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CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF)

BOARD OF DIRECTORS' PROPOSED RESOLUTIONS TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING TO BE HELD ON 10 OR 11 JUNE 2017, ON FIRST AND SECOND CALL, RESPECTIVELY

First:

To approve the Financial Statements (balance sheet, income statement, statement of changes in over the net worth for the financial year, cash flow statement, and the respective notes) and the management report of the Company and its consolidated group, relating to the financial year 2016.

Second:

To determine the distribution of earnings of Construcciones y Auxiliar de Ferrocarriles, S.A. relating to the financial year 2016, in the following way:

Balance of the profit and loss account 1,546 thousands of euros
Voluntary reserves 18,337 thousands of euros

Allocation

To dividends..... 19,883 thousands of euros

As a result, to distribute a gross dividend of 0.58 euros per share, to be paid on 7 July 2017, applying the proper legal withholdings that may result.

Third:

To re-appoint as auditor of the annual individual Financial Statements of Construcciones y Auxiliar de Ferrocarriles, S.A. and the annual consolidated Financial Statements of Construcciones y Auxiliar de Ferrocarriles, S.A. and Its subsidiaries, that is to say for the individual and consolidated Financial Statements for the year ending 31 December 2017, DELOITTE, S.L., a company which has its registered office in Madrid, at Plaza Pablo Ruiz Picasso, 1, Torre Picasso, and Spanish Tax ID (N.I.F.) B-79104469 and number S0692 in the Official Register of Financial Auditors (ROAC in Spanish).

Fourth:

4.1. To amend articles 13 and 20 of the Company's by-laws in order to adapt them to the current version of article 406 of the Corporate Enterprises Act, so that in the future they will read as follows:

"Article 13.- Powers reserved to the General Shareholders' Meeting. Types of powers

The General Shareholders' Meeting, in accordance with the Law and the current by-laws, is vested with the power to decide on the following matters:

- 1° Appointment and dismissal of directors, liquidators, auditors and the institution of legal action for liability against any of these persons.*
- 2° Approval of corporate governance and, where appropriate, the prior year's financial statements, and resolve the distribution of earnings.*
- 3° Increases and reductions of the share capital, delegating, where appropriate, to the Board of Directors, within the periods established by Law, the power to set the date or dates of their execution, who may make full or partial use of this delegation, or even refrain from executing it due to considerations related to market conditions, the Company itself or a particularly significant fact or event that in its opinion justify such a decision, duly disclosing this at the first General Shareholders' Meeting held after the conclusion of the period granted for its execution. Delegate the power to increase capital to the Board of Directors under the terms of article 297.1.b) of the Corporate Enterprises Act.*
- 4° Approve the issue of bonds that are convertible into shares or bonds that attribute to bondholders a share in Company earnings.*
- 5° Removal or limitation of pre-emptive rights of subscription.*
- 6° Acquisition, disposal or contribution to another company of core assets. Assets are deemed to be core assets when the transaction amount exceeds 25% of the carrying amount of the assets on the last approved balance sheet.*
- 7° Transfer to subsidiaries of core activities previously carried out by the Company itself, even while the latter retains full control of the former. Activities and operating assets are deemed to be core activities and operating assets, respectively, when the transaction amount exceeds 25% of total assets shown in the statement of financial position.*
- 8° Amendment of the by-laws.*
- 9° Dissolution, merger, spin-off or conversion or global assignment of the Company's assets and liabilities or the transfer of its registered office abroad.*
- 10° Operations which have an equivalent effect as the liquidation of the Company.*
- 11° Approval of the final liquidation statement of financial position.*

12° *The Directors' Remuneration Policy, in accordance with the terms of the Corporate Enterprises Act.*

13° *Decide on any matter submitted to them by the Board of Directors, who will be required to call a General Shareholders' Meeting as soon as possible to deliberate and decide on the specific resolutions included in this article that are submitted for their decision, should any circumstances or significant events arise that affect the Company, its shareholders or its governing bodies, and whenever a takeover bid is made for the Company, that does not merit a favourable report by the Board of Directors.*

14° *Any other matters determined by Law or the present by-laws.*

General Shareholders' Meetings can be ordinary or extraordinary."

"Article 20.- Special cases

To adopt resolutions on the issue of bonds that are convertible into shares or bonds that attribute to bondholders a share in Company earnings; increases and reductions of the share capital; the removal or limitation of pre-emptive rights of subscription of new shares; the conversion, merger, or spin-off or the global assignment of the Company's assets and liabilities or the transfer of its registered office abroad, and, in general, any amendment of the by-laws, shall require, at first call, that the shareholders present or represented hold at least 50% of the subscribed share capital with voting rights. If the meeting is held at second call, the attendance of shareholders holding twenty-five per cent of the capital shall be sufficient.

When, at second call, shareholders representing at least 25%, but less than 50%, of the subscribed share capital with voting rights are in attendance, the resolutions referred to in this article may be validly adopted only with the favourable vote of two-thirds of the share capital present or represented at the General Shareholders' Meeting."

4.2. To amend article 34 of the existing Company's by-laws with the purpose of aligning its content with that of article 5.3 of the Regulations of the Board of Directors, so that in the future it will read as follows:

"Article 34. - Powers of the Board of Directors

a) *The Board of Directors shall have the broadest authority to manage, govern and represent the Company in all matters relating to its ordinary business with no restrictions other than those which are reserved to the General Shareholders' Meeting by Law or by the present by-laws. In no case can the Board of Directors delegate the following decision making*

powers: Oversight of the effective operation of the board committees and the actions of the delegate bodies and the executives appointed.

- b) Determination of the Company's general policies and strategies.*
- c) Authorisation or exemption from obligations derived from the duty of loyalty established in article 230 of the Corporate Enterprises Act.*
- d) The organisation and functioning of the Board itself.*
- e) Preparation of the annual financial statements and their presentation to the General Shareholders' Meeting.*
- f) Preparation of any kind of report required by the Board of Directors, provided that the operation to which they relate cannot be delegated.*
- g) Appointment and removal of the Company's delegated directors and the establishment of the conditions of their contracts.*
- h) Appointment and removal of those executives who report directly to the Board or any of its members, and the establishment of the basic conditions of their contracts, including their remuneration.*
- i) Decisions related to the remuneration of board members, within the statutory framework and the remuneration policy approved by the General Shareholders' Meeting.*
- j) Calling of the General Shareholders' Meeting, and the preparation of the agenda and the proposed resolutions.*
- k) Treasury stock policy.*
- l) Approval of the strategic or business plan, annual management objectives and budget, investment and financing policy, corporate social responsibility policy and dividend policy.*
- m) Determination of risk control and management policy, including tax risks, and the monitoring of internal information and control systems.*
- n) Determination of the corporate governance policy of the Company and the group of which it is parent; its organisation and functioning and, in particular, the approval and amendment of its own regulations.*
- o) Approval of the financial information that, due to it being listed, the Company must periodically disclose.*
- p) Definition of the structure of the group of companies of which the Company is parent.*
- q) Approval of the investments or operations considered to be strategic or of special tax risk, by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting.*

- r) *Approval of the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and its group.*
- s) *Approval, subject to a previous report by the Audit Committee, of the transactions of the Company or companies of its group with board members, pursuant to Articles 229 and 230 of the Corporate Enterprises Act, or with shareholders that individually or in concert with others, own a significant stake, including shareholders represented on the Board of Directors of the Company or of other companies that form part of the same group or with persons related thereto. Affected directors that represent or are related to the affected shareholders must abstain from taking part in the deliberation and vote on the pertinent resolution. This approval shall not be necessary when such transactions simultaneously meet the following three characteristics:*
 - 1° *they are governed by agreements which conditions are standardized and applied across the board to a large number of clients,*
 - 2° *they are performed at market rates, generally set by the person supplying the goods or services, and*
 - 3° *the amount does not exceed 1% of the Company's annual income.*
- t) *Determination of the Company's tax strategy.*
- u) *The powers that the General Shareholders' Meeting has delegated to the Board of Directors, unless the meeting has expressly authorised that they may be sub-delegated.*
- v) *Knowledge of any transaction between the Company and a significant shareholder, subject to a previous report by the Audit Committee.*

Under urgent, duly justified, circumstances, decisions related to the matters included in letters l) to t) above, may be adopted by the delegated bodies or persons, which must be ratified at the first meeting of the Board of Directors held after the adoption of the decision."

Fifth:

If the General Shareholders' Meeting approves the resolution submitted to it under Agenda item 4.1, to amend articles 4, 10 and 16 of the Rules of the General Shareholders Meeting, relating to the powers of the General Shareholders' Meeting and the rules related to quorum and majorities, in order to adapt it to the content of the by-laws amendments which will be submitted for approval by the General Shareholders' Meeting under Agenda item 4.1, in future it will read as follows:

"Article 4.- Powers reserved to the General Shareholders' Meeting.

The General Shareholders' Meeting, in accordance with the Law and the by-laws, is vested with the power to decide on the following matters:

- 1° Appointment and dismissal of directors, liquidators, auditors and the institution of legal action for liability against any of these persons.*
- 2° Approval of corporate governance and, where appropriate, the prior year's financial statements, and resolve the distribution of earnings.*
- 3° Increases and reductions of the share capital, delegating, where appropriate, to the Board of Directors, within the periods established by Law, the power to set the date or dates of their execution, who may make full or partial use of this delegation, or even refrain from executing it due to considerations related to market conditions, the Company itself or a particularly significant fact or event that in its opinion justify such a decision, duly disclosing this at the first General Shareholders' Meeting held after the conclusion of the period granted for its execution. Delegate the power to increase capital to the Board of Directors under the terms of article 297.1.b) of the Corporate Enterprises Act.*
- 4° Approve the issue of bonds that are convertible into shares or bonds that attribute to bondholders a share in Company earnings.*
- 5° Acquisition, disposal or contribution to another company of core assets. Assets are deemed to be core assets when the transaction amount exceeds 25% of the carrying amount of the assets on the last approved balance sheet.*
- 6° Transfer to subsidiaries of core activities previously carried out by the Company itself, even while the latter retains full control of the former. Activities and operating assets are deemed to be core activities and operating assets, respectively, when the transaction amount exceeds 25% of total assets shown in the statement of financial position.*
- 7° Amendment of the by-laws.*
- 8° Removal or limitation of pre-emptive rights of subscription.*
- 9° Dissolution, merger, spin-off, global assignment of assets and liabilities and the conversion of the Company, or the transfer of its registered office abroad.*
- 10° Operations which have an equivalent effect as the liquidation of the Company.*
- 11° Approval of the final liquidation statement of financial position.*

12° *The Directors' Remuneration Policy, in accordance with the terms of the Corporate Enterprises Act.*

13° *Decide on any matter submitted to them by the Board of Directors, who will be required to call a General Shareholders' Meeting as soon as possible to deliberate and decide on the specific resolutions included in this article that are submitted for their decision, should any circumstances or significant events arise that affect the Company, its shareholders or its governing bodies, and whenever a takeover bid is made for the Company, that does not merit a favourable report by the Board of Directors.*

14° *Any other matters determined by Law or the present by-laws."*

"Article 10.- Quorum

The General Shareholders' Meeting will be validly constituted at first call when shareholders in attendance or represented by proxy hold at least 25% of subscribed capital with voting rights. The General Shareholders' Meeting at second call will be valid regardless of the percentage of share capital in attendance.

*To adopt resolutions on the issue of bonds **that are convertible into shares or bonds that attribute to bondholders a share in Company earnings**; increases and reductions of the share capital; the removal or limitation of pre-emptive rights of subscription of new shares; the conversion, merger, or spin-off or the global assignment of the Company's assets and liabilities or the transfer of its registered office abroad, and, in general, any amendment to the Bylaws, shall require, at first call, that the shareholders present or represented hold at least 50% of the subscribed share capital with voting rights. If the meeting is held at second call, the attendance of shareholders holding twenty-five per cent of the capital shall be sufficient. When, at second call, shareholders representing at least 25%, but less than 50%, of the subscribed share capital with voting rights are in attendance, the resolutions referred to in this paragraph may be validly adopted only with the favourable vote of two-thirds of the share capital present or represented at the General Shareholders' Meeting.*

Notwithstanding the above, the General Shareholders' Meeting shall be understood to have been convened and it will be validly constituted to transact any business provided that all of the share capital is present and the attendees unanimously consent to the meeting being held."

"Article 16.- Adoption of resolutions

As a general rule, resolutions will be adopted by a simple majority of votes of the shareholders present or represented at General Shareholders' Meeting. A

resolution will be deemed to have been adopted when there are more votes in favour than against, out of the voting capital present or represented.

To agree the issue of bonds that are convertible into shares or bonds that attribute to bondholders a share in Company earnings; increases and reductions of the share capital; the removal or limitation of pre-emptive rights of subscription of new shares; the conversion, merger, or spin-off or the global assignment of the Company's assets and liabilities or the transfer of its registered office abroad, and, in general, any amendment to the Bylaws, shall only require an absolute majority vote to adopt a resolution, providing the capital present or represented exceeds 50% of all subscribed capital. However, the favourable vote of shareholders holding two-thirds of the share capital attending the meeting in person or by proxy will be required when, on second call, at least 25% but less than 50% of the subscribed share capital with voting rights is in attendance. Notwithstanding any alternative systems that may be implemented if the Chairman so decides, the votes in the General Shareholders' Meeting for the proposed resolutions shall be counted as follows:

- a) Voting on proposed resolutions relative to issues included in the agenda, shall take place through a negative voting system. To this effect, all shareholders present or represented by proxy are considered to have voted in favour of the resolution, subtracting the votes corresponding to those shareholders or proxies who have voted against, submitted a blank vote or abstained.*
- b) Voting on proposed resolutions relative to issues not included in the agenda, shall take place through a positive voting system. To this effect, all shareholders present or represented by proxy are considered to have voted against the resolution, subtracting the votes corresponding to those shareholders or proxies who have voted in favour, submitted a blank vote or abstained.*

Whichever the system employed to decide the vote, the verification by the the General Shareholders' Meeting Officers that a sufficient number of votes in favour have been cast to reach the majority necessary in each case, will allow the Chairman to declare the corresponding resolution to have been approved."

This current resolution will become effective from the moment of the approval, execution and entry in the Companies Registry of the resolution to amend the by-laws which will be submitted to the vote of the General Shareholders' Meeting as item 4.1 on the agenda.

Sixth:

Approve the Directors' Remuneration Policy.

Seventh:

To appoint Mr. Julián Gracia Palacín as Independent Director of the Company, for a statutory term of four years, to cover the vacancy on the Board.

Eighth:

To delegate to the Company's Board of Directors, pursuant to the provisions of articles 297.1.b) and 511 of the Corporate Enterprises Act, article 319 of the Companies Registry Regulations and any other applicable regulations, with express power of substitution, and for a period of five (5) years from the approval of the present resolution, of the power to issue, on one or more occasions, either directly or through Group companies, debentures and other fixed-income bonds or other type of securities (including warrants) convertible into shares of the Company or of other Group companies.

This delegation expressly includes the power to set as many cases and conditions as may be necessary or appropriate for the issue of the aforementioned securities, including the establishment of criteria for determining the conditions and ratios for conversion or exercise, the determination of whether the securities are simple or guaranteed in nature, and the power to increase share capital by the amount necessary to meet the corresponding conversion or exercise requests. Nonetheless, this power may be exercised by the Board of Directors only if, when adding this capital increase to the capital increases agreed to meet the issue of convertible securities and any other capital increases it may have agreed by virtue of any other delegation granted by the General Shareholders' Meeting, it does not exceed the limit of one-half of the share capital at the time of authorisation, which is equivalent to a maximum of 17,140,375 shares.

In addition, this delegation expressly includes the power to exclude shareholders' preemptive rights of subscription, for a maximum amount of 20% of the share capital at the time of the authorisation, which is equivalent to a maximum of 6,856,150 shares, pursuant to the provisions of article 511 of the Corporate Enterprises Act and any other applicable regulations.

The Company's Board of Directors also has the power to guarantee, on behalf of the Company, and within the limits set forth above, any new issues of convertible securities that companies belonging to its group may carry out.

When appropriate, the Company will request the admission for trading on Spanish or foreign, official or unofficial secondary markets, whether organised or not, of the securities that can be issued under this delegation of power, entrusting the Board of Directors to carry out the procedures with the pertinent securities markets authorities as required to bring about such admission for trading.

This resolution replaces and renders null and void the resolution, adopted by the Ordinary General Shareholders' Meeting held on 7 June 2014 under item five of the agenda.

Ninth:

To approve the consultive vote regarding the Annual Report on Directors' Remuneration for financial year 2016, approved by CAF's Board of Directors at its meeting held on 27 February 2017.

Tenth:

To grant the Company's Board of Directors the broadest powers that may be required by law to carry out the resolutions referred to above, and to clarify, rectify or complement the resolutions agreed in accordance with the verbal or written assessment of the Companies Registrar, and to grant powers severally and without distinction to Mr. Andrés Arizkorreta García and Mrs. Marta Baztarrica Lizarbe, Chairman and Secretary of the Board of Directors, respectively, to appear before notary public and execute the corresponding public deed, taking any action necessary to ensure the inscription in the Companies Register of all or part of the registrable resolutions adopted by this General Shareholders' Meeting.

Eleventh:

To approve the minutes of the meeting, after they have been drafted and read out at the end of it.