



**ANNUAL SHAREHOLDERS MEETING  
CHAIRMAN'S SPEECH**

**21 June 2017**

Now I will introduce the Board Members to you, and especially our new ones, followed by an update on the good progress we have made in the area of Corporate Governance.

After the introductions, I will hand over to our Chief Executive Officer, Fernando Basabe who will present to you the financial results for 2016 and the key operational developments, as well as how we expect to perform in 2017.

If any shareholder has any questions or comments they would like to make we will open the floor for this after these two presentations.

Sitting alongside me here today are the Board of Directors of the Company and our Company Secretary. I will say a few words on each, but for more information I recommend you read about them in the Annual Report which has been handed to you today and is also available on our website.

To my right is Ernesto Mata. He has a distinguished career at executive and board level. He is Spanish and currently serves on other prominent Spanish Boards. Ernesto has a finance background and is Chairman of our Audit Committee.

Sitting next to Ernesto we have John Hofmeister, a US citizen who brings with him many years of business experience, particularly in Human Resources Management gained at Royal Dutch Shell. John is Chairman of our Appointments & Remuneration Committee.

Then we have Richard Nelson, like me a British national. He has many years of experience in the Testing Industry, mostly from Intertek, and currently also Chairman of IFIA, the International Federation of Inspection Agencies.

Moving to the other end of the table, we have Nicolas Villén at the end. He joined the Board in 2015 and so this is his second AGM. He has a finance background and is a member of the Audit Committee.

Then we have three new members for whom this is their first AGM with Applus and in the formal part of the meeting we will be seeking your approval of their appointment. Each of these three members were selected following a rigorous recruitment process adopting best practice and our own Director Selection Policy. It was led by John Hofmeister and supported by myself and other members of the Board as well as a reputable firm of search consultants. They were each chosen due to the specific skills and experience that they bring to the Board and the management of Applus and we have been pleased with the contributions they have made so far.

First of these three is Mr Scott Cobb who joined in July last year. He is a US Citizen and is currently Managing Partner for Southeastern Concentrated Value, which is our largest

shareholder. He is therefore a proprietary member on the Board. Scott has many years of highly successful investment experience and we are pleased to have him with us.

Next to Scott is Ms Maria Cristina Henriquez de Luna. She also joined the Board in July last year. She is from Spain and currently has an executive position at GlaxoSmithKline where she is the President and Managing Director of Spain and Head of Iberia and Israel. Her experience of operating in international markets in both commercial and finance roles in a highly regulated industry make her well suited to support the Board.

And Claudi Santiago joined us last September. He is Managing Director and Chief Operating Officer of First Reserve Corporation, a private equity fund focused on making investments in the energy industry and so like John, has a good understanding of the oil and gas market that we have a significant exposure to.

And Fernando Basabe, sitting directly to my left, is our Chief Executive Officer. He has been with us for six years having joined Applus in 2011. Previously he was 15 years at SGS, a Swiss headquartered company that operates in some of the same sectors as Applus.

And sitting directly on my right, you have already heard from our Company Secretary who is Vicente Conde Viñuelas. He is a highly qualified business and commercial lawyer and currently lectures on law at several universities and is also a partner at the international law firm called Osborne Clarke.

And as for me, my experience is both Corporate and Operational, having originally co-founded and built an Engineering Consultancy which became a public company of 10,000 people, WSP Group plc, of which I was CEO. In 2012, we merged with a Canadian company to become one of the largest consultants in the world, WSP Global Inc., of which I am now the Non-executive Chairman. I now have nearly 30 years of public company experience.

So we are a Board of 9 members plus the Company Secretary. I am pleased with the make up of the Board. It is strong and diverse including a range of nationalities, age, experience and skills. Between us we have many years of executive and non-executive experience which we bring to bear to manage the stewardship of the company and provide the leadership to the management team.

At this point in time we have no anticipated changes to the Board. We will over time, aim to follow best practice by increasing the gender diversity on the Board whilst always ensuring we have the best person for the job.

You can read more about us and especially our new members, in the Annual Report that you were handed this morning. I recommend you vote to approve the appointments of the new members.

If you have any comments or questions about us, please make them after Fernando's presentation.

Now I would like to turn to the progress we have made in Corporate Governance.

We are all firmly of the belief that good corporate governance is fundamental and brings value to the company and is of benefit to all. Constant improvement is part of our culture and we always have best practice as our aim. We try to demonstrate that we have a good framework of Governance in place so that you, our investors, can be confident in the management and control at Applus.

We published our Annual Corporate Governance Report on 28<sup>th</sup> February 2017. In this report, we disclosed our compliance with the applicable regulations and our fulfilment of the recommendations provided under the Good Governance Code for listed companies in place at the time. We also explained where we did not comply with the Code which I will touch upon in a minute.

Some of our key successes in Corporate Governance in the year were the following.

We approved two new policies: a Directors Selection Policy, which has already been used and a Policy on Communication with Shareholders and other Stakeholders.

We welcomed our first female director.

We approved a new Compliance Management System to identify and manage criminal risk. This was a large project requiring outside expert help as well as a lot of internal effort and dedication.

We also revised the Anti-bribery policy and Code of Ethics to make sure they were compliant with the new requirements from the Spanish Criminal Code as well as the UK Bribery Act and US Foreign Corrupt Practices Act.

We also stepped up our Annual self evaluation process and this was extended to the new Directors to ensure they felt able to fulfil their duties on the Board.

Also as we committed to do last year, we have increased our efforts in Corporate Social Responsibility, or CSR.

For instance, we have increased the number and scope of key measurements of natural resources that we use in order to help us reduce the environmental impact as well as reduce wastage and costs.

We have also increased the measurements of health and safety data and I am pleased to report that our incident rates reduced in 2016 compared to 2015 which was the first year we published this.

The CSR Committee is also responsible for supervising the innovation that takes place in the Group and I am pleased to see that in 2016 we had another year of many exciting projects that were started and continued from the previous year. In all we had 175 projects which Fernando Basabe will elaborate on further.

Whilst we have made excellent progress on our Corporate Governance, there remain some items that we continue to address so that we can fully comply with the Code's recommendations. Of these issues none of them, in my view, are material to the strong governance that we have at Applus, but it is nevertheless still our intention to strive to meet them all in due course. These are listed in the Annual Corporate Governance Report so that you can read about them.

My final comment on Corporate Governance relates to this AGM itself. Best practice requires Annual General Meetings to be broadcast live onto websites. Being mindful of the benefits this may have for shareholders and investors, this year we will publish this speech on our website to at least go some way towards improving transparency with regards to our Annual General Meeting. Also in line with this aim we have increased the information we provide by publishing recommended reports and information on the Company's website before the AGM.

Before I finish and hand over to Fernando, I would like to say a few words on our 2016 performance. It was another challenging but good year for Applus. The majority of the Group that is exposed to industries like Auto, Aerospace, Power, Industrial Infrastructure performed well, but this was somewhat offset by the continuing weak Oil & Gas markets that we serve. Despite this, the executive team did an excellent job to mitigate the impact and deliver results aligned to our expectations. A tight rein was maintained on costs, the business was restructured and integrated to be more streamlined to open up opportunities and we continued to invest in customer relationships, technology and service to defend our market leading position and profits.

I congratulate and thank all our management and staff for their hard work and dedication throughout the year.

Based on these financial results and also on our future expectations, I am pleased to report that the Board proposes to you, our Shareholders, a dividend of 13 cents per share which, if approved today, will be paid on 13<sup>th</sup> July. This amount responsibly proposed is the same as that paid to Shareholders last year.

I am confident, that the business is well placed to benefit from a future up turn in the oil and gas markets whilst our other markets remain strong. In the meantime, the management team and the Board will remain alert to positive and negative changes in market conditions and to opportunities that may present themselves. Fernando will provide more detail on this in just a minute.



We thank all our Stakeholders for continuing to support the Company, especially again, our employees, but also our customers, lenders and shareholders - all of these relationships are essential to the Company.

And now I am very pleased to hand over to Fernando.