



Annual Report on the functioning of the Audit Committee of the Board of Directors of Applus Services, S.A. during year 2018

I. Introduction

This Report is drafted by the Audit Committee (the “**Committee**”) of the Board of Directors of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”) in compliance with article 39.15 of the Regulations of the Board of Directors of the Company (hereinafter, the “**Regulations**”), in order to inform about the work performed by the Committee during year 2018.

This Report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating the work performed by the Committee during year 2018, in conformance with article 36 of the Regulations.

II. Performance of the Committee during year 2018

1. Meetings

During year 2018, the Committee held 4 meetings, i.e. the four regular quarterly meetings. All of the members attended each session either in person or duly represented.

The Committee considers that it has met with the frequency required to perform its functions, and in any event with the minimum frequency of meetings established under article 39.10 of the Regulations.

2. Composition of the Committee

The Committee has been composed by the same 3 members during year 2018, but in May the Chairman was changed as the former Chairman had complied with the statutory time period of 4 years in accordance with article 529 quaterdecies of the Spanish Company Act.

3. Actions carried out during year 2018

The Committee, in the performance of the functions attributed to it under article 529 quaterdecies of the Spanish Company Act, article 31 of the Company’s bylaws, and article 39 of the Regulations, has focused the objectives of its meetings principally on the following actions:

A. Review of Periodic Financial Information

The Committee has reviewed all the quarterly, biannual, and annual financial statements of the Company, both individual and consolidated, which must be submitted to the National Securities Exchange Commission (“*Comisión Nacional del Mercado de Valores*” or “**CNMV**”) due to the Company’s publicly listed status, prior to its approval by the Board of Directors.

Furthermore, the Committee has ensured its compliance with the legal requirements for the preparation of the financial statements and, in particular, with respect to the

delimitation of the scope of consolidation and the correct application of accounting principles.

B. Review of the process for the preparation of the annual accounts

The Committee has reviewed the process for the preparation of the annual accounts corresponding to year 2017 prior to their approval by the Board of Directors. In this regard, the Committee has completed the following actions:

- (i) Verified the compliance with, and the correct application of accounting principles.
- (ii) Maintained a continuous communication with the external auditor of the Company in order to identify significant weakness of the internal control systems that may be detected, as well as any other relevant risk that may affect the audit process.
- (iii) Supervised and reviewed the processing of financial information, the internal systems of control of the Company, and monitored its complete adequacy and integrity.

C. Relationship with the External Auditor

The Committee has supervised the relations with the Company's external auditor, Deloitte, S.L., (the "**Auditor**") as well as the completion of the audit agreement currently in force, and has ensured that the opinion about the annual accounts and the content of the audit report were drafted in a clear and precise manner.

The Committee held timely meetings with the Auditor during year 2018, from which it received punctual and detailed information regarding the auditing services and those non-audit services provided to the Company and its group of companies, in accordance with article 39.7.c of the Regulations and the Spanish accounting and audit regulations. In addition, the Committee has supervised that there are no objective reasons to question the independence of the auditor of the accounts corresponding to year 2017 and that it has respected the rules governing the audit process in the framework of the elaboration of the financial information of the Company. The responsible partner of the Auditor has changed in order to comply with the applicable regulation, being now Mrs. Anna Torrens.

Finally, it is expressly stated that the Committee has enabled the attendance of the Auditor to all its meetings in order to support and provide appropriate clarifications to the Committee members.

D. Internal Audit

The Committee has complied, during year 2018, with its functions relating to the internal audit function of the Company.

In this sense, the Committee has supervised the implementation of the Internal Audit Plan for year 2018 as well as its correct execution. To that end, the Committee has granted access to its meetings to the responsible person of the Company's internal audit department, who has provided support and information to the Committee when needed, and has duly provided any clarifications requested.

In addition, the Committee has actively monitored the independence of the department in charge of the Company's the internal audit.

E. Internal control systems of financial information (“ICFR”)

In relation with the Internal Control Systems of Financial Information (“ICFR”), the Committee hereby states that:

- (i) The internal control systems and risk management have been periodically reviewed so that the main risks are identified, managed, and adequately understood; discussions have been held with the auditors regarding the significant weaknesses of the internal control system detected in the development of the audit; and
- (ii) It has monitored the processes of implementation of the ICFR in significant subsidiaries of the group.

F. Systems for the management of corporate risks

The Committee has regularly supervised the status of the Company Risk Map, as well as the action plans intended to mitigate critical risks that may arise. In this sense, the Company uses a computer system of risk monitoring called Governance Risk Compliance, which is used by different departments of the group to ensure good monitoring of risks.

Likewise, the Committee has promoted the conduct of a completed review of the Risk Map of the Company involving the different divisions of the Applus+ Group. The new Risk Map as well as the Policy and the Risk Control Procedure, has been updated at the meeting held by the Committee on the date of the issuance of this Report and will be submitted tomorrow to the Board of Directors for approval. The Committee has proposed that Board to revisit once a year the updated Risk Map from 2019 onwards.

Likewise, the Committee supervised the performance of the cybersecurity control systems of the Company at its February 2018 meeting.

G. Treasury stock transactions

The Committee has been monitoring the transactions on treasury stock shares of the Company during all the meetings of the year 2018.

H. Amendments to the Internal Regulations for Conduct in the Securities Markets

The Committee, at its meeting of 25 October 2018, agreed to propose to the Board the amendment of the Internal Regulations for Conduct in the Securities Markets in order to introduce certain technical refinements, the main one being the clarification that the results announcement dates will not be included in the blackout periods during which directors and managers cannot carry out transactions on Applus shares.

This amendment, which was the subject of the corresponding justifying report issued by the Committee, was approved by the Board of Directors at its meeting of 26 October 2018.

I. Amendments of the Regulations

The Committee, at its meeting of 25 October 2018, agreed to propose to the Board the amendment of the Regulations mainly to differentiate the supervision powers of the Audit and the Corporate Social Responsibility Committees, in order to avoid overlaps and adjust the Regulations to the way such powers were conducted and, in particular, it was proposed to attribute to the Corporate Social Responsibility Committee exclusively the supervision of the corporate governance rules.

This amendment, which was the subject of the corresponding justifying report issued by the Committee, was approved by the Board of Directors at its meeting of 19 December 2018.

In Barcelona, on 19 February 2019.