



The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's web site (www.caf.net). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.

REPORT ON PERFORMANCE OF THE AUDIT COMMITTEE OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF) FOR FINANCIAL YEAR 2018

1. Purpose of the Report

Pursuant to section s) of Article 3 of the Rules of the Audit Committee (hereinafter the “**Audit Committee**” or “**Committee**”) of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter, “**CAF**” or the “**Company**”), this Committee is entrusted with the submittal of an annual report relating to the performance and activities of the Committee during the previous financial year.

The purpose of this report is to ensure that the shareholders and other concerned parties understand and are aware of the activities performed by the Committee during 2018. To this end, it must be published pursuant to the terms of Recommendation 6 of the Code of Good Governance of Listed Companies of the Spanish National Securities Market Commission (hereinafter the “**Code of Good Governance**”) and shall at least contain the aspects established in Technical Guide 3/2017 regarding Audit Committees for Organisations of Public Interest of the Spanish National Securities Market Commission.

2. Rules of the Audit Committee

The Audit Committee is governed by the basic rules under Article 37 bis of the Articles of Association of CAF which provide for a minimum composition - three directors - all of whom are non-executive directors, with at least the majority being independent. This article also establishes the minimum functions assigned by the Articles of Association, although these are complemented with the regulatory assigned functions referred to below.

CAF's Articles of Association also stipulate that the Chairman of the Committee will be appointed from the independent members of the Board for a maximum office of four years, and can be re-elected one year after resignation. They also stipulate that the resolutions will be adopted by absolute majority of the attending directors. In the same manner as with the functions, this basic provision of the Articles of Association regarding the composition and operating rules of the Audit Committee is also complemented according to regulations.

The Audit Committee has its own Rules which establish most relevant Committee aspects in detail, such as: its nature, composition, functions and scope of application, rules of procedure, powers and relations with third parties.

The Rules of the Audit Committee R strictly fulfil both the attribution of legally established functions and the assigning of supplementary functions referred to in Recommendation 42 of the Code of Good Governance.

As explained in more detail below, on 18 December, 2018, the Company's Board of Directors passed modification of the Rules of the Audit Committee in order to incorporate: (i) specific recommendations of the Code of Good Governance and of the Board Evaluation Report issued by the independent expert regarding financial year 2017, as well as certain guidelines of the Technical Guide for Audit Committees of the National Securities Market Commission which were not expressly stipulated in the Regulation, (ii) alignment with other internal Regulations, and (iii) various technical improvements.

Pursuant with the current wording of Article 3 of its Regulation, the Audit Committee is assigned the following minimum competences:

- a) Report to the General Shareholders' Meeting on any matters raised and which come within the competence of the Committee and, in particular, on the audit results, explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in this process.
- b) Supervise the effectiveness of the Company's internal control, the internal audit and the risk management systems, and to discuss with the accounts auditor any significant weaknesses in the internal control system found during the audit, all this without violation of the auditors independence. For such purposes, and where appropriate, recommendations or proposals may be submitted to the Board of Directors with the appropriate deadline for follow-up.
- c) Supervising the preparation and presentation of mandatory financial and related non-financial information and providing the Board of Directors with recommendations or proposals geared towards safeguarding its integrity.
- d) With respect to internal control and reporting systems:
 - i. Supervise the preparation and the integrity of the financial information on the Company and, if applicable, the group, reviewing compliance with the regulatory requirements, proper delimitation of the scope of consolidation and correct application of accounting policies.
 - ii. Check that the financial information published on the Company's corporate website is constantly updated and that it coincides with everything that has been passed or formulated by the Board of Directors and published on the Spanish National Securities Market Commission website. If, after the check, the Committee is not satisfied with any matter, it will notify the Board of Directors of its opinion.
 - iii. Monitor the independence of the division performing the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approving work plans and orientation, ensuring that its activity is mainly focused on the company's relevant risks; receive periodic financial information on its activities; and verify that the senior management duly considers the findings and recommendations of its reports. As part of the monitoring process, the Committee must assess the operation of the internal audit and the performance of the auditor.
 - iv. Establish and supervise a whistleblowing channel for the staff to

report, confidentially and, if necessary, anonymously, any irregularities found in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm. Once the information disclosed via this channel has been analyzed, and should it deem it necessary, the Committee must propose the appropriate actions to take to improve operation and reduce the risk of any future irregularities.

- e) Submit to the Board of Directors the proposals for the selection, appointment, re-election and substitution of the accounts auditor, taking responsibility for the process of selection, in accordance with Articles 16, Sections 2, 3 and 5, and 17.5 of Regulation (UE) no. 537/2014, of 16 April, as well as the hiring conditions, regularly compiling information from the auditor regarding the auditing plan and its implementation, as well as preserving the independence in the performance of the auditor duties. The Committee must perform a final assessment of the actions performed by the auditor, and of how the auditor contributed to the quality of the audit and the integrity of the financial information.
- f) Establish the appropriate relations with the external auditor to receive information regarding any matters that could pose a risk to independence, for review by the Committee, and any other matters relating to the auditing of the accounts and, when applicable, authorisation for services other than those prohibited, in the terms provided for in Articles 5, Section 4, and 6.2.b) of Regulation (EU) no. 537/2014, of 16 April, and that laid down in Section 3 of chapter IV of heading I of Law 22/2015, of 20 July, on Account Auditing, regarding the independence regime, as well as other reporting provisions provided for in the legislation of the auditing of accounts and in accounting standards. In any case, every year it shall be necessary to receive the external auditors' statement of independence regarding the entity or entities related directly or indirectly thereto, as well as the information on any additional service rendered and the relevant fees paid by these entities to the external auditor or to the persons or entities related thereto, as established by the legislation that regulates the auditing activity.
- g) Annually issue, prior to the issuing of the audit report, a report that expresses an opinion on whether the independence of the auditors or auditing companies is compromised. This report shall contain, as applicable, the reasoned appraisal of each and every one of the additional services rendered referred to in the previous paragraph, both individually and as a whole, other than those related to the statutory audit and pursuant to the independence regime or auditing regulations.
- h) With regard to the external auditor:
 - i. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation.
 - ii. Ensure that the external auditor's compensation does not compromise his/her quality or independence.
 - iii. The Company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

- iv. Ensure that the external auditor holds an annual meeting with the full Board of Directors to advise them on the work done and the variations in the Company's risk and accounting situation.
 - v. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.
- i) Monitoring the internal risk management and control function of the Company.
 - j) Report to the Board of Directors in advance on all matters provided for by Law, these Articles of Association and the Rules of the Board and, in particular, on:
 - i. Financial information that the Company must regularly make public;
 - ii. The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens; and
 - iii. Operations with related parties.
 - k) Propose to the Board of Directors, when deemed appropriate by the Committee, the modification of the Rules of Procedure of the Board, with the proposal accompanied with a relevant supporting reasons.
 - l) Supervise the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
 - m) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
 - n) Be informed about the structural and corporate modifications intended to be performed by the company so that the Board of Directors may first analyse them and issue a report on the economic conditions and their accounting impact, especially, as applicable, the proposed exchange ratio.
 - o) Approve an annual work plan which considers, amongst other aspects, the annual calendar of the Committee's meetings, so as to facilitate efficiently meeting the goals set out.
 - p) Issue a report regarding the transactions performed by the Company or group companies with the Directors under the terms of Capital Companies Law, or with shareholders -holding a significant equity interest- either individually or jointly, including shareholders represented at the Board of Directors of the Company or other companies forming part of the same group or with persons related thereto. This report does not need to be issued in the case of operations that simultaneously meet the following three characteristics:
 - i. Those governed by standardized contracts applied on an across-the-board basis to a large number of customers;
 - ii. Those made at market rates or prices that are generally set by suppliers of the goods or services in question, and
 - iii. Those worth less than 1% of the Company's yearly revenues.
 - q) Pursuant to the provisions of the Company's Internal Rules of Conduct within

the sphere of Stock Markets:

- i. Issuing a report on the eventual authorization of transactions with Affected Securities and Instruments during the restricted periods, at the request of the Control and Monitoring Body, and
 - ii. Evaluating, in collaboration with the Control and Monitoring Body, as to whether the market surveys conducted involve the disclosure of privileged information.
- r) Submitting to the Board of Directors, within the framework of the annual assessment of the Board of Directors and its Committees, an annual assessment report on its own performance.
 - s) Submitting an annual report relating to the performance and activities of the Committee. Each report relating to the previous financial year.
 - t) Any other function attributed to it by Law, articles of association, the Rules of Procedure of the Board of Directors or by the Board of Directors itself.

That laid down in letters f), g) and h) shall be understood notwithstanding the auditing regulatory standards.

The Committee is also assigned the following powers, pursuant to Article 10 of its Regulations:

- 1.-The Committee shall have full access to any type of Company information, documentation or records considered necessary for the furtherance of its duties.
- 2.- The Committee shall request the Board of Directors external expert advice on matters especially relevant if deemed necessary when Company or Group companies' experts or technicians may not duly or independently provide it.
- 3.- Also, the Committee can, at any time, request personal collaborations or reports from any member of the management team of the Company and / or its group companies, from other directors, executives or not, employees, or experts, as deemed necessary or appropriate to fulfil the proper functions of the Committee, as well as the presence of any of these at the meetings, event if the only purpose is to discuss those specific points of the agenda for which they are convened.

3. Composition of the Audit Committee during the financial year

As of 31 December, 2018, the Auditing Committee comprises of the members indicated in the following chart:

<i>Name</i>	<i>Position</i>	<i>Type</i>	<i>Seniority</i>
Mr. Javier Martínez Ojinaga	Chairman	Independent	Appointed as a Director on 13/06/2015 and Chairman of the Committee on 28/10/2015.

Mr. Juan José Arrieta Sudupe	Member	Independent	Appointed as a Director on 07/06/2008. Member of the Committee since 20/10/2010.
Ms. Carmen Allo Pérez	Member	Independent	Appointed as a Director on 11/06/2016. Member of the Committee since 27/02/2018.

During its meeting held on 27 February, 2018, the Board of Directors agreed to rotate positions in the Audit Committee, incorporating Ms. Carmen Allo Pérez (independent) to replace Mr. Alejandro Legarda Zaragüeta. Accordingly, when this report was drawn up, the three members of the Committee, including the Chairman, held the independent director status.

The members of the Committee, serving also as members of the Board, have experience and knowledge in the fields of management, economics, finance and business. Collectively, they possess the relevant technical knowledge of the Company's sector of activity, as well as knowledge of internal control and risk and business management.

All members, especially the Chair of the Committee, have been appointed taking account of their accounting and auditing knowledge and experience.

This is therefore in accordance with the provisions of Article 529 quaterdecies of the Consolidated Text of the Spanish Corporate Enterprise Act, passed by Royal Legislative Decree 1/2010, of 2 July (hereinafter, LSC), in internal standards and in Recommendation 39 of the Code of Good Governance, in relation to the composition of the Audit Committee. Subsequently, the guidelines stipulated to this regard in Sections 13 and 14 of Technical Guide 3/2017 of the Spanish National Securities Market Commission are complied with.

The appointment and removal of members of the Committee shall be performed by the Board of Directors. They are appointed for a term of four years, notwithstanding renewal and removal results from (i) resignation, (ii) when they cease to be directors, (iii) a Board resolution, or (iv) failure to meet the requirements of the Regulation or the legal provisions.

The "Shareholders and Investors" section of CAF's corporate website always contains up to date information regarding the composition of the Auditing Committee (<http://www.caf.net/es/accionistas-inversores/gobierno-corporativo/comisiones-consejo.php>), and public information regarding each of the directors (<http://www.caf.net/es/accionistas-inversores/gobierno-corporativo/consejo-administracion.php>).

The professional profiles of the current Committee members are as follows:

- Mr. Javier Martínez Ojinaga (Chairman) is a Economist Lawyer. He has developed his professional career in leading companies within the electric sector as well as in project management and interim management. He has extensive experience in accounting and auditing.

- Mr. Juan José Arrieta Sudupe (Member) has a PhD in Economics and Business Science. He has a broad experience in management of prestigious business entities and financial institutions.
- Ms. Carmen Allo Pérez has a Degree in Exact Science and a Masters Degree in Business Management. She holds a vast experience in the financial sector. She is a member Natra, S.A.'s Board of Directors and Chair of its Audit Committee.

4. Operations and tasks performed by the Audit Committee throughout the financial year, any modifications of these and referral to its rules of procedure

In financial year 2018, Articles 3 and 10 of the Rules of the Committee relating to the functions and powers assigned to the Audit Committee in the Articles of Association were modified, in order to:

- Apply principles and guidelines regarding stipulated in Technical Guide 3/2017 regarding Auditing Committees of Public Interest Institutions, published by the National Securities Market Commission.
- Adapt the regulation on the Committee's functions to the distribution of competences in corporate governance and corporate social responsibility aspects of Recommendation 53 of the Code of Good Governance, agreed on by the Board of Directors in April 2017.
- Incorporate the recommendations in the Committee Evaluation Report in financial year 2017, issued by the independent expert.
- Align the internal regulations (particularly the Rules of both Committees).
- Apply certain technical improvement.

The following sections indicate the main activities performed by the Committee in the discharge of its functions in financial year 2018.

5. Meetings held during the financial year and the number of attending committee members and other attendees

<i>Meeting date</i>	<i>Number of attending Committee members</i>	<i>Other attendees</i>
24/01/2018	3	<ul style="list-style-type: none"> • Internal Auditor.
27/02/2018	3	<ul style="list-style-type: none"> • Internal Auditor. • Chief Financial and Strategy Officer. • External Auditors: Partner in charge from DELOITTE and his team.

24/04/2018	3	<ul style="list-style-type: none"> • Internal Auditor. • Economic Manager. • Risk Management Department Manager.
24/05/2018	3	---
07/06/2018	3	---
08/06/2018	3	---
25/07/2018	3	<ul style="list-style-type: none"> • Internal Auditor. • Chief Financial and Strategy Officer. • External Auditors: Partner in charge from DELOITTE and his team.
10/10/2018	3	<ul style="list-style-type: none"> • Internal Auditor.
12/11/2018	3	<ul style="list-style-type: none"> • Internal Auditor. • Economic Manager. • Risk Management Department Manager
13/12/2018	3	<ul style="list-style-type: none"> • Chief Executive Officer • Chief Financial and Strategy Officer • Business and Technology Corporate Manager
18/12/18	3	<ul style="list-style-type: none"> • External Auditors: Partner in charge from DELOITTE and his team.

6. Number of meetings held with the internal auditor and with the external auditor

During financial year 2018, 6 meetings were held with the internal auditor and 3 with the external auditor.

7. Significant activities performed during the year

In financial year 2018, the Audit Committee met on eleven occasions. Every aspect discussed and agreed upon in each meeting has been duly reported to the subsequent meeting of the Board of Directors..

A calendar of the meetings held by the Audit Committee during financial year 2018 is included as an Appendix, containing the description of the items included in the relevant agendas.

The main activities carried out by the Committee during these meetings can be grouped into the following areas:

i. Activities relating to financial and non-financial information and the internal control-related mechanisms

- Inspection of the consolidated and individual Management Reports and Annual Accounts of CAF, S.A. and of the CAF Group, respectively, relating to financial year 2017, prior to their submission to the Board of Directors for preparation thereof. The Management Report includes the Non-Financial Information Statement, which contains information regarding non-financial indicators related to Environmental Issues, Social Issues, Human Resources, Respect for Human Rights, and Combating Bribery and Corruption, which are explained in greater detail in the Corporate Social Responsibility Report.
- Before being submitted to the Board of Directors for approval, the examination of the individual and consolidated, quarterly and half-yearly financial statements.
- A review of the remaining information to be made available regarding the market or supervisory bodies during this financial year.
- Analysis for the one-year renewal of the Short-Term Commercial Paper Issuance Program (*Euro-Commercial Paper Programme -ECP*), set into effect in December 2017, and the proposal to the Board of Directors for its approval.
- Continuous monitoring, with the Internal Auditor and the Economic Management, for the correct performance of the internal control systems, including the SCIIF, identifying operation weaknesses, as applicable.

ii. Activities relating to operations with affiliated parties

- A review of the related operations performed by the Company and planned for the subsequent financial year, checking if they need to be approved by the Board.
- Regular information provided to the Board of Directors regarding the related operations performed by the Company.

iii. Activities regarding corporate social responsibility policies and the implementation terms for said policies in the financial year

The activities relating to corporate social responsibility are ascribed by Board to the Nomination and Remuneration committee, notwithstanding the verification performed by the Auditing Committee on the information related thereto included in the Management Report which accompanies the individual and consolidated Annual Accounts of CAF, S.A. and the CAF Group, respectively.

iv. Risk control and management activities

- Ongoing assessment of the internal financial information control system (SCIIF) and analysis of the improvement plans and recommendations for the same, proposed by the Internal Audit.

- Supervision of the development and exercising of the Risk Management Unit. The participation of its Officer in Charge during the Committee meetings, to provide information regarding the main risks and contingencies of the Company and its Group. In this context:
 - Regular supervision of the map of risks, identified and assessed in the various Organisation processes.
 - Supervision of the risk management models implemented by the Company.
- Supervision of the actions of the Company's Internal Fiscal Function, which is responsible for controlling and managing tax risks in the Group, with a regular report on the status of the various stages of development of this function and the most relevant new developments regarding tax for the Company
- Analysis of the acquisition of the Polish company "Solaris Bus & Coach, S.A.", dedicated to the manufacturing buses, and a favourable report to the Board for the submission of a binding bid
- Analysis of other possible relevant corporate operations.
- Evaluation of all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

v. Internal auditor related activities

The Committee has conducted direct, ongoing analysis and monitoring of the actions performed by the Company's Internal Auditor.

Aside from the above section, the Committee has also performed the following actions:

- Monitoring compliance with the Internal Audit Work Plan for financial year 2017.
- Approval of the Internal Audit Work Plan for financial year 2018, which includes:
 - a) Revision of the financial information (quarterly, half-yearly financial statements, annual accounts and management report) and monitoring of the main financial and tax risks.
 - b) Supervision of the SCIIF both with regards to processes and subsidiaries.
 - c) Supervision of the risk management model.
 - d) Consulting, for the preparation of policies.
- Monitoring of the development of the Internal Audit Work Plan and the level of compliance of the issued recommendations.

vi. Activities relating to the external auditor

- Drawing up the renewal proposal of the external auditor for submission to the General Shareholders' Meeting.

- Analysis of the external auditor's reports regarding the individual and consolidated annual accounts of the Company, for financial year 2017.
- Analysis of the limited review report on the half-yearly financial statements of 2018.
- A request for written confirmation of independence issued by the auditor, and preparation of the Report regarding the independence of the same, for financial year 2017.
- Establishing the limits and criteria for the approval of services other than those of auditing and approval of the non-audit services budget for financial year 2019.
- Analysis, in conjunction with the external auditor, of:
 - (i) the duration limits of the audit assignment and its calculation, as a result of the coming into force of RUE 537/2014, of 16 April.
 - (ii) Non-auditing services provided by the external auditor during the financial year, assessing their nature, circumstances and context, to ensure they do not compromise their independence.
 - (iii) The quality control system and internal practices that the external auditor has established with regards to independence.
 - (iv) Definition of the parameters required to assess the performance of the auditor, and how they have contributed to the quality of the audit and the integrity of the financial information.
 - (v) The impact on the Company's accounts of acquiring the Polish company "Solaris Bus & Coach, S.A."

vii. Actions to follow-up on the Committee plans of action

Over the course of the present financial year, the Committee has performed ongoing monitoring of the plans of action for 2018, proposed in the Report on the annual evaluation of its own performance, passed by the Committee in a meeting held on 19 December, 2017.

- a) Analysis of the recommendations issued by the external consultant in the evaluation report of the Board of Directors and its committees by the consultant, with the intention of implementing the proposals deemed appropriate to improve the organisation and functioning of this collegiate body.
- b) Modification of the Rules of the Audit Committee to incorporate the provisions recommended by the external consultant, as well as any others considered appropriate.
- c) Review and propose the following new Corporate Policies for the approval of the Board, when mandatory or convenient: (i) Liquidity and Financing Policy, (ii) Investment Policy, and (iii) Market Risks Policy.
- d) Monitor the implementation and execution of the Tax Function.
- e) Supervise the strategy for communication and relations with shareholders, by virtue of the distribution of competences agreed on by the Board of Directors pursuant with Recommendation 53 of the Code of Good Governance.

It is attested that all have been satisfactorily met.

viii. Other Activities

- Obtaining information on possible corporate operations for further analysis.
- Approval of the report on Audit Committee performance in financial year 2017.
- Supervising the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
- Proposing the following new Policies to the Board of Directors: (i) Liquidity and Financing, (ii) Market Risks, and (iii) Investments.
- A proposal to the Board to modify the Rules of the Audit Committee to incorporate: (i) the forecasts suggested by the external consultant in the Assessment Report of CAF's Board of Directors in 2017, (ii) the most noteworthy aspects established by the CNMV Technical Guide that were not expressly provided for in the internal regulations, (iii) the competences attributed by the Board of Directors within the framework of Recommendation 53 of the Code of Good Governance of Listed Companies, (iv) changes required for the standardisation of the Rules of Procedure of the Board of Directors and the Rules of Committees, and (v) other technical improvements.
- Submitting the Board of Directors with a proposal to modify its Rules of Procedure.
- Approval of an annual work plan for financial year 2019 which includes the annual calendar of sessions held by the Committee with external auditors.
- Drawing up of the Report regarding the Annual Evaluation of its performance, within the frame of the Board of Director's evaluation scope, pursuant to Recommendation 36 of the Code of Good Governance of Listed Companies.

ix. Nature and Scope of communication with regulators, as applicable

CAF's Board of Directors has established that communication with the Spanish National Securities Market Commission must be performed via the Secretary of the Board. For its part, the responsibility for relations with markets and stock exchanges on which the Company is listed corresponds to a specific department in the Company ("Investor Relations") which depends of the Strategy and Financial and Economic Management Department.

Whatever the case, members of the Audit Committee enjoy complete freedom and independence to establish direct communication with regulators, should they deem this necessary to perform their duties properly, as well as to supervise those carried out by the aforementioned bodies.

8. Evaluation of the functioning and performance of the audit committee and methods for assessing its efficiency.

The Audit Committee has issued the mandatory preliminary report assessing its operation and performance in 2018, to be considered by the Company's Board of

Directors, pursuant to Section 1 of Article 529 h of the LSC, Article 5 of the Rules of Procedure of the Board and Recommendation 36 of the Code of Good Governance.

The following areas are essentially subject to appraisal:

- a) Performance efficiency and quality.
- b) Operation and composition.

From a methodological perspective, a series of aspects regarding its operation have been assessed to check compliance with legal regulations and good governance recommendations.

The following conclusions were drawn based on the results of this analysis:

- i. The annual performance appraisal of the Committee indicated positive results, with all functions entrusted to it performed appropriately, notwithstanding the fact that some action plans have been proposed to continue improving the Committees practices.
- ii. The required resources were available to meet all commitments.
- iii. The Committee member Directors have satisfactorily met their specific responsibilities.
- iv. The appraisal results did not lead to any significant internal organisation or procedure modifications.

Notwithstanding the above, some Plans of Action were laid down in order to consolidate this trend in 2019. Amongst these, the Committee plans to define a selection procedure for a new external auditor, within the obligatory rotation framework of the current accounts auditor, pursuant to Law, in RUE 537/2014, of 16 April, and in the Technical Guide.

9. Information regarding the auditing committee's opinion on the independence of the accounts auditor.

On 27 February, 2018, the Auditing Committee drew up a report referring to Article 529 quaterdecies Section 4.f) of the LSC, for the financial year ended on 31 December, 2017.

The nature and amount of any non-auditing services rendered by the external auditor have been assessed in this report. The independence statement submitted by the external auditor together with the information on the services rendered to CAF and its subsidiaries, and the related fees received, have also been reviewed.

Based on the above, it is concluded that no services have been performed that are prohibited by applicable law.

This report also analysed compliance of the auditor rotation obligation indicated in art. 40.2 of Law 22/2015, of 20 July, on Account Auditing and of the obligation to abstain of the main auditor partners after a set period, pursuant to the provisions of art. 17.7 of Regulation (EU) No. 537/2014, of 16 April.

Pursuant to the above, it was been concluded that the Auditing committee had not identified any aspects that challenge compliance with the applicable regulations in force for account auditing in terms of the auditor's independence.

10. Information on the audit committee practical guides being used and, as appropriate, which and to what extent

Since the publication of CNMV Technical Guide 3/2017 on this matter, the Audit Committee has followed these guidelines to perform its actions.

11. Conclusions

Consequently, the Audit Committee believes that its organisation and operation during financial year 2018 meet the provisions laid down in Law, the Articles of Association, and its own Regulations.

Also, all the Code of Good Governance recommendations regarding audit committees specified in Section III.3.4.2 have been met, as well as other concordant ones, which CAF gives particular importance to.

The Committee also believes that it has faithfully performed the functions entrusted to it by means of the work performed over the course of this year.

Despite this positive appraisal, the Committee restates its willingness to continue improving the efficiency of its operations and compliance with its purposes, in line with international best practices and trends in Corporate Governance.

This report was issued by the Audit Committee on 30 January, 2019.

Approval by the Board of Directors and Dissemination:

The report was approved by CAF's Board of Directors in a meeting held on 27 February, 2019.

In accordance with the provisions of Recommendation 6 of the Code of Good Governance of Listed Companies of the National Securities Market Commission, this document will be published on the Company's website (www.caf.net) sufficiently in advance of the holding of the Annual General Meeting.

APPENDIX
Calendar of meetings held in 2018

Date	Agenda
24 January, 2018	<ul style="list-style-type: none">○ 2017 Internal Audit activities annual report○ Report on improvements in the SCIIF.○ 2018 Internal Audit activities plan○ Committee Performance Report relating to financial year 2017.○ Miscellaneous.
27 February, 2018	<ul style="list-style-type: none">○ The external auditors submit the audit conclusions relating to financial year 2017.○ Revision of the annual accounts and management report for financial year 2017.○ Report on the independence of the external auditor.○ Miscellaneous.
24 April, 2018	<ul style="list-style-type: none">○ Quarterly periodical statement○ Monitoring of the main financial and tax risks.○ Financial information risks map○ 2018 internal audit plan progress.○ Proposal for the re-election of accounts auditors.○ Risk Management Department Report.○ Miscellaneous.
24 May, 2018	<ul style="list-style-type: none">○ Analysis regarding the eventual corporate acquisition operation and, as applicable, submission of the relevant proposal to the Board.○ Miscellaneous.

- 7 June, 2018
- Continuation of the review process on possible corporate acquisition operations. Authorisation for the submission of a binding bid, as applicable.
- 8 June, 2018
- Deliberation and authorisation for the submission of a binding bid, as applicable.
- 25 July, 2018
- The external auditors submit their conclusions further to the review of the half-yearly accounts.
 - Revision of the financial information relating to the first half of 2018.
 - Liquidity and Financing Policy and Market Risks Policy; revision and proposal to the Board, when applicable.
 - Monitoring of the main financial and tax risks.
 - 2018 internal audit plan progress.
 - Miscellaneous.
- 10 October, 2018
- 2018 Internal Audit Plan Progress.
 - Report on the strategy for communication and relations with shareholders and investors.
 - Miscellaneous
- 12 November 2018
- Interim quarterly statement relating to the third quarter of financial year 2018.
 - Monitoring of the main financial and tax risks.

- Evolution of the internal audit plan: report on CAF BRASIL.
- Risk Management and Control Department Report.
- Investment Policy Proposal.
- Modification of the Rules of the Auditing Committee.
- Renewal of the commercial paper emission program (ECP).
- Miscellaneous.

13 December, 2018

- Information on possible corporate operation, for further analysis by the Committee.

18 December, 2018

- Internal Auditing Reports: (i) Invoicing and Collection; (ii) Internal Tax Control.
- Tax Function Report.
- Report on Related Operations.
- Approval of the Proposal for services unrelated to the audit for financial year 2019.
- 2019 Activities Plan
- Annual Committee Performance Appraisal.
- Annual revision, in collaboration with the accounts auditors, of the audit work performed in the financial year.
- Miscellaneous.