CAF

ANNUAL REPORT 2009

CAF

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

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

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

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

LETTER FROM THE CHAIRMAN

Dear Shareholders,

For yet another year I have the pleasure of presenting the Directors' Report and Financial Statements for 2009, which we submit for approval by you, the shareholders, at the Annual General Meeting. They provide detailed explanations on our Company's business activities, which most notably include the matters summarised below.

2009 was a very important year for us, in which we significantly increased the international character of our business. A case in point is the start-up of the plants in Latin America, particularly those in Mexico and Brazil, which represent a major step forward in markets that afford considerable potential for development.

This progress has been accompanied by positive annual earnings figures, despite the complicated overall economic environment that has characterised recent times. Specifically, the sales achieved by the Group stood at EUR 1,258 million, i.e. 25% above those of 2008.

After-tax consolidated profit for the year attributable to the Parent was EUR 124.3 million, up 18% on 2008. EBITDA totalled EUR 162.6 million, giving rise to year-on-year growth of 32%. Lastly, cash flow before tax also increased to EUR147 million.

In view of the foregoing, we propose that the shareholders at the Annual General Meeting consider the distribution of a dividend of EUR 10.5 gross per share, which would represent an increase of 10.5% on the dividend for 2008.

In order to conclude this section on earnings, it should be noted that the backlog at the end of 2009 stood at EUR 4,336 million.

These figures are the result of the sales initiatives carried out in 2009, which were materialised in successful bids amounting to EUR 1,457 million. Beginning with Spain, attention should be drawn to the supply agreement for 30 electricity-powered units for Euskotren, and the nine 113-series units for Ferrocarrils de la Generalitat de Catalunya or the agreement relating to the adaptation of 75 RENFE trains to the new accessibility for the disabled regulations. Mention should also be made of the agreement for the supply of the Cadiz train-tram, the first in Spain for this type of rolling stock, and the Zaragoza tram, equipped to run without overhead lines along several sections of the urban route. In this case, CAF also leads the company responsible for commercially operating the tram over the coming 35 years.

As regards the international markets, orders were won in Turkey for the supply of 30 units for the Istanbul underground, in Northern Ireland, for the supply of 20 diesel trains, and in Houston (USA), for a further 29 trams in addition to those already ordered, as well as six trains for the Brussels underground and eight for the Sao Paulo commuter network. In addition, agreements were achieved in new markets for CAF, such as eight trains for India, connecting the city of Delhi with its airport, 12 for the Medellin underground (Colombia), and 30 trains for the Belgrade underground (Serbia).

Turning to deliveries, of special note in 2009 was the completion of several projects for which the last units were manufactured. Specifically, seven units for the Vitoria tramway, eight four-carriage trains for the Bilbao underground, 22 CIVIA III units for RENFE and three 213-series units for Ferrocarrils de la Generalitat de Catalunya. As regards the export market, eight

units were delivered for the Antalya tramway, 11 for the Algiers underground, one diesel train for SNTF (Algeria) and two trailer cars for the Rome underground.

In addition to the above, in 2009 a total of 22 variable-gauge high-speed trains for RENFE, 39 electric and 23 diesel regional trains for the same customer, ten high-speed trains for Turkey, four underground trains for Mexico and a further four for the Rome underground, the first mixed locomotive for the private operator Fesur and the first trains for each of the Sao Paulo underground and commuter network projects left our factories for delivery to customers.

Of equal importance was the performance of other business activities carried on by CAF, such as the rolling-stock, electric traction or train rental businesses. Of particular importance was the performance of the railway unit maintenance business, which is expected to undergo marked growth in the future.

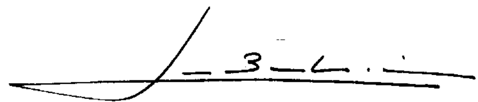
The major increases in sales, profits and the backlog witnessed in 2009, in addition to the positive outlook augured for 2010, encourage us to continue to explore any new business opportunities that arise with optimism.

However, the complicated world economic situation, and the particular effect that this has had on the Spanish economy, obliges us to act with caution, although at the same time with the perseverance required to continue to carry out initiatives to improve our competitive profile in the medium and long term. For example, by developing the capabilities and training of our employees, by investing even more, if possible, in R&D+i, by reducing operating costs, or adapting to the expectations of our customers and markets with a proactive, flexible and more customer-based focus .

A vital element in achieving the aforementioned results is the commitment and dedication shown by all the people who make up our workforce, whom I would like to congratulate for the successes achieved and encourage to continue working with such enthusiasm, although also with the effort required to attain the goals that we have set.

Lastly, I would like to thank you, our shareholders, for the support shown to us yet another year, which acts as the best incentive to improve, day by day, with respect to the commitments and challenges assumed by the CAF Group in response to the confidence placed in us.

Thank you,



José María Baztarrica Garijo
Chairman and CEO

CAF'S TECHNOLOGY, QUALITY AND SERVICE ARE FULLY ACKNOWLEDGED AT INTERNATIONAL LEVEL

MAIN LINES

HIGH SPEED TRAINS

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

INTERCITY TRAINS

- Tilting System ADR Trains
- Diesel trains for Algeria
- Intercity, Push-Pull Service
- Trains for Saudi Arabia
- Sardinia diesel trains
- Northern Ireland trains

PASSENGER CARS

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

CITY/SUBURBANS

REGIONAL TRAINS

- Red Nacional de Ferrocarriles Españoles (RENFE)
- Eusko Trenbideak-Ferrocarriles Vascos (ET/FV)
- Ferrocarriles Españoles de Vía Estrecha (FEVE)
- Ferrocarrils de la Generalitat de Catalunya (FGC)
- Compañía Paulista de trenes Metropolitanos (Brazil)
- Secretaría de Comunicaciones y Transportes (Mexico)
- Serveis Ferroviaris de Mallorca (SFM)
- Caminhos de Ferro Portugueses
- Finnish Railways (VR Ltd)
- Heathrow Airport Express
- Hong-Kong Airport Express
- Irish Rail
- Izban (Turkey)
- Northern Ireland Railways
- Northern Spirit
- Delhi airport

SUBWAY TRAINS

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

ARTICULATED LIGHT RAILWAY

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

STREETCARS

- Antalya
- Belgrade
- Bilbao
- Edinburgh
- Houston
- Lisbon
- Seville
- Valencia
- Vélez-Málaga
- Vitoria
- Zaragoza
- Cádiz-Chiclana

2009 DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

EARNINGS

Profit after tax amounted to EUR 124,343 thousand, up approximately 18% on 2008.

The aggregates in 2009 were as follows:

- Profit attributable to the Parent after tax amounted to EUR 124,343 thousand, up approximately 18% on the figure in 2008, which stood at EUR 105,741 thousand.

- The depreciation and amortisation charge of EUR 26,874 thousand, plus the profit for the year before tax, generated a cash flow of EUR 147,007 thousand, which gave rise to an increase of approximately 16% on the figure in 2008 which amounted to EUR 127,086 thousand.

- EBITDA totalled EUR 162,646 thousand, up approximately 32% on 2008 (EUR 123,028 thousand).

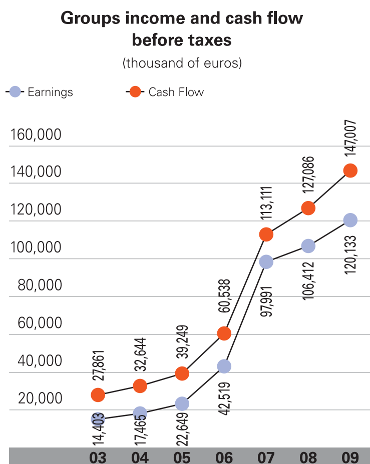
- Revenue amounted to EUR 1,258,041 thousand in 2009, up 25% on 2008.

- The backlog amounted to EUR 4,335,623 thousand at 31 December 2009, which is higher than the 2008 year-end figure and will enable the Group to continue its normal business activities.

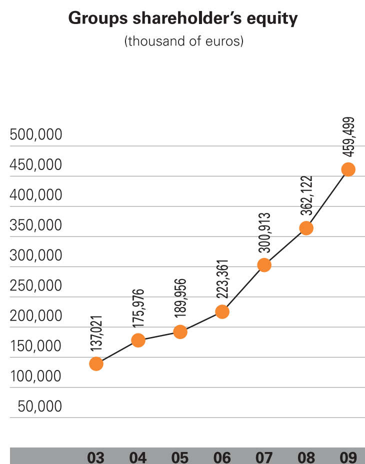
- The proposal for the distribution of earnings is in line with the policy of prior years of strengthening the Company's equity. Consequently, it is proposed to use EUR 35,995 thousand of the profit, up 11% on 2008, to pay dividends and to appropriate EUR 97,636 thousand to voluntary reserves.

- If the proposed distribution of profit is approved, the profit allocated to reserves will raise the Group's equity to a total of EUR 437,276 thousand.

- Lastly, as required by law, CAF declares that neither it nor its subsidiaries purchased or held treasury shares in the course of 2009.



* Consolidated data 2003
2004, 2005, 2006, 2007, 2008, 2009 consolidated data, IAS.



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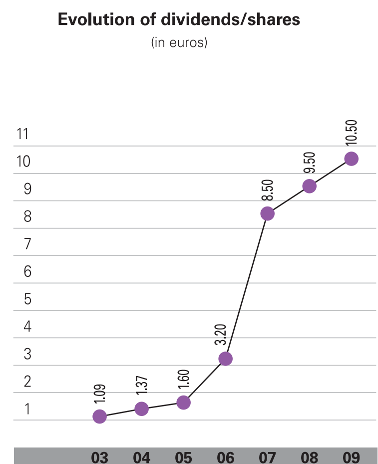


COMMERCIAL ACTIVITY

The backlog at year-end amounted to EUR 4,336 million, an increase of 4.8% with respect to 2008. Major commercial activity opened up new international markets and consolidated those in which the Group was already present.

The high commercial activity in recent years continued in 2009 with the backlog reaching a new high of EUR 4,336 million at year-end, up 4.8% on 2008. This figure was achieved as a result of contracts of EUR 1,457 million in 2009.

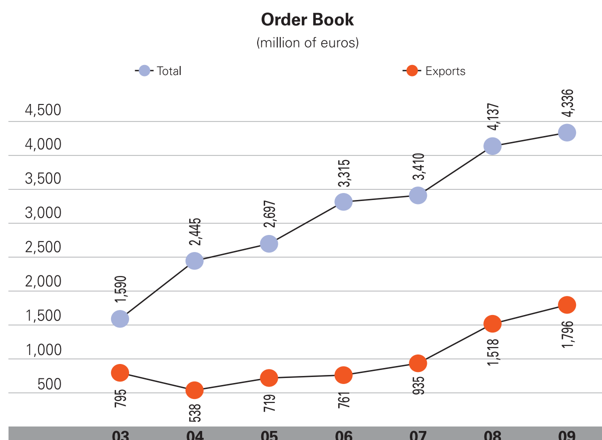
The contract with the largest volume in 2009 was entered into with EuskoTren for the manufacture and supply of 30 electrical units. On the Spanish market, agreements were entered into with RENFE to adapt 75 trains to the Royal Decree regulating the basic conditions of accessibility and non-discrimination for access to and use of modes of transport for disabled people. Agreements were also entered into with Ferrocarrils de la Generalitat de Catalunya to manufacture units of its new 113 series, with Ferrocarriles de la Junta de Andalucía to supply tram train units for the operation to connect the towns of Chiclana, San Fernando and Cadiz, and with the Tranvía de Zaragoza consortium.

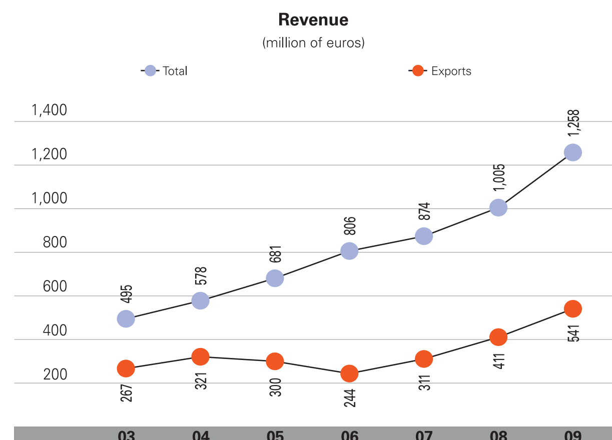
Special mention should be made of the agreement relating to the railway material for the service between Chiclana, San Fernando and Cadiz since it will be the first train-tram in Spain converging railway lines with both city and intercity routes on its commercial service.

Also noteworthy is CAF's leadership position in the TRAZA consortium, which will construct and operate the Zaragoza tramway over the next 35 years. The trams that will enter into service in the city will be manufactured in our Zaragoza plant but with the specific feature of no overhead lines over part of the track.

Tramways without overhead lines are an innovation for our company, as were the recent developments of traction converters, successfully operating in various rail authorities, the rapid charge accumulator devices (ACR) and the BITRAC platform of dual diesel electric and electric locomotives, for which the certification process of the first unit began successfully in 2009.

In the export market, contracts of a higher value were arranged in countries where operations had already been carried out in the past, thereby reaffirming the trust deposited





* Consolidated data 2003
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in our company by the different contracting authorities and the quality of our trains.

This was the case with the Turkish authorities who arranged an order for 30 trains for the Istanbul underground in 2008, with Northern Ireland Railways (NIR), who acquired 20 new diesel units, with the city of Houston in the US that purchased 29 additional trams to those previously agreed upon, with the six units to be added to the order by the Brussels underground or with the eight new trains to be operated by CPTM in Sao Paulo.

Other agreements involving smaller amounts, although equally important because they represent the opening up of new markets for the company, were arranged in India to supply eight trains for Delhi airport, in Colombia to supply 12 trains for the Medellín underground and in Belgrade, the Serbian capital, to supply 30 trams.

In addition to the agreements entered into for new trains, the maintenance business continued to gain strength as in prior years and currently accounts for 37% of the backlog, with double the growth in business compared to the company taken as a whole. The rolling stock and train lease service lines of business are also gaining strength.

INDUSTRIAL ACTIVITY

Delivery of high-speed trains for RENFE and Turkey. Underground trains for Santiago de Chile, Mexico, Sao Paolo, Algiers, Rome and Bilbao. Diesel- and electric-traction, commuter and middle-distance trains for RENFE and Algeria. Tramways for Vitoria and Antalya (Turkey) and line locomotives.

In 2009, delivery of the last train signalled the conclusion of the agreement for 17 train units with diesel traction for Algeria, and deliveries were made of the last 7 tram units for Vitoria, the last 8 tram units for Antalya (Turkey), the last 8 four-carriage trains for the Bilbao underground, the last 11 train units for the Algiers underground, the last 22 CIVIA III trains for RENFE, the three 213 series trains for FGC and two RCP trailer cars for the Rome underground, the latter agreements having been entered into under the contract extension of 9 more train units.

In 2009, deliveries were also made of 16 high-speed trains (AVR) for RENFE, 6 high-speed variable-gauge (AVGL) trains for RENFE, 10 high-speed trains for TCDD (Turkish railways), 23 diesel traction trains for RENFE, 11 trains for the Chilean underground, the first mixed-traction locomotive for the private operator Fesur, four trains for the Mexican underground, 39 medium-distance and electric traction trains for RENFE and 4 trains for the Rome underground. Particularly noteworthy is the delivery of the first train for the Sao Paulo underground and the first train for Compañía Paulista de Trenes Metropolitanos (CPTM) for the same city.

With respect to other projects, mention must be made of the advanced stage of the manufacture of the first trains for Izmir (Turkey) and New Delhi (India), as well as the trailer cars for the Bilbao underground, the first trams for Edinburgh (Scotland), or the first 9000 series trains for the Madrid underground.

In the Engineering area, design activities had already commenced on the new projects entered into for the Saudi Arabian railways, the new trains for Mallorca and Euskotren, as well as the trams for Houston and the new trains for the Northern Ireland railways. Work is also in progress on the Zaragoza, Malaga and Belgrade trams and on the new trains for the Medellín underground (Colombia).

The most important manufacturing projects in 2009 were as follows:

NO. OF VEHICLES	
Diesel train unit (M1+R+M2) for Algeria	3
Antalya tramcar unit (A+B+C+D+E) (Turkey)	40
RCP trailer cars for the Rome underground	2
Train unit (M1+R1+N1+N1+R1+N2+N1+R2+M2) for the Chilean metro	99
Train unit (RCB+M1B+M2B+M2A+M1A+RCA) for the Algiers underground	66
Line A of Mexican underground (M+R+N+N+PR+M+N+N+R).	36
Train for the Sao Paulo underground (MA1+MB1+MB2+MB1+MB1+MA2)	6
Commuter train for Compañía Paulista de Trenes Metropolitanos (CPTM) (2m1+2R1+2R2+2M2)	8
High-speed train for Turkey (TCF+TCB+MIF1A+MIF1B+MIF2+TMIFC)	12
Train (2RCP+2M1+2M2) for the Rome Underground	24
Train (MC+R+MC) for FGC S/213	9
AVR high-speed train (MC1+MI1+MI2+MC2) for RENFE	64
Bilbao underground S/600 train (M1+N1+N2+M2) for CTB	32
Trailer cars for the Bilbao underground	2
CIVIA III commuter train units (A1+A2+A3+A4+A5) for RENFE	110
Variable gauge (AVGL) trains (MCT+MIP+MIT+MCP) for RENFE	24
Middle-distance diesel train unit (M1+R+M2) for RENFE	69
Middle-distance electric train unit for RENFE (A1+A2+A3+A4+A59)	195
Vitoria tram unit (A+B+C+D+E) for EUSKOTREN	35
Line locomotive for FESUR (M)	1
TOTAL	**837**

BOGIES	
With welded steel chassis (power car + trailer)	1,615

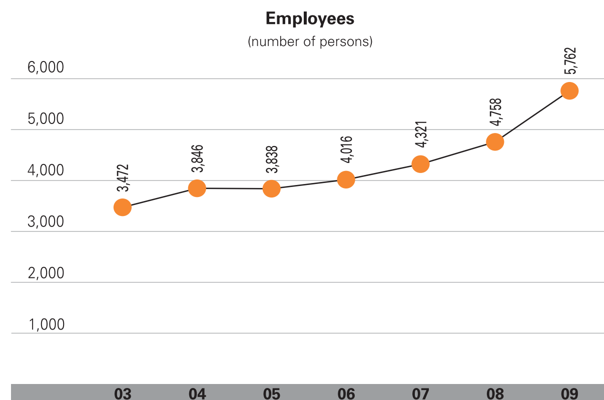
ROLLING STOCK	
Conventionally assembled axles (power car + trailer)	5,177
Variable gauge assembled axles (power car + trailer)	593
Loose axle bodies	9,406
Wheels	46,145
Crane wheels	42
Brackets	1,214
Couplers	1,380
Diminishers	241
Rings	141
Other supplementary materials manufactured:	
Steel	35,407 tonnes
The repairs carried out included:	
TRD resetting (M1+M2) (RENFE)	4
Servicing of train S/200 (Euskotren) (A+B+C+D)	8
Servicing of S/550 bogies for the Bilbao underground	40

HUMAN RESOURCES

The Group's workforce grew considerably in 2009. The level of accidents was reduced with respect to 2008 in all indicators.

	Permanent	Total	Annual Average
31-12-08	4,550	5,108	4,758
31-12-09	5,684	6,489	5,762

The Group's labour force grew considerably in 2009, most significantly at the subsidiaries and in the international sphere. The Group's capacity was adapted to international requirements and the efforts to hire highly qualified technicians continued.



The requirements detected were integrated into the General Training Plan in an orderly fashion through the graduate evaluation process. This made it possible to manage graduate development in a more structured manner, setting specific points for improvement for each person.

The one-on-one mentoring process was strengthened, thereby consolidating the training model and increasing the efficiency of the executive development initiatives.

All forms of occupational accidents were down on 2008. Priority was given to initiatives associated with the reduction in accidents.

ENVIRONMENTAL ACTIVITY

The Environmental Management System has been implemented at all CAF's manufacturing plants and has been certified under the ISO14001 Standard. The audits for the renewal of the ISO 14001-2004 certificate at the Beasain, Irun and Zaragoza plants had a positive outcome.

CAF S.A. is aware that industrial activity affects the environment and therefore its general company policy includes the environmental policy, under which the protection of the environment is assumed as one of the organisation's objectives, also ensuring that the systems, equipment and railway material it produces are of the highest standard, not only insofar as safety and efficiency are concerned but also as regards respect for the environment.

In the manufacturing plants of CAF, S.A., the Environmental Management System certified under the ISO 14001 standard is in place and encompasses organisational structure, the planning of environmental protection activities, as well as the responsibilities, environmental objectives and resources required to implement, review and keep the environmental policy updated.

In November, the audit was performed for the renewal of the ISO 14001:2004 certificate relating to the environmental management system for the Beasain, Irun and Zaragoza plants, the outcome of which was satisfactory.

These activities are carried out with a view to taking the necessary and economically feasible steps aimed at monitoring and, as the case may be, minimising significant environmental factors, such as atmospheric emissions, waste generation and energy consumption, in order to conserve natural resources, logically aligned with the environmental benefits related to the manufacture of rail means of transport that are rated highly from the standpoint of their environmental impact.

In this connection it is noteworthy that, in compliance with the Kyoto Protocol, greenhouse gas emissions were significantly lower than the levels for 2008 and were also considerably below the rights that had been allocated.

INVESTMENTS IN 2009

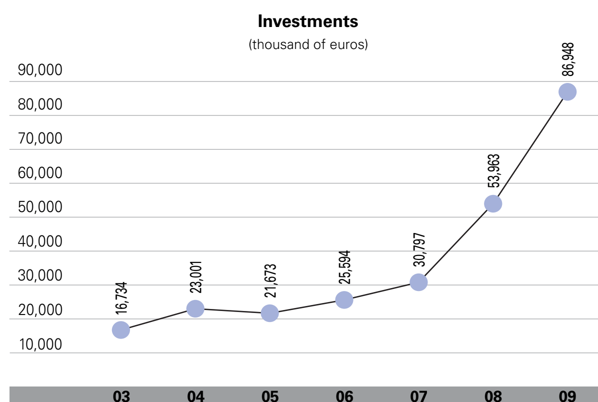
The investments in plants in 2009 amounted to EUR 86,948 thousand. Particularly noteworthy is the investment in the construction of a new plant in Sao Paulo.

The capital expenditure at the plants in 2009 amounted to EUR 86,948 thousand (excluding the exchange rate translation effect). These investments focused mainly on modernising the production facilities, increasing capacity and enhancing safety in the workplace and the environment.

The most significant investments made in 2009 were as follows:

- Notable **in the Vehicles Unit** were, in the Bogies Area, the installation of the new automatic shot-blasting machinery and the renewal of the plasma cutting machinery, and in the Vehicle Finishing Area, the extension of the painting areas in order to increase capacity and the investment in the safety of the assembly lines.
- **In the Rolling Stock Business Unit**, the investments made in 2009 were part of the continuation of the investment plan in this area, commenced in 2007, and focused mainly on increasing production capacity and the level of automation. Salient investments included the installation and entry into service of the 10,000-tonne forging press, the automation of the kiln-press-laminator line, the installation of the automatic wheel verification line and the construction of new machining installations.
- **In the Technology Area**, the number of new jobs created increased and the technical means and required tools in terms of hardware and software were provided to deal with the increase in projects on which CAF is currently working.
- With respect to the **CAF group subsidiaries**, worthy of mention is the progress made in the construction of the new industrial building of the CETEST testing and analysis centre in Beasain, the significant investment in machinery and equipment to expand the TRAINELEC facilities and the construction of two new manufacturing installations at the TRENASA plant in Navarre and CAF-Santana in Jaen.

Lastly, worthy of mention is the construction of a new manufacturing plant in Hortolandia (Sao Paulo, Brazil), fully equipped in terms of machinery and installations, where the manufacturing activities relating to structures, vehicle finishing and tests on completed units will be carried on.



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TECHNOLOGICAL DEVELOPMENT

CAF's technological development is led by CAF I+D and distributed among its technological subsidiaries. These projects include most notably:

- ECOTRANS, a CENIT technological design project for sustainable urban transport.

- SETI, an ETORGAI project led by CAF aimed at developing safety components for the transport industry.

- AVI 2015 (High-Speed Interoperability), a CENIT project involving various companies led by CAF.

With respect to CAF and CAF I+D (R+D business unit), in 2009 work was carried out on the following projects:

- ECOTRANS, a CENIT project which aims to develop sustainable urban transport, led by CAF, involves three technological subsidiaries of CAF, 13 non-Group companies and 20 technology centres and universities in addition to CAF and CAF I+D.

- SETI, an ETORGAI project led by CAF, aimed at the development of safety components for the Transport sector.

- AVI 2015 (High-Speed Interoperability), a CENIT project involving various companies led by CAF.

- New high-speed train.

- ERTMS-ETCS system for the development of on-board signalling equipment.

- Projects on railway dynamics.

- Projects on noise and vibrations.

- Elecrail and Unichanger projects led by the Spanish Railway Foundation involving the major players in the industry.

- European Dynotrain and Aerotrain projects involving CAF and CAF I+D with the aim of reducing the complexity of the current certification processes.

The subsidiaries carried on their normal technological development activity, including the following:

- The validation of the energy accumulation system and stand-alone operation, without any overhead lines, on a tramway in Seville.

- The conclusion of the certification process of the CIVIA unit with Trainelec traction.

- The NEM subsidiary will take part in a CENIT project with Iberdrola, using part of the technology developed for railways.

- The entry into production of projects addressed in the Traintic Technology Plan for the design and manufacture of video information and video surveillance equipment.

The most significant projects on which the Group worked in 2009 were as follows:

- Locomotives and carriages for Saudi Arabia.
- Madrid underground.
- Sao Paulo underground.
- Commuter trains for CPTM (Brazil).
- CIVIA IV commuter trains for RENFE.
- Electric train units for Izmir (Turkey).
- Electric train units for Euskotren.

TECHNOLOGICAL DEVELOPMENT

- Mallorca underground.
- Line A of Mexico underground.
- Delhi airport train.
- Train-tram - Bay of Cadiz - Chiclana.
- Malaga underground.
- Diesel trains for Northern Ireland (NIR).

The following projects were also initiated:

- Istanbul underground.
- Zaragoza trams.
- Belgrade trams.
- Diesel trains for Sardinia.

Also, to support the commercial activities in general, and exports in particular, various preliminary projects and new technical proposals were executed. Work continued on some of those presented previously, including most notably:

For the Spanish market:

- Granada trams.
- Electric trains for Catalonia FGC s/113.

For the export market:

- London Piccadilly underground line.
- Miami underground (US).
- Amtrak carriages (US).
- Trains for CPTM (Brazil) PPP5000.
- Istanbul underground (Turkey).
- Electric and diesel trains for CP (Portugal).
- Electric units for Izmir (Turkey).
- Eurocivis trains for various European countries.
- Trams for various cities in France.

RISK MANAGEMENT POLICY

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

1. Financial risks

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

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

a) Market risk

The various CAF Group companies operate internationally and, therefore, are exposed to foreign currency risk in their foreign currency transactions (particularly the Mexican peso and the Brazilian real). Currency risk may arise on future commercial transactions, balance sheet assets and liabilities and net investments in foreign operations.

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

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

In the case of its main 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

The Group's accounts receivable and work in progress relate mainly to customers abroad. Contracts generally include progress billings.

The Group's standard practice is to hedge against the risk of termination or default associated with contracts entered into with customers in non-OECD countries by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature.

c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, marketable securities and available funds to cover all the Group's obligations on a timely basis.

The 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 on borrowings.

The CAF Group's policy with respect to current transactions is to resort in exceptional circumstances only to third-party borrowings in the form of short-term debt tied to variable market indices, normally Euribor. Accordingly, the interest rate risk is substantially mitigated. In the case of project financing debt, the Group arranges fixed rates of interest.

e) Risks arising from deviations from project budgets

Deviations from project budgets that served as the basis for drawing up the various offers 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 procedure created for this purpose in which all the departments involved participate.

2. Risks arising from environmental damage

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

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 and 9002 standards.

CAF also implements a highly conservative policy of taking out insurance to protect itself sufficiently from the consequences of any of these risks actually occurring.

4. Occupational risks or damage to plant assets

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

COMPANY DISCLOSURES

DISCLOSURES REQUIRED BY ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET LAW

a) Capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by the shares and the percentage of share capital that they represent.

Pursuant to Article 5 of the corporate bylaws, the Company's share capital consists of 3,428,075 fully subscribed and paid shares of EUR 3.01 par value each, all of the same series and all carrying the same rights and obligations. At least 100 shares must be held in order to be able to attend and vote at General Meetings. No shares have been issued that could be converted into or exchanged for CAF shares.

All the shares are of the same class and no treasury shares are held.

b) Any restriction on the transferability of shares.

The Company's bylaws do not place any restrictions on the transferability of the shares, without prejudice to the applicability of certain rules, as described below.

As CAF is a listed company, the acquisition of certain significant ownership interests must be notified to the issuer and to the Spanish National Securities Market Commission (CNMV), pursuant to Article 53 of Spanish Securities Market Law 24/1988, Royal Decree 1362/2007, of 19 October and CNMV Circular 2/2007, of 19 December, which establish as the first notification threshold 3% of the share capital or voting rights.

Also, because CAF is a listed company, the acquisition of a percentage of ownership of 30% or more of the Company's voting power requires that a takeover bid be launched, in the terms provided for in Article 60 of the Spanish Securities Market Law 24/1988 and Royal Decree 1066/2007.

c) Significant direct or indirect ownership interests in the share capital at 31 December 2009.

Name of the Shareholder	Direct %	Indirect %	Total %
CARTERA SOCIAL, S.A.	29.56	0.000	29.56
CAJA DE AHORROS Y MONTE DE PIEDAD DE GUIPUZKOA Y SAN SEBASTIAN	0.000	17.745	17.745
BNP PARIBAS SEGURITIES SERVICES LUX A/C CEDA	5.473	0.000	5.473

d) Any restriction on voting rights.

There are no legal or bylaw restrictions on exercising voting rights, other than those applicable to any company; however, as indicated above, in order to be able to attend General Meetings the bylaws state that at least 100 shares must be held, although in this case shareholders owning fewer shares may group together and be represented by another shareholder in order to jointly own 100 or more shares.

In order to be able to attend General Meetings, shareholders must have registered the shares in their name in the corresponding book-entry register at least five days before the date on which the General Meeting is to be held.

e) Shareholder agreements.

CAF is not aware of the existence of any shareholder agreements of the nature defined in Article 112 of Spanish Securities Market Law 24/1988, of 28 July, affecting the regulation of the exercise of voting rights at Annual General Meetings or which restrict or condition the free transferability of its shares.

f) Rules applicable to the appointment or replacement of the members of the managing body and to the amendment of the Company's bylaws.

1. Appointment and replacement

The directors shall be designated by the shareholders at the Annual General Meeting or by the Board of Directors, pursuant to the Spanish Public Limited Liability Companies Law and CAF's bylaws.

Proposals to appoint or re-appoint directors submitted by the Board of Directors to the shareholders at the Annual General Meeting and the appointment resolutions adopted by the Board by virtue of its co-optation powers must be preceded by the related proposal from the Nomination and Remuneration Committee in the case of independent directors and by a prior report in the case of the other directors.

When the Board does not heed the Nomination and Remuneration Committee's proposal, it must give the reasons for which it has taken that course of action and place such reasons on record in the minutes.

The Board shall endeavour to ensure that selected candidates are persons of known solvency, competence and experience, and shall take particular care when selecting persons to hold office as independent directors.

The Board may not propose or designate as independent directors persons who are or have been involved in the management of the Company or of the companies in its Group or persons owning a significant shareholding or those related, through family ties of up to the third degree of consanguinity or second degree of affinity or for professional or commercial reasons, to the executive directors or to other senior executives of CAF, CAF Group companies or owners of significant shareholdings.

The Board of Directors, in the exercise of its functions of submitting proposals to the Annual General Meeting and cooptation to fill vacancies, shall attempt to ensure that in the composition of the Board the external, non-executive directors represent a majority with respect to the executive directors, that the independent directors represent at least one-third of the total number of directors and that the proportion of proprietary and independent directors reflects the proportion of the Company's share capital represented by the proprietary directors. However, this last rule may be applied with greater flexibility, allowing a greater proportion of proprietary directors,

when a large number of shareholders are represented on the Board and there are no ties among them.

The Board of Directors shall be made up of a minimum of seven and a maximum of fifteen members, who need not be shareholders. The statutory prohibitions and incompatibilities shall apply.

The directors shall hold office for five years. They may be re-appointed one or more times for equal terms. The appointment of directors shall take effect from the date of their acceptance. The composition of the Board of Directors shall be renewed when the mandate of each director expires.

If during the period for which the directors were appointed vacancies arise, the Board of Directors may fill the vacancies from among the shareholders until the next General Meeting is held. Should the vacancy relate to a director holding the position of Chairman or CEO, the Board of Directors may fill the vacancy and appoint a Chairman temporarily. It may also appoint a CEO with the favourable vote of two-thirds of the Board members. Such appointments shall be fully effective until the next Annual General Meeting is held.

The directors shall vacate office in the terms provided for in the legislation applicable at any given time. Directors shall leave office when the period for which they were appointed has elapsed, unless they are re-appointed, and when they are removed by the shareholders, pursuant to the powers conferred on them, at the Annual General Meeting.

Also, the Regulations governing the Board of Directors state that directors must tender their resignation to the Board of Directors and resign if the latter deems it appropriate, in the following cases:

a) In the case of proprietary directors, when they, or the shareholders represented by them, transfer their ownership interest in the Company.

b) When they become subject to any incompatibility or prohibition provided for by law.

c) When they are prosecuted for a purported offence or are subject to disciplinary proceedings due to a serious or very serious misdemeanour for which an enquiry has been opened by the supervisory authorities.

d) When they are seriously reprimanded by the Board of Directors on the basis of a report of the Audit Committee as a result of having failed to fulfil their obligations as directors.

e) When there is a conflict of interests with the Company or when they fail to fulfil their duties of reporting and abstention.

f) When they breach their obligation of non-competition.

The directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any case, directors must inform the Board and, where appropriate, resign in cases in which the repute and reputation of the Company might be harmed.

2. Amendment of the bylaws

The procedure for amending the Company bylaws is regulated by Article 144 of the Spanish Public Limited Liability Companies Law, and the change must be approved by the

shareholders at the Annual General Meeting with the quorum and, where appropriate, majority vote, provided for in Article 103 of that Law.

The powers of the Annual General Meeting provided for in Article 13 of the bylaws and Article 4 of the Regulations governing the Annual General Meetings of CAF expressly include the amendment of the bylaws and higher majorities than those established by law are not required.

g) Powers of the members of the Board of Directors and, in particular, powers relating to the possibility of issuing or repurchasing shares.

All the Board's powers, except for those that may not be delegated by law, have been delegated to the Chairman and CEO, José María Baztarrica Garijo.

All the Board's powers, except for those that may not be delegated by law, have also been delegated to the Chief Executive Officer, Andrés Arizcorreta García.

The Managing Director, Alejandro Legarda Zaragüeta, has wide-reaching powers of attorney in relation to representation, hiring, banking matters, management and the disposal of assets.

The shareholders at the Annual General Meeting held on 6 June 2009 authorised the Board of Directors to derivatively acquire shares of CAF, pursuant to Article 75 of the current Spanish Public Limited Liability Companies Law. This acquisition may be made directly by CAF or indirectly through its subsidiaries, through purchase and sale transactions or share exchanges or by any other legally permitted means and for the market price of the shares. The maximum number of shares to be acquired may not exceed, together with such shares as might already be held by the acquiring Company and its subsidiaries, the legal limit of 5% of the share capital provided for in Additional Provision One of the Spanish Public Limited Liability Companies Law, without prejudice to the application of such lower limits, within the legal limit approved at that Annual General Meeting, as the Board of Directors might approve or might have approved. The authorisation has duration of 18 months from the date of the Annual General Meeting.

h) Significant agreements entered into by the Company which will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and their effects, except when disclosure thereof may be seriously detrimental to the Company. This exception will not apply when the Company is legally required to disclose this information.

No significant agreements have been entered into by the Company that will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid.

i) Agreements between the Company and its directors, management personnel or employees which provide for termination benefits upon the latters' resignation or unjustified dismissal or if the employment relationship ends as a result of a takeover bid.

There are no agreements between the Company and its directors, management personnel or employees that provide for termination benefits when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid.

CORPORATE GOVERNANCE
2009 Annual Corporate Governance Report Model of Listed Companies

CAF's Annual Corporate Governance Report relative to fiscal year 2009 is published on CAF's website (www.caf.net), as well as on the National Securities Market Commission's website (www.cnmv.es), pursuant to Article 117 of the Securities Market Law (wording of Law 26/2003 on Listed Companies' Transparency), Order ECO/3722/2003 and Circulars 1/2004 and 4/2007 passed by the National Securities Market Commission.

Notwithstanding the possibility of inquiring such Report on either website, there are copies thereof available to shareholders upon request.

OUTLOOK

The short-term outlook for CAF may be summarised in the following initiatives:

- Gradual increase in production capacity and standardisation of activities to cater for the increasing backlog.
- Strengthening of the Group in the industrial, technological and organisational areas through fixed asset investments.
- Development of new products and implementation of advanced comprehensive project management systems.
- Increased presence of the Group in international railway material markets.
- Development of the Group's potential in railway-related services, such as concessions and train lease and maintenance.
- Consolidation of the rolling stock business area.

EVENTS AFTER THE BALANCE SHEET DATE

At 31 January 2010, the Group had a firm backlog of EUR 4,249,293 thousand.

On 12 February 2010, a contract was awarded for the preventative and corrective maintenance, general revision and modernisation of the fleet of Line 8 of the Sao Paulo underground, the present value of which was approximately EUR 700 million.

Letter from the Auditor

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Parent) and Subsidiaries which together compose the CAF Group (see Notes 1 and 2-f) comprising the consolidated balance sheet at 31 December 2009 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the figures for 2009 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, the figures for 2008. Our opinion refers only to the 2009 consolidated financial statements. On 26 February 2009, we issued our auditors' report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated financial statements for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries at 31 December 2009 and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

4. The accompanying consolidated directors' report for 2009 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2009. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries.

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

Joseba Ijalba Ruiz
24 February 2010

Deloitte S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Member of Deloitte Touche Tohmatsu

Financial Statements of the Consolidated Group

Year 2009

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated balance sheets

at 31 December 2009 and 2008 (Notes 1, 2 and 3) (Thousands of Euros)

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

Assets	31-12-09	31-12-08 (*)
Non-current assets:		
Intangible assets (Note 7)		
Goodwill (Note 2-f)	5,892	5,447
Other intangible assets	163,908	167,725
	169,800	**173,172**
Property, plant and equipment, net (Note 8)	**274,633**	**204,630**
Investments accounted for using the equity method (Note 9)	**12,191**	**13,468**
Non-current financial assets (Note 9)	**51,987**	**60,781**
Deferred tax assets (Note 18)	**88,847**	**72,582**
Total non-current assets	**597,458**	**524,633**
Current assets:		
Inventories (Note 11)	**336,624**	**78,875**
Trade and other receivables		
Trade receivables for sales and services (Notes 10, 11 and 12)	814,186	642,556
Other accounts receivable (Notes 7 and 19)	42,768	39,072
Current tax assets (Note 19)	4,368	1,821
	861,322	**683,449**
Other current financial assets (Note 13)	**468,818**	**509,539**
Other current assets	**3,172**	**396**
Cash and cash equivalents	**81,727**	**116,714**
Total current assets	**1,751,663**	**1,388,973**
Total assets	**2,349,121**	**1,913,606**

Equity and Liabilities	31-12-09	31-12-08 (*)
Equity (Note 14):		
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	268,294	195,648
Profit for the year attributable to the Parent	124,343	105,741
	473,271	**382,023**
Valuation Adjustments		
Translation differences	(13,702)	(19,697)
Hedges	(70)	(204)
	(13,772)	**(19,901)**
Equity Attributable to the Parent	**459,499**	**362,122**
Non-controlling interests	**12,946**	**15,208**
Total equity	**472,445**	**377,330**
Non-current liabilities:		
Long-term provisions	**2,661**	**3,812**
Non-current financial liabilities (Note 15)		
Bank borrowings	187,577	160,349
Other financial liabilities	62,763	65,937
	250,340	**226,286**
Deferred tax liabilities (Note 18)	**36,994**	**21,356**
Other non-current liabilities	4,008	-
Total non-current liabilities	**294,003**	**251,454**
Current liabilities:		
Short-term provisions (Note 20)	**217,867**	**199,458**
Current financial liabilities (Note 15)		
Bank borrowings	15,817	16,564
Other financial liabilities	21,137	29,173
	36,954	**45,737**
Trade and other payables		
Payable to suppliers	521,510	445,668
Other payables (Notes 10, 11 and 19)	793,201	569,792
Current tax liabilities (Note 19)	12,823	23,722
	1,327,534	**1,039,182**
Other current liabilities	**318**	**445**
Total current liabilities	**1,582,673**	**1,284,822**
Total equity and liabilities	**2,349,121**	**1,913,606**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated balance sheet at 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated income statements

for the years ended 31 December 2009 and 2008 (Notes 1, 2 and 3) (Thousands of Euros)

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

(Debit) Credit	2009	2008 (*)
Continuing operations:		
Revenue (Note 6)	1,258,041	1,004,951
+/- Changes in inventories of finished goods and work in progress	186,063	10,177
In-house work on non-current assets	827	119
Procurements (Note 21)	(760,148)	(473,242)
Other operating income	11,698	40,646
Staff costs (Note 22)	(280,119)	(229,466)
Other operating expenses (Note 21)	(255,072)	(230,712)
Depreciation and amortisation charge (Notes 7 and 8)	(26,874)	(20,674)
Impairment losses and gains or losses on disposal of non-current assets (Notes 7 and 8)	2,407	182
Other gains or losses	(1,051)	373
Profit from operations	**135,772**	**102,354**
Finance income (Note 13)	6,763	17,156
Finance costs (Note 16)	(26,670)	(12,943)
Exchange differences	3,947	2,781
Impairment and gains or losses on disposal of financial instruments	845	(2,642)
Financial profit (loss)	**(15,115)**	**4,352**
Result of companies accounted for using the equity method (Note 9)	(524)	(294)
Profit before tax	**120,133**	**106,412**
Income tax (Note 18)	(427)	296
Profit for the year from continuing operations	**119,706**	**106,708**
Consolidated profit for the year	**119,706**	**106,708**
Attributable to:		
The Parent	124,343	105,741
Non-controlling interests	(4,637)	967
Earnings per share (in euros)		
Basic	36.27	30.85
Diluted	36.27	30.85

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the 2009 consolidated income statement.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statements of cash flows

for 2009 and 2008 (Notes 1 to 3) (Thousands of Euros)

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

	2009	2008 (*)
Cash flows from operating activities:		
Profit for the year	120,133	106,412
Adjustments for		
Depreciation and amortisation charge (Notes 7 and 8)	28,389	23,790
Long-term provisions and other non-current financial liabilities (Notes 3-ñ, 15 and 20)	1,942	3,583
Changes in impairment of non-current financial assets (Note 8)	(3,729)	3,948
Short-term provisions (Note 20)	18,364	30,322
Other income and expenses	1,239	114
Gain on disposal of non-current assets (Notes 3-g and 8)	244	(182)
Investments accounted for using the equity method (Note 9)	524	294
Finance income	(6,763)	(17,156)
Finance costs	26,670	12,943
Changes in working capital		
Trade receivables and other current assets (Notes 3-d and 12)	(178,337)	(379,032)
Increase in inventories	(255,294)	159,839
Trade payables	299,214	291,202
Other cash flows from operating activities		
Income tax recovered (paid) (Note 19)	(10,850)	(21,852)
Other amounts received (paid) from operating activities	(877)	(1,113)
Net cash flows from operating activities (I)	**40,869**	**213,112**
Cash flows from investing activities:		
Payments due to investment		
Group companies, associates and business units (Note 6)	(2,607)	(1,013)
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	(87,072)	(89,324)
Other financial assets (Notes 9 and 13)	(2,620)	(61,433)
Proceeds from disposal		
Property, plant and equipment, intangible assets and investment property (Notes 7 and 8)	3,368	497
Other financial assets (Notes 9 and 13)	38,798	1,124
Interest received	6,763	17,156
Net cash flows from investing activities (II)	**(43,370)**	**(132,993)**
Cash flows from financing activities:		
Proceeds and (payments) relating to financial liability instruments		
Proceeds from issue (Notes 15 and 16)	36,682	56,268
Repayment (Notes 15 and 16)	(29,387)	(14,374)
Dividends and returns on other equity instruments paid (Note 14)	(32,567)	(29,139)
Other cash flows from financing activities		
Interest paid (Note 16)	(8,387)	-
Other collections (payments) from financing activities	1,173	(372)
Net cash flows from financing activities (III)	**(32,486)**	**12,383**
Net increase in cash and cash equivalents (I+II+III)	**(34,987)**	**92,502**
Cash and cash equivalents at beginning of year	116,714	24,212
Cash and cash equivalents at end of year	**81,727**	**116,714**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of cash flows at 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Statement of Recognised Income and Expense

for 2009 and 2008 (Notes 1 to 3) (Thousands of Euros)

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

	2009	2008 (*)
A) Consolidated profit for the year	**119,706**	**106,708**
B) Income and expenses recognised directly in equity	**6,431**	**(16,483)**
Arising from revaluation of financial instruments	-	-
Arising from cash flow hedges	188	(972)
Translation differences	6,297	(15,783)
Tax effect	(54)	272
Total recognised income and expense (A+B)	**126,137**	**90,225**
Attributable to:		
The Parent	130,530	89,258
Non-controlling interests	(4,393)	967

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in recognised income and expense at 31 December 2009.

Consolidated statements of changes in equity

for 2009 and 2008 (Notes 1 to 3) (Thousands of Euros)

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

	Equity Attributable to the Parent								
	Equity								
	Share Capital	Share Premium	Unrealised Asset and Liability Revaluation Reserve	Other Reserves	Net Profit for the Year	Valuation Adjustments	Translation Differences	Non-Controlling Interests	Total Equity
Balances at 31 December 2007 (*)	**10,319**	**11,863**	**58,452**	**136,070**	**87,626**	**496**	**(3,914)**	**3,574**	**304,486**
Total recognised income and expense	**-**	**-**	**-**	**-**	**105,741**	**(700)**	**(15,783)**	**967**	**90,225**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(29,139)**	**-**	**-**	**-**	**(29,139)**
Dividends paid	-	-	-	-	(29,139)	-	-	-	(29,139)
Other changes in equity	**-**	**-**	**-**	**59,578**	**(58,487)**	**-**	**-**	**10,667**	**11,758**
Transfers between equity items	-	-	-	58,487	(58,487)	-	-	-	-
Other valuations	-	-	-	1,091	-	-	-	-	1,091
Changes in the scope of consolidation	-	-	-	-	-	-	-	10,667	10,667
Balances at 31 December 2008 (*)	**10,319**	**11,863**	**58,452**	**195,648**	**105,741**	**(204)**	**(19,697)**	**15,208**	**377,330**
Total recognised income and expense	**-**	**-**	**-**	**-**	**124,343**	**134**	**6,053**	**(4,393)**	**126,137**
Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(32,567)**	**-**	**-**	**1,173**	**(31,394)**
Dividends paid	-	-	-	-	(32,567)	-	-	(43)	(32,610)
Capital increases performed	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,216**	**1,216**
Other changes in equity	**-**	**-**	**-**	**72,646**	**(73,174)**	**-**	**(58)**	**958**	**372**
Transfers between equity instruments	-	-	-	72,540	(73,174)	-	(58)	692	-
Other valuations	-	-	-	106	-	-	-	-	106
Changes in the scope of consolidation	-	-	-	-	-	-	-	266	266
Balances at 31 December 2009	**10,319**	**11,863**	**58,452**	**268,294**	**124,343**	**(70)**	**(13,702)**	**12,946**	**472,445**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity at 31 December 2009.

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2009

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

1. DESCRIPTION AND ACTIVITIES OF THE PARENT

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

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

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

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Basis of presentation

The consolidated financial statements of the CAF Group for 2009 and 2008 were formally prepared by the directors:

- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, including International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the CAF Group's consolidated financial statements for 2009 and 2008 are summarised in Note 3.

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

- So that they present fairly the CAF Group's consolidated equity and financial position at 31 December 2009 and 2008 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the years then ended.

- On the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2009 and 2008 (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The CAF Group's consolidated financial statements for 2008 were approved by the shareholders at the Annual General Meeting of CAF on 6 June 2009. The 2009 consolidated financial statements of the Group and the 2009 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, CAF's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Adoption of International Financial Reporting Standards (IFRSs)

The Group's consolidated financial statements for the years ended 31 December 2009 and 2008 were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, taking into account all the mandatory accounting policies and rules and measurement bases with a material effect, as well as the alternative treatments permitted by the relevant standards in this connection.

The entry into force of IFRS 8 "Operating Segments", the revision of IAS 23 "Borrowing Costs" and the amendments to IFRS 2 "Share-based Payment", IAS 32 and IAS 1 "Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation", IFRS 7 "Financial Instruments - Disclosures", and IAS 39 and IFRIC 9 "Reassessment of Embedded Derivatives" became effective for the first time in 2009 and were applied in the Group's consolidated financial statements without having any significant impact thereon, or on the reported figures or on the presentation and disclosure thereof.

Also, the following interpretations came into force on 1 January 2009: IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 and IAS 19 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". The adoption of these new interpretations did not have any impact during the year on the Group's consolidated financial statements for the year ended 31 December 2009.

The revision of IAS 1 "Presentation of Financial Statements" came into force on 1 January 2009. The purpose of the fundamental changes to this standard is to improve the presentation of the information so that users of consolidated financial statements can analyse changes in equity arising from transactions with the owners acting in their capacity as owners (e.g. dividends and the repayment of capital) separately from non-owner changes (e.g. transactions with third parties or income and expenses recognised directly in equity). The revised standard provides the option of presenting all the income and expenses in a single statement of comprehensive income with subtotals or in two separate statements (an income statement followed by a statement of recognised income and expense). The Group used the latter option in its consolidated financial statements in previous years and in those for 2009.

IAS 1 also introduces new reporting requirements (presenting the balance sheet at an additional date) when the entity applies an accounting policy retrospectively, makes a restatement or reclassifies items in previously issued financial statements. This requirement had no impact in 2009 as such a situation did not arise.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

Standards and Amendments to Standards		**Obligatory Application in the Years Beginning On or After:**
Revision of IFRS 3	Business Combinations	1 July 2009
Amendments to IAS 27	Changes in Ownership Interests	1 July 2009
Amendments to IAS 39	Eligible Hedged Items	1 July 2009
Amendments to IAS 32	Classification of Rights Issues	1 February 2010
IFRS 9 **(1)**	Financial Instruments: Classification and Measurement	1 January 2013
2009 improvements to IFRSs **(1)**	Non-urgent amendments to IFRSs	Various (mainly 1 January 2010)
Amendments to IFRS 2 **(1)**	Share-based Payment Transactions among Group Entities	1 January 2010
Revision of IFRS 24 **(1)**	Related Party Disclosures	1 January 2011

Interpretations		Obligatory Application in the Years Beginning On or After:
IFRIC 12 **(2)**	Service Concession Arrangements	1 April 2009
IFRIC 15 **(2)**	Agreements for the Construction of Real Estate	1 January 2010
IFRIC 17 **(2)**	Distributions of Non-cash Assets to Owners	1 November 2009
IFRIC 18 **(2)**	Transfers of Assets from Customers	1 November 2009
Amendments to IFRIC 14 **(1)**	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19 **(1)**	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

(1) Standards and interpretations not yet adopted by the European Union at the date of formal preparation of these consolidated financial statements.
(2) Date of obligatory application as approved in the Official Journal of the European Union, which differs from the original date set by the IASB.

Revision of IFRS 3 Business Combinations and amendments to IAS 27 Consolidated and Separate Financial Statements

The revised IFRS 3 and the amendments to IAS 27 give rise to very significant changes in several matters relating to accounting for business combinations which, in general, place greater emphasis on the use of fair value. Some of the most significant changes relate to the treatment of transaction costs, which will be accounted for as expenses rather than considered an increase in the cost of the business combination as per the current accounting treatment; step acquisitions, in which the acquirer revalues the existing investment at fair value on the date it obtains control; or the option to measure the non-controlling interests in the acquiree at fair value rather than measure them at the proportional part of the fair value of the net assets acquired as per the current accounting treatment.

Since the standard will be applied prospectively, in general the directors do not expect any significant changes to arise in connection with the business combinations performed. However, the directors have not yet assessed the possible impact that the application of this standard may have on future business combinations and their respective effects on the consolidated financial statements.

Amendment to IAS 39 Eligible Hedged Items

This amendment to IAS 39 aims to clarify two specific hedge accounting issues: (a) when inflation can be a hedged risk, and (b) when purchased options can be designated as hedges. According to the amendment inflation may only be hedged if it is a contractually specified portion of the cash flows to be hedged. Only the intrinsic risk and not the time value of an option may be hedged.

The directors consider that the entry into force of this amendment will not have a significant effect on the Group's consolidated financial statements because it has not arranged any hedges of the type affected by the amendment.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 will in the future replace the current part of IAS 39 relating to classification and measurement. There are very significant differences with respect to the current standard, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current "held-to-maturity investments" and "available-for-sale financial assets" categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial contracts.

At the reporting date, the future impact of the adoption of this standard had still not been analysed.

Amendments to IFRS 2 Share-based Payment

These amendments relate to the recognition of share-based payment transactions among group entities. The main change is that the amendments supersede IFRIC 8 and IFRIC 11 and, accordingly, these interpretations will be repealed since their content is included in the main body of the standard. It is clarified that an entity that receives services from employees or suppliers should account for the transaction even if another group entity settles the arrangement and irrespective of whether it is cash-settled or equity-settled.

In view of the nature of these amendments, they are not expected to have a significant impact on the Group's financial statements.

Amendment to IAS 32 Classification of Rights Issues

This amendment relates to the classification of foreign currency denominated rights issues (rights, options or warrants). Pursuant to this amendment, when these rights are to acquire a fixed number of shares in exchange for a fixed amount, they are equity instruments, irrespective of the currency in which that fixed amount is denominated and provided that other requirements of the standard are fulfilled.

The Group did not issue any instruments of this kind and, therefore, this amendment will not have any impact.

Revision of IAS 24 Related Party Disclosures

The revision of IAS 24 addresses related party disclosures in financial statements. There are two new basic features. The first provides a partial exemption from certain disclosure requirements when the transactions are between state-controlled entities or government-related entities (or an equivalent government institution) and the definition of a related party was simplified, clarifying its intended meaning and eliminating inconsistencies from the definition.

The impact of these amendments was analysed and it will not give rise to any changes in the related parties as currently defined by the Group.

IFRIC 12 Service Concession Arrangements

Service concession arrangements are arrangements whereby a government or other public sector entity grants arrangements for the provision of public services, such as roads, airports, water and power supplies to private sector operators. The government retains control over the assets but the private operator is responsible for the construction, management and maintenance of the public infrastructure. IFRIC 12 establishes how the concession operators must apply the existing IFRSs when accounting for the rights and obligations assumed under arrangements of this type.

The Group has applied this IFRIC early since 2008 (see Note 7).

IFRIC 15 Agreements for the Construction of Real Estate

This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate, helping to clarify when an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts and when it is within the scope of IAS 18 Revenue and, therefore, depending on the nature of the agreement, when and how the revenue should be recognised.

The directors consider that the entry into force of this interpretation will not affect the consolidated financial statements since the Group has been applying policies that are line with those that have now been established in the interpretation.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation applies to the accounting treatment of distributions of non-cash assets to an entity's owners ("dividends payable") although distributions of assets within the same group or between entities under common control are excluded from its scope. The interpretation states that an entity must measure such liabilities at the fair value of the asset to be distributed and that any difference between the carrying amount of the dividend payable and the carrying amount of the asset distributed must be recognised in profit or loss.

The directors consider that the entry into force of this interpretation will not affect the consolidated financial statements since the Group has applied policies that were in line with those that have now been established in the interpretation.

IFRIC 18 Transfers of Assets from Customers

This interpretation applies to the accounting of agreements in which an entity receives from a customer an asset that the entity must then use to provide the customer with access to supplies of goods or services (usual in the case of electricity, gas or water for example). The directors consider that the entry into force of this interpretation will not have a significant effect on the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting by a debtor when all or part of a financial liability is extinguished through the issue of equity instruments to the creditor. The interpretation does not apply to transactions in situations where the counterparties in question are shareholders or related parties, acting in their capacity as such, or where extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability. In this case, the equity instruments issued are measured at fair value at the date the liability is extinguished and any difference between this value and the carrying amount of the liability is recognised in profit or loss. The directors consider that the entry into force of this interpretation will not have a significant effect on the consolidated financial statements.

c) Functional currency

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

The detail of the equivalent euro value of the assets and liabilities of the subsidiaries with functional currencies other than the euro at 31 December 2009 and 2008 is as follows:

	Equivalent Value in Thousands of Euros			
	31/12/09		31/12/08	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Chilean peso	7,354	6,735	240	241
Mexican peso	339,873	267,605	335,121	236,153
Argentine peso	2,529	858	2,673	889
Brazilian real	140,493	90,374	63,487	1,140
US dollar (Note 3-d)	10,149	4,642	6,458	3,502
Pound sterling	2,209	1,775	1,591	1,132
Algerian dinar	1,105	954	-	-
New Turkish lira	4,331	4,032	-	-
Total	**508,043**	**376,975**	**409,570**	**243,057**

The detail of the main balances of subsidiaries with functional currencies in a foreign currency, based on the nature of the items making them up, is as follows:

	Equivalent Value in Thousands of Euros			
	31/12/09		31/12/08	
Nature of the Balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	243,626	-	233,960	-
Property, plant and equipment	57,349	-	8,104	-
Non-current financial assets	16,819	-	5,821	-
Inventories	36,746	-	5,354	-
Trade and other receivables	95,885	-	41,108	-
Other current financial assets	6,029	-	42,955	-
Cash and cash equivalents	51,589	-	72,008	-
Non-current liabilities	-	186,379	-	158,755
Current liabilities	-	190,596	-	81,378
Other	-	-	260	2,924
Total	**508,043**	**376,975**	**409,570**	**243,057**

d) Use of estimates

In the consolidated financial statements of the CAF Group for 2009 and 2008 estimates were occasionally used.

Although these estimates were made on the basis of the best information available at 31 December 2009 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

There have not been any changes in accounting estimates with respect to 2008 that might have had a significant impact on these consolidated financial statements.

e) Comparative information

As required by IAS 1, the information contained in these notes to the consolidated financial statements for 2009 is presented, for comparison purposes, with information relating to 2008.

The 2008 consolidated financial statements, which are included for comparison purposes, were also prepared in accordance with IFRSs as adopted by the European Union on a basis consistent with that applied in 2009.

f) Consolidated Group and basis of consolidation

Scope of consolidation

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

The accompanying consolidated financial statements for the year ended 31 December 2009 were prepared from the individual accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. (Parent - see Note 1) and of the subsidiaries and associates listed below:

	% of Control or Influence	Location	Line of Business	Auditor
Fully consolidated companies				
Industrial Subgroup				
CAF, S.A.	Parent	Guipúzcoa (Spain)	Marketing and manufacture of railway equipment and components.	Deloitte
CAF USA, Inc.	100%	Delaware (USA)	Manufacture and assembly of railway equipment and components.	Grant Thornton
CAF México, S.A. de C.V.	100%	Mexico City (Mexico)	Marketing and manufacture of railway equipment and components.	Deloitte
CAF Brasil Industria e Comercio, S.A.	100%	Sao Paulo (Brazil)	Repair and maintenance of railway equipment and components.	Deloitte
CAF Argentina, S.A.	100%	Buenos Aires (Argentina)	Repair and maintenance of railway equipment and components.	Ernst & Young
CAF Rail UK, Ltda.	100%	Belfast (N. Ireland)	Repair and maintenance of railway equipment and components.	Deloitte
CAF Italia, S.R.L.	100%	Rome (Italy)	Repair and maintenance of railway equipment.	Deloitte
CAF Chile, S.A.	100%	Santiago de Chile (Chile)	Repair and maintenance of railway equipment.	Deloitte
CAF Francia, S.A.S.	100%	Paris (France)	Manufacture and maintenance of equipment.	Deloitte
CAF Turquía, L.S.	100%	Istanbul (TurKey)	Manufacture and maintenance of equipment.	Deloitte
CAF Argelia, E.U.R.L.	100%	Algiers (Algeria)	Manufacture and maintenance of equipment.	Deloitte
Trenes CAF Venezuela, C.A.	99%	Caracas (Venezuela)	Manufacture and maintenance of equipment.	Deloitte
Houston LRV 100, LLC	100%	Delaware (USA)	Manufacture of railway equipment.	-
CFD Bagneres, S.A.	60%	Paris (France)	Manufacture and maintenance of equipment.	Grant Thornton
Trenes de Navarra, S.A.	98.37%	Navarre (Spain)	Manufacture and assembly of railway equipment and components.	Deloitte
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid (Spain)	Manufacture and assembly of railway equipment and components.	Horwath, Spain
Construcciones Ferroviarias CAF-Santana, S.A.	67%	Jaén (Spain)	Manufacture and assembly of railway equipment and components.	Deloitte
Tradinsa Industrial, S.A.	96%	Lleida (Spain)	Railway material repair and maintenance .	Deloitte

	% of Control or Influence	Location	Line of Business	Auditor
Technology Subgroup				
CAF I+D, S.L. (Sole-Shareholder Company)	100%	Guipúzcoa (Spain)	IR&D in connection with railway materials.	-
Traintic, S.L.	99.9%	Guipúzcoa (Spain)	Manufacture of electronic products.	BSK-Bask Consulting, S.L.
Trainelec, S.L.	100%	Guipúzcoa (Spain)	Electronic power equipment.	Deloitte
Nuevas Estrategias de Mantenimiento, S.L.	85%	Guipúzcoa (Spain)	Technology solutions.	BSK-Bask Consulting, S.L.
Desarrollo de Software Miramon 4, S.L.	60%	Guipúzcoa (Spain)	Software development.	BSK-Bask Consulting, S.L.
Bizkaia Ferroviaria, S.L.	100%	Vizcaya (Spain)	Engineering services.	BSK-Bask Consulting, S.L.
Centro de Ensayos y Análisis Cetest, S.L.	100%	Guipúzcoa (Spain)	Trials and accreditation.	BSK-Bask Consulting, S.L.
Lets Ingenieros, S.L.	52.11%	Madrid (Spain)	Technical projects, electronic engineering and manufacture of electronic equipment.	BSK-Bask Consulting, S.L.
Lander Simul. and Training Solutions, S.A.	57%	Guipúzcoa (Spain)	Study and manufacture of simulators.	S.M. Auditores
Geminys, S.L.	100%	Guipúzcoa (Spain)	Preparation, composition and drafting of operating manuals.	Alter Consulting
Seinalia, S.L.	100%	Guipúzcoa (Spain)	Design, manufacture and retailing of signalling equipment.	Deloitte
Services Subgroup				
Actren, S.A. (*)	51%	Madrid (Spain)	Maintenance of railway equipment	Deloitte .
Sermanfer, S.A.U.	100%	Madrid (Spain)	Railway material maintenance services.	Audyge
Sefemex, S.A. de C.V.	100%	Mexico City (Mexico)	Provision of services and administration of personnel.	Almaguer, Guerrero y Cía
Corporación Trainemex, S.A. de C.V.	100%	Mexico City (Mexico)	Administrative and advisory services.	Almaguer, Guerrero y Cía
Inversiones en Concesiones Ferroviarias, S.A.	100%	Guipúzcoa (Spain)	Promotion of companies through ownership interests.	Deloitte
Urbanización Parque Romareda, S.A.	100%	Zaragoza (Spain)	Ownership of shares.	-
Ferrocarriles Suburbanos, S.A. de C.V.	85%	Mexico City (Mexico)	Passenger land transport services.	Deloitte
Ibaia Energía, S.L.	100%	Guipúzcoa (Spain)	Power generation.	BSK-Bask Consulting, S.L.
Sempere Componentes, S.L.	100%	Guipúzcoa (Spain)	Marketing of components.	BSK-Bask Consulting, S.L.
Predictove Ingenieros, S.L.	100%	Guipúzcoa (Spain)	Predictive maintenance services.	Alter Consulting
Agarregune, S.L.	100%	Guipúzcoa (Spain)	Fostering business initiative and investment.	-
Garraiotech, S.L.	80%	Guipúzcoa (Spain)	Logistics services.	BSK-Bask Consulting, S.L.

	% of Control or Influence	Location	Line of Business	Auditor
Construction Subgroup				
Constructora de Sistemas Ferroviarios, S.L.	100%	Guipúzcoa (Spain)	Railway line operating equipment.	Deloitte
Constructora Mex. del Fer. Sub., S.A. de C.V.	100%	Mexico City (Mexico)	Railway line operating equipment.	Deloitte
Companies accounted for using the equity method (Note 9)				
Industrial Subgroup				
Compañía de Vagones del Sur, S.A. (**)	23.45%	Jaén (Spain)	Manufacture of freight wagons.	-
Technology Subgroup				
Asirys Vision Technologies, S.A.	26%	Guipúzcoa (Spain)	Study and manufacture of automated production systems.	S.M. Auditores
Services Subgroup				
Plan Metro, S.L.	40%	Madrid (Spain)	Operating lease of mobile railway material.	Deloitte
Consorcio Traza, S.A. (***)	25%	Zaragoza (Spain)	Ownership of shares	-

(*) Proportionately consolidated company.
(**) The Company owns all the shares of Ditecsa Jaén, S.L.
(***) The Company holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

Changes in the scope of consolidation

In 2009 the Company sold its entire 33% ownership interest in Transitia, Sociedad de promoción de empresas, S.L. for EUR 834 thousand, incurring a loss of EUR 22 thousand. It also acquired 80% of Garraiotech, S.L. for EUR 1,530 thousand, the net assets of which amounted to EUR 1,356 thousand at the purchase date. In addition, Trenes CAF Venezuela, C.A. was incorporated with share capital of EUR 18 thousand and Houston LRV100 LLC with share capital of EUR 7 thousand. In 2009 a capital contribution of EUR 2,056 thousand was also made to incorporate Consorcio Traza, S.A. In 2009 the aforementioned company also incorporated the public-private partnership Los Tranvías de Zaragoza, S.A. with share capital of EUR 10,000 thousand, in which it holds an 80% ownership interest.

In 2008 the Group acquired the remaining 22.43% of the Group company Inversiones en Concesiones Ferroviarias, S.A. for EUR 4,500 thousand, the carrying amount of which at the date of acquisition was EUR 1,363 thousand.

At the end of 2008 the Group disposed of 15% of the ownership interest in the subsidiary Ferrocarriles Suburbanos S.A. de C.V. for EUR 15,756 thousand, which is the same as the cost of the initial investment.

On 13 March 2008 (effective transaction date), the Group acquired 60% of the share capital of the French company Construction Ferroviaire de Bagnères, S.A. This transaction forms part of the expansion process envisaged by the Group. This company also owned all of the shares of Conception Ferroviaire et Developpement, S.A.S., having merged in 2008. This acquisition gave rise to goodwill amounting to EUR 5,296 thousand. The price paid (cost of the business combination) for the acquisition of the aforementioned company amounted to EUR 8,040 thousand and

was paid in cash. Cash and cash equivalents acquired at the acquisition date amounted to approximately EUR 4,744 thousand. These companies engage in the design, technical study and manufacture of railway vehicles and, therefore, form part of the Group's railway segment. This transaction was accounted for by the purchase method of accounting as follows:

	Thousands of Euros		
	Carrying Amount at the Date of Acquisition (*)	**Fair Value Adjustments**	**Fair Value**
Net assets acquired:			
Non-current assets	1,636	-	1,636
Current assets	15,062	-	15,062
Non-current liabilities	(806)	-	(806)
Current liabilities	(11,319)	-	(11,319)
Total			**4,573**
Corresponding to CAF (60%)			**2,744**
Goodwill (Note 7)			**5,296**
Purchase price			**8,040**

(*) Figures for the subgroup acquired.

The cash generating units in relation to goodwill refer to the legal entities themselves.

The following companies were incorporated in 2008: Seinalia, S.L., CAF Turquía, L.S., CAF Francia, S.A.S., CAF Argelia, E.U.R.L., Agarregune, S.L., Transitia, Sociedad de Promoción de Empresas, S.L., Ditecsa Jaén, S.L. and Corporación Trainemex, S.A. de C.V. for EUR 1,000 thousand, EUR 1 thousand, EUR 200 thousand, EUR 232 thousand, EUR 60 thousand, EUR 1,003 thousand, EUR 3 thousand and EUR 4 thousand, respectively.

Consolidation method

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; control exists when the Parent has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. This control is presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee or, even if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control. The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Also, associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Usually this capacity arises because it holds -directly or indirectly- more than 20% of the voting power of the investee. In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations, less any impairment of the individual investments (in the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Group's interest in the associate).

"Joint ventures" are ventures in which the activity is subject to joint control, control being understood to be the power to manage the financial and operating policy of an entity. Joint ventures are proportionately consolidated in the consolidated financial statements, i.e. the financial statements of each venturer include the part of the assets, liabilities, expenses and income that is in proportion to its percentage of ownership.

Translation of foreign currency financial statements

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

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

3. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT BASES APPLIED

The principal accounting policies used by the CAF Group in preparing its consolidated financial statements at 31 December 2009 and 2008 were as follows:

a) Other intangible assets

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

The amounts recognised by the CAF Group as administrative concessions relate, pursuant to IFRIC 12, to the cost incurred in the acquisition or production of the assets required for the operation thereof, and the borrowing costs incurred during the construction period of the infrastructure are capitalised. The administrative concessions are recognised as intangible assets since the related investments will be recovered through the cash flows from passengers and other activities involved in the operation of the concessions and there is no unconditional contractual right to receive cash from the grantor. Therefore, the margin on the internally generated assets will be credited to consolidated income as a reduction in the amortisation charge as the concessions are operated. These amounts will be amortised on a straight-line basis over the concession term (30 years) from the date of commencement of the related services (which occurred in the first half of 2008) (see Note 7).

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to each of the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. The aforementioned cash-generating units must be tested for impairment at least once a year in accordance with the methodology indicated below, recognising, if applicable, the required valuation adjustment.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

b) Property, plant and equipment

Items of property, plant and equipment are carried at cost revalued, where appropriate, pursuant to the applicable legislation, including Guipúzcoa Regulation 11/1996, of 5 December, and Guipúzcoa Decree 13/1991, of 13

December, and the surplus resulting therefrom was treated as part of the cost of these assets, in accordance with IFRSs and pursuant to the alternative accounting treatment provided by IFRS 1, whereby the fair value at the date of transition is used as the deemed cost for certain specific assets.

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

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

Gains (losses) on the disposal of property, plant and equipment items amounted to approximately EUR 244 thousand in 2009 (2008: EUR 182 thousand) and were recognised under "Impairment Losses and Other Gains or Losses on Disposal of Non-Current Assets" in the accompanying consolidated income statements.

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

	Years of Estimated Useful Life
Buildings	25 - 50
Plant and machinery	6 - 10
Other fixtures, tools and furniture	3 - 10
Other items of property, plant and equipment	10

In general, for items of property, plant and equipment requiring a period of over one year to get ready for their intended use, the capitalised costs include the borrowing costs incurred until the asset becomes operational, charged by the supplier or relating to specific- or general-purpose external financing loans that are directly attributable to the acquisition or production thereof.

c) Impairment of assets

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

If the recoverable amount of an asset is less than its carrying amount, the related impairment loss is recognised for the difference with a charge to "Impairment Losses and Gains or Losses on Disposal of Non-Current Assets" in the accompanying consolidated income statement and a credit to "Property, Plant and Equipment" in the accompanying consolidated balance sheet.

Impairment losses recognised on an asset in prior years are reversed when there is a change in the estimate of its recoverable amount, and the value of the asset is increased up to the carrying amount that it would have had had no impairment loss been recognised.

d) Financial instruments

Trade and other receivables

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

The required adjustments are recognised for the difference between the recoverable amount of accounts receivable and their carrying amount determined as indicated in the preceding paragraph. At 31 December 2009 and 2008, except as indicated in Note 7 relating to the account receivable from the concession in Mexico, there are no material non-current receivables without explicit interest.

The Group records allowance for debts in an irregular situation due to late payment, suspension of payments, insolvency or other reasons, after performing a case-by-case collectability analysis. In 2009 and 2008 the net change in impairment losses on accounts receivable was the use of approximately EUR 431 thousand and a net charge of approximately EUR 781 thousand, respectively (see Note 12).

Financial assets

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

(1) Loans and other long-term receivables. These receivables are measured at their amortised cost, using the effective interest rate. The amortised cost is understood to be the initial cost minus principal repayments and any reduction for impairment or uncollectibility. The effective interest rate is the discount rate that exactly matches the initial value to all its cash flows.

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

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

- They have been classified as held-for-trading because they have been acquired to generate a profit through short-term fluctuations in their prices.
- They are financial derivatives provided that they have not been designated as part of a hedging relationship.
- They have been included in this category of assets since initial recognition.

At 31 December 2009, the Group did not have any assets in this category.

(4) Available-for-sale financial assets, which are measured at fair value. This category includes financial assets acquired that are not held for trading purposes and are not classified as held-to-maturity investments or as financial assets at fair value through profit or loss. Substantially all these assets relate to equity investments. These investments are also presented in the consolidated balance sheet at their market value which, in the case of unlisted companies, is obtained using alternative methods, such as comparisons with similar transactions or, if sufficient information is available, discounting the expected cash flows. Changes in market value are recognised with a charge or credit to “Valuation Adjustments” in the consolidated balance sheet until the investments are disposed of, at which time the cumulative balance of this heading relating to the investments disposed of is recognised in full in the consolidated income statement.

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

CAF Group management determines the most appropriate classification for each asset at the time of acquisition and reviews it at year-end.

Cash and cash equivalents

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

Trade and other payables

Accounts payable are initially recognised at market value and are subsequently measured at amortised cost using the effective interest rate.

Bank borrowings and other financial liabilities

Bank borrowings and other financial liabilities are initially recognised at the proceeds received, net of transaction costs, i.e. equivalent to the subsequent application of the amortised cost model, for which the effective interest rate is used. Finance charges are recognised in the consolidated income statement on an accrual basis using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the period in which they arise (see Note 16).

Derivative financial instruments

The Group uses derivative financial instruments to hedge the foreign currency risk to which its project contracts and certain investments in investees are exposed. Accordingly, the CAF Group has arranged forward currency contracts denominated mainly, in US dollars, yen, Mexican pesos, pounds sterling and Brazilian real (see Note 17).

The Group reviews the conditions that a financial derivative must meet to qualify for hedge accounting to ensure that such conditions are met, i.e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it is effective in offsetting any risk inherent to the hedged item or position throughout the expected term of the hedge; and (3) there is sufficient documentation evidencing that the financial derivative was specifically arranged to hedge certain balances or transactions and the manner in which the effectiveness of the hedge was expected to be achieved and measured, provided that this is consistent with the Group's risk management policy.

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

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

– In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items attributable to the type of risk being hedged are recognised directly in "Financial Profit (Loss)" in the accompanying consolidated income statement. The Group records as fair value hedges the hedges arranged for construction work commenced in or after 2006, since the necessary conditions are met for hedges of this nature.

– In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instruments are recognised temporarily in equity under "Valuation Adjustments". This method is used by the Group to hedge work

commenced in 2005 and in prior years and for work in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction.

To the extent that a highly probable transaction gives rise to a firm commitment, the amounts previously recognised in equity are reclassified to the consolidated income statement.

– In hedges of a net investment in a foreign operation, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognised temporarily in equity under "Translation Differences". This hedge was used for the equity of CAF USA, Inc.

e) Inventory measurement bases

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

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

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

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

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

f) Recognition of contract revenue and profit

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

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

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

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

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

Sales of products, basically rolling stock, are recognised when the goods and title thereto are transferred.

g) Customer advances and completed contract work

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

– If the difference is positive, under "Trade and Other Receivables - Trade Receivables for Sales and Services - Unbilled Completed Contract Work" (see Note 11).

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

h) Foreign currency transactions and other commitments

The foreign currency asset and liability balances of consolidated foreign companies were translated to euros as explained in Note 2-f. The remaining non-monetary foreign currency asset and liability balances were translated at the exchange rate prevailing at each year-end, and the positive and negative exchange differences between the exchange rate used and the year-end exchange rate were recognised in income. Foreign currency transactions for which the CAF Group decided to arrange financial derivatives in order to mitigate the foreign currency risk are recognised as described in Note 3-d.

i) Current/Non-current classification

In the accompanying consolidated balance sheet debts due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

j) Government grants

The Group companies recognise government grants received as follows:

1. Grants related to assets are recognised at the amount granted, as a reduction of the value of the subsidised asset when they are definitively granted and are credited to income in proportion to the period depreciation on the subsidised assets.
2. Grants related to income are credited to income when they are definitively granted by reducing the subsidised costs.

k) Post-employment benefits

The consolidated companies' legal and contractual obligations to certain of their employees in relation to retirement and death are met through premiums in the form of defined contributions and benefits to funds or in the process of being externalised at independent insurance companies (see Note 15). The contributions made in 2009 for various groups of employees amounted to EUR 3,619 thousand (2008: EUR 3,200 thousand) and were charged to "Staff Costs" in the accompanying consolidated income statements. The Group did not have any amounts payable or any actuarial deficits in this connection at 31 December 2009 or 2008. Also, in accordance with the applicable collective labour agreement, the Parent contributes an additional 1.75% of the base salary of all its employees to an employee welfare entity.

Also, the Parent's directors, based on the conclusions to a study conducted by their legal advisers, considered in 2006 that a historical right of certain of its employees had vested. In accordance with the accrual basis of accounting, EUR 734 thousand (31 December 2008: EUR 1,120 thousand), calculated by an independent valuer, were recognised under "Trade and Other Payables- Other Payables" in the consolidated balance sheet at 31 December 2009. This amount is the difference between the present value of the defined benefit obligations and the fair value of the assets qualifying as plan assets. The future modifications to the commitment assumed will be charged to the income statement for the related year. In 2009 the Group paid EUR 781 thousand (2008: EUR 608 thousand) and made provisions amounting to EUR 395 thousand and EUR 521 thousand, respectively, with a charge to "Staff Costs - Wages and Salaries" in the accompanying consolidated income statement (see Note 22).

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

l) Early retirements and termination benefits

At 31 December 2009, "Non-Current Liabilities - Other Financial Liabilities" and "Trade and Other Payables - Other Payables" in the accompanying consolidated balance sheet included EUR 8,573 thousand and EUR 3,376 thousand, respectively, (2008: EUR 7,713 thousand and EUR 2,220 thousand) relating to the present value estimated by the Parent's directors of the future payments to be made to employees that were no longer providing services to the Parent and with whom hand-over contracts had been entered into. This provision was recognised in 2009 with a charge of EUR 6,080 thousand (2008: EUR 2,555 thousand) to "Staff Costs - Wages and Salaries" in the accompanying consolidated income statement for 2009 (see Notes 18 and 22).

m) Income tax

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

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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

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

n) Leases

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

Expenses arising in leased assets are allocated to "Other Operating Expenses" in the consolidated income statement over the term of the lease on an accrual basis.

ñ) Provisions and contingent liabilities

In the preparation of the consolidated financial statements, the Parent's directors drew a distinction between:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, the amount and/or timing of which cannot be determined.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The consolidated financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements but rather are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow in settlement is considered to be remote.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised, as a result of which the Group is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be quantified reasonably are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying consolidated financial statements do not include any provision in this connection since no situations of this nature are expected to arise.

o) Environmental matters

The Group recognises environmental investments at acquisition or production cost, net of the related accumulated depreciation, and classifies them by nature in the appropriate "Property, Plant and Equipment" accounts (see Notes 8 and 21-c).

Expenses incurred in order to comply with the applicable environmental legislation are classified by nature under "Other Operating Expenses" in the accompanying consolidated income statement (see Note 21-c).

Also, Royal Decree 1370/2006 regulating the Spanish National CO_2 Emission Rights Plan for 2008-2012 was approved in 2006, subsequently amended by Royal Decree 1030/2007. In accordance with this legislation, the Group must hold CO_2 emission allowances allocated to it on or after 1 January 2008. Under the Royal Decree the allocation at zero cost of individual emission allowances for each facility for 2008-2012 was approved. The Group was allocated emission allowances for the emission of 154,365 tonnes of CO_2 in that period. If the emissions made exceed the volume of rights allocated, emission allowances will have to be acquired in the market.

From 2005 onwards European companies that emit CO_2 in the course of their business activity must deliver in the first few months of the following year CO_2 emission allowances equal to the emissions made during the year.

In 2009 The Group made emissions of 16,975 tonnes (2008: 20,003 tonnes), whereas it had been allocated allowances for the emission of 30,873 tonnes for each year. As a result, the Group did not recognise any liability at year-end.

p) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

In accordance with the accounting principle of prudence, the Group only recognises realised revenue at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known.

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

q) Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows, which were prepared using the indirect method, with the meanings specified:

– Cash flows: inflows and outflows of cash and cash equivalents.

– Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

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

– Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

r) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year.

In the consolidated financial statements of the CAF Group for the years ended 31 December 2009 and 2008, the basic earnings per share and the diluted earnings per share coincided since there were no dilutive potential shares outstanding in those years.

s) Discontinued operations

A discontinued operation is a sufficiently significant line of business that it has been decided to abandon and/or sell, whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Income and expenses of discontinued operations are presented separately in the consolidated income statement.

No line of business or business segment was discontinued in 2009 or 2008.

t) Related party transactions

The Group carries out all of its transactions with related companies on an arm's length basis. Also, transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4. DISTRIBUTION OF THE PROFIT OF THE PARENT

The distribution of the Parent's profit for 2009 proposed by its directors is as follows:

Distribution	Thousands of Euros
To voluntary reserves	97,636
Dividends	35,995
Total	**133,631**

5. FINANCIAL RISK MANAGEMENT POLICY AND OTHER

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

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

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

a) Market risk

The various CAF Group companies operate internationally and, therefore, are exposed to foreign currency risk in their foreign currency transactions (particularly the US dollar, Mexican peso and Brazilian real). This risk arises on future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

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

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

b) Credit risk

The Group's accounts receivable and work in progress relate mainly to customers abroad. Contracts generally include progress billings.

The Group's standard practice is to hedge against the risk of termination or default associated with contracts entered into with customers in non-OECD countries by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature.

c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, marketable securities and available funds to cover all the Group's commitments on a timely basis (see Notes 13 and 16).

The 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 on borrowings.

The CAF Group's policy is to resort in exceptional circumstances only to third-party borrowings in the form of short-term debt tied to variable market indices, normally Euribor. Accordingly, the interest rate risk is substantially mitigated. In this regard, the financial liabilities at 31 December 2009 and 2008 related substantially in full to the concession obtained in Mexico (see Notes 7 and 16) and took the form of structured project financing at a fixed rate without recourse to the other Group companies and, therefore, the sensitivity of the Group's accounts to interest rate fluctuations is very reduced.

e) Risks arising from deviations from project budgets -

Deviations from project budgets that served as the basis for drawing up the various offers are covered through the use of a detailed system for reporting each of the cost items, which compares the budget for that item with the actual situation regarding the costs of each project. Accordingly, over the course of the projects, these data are monitored continuously using an internal procedure created for this purpose in which all the departments involved in each project participate.

f) 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 and 9002 standards.

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

6. SEGMENT REPORTING

a) Basis of segmentation

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

– On a basis by business unit, distinguishing between the “railway”, “rolling stock and components” and "concession business” operating activities.

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

b) Basis and methodology for segment reporting

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

In accordance with the basis for primary segment reporting set forth in IFRSs (IFRS 8 Operating Segments), the CAF Group considered the three business units operated by it as its primary segments, since it considers that its organisational and management structure and its system of internal reporting to its managing and executive bodies are such that the risks and returns are affected predominantly by the fact that its operations are performed in one or

the other business area, taken to be all of the related products and services. Accordingly, the segmentation is made up of the CAF Group's identifiable components that are subject to risks and returns that are different from those of components operating in other economic environments.

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

- Railway
- Rolling stock and components
- Concession business

Segment information about the businesses is as follows:

	2009 (Thousands of Euros)					
Segmentation by Business Unit	**Railway**	**Rolling Stock and Components**	**Concession Business**	**General**	**Inter-segment**	**Total**
REVENUE:						
External sales	1,172,326	68,153	17,562	-	-	1,258,041
Inter-segment sales	21,829	32,526	-	-	(54,355)	-
Total sales	**1,194,155**	**100,679**	**17,562**	**-**	**(54,355)**	**1,258,041**
RESULT:						
Profit/loss from operations	134,849	15,555	(13,427)	(1,205)	-	135,772
Financial/profit loss (*)	-	-	(23,552)	8,437	-	(15,115)
Share of net results of associates	(524)	-	-	-	-	(524)
Profit/loss before tax	**134,325**	**15,555**	**(36,979)**	**7,232**	**-**	**120,133**
Income tax (*)	-	-	7,686	(8,113)	-	(427)
Net profit/loss for the year	**134,325**	**15,555**	**(29,293)**	**(881)**	**-**	**119,706**
Profit/loss attributable to non-controlling interests	243	-	4,394	-	-	4,637
Profit/loss attributable to the Parent	**134,568**	**15,555**	**(24,899)**	**(881)**	**-**	**124,343**
Depreciation and amortisation charge (Notes 7 and 8)	10,980	6,276	9,350	268	-	26,874
ASSETS	**1,392,363**	**114,032**	**184,059**	**678,304**	**(19,637)**	**2,349,121**
LIABILITIES	**1,547,784**	**22,490**	**217,520**	**108,519**	**(19,637)**	**1,876,676**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	85,675	15,403	-	-	-	101,078
OTHER ITEMS NOT AFFECTING CASH FLOWS:						
Asset impairment- Income (Expense)	3,728	-	-	-	-	3,728

(*) The financial loss and income tax expense of the "Railway" and “Rolling Stock and Components” segments are included in full in the “General” column since various legal entities coincide and there is no reasonable basis to allocate them by segment.

Segmentation by Business Unit	2008 (Thousands of Euros) Railway	Rolling Stock and Components	Concession Business	General	Inter-segment	Total
REVENUE:						
External sales	924,172	71,971	8,808	-	-	1,004,951
Inter-segment sales	82,601	21,146	-	-	(103,747)	-
Total sales	**1,006,773**	**93,117**	**8,808**	**-**	**(103,747)**	**1,004,951**
RESULT:						
Profit/loss from operations	80,213	15,376	9,330	(2,565)	-	102,354
Financial/profit loss	-	-	(11,648)	16,000	-	4,352
Share of net results of associates	(294)	-	-	-	-	(294)
Profit/loss before tax	**79,919**	**15,376**	**(2,318)**	**13,435**	**-**	**106,412**
Income tax (*)	-	-	3,677	(3,381)	-	296
Net profit/loss for the year	**79,919**	**15,376**	**1,359**	**10,054**	**-**	**106,708**
Profit/loss attributable to non-controlling interests	(672)	-	(295)	-	-	(967)
Profit/loss attributable to the Parent	**79,247**	**15,376**	**1,064**	**10,054**	**-**	**105,741**
Depreciation and amortisation charge (Notes 7 and 8)	11,364	4,450	4,619	241	-	20,674
ASSETS	**906,792**	**93,747**	**202,282**	**746,060**	**(35,275)**	**1,913,606**
LIABILITIES	**1,209,355**	**27,631**	**213,170**	**121,395**	**(35,275)**	**1,536,276**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	48,948	15,471	21,768	-	-	86,187
OTHER ITEMS NOT AFFECTING CASH FLOWS:						
Asset impairment- Income (Expense)	(3,728)	-	-	-	-	(3,728)

(*) The financial profit and income tax expense of the "Railway" and "Rolling Stock and Components" segments are included in full in the "General" column since various legal entities coincide and there is no reasonable basis to allocate them by segment.

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

The external sales figure of the railway segment in 2009 includes sales of goods amounting to EUR 1,094,401 thousand (2008: EUR 850,272 thousand), and the remainder relates to the provision of services.

The information based on geographical location is as follows:

a) The breakdown of sales by geographical area at 31 December 2009 and 2008 is as follows (thousands of euros):

Geographical Area	2009	%	2008	%
Spain	723,685	57.52	593,724	59.08
Abroad (*)	534,356	42.48	411,227	40.92
Total	**1,258,041**	**100.00**	**1,004,951**	**100.00**

(*) Most of the sales to foreign markets are performed by the Parent located in Spain.

b) The distribution of net investments in property, plant and equipment by geographical area at 31 December 2009 and 2008 is as follows (in thousands of euros):

Geographical Area	2009	2008
Spain	215,470	198,519
Abroad	59,163	6,111
Total	**274,633**	**204,630**

Also, in addition to the information in the foregoing table, in 2009 and in prior years, the Group invested in the infrastructure required to provide the services relating to the concession in Mexico. These assets, in accordance with the applicable legislation, are recognised under "Other Intangible Assets - Administrative Concessions" (see Note 7). All these investments were made in Mexico.

7. OTHER INTANGIBLE ASSETS

The changes in the years ended 31 December 2009 in "Other Intangible Assets" and in the related accumulated amortisation were as follows:

	Thousands of Euros				
	Administrative Concessions	Development Expenditure	Computer software	Goodwill	Total
Balance at 31/12/07					
Cost	194,884	18,165	10,047	48	223,144
Accumulated amortisation	-	(15,992)	(9,596)	-	(25,588)
Net	**194,884**	**2,173**	**451**	**48**	**197,556**
Cost					
Inclusions in the scope of consolidation (Note 2-f)	-	-	80	15	95
Additions	21,768	5,994	686	5,384	33,832
Transfers to inventories	-	-	(103)	-	(103)
Disposals or reductions	-	-	(445)	-	(445)
Translation differences	(52,466)	-	(5)	-	(52,471)
Cost balance at 31/12/08	**164,186**	**24,159**	**10,260**	**5,447**	**204,052**
Inclusions in the scope of consolidation (Note 2-f)	-	273	213	-	486
Additions	(13,560)	12,371	1,314	445	570
Transfers to inventories	-	(2,053)	(236)	-	(2,289)
Disposals or reductions	-	-	-	-	-
Translation differences	6,505	-	6	-	6,511
Cost balance at 31/12/09	**157,131**	**34,750**	**11,557**	**5,892**	**209,330**
Accumulated amortisation					
Translation differences	1,667	-	23	-	1,690
Inclusions in the scope of consolidation (Note 2-f)	-	-	(55)	-	(55)
Additions or charge for the year	(5,876)	(1,372)	(125)	-	(7,373)
Transfers to inventories	-	-	1	-	1
Disposals or reductions	-	-	445	-	445
Accumulated amortisation at 31/12/08	**(4,209)**	**(17,364)**	**(9,307)**	**-**	**(30,880)**
Translation differences	(219)	-	(3)	-	(222)
Inclusions in the scope of consolidation (Note 2-f)	-	(113)	-	-	(113)
Additions or charge for the year	(6,733)	(1,304)	(278)	-	(8,315)
Transfers	-	-	-	-	-
Disposals or reductions	-	-	-	-	-
Accumulated amortisation at 31/12/09	**(11,161)**	**(18,781)**	**(9,588)**	**-**	**(39,530)**
Net balance at 31/12/08	**159,977**	**6,795**	**953**	**5,447**	**173,172**
Net balance at 31/12/09	**145,970**	**15,969**	**1,969**	**5,892**	**169,800**

As discussed in Note 3-a, in 2009 the Group transferred EUR 2,289 thousand of capitalised development expenditure relating to projects to various contracts obtained that incorporate the technology developed (see Note 11).

The detail, by company, of the goodwill is as follows (in thousands of euros):

	Thousands of Euros	
	31/12/09	**31/12/08**
CFD Bagneres, S.A.	5,296	5,296
Lets Ingenieros, S.L.	48	48
Garraiotech, S.L.	445	-
Predictove Ingenieros, S.L.	88	88
Other	15	15
Total	**5,892**	**5,447**

The amount recognised for "Administrative Concessions" relates to the cost incurred in relation to the assets required to operate the concession in Mexico amounting to EUR 223,225 thousand (2008: EUR 225,635 thousand), net of the translation differences and grants received amounting to EUR 77,256 thousand at 31 December 2009 (31 December 2008: EUR 65,660 thousand). The grants received in 2009 amounted to EUR 12,565 thousand (2008: EUR 18,064 thousand). The Group began to operate the concession in the second quarter of 2008. The borrowing costs incurred in 2008 until operations commenced were capitalised as an increase in the value of the concession amounting to EUR 8,342 thousand.

On 4 December 2003 and 24 June 2005, the Mexican Department of Communications and Transport (SCT) entered into two specific coordination agreements with the Mexican Government for the construction of the suburban railway in the metropolitan area of Mexico Valley.

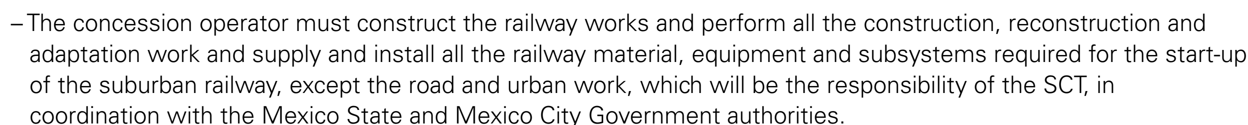
On 12 July 2005, the Official Federation Gazette published the call notice and the general specifications for participating in the public call for tenders for the grant of a concession to provide the scheduled public suburban rail passenger transport service (Cuautitlán-Buenavista route), in Mexico State and in Mexico City, and for the use and operation of the Federation's public domain property, which included the licenses to provide the necessary auxiliary services. Subsequently, modifications were issued on 20 July 2005 and 23 August 2005, which were notified to the participants.

On 25 August 2005, the SCT granted the concession to the subsidiary Ferrocarriles Suburbanos, S.A. de C.V.

The general terms and conditions of the concession are as follows:

- The concession will have a term of 30 years from the date on which the concession is signed, after which the assets of the concession operator will be transferred to the concession grantor. The periods in which any events arise not attributable to the concession operator leading to a delay in commencement or to a suspension of the transport service will not be taken into account in the calculation of the concession term. The concession operator may request that the concession term be extended.

- The concession operator will be entitled to be granted obligatory rights of way to provide the transport service on the Cuautitlán-Buenavista and Cuautitlán-Huehuetoca sections of the General North-eastern Railway Link.



– The concession operator must construct the railway works and perform all the construction, reconstruction and adaptation work and supply and install all the railway material, equipment and subsystems required for the start-up of the suburban railway, except the road and urban work, which will be the responsibility of the SCT, in coordination with the Mexico State and Mexico City Government authorities.

In 2008 the Group reached an agreement with the concession grantor whereby the Group will receive an indemnity of EUR 26 million in consideration of delays incurred for reasons beyond its control. This indemnity was recognised under "Other Operating Income" in the consolidated income statement and with a charge to "Trade and Other Receivables- Other Accounts Receivable" in the consolidated balance sheet at 31 December 2008. The directors consider that this amount will be realised in 2011, having been valued at amortised cost, recognising an expense of EUR 3,591 thousand in the accompanying 2009 consolidated income statement.

On 5 August 2009, in conformity with the Title to the Concession, the Group notified the Department of Communications and Transport (SCT) in due time and manner of the existence of an event of force majeure as defined in accordance with the terms and conditions of the concession, which consists mainly of the lower number of users of the suburban railway due to the incomplete implementation of the Transport Plan envisaged in the concession by the competent authorities, giving rise to lower revenue for the Group. At the date of formal preparation of these consolidated financial statements, the Group was still in negotiations with the SCT against which no collection rights had been formalised or had materialised in relation to the aforementioned claim.

The directors of the Parent, based on studies commissioned from third parties, consider that the future operation of the concession will make it possible to recover the net cost of the assets used therein. Their recoverable amount was estimated on the basis of their value in use, which was based on assumptions relating to growing passenger numbers reaching stable levels, cash flow generation, the growth rates thereof and market discount rates (WAAC).

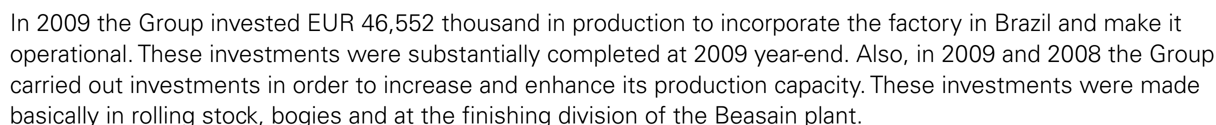
The detailed terms and conditions of the concession are included in the general tender specifications.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2009 and 2008 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

	Thousands of Euros					
	Land and Buildings	Plant and Machinery	Other Fixtures, Tools and Furniture	Other Items of Property, Plant and Equipment	Advances and Property, Plant and Equipment in the Course of Construction	Total
Balance at 31/12/07						
Cost	157,775	163,043	9,620	16,961	1,331	348,730
Accumulated depreciation	(53,155)	(104,706)	(5,936)	(13,010)	-	(176,807)
Net	**104,620**	**58,337**	**3,684**	**3,951**	**1,331**	**171,923**
Cost or market value						
Inclusions in the scope of consolidation (Note 2-f)	-	2,481	49	13	-	2,543
Additions	16,006	24,077	1,628	3,258	7,386	52,355
Transfers	5,549	646	71	2	(6,011)	257
Disposals or reductions	-	(3,601)	(25)	(103)	-	(3,729)
Translation differences	(745)	77	(110)	(97)	(6)	(881)
Balance at 31/12/08	**178,585**	**186,723**	**11,233**	**20,034**	**2,700**	**399,275**
Inclusions in the scope of consolidation (Note 2-f)	-	-	1	10	-	11
Additions	7,789	29,278	7,190	3,443	39,248	86,948
Transfers	24,716	3,079	(544)	45	(27,494)	(198)
Disposals or reductions	(344)	(3,797)	(32)	(352)	(2,793)	(7,318)
Translation differences	1,671	595	371	25	484	3,146
Balance at 31/12/09	**212,417**	**215,878**	**18,219**	**23,205**	**12,145**	**481,864**
Accumulated depreciation						
Inclusions in the scope of consolidation	-	(863)	(11)	(13)	-	(887)
Additions or charge for the year	(3,883)	(10,370)	(815)	(1,349)	-	(16,417)
Transfers	(80)	(77)	(22)	(26)	-	(205)
Disposals or reductions	-	3,291	43	80	-	3,414
Translation differences	(40)	(57)	21	61	-	(15)
Accumulated depreciation at 31/12/08	**(57,158)**	**(112,782)**	**(6,720)**	**(14,257)**	**-**	**(190,917)**
Inclusions in the scope of consolidation (Note 2-f)	-	-	-	(2)	-	(2)
Additions or charge for the year	(3,547)	(13,624)	(1,240)	(1,663)	-	(20,074)
Transfers	-	28	28	(24)	-	32
Disposals or reductions	6	3,320	29	351	-	3,706
Translation differences	32	43	(35)	(16)	-	24
Accumulated depreciation at 31/12/09	**(60,667)**	**(123,015)**	**(7,938)**	**(15,611)**	**-**	**(207,231)**
Net balance at 31/12/08 (*)	**121,427**	**73,941**	**4,513**	**5,777**	**2,700**	**208,358**
Net balance at 31/12/09	**151,750**	**92,863**	**10,281**	**7,594**	**12,145**	**274,633**

(*) Before taking impairment losses into account.



In 2009 the Group invested EUR 46,552 thousand in production to incorporate the factory in Brazil and make it operational. These investments were substantially completed at 2009 year-end. Also, in 2009 and 2008 the Group carried out investments in order to increase and enhance its production capacity. These investments were made basically in rolling stock, bogies and at the finishing division of the Beasain plant.

The revaluations of property, plant and equipment made pursuant to Guipúzcoa Regulation 11/1996 and Guipúzcoa Decree 13/1991 increased the depreciation charge for 2009 and prior years by approximately EUR 145 thousand and EUR 4,523 thousand respectively (2008: EUR 145 thousand and EUR 4,378 thousand, respectively).

At 31 December 2009 and 2008, the Group had firm capital investment commitments amounting to approximately EUR 10,193 thousand and EUR 17,966 thousand.

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2009 and 2008, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2009 and 2008, the gross value of fully depreciated assets in use amounted to approximately EUR 136,556 thousand and EUR 129,771 thousand.

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 31 December 2009, the net un-depreciated amount of the grants received totalled EUR 6,035 thousand (31 December 2008: EUR 6,194 thousand). EUR 1,322 thousand were allocated to income in this connection in 2009 (2008: EUR 1,215 thousand), and this amount was recognised under “Depreciation and Amortisation Charge” in the accompanying consolidated income statement.

Impairment losses

The directors consider that there was no indication of impairment of the Group's assets located abroad at 31 December 2009. In 2008 a EUR 3,728 thousand impairment loss was recognised with the purpose of valuing certain assets at their recoverable amount. This impairment loss was reversed in 2009 as the factors giving rise to it ceased to exist (see Note 3-c).

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

The changes in the years ended 31 December 2009 and 2008 in "Investments Accounted for Using the Equity Method" and "Non-Current Financial Assets" were as follows:

	Thousands of Euros								
	Investments in Associates	Equity Instruments		Other Financial Assets		Derivative Financial Instruments (Note 17)	Loans and Receivables		Total
	Cost	Cost	Impairment Losses	Cost	Impairment Losses	Market Value	Cost	Impairment Losses	
Balance at 31/12/07	**2,064**	**17,952**	**(721)**	**1,584**	**-**	**368**	**14,160**	**(7,472)**	**27,935**
Changes in the scope of consolidation (Note 2-f) (*)	12,235	20	-	8	-	-	68	-	12,331
Additions or charge for the year (*)	(294)	3,504	-	134	-	9,196	51,609	(220)	63,929
Disposals or reductions (*)	(537)	-	-	(177)	-	-	(524)	-	(1,238)
Transfers and write-offs	-	-	721	-	-	(368)	(5,372)	(23,689)	(28,708)
Balance at 31/12/08	**13,468**	**21,476**	**-**	**1,549**	**-**	**9,196**	**59,941**	**(31,381)**	**74,249**
Changes in the scope of consolidation (Note 2-f) (*)	2,056	-	-	8	-	-	-	-	2,064
Additions or charge for the year (*)	(2,467)	1,621	-	189	-	1,239	7,672	-	8,254
Disposals or reductions (*)	(866)	-	-	(983)	-	-	(4,920)	-	(6,769)
Transfers and write-offs	-	(456)	-	456	-	(9,196)	(7,014)	2,590	(13,620)
Balance at 31/12/09	**12,191**	**22,641**	**-**	**1,219**	**-**	**1,239**	**55,679**	**(28,791)**	**64,178**

(*) Including the exchange rate effect

A detail of the Group's non-current financial assets at 31 December 2009 and 31 December 2008, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros				
	31/12/09				
Financial Assets: Nature / Category	**Available-for-Sale Financial Assets**	**Loans and Receivables**	**Held-to-Maturity Investments**	**Hedges**	**Total**
Equity instruments	22,641	-	-	-	22,641
Derivative financial instruments	-	-	-	1,239	1,239
Other financial assets	251	26,888	968	-	28,107
Long-term / non-current	**22,892**	**26,888**	**968**	**1,239**	**51,987**

Financial Assets: Nature / Category	Thousands of Euros				
	31/12/08				
	Available-for-Sale Financial Assets	Loans and Receivables	Held-to-Maturity Investments	Hedges	Total
Equity instruments	21,476	-	-	-	21,476
Derivative financial instruments	-	-	-	9,196	9,196
Other financial assets	152	28,561	1,396	-	30,109
Long-term / non-current	**21,628**	**28,561**	**1,396**	**9,196**	**60,781**

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

2009

	2011	2012	2013	2014 and Subsequent Years	Total
Held-to-maturity investments	-	-	-	968	968
Loans and receivables	7,337	5,091	4,032	10,428	26,888
Derivative financial instruments	767	472	-	-	1,239
Total	**8,104**	**5,563**	**4,032**	**11,396**	**29,095**

2008

	2010	2011	2012	2013 and Subsequent Years	Total
Held-to-maturity investments	-	346	346	704	1,396
Loans and receivables	4,251	4,024	5,725	14,561	28,561
Financial derivatives	7,541	1,655	-	-	9,196
Total	**11,792**	**6,025**	**6,071**	**15,265**	**39,153**

a) Investments in associates

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

Name	Location	Company Object and Business Activity	Ownership Interes		Investments in Associates	Basic Financial Data (1)			Revenue	Assets	Auditor
			Direct	Indirect		Share Capital	Reserves and Retained Earnings	2009 Profit			
Compañía de Vagones del Sur, S.A.	Jaén (Spain)	Manufacture of freight wagons.	-	35% **(2)**	1,181	3,703	(85)	(244)	-	19,987	PwC
Asirys Vision Technologies, S.A.	Guipúzcoa (Spain)	Study and manufacture of automated production systems.	-	26% **(3)**	43	154	11	(66)	21	15	S.M. Auditores
Plan Metro, S.A.	Guipúzcoa (Spain)	Lessor of railway equipment.	-	40% **(4)**	8,911	60	28,077	(1,003)	-	372,563	Deloitte
Consorcio Traza, S.A.	Zaragoza (Spain)	Ownership of shares.	25%	-	2,056	65	8,158	-	-	8,223	PwC

(1) After adjustments and unification for consolidation purposes (in thousands of euros).
(2) Through CAF Santana, S.A., investee also 67% owned. The Company owns all of the shares of Ditecsa Jaén, S.A.
(3) Through CAF I+D, S.L.
(4) Through Inversiones en Concesiones Ferroviarias, S.A.

	Thousands of Euros	
	2009	**2008**
Beginning balance	**13,468**	**2,064**
Profits of companies and adjustment to margins	(2,467)	(294)
Disposals or reductions	(866)	(537)
Changes in the scope of consolidation	2,056	12,235
Ending balance	**12,191**	**13,468**

In 2009 Consorcio Traza, S.A. was jointly incorporated by the Group and other shareholders. This company also incorporated the public-private partnership Los Tranvías de Zaragoza, S.A. in which it holds an 80% ownership interest amounting to EUR 10,000 thousand. It also sold 33% of the share capital of Transitia SPE, S.L. for EUR 834 thousand, incurring a loss of EUR 22 thousand.

b) Non-current investment securities

Name	% of Ownership	Investment Cost (thousands of euros) 2009	2008
Alquiler de Trenes A.I.E	5	1,202	1,202
Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A.	10.31	13,220	11,911
Dano-Rail, S.Coop.	20	338	338
Ferromovil 3000, S.L.	10	3,181	3,181
Alquiler de Metros A.I.E	5	66	66
Plan Azul 07, S.L	5.2	1,381	1,381
Arrendadora de Equipamientos Ferroviarios, S.A	15	1,908	1,908
Iniciativa FIK, AIE	6.25	1,344	1,031
FIK Advanlife, S.L.	6	1	1
Other		-	457
		22,641	**21,476**

At 31 December 2009 and 2008, these shares had been pledged to secure a financing agreement entered into by Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A. and a bank on 16 February 2004.

In 2009 and 2008, through the subsidiary Inversiones en Concesiones Ferroviarias, S.L., the Group subscribed to two capital increases at Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A. for EUR 1,309 thousand and EUR 2,043 thousand, having increased the percentage of ownership in the company from 7.6% to 10.31%.

In 2008 a capital increase of EUR 720 thousand was performed at Arrendadora de Equipamientos Ferroviarios, S.A., which was subscribed by its shareholders in proportion to their existing ownership interests (15%). This company engages in the operating lease to a third party of vehicles manufactured by the Group.

Since 2008 the Group also held shares representing 6.25% and 6% of the share capital of Iniciativa FIK, AIE and FIK Advanlife S.L., respectively, the company object thereof being the research, development and use of scientific and technological knowledge in the field of ageing and disability healthcare technology. The par value of the shares amounted to EUR 3,125 thousand and EUR 313 thousand, respectively. The Group has outstanding payments for these shares amounting to EUR 1,781 thousand, payable in six-monthly payments of EUR 156 thousand each.

All the investments were measured at cost, since their market value could not be determined reliably (see Note 3-d).

c) Derivative financial instruments

"Derivative Financial Instruments" includes the market value of the foreign exchange hedges maturing at long term (see Note 17).

d) Loans and receivables

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

	31/12/09	31/12/08
Loans to employees	3,625	3,631
Share ownership scheme obligations	47,701	54,715
Provisions	(28,791)	(31,381)
Non-current tax receivables and payables (Note 19)	3,605	842
Other	748	753
Total	**26,888**	**28,560**

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

In 2008 the Parent sold various non-controlling interests to the Group company Inversiones en Concesiones Ferroviarias, S.A. for a nominal amount of EUR 5,849 thousand and, accordingly, recognised a gain of EUR 651 thousand with a credit to "Impairment and Gains or Losses on Disposal of Financial Instruments" in the consolidated income statement.

Cartera social

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

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

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

Since the Parent purchased the aforementioned rights at a higher price, at the sum of the price at which it sold them to its employees and the contributions made to the scheme by Cartera Social, the Parent incurred losses of EUR 49.6 million on the three acquisitions, which were recognised in full in previous years, including the applicable adjustments.

The majority of the rights not yet sold to employees at 31 December 2009, relate to the last phase in 2007. All of the schemes were set up under similar terms and conditions.

As a result of the foregoing, at 31 December 2009, the Parent had recognised a gross amount of EUR 47,701 thousand (2008: EUR 54,715 thousand), in relation to these rights under "Non-Current Financial Assets - Loans and Receivables" in the accompanying consolidated balance sheet.

However, in order to reduce the cost of the rights acquired to their net recoverable amount, at 31 December 2009, the Group had recognised an impairment loss of EUR 32,799 thousand of which EUR 28,791 thousand related to impairment of non-current financial assets (EUR 33,280 thousand at 31 December 2008, of which EUR 31,381

thousand related to impairment of non-current financial assets) and the remainder to current financial assets. At 31 December 2009, 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 consolidated balance sheet at that date. In 2009 rights with a cost and impairment loss amounting to approximately EUR 3,933 thousand and EUR 482 thousand, respectively, were sold (2008: EUR 3,332 thousand and EUR 401 thousand).

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

At 31 December 2009, Cartera Social, S.A. owned 1,013,897 CAF, S.A. shares, equivalent to 29.56% of its share capital (see Note 14).

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	Thousands of Euros			
	2009		2008	
Company	**Services Provided or Sales Billed**	**Services Received or Purchases**	**Services Provided or Sales Billed**	**Services Received or Purchases**
Ferromovil 3000, S.A.	-	-	107,760	-
Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A	-	-	13,108	-
Plan Metro, S.A.	161,720	-	182,852	-
Consorcio Traza, S.A.	10,031	-	-	-
Compañía de Vagones del Sur ,S.A.	516	-	-	-
	172,267	**-**	**303,720**	**-**

The margins earned on transactions performed with associates were duly eliminated on consolidation in proportion to the percentage of ownership therein.

As a result of the transactions performed in 2009, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2009 and 2008 were as follows (see Note 2-f):

	Thousands of Euros					
	31/12/09			31/12/08		
Company	Accounts Receivable	Accounts Payable	Net Advances on Stage of Completion	Accounts Receivable	Accounts Payable	Net Advances on Stage of Completion
Ferromovil 3000, S.A.	7,160	-	-	3,178	-	-
Metro de Sevilla, Sociedad Concesionaria de la Junta de Andalucía, S.A.	1,583	-	-	13,108	-	-
Plan Metro, S.A.	-	8	295,943	-	-	180,955
Sociedad de Economía Mixta los Tranvías de Zaragoza, S.A.	11,636	-	10,031	-	-	-
Iniciativa FIK, AIE	-	313	-	-	158	-
Compañía de Vagones del Sur, S.A.	1,960	-	-	-	-	-
	22,339	**321**	**305,974**	**16,286**	**158**	**180,955**

"Trade and Other Receivables" in the consolidated balance sheet at 31 December 2009 includes an account receivable from Cartera Social, S.A. for waiver rights amounting to EUR 319 thousand (31 December 2008: EUR 6 thousand) (see Note 14).

11. INVENTORIES AND CONSTRUCTION CONTRACTS

The breakdown of inventories at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 21)	289,904	58,461
Advances to suppliers	46,720	20,414
	336,624	**78,875**

The Group deducts the grants received for the acquisition of "Raw Materials and Other Procurements, Work in Progress and Finished and Semi-Finished Goods" from the carrying amount of this item. The unamortised net amount of grants received totalled EUR 281 thousand and EUR 782 thousand at 31 December 2009 and 2008, respectively.

At 31 December 2009, the Group held firm raw materials purchase commitments amounting to approximately EUR 737,732 thousand (see Note 26) (31 December 2008: EUR 791,397 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2009 and 2008, the insurance policies taken out covered the carrying amount of the inventories at those dates.

As described in Note 3-e, the Group capitalises the borrowing costs incurred in the year related to inventories that have a production cycle of more than one year. The amount capitalised in this connection prior to the allocation to income of sales in 2009 was EUR 474 thousand (2008: EUR 1,099 thousand).

Construction contracts

The cumulative amount of costs incurred and of gains recognised (less the related losses recognised) and the amount of advances received at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	31/12/09	**31/12/08**
Deferred billings (assets) (Notes 3-f and 12)	385,938	260,703
Prebillings (liability) (Note 3-f)	(724,079)	(439,996)
Net	**(338,141)**	**(179,293)**
Costs incurred plus gains and losses recognised on stage of completion	1,818,649	1,453,162
Billings made excluding advances	(1,432,711)	(1,192,459)
Advances received	(724,079)	(439,996)
Net	**(338,141)**	**(179,293)**

The retentions at 31 December 2009 amounted to EUR 12,425 thousand (EUR 8,148 thousand at 31 December 2008).

12. TRADE AND OTHER RECEIVABLES

The breakdown of "Trade and Other Receivables" at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	31/12/09	**31/12/08**
Trade receivables - in euros	708,620	525,422
Trade receivables - in foreign currency (Note 3-h)	106,189	118,188
Impairment losses (Note 3-d)	(623)	(1,054)
	814,186	**642,556**

These balances receivable arose mainly as a result of the recognition of the stage of completion, as described in Note 3-f. A portion of these balances, approximately 53% (2008: 60%), has been billed to customers. The remainder relates to "Unbilled Completed Contract Work". The main balances arose in the euro zone. At 31 December 2009, the main balances billed related to RENFE, Metro Estambul, Tranvía de Zaragoza, CPTM and Societé des Transports of Brussels amounting to EUR 98,058 thousand, EUR 13,874 thousand, EUR 11,636 thousand, EUR 11,105 thousand and EUR 7,731 thousand, respectively. The foreign currency receivables include mainly accounts receivable for the work performed for the Edinburgh tram network, the Santiago de Chile underground and the high-speed train for Turkey for equivalent euro values of EUR 10,239 thousand, EUR 9,881 thousand and EUR 3,556 thousand, respectively. At 31 December 2008, the main balances were with RENFE, Metro Sevilla and Societe des Transports de Bruxelles amounting to EUR 200,815 thousand, EUR 13,108 thousand and EUR 15,460 thousand, respectively. The foreign currency receivables included mainly accounts receivable for the work performed for the Algiers, Delhi and Santiago de Chile undergrounds, for the Edinburgh tram network and for the Algerian railways, for equivalent euro values of EUR 10,854 thousand, EUR 7,055 thousand, EUR 13,791 thousand, EUR 13,516 thousand and EUR 21,075 thousand, respectively.

The detail of balances past due at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Past due > 90 days	8,142	13,861
Past due > 180 days (*)	22,528	22,047
	30,670	**35,908**

(*) This item includes retentions made by customers on invoices (see Note 11).

On the basis of a case-by-case analysis of past due balances, the CAF Group considered that at 31 December 2009, EUR 623 thousand (2008: EUR 1,054 thousand), posed a collection risk and recognised the corresponding impairment losses.

13. OTHER CURRENT FINANCIAL ASSETS

The detail of "Other Current Financial Assets" at 31 December 2009 and 2008 is as follows:

	Thousands of Euros				
	31/12/09				
Financial Assets: Nature / Category	**Available-for-Sale Financial Assets**	**Loans and Receivables (Note 9-d)**	**Held-to-Maturity Investments**	**Hedges**	**Total**
Spanish government debt securities	-	-	242,765	-	242,765
Financial derivatives	-	-	-	5,957	5,957
Other financial assets	3	4,844	215,249	-	220,096
Short term / current	**3**	**4,844**	**458,014**	**5,957**	**468,818**

	Thousands of Euros				
	31/12/08				
Financial Assets: Nature / Category	**Available-for-Sale Financial Assets**	**Loans and Receivables**	**Held-to-Maturity Investments**	**Hedges**	**Total**
Spanish government debt securities	-	-	306,090	-	306,090
Financial derivatives	-	-	-	19,051	19,051
Other financial assets	938	3,331	180,129	-	184,398
Short term / current	**938**	**3,331**	**486,219**	**19,051**	**509,539**

The Group's policy is to invest cash surpluses in government debt securities, repos, short-term deposits, fixed-term deposits or market promissory notes. These are short-term investments, the results of which are recognised with a credit to "Finance Income" in the accompanying consolidated income statement. In 2009 the Group recognised income in this connection amounting to EUR 6,722 thousand (2008: EUR 16,777 thousand).

The balance of "Other Financial Assets" includes the undrawn balance of the financing received in relation to the suburban railway project amounting to EUR 2,150 thousand (see Note 16). This undrawn amount is held in the Suburban Railway Master Trust as restricted cash usable only for the investments to be made in this project (see Note 7).

14. EQUITY

a) Share capital of the Parent

At 31 December 2009 and 2008, the Parent's share capital consisted of 3,428,075 fully subscribed and paid shares of EUR 3.01 par value each, all of which are listed on the stock exchange.

The shareholder companies or entities holding over 3% of the Parent's share capital at 31 December 2009 and 2008 were as follows:

	% of Ownership in 2009	% of Ownership in 2008
Cartera Social, S.A. (Notes 9 and 10) (*)	29.56	29.56
Gipuzkoa Donostia Kutxa	17.75	17.75
BNP Paribas Securities Services	5.47	5.47
AVIVA International Holding, Ltda.	-	3.23

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

At the Annual General Meeting on 6 June 2009, the shareholders empowered the Board of Directors to acquire treasury shares within 18 months from that date. At the date of preparation of these consolidated financial statements this acquisition had not been made.

b) Share premium

The Consolidated Spanish Public Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

c) Revaluation reserve

The amount held in this reserve in 2009 and 2008 is as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Revaluation of property, plant and equipment:		
Land	30,418	30,418
Revaluation reserve Law 9/1983	7,954	7,954
Revaluation reserve Guipúzcoa Decree 13/1991	11,379	11,379
Revaluation reserve Guipúzcoa Regulation 11/1996	8,701	8,701
	58,452	**58,452**

Revaluation reserves Law 9/1983 and Guipúzcoa Decree 13/1991

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

Revaluation reserve Guipúzcoa Regulation 11/1996

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

d) Legal reserve

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

e) Reserves and results of fully consolidated companies and companies accounted for using the equity method

The detail, by company, of their contribution to "Reserves of Fully Consolidated Companies and Companies Accounted for Using the Equity Method" in the consolidated balance sheets at 31 December 2009 and 2008 and to consolidated profit in 2009 and 2008 is as follows (in thousands of euros):

	2009		2008	
	Reserves	**Results**	**Reserves**	**Results**
CAF, S.A.	253,122	132,676	193,335	91,342
CAF USA, Inc.	1,388	(1,054)	1,870	(482)
CAF México, S.A. de C.V.	2,234	637	689	1,545
CAF Brasil Industria e Comercio, S.A.	76	(732)	(89)	996
CAF Argentina, S.A.	(2,727)	368	(2,793)	278
CAF Rail UK, Ltd.	309	114	189	119
CAF Italia, S.R.L.	926	298	763	162
CAF Chile, S.A.	(3)	574	-	(2)
CAF Turquía, L.S.	(7)	126	-	-
CAF Argelia, E.U.R.L.	-	(135)	-	-
CFD Bagneres, S.A.	(697)	(746)	(422)	(274)
Trenes de Navarra, S.A.	349	365	(98)	445
Construcciones Ferroviarias de Madrid, S.L.U.	(308)	242	(485)	177
Construcciones Ferroviarias CAF-Santana, S.A.	65	32	(8)	73
Tradinsa Industrial, S.A.	516	174	620	(104)
Compañia de Vagones del Sur, S.A.	(7)	(71)	(7)	-
CAF I+D, S.L. (Sole-Shareholder Company)	1,859	1,522	1,362	440
Traintic, S.L.	4,932	2,669	2,603	2,329
Trainelec, S.L.	2,054	3,552	280	1,773
Nuevas Estrategias de Mantenimiento, S.L.	385	580	142	262
Desarrollo de Software Miramon 4, S.L.	2	21	(6)	9
Bizkaia Ferroviaria, S.L.	(46)	330	(42)	132
Centro de Ensayos y Análisis Cetest, S.L.	(5)	536	(8)	56
Lets Ingenieros, S.L.	22	18	(7)	10
Seinalia, S.L.	(6)	160	-	(6)
Predictove Ingenieros, S.L.	(25)	9	(23)	(2)
Lander Simul. and Training Solutions, S.A.	(266)	199	316	141
Actren, S.A.	43	843	(74)	117
Sermanfer, S.A.U.	761	200	531	229

	2009		2008	
	Reserves	Results	Reserves	Results
Sefemex, S.A. de C.V.	243	79	159	83
Corporación Trainemex, S.A. de C.V.	66	80	-	66
Inversiones en Concesiones Ferroviarias, S.A.	1,813	3,517	(1,943)	3,757
Urbanización Parque Romareda, S.A.U.	193	(24)	87	(3)
Ferrocarriles Suburbanos, S.A. de C.V.	(18)	(24,899)	(1,175)	1,064
Ibaia Energia, S.L.	25	462	6	18
Sempere Componentes, S.L.	711	805	(28)	739
Agarregune, S.L.	-	(89)	-	-
Geminys, S.L.	272	206	152	120
Garraiotech, S.L.	-	(95)	-	-
Constructora de Sistemas Ferroviarios, S.L.	296	602	65	230
Constructora Mex. Del Fer. Sub., S.A. de C.V.	(13)	610	(77)	64
Asirys Vision Technologies, S.A.	(119)	(17)	(101)	(37)
Transitia SPE, S.L.	-	-	-	(135)
Plan Metro, S.L.	(121)	(401)	(135)	14
Consorcio Traza, S.A.	-	-	-	-
	268,294	**124,343**	**195,648**	**105,745**

f) Restricted reserves

The individual financial statements of the consolidated companies include reserves amounting to approximately EUR 43,057 thousand and EUR 41,406 thousand at 31 December 2009 and 2008, respectively, relating to the legal reserve, revaluation reserve, reserve for retired capital and other reserves which are restricted as to their use.

Until the balance of "Research and Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Accordingly, at 2009 year-end EUR 15,969 thousand of the reserves were restricted as to their use (2008: EUR 6,795 thousand).

g) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	31/12/09	31/12/08
CAF México, S.A. de C.V.	(919)	(1,216)
CAF Brasil Ind. e C., S.A.	3,981	(369)
CAF Argentina, S.A.	22	171
CAF USA, Inc.	(59)	(73)
CAF Rail UK, Ltda.	(96)	(120)
CAF Chile	44	-
Sefemex, S.A. de C.V.	(60)	(65)
Ferrocarriles Suburbanos S.A. de C.V.	(15,795)	(17,177)
Constructora Mex. del Fer. Sub, S.A. de C.V.	(768)	(837)
Corporación Trainemex, S.A. de C.V.	(9)	(11)
CAF Turquia, L.S.	(1)	-
CAF Argelia, E.U.R.L.	(42)	-
	(13,702)	**(19,697)**

h) Valuation adjustments

The amount recognised in this reserve relates to the valuation adjustments on derivatives designated as cash flow hedges (see Note 17).

i) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes therein in 2009 and 2008 is as follows:

	Thousands of Euros
Balance at 31 December 2007	**3,574**
Profit attributable to non-controlling interests	967
Changes in the scope of consolidation	10,667
Other	-
Balance at 31 December 2008	**15,208**
Profit attributable to non-controlling interests	(4,393)
Changes in the scope of consolidation (Note 2-f)	266
Other	1,865
Balance at 31 December 2009	**12,946**

j) Management of capital

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

The directors of the CAF Group consider that the fact that the gearing ratio with recourse to the Parent is minimal is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2009 and 2008, most of the borrowings were directly assigned to activities such as the concession in Mexico (see Notes 3-a and 7). Gearing is taken to be the ratio of net financial debt to equity which is negative in 2009:

	Thousands of Euros	
	31/12/09	**31/12/08**
Net financial debt:		
Refundable advances (Note 15)	63,808	61,334
Bank borrowings - Non-current liabilities (Note 16)	187,577	160,349
Bank borrowings - Current liabilities (Note 16)	15,817	16,564
Current financial assets (Note 13)	(460,279)	(488,576)
Cash and cash equivalents	(81,727)	(116,714)
	(274,804)	**(367,043)**
Equity:		
Of the Parent	459,499	362,122
Non-controlling interests	12,946	15,208
	472,445	**377,330**

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

The detail of the Group's financial liabilities at 31 December 2009 and 2008, by nature and category, for valuation purposes, is as follows:

	Thousands of Euros				
	31/12/09				
Financial Liabilities: Nature / Category	**Held-for-Trading Financial Liabilities**	**Other Financial Liabilities at Fair Value through Profit and Loss**	**Debits and Payables**	**Hedges**	**Total**
Bank borrowings (Note 16)	-	-	187,577	-	187,577
Derivatives (Note 17)	-	-	-	899	899
Other financial liabilities	-	-	61,864	-	61,864
Non-current liabilities / non-current financial liabilities	**-**	**-**	**249,441**	**899**	**250,340**
Bank borrowings (Note 16)	-	-	15,817	-	15,817
Derivatives (Note 17)	-	-	-	6,555	6,555
Other financial liabilities	-	-	14,582	-	14,582
Deudas a corto plazo/ Pasivos financieros corrientes	**-**	**-**	**30,399**	**6,555**	**36,954**
Total	**-**	**-**	**279,840**	**7,454**	**287,294**

	Thousands of Euros				
	31/12/08				
Financial Liabilities: Nature / Category	**Held-for-Trading Financial Liabilities**	**Other Financial Liabilities at Fair Value through Profit and Loss**	**Debits and Payables**	**Hedges**	**Total**
Bank borrowings (Note 16)	-	-	160,349	-	160,349
Derivatives (Note 17)	-	-	-	7,187	7,187
Other financial liabilities	-	-	58,750	-	58,750
Non-current liabilities / non-current financial liabilities	**-**	**-**	**219,099**	**7,187**	**226,286**
Bank borrowings (Note 16)	-	-	16,564	-	16,564
Derivatives (Note 17)	-	-	-	11,534	11,534
Other financial liabilities	-	-	17,639	-	17,639
Current liabilities / current financial liabilities	**-**	**-**	**34,203**	**11,534**	**45,737**
Total	**-**	**-**	**253,302**	**18,721**	**272,023**

Other financial liabilities

Through research and development programmes the Group received certain grants to conduct research and development projects between 2006 and 2011. This aid, which is recognised on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project, consists 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 10 years.

The changes in 2009 and 2008 in relation to the long-term portion of the aforementioned programmes (at present value) were as follows:

	Thousands of Euros
	Refundable Advances
Balance at 31/12/07	**53,178**
Additions	5,436
Transfers to short term	(9,911)
Balance at 31/12/08	**48,703**
Additions	12,872
Transfers to short term	(9,722)
Balance at 31/12/09	**51,853**

Also, the amount recognised in the short term relating to refundable advances amounted to EUR 11,955 thousand in 2009 (2008: EUR 12,631 thousand).

In joint projects, the project coordinator is responsible vis-à-vis the Government for the performance of the project and collects the total amount of the aid from the Government. The Group recognised under "Trade and Other Receivables- Other Accounts Receivable" and "Trade and Other Payables - Other Accounts Payable", the amounts receivable from and payable to third parties in connection with the joint projects. At 31 December 2009, the Group did not present any balances receivable from third parties (31 December 2008: EUR 41 thousand) and recognised an account payable of EUR 506 thousand (31 December 2008: EUR 1,759 thousand) in this connection.

At 31 December 2009, the maturity schedule of the non-current portion was as follows (in thousands of euros):

	2009	2008
2010	-	6,546
2011	6,617	6,899
2012	7,048	6,920
2013	7,043	6,920
2014	7,005	6,920
2015 and subsequent years	24,140	14,498
Total	**51,853**	**48,703**

Also, "Non-Current Financial Liabilities - Other Financial Liabilities" in the consolidated balance sheet at 31 December 2009 includes EUR 9,235 thousand and EUR 776 thousand relating to obligations to employees and other liabilities, respectively (31 December 2008: EUR 9,261 thousand and EUR 786 thousand) (see Note 3-l).

Other obligations

The detail of the present value of the obligations assumed by the Group relating to post-employment benefits and long-term employee benefits, of the plan assets allocated for the coverage thereof, and of the amounts not recognised at the end of 2009 and 2008, is as follows (see Note 3-k):

	Thousands of Euros	
	31/12/09	**31/12/08**
Present value of employee benefits	17,567	17,474
Less - Fair value of plan assets	16,833	16,354
Long-term provisions - Long-term employee benefit obligations	**734**	**1,120**

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

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

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

Actuarial Assumptions	**2009**	**2008**
Discount rate	3.88% (1)	4.77%
Mortality tables	PERM/F 2000P	PERM/F 2000P
Annual pension increase rate	2% (2)	2%
Retirement age	65	65

(1) During the first 30 years. 2.42% from then onwards

(2) 2.5% for retired employees.

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

The expected return on the plan assets was calculated in accordance with the valuation of the assigned investment portfolio performed by the insurance company Mapfre Vida which in 2009 amounted to 4.21% (2008: 4.66%).

16. BANK BORROWINGS

The detail of the related headings in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros			
	31/12/09		**31/12/08**	
	Non-Current	**Current**	**Non-Current**	**Current**
Bank loans and credit accounts	150,568	15,817	140,636	16,489
Unmatured accrued interest	37,009	-	19,713	75
Total	**187,577**	**15,817**	**160,349**	**16,564**

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

In 2006 the subsidiary Ferrocarriles Suburbanos, S.A. de C.V. (see Note 7) arranged two credit facilities from Banco Santander, S.A., which remained outstanding at 31 December 2009 and 2008, the terms and conditions of which are as follows:

– VAT facilities for a maximum amount of MXP 250 million, earmarked to finance partially or in full any VAT payment. The term of these facilities was established at 45 months from 24 July 2006. The interest rate was set at the Equilibrium Interbank Interest Rate published by the Bank of Mexico +1.25%. Each amount drawn down must be repaid within 90 calendar days from the date of each drawdown. At 31 December 2009, EUR 1,077 thousand (MXP 20,207 thousand) had been drawn down against this credit facility (2008: EUR 3,628 thousand (MXP 69,897 thousand)).

– Financing agreement for a maximum amount of MXP 3,414 million in relation to the application of forward exchange rates, paying fixed financing interest as established in the financing agreement. The financing will be repaid in 28 half-yearly payments from 28 June 2008. At 31 December 2009, EUR 155,956 thousand (MXP 2,926 million) had been drawn down against this credit facility (2008: EUR 164,565 thousand (MXP: 3,171 million)).

The subsidiary will continue to draw down the funds against these credit facilities on the basis of the financing needs of the Suburban Railway Project (see Note 7).

The unused amount drawn down is held in the Suburban Railway Master Trust (see Note 7) and is recognised as restricted cash under "Other Current Financial Assets" in the accompanying consolidated balance sheet (see Note 13).

These long-term facilities include certain restrictive clauses limiting Ferrocarriles Suburbanos S.A. de C.V., inter alia, in respect of the obtainment of new banks loans, the provision of guarantees, the fulfilment of tax payment obligations, the sale of non-current assets, the reimbursement of capital the fulfilment of certain financial conditions, including, among others, the ratio of total liabilities to share capital. At 31 December 2009 and 2008, the subsidiary was meeting these conditions.

The two aforementioned facilities of the subsidiary Ferrocarriles Suburbanos, S.A. de C.V. are without recourse to the company's shareholders ("project finance"). The VAT facility is secured by the refunds to be made by the Mexican tax authorities of the input VAT borne during the construction period, which is not offset by output VAT since there was none during this period. The financing of MXP 3,414 million was secured by a contingent debt servicing fund amounting to USD 121 million, paid in cash by the Mexican Federal Fund FINFRA into the trust controlling the global cash position of Ferrocarriles Suburbanos, S.A. de C.V.

The repayment schedule envisaged in the financing agreement for the VAT facilities and the contingency fund is as follows (in thousands of euros):

	Thousands of Euros	
	31/12/09	**31/12/08**
2009	-	12,658
2010	14,704	12,659
2011	13,000	12,659
2012	13,000	12,659
2013	13,000	12,659
Subsequent years	146,958	101,271
Total	**200,662**	**164,565**

In addition to this financing, at 31 December 2009, the consolidated companies had been granted various credit lines by banks, basically in euros and bearing interest at market rates, largely tied to EURIBOR plus a market spread, with a limit of EUR 122,017 thousand. No significant amounts had been drawn down at that date (31 December 2008: EUR 147,853 thousand).

17. DERIVATIVE FINANCIAL INSTRUMENTS

The CAF Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates (see Note 3-d). The CAF Group arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned.

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

2009

	Maturity (in Currency)		
Currency put options at 31/12/09 (Fair value hedges)	**2010**	**2011**	**2012 and Subsequent Years**
Hedges:			
USD foreign currency hedges	138,638,459	-	-
GBP foreign currency hedges	32,189,619	56,918,622	15,040,694
YEN foreign currency hedges	4,362,660,003	-	-
EUR foreign currency hedges	2,300,040	-	-
MXP foreign currency hedges	484,925,184	-	-
BRL foreign currency hedges	535,322,612	-	-
CAD foreign currency hedges	434,741	-	-

	Maturity (in Currency)		
Currency call options at 31/12/09 (Fair value hedges)	**2010**	**2011**	**2012 and Subsequent Years**
Hedges:			
USD foreign currency hedges	133,699,512	10,600,000	2,790,000
GBP foreign currency hedges	782,827	650,000	-
EUR foreign currency hedges	5,197,282	-	-
CHF foreign currency hedges	169,400	-	-

	Maturity (in Currency)
Currency call options at 31/12/09 (Cash flow hedge)	**2010**
Hedges:	
MXP foreign currency hedges	32,492,400

2008

Currency put options at 31/12/08 (Fair value hedges)	Maturity (in Currency) 2009	2010	2011 and Subsequent Years
Hedges:			
USD foreign currency hedges	248,926,337	-	-
GBP foreign currency hedges	15,381,840	24,983,637	5,434,784
YEN foreign currency hedges	9,597,852,003	-	-
EUR foreign currency hedges	7,815,168	-	-
MXP foreign currency hedges	469,533,168	-	-
BRL foreign currency hedges	89,567,173	-	-

Currency call options at 31/12/08 (Fair value hedges)	Maturity (in Currency) 2009
Hedges:	
USD foreign currency hedges	163,529,945
GBP foreign currency hedges	298,490
YEN foreign currency hedges	695,468,170
EUR foreign currency hedges	25,765,260

Currency call options at 31/12/08 (Cash flow hedges)	Maturity (in Currency) 2009
Hedges:	
MXP foreign currency hedges	30,598,400

	Thousands of Euros			
	Fair Value		Cash Flows	
	31/12/09	31/12/08	31/12/09	31/12/08
Hedges:				
USD foreign currency hedges	(2,989)	1,923	-	-
GBP foreign currency hedges	1,732	6,204	-	-
YEN foreign currency hedges	1,518	3,891	-	-
MXP foreign currency hedges	(2,119)	(580)	(97)	(285)
BRL foreign currency hedges	1,829	(1,406)	-	-
CHF foreign currency hedges	(131)	(222)	-	-
Measurement at year-end (*)	**(160)**	**9,810**	**(97)**	**(285)**

(*) Before considering the tax effect

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

In 2009 the ineffective portion of the hedging transactions charged to the consolidated income statement gave rise to an expense of EUR 1,258 thousand. In 2008 there was almost no ineffectiveness in the hedges. The impact on the consolidated income statement was totally residual.

Also, in terms of the allocation to profit or loss, and the change in the value of fair value derivatives, EUR 1,127 thousand were allocated to profit and loss (2008: EUR 6,229 thousand),which is similar to the changes in value of the hedged items.

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

18. DEFERRED TAXES

At 31 December 2009, the companies composing the CAF Group basically had the last four years open for review by the tax authorities for the main taxes applicable to their business activities.

The Parent files income tax returns with both the Spanish treasury and the Guipúzcoa and Vizcaya provincial treasuries on the basis of the volume of transactions carried out in each area. However, since it is subject to Guipúzcoa tax regulations, an income tax rate of 28% was applied in 2009 and 2008.

Since 2007 the Parent has filed consolidated income tax returns pursuant to Guipúzcoa Regulation 7/1996, of 4 July, as part of tax group no. 03/07/G, of which Construcciones y Auxiliar de Ferrocarriles, S.A. is the Parent, the subsidiaries being as follows: Inversiones en Concesiones Ferroviarias, S.A., CAF I+D, S.L., Constructora de Sistemas Ferroviarios, S.L., Traintic, S.L., Ibaia Energía, S.L., Sempere Componentes, S.L., Bizkaia Ferroviaria, S.L., Trainelec, S.L., Agarregune, S.L., Geminys, S.L., Seinalia, S.L., Predictove Ingenieros, S.L., Nuevas Estrategias de Mantenimiento, S.L. and Centro de Ensayos y Análisis Cetest, S.L. The companies will file consolidated income tax returns indefinitely provided that they continue to meet the requirements or unless they expressly decide otherwise using the related business taxation status notification form.

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

	Thousands of Euros	
	2009	**2008**
Accounting profit before tax	**120,133**	**106,412**
Tax rate of the Parent	28%	28%
Income tax calculated at the tax rate of the Parent	**33,637**	**29,795**
Effect of the different tax rate of subsidiaries	1,372	84
Effect of exempt income and non-deductible expenses for tax purposes	2,835	(991)
Effect of tax credits and other tax relief recognised in the year	(27,002)	(12,603)
Tax effect of tax assets and deferred taxes not recognised in previous years and recognised or taken in 2009	(694)	(10,291)
Tax effect of the impairment of tax assets and deferred taxes	-	530
Adjustments recognised in 2009 relating to prior years income tax	(9,680)	(6,820)
Other	(41)	-
Total income tax expense (income) recognised in the consolidated income statement	**427**	**(296)**
Current income tax expense (income) (*)	**(2,649)**	**22,365**
Deferred tax expense (income)	**3,076**	**(22,661)**

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

The difference between the tax charge allocated to 2009 and the tax payable for that year, which is presented under "Deferred Tax Assets" and "Deferred Tax Liabilities" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet, arose as a result of the following:

– Temporary differences arising on the difference between the carrying amount of certain assets and their tax base. The most significant differences arose on the measurement of derivatives and the revaluation of assets.

– Temporary differences relating to 28% of the allowance for the rights under the share ownership scheme and to provisions that were not tax deductible in the year in which they were recognised.

– Temporary differences relating to 28% of the amount by which the depreciation taken for tax purposes exceeds that taken for accounting purposes as a result of the tax benefits relating to unrestricted and accelerated depreciation provided for by Guipúzcoa Regulations 6/1988, 7/1996 and 11/1993.

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

	Thousands of Euros			
	31/12/08	**Additions**	**Disposals**	**31/12/09**
Deferred tax assets:				
Unused tax credits and tax losses (Notes 3-m and 9)	12,603	14,348	(12,603)	14,348
Provisions temporarily not deductible	34,430	11,256	(4,333)	41,353
Share ownership scheme (Note 9)	9,319	-	(135)	9,184
Elimination of profits on consolidation	16,230	8,658	(926)	23,962
	72,582	**34,262**	**(17,997)**	**88,847**
Deferred tax liabilities:				
Unrestricted and accelerated depreciation (Note 7)	2,708	11,831	(939)	13,600
Cash flow hedges (Note 17)	79	-	(52)	27
Revaluation of land (Note 14)	11,829	-	-	11,829
Tax credit for the establishment of companies abroad	3,686	-	(1,843)	1,843
Goodwill	445	288	-	733
Elimination of profits on consolidation and other	2,609	6,398	(45)	8,962
	21,356	**18,517**	**(2,879)**	**36,994**

	Thousands of Euros			
	31/12/07	**Additions**	**Disposals**	**31/12/08**
Deferred tax assets:				
Unused tax credits (Notes 3-m and 9)	12,254	12,603	(12,254)	12,603
Provisions temporarily not deductible	15,447	20,313	(1,330)	34,430
Share ownership scheme (Note 9)	9,336	-	(17)	9,319
Elimination of profits on consolidation	8,612	7,863	(245)	16,230
Start-up costs	280	-	(280)	-
Cash flow hedges (Note 17)	783	-	(783)	-
	46,712	**40,779**	**(14,909)**	**72,582**
Deferred tax liabilities:				
Unrestricted and accelerated depreciation (Note 7)	1,803	2,073	(1,168)	2,708
Cash flow hedges (Note 17)	709	-	(630)	79
Revaluation of land (Note 14)	11,829	-	-	11,829
Tax credit for the establishment of companies abroad	5,373	-	(1,687)	3,686
Goodwill	-	445	-	445
Elimination of profits on consolidation and other	1,920	2,609	(1,920)	2,609
	21,634	**5,127**	**(5,405)**	**21,356**

In 2009 the Group took tax credits of EUR 18,282 thousand (2008: EUR 11,358 thousand) mainly in relation to the tax credit for investment in new non-current assets (EUR 2,180 thousand) and the tax credits for R&D (EUR 11,665 thousand) (EUR 3,484 thousand and EUR 5,876 thousand, respectively in 2008). Unused tax credits after projected income tax for 2009 amounted to EUR 11,178 thousand (2008: EUR 25,771 thousand), of which EUR 8,432 thousand are recognised under "Deferred Tax Assets- Tax Credit Carryforwards and Tax Losses" (2008: EUR 12,603 thousand). The recognised tax loss carryforwards amounted to EUR 5,916 thousand at 31 December 2009 and there were no unrecognised tax losses (in 2008 no tax loss carryforwards were recognised).

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

In view of the uncertainty inherent to the recoverability of deferred tax assets, the Group's recognition policy is based on an assessment of its backlog. As required by this policy, the Group did not recognise tax credits amounting to approximately EUR 2,746 thousand (2008: EUR 13,168 thousand), which will be recognised to the extent that they can be deducted in the coming years based on the limits and deadlines provided for in current legislation. The Group also has unrecognised deferred tax assets amounting to EUR 11,302 thousand.

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

	Thousands of Euros	
	31/12/09	**31/12/08**
Maturing in 2017	674	-
Maturing in 2018	866	-
Maturing in 2019	345	-
Maturing in 2021	-	2,658
Maturing in 2022	-	5,514
Maturing in 2023	-	4,996
Maturing in 2024	62	-
Unlimited	799	-
	2,746	**13,168**

In calculating the income tax payable for 2009, the Group deducted tax credits amounting to EUR 31,173 thousand, of which EUR 12,603 thousand had been recognised under "Deferred Tax Assets" in the accompanying consolidated balance sheet at 31 December 2008. Also, the differences between the income tax estimated for 2008 and the tax returns ultimately filed gave rise to income tax income which relates mainly to tax credits for R&D taken and used which were higher than initially estimated. The net impact of the income recognised amounts to EUR 9,680 thousand.

The Group considered income of EUR 259 thousand generated in 2008 (2006: 624 thousand; 2007: EUR 545 thousand) to be exempt on application of the tax credit for the reinvestment of extraordinary profit provided for in Article 22 of the Guipúzcoa Income Tax Regulation 7/1996, of 4 July. The reinvestment was made in the tax periods in which the income was earned, in equity investments in companies affording an ownership interest of no less than five percent of their share capital. In general terms, the assets in which the income was reinvested must be kept as part of the Group's assets, with the exception of justified losses, for five years from the date of reinvestment or for three years in the case of movable property, unless the useful life is less. If the assets in which the reinvestment is made are transferred prior to the date of expiry of the aforementioned term, the portion of income that was not

included in the taxable profit must be included therein, unless the amount obtained is subject to reinvestment in the terms established in the tax law. In the income tax estimated for 2009, the Group did not consider any income in this connection to be exempt.

The Parent files income tax returns in accordance with the provisions of Guipúzcoa Income Tax Regulation 7/1996, of 4 July. On 30 December 2008, Guipúzcoa Regulation 8/2008, of 23 December which amends Guipúzcoa Regulation 7/1996, was published and came into force with effect for tax periods commencing on or after 1 January 2008, and which sets, among other measures, a standard tax rate of 28%. Guipúzcoa Regulation 8/2008 has been appealed against at the Basque Country High Court.

On 11 September 2008, the Court of Justice of the European Communities published a decision on the requests for a prejudicial decision filed by the Basque Country High Court in orders dated September 2006 As required by the decision of the Court of Justice of the European Communities, in December 2008 the Basque Country High Court dismissed various appeals against the Guipúzcoa Income Tax Regulation. However, an appeal has been filed against this decision at the Supreme Court.

On 29 December 2009, Guipúzcoa Regulation 4/2009, of 23 December, which introduces certain tax modifications amending Guipúzcoa Regulation 7/1996, was published and came into force with effect for tax periods commencing on or after 1 January 2009, and which sets, among other measures, a new wording of tax credits relating to new non-current assets. Guipúzcoa Regulation 4/2009 has been appealed against at the Basque Country High Court.

The Parent´s directors calculated the income tax for 2009 and for the years open for review pursuant to the Guipúzcoa legislation in force at the end of each year, since they considered that the final outcome of the various court proceedings and appeals filed in this connection would not have a significant impact on the consolidated financial statements taken as a whole.

Under current legislation taxes cannot be deemed to be finally settled until the tax returns filed have been reviewed by the tax authorities or until the four-year limitation period has expired. At 2009 year-end the Group has 2005 and subsequent years open for review by the tax authorities for income tax and 2006 and subsequent years for the other taxes to which it is subject at the companies which file tax returns in Spain and at the foreign companies, in accordance with local legislation. The Parent's directors consider that they have settled the aforementioned taxes adequately and, therefore, although discrepancies might arise in the interpretation of the tax legislation in force in terms of the tax treatment of transactions, the resulting liabilities, if any, would not have a significant effect on the accompanying consolidated financial statements.

In 2009 and 2008 the Group did not complete any tax audits or inspections.

The directors consider that no material additional tax liabilities will arise for the Group as a result of the years open for review and the matters disclosed in the preceding paragraphs.

19. TAX RECEIVABLES AND PAYABLES

The detail of the tax receivables and tax payables at 31 December 2009 and 2008 is as follows:

	Thousands of Euros							
	31/12/09				31/12/08			
	Assets		Liabilities		Assets		Liabilities	
	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current
Social security costs	-	10	-	6,271	-	-	-	5,055
Regular taxes								
VAT (Note 9)	3,605	13,426	-	18,205	842	9,715	-	27,369
Other	-	5,953	-	2,211	-	1,275	-	1,101
Personal income tax withholdings	-	-	-	4,831	-	-	-	4,099
Income tax (Note 3-m)	-	4,368	-	12,823	-	1,821	-	23,722
Grants receivable	-	1,806	-	-	-	1,249	-	-
	3,605	**25,563**	**-**	**44,341**	**842**	**14,060**	**-**	**61,346**

20. SHORT- AND LONG-TERM PROVISIONS

Long-term provisions

The Group records provisions under "Long-Term Provisions" for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Parent's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material. In 2009 the Group paid EUR 877 thousand (2008: EUR 1,114 thousand) and made provisions amounting to EUR 1,942 thousand (2008: EUR 3,583 thousand) mainly with a charge to "Staff Costs - Wages and Salaries" and "Procurements" (see Note 22) in the consolidated income statement. Also, due to changes in the scope of consolidation, the provision increased by EUR 471 thousand in 2008. In 2009 EUR 2,209 thousand were transferred to "Other Non-Current Liabilities" in the accompanying consolidated balance sheet.

Short-term provisions

The changes in "Short-Term Provisions" (see Note 3-ñ) in 2009 and 2008 were as follows (in thousands of euros):

	Warranty and Support Services, Contractual Liabilities, etc. (Notes 3-f and 3-ñ)	Other Provisions (Notes 3-m, 3-ñ and 8)	Total
Balance at 31/12/07	**108,177**	**6,818**	**114,995**
Net charge for the year (Notes 3-ñ and 18)	87,314	(2,851)	84,463
Balance at 31/12/08	**195,491**	**3,967**	**199,458**
Net charge for the year (Notes 3-ñ and 18)	19,357	(891)	18,466
Transfers	(57)	-	(57)
Balance at 31/12/09	**214,791**	**3,076**	**217,867**

The provisions at 31 December 2009 relate basically to provisions for reliability (approximately EUR 30 million), for contractual liabilities (EUR 77 million) and for warranties (EUR 69 million).

The provisions at 31 December 2008 relate basically to provisions for reliability (approximately EUR 73 million), for contractual liabilities (EUR 29 million) and for warranties (EUR 59 million).

The consolidated companies recognised an expense of EUR 37,501 thousand under "Other Operating Expenses" in the accompanying consolidated income statement for 2009 and income amounting to EUR 19,035 thousand under "Procurements" (2008: EUR 84,730 thousand), relating to the difference between the provisions required in this connection at 2009 year-end and those recognised at the end of 2008. The expenses incurred in 2009 and 2008 in connection with the provision of contract warranty services (approximately EUR 32,802 thousand and EUR 25,834 thousand, respectively) were recognised under "Procurements" and "Staff Costs" in the accompanying consolidated income statements for 2009 and 2008.

21. REVENUE AND EXPENSE RECOGNITION

a) Procurements

	Thousands of Euros	
	2009	**2008**
Purchases (*)	711,828	481,927
Work performed by other companies	82,009	37,181
Change in inventories (Note 11)	(33,689)	(45,866)
	760,148	**473,242**

(*) 94% in euros, and the remainder mainly in US dollars (2008: 92%).

b) Other operating expenses

	Thousands of Euros	
	2009	**2008**
Outside services	210,011	132,166
Taxes other than income tax	4,356	3,193
Change in operating allowances	36,454	84,730
Other current management expenses	4,251	10,623
	255,072	**230,712**

The fees for the audit of the individual and consolidated financial statements (including the six-monthly reviews) of Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 759 thousand, of which EUR 541 thousand related to the annual audit of companies audited by member firms of the Deloitte worldwide organisation. In addition, fees were billed for other professional services amounting to EUR 759 thousand, of which EUR 699 thousand relate to the principal auditor.

c) Information on the environment

The most significant investments made in systems, equipment and facilities designed for environmental protection and improvement and included under property, plant and equipment (see Note 8) amounted to EUR 2,203 thousand in 2009 (2008: EUR 697 thousand).

In 2009 and 2008 the Group did not obtain any environmental grants.

At 31 December 2009, the Group did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Group companies' directors do not expect any material liabilities to arise as a result of the Group's environmental activities and, accordingly, the accompanying consolidated balance sheet does not include any provisions in this connection.

d) Grants related to income

The Industrial Technological Development Centre (CDTI) Resolution dated 28 October 2005 (Official State Gazette of 2 November 2005) regulating the official announcement of the CENIT programme states that aid is envisaged under the CENIT programme in the form of grants aimed at financing major industrial research projects of a strategic nature, of large scale and with far-reaching scientific and technical scope.

On 21 March 2006, the CAF Group, as the leader of the consortium created with other companies in this connection, received the Provisional Resolution Proposal drawn up by the CDTI, awarding it grants totalling EUR 9,605 thousand (EUR 6,734 thousand relating to the CAF Group) for the development of new technology for 2006-2009. Each of the companies forming part of the consortium participates in the various phases of the project, together with the related subcontracting to technology centres. The Group exceeded the amount expected to be incurred in the programme by EUR 14,451 thousand. At 31 December 2009, the grants received in relation to the CENIT programme totalled EUR 6,723 thousand (2008: EUR 5,120 thousand).

On 21 November 2007, the Company, as the leader of the consortium created with other companies in this connection, received the Provisional Resolution Proposal drawn up by the CDTI, awarding it grants totalling EUR 10,882 thousand (EUR 5,200 thousand relating to the CAF Group) for the development of new technology for 2008-2011 (Ecotrans) within the framework of the CENIT programme. Each of the companies forming part of the consortium participates in the various phases of the project, together with the related subcontracting to technology centres. The CAF Group expects to incur total costs over the programme period of EUR 11,389 thousand, and the costs to be justified at 31 December 2009 amount to EUR 3,386 thousand (31 December 2008: EUR 2,484 thousand). At 31 December 2009, the grant received in relation to the Ecotrans project totalled EUR 1,547 thousand (31 December 2008: EUR 1,134 thousand) and the entire amount collected each year was allocated to income in 2009 and 2008, respectively.

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

The amount of grants related to income recognised in 2009 under “Other Operating Income” in the accompanying consolidated income statement amounted to EUR 7,422 thousand (2008: EUR 8,001 thousand).

22. AVERAGE HEADCOUNT AND STAFF COSTS

The equivalent average headcount in 2009 and 2008 was as follows:

	Average Number of Employees	
Professional Category	**2009**	**2008**
Employees	2,040	1,600
Manual workers	3,722	3,158
Total (*)	**5,762**	**4,758**

(*) At 31 December 2009, there were 6,489 employees (2008: 5,108 employees).

The breakdown, by gender, of the average headcount in 2009 and 2008 is as follows:

	2009		2008	
Professional Category	**Men**	**Women**	**Men**	**Women**
Employees	1,582	458	1,273	327
Manual workers	3,635	87	3,109	49
Total	**5,217**	**545**	**4,382**	**376**

All of CAF's directors are men.

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

	2009	2008
Wages and salaries (Notes 3-k, 3-l and 3-ñ)	208,326	170,504
Social security costs	61,753	50,221
Other costs (Note 3-k)	10,040	8,741
	280,119	**229,466**

23. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2009 the Parent recognised approximately EUR 1,035 thousand (2008: EUR 907 thousand) of remuneration and attendance fees earned by its directors, whereas the directors of the subsidiaries did not earn any remuneration in this connection. At 31 December 2009 and 2008, neither the Parent nor the subsidiaries had granted any advances, guarantees or loans to their current or former directors and, except as indicated in 3-k, the Group did not have any pension or life insurance obligations to them.

b) Detail of investments in companies engaging in similar activities, positions or functions discharged thereat and performance, as independent professionals or as employees, of similar activities by the directors, pursuant to Article 127 ter.4 of the Spanish Public Limited Liability Companies Law

The following members of the Board of Directors and their representatives had ownership interests in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of CAF:

– Caja de Ahorros y Monte de Piedad de Guipúzcoa y San Sebastián (Gipuzkoa Donostia Kutxa) has a 95% ownership interest in the share capital of "Alquiler de Trenes, AIE" and a 75% ownership in the share capital of "Alquiler de Metros, AIE", companies incorporated together with CAF (see Note 9).

The other members of the Board of Directors declared that they do not hold any investments in companies engaging in identical, similar or complementary activities or hold positions or discharge duties thereat, except for those performed by certain directors in discharging their duties on behalf of the Company (see Note 9), which are detailed below:

Company	Line of Business	Positions or Functions at the Company Concerned	Name
CAF I+D, S.L. (Sole-Shareholder Company)	Research and development	Sole director	José María Baztarrica
Construcciones Ferroviarias CAF-Santana, S.A.	Manufacture of railway equipment	Chairman	José María Baztarrica
Construcciones Ferroviarias CAF-Santana, S.A.	Manufacture of railway equipment	CEO	Alejandro Legarda
Construcciones Ferroviarias de Madrid, S.L. (Sole-Shareholder Company)	Manufacture of railway equipment	Sole director	Andrés Arizcorreta
Ferrocarriles Suburbanos, S.A. de C.V.	Provision of all manner of land transport services	Chairman	Alejandro Legarda
Constructora de Sistemas Ferroviarios, S.L.	Design and supply of railway line operating equipment	Chairman	Alejandro Legarda
Urbanizaciones Parque Romareda, S.A. (Sole-Shareholder Company)	Ownership of shares	Sole director	Alejandro Legarda
Traintic, S.L.	Manufacture of electronic products	Sole director	Andrés Arizcorreta
CAF USA, Inc.	Manufacture of railway equipment	Chairman	José María Baztarrica
CAF México, S.A. de C.V.	Manufacture and maintenance of equipment	Chairman	José María Baztarrica
CAF Argentina, S.A.	Maintenance of railway equipment	Chairman	José María Baztarrica
CAF Rail UK, Ltda.	Maintenance of railway equipment	Sole director	José María Baztarrica
CAF Italia, S.R.L.	Maintenance of railway equipment	Sole director	José María Baztarrica
Constructora Mex. del Ferrocarril Suburbano, S.A. de C.V.	Design and supply of railway line operating equipment	Chairman	Alejandro Legarda
Trenes de Navarra, S.A.U.	Manufacture of railway equipment	Sole director	Andrés Arizcorreta
CAF Chile, S.A.	Manufacture of railway equipment	Chairman	Andrés Arizcorreta
Desarrollo Software Miramon 4, S.L.	Software development	Sole director	Andrés Arizcorreta
Sempere Componentes, S.L.	Marketing of components	Sole director	Andrés Arizcorreta

Company	Line of Business	Positions or Functions at the Company Concerned	Name
Bizkaia Ferroviaria, S.L.	Engineering services	Sole director	Andrés Arizcorreta
Centro de Ensayos y Análisis Cetest, S.L.	Trials and accreditation	Sole director	Andrés Arizcorreta
Trainelec, S.L.	Electronic power equipment	Sole director	Andrés Arizcorreta
Nuevas Estrategias de Mantenimiento, S.L.	Technology solutions	Sole director	Andrés Arizcorreta
Ibaia Energía, S.L.	Power generation	Sole director	Andrés Arizcorreta
Compañía de Vagones del Sur, S.A.	Manufacture of freight wagons	Director	Alejandro Legarda
Agarregune, S.L.	Construction of buildings, fostering company initiative in the mobility field	Sole director	Andrés Arizcorreta
CAF Argelia, E.U.R.L.	Manufacture and maintenance of railway equipment	Sole director	Andrés Arizcorreta
CAF Francia, S.A.S.	Manufacture and maintenance of railway equipment	Sole director	Andrés Arizcorreta
CAF Turquía, L.S.	Manufacture and maintenance of railway equipment	Sole director	Andrés Arizcorreta
Constructions Ferroviaires de Bagneres, S.A.	Manufacture and maintenance of railway equipment	Director	Andrés Arizcorreta
Gestión Elaboración de Manuales Industriales Ingenieria y Servicios Complementarios, S.L.	Design of industrial equipment	Sole director	Andrés Arizcorreta
Seinalia, S.L.	Manufacture and retailing of signalling and safety equipment	Sole director	Andrés Arizcorreta
Constructions Ferroviaires de Bagneres, S.A.	Manufacture and maintenance of railway equipment	Director	Alejandro Legarda
Plan Metro, S.A.	Lease of mobile railway material	Chairman	Alejandro Legarda
Trenes CAF Venezuela, C.A.	Manufacture and maintenance of railway equipment	Sole director	Andrés Arizcorreta
Garraiotech, S.L.	Transport services	Sole director	Andrés Arizcorreta
Houston LRV 100, LLC	Manufacture and maintenance of railway equipment	Chairman	José María Baztarrica
Inversiones en Concesiones Ferroviarias, S.A.	Ownership of shares	Director acting severally	Andrés Arizcorreta
Inversiones en Concesiones Ferroviarias, S.A.	Ownership of shares	Director acting severally	Alejandro Legarda

24. REMUNERATION OF SENIOR EXECUTIVES

Since the senior executives of the Parent are also members of its Board of Directors, their staff costs (remuneration in cash or in kind, social security costs, etc.) were disclosed in Note 23 above, in accordance with the mandatory obligation defined in the corporate governance report.

In 2009 and 2008 there were no other transactions with senior executives outside the ordinary course of business.

25. GUARANTEES AND OTHER CONTINGENT ASSETS AND LIABILITIES

At 31 December 2009, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 2,015,496 thousand (31 December 2008: EUR 1,591,677 thousand) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 105,773 thousand related to guarantees for the refundable grants and advances granted by the Ministry of Science and Technology (see Note 15) and other government agencies.

In 2009 the CAF Group did not identify any material contingent assets or liabilities in addition to the contingent asset described in Note 7 relating to the claim filed by the Group for the concession in Mexico.

26. EVENTS AFTER THE BALANCE SHEET DATE

At 31 December 2009, the firm backlog, net of progress billings, amounted to approximately EUR 4,335,623 thousand (31 December 2008: EUR 4,137,431 thousand) (see Note 11). At 31 January 2010, this amount was EUR 4,249,293 thousand.

On 12 February 2010, CAF was awarded a contract for the preventive and corrective maintenance, general revision and modernisation of the trains on Line 8 of the Sao Paulo underground, for a present value of approximately EUR 700 million.

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Approval by the Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman and CEO
ANDRÉS ARIZCORRETA GARCÍA	Chief Executive Officer
ALEJANDRO LEGARDA ZARAGÜETA	Managing Director
JOSÉ ANTONIO MUTILOA IZAGIRRE	Director for Gipuzkoa Donostia Kutxa
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
FERMÍN ARRESE ARRATIBEL	Director
XABIER GARAIALDE MAIZTEGUI	Director
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director
JUAN JOSÉ ARRIETA SUDUPE	Director
ALFREDO BAYANO SARRATE	Secretary

Certificate issued by the Secretary attesting that, following the authorisation for issue of the consolidated financial statements and consolidated directors' report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and Subsidiaries composing the CAF Group (consolidated) for the year ended 31 December 2009, by the Board of Directors at its meeting on 24 February 2010 (the consolidated financial statements for the year ended 31 December 2009 had been duly formalised in the past), the directors have signed this document, consisting of 141 sheets numbered sequentially from 1818 to 1958, inclusive, all approved by the Secretary, who also signs them, countersigned by the Chairman and signed by each of the directors at the end of the document.

San Sebastián, 24 February 2010

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

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

Ordinary Shareholders' Meeting to be held at the Company's registered office in Beasain, Guipúzcoa, at 12.00 am on June 5 2010, at first call, and, if appropriate, at the same time and place the following day.

First. Examination and approval, if appropriate, of the 2009 financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A., and of the 2009 consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries, together with the management report.

Second. Approval of the proposal for the distribution of 2009 income, with a distribution of dividends for a gross amount of €10.5 per share.

Third. Authorize the Company' Board of Directors for the derivative acquisition of treasury stock under the terms required by law, rendering null and void the authorization previously granted under a resolution of the General Meeting held on 6 June 2009.

Fourth. Re-election of directors.

Fifth. Re-election of auditors.

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

Seventh. Approval of the minutes of the meeting.

Proposed distribution of income

To appropriate EUR 133,631 thousand of the Parent's post-tax profit of EUR 35,995 thousand to dividends and EUR 97,636 thousand to voluntary reserves.

Board of Directors

JOSÉ Mª BAZTARRICA GARIJO	Chairman and CEO
ANDRÉS ARIZCORRETA GARCÍA	Chief Executive Officer
ALEJANDRO LEGARDA ZARAGÜETA	Managing Director
JOSÉ ANTONIO MUTILOA IZAGIRRE	Director for Gipuzkoa Donostia Kutxa
LUIS MIGUEL ARCONADA ECHARRI	Director
JOSÉ MIGUEL DE LA RICA BASAGOITI	Director
FERMÍN ARRESE ARRATIBEL	Director
XABIER GARAIALDE MAIZTEGUI	Director
JOSÉ IGNACIO BERROETA ECHEVARRIA	Director
JUAN JOSÉ ARRIETA SUDUPE	Director
ALFREDO BAYANO SARRATE	Secretary

At 24 February 2010 the Directors owned 17.75% of the capital stock.

Consolidated Balance Sheets
Consolidated Income Statements
Stock market Information

Consolidated Balance Sheets

as of December 31st 2009, 2008, 2007, 2006, 2005 (Thousands of Euros)

Assets	2009	2008	2007	2006	2005
Non-current assets:					
Intangible assets					
Goodwill	5,892	5,447	48	-	-
Other intangible assets	163,908	167,725	197,508	101,289	12,633
	169,800	**173,172**	**197,556**	**101,289**	**12,633**
Property, plant and equipment, net	**274,633**	**204,630**	**171,923**	**155,610**	**146,409**
Investments accounted for using the equity method	**12,191**	**13,468**	**2,064**	**835**	**729**
Non-current financial assets	**51,987**	**60,781**	**25,871**	**34,355**	**27,705**
Deferred tax assets	**88,847**	**72,582**	**44,409**	**13,430**	**5,036**
Total non-current assets	**597,458**	**524,633**	**441,823**	**305,518**	**192,510**
Current assets:					
Inventories	**336,624**	**78,875**	**18,929**	**50,893**	**67,389**
Trade and other receivables					
Trade receivables for sales and services	814,186	642,556	334,372	402,178	324,956
Other accounts receivable	42,768	39,072	21,144	15,629	10,795
Current tax assets	4,368	1,821	1,607	1,008	1,653
	861,322	**683,449**	**357,123**	**418,815**	**337,405**
Other current financial assets	**468,818**	**509,539**	**454,835**	**270,659**	**40,800**
Other current assets	**3,172**	**396**	**324**	**820**	**580**
Cash and cash equivalents	**81,727**	**116,714**	**24,212**	**9,898**	**1,904**
Total current assets	**1,751,663**	**1,388,973**	**855,423**	**751,086**	**448,078**
Total assets	**2,349,121**	**1,913,606**	**1,297,246**	**1,056,604**	**640,589**

Equity and Liabilities	2009	2008	2007	2006	2005
Equity:					
Shareholders' equity					
Registered share capital	10,319	10,319	10,319	10,319	10,319
Share premium	11,863	11,863	11,863	11,863	11,863
Revaluation reserve	58,452	58,452	58,452	56,509	56,551
Other reserves of the Parent and of fully consolidated companies and companies accounted for using the equity method	268,294	195,648	136,070	106,058	92,901
Profit for the year attributable to the Parent	124,343	105,741	87,626	34,639	18,143
	473,271	**382,023**	**304,330**	**219,388**	**189,777**
Valuation Adjustments					
Translation differences	(13,702)	(19,697)	(3,914)	3,957	1,164
Hedges	(70)	(204)	496	16	(984)
	(13,772)	**(19,901)**	**(3,418)**	**3,973**	**179**
Equity Attributable to the Parent	**459,499**	**362,122**	**300,912**	**223,361**	**189,957**
Non-controlling interests	**12,946**	**15,208**	**3,574**	**2,670**	**2,659**
Total equity	**472,445**	**377,330**	**304,486**	**226,031**	**192,615**
Non-current liabilities:					
Long-term provisions	**2,661**	**3,812**	**872**	**1,301**	**1,362**
Non-current financial liabilities					
Bank borrowings	187,577	160,349	161,232	96,709	37
Other financial liabilities	62,763	65,937	92,411	83,887	63,471
	250,340	**226,286**	**253,643**	**180,596**	**63,508**
Deferred tax liabilities	**36,994**	**21,356**	**20,593**	**24,491**	**18,365**
Other non-current liabilities	4,008	-	-	-	-
Total non-current liabilities	**294,003**	**251,454**	**275,108**	**206,389**	**83,236**
Current liabilities:					
Short-term provisions	**217,867**	**199,458**	**114,995**	**82,310**	**39,520**
Current financial liabilities					
Bank borrowings	15,817	16,564	26,110	270	185
Other financial liabilities	21,137	29,173	20,586	20,171	16,839
	36,954	**45,737**	**46,696**	**20,441**	**17,024**
Trade and other payables					
Payable to suppliers	521,510	445,668	235,016	224,682	153,800
Other payables	793,201	569,792	298,458	278,218	147,513
Current tax liabilities	12,823	23,722	21,852	18,115	6,449
	1,327,534	**1,039,182**	**555,326**	**521,015**	**307,762**
Other current liabilities	**318**	**445**	**635**	**418**	**432**
Total current liabilities	**1,582,673**	**1,284,822**	**717,652**	**624,184**	**364,738**
Total equity and liabilities	**2,349,121**	**1,913,606**	**1,297,246**	**1,056,604**	**640,589**

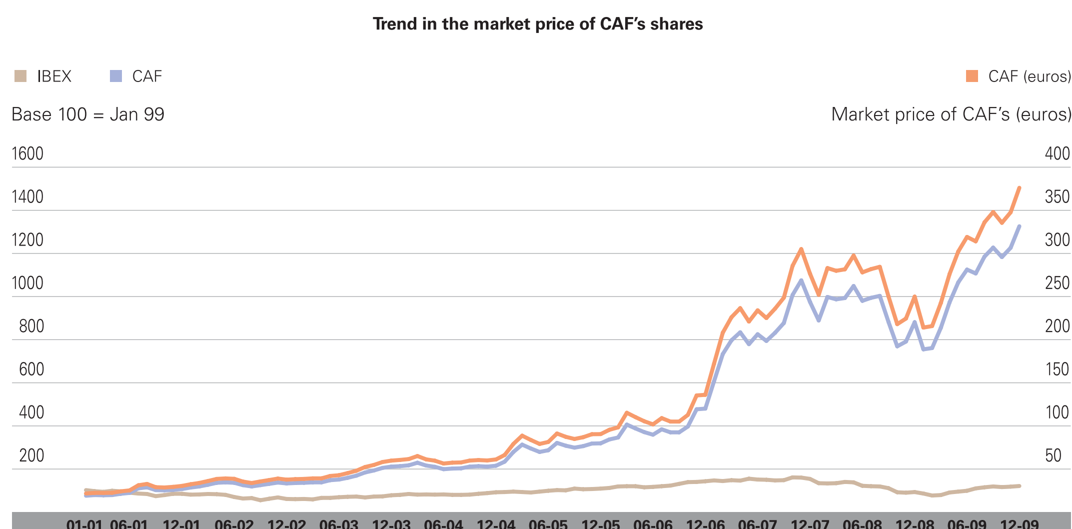
Consolidated Incomes Statements

as of December 31st 2009, 2008, 2007, 2006, 2005 (Thousands of Euros)

(Debit) Credit	2009	2008	2007	2006	2005
Continuing operations:					
Revenue	1,258,041	1,004,951	874,474	805,727	680,798
+/- Changes in inventories of finished goods and work in progress	186,063	10,177	(111,892)	(82,481)	269
In-house work on non-current assets	827	119	22	67	30
Procurements	(760,148)	(473,242)	(314,182)	(349,460)	(396,262)
Other operating income	11,698	40,646	1,989	1,101	856
Staff costs	(280,119)	(229,466)	(200,130)	(188,224)	(165,881)
Other operating expenses	(255,072)	(230,712)	(122,250)	(122,771)	(74,452)
Depreciation and amortisation charge	(26,874)	(20,674)	(15,120)	(18,019)	(16,599)
Impairment losses and gains or losses on disposal of non-current assets	2,407	182	22	615	(446)
Other gains or losses	(1,051)	373	(26,849)	(3,061)	(4,984)
Profit from operations	**135,772**	**102,354**	**86,084**	**43,495**	**23,330**
Finance income	6,763	17,156	8,527	1,641	459
Finance costs	(26,670)	(12,943)	(609)	(2,695)	(5,769)
Exchange differences	3,947	2,781	3,709	(16)	4,425
Impairment and gains or losses on disposal of financial instruments	845	(2,642)	(107)	(203)	
Financial profit	**(15,115)**	**4,352**	**11,520**	**(1,273)**	**(885)**
Result of companies accounted for using the equity method	(524)	(294)	387	298	205
Profit before tax	**120,133**	**106,412**	**97,991**	**42,519**	**22,650**
Income tax	(427)	296	(9,690)	(7,869)	(4,469)
Profit for the year from continuing operations	**119,706**	**106,708**	**88,301**	**34,650**	**18,180**
Consolidated profit for the year	**119,706**	**106,708**	**88,301**	**34,650**	**18,180**
Attributable to:					
The Parent	124,343	105,741	87,626	34,639	18,143
Non-controlling interests	(4,637)	967	675	12	37
Earnings per share (in euros)					
Basic	36.27	30.85	25.56	10.10	5.29
Diluted	36.27	30.85	25.56	10.10	5.29

Stock market information

As of December 31, 2009, the Parent Company's capital stock amounted to €10,318,506 and consisted of 3,428,075 fully subscribed and paid listed shares of €3.01 par value each, traded by the book-entry system.



	2009	2008	2007	2006	2005
Stock market capitalization					
Figures as of December 31	1,289,299,008	856,675,943	947,862,738	466,218,200	312,983,248
Per-share data					
Net earnings per share	36.27	30.85	25.56	10.10	5.29
Net income before taxes	35.04	31.04	28.58	12.40	6.61
Dividend per share	10.5	9.5	8.5	3.20	1.60
Per-share net book value	134.04	105.63	87.78	65.16	55.41
Stock market ratios					
PER	8.27	8.39	9.56	11.14	15.38
Average price/EBITDA	6.2	7.25	8.3	6.25	6.96
MV/BV (average price/book value)	2.24	2.45	2.78	1.73	1.47
Dividend yield	3.5%	3.67%	3.48%	2.84%	1.97%
Pay-out	28.95%	30.80%	33.25%	31.67%	30.23%

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

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