
I. INTRODUCTION

In accordance with article 14.10 of the Board of Directors Regulations of Parques Reunidos Servicios Centrales, S.A. (“Parques Reunidos” or the “Company”), in relation to the Audit and Control Committee's regulations and to enable the Board of Directors to draft the annual assessment of that Committee in accordance with the provisions of article 529 nonies of the consolidated text of the Spanish Companies Act approved by Legislative Royal Decree 1/2010 of 2 July (the “Spanish Companies Act”), that Committee must draft an annual report on its functioning, highlighting the main incidents that arise, if any, in relation to its own functions. To comply with those regulations, the Audit and Control Committee has drafted this report, which also includes, where applicable, the proposals to improve the Company's governance rules.

This report on the activities performed by the Audit and Control Committee in the period between 29 April 2016 (date of the Company's listing on the Spanish stock markets) and 30 September 2016 will be available to shareholders and investors on the Company's website (www.parquesreunidos.com) from the moment that the Ordinary Shareholders' Meeting is convened.

To comply with recommendation 6 of the Code of Good Governance for Listed Companies, this report also includes inform about the auditor's independence and related-party transactions.

II. MEMBERS

At the date of this report, article 39 of the Bylaws and article 14 of the Board of Directors Regulations establish that the Audit and Control Committee must comprise of at least three and at most five directors, designated by the Board of Directors from among the external or non-executive directors. Most of the Audit and Control Committee members must be independent and one of them must be appointed based on their knowledge and track record in matters of accountancy, auditing, or both. The Board of Directors also designates its Chairman from among the independent directors who form part of that Committee. In accordance with article 14.4 of the Board of Directors Regulations, the Chairman of the Audit and Control Committee must exercise his/her duty for a maximum of four years, at the end of which he/she cannot be re-elected as such until one year has elapsed since then, without prejudice to his/her continuation or re-election as a member of the Committee.

In accordance with article 14.4 of the Board of Directors Regulations, the members of the Audit and Control Committee discharge their duty while their appointment as Company directors is in force, unless the Board of Directors resolves otherwise.

The members of the Audit and Control Committee in the year ended 30 September 2016 were as follows:
Mr. Nicolás Villén Jiménez (chairman) is an external independent director of Parques Reunidos. He was appointed director of the Company on 13 April 2016. The Board of Directors appointed him as a member of the Auditing and Control Committee on 13 April 2016. Mr. Villén has a wide experience in the infrastructure sector where he has occupied several managerial positions, including 17 years as chief financial officer of Ferrovial. Currently, Mr. Villén externally advises IFM Investors (an Australian infrastructure fund) and is member of the board of directors of ACR Grupo (real estate sector), Banca March (banking sector) and Applus+ Services (a certification, inspection and testing company), being chairman of the audit committee of ACR Group and Banca March. He was also member of the board of directors of Aer Lingus (Irish airline company), CLH (an oil product transportation company) and of Dinamia (private equity), until 2015.

Mr. Villén holds a degree in industrial engineering from Universidad Politécnica de Madrid and a Master in Electrical Engineering from the Florida University, as well as a MBA from the Columbia University. He was awarded with a Fulbright Scholarship and a Samuel Bronfman Fellowship.

Mr. Dag Erik Johan Svanstrom (director) is an external independent director of Parques Reunidos. He was appointed director of Parques Reunidos on 13 April 2016. The Board of Directors appointed him as a member of the Appointments and Remuneration Committee on 28 July 2016. He is president of Hotels.com and Expedia Affiliate Network brands, a private brand within Expedia Inc. Group which operates in 80 markets worldwide and transact over US$14 billion in gross bookings. He is also a member of the Expedia Inc Travel Leadership Team reporting to the chief executive officer of Expedia. Before joining Expedia Inc, Mr. Svanstrom was a member, between 2007 and 2015, of the Board of Directors of eLong, Inc. (Nasdaq: LONG), one of China’s biggest online travel agencies, and Head of the Digital Innovations Group at McDonald's Corporation for three years, during which time he led the launch of Redbox Automated Retail, LLC (www.redbox.com) and the rolling out of Wi-Fi services at McDonald’s store network.

Mr. Svanstrom holds a Master’s of Science in Economics from the Stockholm School of Economics.

Mr. Fredrik Arp (director) is an external proprietary director of Parques Reunidos. He was appointed as a director of Parques Reunidos to represent Arle Capital Partners Limited on 13 December 2013. The Board of Directors appointed him as a member of the Audit and Control Committee on 13 April 2016. Currently, Mr. Fredrik Arp is also chairman in Nolato AB, a medical technical, telecom and industrial supplier. He also serves as non-executive director in Technogym Spa, one of the global leaders in the design and manufacture of premium branded fitness equipment and wellness solutions, and Vattenfall AB, one of Europe’s largest generators of electricity and producers of heat. In addition, he performs advisory roles in the advisory board of the Business School of Lund University and in the Operational Review Board (“ORB”) at Arle Capital Partners Limited.
He is also chairman of the Swedish Employers Association of Industrial and Chemical Companies and non-executive director of the Confederation of Swedish Enterprise.

He holds a Doctorate honoris causa in Economics and a Bachelor of Science in Business and Economics both from the University of Lund.

On 29 September 2016, Mr. Jaime Fernández Aceña resigned as the secretary, non-member, of the Committee. On that same date, in accordance with article 14.3 of the Board of Directors Regulations, the Board of Directors designated Ms. Cristina Carro Werner as the Committee's Secretary but she is not a member.

Consequently, in the year ended 30 September 2016, the Committee's membership was consequent with that established in the Board of Directors Regulations and with article 529 quaterdecies.1 of the Spanish Companies Act, in accordance with its current wording. All the Committee's members are non-executive directors and two of them are independent; all of them, especially its Chairman, were designated in view of their knowledge and track record in matters of accountancy, auditing, or both. Moreover, in accordance with article 529 quaterdecies.2 of the Spanish Companies Act, the Chairman of the Audit and Control Committee is an independent director and will discharge his duties for no longer than four years.

III. Meetings

The Audit and Control Committee holds an ordinary meeting every quarter to review the periodic financial information that must be submitted to the stock market authorities as well as the information that the Board of Directors has to approve and include in its annual public documentation. Likewise, it can meet at the request of any of its members and whenever it is convened by its Chairman, which must do so every time that the Board or its Chairman requests the issuance of a report or the drafting or adoption of proposals and, in any case, whenever it is appropriate for the proper execution of its duties.

The Audit and Control Committee met twice in the period between the Company's listing (i.e. 29 April 2016) and the end of its financial year on 30 September 2016.

Consequently, the Audit and Control Committee met with the necessary frequency for the proper execution of its duties. All the Committee members attended the meetings.

IV. Activities in the year ended 30 September 2016

To comply with the functions taken on by virtue of article 14 of the Board of Directors Regulations, the Committee focused the objectives of its meetings on the following main activities:

- Review of the periodic financial information

The Committee supervised the drafting and integrity of the quarterly individual and consolidated financial information that the Board of Directors had to submit to the market and to the Spanish Securities Market Commission (the "CNMV") by virtue of its periodic reporting obligations as a listed company.

In that sense, the Committee reviewed, before their submission, compliance with the regulatory requirements, the appropriate delimitation of the consolidation scope and
the correct application of the accounting criteria in the periodic financial information and all of this within the legally established deadlines for such purpose.

- **Review of the financial statements**

  To avoid submitting the individual and consolidated financial statements drafted by the Board of Directors to the Shareholders’ Meeting with qualifications in the audit report, the Audit and Control Committee, before their drafting, carried out, *inter alia*, the following tasks:

  - Review the Company's accounts.
  - Ensure compliance with the legal requirements and the correct application of the generally accepted accounting principles.
  - Review the periodic financial information that must be supplied by the Board to the markets and to its supervisory authorities.

  Moreover, the Audit and Control Committee met the external auditor, with which it carried out a thorough review of the scope of the audit and of its main factors as well as a preliminary analysis of its provisional results.

  In that sense, it is hereby stated that the audit reports on the individual and consolidated financial statements of Parques Reunidos for the year ended 30 September 2015 did not have any qualifications. Likewise, the audit reports on the individual and consolidated financial statements of Parques Reunidos for the year ended 30 September 2016 are not expected to have any qualifications.

- **External audit. Auditor independence**

  This section of the report is based on the auditor’s letter received by the Audit and Control Committee in which the auditor provided written confirmation of its independence from the Company or the Company’s directly or indirectly related entities, as well as information regarding the additional services of any kind delivered to these entities by the auditors or the persons or entities related to them, in accordance with the provisions of the Accounts Audit Act.

  The independence written confirmation, signed by the corresponding partner of the auditor of the Company, is issued in accordance with the provisions of the Accounts Audit Act, the Spanish Companies Act, the Technical Auditing Rules issued by the Accounting and Accounts Auditing Institute and article 14.5.(vi) of the Board of Directors Regulations.

  The auditors of the Company, KPMG Auditores, S.L., were appointed as auditors of the Company and its subsidiaries, in charge of auditing the annual individual and consolidated accounts corresponding to the financial year ended on 30 September 2016, by virtue of the decision of the then sole shareholder of the Company, dated 17 March 2016.

  Likewise, the auditors set out the auditing services, the services different from the auditing services and the services related to the auditing services delivered to the Company or its subsidiaries during the financial year ended on 30 September 2016. A
detailed description of the services different from the auditing services is included below:

<table>
<thead>
<tr>
<th>Description of the services</th>
<th>Amount (thousand €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax services</td>
<td>140 €</td>
</tr>
<tr>
<td>Services regarding ICFR, Corporate Governance and Risk Management System diagnostics</td>
<td>369 €</td>
</tr>
<tr>
<td>TOTAL</td>
<td>509 €</td>
</tr>
</tbody>
</table>

The Audit and Control Committee has received written confirmation by the auditor stating that it is not in any of the incompatibility situations under which, in accordance with article 16 of the Accounts Audit Act, it is considered that the auditor does not have sufficient independence in the delivery of its services with respect to the Company. Specifically, the auditor has confirmed that it has not identified any circumstance that could be considered a cause of incompatibility and that those circumstances that, in accordance with its professional judgement, could entail a significant threat to its independence, were eliminated or reduced to an acceptable degree through the application of the necessary safeguarding measures.

Regarding the required conditions of the audit engagement set out in article 40 of the Accounts Audit Act, the compliance with the obligation regarding the rotation of the auditor in charge of signing the report has been confirmed, given that the same auditor has not signed the report for more than five consecutive years.

Finally, regarding the fees of the auditing services, it has been confirmed that the fees were established, as required by article 24 of the Accounts Audit Act, before the delivery of the auditing services regarding the financial year ended 30 September 2016 began.

Out of the cases that, according to the law, could threaten the independence of the auditor, there are two cases regarding the Company that require a detailed analysis:

- “The simultaneous delivery of legal services for the audited entity, unless the services are provided by different legal persons with different boards of directors, and as long as those legal services are not related to dispute resolutions regarding issues that could have a significant impact, measured in relative terms, in the financial statements of the audited period or financial year”.

In this context, KPMG group does not provide legal services on issues that could have a significant impact on the Company’s financial statements, only providing advisory services regarding certain tax and, to a lesser extent, legal issues. Likewise, the legal persons that provide these services are different from the persons providing the auditing services. Accordingly, the auditors have confirmed that the necessary safeguards have been taken into account in
order to identify possible threats to the auditor’s independence, without having identified any incompatibility cause.

- “When the fees corresponding to the auditing services and the services different from the auditing services delivered to the audited entity by the auditor or auditing company, in each of the previous consecutive financial years, represent more than 15 percent of the total annual revenue of the accounts auditor or the auditing company, the auditor or the auditing company must abstain from carrying out the audit of the accounts on the corresponding following financial year”.

In this sense, and in accordance with the information provided by KPMG Auditores, S.L., the fees paid by the Company do not constitute a relevant percentage of the total annual revenue of the auditor.

**Conclusion**

The Committee considers that, during the financial year ended on 30 September 2016, the accounts auditor of the Company and its group, KPMG Auditores, S.L., has carried out his auditing duties with independence, taking into account the following elements:

- The accounts auditor confirms its independence in accordance with the criteria established in article 14 and following articles of the Accounts Audit Act and has not informed, within its relationship with the Audit and Control Committee, about any issue that could threat its independence.

- The fees corresponding to the auditing services are fixed before the beginning of the delivery of the services by the auditor and for the entire period during which the services must be delivered. The fees are not affected or determined by the delivery of additional services, and are not based on contingencies or conditions different from the changes in the circumstances used for determining the fees, as provided in article 24.1 of the Accounts Audit Act.

- The fees for the services different from the auditing services do not constitute a relevant percentage of the total annual revenue of the accounts auditor, taking into account the mean of the previous three years.

- The fees have been reasonably justified and broken down by concepts, both for the auditing services as well as for the services different from the auditing services.

- No circumstance that could entail a cause of incompatibility has been identified.

- In light of the above, the Audit and Control Committee has verified that the engaged services comply with the independence requirements set out in the Accounts Audit Act.

Base on the legal requirement and on the information provided above, the Audit and Control Committee concludes that there are no objective reasons to question the independence of the accounts auditor.
- **Internal audit**

The current Audit and Control Committee was set up before the Company's listing in April 2016, when the first seven months of the financial year had already elapsed. Therefore, the internal audit plan of that financial year was not approved by the current Audit and Control Committee. The audit plan for the financial year starting in October 2016 will be approved by it, thus meeting the requirements set out in the Board of Directors Regulations, which establishes that the Audit and Control Committee will carry out the following internal audit functions: (i) ensure the independence and efficacy of the internal audit function; (ii) confirm the suitability of the current internal audit manager; (iii) approve the guideline and work plans, making sure that its activity focuses mainly on the Company's relevant risks; (iv) receive periodic information about its activities; and (v) make sure that the management staff takes into account the conclusions and recommendations of its reports.

Moreover, the Audit and Control Committee is working with the Company's internal auditor to draft a strategic plan regarding the internal audit function for all the Group which includes all the areas subject to an audit and states the person who is allocated this responsibility.

- **Compliance with the corporate governance regulations**

The Audit and Control Committee also ensured compliance with the Internal Rules of Conduct on Stock Exchange Related Matters, with the Board of Directors Regulations and, in general, with the Company's corporate governance regulations in the year ended 30 September 2016 and no relevant breaches in that sense were detected.

In relation to the Annual Corporate Governance Report for the year ended 30 September 2016, the Committee ensured the observance of the compliance envisaged in (i) Order ECC/461/2013 of 20 March, which determines the content and structure of the annual corporate governance report, of the annual report on remuneration and other reporting instruments of listed companies, savings banks and other institutions that issue securities admitted to trading in official securities markets; and (ii) CNMV Circular 5/2013 of 12 June, which establishes the annual corporate governance report forms for listed companies, savings banks and other institutions that issue securities admitted to trading in official securities markets, as amended by virtue of CNMV Circular 7/2015 of 22 December.

Moreover, the Committee reviewed and proposed the Board of Directors a schedule for the ordinary meetings of the Company's bodies.

- **The risk management system (RMS) and the internal control over financial reporting (ICFR) system**

In accordance with article 5.6 of the Board of Directors Regulations, the Board of Directors approved, after a report from the Audit and Control Committee, a risk control and management policy (RMS) and an internal control over financial reporting (ICFR) system.

In the months prior to its creation, the Audit and Control Committee oversaw the projects to implement the internal control over financial reporting (ICFR) system and
the risk management system (RMS), initiated by the Group in the months prior to the IPO and which are currently being implemented. The Committee has informed the Board of Directors of its status and progress.

**Review of the plans, policies and strategies**

In the year ended 30 September 2016, without prejudice to that stated regarding the RMS and ICFR in the preceding section, the Board of Directors approved, after a report and approval by the Audit and Control Committee, the tax policy for the Parques Reunidos Group.

**Analysis and report of a related-party transaction**

LPL Finance Limited, a company in which the Board Chairman Mr. Peter Long has a stake, provides consultancy services to the Company, providing support to the Board Chairman during his functions, for which that company has received 25,000 pounds per year since 1 May 2016. That transaction was authorized by the Company's Board of Directors, after a report by the Audit and Control Committee, through a unanimous resolution which guaranteed the directors' independence with respect to the chairman. The Board discussed and voted this item with the abstention of the Chairman, Mr. Peter Long, since he was involved in a conflict of interest. Moreover, that resolution states that the transaction is harmless for the Company's corporate assets and it is made at an arm's length basis. The Audit and Control Committee dealt with the issue with full transparency, stating this in the Annual Corporate Governance Report.

**Control of the trading with the Company's own shares**

In the year ended 30 September 2016, the Company did not carry out any transactions with own shares. Nevertheless, the Audit and Control Committee is aware of the existence of the recommendations included in the document called “Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares”, which was published on 18 July 2013, and undertakes to analyze and take it into consideration in the event that this type of transaction is carried out in the future.

V. **Proposals regarding the Company's governance rules**

The functions of the Audit and Control Committee established in the Bylaws, the Board of Directors Regulations and the Internal Rules of Conduct on Stock Exchange Related Matters include making the necessary proposals for its improvement and for the Company's governance rules when the Committee deems this fit.

In that sense, the Audit and Control Committee provided a favorable report on the approval of a new consolidated text of the Internal Rules of Conduct on Stock Exchange Related Matters so that it conforms to Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) as a result of the entry into force of the Market Abuse Regulation on 3 July.

Moreover, in the year ended 30 September 2016, the Board of Directors approved two amendments to the Board of Directors Regulations. The first one was on 13 April 2016, where the Board unanimously approved to amend article 14.6 of those Regulations, with the
sole purpose of adapting the nature of the vote of the Audit and Control Committee Chairman in the event of a tie to the text of the Bylaws; and the second one was on 7 June 2016, where the Board unanimously approved to amend article 25.2 of those Regulations, with the sole purpose of dealing with the qualification made of it by the Madrid Companies Registrar in relation to the body which, in accordance with the Spanish Companies Act, is competent to determine the director salary scales.

The Audit and Control Committee proposes to review in 2016 and 2017 the implementation of these regulations and analyze the new laws and regulations that are published with the aim of including, where applicable, the reforms that are appropriate or necessary.

This report on the activities performed by the Audit and Control Committee during the financial year ended on 30 September 2016, in accordance with article 14.10 of the Board of Directors Regulations, will be available to shareholders and investors on the Company's website (www.parquesreunidos.com) from the moment that the Ordinary Shareholders' Meeting is convened.

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ANNEX I

AUDITOR INDEPENDENCE LETTER

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