



2017 First Half Results Announcement 25 July 2017

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading and most innovative companies in Testing, Inspection and Certification, today announces the results for the first half year ended 30 June 2017 ("the period").

Highlights

- Q2 organic¹ revenue flat, after 9 quarters of decline
- Energy & Industry margin up 30 bps following successful integration
- Auto stable revenue with new consolidated Uruguay contract with attractive terms and new contract in Ecuador
- IDIADA and Labs delivered strong revenue growth
- H1 2017 Results:
 - Revenue of €789.3 million down organic¹ 0.6% (reported up 0.7%)
 - Operating² profit of €71.0 million flat organic¹ (reported up 0.6%)
 - Operating² profit margin of 9.0% flat to previous year
 - Operating² cash flow of €43.0 million down €3.7 million
 - Net Profit €16.3 million down 7.2%
 - Earnings per share² €0.31 down 2.9%
 - Net debt to EBITDA ratio stable at 3.2x

1. Organic is at constant exchange rates

2. Adjusted operating profit, margin, cash flow and earnings per share are adjusted for Other results (see page 3)

Fernando Basabe, Chief Executive Officer of Applus+, said:

"I am pleased to report that after 9 quarters of Oil & Gas end markets driven decline, we were able to deliver flat revenues on the same period last year. The Group adjusted operating profit margin for the period also stabilised as we saw the benefits coming through on cost savings following the integration of the Energy & Industry division.

Strongest revenue growth in the period came from the IDIADA and Laboratories divisions where we are capturing the growth in the favourable end markets. The Auto division had stable revenue overall and I am pleased to announce further expansion of the business in Latin America. The Energy & Industry division had another quarter of the improving trend in the rate of organic revenue decline.

Cash generation was good with net debt €69 million lower than at the end of H1 2016 helping to keep the Net Debt/EBITDA leverage ratio stable.

Our guidance for the year remains unchanged. We expect Group organic revenue at constant exchange rates and adjusted operating profit margin to be approximately flat.



In the medium term, as the headwinds impacting the Energy & Industry division ease, we are confident that we are well positioned to benefit from the structural growth drivers across our end markets.”

Webcast

There will be a webcast and conference call presentation on these results today at 10.00 am Central European Summer Time. To access the webcast, use the link: <https://edge.media-server.com/m6/p/zhzskchp> or via the company website at www.applus.com under Investors/Financial Reports. To listen by telephone dial one of the numbers below quoting the access code **5197573**.

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About Applus+ Group

Applus+ is one of the world's leading and most innovative companies in the Testing, Inspection and Certification sector. It provides solutions for customers in all types of industries to ensure that their assets and products meet quality, health & safety and environmental standards and regulations.

Headquartered in Barcelona, Applus+ operates in more than 70 countries and employs 19,000 people. Applus+ operates through four global divisions, all of which operate under the Applus+ brand name. For the full year of 2016, Applus+ recorded revenue of €1,587 million and adjusted operating profit of €141.1 million.

Applus+ is listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges. The total number of shares is 130,016,755.

ISIN: ES0105022000

Symbol: APPS-MC

For more information go to www.applus.com/en

HALF YEAR REPORT 2017

The financial performance of the Group is presented in an “adjusted” format alongside the statutory (“reported”) results. The adjustments are made in order that the underlying financial performance of the business can be viewed and compared to prior periods by removing the financial effects of other results.

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve month period and is stated at constant exchange rates, taking the current year average rates used for the income statements and applying them to the results in the prior period.

In the table below the adjusted results are presented alongside the statutory results showing the effect of those adjustments.

EUR Million	H1 2017			H1 2016			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	789.3		789.3	783.7	-	783.7	0.7%
Ebitda	93.9	(3.7)	90.2	95.0	(5.5)	89.5	(1.2)%
Operating Profit	71.0	(29.4)	41.6	70.6	(29.3)	41.2	0.6%
Net financial expenses	(12.3)		(12.3)	(11.4)	0.0	(11.4)	
Share of profit of associates	0.5		0.5	0.9	0.0	0.9	
Profit Before Taxes	59.2	(29.4)	29.8	60.1	(29.3)	30.7	(1.5)%
Income tax	(14.2)	5.5	(8.7)	(14.3)	5.5	(8.8)	
Non controlling interests	(4.8)		(4.8)	(4.4)	0.0	(4.4)	
Net Profit	40.2	(23.9)	16.3	41.4	(23.8)	17.6	(2.9)%
Number of Shares	130,016,755		130,016,755	130,016,755		130,016,755	
EPS, in Euros	0.31		0.13	0.32		0.14	(2.9)%
Income Tax/PBT	(24.0)%		(29.2)%	(23.8)%		(28.6)%	

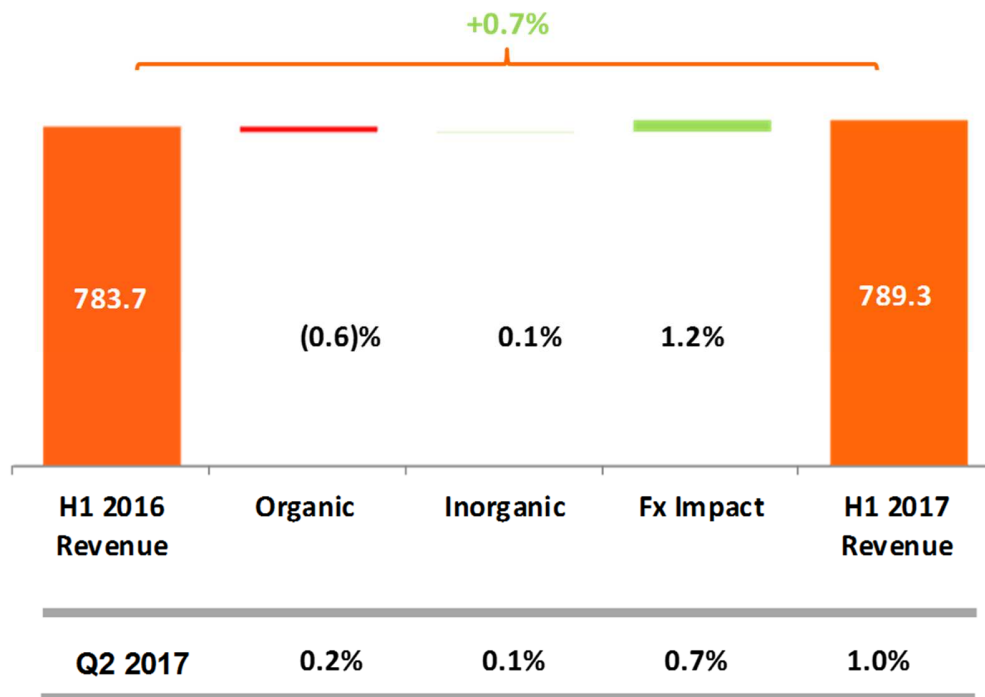
The figures shown in the table above are rounded to the nearest €0.1 million.

Other results of €29.4 million (H1 2016: €29.3m) in the Operating Profit represent €3.7 million (H1 2016: €5.5m) for the charge of the historical management incentive plan as disclosed at the IPO affecting EBITDA, amortisation of acquisition intangibles of €23.8 million (H1 2016: €23.8m), Severances of €1.5 million (H1 2016 €nil) plus €0.4 million of other items (H1 2016 €nil). Tax of €5.5 million (H1 2016 €5.5m) relates to the tax impact on Other results.

Overview of performance

Revenue for the first half of 2017 was €789.3 million which was 0.7% higher than the first half of 2016.

The revenue bridge in € million for the half year is shown below.

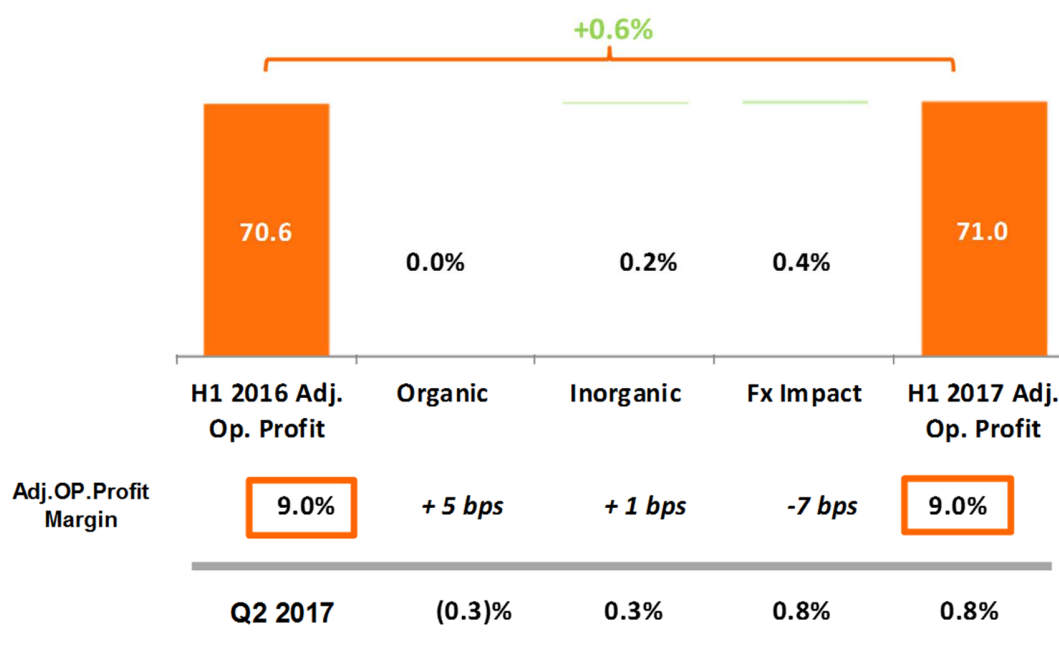


The total revenue increase of 0.7% for the period was made up of a reduction in organic revenue of 0.6% plus the benefit of a small acquisition made in the first half in the Laboratories division and favourable foreign exchange rates.

The organic revenue in the second quarter grew by 0.2% following declines in the previous 9 quarters.

Adjusted operating profit for the first half of 2017 was €71.0 million which was 0.6% higher than the first half of 2016.

The adjusted operating profit bridge in € million for the half year is shown below.



The adjusted operating profit increase of 0.6% for the period was made up of flat organic adjusted operating profit plus the benefit of a small acquisition made in the first half and favourable foreign exchange rates.

The resulting adjusted operating profit margin was 9.0% at the same level as at 30 June 2016.

The statutory operating profit was 0.9% higher at €41.6 million in the half year.

The net financial expense increased in the period from €11.4 million in the first half of 2016 to €12.3 million this half mainly as a result of a negative currency impact and higher interest rates on the portion of debt that is denominated in US dollars. For the second half of 2017, the net financial expenses are expected to be lower than the level in the first half of 2017 due to the lower amount of debt in US dollars, although it will depend on the final foreign exchange impact.

The tax charge for the half year was in-line with the prior year period. The effective tax charge on the adjusted profit before tax was €14.2 million (H1 2016: €14.3m) giving a rate of 24.0% (H1 2016: 23.8%). The rate on the adjusted operating profit was 20.0% (H1 2016: 20.2%). The reported tax charge was €8.7 million (H1 2016: €8.8m) and this rate on the reported profit before tax was 29.2% (H1 2016: 28.6%).



The adjusted earnings per share was €0.31 which is a decrease of 2.9% on the prior year. This was mainly due to slightly higher financial expense, Minorities and lower income from Associates.

Net capital expenditure for the period relating to expansion of existing and into new facilities was €12.8 million (H1 2016: €25.0m). In the first half of 2017, this capital expenditure included the cost of acquiring new Automotive stations of €1.7 million (H1 2016: €4.9 million) less the proceeds from the disposals of old Automotive stations of €7.8 million (H1 2016: €nil). Excluding the net cost and proceeds of Automotive stations, the operational capital expenditure was €18.9 million (H1 2016 €20.1 million) and this represented 2.4% (H1 2016: 2.6%) of Group revenue.

Cash flow was lower than this period last year, with adjusted operating cash flow (after capital expenditure) of €43.0 million being €3.7 million lower than the same period last year and adjusted free cash flow of €24.2 million being €4.5 million lower than the same period last year. The cash flow performance was good in the context of the increase in working capital following the change in revenue trend and considering the exceptionally low working capital level at the end of last year.

Net Debt, as defined by the bank covenants, reduced by €69.4 million due to strong cash flow over the last 12 months since 30 June 2016 and this has helped to maintain a stable financial leverage ratio of Net Debt to last twelve months Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) of 3.2x. This is lower than the ratio at this time last year and at the same level as at 31 December 2016. The covenant is tested twice a year and was set at 4.5x. From December 2017 the covenant level is at 4.0x which the Group expects to be able to comfortably meet.

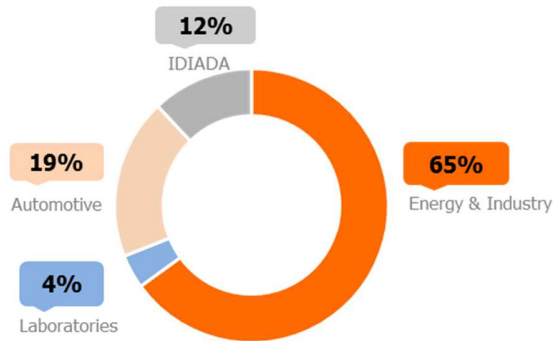
Outlook

The guidance for the year remains unchanged. For the full year it is expected that the Group organic revenue growth at constant exchange rates and adjusted operating profit margin will be approximately flat.

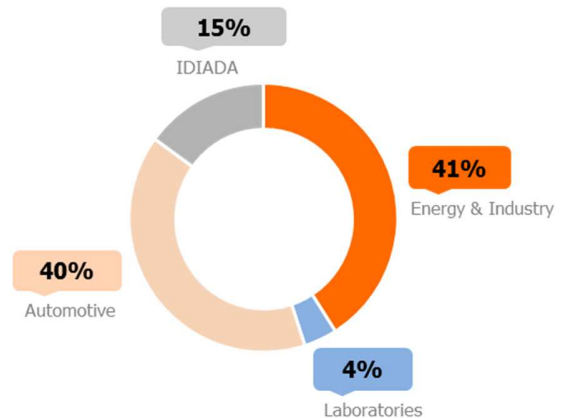
In the medium term, as the headwinds impacting the Energy & Industry division ease, Applus+ is confident that it is well positioned to benefit from the structural growth drivers across its end markets.

Operating review by division

H1 2017 revenue split



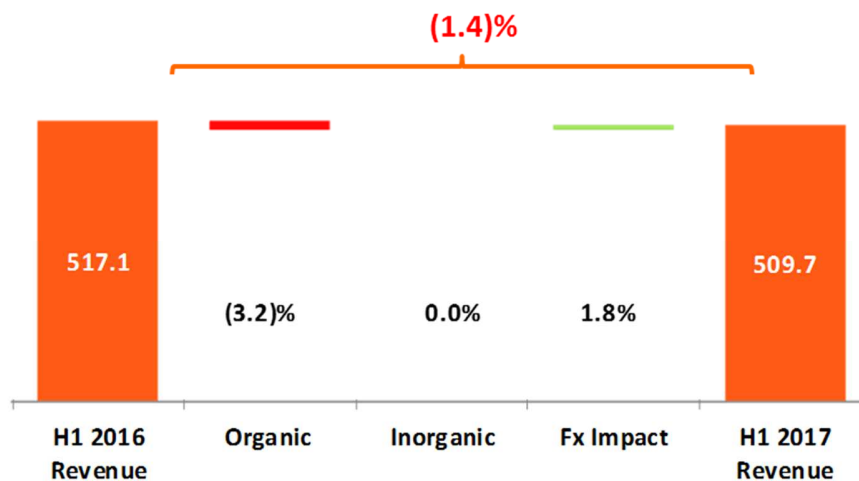
H1 2017 adjusted operating profit split



Energy & Industry Division

The Energy & Industry Division is a leading global provider of non-destructive testing, inspection, quality assurance and quality control, project management, vendor surveillance, site inspection, certification and asset integrity services as well as technical staffing services to the oil and gas, aerospace, power, utilities, telecommunications, minerals and civil infrastructure sectors.

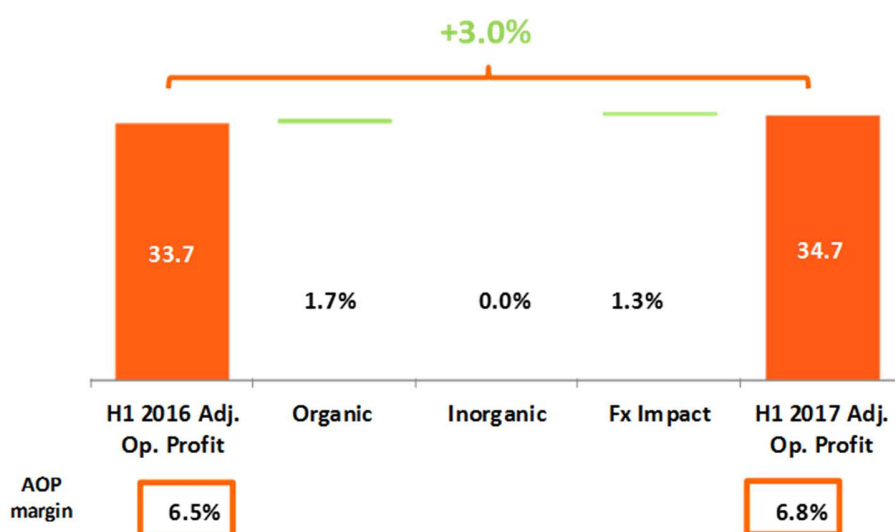
Revenue growth bridge in € million:



The revenue in the division declined by 1.4% to €509.7 million. At constant exchange rates, organic revenue declined by 3.2% for the period of which 4.2% was in Q1 and 2.2% was in Q2.

There was a positive foreign currency translation benefit of 1.8% on revenue mainly due to the US dollar and some other currencies strengthening against the euro.

Adjusted operating profit growth bridge in € million:



The adjusted operating profit increased by 3.0% from €33.7 million to €34.7 million in the period. The resulting adjusted operating profit margin increased by 30 basis points from 6.5% to 6.8%.

The margin increase was mainly as a result of the successfully completed integration of the three former divisions that make up Energy & Industry and the resulting synergies and cost control in an environment of significant price pressure. Furthermore, the integration has opened up opportunities to sell specialised services into new regions and package service offerings to clients in a more effective manner.

Revenue from services to the oil and gas industry, which for the period accounted for below 60% of the revenue of the division, continued to be down, but less than in the first quarter. The improvement in the decline rate compared to previous periods was driven by a higher volume of work in North America although the overall market for oil and gas services remains challenging with continued price pressure and as yet, no recovery in capital spending by our oil and gas company customers.



Other end markets including power, construction, aerospace and telecom, performed well and grew at a mid-single digit rate.

North America which accounted for 26% of the division by revenue in the period and is mainly exposed to the oil and gas sector, had stable revenue compared to the prior year, which was the first time in two years following periods of strong revenue decrease. The non-destructive testing business for aerospace in North America performed well.

Latin America, which accounted for 9% of the division by revenue had lower revenue in the period due to the end of new construction pipeline projects in Mexico in the second half of 2016 and generally weaker market conditions in the region, especially in Chile, with fewer infrastructure capital projects in the country and an increasingly competitive market.

In Northern Europe which accounted for 19% of the division by revenue, and where a high proportion of the revenue comes from recurring operational expenditure exposed work to the downstream industries, continued to have stable revenue compared to the prior year. The North Sea region which has come under severe volume and price pressure continues to negatively impact the region, but this was offset by higher volume of international new construction projects that are managed out of the Netherlands.

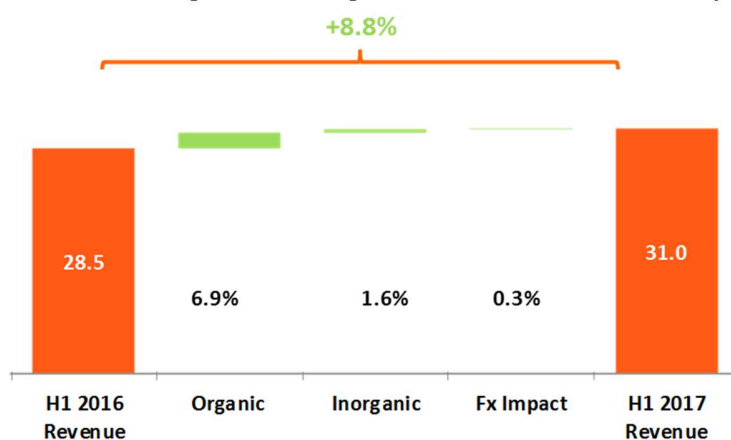
In Southern Europe, Africa, Middle East, Asia & Pacific which is the largest of the four regions by revenue accounting for approximately 46% of the division had stable revenue on the prior year with Spain and the Middle East performing well and offsetting the decline in Africa and Asia & Pacific. The combined contract signed with Shell in the first quarter of the year is expected to start in September and this will support the second half revenue.

Laboratories Division

The Laboratories Division provides testing, certification, product development and engineering services to clients in a wide range of industries including aerospace, electrical and electronics and IT products.

Revenue for the first half of 2017 was €31.0 million which was 8.8% higher than the first half of 2016.

The revenue growth bridge in € million for the half year is shown below.

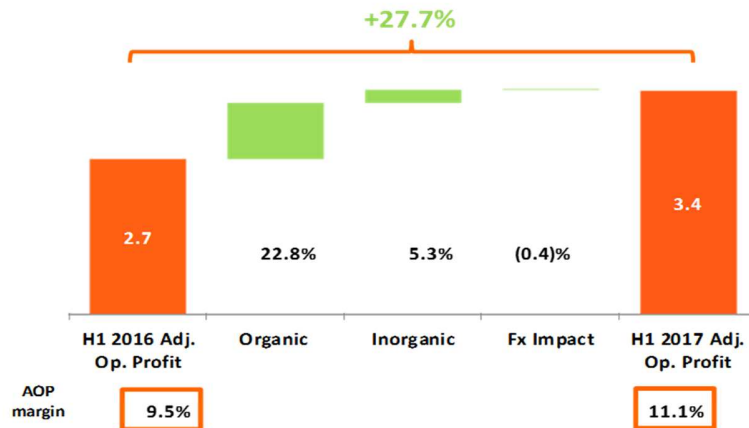


At constant exchange rates, the division had organic revenue growth of 6.9% for the period, revenue relating to acquisitions of 1.6% and a favourable impact of 0.3% from foreign currency translation. The organic revenue growth in the second quarter at 6.1% was a bit lower than the 7.8% growth in the first.

Inorganic revenue growth of 1.6% in the period came from the acquisition of an electrical and electronics laboratory in the north of Italy called Emilab that was closed at the start of the second quarter. The performance of the laboratory has so far been as planned.

The adjusted operating profit increased by 27.7% to €3.4 million in the half year resulting in an increase in margin of 160 bps to 11.1%.

Adjusted operating profit growth bridge in € million:



The division had strong performance across all the business lines. The most significant contributors to the growth was testing of construction materials for fire resistance amongst other things, testing of materials and parts for the aerospace industry and electrical and electro-magnetic compatibility testing for the automotive sector.

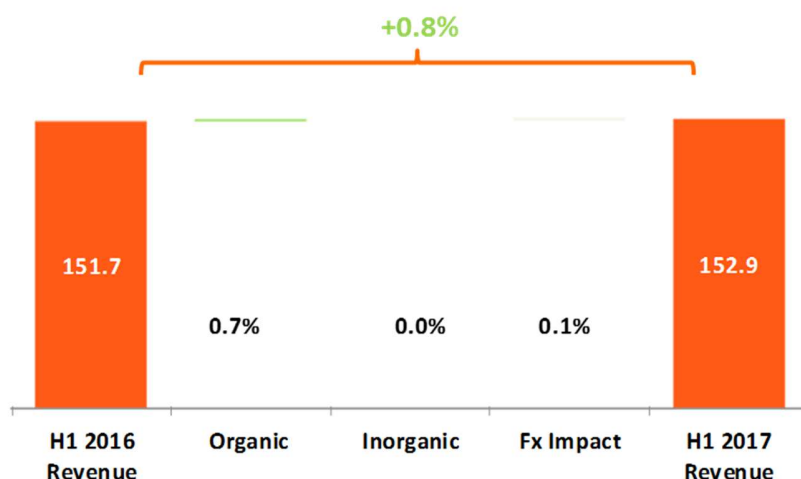
The strong margin improvement came from good operating leverage and the contribution of the higher margin acquisition.

Automotive Division

The Automotive Division is a leading provider of statutory vehicle inspection services globally. The division provides vehicle inspection and certification services across a number of jurisdictions where periodic vehicle inspections for compliance with technical safety and environmental specifications are mandatory. The Group carried out 11 million vehicle inspections in 2016 across Spain, Ireland, Denmark, Finland, the United States, Argentina, Chile and Andorra and programme managed a further 5 million inspections carried out by third parties.

Revenue for the first half of 2017 was €152.9 million which was 0.8% higher than the first half of 2016.

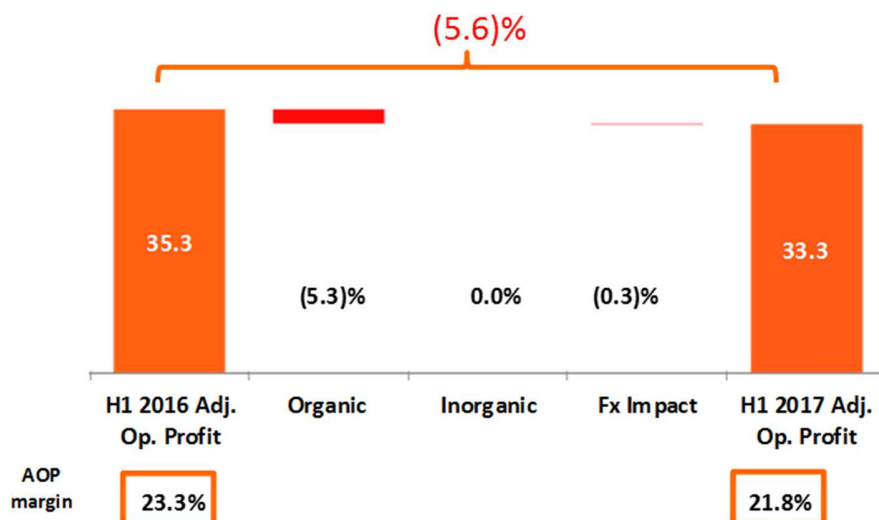
The revenue growth bridge in € million for the half year is shown below.



Organic revenue at constant exchange rates grew at 0.7% for the period, with a slightly favourable currency translation impact. The timing of Easter in 2017 versus 2016 had a small effect on the revenue seasonality compounding the slightly higher organic revenue growth in the first quarter of 1.8% and a small decline in organic revenue in the second quarter of 0.5%. For the period, the revenue from the largest contract in Ireland was down offsetting the growth elsewhere.

The adjusted operating profit decreased by 5.6% to €33.3 million in the half year resulting in a decrease in margin of 150 bps to 21.8%.

Adjusted operating profit growth bridge in € million:



The margin was impacted in the period due to lower margins in the new contract in Illinois and the renewed eight year contracts in Chile, which will take time to improve. Furthermore, the new contract award in Buenos Aires city that had a delayed start late last year is still ramping up and currently operating at a lower margin.

The exclusive concession in Ireland had lower revenue due to a rejuvenation of the car fleet resulting in fewer cars over 4 years old that require inspection. In Spain, all the regions performed well. In the Nordics, Denmark grew benefiting from a growing market but Finland had lower revenue continuing to suffer from the higher competition and lower prices. In Latin America there was good overall growth in revenue due to the new contract in Buenos Aires city compensating for lower revenue on the renewed contracts in Chile. The new contract in Buenos Aires city is still below full capacity and continues to ramp up.

In the US, the various programmes performed well, with a new contract for Taxis and Limousines in New York more than offsetting the lower revenue from the new Illinois contract.

The division is continuing to prepare for the commencement of the new contracts awarded last year in Massachusetts, Uruguay and Chile and in the meantime has been awarded a second region in Uruguay being for the remainder of the country not already awarded to Applus+. The Government has therefore consolidated the two regions into one and extended the period from 5 years to 8 years with a 4 year extension option, resulting in an increase in the total expected contract term revenue from €25 million to €60 million. The expected start date for this new contract in Uruguay is the second half of next year whilst Massachusetts is

expected to start at the end of this year and the smaller contract in Chile the beginning of next year.

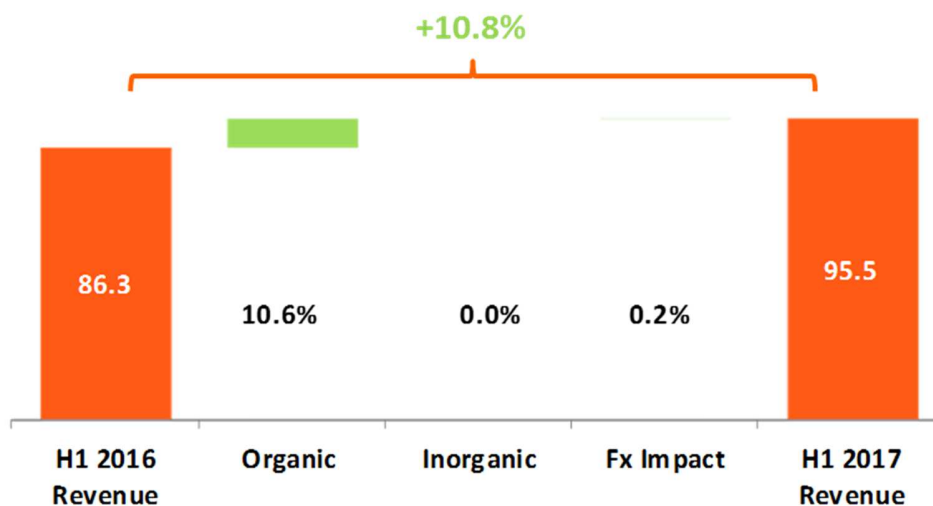
Furthermore, the division has been successful in winning a new contract in the city of Durán in Ecuador. This is a ten year contract which is expected to generate €11 million euros over the total time period.

IDIADA Division

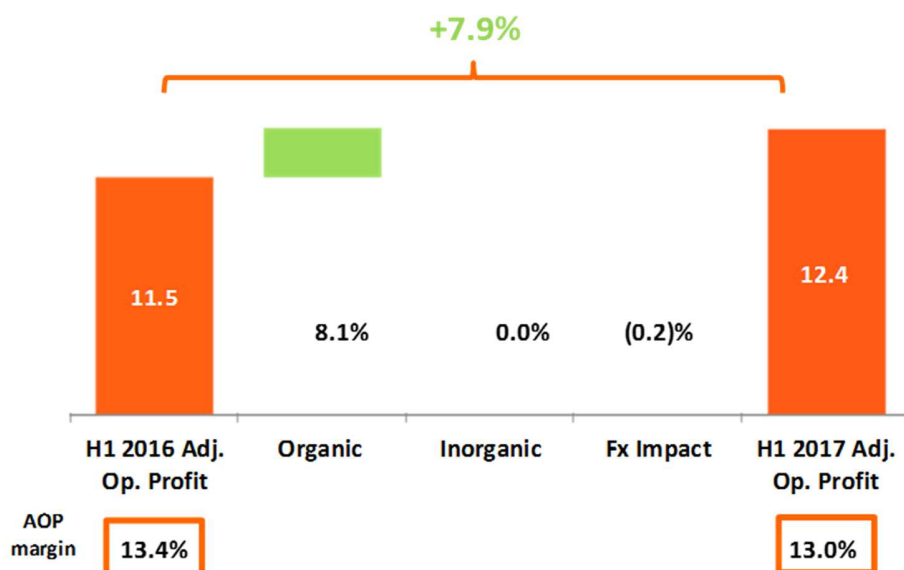
The IDIADA Division provides services to the world's leading vehicle manufacturers. These include safety and performance testing, engineering services and homologation (Type Approval). By deploying state-of-the-art engineering capabilities, its customer-focused teams work closely with vehicle manufacturers to offer a comprehensive design, engineering and homologation service in twenty-five countries. This includes one of the world's most comprehensive proving grounds and test tracks located near Barcelona, Spain.

Revenue for the first half of 2017 was €95.5 million which was 10.8% higher than the first half of 2016.

The revenue growth bridge in € million for the half year is shown below.



Adjusted operating profit growth bridge in € million:



IDIADA continues to have strong revenue and profit growth with exceptionally good organic revenue growth in the second quarter of 15.4% after 5.9% in the first quarter. The margin remained high at 13.0% delivering an increase in adjusted operating profit of 7.9% to €12.4 million for the half year.

All business lines and regions contributed to this growth including double digit organic revenue growth from Germany, Czech Republic, Brazil and India.

A new passive safety facility has been built in Catalonia adding needed capacity to capture the continued strong growth in this business. The division is also investing in the new areas of auto research and development such as Advanced Driver Assistance Systems (ADAS), autonomous and semi-autonomous vehicles and electric vehicles and has already signed agreements with partners and customers for testing in this area.

End of 2017 Half Year Results Announcement. This announcement is a translation of the Spanish version which is extracted from the Interim Condensed Consolidated Financial Statements at 30 June 2017 and as filed with the Spanish regulator, Comisión Nacional del Mercado de Valores (CNMV). In cases of discrepancy, the Spanish version filed with the CNMV will prevail.