INTERIM DIRECTORS' REPORT

FOR THE SIX-MONTH PERIOD

ENDED ON 30 JUNE 2012

OF THE CONSOLIDATED GROUP

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

RESULTS

The 2012 first semester presented the following financial parameters:

- The income statement reported an amount of EUR 61,787 thousand for profits after tax attributable to the Parent, i.e., about 6% higher than profits for the same period of the previous year, which totalled EUR 58,195 thousand.
- The Group's profits before income tax amounted to EUR 80,963 thousand, i.e., about 30% higher than profits for the same period of the previous year, which totalled EUR 62,164 thousand.
- EBITDA from continuing operations amounted to EUR 111,856 thousand, i.e., about 13% higher than that for the same period of the previous year, which was EUR 98,954 thousand.
- Revenue from continuing operations totalled EUR 935,661 thousand, i.e., 11% higher than that for the previous year, which was EUR 844,218 thousand.
- Backlog at 30 June 2012 totalled EUR 5,095,066 thousand, not including Latvia's railway contract as it was not in effect at the time. This was 1% higher than that for the previous year, which totalled EUR 5,035,940 thousand, so this allowed for the smooth running of the Group's operations.
- Finally, in compliance with rules and regulations, CAF reported that neither CAF nor its subsidiaries purchased or held shares in the Company during 2012 first semester.

BUSINESS

In the domestic market, a number of contracts were signed: with “Metro de Sevilla”, for refurbishment of Metrocentro’s old units and their adaptation for use in the underground; with Renfe, for minor modifications of Civia units; and with ADIF, for maintenance of gauge changing platforms.

As for exports, Kolkata Metro Rail Corporation, the entity responsible for the development, construction and operation of the east-west railway line of Calcuta city, signed a contract for 14 railway units of 6 carriages each, which may be expanded up to 21 additional carriages.

As for tramway, some contracts were signed to provide the service to Birmingham and Cuiabá cities, in the United Kingdom and Brazil, respectively. The first contract provides for the supply of Urbos units –similar to those running across Zaragoza city– to England’s second city in terms of population size. The initial order consisted of 19 trams with an option to increase it up to 6 additional units. The contract of Cuiabá –the capital city of Mato Grosso state, and one of the host cities for the world football championship to be held in Brazil in 2014– is the first turnkey tramway project deployed in Latin America. CAF will provide 40 7-module trams under the winning consortium. Additionally, Stockholm’s tram order for 15 3-carriage trams was agreed to be raised by 7 units consisting of four carriages.

As regards regional trains, the existing contract for Sardinia was expanded to include an additional train, thus raising the total order to 6 trains.

As for long-distance transport, two contracts were signed, both in Saudi Arabia. Both contracts were for push-pull units, and one of them referred to an increase in the already-existing order of 12 units by 4 units, of the company SRO (Saudi Railway Organization). Saudi Railway Company (SAR) has signed a contract for the design, manufacturing, supply and maintenance of five trains capable of reaching speeds of over 200 kilometres per hour, featuring family, children and praying sections, facilities specially designed for passengers with reduced mobility, dining carriage, and car carrier for any passenger who wants to carry their own vehicle.

INDUSTRIAL ACTIVITY

During the first half of the current year several projects were completed and delivered, such as 30 Civia IV commuter train units for RENFE, 50 diesel traction trains for the same operator, 8 rolling stocks (tractor unit + trailer) for Saudi Arabia railway network, the last train unit within the scope of the 13-train contract signed with the Medellin Metro (Colombia) and the last 11 trains that complete the 20-unit contract for Northern Ireland.

Other projects completed during this period include delivery of one of the 13 train units purchased by Majorca Metropolitan Transportation System (STM, in Spanish), 6 trains of the 30 units included in the contract signed with Euskotren, 17 trains with various rolling stocks for the Madrid Metro, 18 trains of the 48-unit contract signed with the Caracas Metro, 11 trains for the Istanbul Metro, 12 train units for the PPP-5000 project in the city of Sao Paulo, 8 of the 30 trains purchased for Line 12 of the Mexico City Metro, 5 tramways for the city of Zaragoza, 2 tramway cars for the city of Granada, and 12 tramway cars for Belgrade (Republic of Serbia).

Regarding the new projects that are now being started, the following should be highlighted: delivery of the first unit of the 12 additional trains for the expansion of the Chile Metro, the first unit of the 12 tramway cars for the city of Nantes, the advanced state of manufacturing of the first Civity train unit for Trieste, and the start-up of manufacturing activities for the Montenegro contract and the Stockholm tramway.

The most important products manufactured during the first half of 2101 include:

	No. of Coaches
Medium-distance diesel unit for RENFE	3
Medium-distance unit for Northern Ireland	33
Locomotives for Saudi Arabia	5
Trailer rolling stock for Saudi Arabia	15
Euskotren Commuter Rail	24
Sao Paulo PPP-5000 Commuter Rail	96
Mallorca Commuter Rail	4
Civia IV Commuter Rail for RENFE	15
Bahía de Cádiz Train-Tram	3
Madrid Metro – Batch 3	20
Madrid Metro – Batch 1	36
Madrid Metro – Batch 2	20
Caracas Metro	126
Istanbul Metro	44
Medellin Metro	3
Mexico City Metro Line 12	56
Chile Metro	9
Tramway for Zaragoza	25
Tramway for Belgrade	60
Tramway for Granada	10
Tramway for Nantes	5
Two-coach Unit for FEVE	2
TOTAL	**614**

HUMAN RESOURCES

Evolution of the consolidated Group's payroll over 2012 first semester was as follows:

	PERMANENT	TOTAL	PERIOD AVERAGE
30.06.2011	6,240	7,004	6,905
30.06.2012	6,334	6,966	7,043

Therefore, there was a moderate increase in the Group's payroll during the period.

ENVIRONMENTAL ACTIVITY

Being aware of the impact of industrial activity on the environment, CAF, S.A. has included an environmental policy as part of its general corporate policy, setting environmental protection as a corporate objective, as well as ensuring that the railway systems, equipment and stock it manufactures are in line with the highest standards, not only as regards safety and efficiency, but also environmental protection.

The manufacturing plants of CAF, S.A. have an ISO-14001-certified Environmental Management System in place, which includes the necessary organisational structure and action planning to protect the environment, environmental responsibility and objectives, and the necessary resources to develop, review and keep up-to-date its environmental policy.

Additionally, in May, an audit was performed in Irún and Zaragoza plants to check for compliance of their Environmental Management System with ISO14001:2004 standard, leaving Beasain plant's audit for September.

These actions are designed to encourage adoption of the necessary economically-feasible measures tending to control and, as the case may be, minimise significant environmental issues, such as atmospheric emissions, waste production, and energy consumption. All this is intended to allow for preservation of natural resources, considering the environmental advantages derived from railway manufacturing, which is regarded as favourable due to its little environmental impact.

With a view to offering more efficient, environmentally-friendly and competitive transport within the framework of a market increasingly concerned with environmental protection, CAF is currently deploying a "Product Sustainability Feature" by introducing sustainable design methodologies in engineering processes which allow to optimising and controlling the environmental impact of products from their very beginning and throughout their entire life cycle.

CAF has incorporated methodologies and tools in its design processes which enable to assess and select the best product solutions and features by means of:

- Recyclability assessment in accordance with ISO 22628 standard, with the purpose of selecting the best materials available.
- Life cycle assessment in accordance with ISO 14040 standard, with a view to evaluating products throughout all their life cycle phases from an environmental standpoint.

As a result, CAF has prepared Environmental Product Declarations pursuant to ISO 14025 and Unife and Environdec PCR standards. In particular, in September 2011, the declaration for Zaragoza's Urbos tram was made public; and the one for Civity train for the autonomous region of Friuli Venezia Giulia was reviewed by external auditors in June 2012, and is currently in the course of registration and publication.

For reference purposes, it is worth noticing that greenhouse gas emissions during 2012 first semester were below its emission allowances, pursuant to the Kyoto Protocol.

INVESTMENTS

CAF's investments in property, plant and equipment during 2012 first semester totalled EUR 16,736 thousand. The most significant investments during this semester included:

In the Rolling Stock Business Unit, specifically, in the forging facilities and wheel machining line, improvement works on the kiln started with the purpose of increasing its capacity; and a second machining cell began to be installed, as part of the investment plan that is designed to optimise rolling stock and that has been developed over the last few years.

Similarly, the second environmental investment phase is in progress, consisting in installing a new fume capturing and filtering system in the steelworks facility.

In the Vehicles Unit, the most important investments that are worth mentioning were: construction of a new plant for manufacturing austenitic stainless steel structures, including the acquisition of robotic systems for front and sides. Also worth mentioning is the Company's initiative to streamline its facilities, purchasing new machinery for frame and roof manufacturing and body assembly – all with the purpose of making the way for the projects the Company is soon to implement.

As for the Technology Area, the Company continued introducing technical resources and tools, as well as investing in new applications to streamline the operation and management of the various areas of the Company.

Last but not least, in this first semester, the modernisation process of the plant of subsidiary CFDB in France was completed, featuring new offices and a test plant. Another important investment that is worth mentioning is the investment in Elmira plant (New York), in the United States, which started last year and is basically for modernisation purposes, especially in the structure and finishing areas.

TECHNOLOGICAL DEVELOPMENT

With respect to CAF and CAF I+D, the CAF Group's technology plan for the 2012-2014 period was defined with the approval of a total of 31 new projects for CAF and its affiliates. The total number of projects within the scope of the ongoing technology plan in 2012 is 91.

In order to finance these projects, aid geared to support R&D activity has been obtained from the following bodies:

- Provincial Council of Gipuzkoa
- Basque Government
- State Secretariat of Research, Development and Innovation
- Ministry of Industry and Energy
- European Union

The technology plan puts an emphasis on the projects in which CAF, CAF I+D and various affiliates are involved, totalling 10 projects in this category.

The projects under the 2011-2013 Technology Plan encompass the following fields:

- High-speed rail.
- Specific railway products.
- Energy management and eco-design covering projects relating to reduced power consumption by trains and the global system, power capture for catenary-free trams, etc.
- Fixed signals and signals on moving locations.
- Integration covering global transportation system projects.
- Specific products and technologies relating to basic railway technologies, traction, rolling stock, reducers, monitoring and communications, maintenance, etc..

All such projects combine both the execution of projects aimed at implementing new technologies and the development of products based on such technologies. Some of the projects undertaken include:

- Development of various types of railway cars.
- VEGA security electronics development project.
- Rail monitoring electronics project, including security features.
- Specialisation development projects on driving resistance, electromagnetic compatibility, railway dynamics, noise and vibrations, and energy accumulation systems, all of them under the umbrella of local and regional governments.
- OARIS high-speed rail prototype.
- ERTMS-ETCS system for the development of a signalling system on moving location.
- Development of elastic wheels for trams and reducers.

The CAF Group has also been involved in collaboration projects with RENFE and ADIF at state level, as well as with various administrations and international companies within the scope of national programmes, as well as the seventh European framework programme. In this connection, the following projects should be highlighted:

- TREND European projects aimed at EMC validation environments on railway vehicles and OSIRIS aimed at reduced energy consumption in urban railway transportation, involving the sector's leading companies.
- Dynotrain, Aerotrain and Euroaxles, all of them European projects aimed at facilitating current certification processes and in which CAF and CAF I+D take part.

The Group's affiliates have also continued to develop their technological activity regularly. The following achievements should be mentioned:

- Successful implementation of an energy accumulation system on passenger transport train and catenary-free stand-alone operation of the Seville tramway system and implementation on the Zaragoza and Granada trams respectively.
- Development of traction equipment covering a catenary voltage range of up to 25 kV, which has made it possible to sell it as part of a project with Indian Railways.
- Completion of track tests of the CAF trains for Euskotren, which include video-information and video-surveillance equipment, among others, developed under Traintic Technology Plan.
- Development of ERTMS track products.

The most important engineering projects carried out during this period are as follows:

- FGC s/113 electric units
- Tilting diesel trains for Sardinia
- CIVITY train for Trieste (Italy)
- CPTM Line 8 electric units (Brazil)
- Trailers for Amtrak (USA)
- Electric units for Recife (Brazil)
- Sao Paulo Metro – Line 5 (Brazil)
- Civity Plataform for DB (Germany)
- Besançon Tramway (France)
- Nantes Tramway (France)
- Stockholm Tramway (Sweden)
- Tramway for Debrecen (Hungary)
- LRV for Houston (USA)
- Electric units for Auckland (New Zealand)
- Civity train for Montenegro
- Bucharest Metro (Rumania)

The following projects have been commissioned during the first half of this reporting period:

- Milano Metro bogies (Italy)
- Birmingham Tramway (UK)

RISK MANAGEMENT POLICY

The most important risks the Company may face are grouped according to the following categories:

1.- Financial risks

The 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 Economic and Financial Department is responsible for identifying, assessing and hedging financial risks by establishing policies to manage overall risk and specific risk areas such as currency risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives, investment of cash surpluses, and budget variances.

a) Market risk

The various companies comprising CAF Group operate at the international level, thus being exposed to currency risks derived from foreign currency transactions (especially, the US dollar, Brazilian real, pound sterling, and Swedish krona).

The Group companies use forward contracts to hedge the currency risk derived from future commercial transactions and recognised assets and liabilities. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency (the euro).

It is usual practice for CAF to fully hedge the market risk associated with contracts denominated in currencies other than the Group's functional currency. Such hedging is intended to prevent the impact of currency fluctuations on the different contracts signed, so that the Group's results present fairly its industrial and service activity.

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

b) Credit risk

Most of accounts receivable and work in progress correspond to different clients in different countries. Contracts generally include progress billings.

The Company's standard practice is to hedge against the risk of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the OECD Consensus rules applicable to instruments of this nature.

c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, marketable securities and available funds to meet all its financial obligations effectively.

CAF Group manages liquidity risk by:

- Seeking the highest possible level of self-financing with respect to each of the contracts.
- Maintaining a strong short-term liquidity position.
- Maintaining undrawn credit balances.

d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings.

The Group's policy for current transactions consists in borrowing funds from third parties through short-term debt tied to floating market indices, usually Euribor, which helps to substantially reduce the interest rate risk.

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 covered through the use of a detailed system for reporting each of the cost items, which compares on an ongoing basis the budget for that item with the actual situation regarding the costs of each project. In this way, these data are monitored on an ongoing basis over the life of the projects using an internal process created for this purpose in which all the departments involved in the projects participate.

2.- Risks derived from environmental damage

CAF is strongly committed to the protection of the environment. To that end, it has implemented the principles of the European Union's environmental action programme, based on precautionary and preventive actions and correction at source. In this respect, the Company has set in place an action plan on various environmental issues relating to the atmosphere, dumping, waste, use of raw materials, energy, water and noise, obtaining ISO 14001 certificate.

3.- Risks arising from harm caused to third parties as a result of deficiencies or delays in the provision of services

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

In addition, CAF's insurance arrangement policy is highly conservative, which helps to provide adequate protection for the Company against economic consequences resulting from materialisation of some of these risks.

4.- Labour risks or damages to plant goods or assets

CAF has an Occupational Hazard Prevention System in place which is audited by an external firm. The Prevention System Manual contains, without limitation, a detail of risk assessment activities, accident investigation, safety inspections, health inspections, and training. There is also an annual Prevention Plan in place for preventive action planning. CAF also has a Training Plan in place for employees.

OUTLOOK

The Group's outlook for the next few years will be focused on the following issues:

- Developing the Group's potential for the business of railway services, such as train lease and maintenance and concessions.
- Developing the Group's potential for turnkey systems and railway signalling areas.
- Developing new rolling stock systems and vehicles, and implementing advanced integral project management systems.
- Expanding the Group's presence in international railway markets.
- Applying systematic cost reduction programmes in all the Group's areas.

EVENTS AFTER THE REPORTING PERIOD

No other significant events occurred after the end of the period.

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

Condensed Consolidated Balance Sheets at 30 June 2012 and 31 December 2011 (Notes 1 and 2)
(Thousands of Euros)

Assets	30.06.12 (**)	31.12.11 (*)
Non-current assets:		
Intangible assets (Note 5)-		
Goodwill (Note 3)	232	232
Other intangible assets	33,480	30,567
	33,712	**30,799**
Tangible assets (Note 7)	**287,192**	**288,539**
Investments accounted for using the equity method	**13,573**	**11,558**
Non-current financial assets (Note 6)	**731,666**	**420,422**
Deferred tax assets	**115,351**	**110,353**
Total non-current assets	**1,181,494**	**861,671**
Current assets:		
Inventories (Note 8)	**319,781**	**365,464**
Trade and other receivables-		
Trade receivables for sales and services (Note 8)	751,663	776,715
Other accounts receivable	82,485	48,841
Current tax assets	4,216	3,684
	838,364	**829,240**
Other current financial assets (Note 6)	**270,725**	**235,519**
Other current assets	**4,027**	**2,691**
Cash and cash equivalents	**77,746**	**86,214**
Total current assets	**1,510,643**	**1,519,128**
Total assets	**2,692,137**	**2,380,799**

Equity and Liabilities	30.06.12 (**)	31.12.11 (*)
Equity (Note 10):		
Shareholders' equity-		
Registered share capital	10,319	10,319
Share premium	11,863	11,863
Revaluation reserve	58,452	58,452
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	554,730	444,554
Profit for the period attributable to the Parent	61,787	146,182
	697,151	**671,370**
Valuation adjustments-		
Translation differences	(17,812)	(5,106)
Hedges	(4,071)	(1,820)
	(21,883)	**(6,926)**
Equity attributable to the Parent	**675,268**	**664,444**
Non-controlling interests	**2,732**	**2,820**
Total equity	**678,000**	**667,264**
Non-current liabilities:		
Long-term provisions (Note 11)	**4,213**	**3,662**
Non-current financial liabilities (Note 9)-		
Bank borrowings	340,180	242,171
Other financial liabilities	86,077	84,159
	426,257	**326,330**
Deferred tax liabilities	**98,653**	**85,956**
Other non-current liabilities	**16,350**	**8,727**
Total non-current liabilities	**545,473**	**424,675**
Current liabilities:		
Short-term provisions (Note 11)	**293,355**	**247,798**
Current financial liabilities (Notes 9)-		
Bank borrowings	145,488	5,878
Other financial liabilities (Note 4)	71,038	28,096
	216,526	**33,974**
Trade and other payables-		
Payable to suppliers	456,356	417,312
Other accounts payable (Note 8)	493,726	584,089
Current tax liabilities (Note 17)	6,988	5,322
	957,070	**1,006,723**
Other current liabilities	**1,713**	**365**
Total current liabilities	**1,468,664**	**1,288,860**
Total equity and liabilities	**2,692,137**	**2,380,799**

(*) Presented for comparison purposes only.
(**) Figures (unaudited) subject to Limited Review on interim financial statements.

The accompanying Notes 1 to 18 are an integral part of the condensed consolidated balance sheet at 30 June 2012.

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

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

Condensed Consolidated Income Statements
for the Six-month Periods Ended on
30 June 2012 and 2011 (Notes 1 and 2)
(Thousands of Euros)

	(Debit) Credit	
	30.06.12 (**)	**30.06.11 (*)**
Continuing operations:		
Revenue (Note 15)	935,661	844,218
+/- Changes in inventories of finished goods and work in progress	(61,022)	45,485
In-house work on non-current assets	348	1,053
Procurements	(392,649)	(464,638)
Other operating income	1,922	4,154
Staff costs (Notes 9, 11 and 16)	(191,681)	(183,202)
Other operating expenses (Note 11)	(180,723)	(148,116)
Depreciation and amortisation charge (Notes 5 and 7)	(20,909)	(20,068)
Impairment and gains or losses on disposals of non-current assets (Notes 5 and 7)	(55)	(2,243)
Other gains or losses	-	-
Profit from operations	**90,892**	**76,643**
Finance income (Note 6)	8,471	3,820
Finance costs (Notes 5 and 9)	(14,130)	(787)
Change in fair value of financial instruments	-	(1)
Exchange differences	(4,896)	(1,146)
Impairment and gains or losses on disposals of financial instruments (Note 6)	563	1,973
Financial profit (loss)	**(9,992)**	**3,859**
Result of companies accounted for using the equity method	63	(1,338)
Profit before tax	**80,963**	**79,164**
Income tax (Note 17)	(19,064)	(7,593)
Profit for the period from continuing operations	**61,899**	**71,571**
Profit for the period from discontinuing operations (Note 2.e)	-	(15,597)
Consolidated profit (loss) for the period	**61,899**	**55,974**
Attributable to:		
The Parent	61,787	58,195
Non-controlling interests	112	(2,221)
Earnings per share (in euros)		
Basic	18.02	16.98
Diluted	18.02	16.98

(*) Presented for comparison purposes only. Unaudited figures.
(**) Figures (unaudited) subject to Limited Review on interim financial statements.

The accompanying Notes 1 to 18 are an integral part of the condensed consolidated income statement for the six-month period ended on 30 June 2012.

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Construcciones y Auxiliar de Ferrocarriles, S.A.
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Condensed Consolidated Statements of Comprehensive Income for the Six-month Periods Ended on 30 June 2012 and 2011 (Notes 1 and 2)

(Thousands of Euros)

	30.06.12 (**)	30.06.11 (*)
A) Consolidated profit for the period	**61,899**	**55,974**
B) Income and expense recognised directly in equity	**(13,066)**	**(3,881)**
Arising from revaluation/(reinvestment of revaluation) of property, plant and equipment and intangible assets	-	-
Arising from valuation of financial instruments	-	-
Arising from cash flow hedges (Note 10)	(506)	-
Translation differences	(12,705)	(3,881)
On actuarial profits and losses and other adjustments	-	-
Entities accounted for using the equity method	-	-
Other income and expenses recognised directly in equity	-	-
Tax effect	145	-
C) Transfers to profit or loss	**(1,890)**	**-**
Arising from valuation of financial instruments	-	-
Arising from cash flow hedges	(2,625)	-
Translation differences	-	-
Entities accounted for using the equity method	-	-
Other income and expenses recognised directly in equity	-	-
Tax effect	735	-
Total comprehensive income (A+B+C)	**46,943**	**52,093**
Attributable to:		
The Parent	46,830	54,465
Non-controlling interests	113	(2,372)

(*) Presented for comparison purposes only. Unaudited figures.
(**) Figures (unaudited) subject to Limited Review on interim financial statements.

The accompanying Notes 1 to 18 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended on 30 June 2012.

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

Condensed Consolidated Statements of Cash Flows for the Six-month Periods Ended on 30 June 2012 and 2011 (Notes 1 and 2)
(Thousands of Euros)

	30.06.12 (**)	30.06.11 (*)
Cash flows from operating activities:		
Profit (loss) before tax	80,963	62,164
Adjustments for-		
Depreciation and amortisation charge (Notes 5 and 7)	20,909	23,954
Other adjustments (net)	65,185	46,959
Changes in working capital-	(45,677)	16,625
Other cash flows from operating activities-		
Income tax recovered (paid)	(7,680)	(15,847)
Other amounts received/(paid) relating to operating activities	(716)	(1,226)
Net cash flows from operating activities (I)	**112,984**	**132,629**
Cash flows from investing activities:		
Payments due to investment-		
Group companies, associates and business units	(2,267)	(4,039)
Property, plant and equipment, intangible assets and investment property (Notes 5 and 7)	(23,734)	(19,917)
Business unit (changes in the scope of consolidation)	-	(500)
Other assets	-	-
Other net financial assets (Note 6)	(356,610)	(115,887)
Proceeds from disposal-		
Group companies, associates and business units	-	-
Property, plant and equipment, intangible assets and investment property (Notes 5 and 7)	116	43
Other financial assets (Note 6)	8,356	23,810
Other assets	-	-
Other cash flows from investing activities		
Dividends received	-	-
Interest received	5,296	5,730
Other amounts received/(paid) relating to investing activities	-	-
Net cash flows from investing activities (II)	**(368,843)**	**(110,760)**
Cash flows from financing activities:		
Proceeds/(payments) relating to equity instruments-		
Issue	-	-
Amortisation	-	-
Acquisition	(213)	(144)
Disposal	-	-
Proceeds/(payments) relating to financial liability instruments-		
Issue	277,626	18,458
Repayment and amortisation	(15,024)	(15,977)
Dividends and returns on other equity instruments paid	-	-
Other cash flows from financing activities-		
Interest paid	(14,423)	(6,039)
Other amounts received/(paid) relating to financing activities	-	-
Net cash flows from financing activities (III)	**247,966**	**(3,702)**
Effect on cash and cash equivalents of foreign exchange rate changes (IV)	**(575)**	**(1,396)**
Net increase in cash and cash equivalents (I+II+III+IV)	**(8,468)**	**16,771**
Cash and cash equivalents at beginning of period	86,214	55,705
Cash and cash equivalents at end of period	**77,746**	**72,476**

(*) Presented for comparison purposes only. Unaudited figures.
(**) Figures (unaudited) subject to Limited Review on interim financial statements.
The accompanying Notes 1 to 18 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended on 30 June 2012.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 18).
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Construcciones y Auxiliar de Ferrocarriles, S.A.
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Condensed Consolidated Statements of Changes in Equity
for the Six-month Periods Ended on 30 June 2012 and 2011 (Notes 1 and 2)
(Thousands of Euros)

	Equity attributable to the Parent								
	Shareholders' Equity								
	Share capital	Share premium	Reserve for revaluation of unrealised assets and liabilities	Other reserves	Net profit for the period	Valuation adjustments in equity	Translation differences	Non-controlling interests	Total equity
Balances at 31 December 2010 (*)	**10,319**	**11,863**	**58,452**	**351,221**	**129,624**	**-**	**2,145**	**9,660**	**573,284**
Total recognised income/expense	**-**	**-**	**-**	**-**	**58,195**	**-**	**(3,730)**	**(2,372)**	**52,093**
Transactions with shareholders or owners	-	-	**-**	**(68)**	**(35,995)**	**-**		**(72)**	**(36,135)**
Dividends paid	-	-	-	-	(35,995)	-	-	-	(35,995)
Transactions with non-controlling shareholders	-	-	-	(68)	-	-	-	(72)	(140)
Other changes in equity	-	-	**-**	**93,629**	**(93,629)**	**-**		**28**	**28**
Business combinations	-	-	-	-	-	-	-	28	28
Transfers between equity items	-	-	-	93,63	(93,629)	-	-	-	-
Balances at 30 June 2011 (**)	**10,319**	**11,863**	**58,452**	**444,782**	**58,195**	**-**	**(1,585)**	**7,244**	**589,270**
Balances at 31 December 2011	**10,319**	**11,863**	**58,452**	**444,554**	**146,182**	**(1,820)**	**(5,106)**	**2,820**	**667,264**
Total recognised income/expense	-	-	-	-	**61,787**	**(2,251)**	**(12,706)**	**113**	**46,943**
Transactions with shareholders or owners	-	-	-	**(11)**	**(35,995)**	-	-	**(201)**	**(36,207)**
Dividends paid	-	-	-	-	(35,995)	-	-	-	(35,995)
Transactions with non-controlling shareholders	-	-	-	(11)	-	-	-	(201)	(212)
Other changes in equity	-	-	-	**110,187**	**(110,187)**	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-	-
Transfers between equity instruments	-	-	-	110,187	(110,187)	-	-	-	-
Balances at 30 June 2012 (***)	**10,319**	**11,863**	**58,452**	**554,730**	**61,787**	**(4,071)**	**(17,812)**	**2,732**	**678,000**

(*) Presented for comparison purposes only.
(**) Presented for comparison purposes only. Unaudited figures.
(***) Figures (unaudited) subject to Limited Review on interim financial statements.
The accompanying Notes 1 to 18 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended on 30 June 2012.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 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 2012

1. Description and activities of the Parent

Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter "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 2011 were approved by its shareholders at the Annual General Meeting on 2 June 2012.

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 2011 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 2011, 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 26 July 2011, all in conformity with Article 12 of Royal Decree 1362/2007. This consolidated interim financial information is based on the accounting records of Construcción 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 2011 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 2011.

These six-monthly condensed consolidated financial statements were prepared using the same accounting policies and methods used for the 2011 consolidated financial statements, except for the standards and interpretations which came into force during 2012 first semester, which are detailed below.

b) New Accounting Standards in Force

Since 1 January 2012, the standard "Revised IFRS 7 – Financial Instruments – Disclosures – Transfers of Financial Assets" has become effective. The contents of this standard were included in Note 2.b to the 2011 financial statements, and their entry into force has not affected the Group in any way whatsoever.

Also, the standard "Revised IAS 12 – Income Taxes – Deferred Taxes related to investment properties" endorsement is planned for 2012, which entry into force does not suppose any significant impact for the Group.

All accounting principles and measurement criteria having a significant impact on the condensed consolidated financial statements for the six-month period have been applied when preparing them.

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 2011 consolidated financial statements.

In the Group's 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. Income 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. Measurement of goodwill.

6. The market value of certain financial instruments.

7. Calculation of provisions.

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

9. 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 2012 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 2011 year-end during the six-month period ended on 30 June 2012.

d) Contingent assets and liabilities

Note 25 to the Group's consolidated financial statements for the year ended on 31 December 2011 contains information about the contingent assets and liabilities existing by then. During 2012 first semester, one out of two arbitrations related to México D.F. suburban railway works has been resolved with the amounts booked, likewise tax audits have been notified whose risk of success has been estimated as unlikely. There was no other significant change in the Group's contingent assets and liabilities.

e) Comparative information

The information reported on these six-monthly condensed consolidated financial statements for 2011 is presented exclusively for comparison purposes with the information relating to the six-month period ended on 30 June 2012.

According to the requirements in IAS 27 and IFRS 5, the consolidated income statements for the six-month period ended on 30 June 2011 has been modified to present fairly the operations classified as discontinued operations at the year-end period on 2011, as it is mentioned in Note 2.g to the consolidated financial statements for the year ended on 31 December 2011.

The detail of the main line items in the consolidated income statements relating to the lines of business classified as discontinued operations statements for the six-month period ended on 30 June 2011 is as follows (Thousands of Euros):

	June 2011
Discontinued Operations	
Revenue	18,928
Procurements and changes in inventories	(4,604)
Depreciation and amortisation charge and change in operating provisions and allowances	(3,731)
Other expenses, net	(12,791)
Net finance costs and finance income	(14,802)
Loss before tax	**(17,000)**
Attributable Income Tax	1,403
Loss from discontinued operations	**(15,597)**

The detail of the cash flows from operations classified as discontinued operations for the six-month period ended on 30 June 2011 is as follows (Thousands of Euros):

	June 2011
Cash flows from operating activities	1,042
Cash flows from investing activities	6,243
Cash flows from financing activities	269
Cash flows from discontinued operations	**7,554**

f) Group's transactions seasonality

Given the nature of the activities conducted by the Group's Companies, 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 2012 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 2012, the firm backlog amounted to EUR 5,095 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:

- <u>Cash flows</u> are inflows and outflows of cash and cash equivalents.

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

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

- <u>Financing activities</u> 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 2011 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.

In 2012, the Group created new companies and made several share capital increases. Below is the relevant information about these transactions:

Business combinations or other acquisitions of or increases in ownership interests held in subsidiaries, joint ventures and/or investments in associates						
			Combination net cost			
Company name	Category	Effective date of the transaction	(Net) amount paid for acquisition + Other costs directly related to the combination (Thousands of Euros)	Fair value of equity instruments issued to acquire the company	% voting rights acquired	% total voting rights in the company after acquisition
New companies						
CAF Arabia Saudi	Subsidiary	28/01/2012	301	-	100%	100%
Miralbaida Energía XV. S.L.	Subsidiary	10/02/2012	1,603	-	100%	100%
Zhejiang Sunking Trainelec Traintic Electric Co., Ltd.	Associate	26/03/2012	211	-	30%	30%
In-scope company changes						
Tradinsa Industrial, S.L.	Subsidiary	16/02/2012	215	-	4.42%	100%
Ctrens-Companhia de Manutençao	Subsidiary	2012	4,954	-	100%	100%
CAF New Zealand, Ltd	Subsidiary	17/05/2012	48	-	100%	100%
Consorcio Traza, S.A.	Associate	28/05/2012	2,056	-	25%	25%
CFD Bagneres, S.A.	Subsidiary	15/05/2012	3,500	-	100%	100%
Ennera Energy and Mobility, S.L.	Subsidiary	04/04/2012	2,000	-	100%	100%

During 2012 Agarragune, S.L.U. has been dissolved and liquidated, assets and liabilities of the company have been absorbed by the Group. In addition, Precitove Ingenieros, S.L. and Geminys, S.L. have been merged, Precitove Ingenieros, S.L. has absorbed Geminys, S.L.

The company CAF Arabia Saudi was incorporated, having a share capital of EUR 301 thousand.

On 10 February 2012, the company Miralbaida Energía XV, S.L. was incorporated, having a share of EUR 3 thousand, increasing subsequently the capital share in EUR 1,600 thousand.

On 26 March 2012 the company Zhejiang Sunking Trainelec Traintic Electric Co. Ltd. was set up with a local partner, 30% of the voting rights were acquired for an amount of EUR 211 thousand.

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

In addition, in 2012 first semester, capital contributions were made to the company Ctrens – Companhia de Manutençao totalling EUR 4,954 thousand and capital increases were realized in CFD Bagneres, S.A., Ennera Energy and Mobility, S.L. and Consorcio Traza, S.A. for an amount of EUR 3,500 thousand, EUR 2,000 thousand and EUR 2,056 thousand, respectively, maintaining the same capital interests in all of them.

4. Dividends payable by the Company

Detailed below are the dividends owed by the Company as at July 2012 and 2011, 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 balance sheet at 30 June 2012 and 2011, respectively.

	30.06.12			30.06.11		
	% 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

a) Goodwill

This item of the condensed consolidated balance sheet reflects the difference between the price paid for acquisition of certain fully-consolidated companies of CAF Group and the share in the fair value of the elements comprising the net assets (identifiable contingent liabilities, assets and liabilities) of said companies as at the acquisition date. At 30 June 2012 and 31 December 2011, the total goodwill is due basically to the Turkish company Eliop Otomatik Kontrol Sistenleri San Ve. Tic.

Impairment losses on goodwill, if any, shall not be reversed afterwards. Based on the estimates and projections available to the Group’s Directors in relation to the cash attributable to the cash-generating units to which goodwill was allocated, no impairment loss was recognised on these assets during 2012 first semester (EUR 445 thousand for 2011 first semester). Said impairment was charged to “Impairment and gains or losses on disposals of non-current assets” on the condensed consolidated income statement for the six-month period ended on 30 June 2012.

b) Other intangible assets

The changes in “Other intangible assets” and the related accumulated amortisation during the six-month period ended on 30 June 2012 were as follows:

	Thousands of Euros				
	Administrative concessions	Development Expenditure	IT applications	Goodwill (Note 5.a)	Total
Balance at 31/12/11					
Cost	-	65,524	13,967	813	80,304
Accumulated amortisation	-	(29,147)	(10,812)	-	(39,959)
Impairment	-	(8,965)	-	(581)	(9,546)
Net balance at 31/12/11	**-**	**27,412**	**3,155**	**232**	**30,799**
Cost-					
Translation differences	-	(1)	(22)	-	(23)
Additions	-	7,024	230	-	7,254
Write-downs or impairment	-	-	(13)	-	(13)
Transfers (Note 8)	-	132	(130)	-	2
Cost at 30/06/2012	**-**	**72,679**	**14,032**	**813**	**87,524**
Accumulated amortisation-					
Translation differences	-	1	5	-	6
Additions or provisions	-	(3,822)	(491)	-	(4,313)
Accumulated amortisation at 30/06/2012	**-**	**(32,968)**	**(11,298)**	**-**	**(44,266)**
Impairment at 30/06/2012	**-**	**(8,965)**	**-**	**(581)**	**(9,546)**
Net balance at 30/06/2012	**-**	**30,746**	**2,734**	**232**	**33,712**

Additions during 2012 first semester recognised as “Development expenses” were for the costs incurred in projects to develop new products and projects set up at 31 December 2011.

6. Financial assets

a) Composition and breakdown

The detail of the Group's financial assets at 30 June 2012 and 31 December 2011, by nature and category, for valuation purposes, was as follows:

	Thousands of Euros						
	30.06.12						
	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	-	-	22,468	-	-	-	22,468
Derivatives	-	-	-	-	-	21,712	21,712
Other financial assets	-	-	151	663,741	23,594	-	687,486
Long-term / non-current	**-**	**-**	**22,619**	**663,741**	**23,594**	**21,712**	**731,666**
Derivatives	-	-	-	-	-	17,652	17,652
Other financial assets	-	-	-	3,148	249,925	-	253,073
Short term / current	-	-	-	**3,148**	**249,925**	**17,652**	**270,725**
Total	**-**	**-**	**22,619**	**666,889**	**273,519**	**39,364**	**1,002,391**

(*) Net amounts of the related impairment losses (Note 6.b).

	Thousands of Euros						
	31.12.11						
	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	-	-	22,679	-	-	-	22,679
Derivatives	-	-	-	-	-	21,839	21,839
Other financial assets	-	-	151	374,109	1,644	-	375,904
Long-term / non-current	**-**	**-**	**22,830**	**374,109**	**1,644**	**21,839**	**420,422**
Derivatives	-	-	-	-	-	17,561	17,561
Other financial assets	-	-	-	3,970	213,988	-	217,958
Short term / current	-	-	-	**3,970**	**213,988**	**17,561**	**235,519**
Total	**-**	**-**	**22,830**	**378,079**	**215,632**	**39,400**	**655,941**

(*) Net amounts of the related impairment losses (Note 6.b).

At 30 June 2012, column "Held-to-maturity investments" under item "Other financial assets – Long-term / Non Current" includes EUR 22,151 thousand of guarantees related to the increase of the financial debt of the subsidiary Ctrens Companhia Manutençao (Note 9). This guarantee bears interests at a market interest rate and it corresponds to the loans´ six monthly installments. The guarantee will be released in the last six loan monthly installments between November 2025 and April 2026.

Column “Held-to-maturity investments” under item “Other financial assets” basically includes the Group’s investments in government debt securities, repos, deposits, promissory notes, and term deposits. At 30 June 2012 and 31 December 2011, liquid financial assets maturing in less than three months totalled EUR 240,225 thousand and EUR 204,116 thousand, respectively.

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

	Thousands of Euros	
	30.06.12	31.12.11
Loans to employees	4,654	4,236
Share ownership scheme obligations	12,484	17,664
Provisions for share ownership scheme	(3,507)	(6,967)
Non-current tax receivables and payables	62,785	57,842
Provisions for tax payables	(19,699)	(19,728)
Non-current trade receivables	600,004	312,111
Provision for non-current trade receivables	(9,702)	(7,262)
Loans to associates (Note 12)	15,715	15,104
Other	1,007	1,109
Total	**663,741**	**374,109**

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”, for a net total of EUR 8,977 thousand and EUR 2,753 thousand, respectively, the terms and conditions of which are detailed in Note 9.d to the Group’s 2011 consolidated financial statements.

In addition, at 30 June 2012, the Group recognised EUR 43,086 thousand under “Non-Current Financial Assets – Loans and Receivables” in connection with the VAT refundable by foreign tax authorities (31 December 2011: EUR 38,114 thousand). During 2012 first semester a provision of EUR 1,292 thousand was recognised with a charge to “Impairment and Gains or Losses on Disposals of Non-Current Assets” in the accompanying condensed consolidated income statement.

Non-current trade receivables include EUR 73,924 thousand (EUR 46,331 thousand at 31 December 2011) relating to accounts receivable that are not expected to be collected at short term. During 2012 first semester EUR 2,031 thousand have been reverted with a credit to “Finance Income” in the accompanying condensed consolidated income statement, maintaining a provision of EUR 9,702 thousand in the long term, and EUR 3,654 thousand in the short term (EUR 7,262 thousand and EUR 8,125 thousand, respectively, at 31 December 2011).

During 2010 the Group entered into two concession arrangements in Brasil and Mexico whose terms have been described in Note 9.d to the consolidated financial statements of 2011. These concessions are recognised in accordance with IFRIC 12, Financial Asset Model, since applicable requirements are met, and, pursuant to IFRIC 12, the various services provided (construction, operation/maintenance and financing) were separated. Therefore, the Group recognised an amount of EUR 526,080 thousand under “Loans and receivables – Other financial assets” of non-current financial assets at 30 June 2012 for the construction works executed as at such date (31 December 2011: 265,780 thousand). Provision of services basically started in 2011 first semester in the case of “Línea 8 (Brasil)”, and “Línea 12 (Mexico)” is planned to begin in the following months.

b) *Valuation adjustments for impairment*

In furtherance of the obligations undertaken, the Parent recognised a provision for EUR 11,615 thousand (EUR 16,374 thousand at 31 December 2011) to adjust the cost for rights acquired, as described in section a) above and Note 9.d to the 2011 consolidated financial statements, to their net recoverable amount at 30 June 2012. At 30 June 2012, the portion of this asset expected to be sold within one year and the related impairment loss were recognised under “Other current financial assets” in the accompanying condensed consolidated balance sheet for the period then ended. In the six-month period ended on 30 June 2012, rights with a cost and impairment loss amounting to approximately EUR 7,339 thousand and EUR 5,320 thousand, respectively, were sold (about EUR 9,528 thousand and EUR 6,925 thousand, respectively, for the year ended on 31 December 2011).

At 30 June 2012 and 31 December 2011, the total ownership interest held by Cartera Social, S.A. in the Parent was 29.56% (see Note 10).

The table below shows the changes during 2012 and 2011 first semesters in the provisions for impairment loss of the assets, including long-term balances held with Tax Authorities, under “Non-current financial assets” and “Other current financial assets”:

Non-current financial assets	Thousands of Euros	
	30.06.12	30.06.11
Opening balance	**(33,957)**	**(26,978)**
Reversals charged to income for the period	1,316	623
Transfers to short-term side (*)	(450)	4,716
Transfer of provisions for waiver rights	(1,138)	(3,198)
Translation differences	1,321	174
Provisions charged to “Impairment and gains or losses on disposals of financial instruments”	-	(440)
Closing balance	**(32,908)**	**(25,103)**

(*) During 2012 first semester, an amount of EUR 4,471 thousand was transferred from “Trade receivables for sales and services” of the accompanying condensed consolidated balance sheet.

Other current financial assets	Thousands of Euros	
	30.06.12	30.06.11
Opening balance	**(12,716)**	**(13,525)**
Write-downs	5,320	6,925
Transfers from long-term side	(4,021)	(4,716)
Closing balance	**(11,417)**	**(11,316)**

7. Property, plant and equipment

a) *Changes in the period*

In 2012 and 2011 first semesters, some items of property, plant and equipment were acquired for an amount of EUR 16,736 thousand and EUR 10,959 thousand, respectively. The main additions for 2012 were for an acquisition of offices, urban development and other installations and machinery for CAF, S.A., totalling EUR 8,496 thousand. Besides, during 2012 and 2011 first semesters, certain items were disposed of at the net book value of EUR 116 and EUR 48 thousand, respectively, resulting in EUR 14 thousand and EUR 9 thousand in net losses, respectively.

Provisions for depreciation for the six-month periods ended on 30 June 2012 and 2011 amounted to EUR 16,527 thousand and EUR 16,069 thousand, respectively. Translation differences for the abovesaid semesters resulted in a negative amount of EUR 2,396 thousand and EUR 1,597 thousand, respectively.

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 2012, the net amount of the grants received not yet allocated to profit or loss totalled EUR 6,136 thousand (EUR 6,927 thousand at 31 December 2011). An amount of EUR 726 thousand was allocated to income for 2012 (EUR 642 thousand for the six-month period ended on 30 June 2011).

b) Impairment losses

Detailed below are the changes in this item during 2012 and 2011 first semester:

	Thousands of Euros	
	30.06.12	30.06.11
Opening balance	**(7,283)**	-
Reversals credited to income of the period	960	-
Closing balance	**(6,323)**	-

c) Commitments to purchase property, plant and equipment

At 30 June 2012 and 31 December 2011, the Group had firm capital expenditure commitments amounting to approximately EUR 15,499 thousand and EUR 10,074 thousand, respectively.

8. Inventories and construction contracts

The detail of inventories at 30 June 2012 and 31 December 2011 was as follows:

	Thousands of Euros	
	30.06.12	30.06.11
Raw materials and other procurements, work in progress and finished and semi-finished goods	307,059	345,347
Advances to suppliers	12,722	20,117
	319,781	**365,464**

The Group recognises customer advances for its contracts on the portfolio by crediting them to “Trade and other payables – Other accounts payable”. At 30 June 2012, this amount totalled EUR 389,959 thousand (EUR 505,826 thousand at 31 December 2011).

Under “Trade and other receivables – Trade receivables for sales and services”, the Group recognises the “Amounts to be billed for work performed”, which, at 30 June 2012, was approximately 60% of the balance existing under that item (49% at 31 December 2011).

9. Financial liabilities

The detail of the Group's financial liabilities at 30 June 2012 and 31 December 2011, by nature and category, for valuation purposes, was as follows:

Financial liabilities: Nature/Category	Thousands of Euros 30.06.12 Held-for-trading financial liabilities	Other financial liabilities at fair value through profit or loss	Accounts payable	Hedging derivatives	Total
Bank borrowings	-	-	340,180	-	340,180
Other financial liabilities – Derivatives	-	-	-	21,789	21,789
Other financial liabilities – Other	-	-	64,288	-	64,288
Non-current liabilities/non-current financial liabilities	-	-	**404,468**	**21,789**	**426,257**
Bank borrowings	-	-	145,488	-	145,488
Other financial liabilities – Derivatives	-	-	-	20,860	20,860
Other financial liabilities – Other	-	-	50,178	-	50,178
Current liabilities / current financial liabilities	-	-	**195,666**	**20,860**	**216,526**
Total	-	-	**600,134**	**42,469**	**642,783**

Financial liabilities: Nature/Category	Thousands of Euros 31.12.11 Held-for-trading financial liabilities	Other financial liabilities at fair value through profit or loss	Accounts payable	Hedging derivatives	Total
Bank borrowings	-	-	242,171	-	242,171
Other financial liabilities – Derivatives	-	-	-	19,314	19,314
Other financial liabilities – Other	-	-	64,845	-	64,845
Non-current liabilities/non-current financial liabilities	-	-	**307,016**	**19,314**	**326,330**
Bank borrowings	-	-	5,878	-	5,878
Other financial liabilities – Derivatives	-	-	-	10,660	10,660
Other financial liabilities – Other	-	-	17,436	-	17,436
Current liabilities / current financial liabilities	-	-	**23,314**	**10,660**	**33,974**
Total	-	-	**330,330**	**29,974**	**360,304**

Bank borrowings

Note 16 to the Group's consolidated financial statements for the year ended on 31 December 2011 describes, the subsidiary Ctrens-Companhia de Manutençao, S.A. arranged with Banco Nacional de Desenvolvimiento Econômico e Social (BNDES) financing in relation to the CPTM concession transaction. At 30 June 2012 BRL 861,775 thousand and BRL 30,811 thousand have been drawn down at long and short-term, respectively (EUR 334,196 thousand and EUR 11,948 thousand, respectively). The Group's consolidated financial statements for the year ended on 31 December 2011 contains the most important terms of the financing contract.

In addition, EUR 5,984 thousand and EUR 133,540 thousand, long and short term, respectively (EUR 2,912 thousand at 31 December 2011), have been drawn down by the consolidated entities as line credits and loans, as well as unmatured accrued interest. At 30 June 2012, undisposed credit lines amount EUR 210 million.

The effects of translations differences during 2012 first semester under "Non-current financial liabilities – Bank borrowings" and "Current financial liabilities – Bank borrowings" showed a negative amount of EUR 24,292 thousand and EUR 7,358 thousand, respectively.

Other financial liabilities

Below is a breakdown of items "Non-current financial liabilities – Other financial liabilities" and "Current financial liabilities – Other financial liabilities" on the condensed consolidated balance sheet at 30 June 2012 and 31 December 2011:

Non-current financial liabilities – Other financial liabilities	Thousands of Euros	
	30.06.12	31.12.11
Refundable advances	54,577	54,673
Employee benefit obligations	6,942	7,457
Other	2,769	2,715
	64,288	**64,845**

Current financial liabilities – Other financial liabilities	Thousands of Euros	
	30.06.12	31.12.11
Refundable advances	14,691	14,507
Net dividends payable (Note 4)	33,186	-
Suppliers of fixed assets	36	526
Other	2,265	2,403
	50,178	**17,436**

Refundable advances

By reason of various research and development programmes, the Group received certain grants to carry out research and development projects between 2006 and 2011, 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 in the form of interest-free loans, which usually have an initial grace period of three years and are taken to income in a period of over ten 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 2012, "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 6,437 thousand and EUR 3,185 thousand, respectively (EUR 7,028 thousand and EUR 3,535 thousand at 31 December 2011) relating to the present value estimated by the Parent's Directors of the future payments to be made to employees who had entered into hand-over contracts and employees who could sign such contracts during the valid term of the collective agreement. To that end, in 2012 the Group charged an amount of EUR 903 thousand to "Staff costs" on the condensed consolidated income statement (reversed an amount of EUR 247 thousand in 2011 first semester).

The obligations undertaken with certain employees described in Note 15 to the 2011 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, in the six-month periods ended on 30 June 2012 and 2011, totalled EUR 227 thousand and EUR 114 thousand, respectively.

10. Equity

a) Issued shares

At 30 June 2012 and 31 December 2011, there were 3,428,075 share units having a par value of EUR 3.01.

b) Equity adjustments for changes in value

Cash flow hedges

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

Detailed below are the changes in this item during 2012 first semester:

	Thousands of Euros
Balance at 31/12/11	**(1,820)**
Income and expense recognised	(361)
Transfer to profit or loss	(1,890)
Balance at 30/06/12	**(4,071)**

Translation differences

This item of the consolidated balance sheets 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 2012 and 2011 first semester:

	Thousands of Euros	
	30.06.12	30.06.11
Opening balance	**(5,106)**	**2,145**
Net changes in the period	(12,706)	(3,730)
Closing balance	**(17,812)**	**(1,585)**

The currency that has generated the most important translation differences during the 2012 first semester 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	
	30.06.12	31.12.11
Long-term provisions for contingent obligations and risks	4,213	3,662
Short-term provisions	293,355	247,798
Total	**297,568**	**251,460**

b) Long-term provisions for contingent obligations and risks

No significant changes occurred in 2012 first semester compared to 2011. At 30 June 2012, the Group charged EUR 1,252 thousand mostly to “Staff costs” on the accompanying condensed consolidated income statement.

The total amount of lawsuit-related payments made by the Group during 2012 and 2011 first semesters did not have a significant impact on the accompanying condensed consolidated financial statements for the six-month period.

c) Short-term provisions

This item of the accompanying 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 charged EUR 46,153 thousand to “Other operating expenses” in the accompanying condensed consolidated income statement for 2012 (EUR 19,329 thousand charged to the same item during 2011 first semester) 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 2012 and 2011 first semesters for the provision of contractual warranty services (approximately EUR 25,978 thousand, and EUR 18,978 thousand, respectively) were recognised under “Procurements” and “Staff costs” in the accompanying condensed consolidated income statements for the abovesaid semesters.

The changes in this item during 2012 and 2011 were as follows (in thousands of euros):

	Contractual warranty and support services, obligations, etc.	Other provisions	Total
Balance at 31/12/2010	**208,078**	**3,026**	**211,104**
Net charge for the year	39,533	(236)	39,297
Translation differences	(2,047)	-	(2,047)
Transfers	(556)	-	(556)
Balance at 31/12/2011	**245,008**	**2,790**	**247,798**
Net charge for the year	46,153	-	46,153
Translation differences	(596)	-	(596)
Transfers	-	-	-
Balance at 30/06/2012	**290,565**	**2,790**	**293,355**

At 30 June 2012 and 31 December 2011, provisions were basically due to contractual obligations (EUR 182 million and EUR 139 million, respectively) and warranties (EUR 111 million and EUR 108 million, respectively), distributed among carriages delivered and in the course of construction, and under warranty.

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 2012 and 2011 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			
	30.06.12			
Income and expense	Significant shareholders	Group's individuals, companies or entities	Other related parties	Total
Expenses:				
Purchase of goods (finished or in progress)	-	-	-	-
	-	-	-	-
Income:				
Sales	-	-	90,929	90,929
Finance income	-	-	826	826
	-	-	**91,755**	**91,755**

	Thousands of Euros			
	30.06.11(*)			
Income and expense	Significant shareholders	Group's individuals, companies or entities	Other related parties	Total
Expenses:				
Purchase of goods (finished or in progress)	-	-	-	-
	-	-	-	-
Income:				
Sales	-	-	59,163	59,163
Finance income	-	-	107	107
	-	-	**59,270**	**59,270**

(*) Transactions at 30 June 2011 have been adapted to show discontinued operations described in Note 2.e.

Sales with "Other related parties" during 2012 first semester involved Plan Metro, S.A., Ferrocarriles Suburbanos, S.A. from C.V. and S.E.M. Los Tranvías de Zaragoza, companies where the CAF Group has minority ownership 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 2011 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 2012 and 2011 first semesters, the Parent recognised approximately EUR 735 thousand and EUR 711 thousand for remuneration and attendance fees earned by its Board of Directors, whereas the directors of the subsidiaries did not earn any remuneration 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 2012 and 31 December 2011, neither the Parent's Board of Directors nor their subsidiaries' had granted any advance, guarantee nor 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 2011 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 2012 and 31 December 2011 is as follows:

Valuation	Thousands of Euros			
	Fair value		Cash flows	
	30.06.12	31.12.11	30.06.12	31.12.11
Hedges -				
USD foreign currency hedges	(6,280)	4.550	-	2,625
GBP foreign currency hedges	(682)	(404)	(357)	-
MXP foreign currency hedges	259	-	-	-
BRL foreign currency hedges	3,751	2,786	-	-
CHF foreign currency hedges	100	(131)	-	-
SEK foreign currency hedges	(37)	-	-	-
NZD foreign currency hedges	(43)	-	-	-
EUR foreign currency hedges	4	-	-	-
Total	**(2,928)**	**6,801**	**(357)**	**2,625**

At 30 June 2012 the associate S.E.M. Los Tranvías de Zaragoza, S.A. has 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 3,814 thousand, net of the related tax effect, for the year ended on 31 December 2011.

Maturity (in currency)	30.06.12		
	2012	2013	2014 and subsequent years
Sales hedged-			
Fair value hedge			
USD foreign currency hedges	446,295,820	89,971,693	240,443,778
GBP foreign currency hedges	29,851,053	9,310,350	11,989,970
EUR foreign currency hedges	3,697,274	15,544,452	1,648,654
BRL foreign currency hedges	105,674,223	43,743,563	-
CAD foreign currency hedges	274,300	-	-
SEK foreign currency hedges	-	303,271,515	231,077,218
NZD foreign currency hedges	3,395,038	1,455,037	-
Cash flow hedge			
GBP foreign currency hedges	-	-	6,594,747
Purchases hedged-			
Fair value hedge			
USD foreign currency hedges	55,115,359	4,767,828	2,394,256
EUR foreign currency hedges	22,991,710	32,567,725	-
CHF foreign currency hedges	3,222,790	-	-
BRL foreign currency hedges	74,660,228	8,515,682	-
MXP foreign currency hedges	468,272,388	43,534,051	-

Maturity (in currency)	31.12.11		
	2012	2013	2014 and subsequent years
Sales hedged-			
Fair value hedge			
USD foreign currency hedges	357,980,882	123,371,268	225,258,778
GBP foreign currency hedges	51,436,091	-	-
EUR foreign currency hedges	8,096,693	15,544,452	1,648,654
BRL foreign currency hedges	85,235,979	43,743,563	-
CAD foreign currency hedges	368,527	-	-
SEK foreign currency hedges	-	303,271,515	63,815,900
Purchases hedged-			
Fair value hedge			
USD foreign currency hedges	76,339,674	912,000	-
GBP foreign currency hedges	136,029	-	-
EUR foreign currency hedges	30,367,432	6,017,725	-
CHF foreign currency hedges	3,222,790	-	-
BRL foreign currency hedges	70,755,603	-	-
Cash flow hedge			
USD foreign currency hedges	11,672,635	6,721,261	41,466,147

In 2012 and 2011 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 2011 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 2012 and 2011:

Revenue by geographical area	Thousands of Euros	
	30.06.12	30.06.11 (*)
Domestic market	185,056	266,667
Exports		
a) European Union	105,293	110,078
b) OECD countries	265,449	135,823
c) Other countries	379,863	331,650
Total	**935,661**	**844,218**

(*) Figures adapted to Note 2.e.

The reconciliation of segment revenues with consolidated revenues at 30 June 2012 and 2011 is as follows:

Revenue	Thousands of Euros					
	30.06.12			30.06.11 (*)		
	External sales	Inter-segment sales	Total revenues	External sales	Inter-segment sales	Total revenue
Railway	893,928	-	893,928	803,412	-	803,412
Rolling stock and components	41,733	17,941	59,674	40,806	20,603	61,409
(-) Revenue adjustments and write-offs among segments	-	(17,941)	(17,941)	-	(20,603)	(20,603)
Total	**935,661**	**-**	**935,661**	**844,218**	**-**	**844,218**

(*) Figures adapted to Note 2.e.

The "Railway" segment encompasses the contracts detailed in Note 6.a, as this classification fairly shows how these transactions are followed up by the Group's Directors. At 30 June 2012, revenues from these contracts recognised under "Railway" amounted to about EUR 354,178 thousand (EUR 118,072 thousand at 30 June 2011).

Reconciliation of segment revenues with consolidated revenues at 30 June 2012 and 2011 is as follows:

	Thousands of Euros	
	30.06.12	30.06.11(**)
Railway	86,319	74,363
Rolling stock and components	(1,638)	4,134
Concession business	-	226
General (*)	(22,782)	(7,152)
Profit (Loss) after tax	**61,899**	**71,571**

(*) Includes the non-allocated finance income and income 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.
(**) Figures adapted to Note 2.e.

16. Average headcount

The average headcounts for the six-month periods ended on 30 June 2012 and 2011 were as follows:

	Number of employees	
	30.06.12	30.06.11
Men	6,224	6,147
Women	819	758
Total	**7,043**	**6,905**

17. Tax matters

The Group calculated the provision for Income Tax for the period ended on 30 June 2012 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 Income Tax for the six-month period ended on 30 June 2012 was recognised under “Trade and other payables – Current tax liabilities” on 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 2012 first semester, there was no change in tax audit described in Note 18 to the 2011 consolidated financial statements.

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.