



Report submitted by the Board of Directors of Applus Services, S.A., dated 27 September 2017 in relation to the resolution to increase the share capital with the exclusion of pre-emptive subscription right, that the Board intends to adopt on this same date under the authorisation granted by the Annual General Shareholders' Meeting held on 21 June 2017

1. Purpose of the report

This report is submitted by the Board of Directors of Applus Services, S.A. (the "**Company**" or "**Applus**") in relation to the resolution to increase share capital by means of cash contributions and with the exclusion of pre-emptive subscription right, that this Board aims to adopt on this date, under the authorisation granted by the Company's General Shareholders' Meeting which the next section refers to.

In particular, this report is issued in compliance with the provisions of (i) articles 286 and 297 of the Consolidated Text of the Spanish Companies' Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**CA**"), in relation to the share capital increase resolution and the ensuing amendment of the by-laws, and (ii) articles 308, 504 and 506 of the CA in relation to the exclusion of the pre-emptive subscription right. The report also includes the full text of the share capital increase resolution that the Board of Directors aims to adopt.

This report has been prepared on the basis of the information provided by Barclays Bank PLC and Morgan Stanley & Co. International plc, as the global coordinators mandated in relation to the share capital increase that constitutes its object (the "**Global Coordinators**").

It is stated that, in accordance with article 506.4 of the CA this report and the report to be issued by BDO Auditores, S.L.P. in its capacity as an independent expert other than the Company's auditor appointed by the Commercial Registry of Barcelona according to article 308.2.a) of the CA, regarding the fair value of the Company's shares, the underlying value of the pre-emptive subscription right whose exercise is proposed to be excluded and the reasonableness of the information included in this report, shall be made available to the shareholders as well as reported at the first General Meeting to be held following the approval of the share capital increase resolution object of this report. Notwithstanding the foregoing, and in compliance with Recommendation 5 of the Good Corporate Governance Code of Listed Companies, both reports will be published in the Applus's official webpage as soon as said share capital increase is executed.

2. Authorisation by the General Shareholders' Meeting

The Annual General Shareholders' Meeting of the Company held on second call on 21 June 2017 agreed, under item Eleven of the Agenda and pursuant to article 297.1.b) of the CA, to confer authority on the Board of Directors so that it may, on one or several occasions and at any time within five years from the date of holding of said General Meeting, increase the share capital by the issue and placement into circulation of new shares - with or without an issue premium - which consideration consists of cash contributions, up to a maximum amount of 10% of the existing share capital figure at the time of the authorisation in the event that the pre-emptive subscription right was excluded - exclusion for which the Board of Directors was also expressly granted powers -, or of 50% of said share capital figure if said exclusion was not agreed on. The full content of such resolution delegating powers can be found on the Company's official webpage (<http://www.applus.com/es/>).

It should be noted that the delegation of powers to the Board of Directors resolution in order to increase the share capital in the terms described above was approved by the General Meeting with the favourable vote of 95.564% of the share capital present or duly represented at said General Meeting.

3. Main terms and conditions of the proposed share capital increase

Under the delegation of powers referred to in the above section, the Board of Directors of the Company intends to adopt, on this date, a share capital increase resolution (the "**Share Capital Increase**"), whose main terms are as follows:

- (a) *Nominal amount of the Share Capital Increase.* The nominal amount of the Share Capital Increase shall be 1,300,167.50 euros and it shall be carried out by the issue and placement into circulation of 13,001,675 ordinary shares of the Company, with a nominal value of ten euro cents (0.10€) each, of the same class and series as the existing shares. Such amount represents practically the 10% of the Company's current share capital.
- (b) *Issue price.* The price of issue of the new shares to be issued shall correspond to the price resulting from the private placement of such new shares among qualified investors that a group of entities headed by the Global Coordinators (jointly, the "**Managers**") shall carry out as detailed in section 4.3 below.

In any event, the issue price (including nominal and premium) shall be at least 10 euros per share (the "**Minimum Issue Price**"), a figure that results from applying a 9% discount on the closing quotation price of the Applus shares at closing in the Automated Quotation System of the Spanish Stock Exchanges on the stock exchange business day immediately prior to the date of this report (that is, 26th of September 2017, rounded up until obtaining a whole number in euro cents.

- (c) *Nature of the new shares issued.* The shares to be issued by virtue of the Share Capital Increase shall be ordinary shares, of the same class and series and with the same rights as those currently in circulation, and they shall be represented by book entries, the registry for such shares being in care of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U (Iberclear)* and its participating entities.
- (d) *Rights of the new shares.* The new issued shares shall confer on their holders the same political and financial rights held by the Company's pre-existing shares, as from the date on which they are recorded in the accounting books managed by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U (Iberclear)* and its participating entities.
- (e) *Exclusion of pre-emptive subscription right.* Under the authority expressly conferred by the Annual General Shareholders' Meeting on 21 June 2017, and pursuant to article 506 of the CA, the pre-emptive subscription right of the Company's shareholders shall be removed in response to corporate interest

demands and in order to allow the placement of shares among qualified investors by means of the accelerated bookbuilding described in section 4.3 below.

- (f) *Subscription and payment.* The Share Capital Increase shall be exclusively addressed to Spanish and foreign qualified investors by means of an accelerated bookbuilding.

The subscription and payment of the new shares shall take place after the confirmation by the qualified investors of their subscription proposals, either directly or indirectly through the Managers (acting in name of and on behalf of said qualified investors, to later transfer in their favour or, as applicable, acting in their own name by virtue of the execution of an underwriting commitment). The new shares to be issued shall be fully paid in cash contributions.

- (g) *Incomplete subscription.* According to the delegation granted by the Annual General Shareholders' Meeting on 21 June 2017, and pursuant to article 311 of the CA, in case of an incomplete subscription the share capital shall only be increased by the amount of the subscriptions made.

- (h) *Request for official admission to trading.* The admission to trading the new shares issued by virtue of the Share Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and their inclusion in the Automated Quotation System like the Company's pre-existing shares, shall be requested.

It is stated that this will be the first time that the Board of Directors use the authorisation to increase the share capital granted by the General Shareholders' Meeting, on 21 June 2017. Therefore, after the share capital increase object of this report, and assuming that it is fully subscribed, the available nominal amount of said authorisation shall be 5,200,670.25 euros, equivalent to 36.36% of the Company's share capital after the Share Capital Increase. Likewise, it is worth noting that in any possible share capital increases that the Board could agree on in the future under this authorisation, it shall not be possible to exclude the pre-emptive subscription right, since the 10% limit of the share capital to which the possibility of exclusion could be applied as approved by the General Shareholders' Meeting would have already been reached.

4. Report submitted by the Board of Directors for the purposes of articles 286 and 297 of the Companies Act.

It is expected that the Share Capital Increase object of this report shall have a cash amount of at least 130 million euros (calculated on the basis of the Minimum Issue Price and assuming the full subscription of the Share Capital Increase). Most of such amount will be destined to the acquisition described in section 4.1 below, which the Board of Directors has approved on this same date. The remaining amount shall allow the strengthening of the Company's balance sheet, reinforcing its capital structure and reducing the financial leverage ratio, which will allow making other possibilities of future investments.

Likewise, with this transaction the Company's capitalization shall increase, facilitating the entrance into the share capital of new and renowned qualified investors, as well as enabling those qualified investors that were part of the shareholder base to make subscription proposals, always in the terms and subject to the conditions set out in relation to the process of placement of new shares to be issued in the Share Capital Increase. In this way, the market's interest in the Company could be increased, as well as its monitoring broadened, which, ultimately, shall benefit the shareholders since it shall create value for them.

According to the information received from the Global Coordinators, the Board of Directors considers that the most suitable method to achieve the described goals is executing the Share Capital Increase by means of an accelerated bookbuilding process among qualified investors, since said process will allow raising the expected volume of own resources during a short period of time, substantially reducing the time of exposure to risks associated to the volatility of the markets. The Board also considers that the current market's circumstances are favourable for the implementation of a transaction of this nature.

Below is an explanation of the reasons that, from a corporate interest perspective, justify (i) the acquisition which financing is the main goal of the Share Capital Increase and (ii) the convenience of financing said transaction through the Share Capital Increase, to finally (iii) describe the suggested placement method.

4.1. Grounds for the acquisition

The main goal of the Share Capital Increase is to obtain the necessary funds to finance the acquisition of 80% of the share capital of the company Inversiones Finisterre, S.L., whose wholly owned subsidiary Supervisión y Control, S.A. is the exclusive vehicle inspection ("ITV") operator in Galicia (Spain), and at the same time is the owner of the majority share capital of the company Riteve, S.A., exclusive ITV operator in Costa Rica, and of the total share capital of VTV Norte, S.A. and VTV Metropolitana, S.A., ITV operators in Buenos Aires (Argentina) (although it is expected the sale of these last two companies). It is a very good opportunity in a sector in which there are not many acquisition opportunities in general, and which has been part of the Company's core business since its formation.

This acquisition shall give the Automotive Division of Applus – specialised in regulatory vehicle inspection services and solutions for emissions and gas testing all over the world - access to two markets (Galicia and Costa Rica) in which it was not present until now, widening its territorial implementation and thus diversifying its risks. The company to acquire is part of a family group, which is well-known by Applus as they were its partners in the vehicle inspection business between 1996 and 2004, it has good growth perspectives and it is being sold at a reasonable price.

Considering the above, the Board of Directors considers that the acquisition fits perfectly into the development and diversification strategy of the group of companies headed by Applus, one of the essential pillars of which is the organic growth through these types of transactions.

4.2. Grounds for the Share Capital Increase as the way of financing the acquisition

The Board of Directors, based on the Company's financial leverage ratio (Net Debt / EBITDA), which was at 3.2x on 30 June 2017, advises financing the acquisition referred to in the above section with charge to own resources and not to debt.

In this respect, and based on the forecasts used by the Company, the Share Capital Increase suggested would allow reducing the proforma leverage ratio to a range of between 2.5-2.7x by the end of 2017 – considering 12 months of EBITDA of the acquired companies - and predictably to even better levels in 2018, without any loss / dilution in the Earnings Per Share – EPS in 2017 and, again, with a significant growth forecast in the EPS in 2018, despite the equity increase. This leverage reduction will allow the Company to face more investment opportunities in the following years.

Consequently, and from a corporate interest perspective, once the convenience of carrying out the mentioned acquisition is confirmed, it must be concluded that said corporate interest advises financing such acquisition with funds resulting from a share capital increase, such as the one covered in this report.

4.3. Placement method and setting of the issue price

In light of the information provided by the Global Coordinators, the Board of Directors of the Company considers that the most efficient way to achieve the goals sought with the Share Capital Increase, taking advantage of the current situation of the markets as well as the potential interest shown by the international investors community in the Company's shares, is the implementation of the issue of the new shares by means of an accelerated bookbuilding carried out by the Managers.

This placement method, which has already been used by other listed companies in the Spanish market, shall be carried out pursuant to the applicable law (including in particular the provisions of Regulation (EU) no. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse) and the standard practices in these type of transactions.

To this end, after the approval of the resolution of the Share Capital Increase by the Board of Directors, the Company shall sign a placement agreement with the Managers (which could eventually include an underwriting commitment), by virtue of which they shall carry out a placement of the new shares to be issued in execution of said Share Capital Increase, exclusively among Spanish and foreign qualified investors. Following market practices in this type of transactions, the bookbuilding process, the subsequent selection and confirmation of the proposals of acquisition received and the payment of the shares, shall be carried out in an accelerated manner, within a maximum of 24 hours (without prejudice to the possibility of extending said period if necessary). In this respect, it should be noted that the speed of the placement of the new issued shares and, therefore, the procurement of funds resulting from the subscription is essential in order for the Company to be able to commit to undertake the acquisition referred to in section 4.1 above with the certainty of having the necessary funds to achieve said goal.

The bookbuilding to be carried out by the Managers shall allow to know the price that the investors – the market – are willing to pay for the shares of the Company in a placement like the one planned. In accordance with the national and international financial practice, the Board of Directors understands that said price (which shall have been set transparently and with both parties well-informed) represents the fair value of the Company's share and, consequently, proposes it should be taken as a reference to set the issue price of the Share Capital Increase referred to in this report.

Notwithstanding the foregoing, and as an additional precaution to ensure that the issue price substantially corresponds to the fair value of Applus's share (understood as market value), the Board of Directors considers that is necessary to establish a Minimum Issue Price of 10 euros per share (of which 0.10 euros should correspond to the nominal value and 9.90 euros to the issue premium). Said figure results from applying a 9% discount on the closing quotation price of the Applus shares at closing in the Automated Quotation System of the Spanish Stock Exchanges on the stock exchange business day immediately prior to the date of this report (that is, 26th of September 2017), rounded up until obtaining a whole number in euro cents.

Section 5.2 below details in depth the reasons why the Board of Directors considers that the issue price of the shares, determined as specified above, shall constitute a fair value for the purposes of the exclusion of the pre-emptive subscription right of said shares. In any event, and as established in article 308 of the CA, the reasonableness of the issue price shall have to be confirmed by an independent expert, other than the Company's auditor, appointed for these purposes by the Commercial Registry of Barcelona (BDO Auditores, S.L.P.).

Once the price resulting from the bookbuilding process has been established and, therefore, the issue price of the shares has been determined, these shall be fully subscribed and paid out by the chosen qualified investors or, if appropriate, by the Managers (acting in the name of and on behalf of the investors among whom the shares have been placed, to later transfer them in their favour or, as applicable, acting in their own name by virtue of the execution of an underwriting commitment). Immediately after, the Board of Directors of the Company, or by delegation, Mr. Fernando Basabe

Armijo, Mr. Ernesto Gerardo Mata López or Mr. Nicolás Villén Jiménez, shall proceed to execute the Share Capital Increase.

5. Report submitted by the Board of Directors for the purposes of articles 308, 504 and 506 of the CA

The Share Capital Increase that the Board of Directors proposes for approval entails the exclusion of the pre-emptive subscription right of the Company's shareholders. This exclusion is necessary to carry out the Share Capital Increase by using the placement procedure described in section 4.3 above.

Pursuant to articles 308, 504 and 506 of the CA, the directors of a listed company that, using the authority to increase the share capital delegated by the General Shareholder's Meeting, plan to agree on the full or partial exclusion of the pre-emptive subscription right, shall have to prepare a report in which the value of the company's shares is specified, and both the proposal and the consideration to be paid for the new shares are justified in depth, specifying the persons to whom they are to be attributed.

Therefore, in order to comply with the legal requirements described, each of said aspects is analysed below.

5.1. Grounds for the exclusion of pre-emptive subscription right from a corporate interest perspective

The Board of Directors considers that the exclusion of the pre-emptive subscription right in the Share Capital Increase object of this report, fully complies with all the substantive requirements established by the applicable legislation and, specially, with the requirement that the exclusion must stem from the Company's corporate interest. The reason for this is (i) said exclusion allows carrying out a convenient transaction from a the standpoint of the corporate interest; (ii) the procedure chosen is suitable for said goal; and (iii) there is a proportional relation between the aim pursued and the means chosen to achieve it, as described below:

A. Convenience of the transaction from a corporate interest perspective

As pointed out, the main purpose of the suggested Share Capital Increase is to provide the Company with the necessary funds to acquire the 80% of Inversiones Finisterre, S.L. In section 4 above the reasons justifying, from the perspective of Applus's corporate interest, the convenience of the acquisition and of financing it with own resources by means of a share capital increase, have been explained in detail; reasons that are deemed to be reproduced here.

In addition, and as shown below, the most suitable procedure to carry out this Share Capital Increase is the accelerated placement of the new shares among qualified investors. By definition, this method requires the exclusion of the pre-emptive subscription right of said shares legally attributed to the Company's current shareholders in order to offer them to these investors.

In conclusion, the exclusion of the pre-emptive subscription right in the suggested Share Capital Increase allows carrying out a transaction that, from a corporate interest perspective, is considered convenient; and which, if done differently, would have to be carried out in much less advantageous conditions for the Company.

B. Suitability of executing a share capital increase through an accelerated private placement of shares in favour of corporate interest

As specified, the chosen procedure to bring the fund raising transaction into effect combines a cash share capital increase with an accelerated private placement of the shares to be issued in relation to said capital increase, by means of an accelerated bookbuilding procedure. This method is not only suitable to achieve the desired goal but also convenient from the Applus's corporate interest perspective.

Indeed, in accordance with the information received from the Global Coordinators and market practices, this method is the most suitable in terms of the new shares issue price, the cost of raising funds and the risk involved in the execution of a share capital increase made with cash contributions, as the one being suggested.

In this respect, the Company's alternative and available methods to raise new capital would be basically two: either a share capital increase made through cash contributions with pre-emptive subscription rights, or a share capital increase, also made through contributions in cash, in which those rights are excluded in order to make a public offering of the shares to the entire market. The advantages of a share capital increase with accelerated bookbuilding, as the one being suggested, against those alternatives, are analysed below:

- (a) *Flexibility and speed in the execution.* Any transaction different from the one being suggested here would significantly delay the process of fund raising. Therefore, in a share capital increase transaction with pre-emptive subscription right, the term to exercise said right cannot be shorter than fifteen days as from the publication of the notice of the subscription offer the new shares in the Official Gazette of the Commercial Registry. Likewise, in the event of a public offering with retail investors participation, a minimum term of approximately two weeks from the notice to the issue price determination, would be required. In both cases, the transaction would be subject to the preparation and submission of a prospectus to the National Securities Market Commission ("CNMV"), a process that takes several weeks.

These terms and requirements differ from those required to complete the subscription and payment of the shares in an accelerated placement process, as the one being proposed in this report, in which it would also not be necessary to previously register a prospectus with the CNMV.

Additionally, as it is a more flexible method, the private accelerated placement provides the Company with greater room for manoeuvre and the capacity to react in order to take advantage of the market's situation and carry out the transaction in the best possible conditions.

- (b) *Lower exposure to market volatility.* It is worth remembering that the equity markets, by nature, are subject to a more or less degree of volatility. According to the information provided by the Global Coordinators, this volatility, as a general rule, discourages raising own funds that may leave the Company exposed, in a long term, to a negative evolution of the shares' quotation price.

In this respect, it is worth noting that should a share capital increase with pre-emptive subscription rights be adopted, the price of the new shares should be determined at the beginning of the process, which would leave the Company exposed to the evolution of the markets during the negotiation period of these rights. In the event of a public offering of shares, again, the length of the process could entail a considerable market risk that, based on the evolution, could prevent the Company from raising the necessary funds to achieve its goals and, in particular, taking into account that this kind of transactions are not usually considered guaranteed until the conclusion of the public offering period.

In conclusion, it would not be advisable for the Company either an issue of shares with pre-emptive subscription rights or a public offering with the exclusion of said rights, taking into account the volatility inherent in the financial markets and the time required to execute any of those alternative transactions. However, regarding the proposed Share Capital Increase, it is expected that the interest from investors, the relatively moderate size of the issue, in absolute terms, and the predominantly international nature of the Company's investor base shall allow an accelerated placement and, therefore, a limited exposure to the market's volatility, which should result in an issue price similar to the quotation price.

- (c) *Cost savings.* The costs of an accelerated bookbuilding operation are lower than those associated with a share capital increase with pre-emptive subscription rights or with a public offering, mainly for two reasons: (i) the reduction of the fees of the banks taking part in the transaction, either because the accelerated bookbuilding is not subject to underwriting commitments or because, even if an underwriting commitment exists, this is cheaper, since the banks assume less risk than in other transactions where the placement and execution terms are much longer; and (ii) the absence of advertisement and marketing costs, because neither tours nor roadshows are required in order to present the transaction to investors.

- (d) *Possible lower discount with respect to the quotation price.* The issue price of the new shares under an accelerated bookbuilding procedure usually represents a lower discount with respect to the quotation price of the shares in that moment, because the market risk to which it would be bound is minimized, for instance, a share capital increase with pre-emptive subscription rights, which requires approximately four weeks from its notice to the closing date (while an accelerated share capital increase does not usually last more than three business days from its notice to its closing date).
- (e) *Company's shareholder base increase.* The suggested Share Capital Increase is an opportunity to increase the shareholder base of the Company, adding to it new and prestigious qualified investors, which shall improve the value of liquidity and broaden analysts' interest and monitoring of the Company. The participation of qualified investors in the transaction will imply a sign of trust by said investors in the Company and its future business perspectives. Likewise, through this accelerated placement process, Applus shall be able to take part in the process of allocating shares to investors, helping to consolidate a shareholder base in line with the interests of the Company, in addition to being non-speculating and with a long-term commitment.

C. *Proportionality of the exclusion of the pre-emptive subscription right*

The Board of Directors considers that the exclusion of the proposed pre-emptive subscription right, complies widely with the due proportionality that must exist between the advantages that derive from said measure for the Company and any possible inconveniences that might be caused to those shareholders who may see their expectations reduced as a result of the political dilution that any increase without rights necessarily entails.

This statement is fully justified by the benefits that the Company would obtain with the proposed transaction. These benefits have been explained in depth in section B above. In any case, it is worth remembering that any inconveniences that may affect shareholder's individual position are practically irrelevant. Indeed, the moderate amount of the planned Share Capital Increase (which would not exceed 9.09% of the share capital resulting from the transaction) together with the Company's ownership structure, characterized by a reduced concentration of capital and a high floating capital, determines that the exclusion would not cause, in any event, a significant change in the strategic position of any shareholder or group of shareholders.

In addition, it is stated that the Share Capital Increase shall not cause a financial dilution as regards the underlying book value deriving from the consolidated annual accounts of the Company as on 30 June 2017.

In conclusion, and taking into account all of the above, the Board of Directors considers that the exclusion of the pre-emptive subscription right in the Share Capital Increase referred to in this report, is fully justified based on corporate interest grounds; in addition to this, the advantages that an accelerated bookbuilding process has for the Company, in terms of price, structure and result, compensate and justify the removal of the pre-emptive subscription right for the benefit of said corporate interest.

5.2. Issue at fair value

Pursuant to article 506.4 of the CA, the nominal value of the shares to be issued plus, if applicable, the issue premium amount, shall be equal to with the fair value resulting from the report issued by the independent expert, other than the Company's auditor appointed for these purposes by the Commercial Registry (in this case, said expert is BDO Auditores, S.L.P.). In addition, article 504.2 of the CA establishes that, in listed companies, the fair value shall be understood as the market value and that, unless otherwise justified, it shall be presumed that the market value shall be the one set out in respect of the stock exchange value.

In compliance with these provisions, it is suggested to issue the new shares at an issue price equal to the price that results from the bookbuilding that the Managers shall carry out within the framework of the private accelerated placement of the new shares to be issued in virtue of the Share Capital Increase referred to in this report. The Board of Directors considers that said price shall represent the fair value of the share of the Company, since by means of the said bookbuilding process the intensity of the demand in the most qualified segment of investors (which are capable of rapidly analysing the offer and determining the amount and price they would be willing to pay for the shares) is measured and, therefore, that price suitably and faithfully represents what the market is willing to pay for the Company's shares.

Therefore, the way to determine the issue price (nominal value plus issue premium) being proposed for the Share Capital Increase allows it to represent the fair value of the Company's shares as established in article 506.4 of the CA. However, the Board of Directors proposes setting a Minimum Issue Price as an additional precautionary measure to ensure that the price of the shares significantly represent the fair value required by the CA. In particular, the Minimum Issue Price of the new shares shall be 10 euros per share, of which 0.10 euros shall be equal to the nominal value and 9.90 to the issue premium.

As stated in sections 3 and 4.3 above, the Minimum Issue Price represents a 9% discount on the closing quotation price of the Applus shares at closing in the Automated Quotation System of the Spanish Stock Exchanges on the stock exchange business day immediately prior to the date of this report (that is, 26th of September 2017). This discount was established taking into account the current situation and conditions of the market and, also, aims to limit to the extent possible the dilutive effect that the transaction may potentially have on the Company's current shareholders.

Likewise, the discount implicit in the Minimum Issue Price is in line with that applied by other companies in similar transactions (by type of placement, percentage over the share capital that the increase represents) carried out in Spain or in the international markets.

In this respect, according to the available public information, some of the discounts on the quotation price taken in each case as a reference, that have been used in order to determine the minimum issue price in accelerated bookbuilding transactions similar to the one described in this report, are the following: 10% in the accelerated placements of Hispania (April 2015) and Banco Santander (January 2015); 8.5% in the accelerated placement of Gamesa Corporación Tecnológica (September 2014); 5% in the accelerated placements of Colonial (April 2017), Euskaltel (November 2015) and CIE Automotiva (June 2014); 4.08% in the accelerated placement of Axiare (March 2017).

The Board of Directors considers that the discount implicit in the Minimum Issue Price being proposed is fully justifiable from the perspective of the offer and demand economic theory that regulates the operation of the securities markets. According to this theory, the price of a share – its trading value – in the stock exchange market is determined by matching offer with demand, and represents the value at which the market's participants are willing to buy and sell a non-significant amount of a company's shares. Thus, the placement of a significant block of shares (as the one foreseen in the Share Capital Increase object of this report) entails that the offer of shares in the market is much larger than the one before, thus causing a displacement in the offer curve that determines the tendency to reduce the price of the share.

It should be highlighted that the larger the relative size of the share capital increase is (both in terms of the share capital and of the liquidity of the share), the more difficult it is that the demand for shares that may produce in a short period of time, assumes in its entirety the offer of the new shares minimizing the effect on the price caused by the expandable displacement of the offer curve. This, in turn, means that in order to allocate all the offered shares the price (issue price) that has to be set must necessarily be less than the value at which the shares were trading before the offer.

In any event, and pursuant to article 506.4 in relation to article 308.2.a) of the CA, the issue price of the shares to be issued by virtue of the Share Capital Increase (and, therefore, the Minimum Issue Price) must be equal to the fair value that results from the report prepared by the independent expert, other than the Company's auditor, appointed by the Commercial Registry. For these purposes, BDO Auditores, S.L.P (the independent expert appointed by the Commercial Registry of Barcelona in relation to this Share Capital Increase) shall issue, prior to approving the resolution of the issue of the new shares, the mandatory report on the fair value of the Company's shares, the underlying value of the pre-emptive rights, whose exercise it is proposed to be excluded, and the reasonableness of the information included in this directors' report. As specified in section 1 above, both reports will be published in the Company's official webpage as soon as the Share Capital Increase is executed and made available to the shareholders and reported at the next General Shareholders' Meeting to be held.

5.3. Issue target group

As specified above, the Managers shall carry out an accelerated bookbuilding of the new shares to be issued by virtue of the Share Capital Increase exclusively among Spanish and foreign qualified investors.

For these purposes, "qualified investors" are (i) in Spain, those specified in article 39 of Royal Decree 1310/2005, of 4 November, which partially develops Law 24/1988, of 28 July, on the Securities Market, on matters relating to the admission to trading of securities in official secondary markets, public offerings, as well as the required prospectus; (ii) in the remaining Member States of the European Union, those foreseen in the transposition rules in their respective internal regulations of the Directive 2003/71/CE of the European Parliament and the European Council, of 4 November 2003; in relation to the prospectus, which must be published in the event of a public offering or admission to trading of securities, and due to which Directive 2001/34/CE is modified; and (iii) in the remaining countries that are not members of the European Union and where placements are carried out, those that have the condition of qualified investors or an equivalent category in accordance with the applicable law in each jurisdiction, so that, according to this law, the Share Capital Increase, object of this report, does not need to be registered with or approve by the relevant authorities.

6. Proposal for the resolution to increase the share capital

The full text of the Share Capital Increase resolution that the Board of Directors proposes to adopt is reproduced below:

"Share capital increase with a nominal amount of 1,300,167,50 euros, by creating 13,001,675 new Company shares with a nominal value of ten cents of euro (0.10€) per share, which shall be fully subscribed and paid out with contribution in cash, with the exclusion of pre-emptive subscription right and the possibility of an incomplete subscription.

*Pursuant to the authorisation granted by the Annual General Shareholders' Meeting of the Company held on 21 June 2017, under item eleven of the Agenda so that the Board of Directors may, pursuant to article 297.1.b) of the Companies Act, on one or several occasions and at any time within five years from the date of holding of the said General Meeting, increase the share capital by means of the issue and placement into circulation of new shares - with or without an issue premium - which consideration consists of cash contributions, up to a maximum amount of 10% of the existing share capital figure at the time of the authorisation in the event that the pre-emptive subscription right is excluded from these shares – exclusion for which the Board of Directors was also expressly granted powers -, or of 50% of said share capital figure if said exclusion was not agreed on, the Board of Director agrees to carry out a share capital increase pursuant to the following terms and conditions (the "**Share Capital Increase**"):*

- (a) Nominal amount of the Share Capital Increase. *The nominal amount of the Share Capital Increase shall be 1,300,167.50 euros and it shall be carried*

out by the issue and placement into circulation of 13,001,675 ordinary shares of the Company, with a nominal value of ten euro cents (0.10.-€) each, of the same class and series as pre-existing shares.

For the purposes of article 299 of the Companies Act, it is stated that the shares of the Company existing before the Share Capital Increase are fully paid.

- (b) Issue price. The price of issue of the new shares to be issued shall correspond to the price resulting from the private placement of such new shares among qualified investors that entities appointed by the Company for these purposes shall carry out.

In any event, the issue price (including nominal and premium issue) shall be at least 10 euros per share (the "**Minimum Issue Price**"), a figure that results from applying a 9% discount on the closing quotation price of the Applus shares at closing in the Automated Quotation System of the Spanish Stock Exchanges on the stock exchange business day immediately prior to the date of this report (that is, 26th of September 2017), rounded up until obtaining a whole number in euro cents.

It is stated that prior to adopting this resolution, it has been made available to the Board of Directors the report issued by BDO Auditores, S.L. in its capacity as an independent expert other than the Company's auditor appointed by the Commercial Registry of Barcelona, regarding the fair value of the Company's shares, the underlying value of the pre-emptive subscription rights, whose exercise is removed, and the reasonableness of the information included in the report submitted by the Board of Directors in relation to this resolution. The said report, as well as the one prepared by the Company's directors pursuant to articles 308 and 506 of the Companies Act, will be made available to the shareholders as well as reported at the first General Shareholders' Meeting to be held following the approval of this resolution.

- (c) Nature of the shares to be issued. The shares to be issued by virtue of the Share Capital Increase shall be ordinary shares, of the same class and series and with the same rights as those currently in circulation, and they shall be represented by book entries, the registry for such shares being in care of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U (Iberclear) and its participating entities.
- (d) Rights of the new shares. The new issued shares shall confer on their holders the same political and financial rights held by the Company's pre-existing shares, as from the date on which they are recorded in the accounting books managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U (Iberclear) and its participating entities.
- (e) Exclusion of the pre-emptive subscription right. Under the authority expressly conferred by the Annual General Shareholders' Meeting on 21 June 2017, and

pursuant to article 506 of the Companies Act, the pre-emptive subscription right of the Company's shareholders is removed in response to corporate interest demands and in order to allow the placement of shares among qualified investors.

- (f) *Subscription and payment.* *The Share Capital Increase shall be exclusively addressed to Spanish and foreign qualified investors by means of a private accelerated book-building procedure to be followed by the entities that sign the agreement to allocate the shares of the Company object of the Share Capital Increase.*

For these purposes, "qualified investors" are (i) in Spain, those specified in article 39 of Royal Decree 1310/2005, of 4 November, which partially develops Law 24/1988, of 28 July, on the Securities Market, on matters relating to the admission to trading of securities in official secondary markets, public offerings, as well as the required prospectus; (ii) in the remaining Member States of the European Union, those specified in the transposition rules in their respective internal regulations of the Directive 2003/71/CE of the European Parliament and the European Council, of 4 November 2003; in relation to the prospectus, which must be published in the event of a public offering or admission to trading of securities, and due to which Directive 2001/34/CE is modified; and (iii) in the remaining countries that are not members of the European Union where placement is carried out, those that have the condition of qualified investors or an equivalent category in accordance with the applicable law in each jurisdiction, so that, according to this law, the Share Capital Increase object of this report, does not need to be registered with or approve by the relevant authorities.

The subscription and payment of the new shares shall take place after the qualified investors have confirmed their subscription proposals, either directly by said investors or indirectly through the entities subscribing the corresponding placement agreement (acting in name of and on behalf of said qualified investors, to later transfer them in their favour or, as applicable, acting in their own name by virtue of executing an underwriting commitment). The new shares to be issued shall be fully paid in cash contributions.

- (g) *Incomplete subscription.* *Pursuant to the delegation granted by the Annual General Shareholders' Meeting on 21 June 2017, and in accordance with article 311 of the CA, in the event of an incomplete subscription the share capital shall only be increased in the amount of subscriptions made.*

- (h) *Execution of the Share Capital Increase and amendment of the By-Laws.* *The Board of Directors of the Company (or, by replacement, any of the directors authorised to the effect pursuant to section (j) below) shall declare that the Share Capital Increase has been subscribed and paid for, totally or partially, and, therefore, completed; and it shall amend the text of the corresponding article of the By-laws to include the new share capital figure and the resulting*

number of shares. For the purposes of article 176 of the Commercial Registry Regulation, the Board of Directors (or any of the aforementioned directors) shall specify the amount used in respect of the limit set in the authorisation to increase the share capital granted by the General Shareholders' Meeting, as well as the available remaining amount.

- (i) Request for official admission to trading. The admission to trading the new shares issued by virtue of the Share Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, and their inclusion in the Automated Quotation System, just like the Company's pre-existing shares, shall be requested. In this respect, the Company shall be subject to any existing or future regulations on this matter and, especially, on matters related to trading, presence in and exclusion from the official trading.*
- (j) Powers of attorney. Without prejudice to any other existing power of attorney, it is resolved to authorise the CEO Mr. Fernando Basabe Armijo, as well as the directors Mr. Ernesto Gerardo Mata López and Mr. Nicolás Villén Jiménez, so that any of them, indistinctively, may perform the necessary actions and grant the public and private documents that may be required or appropriate in order to execute the Share Capital Increase. In particular, and for illustrative purposes only, any of such directors may perform the following actions:*

 - i) establish the date on which the Share Capital Increase, as well as the accelerated offering of the shares issued under said increase, must take place;*
 - ii) invalidate the Share Capital Increase and, as a result, the accelerated book-building of the new shares, in the event of a material change in market conditions or because of any other relevant reason in his opinion, at any time before paying the issue price of the shares;*
 - iii) set the conditions for the Share Capital Increase that have not been specified in this resolution and in accordance with its terms and conditions; and, specifically, determine the amount of the issue premium and, thus, the issue price of the new shares, as well as the number of shares effectively offered for subscription;*
 - iv) declare the Capital Increase completed once the new shares have been subscribed and paid for and, if the subscription is incomplete, determine the final amount of the Share Capital Increase and the number of subscribed shares, granting any public and private documents that may be advisable to totally or partially execute the Share Capital Increase;*
 - v) amend the article in the By-laws related to the share capital, adapting it to the new resulting figure according to the number of subscribed shares, as well as amend in general any other provisions in the By-laws as*

required, adapting them to the new capital figure and the number of shares in circulation;

- vi) carry out all actions, submit all requests, sign all documents and take all the steps that may be required to ensure the full effectiveness and compliance of the Share Capital Increase Resolution, and also appear before a Notary and execute the corresponding share capital increase deed and amendment of article 5 of the Company's By-laws and, if applicable, correct and clarify this resolution to the extent required to obtain its full or partial inscription with the Commercial Registry; and*
- vii) in general, carry out all actions that may be necessary or convenient for the success of the Share Capital Increase object of this resolution.*

Likewise, and without prejudice to the foregoing, Mr. Fernando Basabe Armijo and Mr. Joan Amigos Casas, CFO of the Company, are granted powers so that any of them, without distinction, may carry out the following actions on behalf of and in representation of the Company, being ratified in this act those actions that have already been carried out by the said persons:

- i) select and appoint the entities taking part in the Share Capital Increase and in its accelerated private book-building, either as allocators, insurers or financial advisors, and sign with such entities the necessary or convenient agreements or documents for such purpose and in accordance with standard practices in this type of transactions, including in particular one or more insurance and/or allocation agreements, negotiating commissions and other terms and conditions it considers appropriate (including any non-issue or lock-up commitments regarding the Company's shares and the compensation of the allocating and/or insuring entities);*
- ii) select and appoint the agent bank that shall take part in the Share Capital Increase, and sign with such entity the documents and agreements needed or convenient for such purpose, in accordance with standard practices in this type of transactions;*
- iii) accept, reject, or amend in whole or in part, the allocation proposal made by the entities mentioned in paragraph (i) above, once the accelerated private book-building of the shares is finished, all of which is subject to the criteria established in the report issued on the date hereof by this Board of Directors in relation to the Share Capital Increase approved in this act; and*
- iv) carry out all the actions, statements and steps before the National Securities Market Commission, the Stock Exchange Governing Bodies, the Stock Exchanges Company, Iberclear and any other entity or public or private registry, in order to obtain the authorisation, verification and subsequent execution of the Share Capital Increase and the corresponding admission to trading the new shares in the Madrid, Barcelona, Bilbao and Valencia Stock*

Exchange Markets, as well as their incorporation to the Automated Quotation System."