705 |
| Other financial liabilities (Note 4) | 63,728 | 39,074 |
| **Trade and other payables-** | | |
| Payable to suppliers | 471,530 | 460,652 |
| Other accounts payable (Notes 8, and 17) | 317,096 | 252,808 |
| Current tax liabilities (Note 17) | 2,610 | 1,866 |
| | **791,236** | **715,326** |
| **Other current liabilities** | **929** | **661** |
| **Total current liabilities** | **1,397,854** | **1,322,793** |
| **Total liabilities and equity** | **3,005,210** | **2,807,849** |

(*) Included exclusively for comparison purposes.

The accompanying Notes 1 to 18 are an integral part of the summarised consolidated balance sheet at 30 June 2014.

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

## Condensed Consolidated Income Statement for the six month periods ended 30 June 2014 and 2013 (Notes 1 and 2)
**(Thousands of Euros)**

| | (Debit) Credit | |
|---|---|---|
| | **30.06.14** | **30.06.13 (*)** |
| **Continuing operations:** | | |
| Revenue (Note 15) | 737,033 | 780,901 |
| +/- Changes in inventories of finished goods and work in progress | (5,580) | (55,298) |
| Work performed by the company for its assets | 4,936 | 1,659 |
| Supplies | (348,467) | (304,007) |
| Other operating income | 3,102 | 2,344 |
| Staff costs (Notes 9, 11 and 16) | (211,775) | (201,115) |
| Other operating expenses (Note 11) | (87,830) | (104,091) |
| Depreciation and amortisation charge (Notes 5 and 7) | (22,182) | (23,364) |
| Impairment and gains or losses on disposals of non-current assets (Notes 6 and 7) | (255) | (21,441) |
| Other profit (loss) | - | - |
| **Profit from operations** | **68,982** | **75,588** |
| Finance income (Note 6) | 5,571 | 6,331 |
| Finance costs (Note 9) | (25,891) | (19,570) |
| Change in fair value of financial instruments | 176 | 16 |
| Translation differences | 2,546 | (2,493) |
| Impairment and gains or losses on disposals of financial instruments (Note 6) | 4,237 | 554 |
| **Financial profit (loss)** | **(13,361)** | **(15,162)** |
| Result of companies accounted for using the equity method | 117 | (298) |
| **Profit before tax** | **55,738** | **60,128** |
| Income tax (Note 17) | (11,655) | (10,145) |
| **Profit for the year from continuing operations** | **44,083** | **49,983** |
| Profit (Loss) for the year from discontinued operations | - | - |
| **Consolidated profit (loss) for the year** | **44,083** | **49,983** |
| Attributable to: | | |
| The Parent | 42,592 | 49,710 |
| Minority interest | 1,491 | 273 |
| **Earnings per share (in euros)** | | |
| Basic | 12.42 | 14.50 |
| Diluted | 12.42 | 14.50 |

(*) Included exclusively for comparison purposes.

The accompanying Notes 1 to 18 are an integral part of the summarised consolidated income statement for the six month period ended 30 June 2014

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

## Condensed Consolidated Statements of Recognised Income and Expense for the six month periods ended 30 June 2014 and 2013 (Notes 1 and 2)

**(Thousands of Euros)**

| | 30.06.14 | 30.06.13 (*) |
|---|---|---|
| **A) Consolidated profit for the year** | **44,083** | **49,983** |
| **B) Income and expense recognised directly in equity** | **14,067** | **(15,599)** |
| Revaluation/(reinvestment of revaluation) of property, plant and equipment and intangible assets | - | - |
| Arising from revaluation of financial instruments | - | - |
| Arising from cash flow hedges (Note 10) | 126 | 1,042 |
| Translation differences (Note 10) | 13,939 | (16,634) |
| From actuarial profits and loss and other adjustments | - | - |
| Companies accounted for using the equity method | - | - |
| Other income and expense recognised directly in equity | - | - |
| Tax effect (Note 10) | 2 | (7) |
| **C) Transfers to profit and loss account (Notes 6)** | **(3,704)** | **66** |
| Arising from revaluation of financial instruments | (3,838) | - |
| On cash flow hedging | - | 92 |
| Translation differences | - | - |
| Companies accounted for using the equity method | - | - |
| Other income and expense recognised directly in equity | - | - |
| Tax effect | 134 | (26) |
| **Total recognised income and expense (A+B+C)** | **54,446** | **34,450** |
| Attributable to: | | |
| The Parent Company | 52,955 | 34,179 |
| Minority interest | 1,491 | 271 |

(*) Included exclusively for comparison purposes.

The accompanying Notes 1 to 18 are an integral part of the summarised consolidated statement of recognised income and expense for the six month period ended 30 June 2014

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

**Condensed Consolidated statement of changes in equity for the six month periods ended 30 June 2014 and 2013 (Notes 1 and 2)**
**(Thousands of Euros)**

| | Equity Attributable to the Parent Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity | | | | | | | | |
| | Share capital | Issue premium | Reserve for revaluation of Assets and Liabilities not gained | Other Reserves | Net profit for the year | Adjustments in Equity due to valuation | Translation differences | Non-controlling Interests | Total Equity |
| **Balances at 31 December 2012 (*)** | **10,319** | **11,863** | **58,452** | **554,784** | **99,454** | **(4,449)** | **(28,508)** | **5,685** | **707,600** |
| **Total recognised income/expense** | **-** | **-** | **-** | **-** | **49,710** | **1,101** | **(16,632)** | **271** | **34,450** |
| **Transactions with shareholders or owners** | **-** | **-** | **-** | **15** | **(35,995)** | **-** | **-** | **5,460** | **(30,520)** |
| Dividends paid (Note 4) | - | - | - | - | (35,995) | - | - | (171) | (36,166) |
| Transactions with Non-controlling interests | - | - | - | 15 | - | - | - | 5,631 | 5,646 |
| **Other changes in equity** | **-** | **-** | **-** | **63,459** | **(63,459)** | **-** | **-** | **-** | **-** |
| Business combinations | - | - | - | - | - | - | - | - | - |
| Transfers between equity items | - | - | - | 63,459 | (63,459) | - | - | - | - |
| **Balances at 30 June 2013 (*)** | **10,319** | **11,863** | **58,452** | **618,258** | **49,710** | **(3,348)** | **(45,140)** | **11,416** | **711,530** |
| | | | | | | | | | |
| **Balances at 31 December 2013 (*)** | **10,319** | **11,863** | **58,452** | **618,264** | **90,181** | **822** | **(70,789)** | **10,249** | **729,361** |
| **Total recognised income/expense** | **-** | **-** | **-** | **-** | **42,592** | **(3,576)** | **13,939** | **1,491** | **54,446** |
| **Transactions with shareholders or owners** | **-** | **-** | **-** | **2** | **(35,995)** | **-** | **-** | **141** | **(35,852)** |
| Dividends paid (Note 4) | - | - | - | - | (35,995) | - | - | (193) | (36,188) |
| Transactions with Non-controlling interests | - | - | - | 2 | - | - | - | 334 | 336 |
| **Other changes in equity** | **-** | **-** | **-** | **54,186** | **(54,186)** | **-** | **-** | **-** | **-** |
| Business combinations | - | - | - | - | - | - | - | - | - |
| Transfers between equity instruments | - | - | - | 54,186 | (54,186) | - | - | - | - |
| **Balances at 30 June 2014** | **10,319** | **11,863** | **58,452** | **672,452** | **42,592** | **(2,754)** | **(56,850)** | **11,881** | **747,955** |

(*) Included exclusively for comparison purposes.

The accompanying Notes 1 to 18 are an integral part of the summarised consolidated statement of changes in equity for the six month period ended 30 June 2014.

**Construcciones y Auxiliar de Ferrocarriles, S.A. y Sociedades Dependientes composing CAF Group**

**Condensed Consolidated Statements of Cash Flows for the six month periods ended 30 June 2014 and 2013 (Notes 1 and 2) (Miles de Euros)**

| | 30.06.14 | 30.06.13 (*) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit (Loss) before tax for the year from continuing and discontinued operations | 55,738 | 60,128 |
| Adjustments for- | | |
| Depreciation and amortisation charge (Notes 5 and 7) | 22,182 | 23,364 |
| Other adjustments to profit(loss) net | (19,329) | 27,300 |
| Changes in working capital- | (142,780) | (105,034) |
| Other cash flows from operating activities- | | |
| Income tax recovered (paid) | (7,435) | (2,271) |
| Proceeds/payments from operating activities | (1,253) | (1,172) |
| **Cash flows from operating activities (I)** | **(92,877)** | **2,315** |
| **Cash flows from investing activities:** | | |
| Payments due to investment- | | |
| Group companies associates and business units | - | - |
| Property, plant and equipment, intangible assets and investment property (Notes 5 and 7) | (9,726) | (35,921) |
| Business unit (changes in the scope of consolidation) | - | - |
| Other financial assets, net (Note 6) | (39,337) | (40,496) |
| Proceeds from disposal- | | |
| Property, plant and equipment, intangible assets and investment property (Notes 5 and 7) | 195 | 303 |
| Other financial assets (Note 6) | 45,445 | 3,439 |
| Other cash flows from investment activities | | |
| Interest received | 2,683 | 3,897 |
| **Cash flows from investing activities (II)** | **(740)** | **(68,778)** |
| **Cash flows due to financing activities:** | | |
| Proceeds/(Payments) relating to equity instruments (Note 6)- | | |
| Issue | 335 | 1,280 |
| Purchase | - | - |
| Proceeds/(Payments) relating to financial debts (Note 9)- | | |
| Issue | 144,400 | 103,712 |
| Repayment and amortisation | (64,592) | (21,488) |
| Dividends and returns on other equity instruments | (2,100) | - |
| Other cash flows from financing activities (Note 9)- | | |
| Interest paid | (21,280) | (17,557) |
| **Cash flows from financing activities (III)** | **56,763** | **65,947** |
| **Effect of foreign exchange rate changes and equivalents (IV)** | **2,049** | **(320)** |
| **Net increase in cash and cash equivalents (I+II+III +IV)** | **(34,805)** | **(836)** |
| Cash and cash equivalents at beginning of year | 127,150 | 76,682 |
| **Cash and cash equivalents at the end of year** | **92,345** | **75,846** |

(*) Included exclusively for comparison purposes.

The accompanying Notes 1 to 18 are an integral part of the summarised consolidated statement of cash flows for the six month period ended 30 June 2014.

*Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 18). In the event of a discrepancy, the Spanish-language version prevails.*

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

## Notes to the Condensed Consolidated Financial Statements for the six-month period ended 30 June 2014

### 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 3).

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

### 2. Basis of presentation of the condensed consolidated financial statements for the six-month period

#### *a) Basis of presentation*

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all the companies governed by the Law of a member state of the European Union and whose securities are listed on a regulated market of any member state must present their consolidated financial statements for the years starting on 1 January 2005 in compliance with the International Financial Reporting Standards (IFRSs) previously adopted by the European Union.

The Group's consolidated financial statements for 2013 were prepared by the Company's Directors in accordance with the International Financial Reporting Standards adopted by the European Union, applying the consolidation principles, accounting policies and measurement criteria described in Note 3 of the abovesaid consolidated financial statements, so as to present fairly the Group's consolidated equity and financial position as at 31 December 2013, as well as its consolidated results, changes in equity and cash flows for said year.

These condensed consolidated financial statements for the six-month period are in accordance with IAS 34 on Interim Financial Reporting, and were prepared by the Group's Directors on 29 July 2014, all in conformity with Section 12 of Royal Decree 1362/2007. This condensed interim consolidated financial information is based on the accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. and the other companies comprising the Group, and includes all necessary adjustments and reclassifications to make the accounting and reporting policies applied by all the Group companies (in all cases, regional legislation) consistent with those applied by Construcciones y Auxiliar de Ferrocarriles, S.A. for the purposes of the consolidated financial statements.

In accordance with IAS 34, interim financial reporting only purports to update the contents of the latest consolidated financial statements prepared by the Group, focusing on any new activities, events and circumstances which may have occurred during the last six months, but not duplicating the information previously reported on the 2013 consolidated financial statements. Therefore, for a better understanding of the information contained in these condensed consolidated financial statements for the six-month period, they should be read together with the Group's consolidated financial statements for 2013.

These six-monthly condensed consolidated financial statements were prepared using the same accounting policies and methods used for the 2013 consolidated financial statements, except for the standards and interpretations which came into force during the first half of 2014, which are detailed below.

***b) New Accounting Standards in Force***

In 2014 first semester, new accounting standards came into force and, therefore, were taken into account when preparing the condensed consolidated financial statements for the six-month period. Since 1 January 2014, the following standards have been applied:

- "*New consolidating standards: IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (Revised) Separate Financial Statements and IAS 28 (Revised), Investments in Associates and Joint Ventures":* The amendment to standards of the consolidation package has changed the definition of control. This new definition comprises three elements that must be fulfilled. power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power to affect the amount of the investor's returns.

  The main change introduced by IFRS 11 Joint Arrangements, which replaces IAS 31, was to eliminate the proportionate consolidation option for jointly-controlled entities (joint arrangements), which are now consolidated using the equity method.

  The entry into force of this new package of consolidation standards has not entailed a significant impact for the Group in these condensed consolidated financial statements.

- "Amendment to IAS 32 Financial Instruments: *Offsetting Financial Assets and Financial Liabilities*": This amendment indicates that a financial asset and a financial liability may only be offset when an entity has a current legally enforceable right to set off the amounts recognised. The entry into force of this standard has not affected the Group in any way whatsoever.

  Furthermore, since 1 January 2014, other new accounting standards have come into force ("Amendments to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets" and "Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting") without having had a significant impact for the Group.

***c) Use of Estimates***

The accounting policies and principles, measurement criteria, and estimates used by the Parent's Directors are key to evaluating the consolidated results and equity when preparing the six-monthly condensed consolidated financial statements. The main accounting policies and standards and measurement criteria applied are mentioned in Note 3 to the 2013 consolidated financial statements.

In the condensed consolidated financial statements, some estimates were occasionally made by the Senior Management of the Parent and of the consolidated companies in order to measure certain of the assets, liabilities, income, expenses and obligations reported therein. These estimates, based on the best available information, basically refer to:

1. Corporate Tax expense, which, pursuant to IAS 34, must be recognised for interim periods based on the Group's best estimates of the weighted average tax rate for the year.

2. Assessment of possible impairment losses on certain assets.

3. Assumptions used in the actuarial calculation of pension-related liabilities and other obligations to employees.

4. The useful life of the property, plant and equipment and intangible assets.

5. The market value of certain financial instruments.

6. Calculation of provisions.

7. Assessment of the possibility to have future taxable profits to which to apply any recognised and unused tax credits.

8. Evolution of costs estimated in the budgets of construction projects carried out.

Even though these estimates were made according to the best available information on the analysed facts, future events might make it necessary to change these estimates (upward or downward) at 2014 year-end or in coming years. These changes would be applied prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the years concerned.

There was no significant change in the estimates made at 2013 year-end during the six-month period ended on 30 June 2014.

***d) Contingent assets and liabilities***

Note 25 to the Group's consolidated financial statements for the year ended on 31 December 2013 contains information about the contingent assets and liabilities existing by then.

During 2013, the Brazilian Economic Defence Administrative Board commenced investigation proceedings with regard to several railway manufacturers, one of which is a CAF Group subsidiary in Brazil. The proceedings aim to conclude on the possibility of anti-competitive practices in the public bidding processes of certain contracts. In March 2014, the Sao Paulo State Prosecutor's Office filed two complaints in relation to this matter, one of which was dismissed at the first instance stage, while the second one is currently in the notice stage. At the date of preparation of these condensed consolidated financial statements, no financial claim whatsoever had been filed against this subsidiary. There were no significant changes in the remaining contingent assets and liabilities of the Group.

***e) Comparative information***

The information reported on these six-monthly condensed consolidated financial statements for 2013 is presented exclusively for comparison purposes with the information relating to the six-month period ended on 30 June 2014.

***f) Group's transactions seasonality***

Given the nature of the activities conducted by the Group's Companies and the percentage of completion accounting criterion, the Group's transactions are not cyclical or seasonal. Therefore, these notes to the condensed consolidated financial statements for the six-month period ended on 30 June 2014 do not contain any specific breakdown.

***g) Relative importance***

Pursuant to IAS 34, when determining which information to break down about the different items of the financial statements or other issues, the Group took into consideration their relative importance in relation to the six-monthly condensed consolidated financial statements.

***h) Events after the reporting period***

At 30 June 2014, the firm backlog amounted to EUR 4,860 million.

No other significant events have taken place since the end of these interim financial statements.

***i) Condensed consolidated statement of cash flows***

The following terms, with the meanings specified, are used in the condensed consolidated cash flow statement:

- Cash flows are inflows and outflows of cash and cash equivalents.

- Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities are activities that result in changes in the size and composition of the entity's equity and borrowings.

## 3. Changes in the Group's structure

Note 2.f to the consolidated financial statements for the year ended on 31 December 2013 contains relevant information about the Group's companies which were consolidated at such date, as well as those which were measured using the equity method.

During the first six months of 2014, the Group did not undertake any business combinations nor did it make any acquisitions or increases in the shareholdings in subsidiaries or associates.

Moreover, during the first six months of 2014, the Group dissolved CAF Francia S.A.S., without this having had any effects in terms of equity, and incorporated UPR Argentina, S.A. with a disbursement of EUR 260 thousand.

## 4. Dividends payable by the Parent Company

Detailed below are the dividends owed by the Parent Company as at July 2014 and 2013, respectively, for the distribution of profits approved for the previous year. All of them were for common shares. The Group recognised those amounts (net of any applicable tax withholding) by crediting them to "Current financial liabilities – Other financial liabilities" on the condensed consolidated balances sheets at 30 June 2014 and 2013, respectively:

| | 30.06.14 | | | 30.06.13 | | |
|---|---|---|---|---|---|---|
| | % par value | Euros per share unit | Amount (Thousands of Euros) | % par value | Euros per share unit | Amount (Thousands of Euros) |
| Total dividends payable (Note 9) | 349% | 10.5 | 35,995 | 349% | 10.5 | 35,995 |

## 5. Intangible assets

The changes in “Intangible assets” and the related accumulated amortisation during the six-month period ended on 30 June 2014 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Development Expenditure | Computer software and others | Goodwill | Total |
| **Balance at 31.12.13** | | | | |
| Cost | 93,162 | 15,995 | 15 | 109,172 |
| Accumulated depreciation | (44,222) | (12,862) | - | (57,084) |
| Impairment | (16,901) | - | - | (16,901) |
| **Net balance at 31.12.13** | **32,039** | **3,133** | **15** | **35,187** |
| **Cost-** | | | | |
| Translation differences | - | 36 | - | 36 |
| Inflows | 5,938 | 527 | - | 6,465 |
| Write-downs | - | (2) | - | (2) |
| Transfers (Note 8) | (1,114) | - | - | (1,114) |
| **Cost at 30.06.14** | **97,986** | **16,556** | **15** | **114,557** |
| **Accumulated amortisation-** | | | | |
| Translation differences | - | (13) | - | (13) |
| Additions or provisions | (5,176) | (576) | - | (5,752) |
| Write-downs | - | - | - | - |
| Transfers | - | - | - | - |
| **Accumulated depreciation at 30.06.14** | **(49,398)** | **(13,451)** | **-** | **(62,849)** |
| | | | | |
| **Impairment loss** | | | | |
| Provision for the year | - | - | - | - |
| **Impairment Balance at 30.06.14** | **(16,901)** | **-** | **-** | **(16,901)** |
| **Net balance at 30.06.14** | **31,687** | **3,105** | **15** | **34,807** |

Additions during 2014 first semester recognised as “Development expenditure” were for the costs incurred in projects to develop new products and projects.

In 2013 first semester, the Group recognised an impairment loss totalling EUR 15,099 thousand, charged to “Impairment and gains or losses on disposals of non-current assets”, on account of certain development projects, since it believes that there were reasonable doubts as to the financial and commercial profitability thereof. During the first half of 2014 there was no additional impairment whatsoever and there have been no substantial changes in the profitability assumptions and estimates of the development projects for which impairments had been recorded in 2013.

## 6. Financial assets

### *a) Composition and breakdown*

The detail of the Group's financial assets at 30 June 2014 and 31 December 2013, by nature and category for valuation purposes, is as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30.06.14 | | | | | | |
| | Held-for-trading financial assets (**) | Other financial assets at fair value through profit or loss | Available-for-Sale Financial Assets | Loans and receivables (*) | Held-to-Maturity Investments | Hedging Derivatives (***) | Total |
| Equity instruments | - | - | 9,509 | - | - | - | 9,509 |
| Derivatives | - | - | - | - | - | 4,143 | 4,143 |
| Other financial assets | - | - | - | 606,440 | 18,608 | - | 625,048 |
| **Long-term / non-current** | **-** | **-** | **9,509** | **606,440** | **18,608** | **4,143** | **638,700** |
| Derivatives | - | - | - | - | - | 19,302 | 19,302 |
| Other financial assets | 54,032 | - | - | 4,592 | 41,909 | - | 100,533 |
| **Short term / current** | **54,032** | **-** | **-** | **4,592** | **41,909** | **19,302** | **119,835** |
| **Total** | **54,032** | **-** | **9,509** | **611,032** | **60,517** | **23,445** | **758,535** |

(*) Amounts net of the relevant impairment losses (Note 6.b).
(**) Measured at fair value (Level 1)
(***) Measured at fair value (Level 2)

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31.12.13 | | | | | | |
| | Held-for-trading financial assets (**) | Other financial assets at fair value through profit or loss | Available-for-Sale Financial Assets | Loans and receivables (*) | Held-to-Maturity Investments | Hedging Derivatives (***) | Total |
| Equity instruments | - | - | 26,618 | - | - | - | 26,618 |
| Derivatives | - | - | - | - | - | 9,193 | 9,193 |
| Other financial assets | - | - | - | 603,289 | 18,133 | - | 621,422 |
| **Long-term / non-current** | **-** | **-** | **26,618** | **603,289** | **18,133** | **9,193** | **657,233** |
| Derivatives | - | - | - | - | - | 34,401 | 34,401 |
| Other financial assets | 52,359 | - | - | 6,194 | 4,749 | - | 63,302 |
| **Short term / current** | **52,359** | **-** | **-** | **6,194** | **4,749** | **34,401** | **97,703** |
| **Total** | **52,359** | **-** | **26,618** | **609,483** | **22,882** | **43,594** | **754,936** |

(*) Amounts net of the relevant impairment losses (Note 6.b).
(**) Measured at fair value (Level 1)
(***) Measured at fair value (Level 2)

At 30 June 2014, the Group recognised EUR 16,150 thousand under non-current "Held-to-maturity investments" on account of guarantees related to the extension of the financial debt held by the subsidiary Ctrens Companhia de Manutençao, S.A. (Note 9). This guarantee accrues a market interest rate and corresponds to six monthly payments of the loan, and will be released in the last six instalments of the loan between November 2025 and April 2026.

Columns "Financial Assets held to negotiation" and "Held-to-maturity investments" basically include the Group's investments in government debt securities, repos, deposits, promissory notes, and term deposits or investments funds. At 30 June 2014 and 31 December 2013, liquid financial assets maturing in less than three months totalled EUR 4,896 thousand and EUR 1,043 thousand, respectively.

On 10 March 2014, the Group sold the interest it held in the company Metro de Sevilla Sociedad Concesionaria de la Junta de Andalucía, S.A., which it had recorded under "Available-for-sale financial assets" for a total of EUR 17,058 thousand, with the transaction amount having increased to EUR 17,587 thousand, which has been collected in full and in relation to which the Group recorded a gain of EUR 4,367 thousand in "Impairment and gains or losses on disposals of financial instruments" in the accompanying condensed consolidated income statement (Note 10.b), of which at 31 December 2013 a total of EUR 3,838 thousand (without taking into account the tax effect) were recorded in "Adjustments for changes in value – Available-for-sale financial assets" of the consolidated statement of financial position.

The breakdown of "Non-current loans and accounts receivable" is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 31.12.13 |
| Loans to employees | 5,118 | 5,149 |
| Share ownership scheme obligations | 829 | 1,226 |
| Non-current tax receivables | 54,891 | 52,824 |
| Provisions for tax payables | (29,274) | (26,756) |
| Non-current trade receivables | 558,094 | 554,214 |
| Allowance for non-current trade | - | (799) |
| Loans to associates (Note 12) | 16,067 | 16,067 |
| Loans to third parties | 715 | 1,364 |
| **Total** | **606,440** | **603,289** |

Column "Loans and receivables" under items "Other non-current financial assets" and "Other current financial assets" includes, among others, the Parent's rights under the "Share Ownership Scheme", acquired from Cartera Social, S.A., for a corresponding provision net total of EUR 829 thousand and EUR 2,844 thousand, respectively (EUR 1,226 thousand and EUR 5,149 thousand, respectively, at 31 December 2013), and the terms of which are detailed in Note 9.e to the Group's consolidated financial statements for 2013. In 2014 first semester, an amount of EUR 83 thousand was reversed and credited to "Impairment and gains or losses on disposals of financial instruments" in the condensed consolidated income statement.

Likewise, at 30 June 2014, the Group recognised a net total of EUR 25,617 thousand under "Non-current financial assets – Loans and receivables" for the VAT refundable by foreign tax authorities (EUR 26,068 thousand at 31 December 2013). In the six-month period ended on 30 June 2014, an additional provision of EUR 214 thousand was recognised and charged to "Impairment and gains or losses on disposals of non-current assets" in the accompanying condensed consolidated income statement for the six-month period.

Non-current trade receivables included EUR 21,429 thousand at 31 December 2013 relating to accounts receivable from third parties not belonging to the Group facing financial difficulties that are not expected to be collected in the short term. During the first six months of 2014, the Group recorded all accounts receivable as current given that they are expected to be collected within less than one year and reversed a net amount of EUR 799 thousand which was credited to "Finance income" in the accompanying half-yearly condensed consolidated income statement eliminating the provision that was in place at 31 December 2013.

Also included is a noncurrent receivable of EUR 8,389 thousand (EUR 8,813 thousand at 31 December 2013) related to a financial lease agreement for rolling stock for which the Group will receive regular lease payments in monthly instalments for a period of 120 months.

In 2010 the Group signed two concession contracts in Brazil and Mexico, respectively, whose terms and conditions are described in Note 9.e to the consolidated financial statements for 2013. These concession contracts are accounted for by applying IFRIC 12 – Financial Asset Model, given that they both meet the eligibility criteria, and the Group thus segregated the different services being rendered (construction, operation/maintenance and financing), as provided in that standard. Consequently, the Group recorded a total of EUR 549,705 thousand and EUR 108,991 thousand in “Loans and receivables” of non-current financial assets and “Other receivables” of current assets, respectively, at 30 June 2014, related to the construction activity and the services provided to date, net of invoicing (EUR 523,972 thousand and EUR 122,902 thousand at 31 December 2013). The Group began providing services essentially in the first half of 2011 in the case of Line 8 (Brazil) and in the second half of 2012 in the case of Line 12 (Mexico).

In both contracts, the future flows from instalments have been fully assessed and guaranteed from the time they were originally signed. The only potentially variable amount in the instalments refers exclusively to the penalties that may exist in relation to the technical performance of the railway material provided to the customer. There is no demand risk for the CAF Group with regard to these contracts given that the financial flows receivable are not related to the influx of passengers.

At 30 June 2014, the Group had recorded EUR 5,544 thousand under “Trade and other receivables – Other receivables” as a receivable from Cartera Social, S.A., as described in Note 10 to the Group’s consolidated financial statements for 2013, which was settled in full in July 2014 (Note 12).

### *b) Impairment losses*

Below are the changes that have taken place during the first half of 2014 and 2013 in the amounts of the provisions covering asset impairment losses, including non-current balances with Public Authorities, which form part of the balance in “Non-current financial assets” and “Other current financial assets”:

| Non-current Financial Assets | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| **Opening balance** | **(27,554)** | **(22,858)** |
| Net reversals, credited to “Finance income” | 799 | 2,434 |
| Translation differences | (2,305) | 1,846 |
| Provisions charged to “Impairment and gains or losses on disposals of non-current assets” | (214) | (6,849) |
| **Closing balance** | **(29,274)** | **(25,427)** |

| Other Non-current Financial Assets | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| **Opening balance** | **(887)** | **(10,840)** |
| Allocation | 804 | 2,495 |
| Reversals credited to profit and Loss | 83 | 628 |
| Non-current asset transfers | - | - |
| **Closing balance** | **-** | **(7,717)** |

## 7. Tangible assets

### *a) Changes in the period*

During the six first months of 2014 and 2013 there have been new additions of property, plant and equipment amounting to EUR 2,642 thousand and EUR 20,295 thousand respectively. The main additions in fiscal year 2013 are related to lines of machines and improvements in rolling stock division of CAF S.A. Besides, during 2014 and 2013 first semesters, certain items were disposed of at the net book value of EUR 218 and EUR 308 thousand, respectively, resulting in EUR 41 thousand and EUR 3 thousand in net losses, respectively.

Provisions for depreciation for the six-month periods ended on 30 June 2014 and 2013 amounted to EUR 16,430 thousand and EUR 16,846 thousand, respectively. Translation differences for the abovesaid semesters resulted in a positive amount of EUR 3,538 thousand and negative amount of EUR 3,328 thousand, respectively.

In the first half of 2014, the Group transferred spare parts for a total of EUR 3,550 thousand from inventories to property, plant and equipment.

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 30 June 2014, the net amount of the grants received yet to be amortised totalled EUR 3,568 thousand (EUR 4,165 thousand at 31 December 2013). An amount of EUR 598 thousand was allocated to income for the six-month period ended on 30 June 2014 (EUR 707 thousand for the six-month period ended on 30 June 2013).

### b) *Impairment losses*

The changes in Impairment losses during 2014 and 2013 first semesters are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| **Opening balance** | **(7,003)** | **(5,711)** |
| Reversals credited to income for the period | - | 511 |
| **Closing balance** | **(7,003)** | **(5,200)** |

### c) *Commitments to purchase property, plant and equipment*

At 30 June 2014 and 31 December 2013, the Group had firm capital expenditure commitments amounting to approximately EUR 2,419 thousand and EUR 3,150 thousand, respectively.

## 8. Inventories and Construction Contracts

The detail of inventories at 30 June 2014 and 31 December 2013 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 31.12.13 |
| Raw materials and other procurements, work in progress and finished and semi-finished goods | 166,747 | 129,605 |
| Advances to suppliers | 31,919 | 30,252 |
| **Total** | **198,666** | **159,857** |

The Group registers customer advances for its contracts on the portfolio by crediting them to “Trade and other payables – Other payables”. At 30 June 2014, this amount totalled EUR 188,820 thousand (EUR 156,421 thousand at 31 December 2013).

Under “Trade and other receivables – Trade receivables for sales and services”, the Group records the “Amounts to be billed for work performed”, which, at 30 June 2014, was approximately 72% of the balance existing under that item (65% at 31 December 2013). The balance of receivables includes withholdings in collections at 30 June 2014, totalling EUR 6,598 thousand (EUR 6,808 thousand at 31 December 2013).

## 9. Financial liabilities

The detail of the Group's financial liabilities at 30 June 2014 and 31 December 2013, by nature and category, for valuation purposes, is as follows:

| Financial Liabilities: Nature/ Category | Thousands of Euros 30.06.14 | | | | |
|---|---|---|---|---|---|
| | Held-for-Trading Financial Liabilities | Other Financial Liabilities at Fair Value through Profit or Loss | Accounts Payable | Hedging Derivatives | Total |
| Bank borrowings | - | - | 582,718 | - | 582,718 |
| Other financial liabilities (without hedging derivatives) | - | - | 66,685 | - | 66,685 |
| Hedging derivatives | - | - | - | 3,674 | 3,674 |
| **Non-current liabilities/non-current financial liabilities** | - | - | **649,403** | **3,674** | **653,077** |
| Bank borrowings | - | - | 239,919 | - | 239,919 |
| Other financial liabilities (without hedging derivatives) | - | - | 50,121 | - | 50,121 |
| Hedging derivatives | - | - | - | 13,607 | 13,607 |
| **Current liabilities / current financial liabilities** | - | - | **290,040** | **13,607** | **303,647** |
| **Total** | - | - | **939,443** | **17,281** | **956,724** |

| Financial Liabilities: Nature/ Category | Thousands of Euros 31.12.13 | | | | |
|---|---|---|---|---|---|
| | Held-for-Trading Financial Liabilities | Other Financial Liabilities at Fair Value through Profit or Loss | Accounts Payable | Hedging Derivatives | Total |
| Bank borrowings | - | - | 477,934 | - | 477,934 |
| Other financial liabilities (without hedging derivatives) | - | - | 64,561 | - | 64,561 |
| Hedging derivatives | - | - | - | 9,029 | 9,029 |
| **Non-current liabilities/non-current financial liabilities** | - | - | **542,495** | **9,029** | **551,524** |
| Bank borrowings | - | - | 232,705 | - | 232,705 |
| Other financial liabilities (without hedging derivatives) | - | - | 21,193 | - | 21,193 |
| Hedging derivatives | - | - | - | 17,881 | 17,881 |
| **Current liabilities / current financial liabilities** | - | - | **253,898** | **17,881** | **271,779** |
| **Total** | - | - | **796,393** | **26,910** | **823,303** |

### *a) Bank borrowings*

The subsidiary Ctrens – Companhia de Manutençao, S.A. subscribed a financing contract with Banco Nacional de Desenvolvimiento Econômico e Social (BNDES) related to the CPTM concession transaction. At 30 June 2014, BRL 780,993 thousand and BRL 49,574 thousand had been drawn down in the long and short term, respectively (EUR 260,305 thousand and EUR 16,523 thousand, respectively).

Likewise, on 7 December 2012, the subsidiary Provetren, S.A. de C.V. subscribed a long-term financing contract totalling US$ 300 million. At 30 June 2014, financial liabilities were recorded in the amount of US$ 193,979 thousand and US$ 53,757 thousand in the long and short term, respectively (EUR 142,031 thousand and EUR 39,361 thousand, respectively).

The main terms of both loans are detailed in the Note 16 of the consolidated financial statements for 2013.

During the first half of 2014, the Parent Company signed new financing policies maturing within 1 and 5 years for a total of EUR 255,000 thousand, of which EUR 115,000 thousand were used in the first half of 2014. Of the subscribed amount, EUR 190,000 thousand is tied to the Euribor market interest rate, while the rest is tied to the fixed market rate. At 30 June 2014, the Parent Company had drawn non-current and current loans for a total of EUR 169,000 thousand and EUR 94,000 thousand.

Additionally, at 30 June 2014, the Parent Company drew down lines of credit maturing within less than one year for a total of EUR 51,023 thousand.

At 30 June 2014, the subsidiaries CAF Brasil Industria e Comercio, S.A. and CAF USA, Inc. were both using credit facilities so as to finance their working capital for a total of EUR 42,825 thousand, of which EUR 6,666 thousand has a non-current maturity. The rest of the financial payable totalling EUR 7,569 thousand, of which EUR 2,853 thousand has a current maturity, is related to loans received by other subsidiaries and to outstanding interest payments.

In addition to the non-current loans that have not been drawn down (EUR 140,000 thousand) and the line of credit with a limit of EUR 125 million for financing research and development projects mentioned in Note 16 to the consolidated financial statements for 2013, the consolidated companies had lines of financing maturing in less than one year from credit entities that had not been drawn upon at 30 June, totalling EUR 203,891 thousand.

The effects of translations differences during 2014 first semester under “Non-current financial liabilities – Bank borrowings” and “Current financial liabilities – Bank borrowings” increased the balance in and amount of EUR 22,921 thousand and EUR 2,833 thousand, respectively.

***b) Other financial liabilities***

Below is a breakdown of items “Non-current financial liabilities – Other financial liabilities” and “Current financial liabilities (without hedging derivatives) – Other financial liabilities” on the condensed consolidated balance sheet at 30 June 2014 and 31 December 2013:

| Non-current financial liabilities – Other financial liabilities | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 31.12.13 |
| Refundable advances | 53,815 | 52,897 |
| Obligations with the staff | 7,742 | 9,904 |
| Other | 5,128 | 1,760 |
| | **66,685** | **64,561** |

| Current financial liabilities – Other financial liabilities | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 31.12.13 |
| Refundable advances | 16,245 | 17,235 |
| Net dividends payable (Note 4) | 32,413 | 2,100 |
| Other | 1,463 | 1,858 |
| | **50,121** | **21,193** |

*Refundable advances*

By reason of various research and development programmes, the Group received certain grants to conduct research and development projects, which were recognised when actually collected or, if applicable, when collected by the coordinator of the joint project. This aid consisted of:

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

- Refundable advances generally in the form of interest-free loans, which usually have an initial grace period of 3 years and are taken to income in a period of over 10 years.

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

*Employee benefit obligations*

At 30 June 2014, “Non-current financial liabilities – Other financial liabilities” and “Trade and other payables – Other accounts payable” in the accompanying condensed consolidated balance sheet included about EUR 7,742 thousand and EUR 5,992 thousand, respectively (EUR 9,904 thousand and EUR 7,291 thousand, respectively, at 31 December 2013), relating to the present value estimated by the Directors of the future payments to be made to employees who had entered into hand-over contracts and employees who would be beneficiaries of the early retirement plan approved in 2013. To that end, in 2014, the Group allocated an amount of EUR 528 thousand, charged to “Staff costs” in the condensed consolidated income statement (provision for EUR 3,217 thousand in the first half of 2013).

The obligations undertaken with certain employees described in Note 15 to the 2013 consolidated financial statements, as well as their future amendments and any amount accrued for the services rendered are charged to the corresponding income statement, which resulted in expenses totalling EUR 302 thousand and an expense totalling EUR 145 thousand, recorded under “Staff costs” for the six-month periods ended on 30 June 2014 and 2013, respectively.

## 10. Equity

### a) Issued shares

At 30 June 2014 and 31 December 2013, there were 3,428,075 share units having a par value of EUR 3.01.

### b) Equity adjustments for changes in value

*Financial assets held for sale*

During 2014, the balance of this heading was transferred to the income statement because the interest in Metro Sevilla Sociedad Concesionaria de la Junta de Andalucía, S.A. (Note 6) was sold.

*Cash flow hedges*

This item of the condensed consolidated balance sheet contains the net valuation change in financial derivatives designated as cash flow hedges.

The changes in this item during the first half of 2014 are as follows:

| | Thousands of Euros |
|---|---|
| **Balance at 31.12.13** | **(2,882)** |
| Income and expenses recognised | 128 |
| Transfer to profit or loss | - |
| **Balance at 30.06.14** | **(2,754)** |

*Translation differences*

This item of the condensed consolidated balance sheet contains the net translation differences from non-monetary items having a fair value adjusted against equity, and especially, those resulting from converting into Euros the functional-currency-denominated balances of the consolidated companies having a functional currency other than the Euro.

Detailed below are the changes in this item during the first semesters of 2014 and 2013:

| | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| **Opening balance** | **(70,789)** | **(28,508)** |
| Net changes in the period | 13,939 | (16,632) |
| **Closing balance** | **(56,850)** | **(45,140)** |

The currency that generated more variation in translation differences during the first six months of 2014 is the Brazilian real.

## 11. Provisions and contingent liabilities

### a) Breakdown

The breakdown of the balance of this item is shown below:

| | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 31.12.13 |
| Long-term provisions for contingent obligations and risks | 4,737 | 4,785 |
| Short-term provisions | 302,042 | 335,027 |
| **Total** | **306,779** | **339,812** |

### b) Long-term provisions for contingent obligations and risks

No significant changes occurred in 2014 first semester compared to 2013 reporting period, and EUR 1,157 thousand were charged to “Staff costs”, in the accompanying condensed consolidated income statement.

### *c) Short-term provisions*

This item of the accompanying condensed consolidated balance sheet contains the Group's provisions basically for costs relating to contractual warranty and support services and other issues associated with its activity. The consolidated companies credited EUR 33,781 thousand to "Other operating expenses" (EUR 8,860 thousand credited to the same item during 2013 first semester) in the accompanying condensed consolidated income statement for 2014 due to the difference between the provisions required in this respect at the end of the reporting period and those recognised at the end of the previous one. The expenses incurred in 2014 and 2013 first semesters for the provision of contractual warranty services (approximately EUR 32,888 thousand and EUR 27,306 thousand, respectively) were recognised under "Supplies" and "Staff costs" in the accompanying condensed consolidated income statements for the abovesaid semesters.

The changes in this item during 2014 and 2013 are as follows (in thousands of Euros):

| | Warranty and Support Services, Contractual Liability, etc. | Litigation | Other provisions | Total |
|---|---|---|---|---|
| | | | | |
| **Balance at 31.12.12** | **334,054** | **11,254** | **3,373** | **348,681** |
| Net charge for the year | (7,065) | (3,488) | (857) | (11,410) |
| Amounts used | - | - | - | - |
| Translation differences | (2,244) | - | - | (2,244) |
| **Balance at 31.12.13** | **324,745** | **7,766** | **2,516** | **335,027** |
| Net charge for the year | (33,781) | - | - | (33,781) |
| Amounts used | - | (62) | - | (62) |
| Translation differences | 858 | - | - | 858 |
| **Balance at 30.06.14** | **291,822** | **7,704** | **2,516** | **302,042** |

At 30 June 2014 and 31 December 2013, provisions were basically due to lawsuits filed against the Group (EUR 7,704 thousand and EUR 7,766 thousand, respectively), contractual obligations (EUR 186 million and EUR 210 million, respectively), and warranties (EUR 109 million and EUR 116 million, respectively), distributed among carriages delivered and in the course of construction, and under warranty period.

In furtherance of the contractual obligations undertaken with Caracas Metro, the Group recorded a provision for EUR 66,535 thousand (EUR 65,204 thousand at 31 December 2013).

## 12. Related parties

The Group's "related parties" are, in addition to subsidiaries, associates and jointly-controlled entities, the Company's "key management personnel" (Board members and Directors, along with their close relatives), as well as any entity on which the key management personnel may have a significant influence or control.

Detailed below are the transactions carried out by the Group with related parties in 2014 and 2013 first semesters, broken down by the Company's significant shareholders, Board members, Directors, and other related parties. The terms and conditions of transactions with related parties are equivalent to those of arm's length transactions, and the corresponding payments in kind were recognised.

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 30.06.14 | | | |
| Income and expense | Significant Shareholders | Group's individuals, companies or entities | Other related parties | Total |
| **Expenses:** | | | | |
| Purchase of goods (finished or in progress) | - | - | 15 | 15 |
| | **-** | **-** | **15** | **15** |
| **Income:** | | | | |
| Revenue | - | - | 9,821 | 9,821 |
| Finance income | 321 | - | - | 321 |
| | **321** | **-** | **9,821** | **10,142** |

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 30.06.13 | | | |
| Income and expense | Significant Shareholders | Group's individuals, companies or entities | Other related parties | Total |
| **Expenses:** | | | | |
| Purchase of goods (finished or in progress) | - | - | 17 | 17 |
| | **-** | **-** | **17** | **17** |
| **Income:** | | | | |
| Revenue | - | - | 8,832 | 8,832 |
| Finance income | 396 | - | - | 396 |
| | **396** | **-** | **8,832** | **9,228** |

Sales with "Other related parties" during 2014 first semester involved Ferrocarriles Suburbanos, S.A. de C.V., Plan Metro, S.A., and S.E.M. Los Tranvías de Zaragoza, companies in which CAF Group holds minority equity interests together with other partners.

## 13. Remuneration and other payments to the Company's Board of Directors and Senior Management

Notes 23 and 24 to the Group's consolidated financial statements for the year ended on 31 December 2013 contain a description of the contracts in force referring to the remuneration and other payments agreed with the Company's Board of Directors and Senior Management.

In 2014 and 2013 first semesters, the Parent Company recognised approximately EUR 758 thousand and EUR 763 thousand for remuneration and other benefits earned by its Directors, whereas the Directors of the subsidiaries did not accrue any amount on this account. These amounts include the staff costs relating to the Parent's Senior Management, as required in the Corporate Governance Report, since they are also members of the Board of Directors. At 30 June 2014 and 31 December 2013, neither the Parent's Board of Directors nor their subsidiaries' had granted any advance, guarantee or loan to their current or former board members.

## 14. 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 (for further details, see Note 17 to the 2013 consolidated financial statements). The CAF Group uses derivatives as 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.

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets at 30 June 2014 and 31 December 2013 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Fair Value | | Cash flows | |
| Valuation | 30.06.14 | 31.12.13 | 30.06.14 | 31.12.13 |
| **Hedges -** | | | | |
| USD foreign currency hedges | 9,117 | 11,713 | - | - |
| GBP foreign currency hedges | 98 | 94 | - | - |
| MXP foreign currency hedges | (16) | (368) | - | - |
| BRL foreign currency hedges | (2,209) | 380 | - | - |
| CHF foreign currency hedges | (131) | (131) | - | - |
| AUD foreign currency hedges | 608 | 441 | - | - |
| SEK foreign currency hedges | (292) | (176) | - | - |
| RON foreign currency hedges | (83) | (56) | - | - |
| NZD foreign currency hedges | (45) | 7 | - | - |
| EUR foreign currency hedges | 747 | 3,950 | - | - |
| SAR foreign currency hedges | (1,484) | (84) | - | - |
| TWD foreign currency hedges | (146) | 914 | - | - |
| **Total** | **6,164** | **16,684** | **-** | **-** |

In addition to the items of the table above, at 30 June 2014, the associate SEM Los Tranvías de Zaragoza, S.A. has arranged various financial swaps relating to the face value of its financial debt. These financial swaps were designated as cash flow interest rate hedges, and the negative assessment thereof attributable to the Group amounted to EUR 2,754 thousand, net of the related tax effect.

At 30 June 2014, the positive assessment related to the interest rate financial swap contract of the subsidiary Provetren, S.A. de C.V. designated as fair value hedge amounted to EUR 1,238 thousand.

| Maturity (in Currency) | 30.06.14 | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 and Subsequent Years |
| **Sales hedged** | | | |
| **Fair value hedge** | | | |
| USD foreign currency hedges (*) | 417,357,979 | 160,287,318 | 175,749,874 |
| GBP foreign currency hedges | 12,067,566 | 2,355,052 | 89,463 |
| EUR foreign currency hedges | 16,010,584 | 13,506,809 | - |
| BRL foreign currency hedges | 152,489,239 | - | - |
| SEK foreign currency hedges | 409,233,465 | 63,815,900 | 31,664,353 |
| NZD foreign currency hedges | 6,895,311 | - | - |
| SAR foreign currency hedges | 81,212,210 | 499,100,919 | 9,944,560 |
| AUD foreign currency hedges | 12,381,911 | 15,441,320 | - |
| RON foreign currency hedges | 2,900,000 | - | - |
| TWD foreign currency hedges | 824,312,112 | 938,002,543 | 77,422,500 |
| **Purchases hedged** | | | |
| **Fair value hedge** | | | |
| USD foreign currency hedges | 29,816,919 | 3,110,394 | 2,500,000 |
| EUR foreign currency hedges | 42,833,742 | - | - |
| GBP foreign currency hedges | 500,000 | - | - |
| AUD foreign currency hedges | 100,091 | - | - |
| MXP foreign currency hedges | 163,358,639 | 91,943,459 | - |
| NZD foreign currency hedges | - | - | - |
| BRL foreign currency hedges | 43,040,891 | - | - |

*(*) Including the hedge of the net investment in CAF USA Inc and Provetren, S.A. de C.V. amounting to USD 98,138 thousand.*

| Maturity (in Currency) | 30.06.13 | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 and Subsequent Years |
| **Sales hedged** | | | |
| **Fair value hedge** | | | |
| USD foreign currency hedges | 387,095,242 | 145,568,410 | 113,519,159 |
| GBP foreign currency hedges | 7,964,511 | 15,472,857 | 1,728,811 |
| EUR foreign currency hedges | 30,359,372 | 1,460,236 | 188,418 |
| BRL foreign currency hedges | 125,843,884 | - | - |
| CAD foreign currency hedges | 1,202,690 | - | - |
| SEK foreign currency hedges | 303,271,515 | 162,454,640 | 95,480,253 |
| NZD foreign currency hedges | 10,100,597 | - | - |
| SAR foreign currency hedges | 27,626,970 | 81,212,210 | 361,295,479 |
| AUD foreign currency hedges | 16,785,719 | 4,309,200 | - |
| RON foreign currency hedges | 2,900,000 | - | - |
| TWD foreign currency hedges | 711,711,237 | 1,124,868,033 | 876,064,543 |
| **Purchases hedged** | | | |
| **Fair value hedge** | | | |
| USD foreign currency hedges | 30,903,457 | 583,862 | 1,810,394 |
| EUR foreign currency hedges | 83,293,878 | - | - |
| GBP foreign currency hedges | 400,000 | - | - |
| AUD foreign currency hedges | 532,000 | - | - |
| MXP foreign currency hedges | 200,000,000 | - | - |
| NZD foreign currency hedges | 1,484,000 | - | - |

In 2014 and 2013 first semesters, the CAF Group’s hedging transactions were barely inefficient.

## 15. Segment reporting

Note 6 to the consolidated financial statements for the year ended on 31 December 2013 details the criteria used by the Company to define its operating segments. There was no change in the basis of segmentation.

Below is a breakdown of revenues, by geographical area, at 30 June 2014 and 2013:

| Revenue by Geographical Area | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| Domestic market | 121,777 | 143,484 |
| Exports | | |
| a) European Union | 223,277 | 125,392 |
| b) OECD countries | 179,632 | 173,612 |
| c) Other countries | 212,347 | 338,413 |
| **Total** | **737,033** | **780,901** |

The reconciliation of segment revenues with consolidated revenues at 30 June 2014 and 2013 is as follows:

| Operating income | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | 30.06.14 | | | 30.06.13 | | |
| | External income | Inter-segment income | Total Operating income | External income | Inter-segment income | Total income |
| Railway | 689,875 | - | 689,875 | 741,284 | - | 741,284 |
| Rolling stock and components | 47,158 | 21,951 | 69,109 | 39,617 | 15,084 | 54,701 |
| (-) Revenue adjustments and write-offs among segments | - | (21,951) | (21,951) | - | (15,084) | (15,084) |
| **Total** | **737,033** | **-** | **737,033** | **780,901** | **-** | **780,901** |

Reconciliation of segment revenues with consolidated revenues at 30 June 2014 and 2013 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| Railway | 49,005 | 66,955 |
| Rolling stock and components | 3,074 | (279) |
| General (*) | (7,996) | (16,693) |
| **Profit(loss) after tax** | **44,083** | **49,983** |

(*) Includes the non-allocated finance income and Corporate Tax expense corresponding to segments “Railway” and “Rolling stock and components”, as both segments overlap at several entities and there is no reasonable criteria to apply for their allocation.

## 16. Average headcount

The average headcounts for the six-month periods ended on 30 June 2014 and 2013 are as follows:

| | Number of employees | |
|---|---|---|
| | 30.06.14 | 30.06.13 |
| Men | 6,866 | 6,397 |
| Women | 1,006 | 925 |
| **Total** | **7,872** | **7,322** |

## 17. Tax matters

The Group calculated the provision for Corporate Tax at 30 June 2014 by applying the tax regulations in force. However, should a new tax treatment arise from tax legislation amendments which comes to be different from the current tax treatment, the new treatment will be immediately applied to the financial statements presented as of the date of its entry into force.

The amount payable on the estimated Corporate Tax for the six-month period ended on 30 June 2014 was recognised under “Trade and other payables – Current tax liabilities” in the accompanying condensed consolidated balance sheet.

For recognition and application of tax credits, the Group’s Directors apply them based on their assessment of backlog.

During the first six months of 2014, the main change in the “Deferred tax assets” and “Deferred tax liabilities” headings in the accompanying condensed consolidated statement of financial position involves the accelerated tax amortisation of a large portion of the shares of Provetren, S.A. de C.V., as explained in Note 18 of the consolidated annual report at 31 December 2013.

At 30 June 2014, the Group had recorded a total of EUR 77,281 thousand of receivables from Public Authorities for tax assessments, mainly VAT, under “Trade and other receivables – Other receivables” in the condensed consolidated statement of financial position. The Group recorded EUR 39,706 thousand under “Trade and other payables – Other payables” in the accompanying condensed consolidated statement of financial position, mainly in relation to withholdings on employee income, employer social security costs and VAT.

## 18. Explanation added for translation to English

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