

## **2017 ANNUAL REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF AMADEUS IT GROUP, S.A.**

In accordance with the provisions of the Regulations of the Board of Directors of Amadeus IT Group, S.A. and, more specifically, article 35 thereof, the Audit Committee of the Board of Directors must prepare an annual report on its operation, highlighting the principal material issues of concern, if any. In addition, if it deems appropriate, it will include in said report proposals to improve the Company's rules of governance. The current report complies with recommendation 6 of the Good Governance Code of listed companies for the purpose of the Board being able to periodically evaluate the functioning of the Audit Committee. This annual report follows, in general terms, the Technical Guide 3/2017 on Audit Committees at Public Interest Entities and allows shareholders and other stakeholders to understand the activities performed by the Audit Committee during fiscal year 2017.

### **1) Rules and regulations of the Audit Committee**

The Audit Committee of the Company's Board of Directors was created on May 6, 2010 by resolution of the Board of Directors at a meeting held on such date.

The duties attributed to said Committee and rules of operation are contained in Article 42 of the Corporate Bylaws and developed in Article 35 of the Regulations of the Board of Directors. The Bylaws and the Regulations of the Board of Directors were adapted to the new wording of the Spanish Capital Companies Act (as amended by Law 31/2014, December 3) by resolution of the General Shareholders' Meeting and the Board of Directors, respectively, held on June 25, 2015.

Please, refer to those documents as published in the corporate web page of the Company for further detail.

Notwithstanding the above, following the recommendations from the Technical Guide 3/2017 on Audit Committees at Public Interest Entities, the Audit Committee is developing its own Regulations, which will be submitted to the approval of the Board of Directors. The Regulations will be published on the Company's corporate web page so that it is available to shareholders, investors, regulators and other stakeholders, as soon as approved.

Article 42 of the Bylaws and Article 35 of the Regulations of the Board of Directors are under review in order to adapt them, if required, to Article 529.14) of the Spanish Capital Companies Act, as per the new wording of Act 22/2015, of July 20, on Accounts Audit.

### **2) Composition of the Audit Committee**

In accordance with the Company's Bylaws and the Regulations of the Board of Directors, the Audit Committee is composed of a minimum of three and maximum of five members, all of whom must be external Directors and at least two of them\* independent Directors. It shall appoint from within a Chairman who must necessarily be an independent Director.

*\*Article 529 quaterdecies of the Spanish Capital Companies Act, as per the new wording of Act 22/2015, of July 20, on Accounts Audit, requires, at least, a majority of independent Directors, requirement already complied by the Company, in any case.*

The members of the Audit Committee, and especially its Chairman, shall be designated taking into account their knowledge and experience in accounting, audit or risk management matters, and taken as a whole, bearing in mind their appropriate and technical knowledge in relation to the business sector in which the Company develops its activity.

The composition of the Committee as of December 31, 2017 is as follows:

<b>Director</b>	<b>Nature</b>	<b>Position</b>
Mr. David Webster *	Independent External	Chairman
Mr. Guillermo de la Dehesa	Independent External	Member
Dame Clara Furse	Independent External	Member
Mr. Pierre-Henri Gourgeon**	Independent External	Member
Mr. Marc Verspyck	Other External	Member

*\* Mr. David Webster was appointed Chairman on August 1, 2016, for two years term.*

*\*\* Mr. Pierre-Henri Gourgeon will be reclassified to "Other external" at the first Board of Directors to take place in February 27, 2018, as a continuous period of more than twelve years acting as Director of the Company has elapsed.*

The date of initial appointment and respective expirations of each one of the members of the Audit Committee is as follows:

	<b>Appointment</b>	<b>Expiration *</b>
Mr. David Webster	May 6, 2010	July 1, 2018
Mr. Guillermo de la Dehesa	May 6, 2010	July 1, 2018
Dame Clara Furse	May 6, 2010	July 1, 2018
Mr. Pierre-Henri Gourgeon	October 16, 2014	July 1, 2018
Mr. Marc Verspyck	July 1, 2014	July 1, 2018

*\* All Committee members were renewed in their seat for a two years term by resolution of the Board of Directors, in the meeting held on June 24, 2016.*

Mr. Tomás López Fernebrand and Mr. Jacinto Esclapés Díaz, Secretary and Vice-Secretary of the Board of Directors respectively, attend the meetings, with Mr. López Fernebrand acting as Secretary of the Committee.

The Chairman shall have a maximum term of two years, and may be re-elected once a year has lapsed.

The professional profile of each of the members can be found in the corporate web page of the Company.

Please refer to the following reports, all published in the company's corporate web page, with respect to the significant capabilities in terms of expertise and experience contributed by each member, as well as the selection criteria used to determine the composition of the Audit Committee:

- Justification Report from the Board of Directors on the appointment and renewal of Directors, of April 27, 2017.
- Report from the Nominations and Remuneration Committee of April 20, 2017, on Board of Director's needs.

- Report from the Nominations and Remuneration Committee on the renewal of the Directors other than independent Directors, of April 20, 2017.
- Proposal from the Nominations and Remuneration Committee on the appointment and renewal of the Independent Directors, of April 20, 2017

### 3) Operation

The Audit Committee meets at least once every quarter, as called by its Chairman.

For this purpose, the Board Secretariat prepares an agenda for approval by the Committee Chairman. Relevant documentation for each one of the agenda items is sent to all participants with the necessary advance time prior to the day of the session.

During fiscal year 2017, the Committee held the following meetings:

- 22 February 2017
- 4 May 2017
- 27 July 2017
- 2 November 2017

Apart from the Committee members and the Secretariat of the Board, upon the prior invitation from the Chairman, the Executive Director (CEO) Mr. Luis Maroto and the following members of the Amadeus management team attended the meetings in those areas and Agenda items for which the Chairman considers their presence appropriate:

- Mrs. Ana de Pro, CFO
- Mr. Manuel de Alzúa, Director of Internal Audit Department
- Mr. Eugene Hamilton, Chief Risk & Compliance Officer

The external auditors, Deloitte, represented by the partners in charge of the Company's audit, also attend the meetings, to present the audit of the half-year and annual accounts.

Minutes are drawn up by the Secretary of the Committee of the conclusions reached at each meeting and included as an Agenda item of the next Board of Directors session, at which the Committee Chairman reports to the full Board on the most relevant points addressed and recommendations, as the case may be.

Irrespective of regular communications between the Chairman of the Audit Committee and the internal and external auditor that may take place during the fiscal year, no ad-hoc meetings have been held with any of them, outside of the meetings previously mentioned.

## 4) Items discussed by the Audit Committee during fiscal year 2017

Three recurrent sections form part of the agenda throughout the year, irrespective of others which, depending on the matter at hand, are also included for discussion, analysis and recommendation, as the case may be.

The three recurrent sections are External Audit (for the annual and half-year financial statements), Internal Audit and Risk Management. Additionally, under the heading “Other issues”, some other punctual and non-recurrent matters of interest for the Audit Committee are pooled together. In these areas, the principal items discussed throughout fiscal year 2017 are detailed as follows:

### a) External Audit

In this section, the Company’s auditors report to the Audit Committee on the most relevant aspects of the audit work in progress and semi-annual periodic reporting, as well as on significant accounting aspects, including the application of accounting standards, describing, if any, the existence of discrepancies between Company Management and the auditors with respect to any specific item.

Thus, the following matters, *inter alia*, were addressed throughout fiscal year 2017:

- Audit of 2016 financial statements.
  - Main areas of discussion:
    - Summary of audit risks (revenue recognition, capitalization of intangible assets, valuation of derivatives, provisions and accruals, financial liabilities and covenants, purchase price allocation of new acquisitions, cash management, employee schemes, non-recurring transactions, among others).
    - Accounting practices (accounting policies, changes in accounting policies or adoption of new accounting standards, accounting estimates).
    - Other areas:
      - Transactions with related parties.
      - Disagreements with Group management (none).
      - Difficulties in the performance of the audit (none).
      - Conflict of interest of the Directors and persons related thereto (none).
      - Subsequent events.
    - Scope of audit services (no limitation on the scope).
    - Auditors’ Report consolidated and stand-alone financial statements (unqualified opinion).
    - Independence of auditor (independence confirmed) and professional fees.
    - Main aspects on the Management representation letter.
    - New audit report for reporting periods beginning after June 17, 2016 (structure).

None of the areas under analysis has required the intervention of the Audit Committee.

- Significant audit areas 2016:
  - Goodwill and fixed assets impairment analysis performed by the Company (impairment test).
  - Navitaire acquisition (limited review on the Group Reporting Package and specific procedures to validate and review the Purchase Price Allocation - PPA-).
  - Interest Rate Swap (IRS) and Foreign Exchange (FX) derivatives.
  - Capitalization of intangible assets.
  - Provisions.
  - Analysis of the accounting treatment of different transactions (cancellations provision, Advance Pricing Agreement APA, Mutual Agreement Procedure MAP, medium term bonds issued by the subsidiary Amadeus Capital Markets, SAU and merger Amadeus IT Holding, S.A. and Amadeus IT Group, S.A., among other issues).
  - Impact of tax and accounting regulations changes 2016.
  - Review and evaluation internal control systems (business cycles, IT controls, and report relating to Internal Controls over the Financial Reporting – ICFR-).
  - International coordination of Audit Teams
- Limited review of the consolidated financial statements first half of 2017 (IAS 34).
  - Scope of services and coverage.
  - Areas first half 2017:
    - Capitalization of intangible assets.
    - Dividend payment (interim and complementary dividend).
    - Derivatives (variable forwards).
    - Cash management.
    - Commercial paper issuance by Amadeus Finance BV.
    - Bonds issuance by Amadeus Capital Markets SAU (€500 million).
  - Follow-up of issues from previous years:
    - Spanish tax audit (resolution from TEAC, Spanish non-resident Income Tax 2007).
    - Tax litigation in India.
    - Consolidation of Navitaire's activities
  - Other issues:
    - Independence of auditor (independence confirmed).
    - Disagreements with Group management (no discrepancies).
    - Difficulties in the performance of the limited review (no difficulties).
    - Impact of new accounting standards IFRS 15, IFRS 9 and IFRS 16.
    - Subsequent events.

None of the areas under analysis has required the intervention of the Audit Committee.

As a conclusion, no discrepancies between Company Management and external Auditors, no relevant adjustments to the financial statements and issuance of unqualified opinion on the consolidated financial statements prepared in accordance with IFRS.

## **b) Internal Audit**

Under this section, the Group Internal Auditor reports to the Audit Committee on:

- The internal audit plan, and progress against the plan.
- Results of internal audit activities.
- Management's response to risk.
- Internal audit resources and budget.
- The adequacy of the internal audit activity charter.
- The independence of internal audit activity.
- Compliance with the global Institute of Internal Auditors' professional Code of Ethics and Standards.
- Effectiveness of the Internal Controls over the Financial Reporting, or "ICFR" (in order to carry out its role of supervision of the Internal Controls over the Financial Reporting, the Audit Committee counts on the support of the Executive Committee of the Company, plus the External and Internal Auditors).

In 2017, the Group Internal Auditor submitted to the Audit Committee:

- The Internal Audit 2016 Activity Report, providing an overview of all the activities performed at Internal Audit along the year including, among others items, the highlights of audits performed (including ICFR testing, and updated resolution status of Issues raised during the year).
- The results from the ICFR 2016 testing (concluding that the controls and procedures established, reasonably assure that the information publicly disclosed is reliable).
- Periodic updates on the progress of the internal audit plan, and the staffing of the Internal Audit team. Regarding the former:
  - No issues raised within the scope of the internal audits performed required the direct intervention of the Audit Committee.
  - All the internal audit reports are at the disposal of the members of the Audit Committee, who may request them at any time.
- The biannual updates on mitigation of most relevant risks raised by internal audit;
- The proposed scope for the ICFR 2017 testing;
- The overview of the transformation accomplished under the Internal Audit Strategic Plan 2015-17;
- The proposed Internal Audit Strategic Plan 2018-20;
- The proposed Internal Audit Plan 2018 (including resources and budget);

- The yearly review and update of the internal audit activity charter, aligning with the latest recommendations from the global Institute of Internal Auditors.
- The yearly statement on functional and hierarchical dependence of the internal audit activity.

## **c) Risk Management**

The responsible executive of the Risk and Compliance Office attend the meetings of the Committee to update on this specific area.

The main areas of periodical review by the Committee during 2017 are as follows:

### **Risk & Compliance**

A periodical review of the compliance with regulatory and business requirements is analysed under this area, as well as a follow-up of major risk areas covered in the Amadeus risk map.

With respect to the compliance with regulatory and business requirements, special attention is given to the certification under the Payment Card Industry Data Security Standard -PCI-DSS- and Standards for Attestation Engagements –SSAE 16-. In addition to the above two certifications, the Amadeus Global Operations organization has been recertified for 2016 under the International Organization for Standardization -ISO27001 security standard.

The regulatory burden is increasing with a significant expansion in customer demand for proof of compliance and requirements to cover suppliers.

Key activities for 2017 focused on “Combined Assurance”, mainly in the steering and governance area, with the design and implementation of the transversal teams within the organization combining their efforts in this area, on a world-wide basis. The core combined assurance team is composed by members of the Security, Risk & Compliance and Privacy area, with the collaboration of the Finance, Legal and Human Resources departments, together with Group Internal Audit.

The top corporate risks (Technology and operational risks, Security systems risks and Strategic and business risks) are overseen and monitored by the Combined Assurance team.

## Security

The main initiatives to identify and mitigate external security threats to Amadeus people, systems and business were discussed under this heading. Particular focus areas include cyberattacks and hackings.

SHIELD Program (corporate security Program) is currently ongoing. It covers the top risks identified. The key objectives of the Program are to improve security in Amadeus in the following areas: i) products, ii) infrastructure, iii) data, iv) physical perimeter access, v) staff, vi) respond to security incidents and vii) compliance with internal security policies.

The governance of the cyber-security area relies on the joint action of the Combine Assurance team and the Chief Information Security Officer (CISO), supported by the Security Office Global Operations, the Security Office Global Application Development, the Security Office Business Services & Products and the Security Office Global Internal Systems.

## **d) Other items**

Grouped under this heading, reference should be made to the following matters addressed by the Audit Committee throughout fiscal year 2017:

- 2016 Annual Report of the Audit Committee.
- 2016 Annual Report on independence of external auditors.
- Approval of non-audit services 2017
- Annual Fiscal Policy Report 2016.
- 2017 quarterly financial reporting.
- Finance internal control (manual and policy)
- Introduction to New Technical Guide on Audit Committees at Public Interest Entities. Comparative analysis.
- External audit fees 2017.
- Creation of a specific accounting unit to monitor IFRS 15 (revenue recognition)
- Update on implementation of IFRS 9 (financial instruments) and IFRS 16 (leases).
- Extended functions of the Audit Committee to Amadeus Capital Markets, SAU, as Public Interest Entity.

## **5) Related transactions**

The Company has procedures in place to verify that all related party transactions are carried out at arm's length, although different interpretations may be made in the various jurisdictions where the group of companies operates.



There are no reference shareholders that maintain business or other relations with the Company.

The only related party transactions carried out with the Company's directors are those related to their compensation. These transactions are assessed by the Nominations and Remuneration Committee and submitted to the General Shareholders' Meeting for approval. The compensation policy was approved for a period of three years at the General Meeting held on June 25, 2015.

All transactions between group companies are removed from the consolidation process and consequently have no impact on the consolidated financial statements and are not discussed by the Audit Committee. Nevertheless, these transactions have been fully documented using an agreed methodology. On an annual basis, the Company's management submits a report on the Group's tax policy to the Board of Directors. This report addresses related party transactions, which are also described in the Annual Corporate Governance Report.

The Company's management reports to the Committee regarding the methodology used to determine the transfer pricing applied between Group companies and also updates the Committee on the development of Advance Pricing Agreements (APAs) and on mutual agreement procedures followed under the framework of double taxation treaties.

## **6) Independence of the external auditor**

Please, refer to the specific annual report prepared by this Committee concerning the independence of the external auditor, of February 26, 2018, published in the Company's corporate web page.

## **7) Assessment of the functioning and performance of the Audit Committee.**

Within the course of the last few years and in accordance with Article 529,9 of the Spanish Capital Companies Act, the Board of Directors carried out the annual performance assessment related to its functioning and its Committees, taking as a reference the corresponding annual reports from the Nominations and Remuneration Committee and from the Audit Committee, as well as the annual questionnaire from the Board of Directors that, amongst other things, incorporates the evaluation performed by each of the Directors (internal self-evaluation).

The Board of Directors agreed to hire an external consultant (PriceWaterhouseCoopers) for the year 2017 to help it in the annual performance assessment, complying with recommendation 36 of the Good Governance Code of Listed Companies, which recommends performing this task with a third party every three years.

The self-assessment report will be discussed in the Board of Directors' Meeting to take place on February 27, 2018, and based on its findings, the Board will propose the necessary measures to correct any weakness identified.

Please, refer to the Annual Report of the Board of Directors for the fiscal year ending December 31, 2017, which will be published in the Company's corporate web page.

**8) Incidents and proposals for improving the Company's rules of governance**

As already mentioned in this report, the Internal Regulations of the Audit Committee are in development phase. The report will be submitted to the Board of Directors for approval and it will regulate, among other things, its composition, the requirements for the appointment of its members, the rules of procedure, the rules of communications with the external auditor and the internal auditor, and all of this, with the purpose of supporting the independence of the Audit Committee in the performance of its role.

In addition, Article 42 of the Bylaws and Article 35 of the Regulations of the Board of Directors are under review in order to adapt them, if required, to Article 529,14) of the Spanish Capital Companies Act, as per the new wording of Act 22/2015, of July 20, on Accounts Audit.

Madrid, February 26, 2018

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