



**ANNUAL SHAREHOLDERS MEETING
CHAIRMAN'S SPEECH**

31st May 2018

Gracias Vicente. Buenos días a todos.

Thank you Vicente. Good afternoon everyone. I am happy to be here with you.

I would like to introduce the Board Members to you followed by an update on the progress we have made in the area of Corporate Governance.

After my speech, I will hand over to our Chief Executive Officer, Fernando Basabe who will present to you the Group including the financial performance and general developments that took place in the year.

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

First to introduce the Board of Directors to you.

Sitting alongside me are our eight Directors of the Company and our Company Secretary.

We are a strong and diverse Board with a good spread of backgrounds, experience, age, nationalities and skills. Seven of us are classified as Independent and there is a separation of roles between myself, the Chairman and the CEO, which is best practice and allows for stronger corporate governance.

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. There is a high level of commitment and experience here and I am proud to be able to represent this Board.

Of the nine board members, five of us are up for re-election by you, our shareholders, as we were last appointed four years ago and our term lasts four years. The four others who I will introduce first, were appointed more recently.

Scott Cobb who joined in 2016. He is a US Citizen and is Managing Partner for Southeastern Concentrated Value, which is our largest shareholder. He is therefore a proprietary director on the Board. Scott has many years of highly successful investment experience and we are pleased to have him with us.

Ms Maria Cristina Henriquez de Luna. Also joined the Board in 2016. 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 makes her well suited within our Board. She is also a member of the Audit Committee.

Claudi Santiago also joined us in 2016. 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 has a good understanding of the oil and gas market to which we

have a significant exposure. He is also a member of the Appointments and Compensation Committee.

Nicolas Villén. He joined the Board in 2015. He has a finance background from a large infrastructure company and is a member of the Audit Committee. After today, he will become the Chairman of the Audit Committee as, the current chairman, Ernesto Mata, is stepping down as the Chair for compliance rotation.

Then the five of us who are proposed for re-election, we have:

Ernesto Mata. He has a distinguished career at executive and board level. He is Spanish and he has served on many other prominent Spanish Boards. Ernesto has a finance background and was Chairman of our Audit Committee until today. I thank him for his time and dedication to his role as Chairman of the Audit Committee where he will continue as a member.

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 & Compensation Committee.

Richard Nelson, like myself, is 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. He sits on both our Appointments & Compensation Committee and Corporate Social Responsibility Committee.

Fernando Basabe, sitting directly to my left, is our Chief Executive Officer. He has been with us for seven 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. He is also on the Corporate Social Responsibility Committee.

Sitting directly on my right, you have already heard from our Company Secretary who is Vicente Conde Viñuelas. He is a highly qualified commercial lawyer and a partner in Madrid at the international law firm Osborne Clarke.

As for me, my experience is both Corporate and Operational, having originally co-founded and built an Engineering Consultancy, which was 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 have accumulated 30 years of public company experience at Board or senior level. As well as being Chairman of the Board, I am the Chairman of the Corporate Social Responsibility Committee.

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

Firstly, I would like to recognize and thank our shareholders for the trust they put in us when we raised additional equity in September last year. We raised a total of 137 million euros, which was 10% of our equity capital at the time. This was partly used to make a material acquisition with the rest used to reduce our leverage that now enables us to make more acquisitions. Fernando will explain this in more detail but I wanted to thank you personally for this support.

On 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 have a pro-active dialogue in place with our shareholders. We have an annual corporate governance road show in January each year with our top investors and proxy advisors, which is led by John Hofmeister and we actively encourage our investors to vote at each AGM. In addition, the management through the CEO, CFO and Investor Relations are available to speak to investors as well as listen to their views, which are brought to my attention.

I am pleased to say that the executive management presented a Strategy Update to the markets in February of this year, which was very well received and provided clarity on our strategic plans, the next three years' financial objectives of the group and the direction that the group will travel. You will see some more detail in Fernando's presentation.

We published our Annual Corporate Governance Report on 27th February 2018. 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. We also explain in this report where we didn't comply with certain elements of the Code and the reasons why we didn't or the mitigating factors. I believe our compliance rate with the code is very good.

Within the Annual Report there is a section on Corporate Governance and Corporate Social Responsibility that outlines our progress in this area. And there is a separate Corporate Social Responsibility report that you can access online. So you can see in that section that we pay a lot of attention and interest to this area.

There has been a lot of time and resource spent in progressing our position in this area and I will touch upon a few developments only.

First, we strengthened our CSR policies and sustainability reporting following the Global Reporting Initiative, including the early adoption of some requirements of the revised GRI Standards. In addition, this year our CSR framework incorporates nine of the United Nations' sustainability goals. Our CSR Policy framework now reflects a more shared perspective for growing our business sustainably and responsibly.

We also approved four new policies and a new procedure. These were in relation to Compliance, Anti-money laundering, Supplier and Customer management and the whistleblowing reporting channels that we have. These were mainly led by the CSR

Committee and Chief Compliance Officer, as part of the continuous deployment of our Compliance Management System which I also referred to last year and as part of the progress that we have made. We continue to dedicate considerable efforts to that area, to ensure ethical behavior is integrated across all business units through our Code of Ethics, and the tone is consistently set at the top. Training is also key as you may imagine, and I am happy to share that the rates and frequency have also improved in terms of training response during the last year. You may find further information on this at our Annual Report.

To develop the management talent, we designed a Global Management Development Programme that will train and support over 100 managers over the next few years to help them reach their professional objectives. The first group under this programme starts just next month.

In addition, in 2017 we completed our employee Global Satisfaction Survey, which has been periodically carried out since 2007. This year, our people told us that they value the Group's collaborative workplace, diversity and inclusion, along with our health and safety programmes which are key nowadays. Importantly, our people feel their work contributes to their division's and Group's goals. The aggregated feedback from this externally managed survey will be used to create action plans to achieve our goal of constant improvement.

We have continued to focus on health and safety of our workforce using several techniques including regular training and an annual Safety Day. Our workforce must come safe home every night and I am pleased to report that the measured severity rate of injuries reduced by 20%. However, there was an increase in total reported accidents in 2017 compared to the prior year and this was mainly from vehicle accidents and other incidents requiring less than 3 days' leave. This is not acceptable and we have stepped up specific training programs for defensive driving and safety controls to bring the number of these accidents down. In this regard, we have started 2018 well.

As for sustainable performance, there have been some good developments from both an internal and external perspective.

We measure our consumption of energy, fuel and water and, in this area, we have increased the number of business units we measure and now we have businesses that account for 98% of our total revenue included within the scope of measurements. This is a big increase on the previous year.

But our greatest contribution in this area is in the services we provide to our customers to reduce their direct environmental impact and improve the safety and quality of their assets, products and operations.

Supporting the value that we provide to our customers, the CSR Committee is also responsible for supervising the innovation that takes place in the Group and I am pleased to see that in 2017 we had another year of many exciting projects that were started and

continued from the previous year. In all, we had 199 projects, which Fernando Basabe will elaborate on further and you can also read about in the Annual Report.

So, to wrap up on corporate social responsibility, I would say our CSR is becoming increasingly embedded within the organisation. With our knowledge and skills in technology and innovation, we can and do play an essential role in delivering sustainable contributions to society.

Before I finish and hand over to Fernando, I would like to say a few words on our 2017 financial performance. Overall, we maintained our 2017 revenue with a solid margin performance. The three divisions of Auto, Laboratories and IDIADA continued their good performance and the largest division, Energy & Industry that has a high exposure to the challenging oil and gas markets, had an improving trend with higher margins. These financial results improved as the year progressed and this trend has continued into 2018. I am satisfied with these results and the executive team and all our employees have done an excellent job in managing these conditions and deliver results aligned to our expectations.

I congratulate and thank all our management and staff for their hard work and dedication throughout the year resulting in an overall successful 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 12th July to those shareholders on the register on the 10th July. Fernando will give a bit more detail on this in his presentation as well as the recent share price development.

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.