



Annual Report on the functioning of the Audit Committee of the Board of Directors of Applus Services, S.A during year 2016.

NOTICE: This document is a translation of a duly approved Spanish-language document, and is provided for information purposes only. In the event of any discrepancy between this translation and the text of the original Spanish-language document, the text of the latter shall prevail.

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 Applus (hereinafter, the “**Regulations**”), in order to inform about the work performed by the Committee during year 2016.

This Report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating, on the basis of the same, the work performed by the Committee during year 2016, in conformance with article 36 of the Regulations.

II. Performance of the Committee during year 2016

1. Meetings

During year 2016, the Committee held 4 meetings. All of the members attended each session either in person or duly represented, except for the meeting held on 4 May 2016, in which one of the directors was absent due to his resignation as member of the Board, which came into effect on 9 May 2016.

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. Actions carried out during year 2016

The Committee, in the performance of the functions attributed to it under article 529 quaterdecies of the consolidating text of the Spanish Companies Law, 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 2015 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 2016, 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 39.7c 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 2015 and that it has respected the rules governing the audit process in the framework of the elaboration of the financial information of the Company.

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 2016, 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 2016 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 (said subsidiaries represent, in aggregate, more than 80% of the sales 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.

G. Amendments of the Regulations

The Committee has issued reports on the two amendments of the Regulations approved by the Board of Directors in 2016, namely:

- (i) Amendment dated 5 May 2016 in order to: (a) adjust them to the amendments to the Spanish Companies Act set forth by the of Law 22/2015, on Account Auditing (“*Ley 22/2015, de 20 de julio, de Auditoría de Cuentas*”), which entered into force (regarding the amendments applying to the Regulations) on 17 June 2016; and (b) complete, on the grounds of the powers of self-regulation of the board of directors set forth in article 245.2 of the Spanish Companies Act, the operational regulation of the Board of Directors of the Company regarding the recording of the resolutions approved by the Board.
- (ii) Amendment dated 22 June 2016 in order to eliminate the Supervisory Committee of the Company.

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

The Committee has issued a report on the amendment of the Internal Regulations for Conduct in the Securities Markets of the Company (“*Reglamento Interno de Conducta*” or “**RIC**”) approved by the Board of Directors on 21 July 2016 in order to adapt its content to the amendments in market abuse regulations included in the Regulation (EU) No 596/2014.

I. Compliance

Finally, the Committee supervised the compliance with internal codes of conduct and corporate governance rules and, in particular, the Regulations and Company Bylaws.

In Bellaterra, Cerdanyola del Vallès (Barcelona), on 21 February 2017.