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BOARD OF DIRECTORS' REPORT REGARDING THE APPOINTMENT OF MR. IGNACIO CAMARERO GARCÍA AS INDEPENDENT DIRECTOR, INCLUDED IN ITEM 5.2 OF THE GENERAL SHAREHOLDERS' MEETING AGENDA.

1.- INTRODUCTION

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA's ("CAF" or the "Company") Appointments and Remuneration Committee has proposed the appointment of Mr. Ignacio Camarero García as an Independent Director of the Company.

In accordance with the provisions of Section 4 of Article 529 decies and Section 3 of Article 529 quindecies of the Consolidated Text of the Spanish Corporate Enterprises Act (the "LSC"), and Article 15 of the Rules of the Board of Directors, the Appointments and Remuneration Committee is responsible for proposing the appointment or re-election of independent members of the Board of Directors.

In accordance with the provisions of Section 5 of Article 529 decies of the LSC, such a proposal must be accompanied by a supporting report issued by the Board of Directors, in which the competence, experience and merits of the proposed candidate are assessed, and such a report is to be attached to the minutes of the General Meeting or of the Board itself.

This report is issued under the aforementioned article, and aims to (i) endorse and report favourably upon the proposal from the Appointments and Remuneration Committee to appoint Mr. Ignacio Camarero García as an Independent Director for the term of four years established in the Articles of Association; and (ii) assess the competence, experience and merits of the proposed candidate.

The aforementioned proposal of the Committee is made available to the shareholders along with the current report from the Board.

It is also stated that this report contains full information on the identity, CV and category of the candidate for the purposes of Article 518 (e) of the LSC.

2. SUBSTANTIATION OF THE REPORT

2.1. Proposal of the Appointments and Remuneration Committee

To prepare this report, the Board of Directors has assessed the proposal made by the Appointments and Remuneration Committee, which the Board endorses in its entirety.

This proposal extensively analyses the career, experience and professional merits of Mr. Ignacio Camarero García of which the following are worthy of mention:

Mr. Ignacio earned a Physical Science Degree at the University of Valladolid. He has worked

at both national and international companies, in the Telecommunication and IT industries, holding various top management positions. Amongst others, he held the positions of Manager of Engineering and Network Development at Telefónica España, Vodafone-Airtouch Technology Manager, or Motorola España Operations Manager, where he was elected Chairman of the company in Spain and Vice Chairman of the International Organisation. He is currently a member of the Advisory Board of Ericsson España and Accenture.

The Committee has acknowledged the suitability of the candidate, pursuant to that set forth in the Technical Guide, as well as the competences and knowledge established in the Board's skills matrix, together with other key aspects such as availability, independence and the non-existence of conflicts of interest.

Consequently, the Committee has proposed the appointment of Mr. Ignacio Camarero García as a Company Director, with the category of Independent Director, for the statutory term of four years.

2.2. Substantiation of the Proposal

Taking account of the reasons raised by the Appointments and Remuneration Committee in its proposal, which the Board endorses, the Board of Directors considers that:

The experience and professional curriculum of Mr. Camarero García accredit both his competence and merits to hold the position of Director as he meets the requirements of suitability and capacity necessary to hold the office in accordance with the provisions of the law and internal regulations.

The Board also believes that incorporating Mr. Camarero García will be advantageous to the already existing diversity and balance of the current Board, particularly in the light of his specialist knowledge and experience in positions under the strictest of technical standards. To this regard, amongst other aspects, worthy of attention is the candidate's outstanding Operations and Technology qualifications as well as his extensive international experience in leading companies in his sector, in which he has held upper management positions, being a member of and/or participating in their Boards of Directors.

To this regard, the Board believes that Mr. Camarero García can contribute with technical expertise together with significant capacity for analysis and adoption of decision making criteria.

Also, his appointment will also increase the number of Independent Board Members, in line with Corporate Governance best practices.

3. CONCLUSION AND PROPOSAL FOR RESOLUTION

For all the above reasons, the Board considers the following proposal to be justified and submits it to the General Shareholders' Meeting to be voted separately under Item 5.2 of the Agenda:

"Five:

(...)

“5.2 To appoint Mr. Ignacio Camarero García as an Independent Director, for the statutory term of four years.”

In San Sebastián, on the 7th May, 2019.