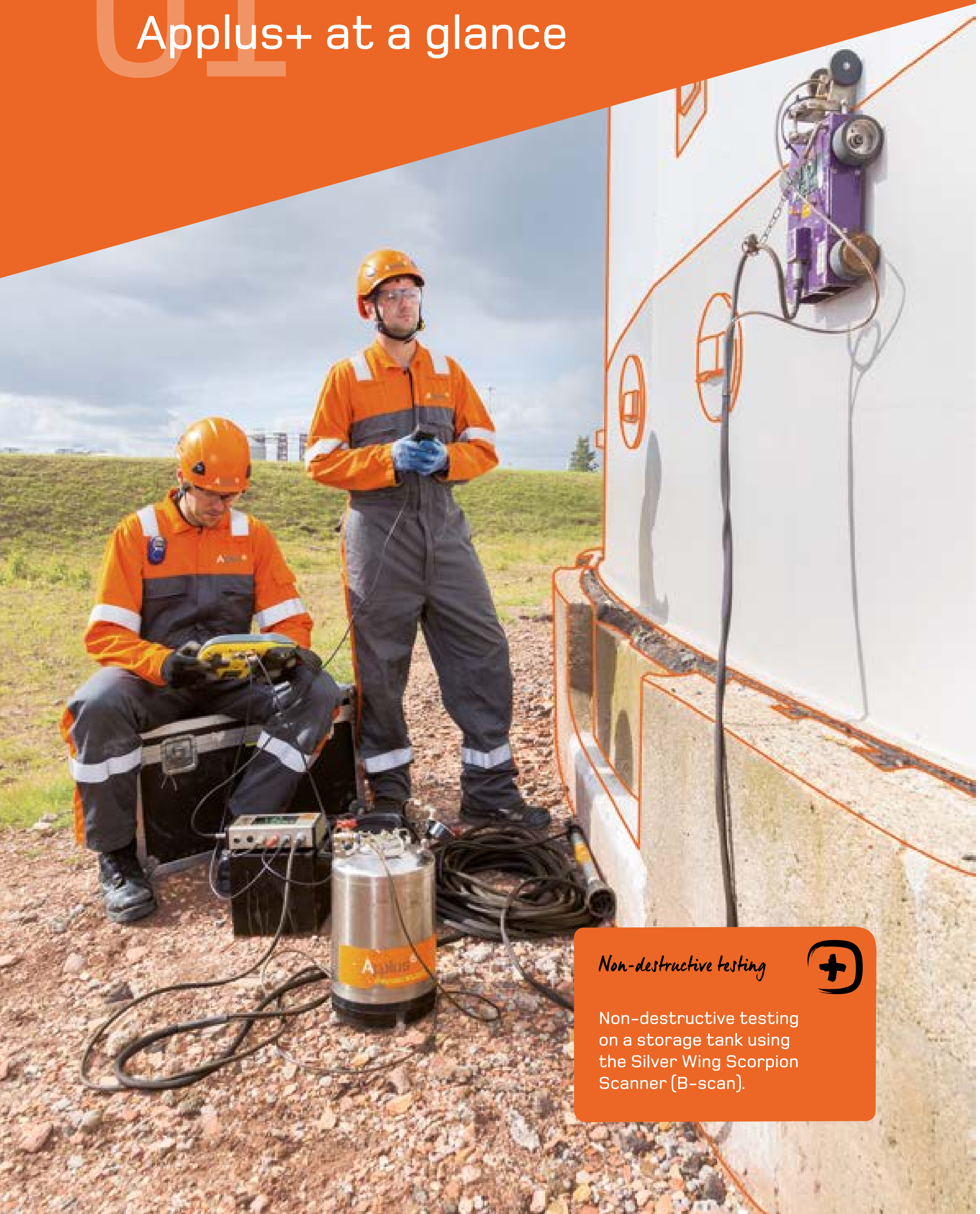
ANNUAL REPORT 2016

Applus

Index

01 Applus+ at a glance



Non-destructive testing

Non-destructive testing on a storage tank using the Silver Wing Scorpion Scanner (B-scan).

Introduction to Applus+

Applus+ is a world-leader in testing, inspection and certification (TIC). It provides these services to national and multi-national companies in a diverse range of product, service and industry sectors.

Globalised product markets, increased industrial-complexity and advances in processes mean a greater demand for accreditation standards, regulations and controls. As a leader in TIC, Applus+ has the **technological equipment, capabilities and accreditations to support companies around the world**. Applus+ is present in over 70 countries, working from 350 offices and laboratories with 19,000 people who are multi-disciplined technicians, industry specialists and engineers.

Our passion for **improvement** has led us to become a **partner in which clients trust**. We design services that aid companies to adapt to new technical challenges as they emerge, whilst ensuring our ability to take decisions objectively and impartially remains.

In this respect, **accreditation** plays a key role in our **culture**. Applus+ maintains the necessary accreditations and validations in multiple jurisdictions across the globe, which assures the quality, safety and integrity of both our services and our clients' assets.

Through growth and consolidation, Applus+ is now a reference for local and global capability, and we develop our resources and create **value through knowledge**.

The Volar-e prototype

The Volar-e prototype charging with a Magnum Cap at 150Kw and 800V.

We nurture partnerships with our worldwide clients, industry bodies, governmental agencies and manufacturing associations to help industries stay ahead of today's changes and advances. Clients benefit from our **wide-ranging technical insights and experience** as they design, test, scale-up and deliver their products or services to the market.

Beyond delivering high standards, innovation is the driving force setting us apart from our competitors. Our innovative approach to design proprietary technologies for clients to improve processes and maintenance procedures that reduce environmental, human and capital risks.

The **group's investment in strategic innovation** drives our business forward as we enter new markets and strengthen our presence across current and developing industry sectors.

02 2016 – Key figures

Materials testing laboratory

Metallic test sample machining for aerospace manufacturing quality control.

€1,586.5 million Total revenue

€141.1 million Adjusted operating profit

€178.7 million Adjusted operating cash flow

€83.7 million Adjusted net profit

€0.64 Adjusted earnings per share

03 Letter from the Chairman and the CEO

Christopher Cole
Chairman of the Board of Directors

Fernando Basabe
Chief Executive Officer (CEO)

The Applus+ Group provides a range of quality and safety services, mainly through testing, inspection and certification, to a variety of industries on a global basis.

> The services we provide are of vital importance to ensure the safety and integrity of assets and products and to increase their efficiency and enhance longevity.

This diversification provides us with some choice where to focus and allocate our resources, providing an element of protection to the business in times of industry market changes.

Laboratories, Automotive and IDIADA Divisions performed well in the year as well as the part of the Energy & Industry Division that was not exposed to the oil and gas market. In 2016, we continued to experience the severe market downturn that commenced in 2014, in our largest end-market of oil and gas challenging our own business model, management and employees. We worked hard to maintain market share, grow in other areas and protect margins. We are pleased to say that through rapid and effective action this was accomplished again in 2016, and we were able to continue to provide an efficient and valuable service to our clients in oil and gas whilst mitigating the negative impact this was having on our revenue, profits and cash flow. We are also proud to have held on to our leading market position in providing asset integrity services to the oil and gas industry by continuing to invest in customer relationships, technology and methodology to support it.

At the start of 2016, 48% of our revenue was exposed to the oil and gas industry, and, by the end of the year, this exposure was reduced to 42% due to the decline we experienced here whilst continuing to grow strongly in our other markets. We reported revenue of €1.59 billion in 2016, which was 6.8% lower than the prior year and 5.5% lower on an organic basis at constant exchange rates. The adjusted operating profit and adjusted net profit were €141 million (down 13.0%) and €84 million (down 14.5%) respectively. The final quarter of the year continued to show gradual improvement in the organic revenue trend with a decline of 4.1% being the lowest quarterly decline of the year. The operating and free cash flow remained strong in 2016, with a good final quarter cash flow, and this allowed us to reduce the debt and maintain the financial leverage at a comfortable rate.

Good organic revenue growth in the mid-single digits was delivered by the 37% of the revenue from the Energy & Industry Division that is not exposed to oil and gas. IDIADA and Laboratories Divisions performed very well with organic revenue growing at double-digits, and for IDIADA Division, the Government of Catalonia has extended the long-term contract until 2024. Automotive Division also performed well with organic revenue growth at low single-digits in line with its historical performance and three new long-term contracts were awarded in the United States, Uruguay and Chile in the year.

The first full year of operation within the combined Energy & Industry Division has been successful with substantial cost savings achieved and the back-office and organisational integration progressing well and new growth opportunities opening up.

> In light of the continued challenging oil and gas market, as well as continued good growth in the other business, we expect our group organic revenue at constant exchange rates and adjusted operating profit margin to be approximately flat in 2017.

Business strategy

In an industry where service excellence, technical expertise, innovation, business ethics and independence are key attributes, the pursuit of local and regional market dominance where our reputation for these qualities can be maintained is required to achieve long-term growth and good returns.

We have a decentralised organisational structure where local managers can make a difference and are empowered to make rapid decisions in line with the group´s objectives while being relevant to their local customers. We have identified growth markets where our penetration is low, or doesn't exist, and where we can sell our services.

Following the recent integration of the Energy & Industry Division, we can now leverage its global market spread to enable all of our services to be sold into new geographical regions. Oversight of this structure comes from a governance framework and control system.

The strategy can be summarised as follows:

- Lead the field in each of our segments.
- Use technology and innovate to be relevant and useful to our customers.
- Strive for operational excellence, enhancing our reputation for quality and integrity.
- Integrate sustainability into our everyday business and through our interactions with our customers.
- Expand geographically in growing markets through organic investments and by acquisition, making best use of the balance sheet.

Investment

In considering where to invest the resources of the group, the priority is towards higher-return investments be these short- or long-term paybacks. This tends to be internal capital spending to drive organic growth that is directly linked to client projects or strong prospects.

In the Energy & Industry Division, the development of proprietary non-destructive testing equipment that is required for specific pipeline projects is an example of this. In the Laboratories Division, we invest in structural testing equipment that is routinely used on new products and technologies coming to market. In the Automotive Division, the investment tends to be for the building of new vehicle-testing stations. In IDIADA Division, we usually have several large-scale investment opportunities to choose from to build large facilities to support the vehicle industry. In 2016, our asset allocation priority was to these investments, on which we spent in total €54 million. This was €3 million more than in the prior year and was equivalent to 3.4% of revenue.

We will continue to review small acquisition opportunities to complement our sector and geographical markets to reinforce our business model. These opportunities go through a thorough due diligence process to satisfy our financial criteria. In 2016, we only made one acquisition of a **commercial drone company in Australia** which, coupled with our expertise in asset integrity solutions for large structures, provides our customers with an alternative cost-effective solution. We will also remain alert to strategic acquisition opportunities where we would review the financing options available to us at the time.

Dividend

We consider the payment of an annual dividend to be an important return for our shareholders and it reflects the performance of the year passed and the confidence in our future prospects.

The guideline for the dividend we pay is 20% of our adjusted net earnings. Following the publication of the 2016 results, the Board recommended the payment of a dividend of 13 cents per share, which is the same level declared and paid last year and equivalent to 20.2% of our adjusted earnings per share of 64 cents. This equates to a cash payment before tax of €16.9 million. If approved by the shareholders of the company at the Group´s Annual General Meeting on 21 June 2017, the dividend will be paid on 13 July 2017 to those shareholders on the register on 12 July 2017.

Shareholder engagement

We understand, as the officers of a widely held shareholder-owned company, that it is important to have an active and open dialogue with our owners and especially those that are significantly invested and have the long-term interest of the company in mind.

This engagement takes place at the executive level through the internal investor relations function, investor road shows and conferences and at the non-executive level through the Annual General Meeting of shareholders and a regular proactive engagement programme. In January of this year, we had our second programme of inviting our largest shareholders to engage with the company at the non-executive level. This culminated in a series of face-to-face meetings and conference calls with the relevant corporate governance departments of our largest shareholders and proxy advisors in which a range of topics were discussed, including management remuneration and incentive structures, corporate social responsibility, Board selection and the new resolutions being considered for the forthcoming AGM.

Corporate social responsibility

We are pleased to be able to report that we have made good progress in this area in developing our thinking towards it and embracing the wider aspects of CSR. It is a journey and we have much more to do, but we are certain that every year we will accomplish more.

Alongside this Annual Report, **we have published our second Annual CSR report,** which sets out our position and achievements in 2016 as well as how our own services support those of our customers to improve environmental compliance and other aspects of CSR.

Our people

In a service industry, people are the hallmark of the company, and we are appreciative of our workforce of around 19,000, plus many sub-contractors and other temporary workers that are dedicated and loyal to the group.

In such a diverse organisation where most of these employees are local to the market they are based in, it is important to be able to support them so they can meet the high standards of behaviour expected. To do this, we have a good human resources network and training programmes and controls in place, and every year, including in 2016, we seek to make improvements to these to make them more widespread and effective.

We know that 2016 was another difficult year for many of our employees with the challenging market conditions in oil and gas. For these, and all other members of the Applus+ team across the group, we express our sincere thanks for their dedication and loyalty.

Group management

With the change in the organisation structure in 2016 to reduce the number of divisions from 5 to 4, there was a **change in the management structure** that took place at the end of 2016. Ramón Fernández Armas was appointed as **head of the newly formed Energy & Industry Division** which accounts for around two thirds of the group revenue and is **split into 8 regions, each with a regional leader**. These leaders, together with the heads of Laboratories, Automotive and IDIADA Divisions alongside 4 group functional managers and the Chief Executive Officer, comprise the group management team. Ramón Fernández Armas has been with Applus+ for 18 years, having previously managed the Norcontrol-Velosi Division, and we wish him well in his new role.

The Board of Directors

We have a strong and diverse Board of Directors who understand their role as being accountable to the shareholders of the group by providing the control mechanisms and leadership to the group management team.

We welcomed three new directors to the Board in 2016 to fill the vacancies left behind after the resignation of the Carlyle Group Board members, which preceded their final divestment in Applus+. Ms Maria Cristina Henriquez de Luna joined the Board in July. She is the President and Managing Director, Spain and Head of Iberia and Israel Cluster at GlaxoSmithKline. Mr Scott Cobb also joined in July. He is Managing Partner for Southeastern Concentrated Value, which is our largest shareholder. Mr Claudi Santiago joined in September. He is Managing Director and Chief Operating Officer of First Reserve Corporation, a private equity fund focused on making investments in the energy industry. With these appointments the Board is comprised of nine members, each bringing their own skills and experience to support the strategy, monitor performance and control of the group. Of the nine members, seven are independent, one is proprietary and one is the Chief Executive Officer.

In 2016, the Board and the respective Board Committees made significant progress to embrace and adopt the best standards in corporate governance. The Board Committees were reviewed in the year with the outcome that we abolished the Supervisory Committee as it became redundan following the change in the ownership of the group. The committees now comprise three: the Audit and Risk Committee, the Appointments and Remuneration Committee and the Corporate Social Responsibility Committee, all three chaired by an independent director. Further information on these committees and of the members of the Board is provided towards the end of this *Annual Report.*

Summary

The group has been through a challenging period with the downturn in the oil and gas market, and we have taken action to reduce the impact of this downturn on our business whilst continuing to ensure the other parts of the business continue to grow well and we progress in our strategic initiatives and governance structures.

As the global oil and gas industry emerges from this downturn and spending increases again, we are confident that the drivers that support testing, inspection and certification in this and all of our industry lines will result in good revenue, profit and cash flow positively impacting shareholder value.

We thank all of our stakeholders for continuing to support the company, especially our employees, customers, lenders and shareholders, and we hope to be able to enjoy these valuable relationships in the long term. You can rest assured that your Board and the group management team see the exciting opportunities ahead and will work hard to ensure these are captured for all of our benefit.

Christopher Cole
Chairman of the Board of Directors

Fernando Basabe
Chief Executive Officer (CEO)

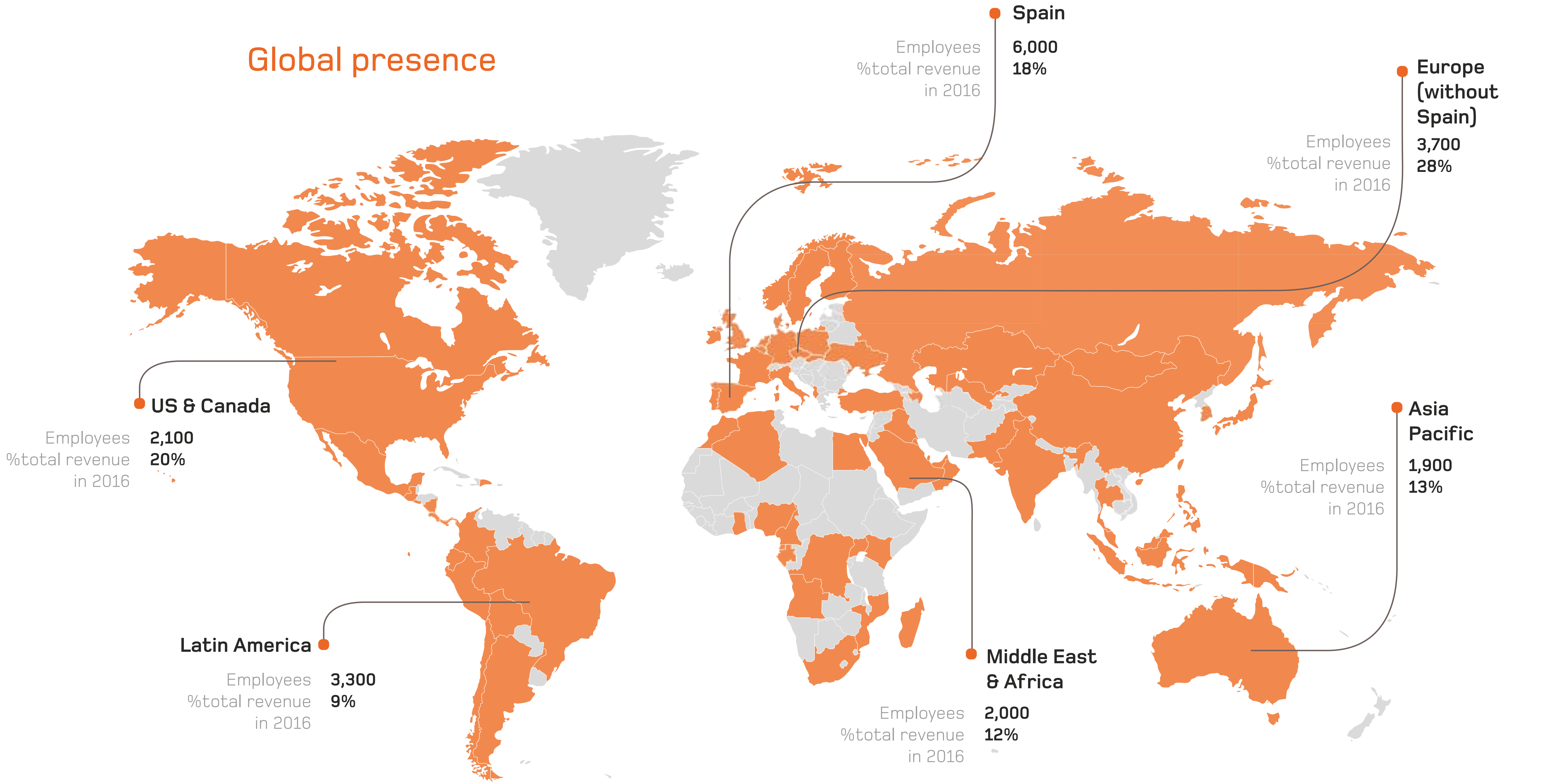
Together beyond standards

04 The Applus+ Group

Non-destructive testing

Non-destructive testing using the Time of Flight Diffraction (ToFD) technique.

Global presence

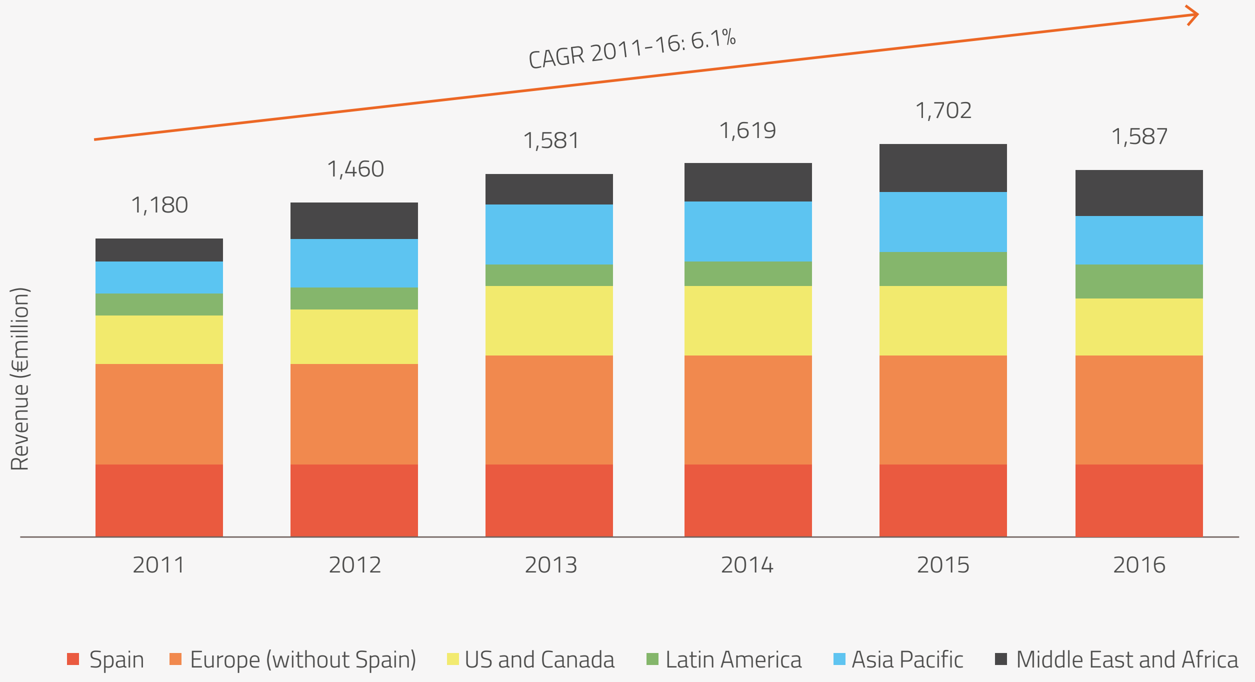


- ALBANIA
- ALGERIA
- ANDORRA
- ANGOLA
- ARGENTINA
- AUSTRALIA
- AZERBAIJAN
- BAHRAIN
- BELGIUM
- BOLIVIA
- BRAZIL
- BRUNEI
- CAMEROON
- CANADA
- CHILE
- CHINA
- COLOMBIA
- COSTA RICA
- CZECH REPUBLIC
- DEMOCRATIC REPUBLIC OF THE CONGO
- DENMARK
- DOMINICAN REPUBLIC
- ECUADOR
- EGYPT
- EL SALVADOR
- EQUATORIAL GUINEA
- FINLAND
- FRANCE
- GABON
- GERMANY
- GHANA
- GUATEMALA
- INDIA
- INDONESIA
- IRAQ
- IRELAND
- ITALY
- JAPAN
- KAZAKHSTAN
- KENYA
- KUWAIT
- MADAGASCAR
- MALAYSIA
- MEXICO
- MONGOLIA
- MOROCCO
- MOZAMBIQUE
- NETHERLANDS
- NICARAGUA
- NIGERIA
- NORWAY
- OMAN
- PAKISTAN
- PANAMA
- PAPUA NEW GUINEA
- PERU
- PHILIPPINES
- POLAND
- PORTUGAL
- QATAR
- RUSSIA
- SAUDI ARABIA
- SINGAPORE
- SOUTH AFRICA
- SOUTH KOREA
- SPAIN
- SWEDEN
- TAIWAN
- THAILAND
- TURKEY
- UGANDA
- UKRAINE
- UNITED ARAB EMIRATES
- UNITED KINGDOM
- USA
- UZBEKISTAN

Our history

PERIOD	SHAREHOLDING	MILESTONES	ANNUAL REVENUE	COUNTRIES	EMPLOYEES
1996 - 2003	Agbar Group 100%	• Establishment of **Agbar Automotive** • **IDIADA** Contract Awarded • **Laboratories** Contract Awarded	€200M	17	3,300
2004 - 2007	Agbar Group 53% UNION FENOSA 25% CAJA MADRID 22%	• Acquisition of **NORCONTROL** • Acquisition of **RTD**	€675M	36	9,900
2008 - 2014	The Carlyle Group 70% Financial Institutions and other shareholders 30%	• Acquisition of 20 businesses • Acquisition of **VELOSI** • The **IPO of Applus+**	€1,619M	70	19,000
2015 - 2016	**Free Float** 99 % Southeastern 15.6% Threadneedle 9.0% Harris Assoc. 5.0% Norges Bank 5.0%	• New **Energy & Industry** Division	€1,587M	70	19,000

Revenue history



Revenue for 2011 and 2012 are proforma for acquisitions within the relevant acquisition year

Key pillars of our business

By developing these four pillars, the Applus+ Group has generated a robust and sustainable business model to serve our long-term growth in international markets. This focus leads our divisions and teams to anticipate and adapt to the challenges we meet with clients in a fast-changing, global market for TIC services.

CULTURE OF LEADERSHIP

We aim to be consistently ranked in a leading position in each of our areas of operation.

EXPANSION INTO NEW MARKETS

We reinforce our culture of leadership by consolidating our performance worldwide.

USING TECHNOLOGY AND INNOVATION

Innovation is a point of differentiation, a source of competitive advantage and a builder of our performance and reputation.

STRIVING FOR BEST-IN-CLASS OPERATIONS

We satisfy clients by delivering high-quality work which complies with the applicable standards and legislation.

Our new brand narrative

Our pillars and attributes

At Applus+, we have always aimed to present ourselves as a united, global company – even more so since the Energy & Industry Division was created and brought under the Applus+ brand.

We continue to strive for a common presence in the market so as to better convey who we are, what we do and what makes us unique. This is why we have sought to define a new brand narrative for the Applus+ brand, which is based on three main concepts:

Global leader

technology
accreditations
human capability
global + local

Our path and our skills

We have the capabilities and resources available to ensure that, in this highly technical and specialised sector, we can strengthen our culture of leadership and continue to demonstrate our value.

Trusted partner

flexibility
versatility
integrity
impartiality

Our culture and vision across the TIC sector

Ensuring operational standards in today's world poses a series of challenges for our customers. At Applus+, we are a strong and dynamic partner that responds to changing demands rapidly and with flexibility.

Passion for improvement

innovation
excellence
motivation
responsibility

Our purpose and vocation for the future

Our passion for improvement drives us to go beyond standards with our customers with a sense of eagerness and creativity.

Our claim

These three ideas can be tied together and communicated in our new slogan that sums up our primary objective: a constant striving for excellence that both exceeds our clients' expectations and goes beyond standards.

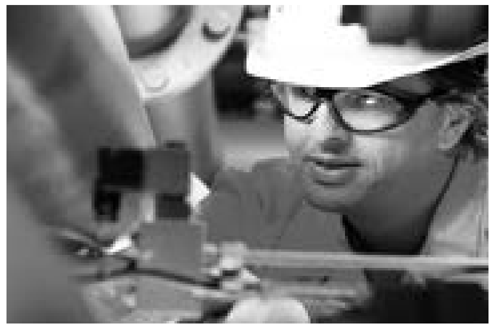
Together beyond standards

Non-destructive testing

Non-destructive testing on a sphere tank using rope access technique.

Applus+ divisions

DIVISION	ENERGY & INDUSTRY DIVISION	LABORATORIES DIVISION	AUTOMOTIVE DIVISION	IDIADA DIVISION
REVENUE	€1,052.6M revenue	€60.7M revenue	€293.3M revenue	€179.6M revenue
EMPLOYEES	12,500 employees	800 employees	3,500 employees	2,200 employees
SERVICES	Industrial and environmental inspection, technical assistance, non-destructive testing (NDT) and technical staffing.	Industrial testing laboratories, certification and metrology services.	Statutory vehicle inspection services for safety and emissions.	Proving ground, design, engineering, testing and homologation services.
INDUSTRIES	Oil and gas, industrial manufacturing, power, telecommunications, construction and aerospace.		Government and public transport agencies.	Automotive.



05 Applus+ performance

Brake test

Brake rollers test to check braking forces, imbalance and brake efficiency.

Highlights 2016

1 **Improving organic revenue trend** throughout the year, with Q4 at -4.1%.

2 **Oil and gas** remains challenging but industry outlook stabilising.

3 Successful integration and restructuring of the **Energy & Industry Division** mitigated the impact of weak oil and gas end-markets.

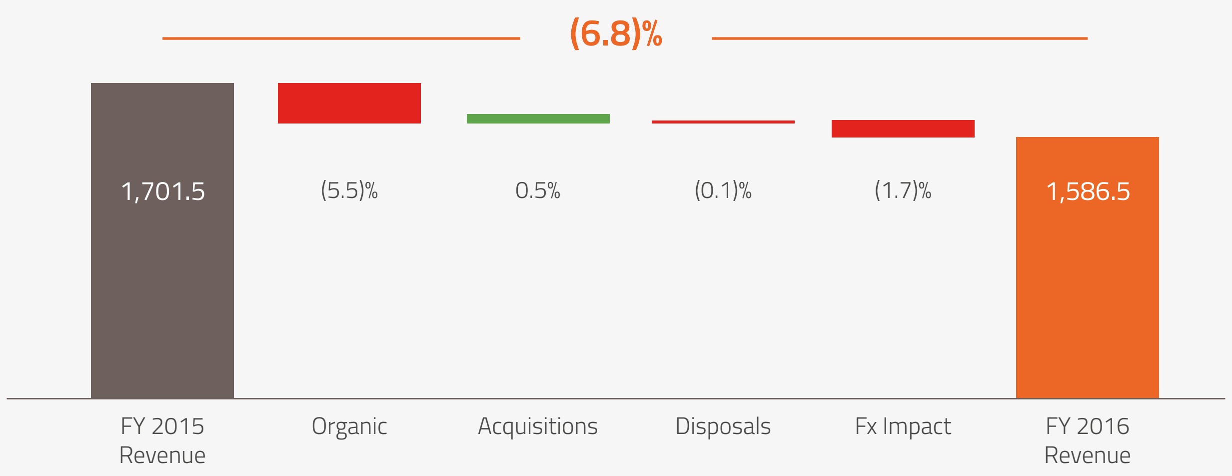
4 **Automotive, IDIADA** and **Laboratories Divisions** performed well including 3 new contracts won by Automotive.

5 **The IDIADA Division** Government contract has been extended to 2024.

Group results 2016

Revenue for the year of €1,586.5 million was lower by 6.8% compared to the previous year.

Revenue bridge in € million



Q4 2016	(4.1)%	0.5%	(0.0)%	(0.1)%	(3.7)%

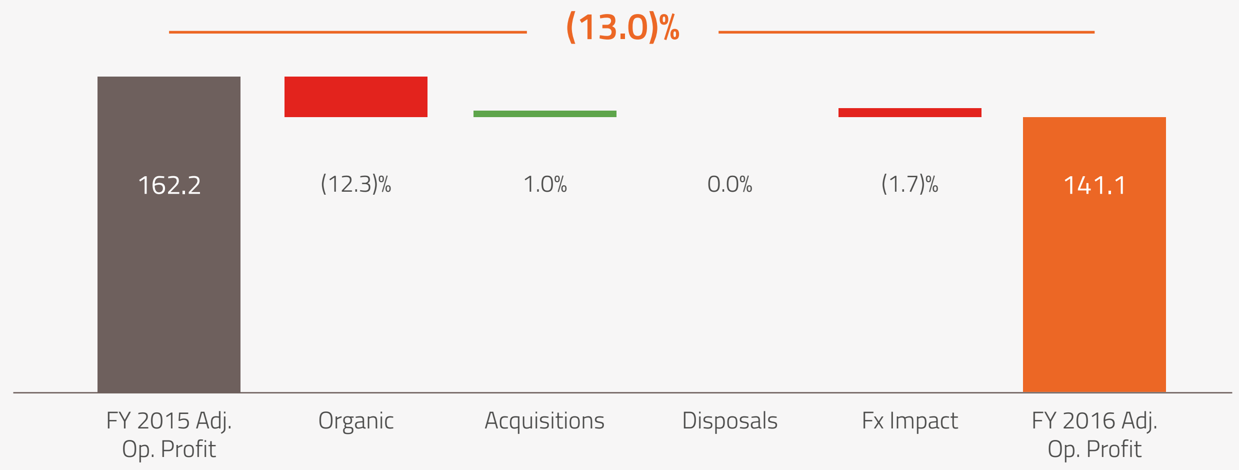
At constant exchange rates, revenue was down by 5.1%, made up of an organic revenue decrease of 5.5% and a positive net contribution from acquisitions and disposals of 0.4%. The negative impact of currency translation reduced reported revenue by a further 1.7%, mainly as a result of the weak Latin American currencies as well as the Canadian dollar and British pound against the Euro.

In the final quarter of the year, revenue was down 3.7%, mainly as a result of a decline in organic revenue of 4.1%. The revenue decline in the final quarter was the lowest quarterly decline in the year and follows a trend of gradually reducing decline throughout the year.

The organic revenue decline during the year was a result of a decline in the largest division of Energy & Industry Division that is highly exposed to the oil and gas industry, where conditions have been extremely challenging. The other divisions of the group grew well.

Additional revenue of 0.5% in the year came from the last three acquisitions made within the Energy & Industry Division. Caparo Testing Technologies in the UK and SKC Engineering in Canada were acquired in the final quarter of 2015, and Aerial Photography Specialist in Australia was acquired in the first quarter of 2016. The revenue reduction of 0.1% relates to a disposal made in 2015 of the non-core oil and gas business in Denmark.

Adjusted Operating Profit bridge in € million



Adj. Op. Profit Margin	9.5%	*-68 bps*	*+5 bps*	*-3 bps*	*+3 bps*	8.9%
Q4 2016	(12.0)%	1.2%	0.0%	0.5%	(10.3)%

Adjusted operating profit for the year was €141.1 million, a decrease of 13.0% on the prior year.

At constant exchange rates, adjusted operating profit decreased by 11.3%, made up of an organic decline of 12.3% plus a contribution from acquisitions of 1.0%. Operating profit was negatively impacted in the year to the same degree as revenue at 1.7% as a result of the weaker foreign currencies against the Euro.

The resulting adjusted operating profit margin was 8.9%, which was down by 64 bps from 9.5% in the prior year. The margin decrease was mainly as a result of the very challenging conditions faced by the Energy & Industry Division in its business exposed to oil and gas.

The net financial expense in the profit and loss fell from €24.6 million in 2015 to €18.6 million in 2016 due to a full year benefit of the reduced interest rate margin from the amendment negotiated in 2015 and due to a foreign exchange benefit of €1.0 million in 2016 compared to a foreign exchange charge of €2.8 million in 2015.

Profit before tax on an adjusted and reported basis were both lower than for the previous year due to the lower adjusted and reported operating profit. Adjusted profit before tax for the year was €124.3 million (2015: €139.4m) or 10.8% lower. Reported profit before tax was €60.5 million (2015: €67.6m) or 10.5% lower.

In December 2016, the Spanish Government introduced new tax legislation, accelerating the reversal of impairment losses on subsidiaries that were deductible before 2013. According to the new legislation, the group must return these deductions to the tax authority in the next five years in equal proportions, commencing in 2016. The group has recognised in 2016 the total amount to return resulting in an €11.4 million charge in 2016 as a one-off exceptional tax expense to cancel the benefits received in previous years. No further expense is expected under this legislation. Excluding this impact and the tax related to Other results, the effective tax charge on the adjusted profit before tax was €31.6 million (2015: €31.8m) giving a rate of 25.4% (2015: 22.8%). The rate on the adjusted operating profit was 22.4% (2015: 19.6%).

The adjusted earnings per share were €0.64, which were 14.5% lower than the prior year. This was mainly due to the decrease in the adjusted operating profit.

The net profit of €19.5 million and reported earnings per share of €0.15 were both down by 49.0% from 2015. Without the €11.4 million extraordinary charge from the change in tax legislation, the net profit would have been €30.9 million and reported earnings per share would have been €0.24, both down by 19.1%.

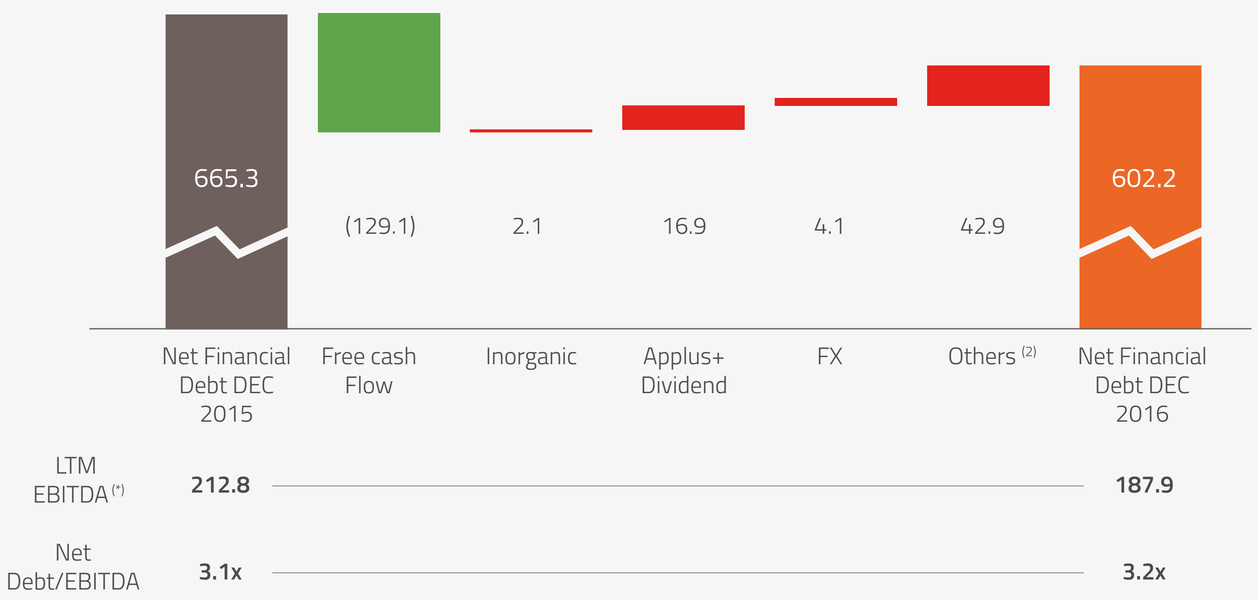
Capital expenditure on expansion of existing and into new facilities was €53.7 million (2015: €50.7m) which represented 3.4% (2015: 3.0%) of group revenue. This was slightly higher than the previous year due to additional long-term investment opportunities the group has secured mainly in Automotive and IDIADA divisions.

2016 was another year of strong working-capital performance, following equally strong performances in both 2014 and 2015 and this supported good cash flow generation despite the reduction in profit. The adjusted operating cash flow (after capital expenditure) was €178.7 million, up 9.5% on last year and equivalent to 95% of adjusted EBITDA (earnings before interest, tax, depreciation and amortisation), an improvement on the rate of 77% last year. The adjusted free cash flow was €129.1 million up 9.6% from last year.

The strong cash flow enabled the group to substantially reduce the bank borrowings in the year. The Net Debt, as defined by the group's financial leverage covenant, reduced by €63.1 million to €602.2 million at the end of 2016. The resulting financial leverage ratio calculated by Net Debt divided by EBITDA was 3.2x (2015: 3.1x), using the definitions in the bank leverage covenant. The covenant is tested every six months at the end of June and December, and it has an agreed limit of 4.5x for this ratio. This falls to 4.0x for the test in December 2017 and every six months thereafter until the maturity of the debt in June 2020. The financial leverage ratio was approximately stable throughout 2016 and is at a comfortable level both in absolute terms and with respect to the bank covenant.

In recognition of the strong cash flow, comfortable financial leverage and future earnings and cash flow potential, the Board will propose to shareholders at the forthcoming Annual General Meeting a dividend of 13 cents per share in line with the amount declared in the previous two financial years. This is equivalent to €16.9 million (2015: €16.9m) and is 20.2% of the adjusted net income of €83.7 million (2015: €97.9m) as shown in the Summary Income Statement. The Board will aim to continue to propose and pay an annual dividend distribution of approximately 20% of the annual adjusted net income.

Net Financial Debt growth bridge - as defined by bank covenant [1]
Eur Million



Bank covenant for Net Debt to EBITDA at <4.5x until June 2017. Thereafter <4.0x
(*) LTM EBITDA includes proforma annual results from acquisitions.
(1) Stated at annual average rate.
(2) Others includes mainly dividends to minorities, RSU's impact, tax litigations and restructuring costs.

Outlook

In light of the continued challenging oil and gas market as well as continued good growth in the other businesses, it is expected the group organic revenue at constant exchange rates and adjusted operating profit margin will be approximately flat in 2017.

As the global oil and gas industry emerges from this downturn and spending increases again, the drivers supporting testing, inspection and certification in this and all of the group´s industry lines will result in good revenue, profit and cash flow growth, which will ultimately produce long term growth in shareholder value.

Summary Income Statement

	EUR MILLION		
	FY 2016	FY 2015	CHANGE
Revenue	1,586.5	1,701.5	(6.8)%
Adj. Operating Profit [1]	141.1	162.2	(13.0)%
Adj. Op. Profit Margin	*8.9%*	*9.5%*	*-64 bps*
PPA Amortisation	(47.6)	(47.5)	
Other results	(16.2)	(24.3)	
Operating profit	77.3	90.5	(14.5)%
Finance result	(18.6)	(24.6)	
Associates	1.7	1.8	
Profit before tax	60.5	67.6	(10.6)%
Income taxes	(20.5)	(19.7)	
Extraordinary Income tax [2]	(11.4)		
Net Profit	28.6	47.9	(40.4)%
Minorities	(9.0)	(9.7)	
Net Profit Group	19.5	38.2	(48.9)%
Adjusted Net Profit Group [3]	83.7	97.9	(14.5)%
EPS in €	0.15	0.29	(48.9)%
Adjusted EPS in €	0.64	0.75	(14.5)%

(1) Adj. Op. Profit stated as Operating Profit before amortisation of acquisition intangibles, Historical Management Incentive Plan, restructuring, impairment and transaction & integration costs.
(2) Extraordinary Income Tax as per Spanish tax legislation change on deductions from investment portfolio depreciation.
(3) Adj. Net Profit stated as Net Profit plus Operating Profit adjustments and its related tax impact.

Summary of Cash Flow Statement

	EUR MILLION		
	FY 2016	FY 2015	CHANGE
Adjusted EBITDA [1]	187.9	211.9	(11.3)%
(Increase)/decrease in working capital	44.6	2.0	
Capex	(53.7)	(50.7)	
Adjusted Operating Cash Flow	178.7	163.2	9.5%
Cash Conversion rate	*95.1%*	*77.0%*	
Taxes Paid	(33.8)	(28.0)	
Interest Paid	(15.8)	(17.5)	
Adjusted Free Cash Flow	129.1	117.8	9.6%
Extraordinaries [2]	(15.0)	(10.8)	
Tax litigations	(10.4)	0.0	
Historical Management Incentive Plan	(9.5)	(9.5)	
Applus+ Dividend	(16.9)	(16.9)	
Minorities	(7.2)	(6.0)	
Others	(0.8)	(6.1)	
Operating Cash Generated	69.3	68.6	
Acquisitions/Disposals	(2.1)	(56.7)	
Cash Generated [3]	67.2	11.8	

(1) Adjusted EBITDA is stated as Operating Profit before depreciation, amortisation and Other results.
(2) Includes restructuring cash out.
(3) Cash generated pre-currency impact and change in financing.

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, mining and civil infrastructure sectors.

The Energy & Industry Division was formed at the start of 2016 by the integration of RTD, Velosi and Norcontrol. These were originally three separate divisions that had operated independently, although, with the increasing overlap of a number of end-markets and customers and a complementary geographic and service portfolio, the group can maximise the growth opportunities through aligned marketing, business lines and key account managers. The division is organised into geographic regions that report to one divisional leader who was appointed at the end of 2016.

12,500
EMPLOYEES

60
COUNTRIES

66%
TOTAL REVENUE

Non-destructive testing

Non-destructive testing on an insulated pipe using the proprietary INCOTEST (Insulated Component Testing) technology.

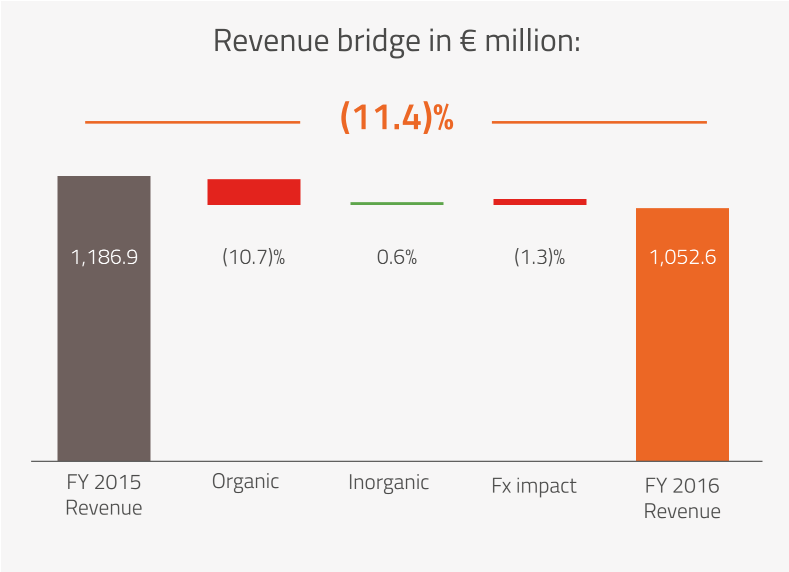
Financial performance

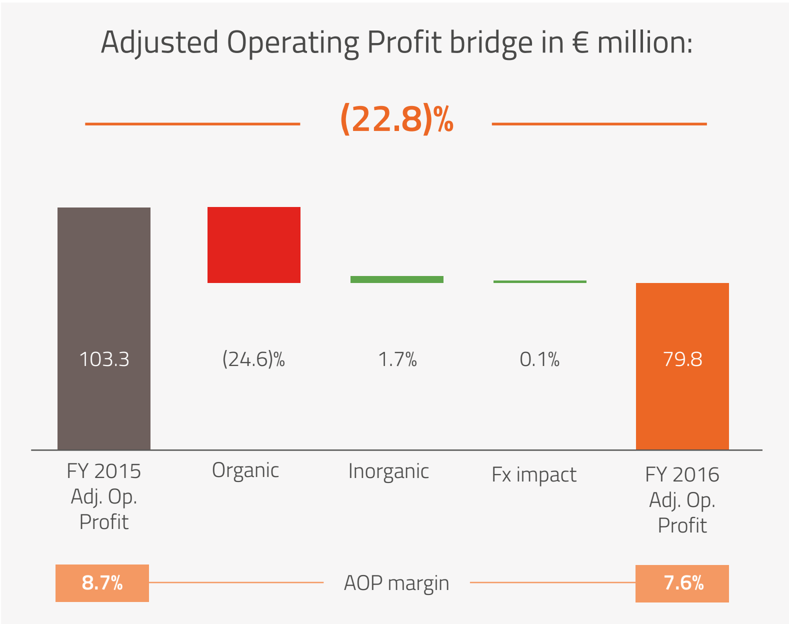
Revenue for Energy & Industry Division for the year of €1,052.6 million was lower by 11.4% compared to the previous year.

At constant exchange rates, revenue was down by 10.1%, made up of an organic revenue decrease of 10.7% and a positive net contribution from acquisitions less disposals of 0.6%. The negative impact of currency translation reduced reported revenue by a further 1.3%, mainly as a result of the weak British pound, Canadian dollar and some Latin American currencies against the Euro.

In the final quarter of the year, reported revenue was down 6.7%, mainly due to the decline in organic revenue of 8.4%. The reported and organic revenue decline in the final quarter was the lowest quarterly decline in the year and follows a trend of gradually reducing decline throughout the year. This trend is expected to continue in 2017.

The inorganic revenue of 0.6% in the year relates to the previous three acquisitions made in 2015 and 2016 less one disposal made in 2015. Caparo Testing Technologies in the UK and SKC Engineering (SKC) located in Vancouver, Canada were acquired at the end of 2015 and Aerial





Photography Services (APS), located in Australia, was acquired at the start of 2016. The disposal was of a non-strategic oil and gas business in Denmark.

Adjusted operating profit for the year was €79.8 million, a decrease of 22.8% on the prior year.

At constant exchange rates, adjusted operating profit decreased by 22.9%, made up of an organic decline of 24.6% plus a net inorganic contribution of 1.7%.

The margin decrease in the year was 110bps from 8.7% to 7.6% as a result of lower revenue leading to even lower profit from the negative operating leverage as well as a number of customer initiatives to reduce prices for new and renewed contracts in the oil and gas market. The margin fall was contained as a result of the significant actions taken to reduce cost and improve efficiency, with the fall in the second half being less than in the first as the full effect of the actions took hold.

The part of the division that provides services to oil and gas infrastructure has faced extremely challenging conditions since the end of 2014 when the oil and gas industry commenced a severe multi-year downturn. This part fell at a double-digit rate, reducing its share of the division by revenue from 68% at the end of 2015 to 63% at the end of 2016.

The other part of this division that provides services to infrastructure in the power generation and distribution industry, utilities, telecommunications, mining and civil works, as well as non-destructive testing services to the aerospace industry, each performed very well at an average growth rate for the year in the mid-single digits and at a similar rate to the prior year. Growth opportunities for these business lines have increased following the integration of the three former divisions that make up the Energy & Industry Division.

North America, accounting for one quarter of the division by revenue in the year and mainly exposed to the upstream and pipeline oil and gas market, was the toughest market environment with a considerable reduction in new capital projects, reduced volumes and scope for in-service projects and severe pricing pressure. The revenue declined less in the second half of the year than the first and there are signs of improving market conditions.

In Latin America, accounting for 10% of the division by revenue and where there is a good mix of services to different end-markets, there was growth of mid-single digits for the year, although with a slower pace of growth in the second half due to some large oil and gas projects ending. Other end-markets in the region continue to perform well.

In Northern Europe, accounting for 16% of the division by revenue where there is a higher level of recurrent operational expenditure exposed business to the oil and gas industry, the revenue nevertheless fell in the year due to fewer and smaller refinery shut-down projects, reduced upstream work in the North Sea and severe pricing pressure on the renewal of service contracts. There was a good performance from the aerospace, power and infrastructure business in the region.

In Southern Europe, Africa, Middle East and Asia & Pacific, accounting for almost half of the division by revenue in the period, there was a mixed performance. In Africa and in Asia & Pacific, revenue decreased. The largest single impact came from the reduction in scope on a major African "opex" oil services contract. This contract is currently in a tender process as it is up for renewal in the middle of 2017. In Asia & Pacific, revenue was down due to the ending of some very large offshore capex contracts. Good growth opportunities now exist following the agreement to operate an inspection programme on behalf of a major energy company in Australia. In the Middle East revenue was stable, although following the extension to the end of the year of two material contracts, one has been renewed and one has been lost. In Southern Europe growth was very good at high single-digits in the year with power and construction services in Spain and vendor surveillance from Italy leading the growth in this region.

Electrical technical assistance

Electrical technical assistance developed in substation.

Projects and services

Despite the difficult conditions of the oil and gas market, in 2016 we developed some large-scale projects for our clients.

Main projects

In the Netherlands, one of the world's leading EPC contractors has awarded the division with the "Rotterdam Advanced Hydro Cracker" project. This project is to extend the facilities at a **refinery in Rotterdam** which is managed by one of the largest international oil and gas companies. Energy & Industry Division supplies all of the required workforce **supervision, equipment and NDT.**

The division continues to develop resources in topographical services by being awarded the **first Topographical Survey with UAV (drones)**. An early success has been a stress volume measurement at the **coal storage park** in Carboneras Thermal Power Plant **(Almería, Spain)**. The measurements, taken by using drones, were within 1% of accuracy compared to surveys performed using conventional topography. This apparently minor difference in the measurement process actually adds significant value by reducing the high risks otherwise involved in conventional measurement procedures.

In the Czech Republic, the division won a major **service project** at the **Temelín Nuclear Power Station**. The division will assess the condition of the nuclear power station to ensure that the facility complies with stringent industry regulations.

In 2016, the Energy & Industry Division in USA was awarded **8 pipeline** related projects employing the Applus+ **NDT3D IWEX technology**, a leading-edge solution for enhanced defect detection, characterisation and 3D visualisation.

In Algeria, we continued to supervise the design, review and construction of the **Relizane to Mostaganem motorway connection**, linking the area with the East-West Algerian motorway. The construction project covers 60 kilometres of dual carriageways and will reduce the impact of traffic on local communities by constructing 7 interchanges with 16 viaducts.

Energy & Industry Division won **three contracts to serve a new desalination plant in Sohar, Oman**.
In the first contract, the division provides quality assurance services for the project to recruit the Quality Assurance Manager and all of the inspectors required to carry out the plant's quality and assurance activities.

Second, the division in Spain was awarded inspection services for the equipment and material at sea water reverse osmosis plants in 14 countries, including Oman. For the third, the contract utilises the division's expertise to consult on Health & Safety for the duration of the project.

Other projects

North America, Latin America and Northern Europe

OIL AND GAS

The Energy & Industry Division has been awarded the "**South West Scotland Onshore Pipeline" project (SWSOP)** over a one-year period that requires the **inspection** of the pipeline Girth Welds and assessment of the weld integrity at block valve stations.

CONSTRUCTION

In **Peru**, the Energy & Industry Division has been awarded a three-year contract to **supervise geotechnical works** and a three-month contract to make **structural assessment of buildings and towers** on around 150 sites.

POWER

Applus+ has secured a significant contract for **non-destructive testing** on the primary structures of **wind turbines** at **the biggest offshore wind farm in Germany's North Sea**. The contract requires different certification methods to inspect the field of wind turbines, drawing on the division's broad experience in certification codes by northern european technologists.

Mediterranean and Africa

OIL AND GAS

In Spain, the Energy & Industry Division is providing **predictive maintenance** services to a **leading Spanish petrochemical company** over a two-year period.

In Turkey, the division won the contract to provide an **Asset Integrity Management Service (AIMS)** for the **TANAP Gas Pipeline**, managing the operational risk for gas to flow safely along pipelines from Azerbaijan through Turkey and onto Europe.

POWER

In Spain, the Energy & Industry Division agreed a two-year contract to **inspect wind turbine towers** during the manufacturing process at **a major company manufacturing wind towers** in Burgos. Our engineers deploy ultrasonic, magnetic particle and remote visual NDT technologies and procedures.

To safeguard power lines, the division has been entrusted to **inspect aerial high-tension lines by helicopter** in southern Spain for two years, where our skilled technicians use audio-visual, GPS laser technology to make highly effective inspections.

ENVIRONMENT

Energy & Industry Division furthered the services for environmental protection, winning a **waste sorting** contract with ***Sociedade Ponto Verde*** in Portugal, a non-governmental organisation established to organise and manage the recovery of packaging.

Leading the field in environmental measurement services, the ***Sociedade Galega de Medio Ambiente*** **(SOGAMA)** commissioned the Energy & Industry Division in Spain to **maintain the air quality-monitoring network** for three to four years. Our services measure the output of a thermoelectric plant and contribute to reducing energy use by turning non-renewable waste into new sources of power.

CIVIL INFRASTRUCTURE

Using our advances in qualitative and quantitative methods for road pavement management, first made when working with the Qatar's public works body (ASHGHAL), we have secured a contract for **3D Mobile Mapping** across the Spanish roads managed by the **leading** Spanish **operator of toll roads**. The division will present insights into these best-in-class road management and inspection services to the industry at Kuala Lumpur, **Malaysia** and Milan, **Italy** in 2017.

CONSTRUCTION

In Spain, the division carries out **quality control on the masonry pieces** being laid during the **construction of the new towers** on Gaudi's emblematic **La Sagrada Familia** in Barcelona. Our engineers and technicians will develop the project over the next four years, incorporating Applus+ employees from other regions in the country.

TELECOMMUNICATIONS

In telecommunications, a Spanish **service provider** contracted the Energy & Industry Division to roll out "fibre to the home" (FTTH) networks, involving the **development and installation of fibre optics in 750,000 households** across the country. The project will begin in Madrid, with our technicians working in Barcelona, Andalucia and La Rioja and finishing in Navarra.

Middle East, Southeast Asia and Oceania

CIVIL INFRASTRUCTURE

In civil engineering, Applus+ continued to manage the **road pavement management for Qatar's Public Works Body (ASHGHAL)**. The project utilises 3D laser technology for distress analysis and asset inventory, surveying the condition of urban, state and intercity roads by operating laser optics, road-surface adhesion road measurement equipment and geo-radars. By mapping cracks and surface damage, our technological innovation protects and manages our clients' long-life assets, and this project has given our engineers at Applus+ new knowledge for future progress.

POWER

In Dubai, the division provides professional engineers for "**Project Management and Site Supervision Services and Associated Cable Laying Works"** in 400kv and 132kv substations.

OIL AND GAS

In Qatar, the division's consultancy service won new contracts for assessing the condition of pipelines in challenging midstream environments. For one of **the largest Liquid Natural Gas (LNG) producers in the world**, we have been commissioned to carry out diagnostic studies, tests analysis, treatment and repairs for fractures in a **sea water intake structure**.

Working with a **leading Spanish petrochemical company** in Abu Dhabi, the division celebrated a two-year, extendable contract for the provision of **computerised integrity engineering services.**

Energy & Industry Division also provides **inspection and repair services** to different customers at refineries using rope access techniques. Since September 2014, Energy & Industry Division has worked at **the largest refinery in Singapore** to carry out both asset integrity inspections and reparations.

The division in Oceania has been awarded with **several contracts** in the oil and gas industry for **inspecting and testing services**. These large-scale projects will run for the next three to five years. The division has also started an important **new construction project to inspect LNG tanks and piping after construction**. The Energy & Industry Division has received numerous awards from customers in 2016, reaching approximately 200 acknowledgments on the customers' feedback platform.

ENVIRONMENT

In Dubai, the Energy & Industry Division has assisted the country's **Supreme Council of Energy** to make informed decisions on energy efficiency. Partnering with Tecnalia, the division has successfully completed a pilot phase for the **integrated energy intensity mapping of Dubai**. The pilot phase visually mapped the energy and water efficiency of buildings and presented a roadmap for the scale-up of the project in the future.

The Energy Intensity Map is a smart tool to support efficiency in buildings that enables data analysis for policy-making and supports monitoring. This smart tool is a unique database, combining consumption (kWh and imperial gallons of water) and building information (square metre, usage, type of building and sector).

Innovation and expansion

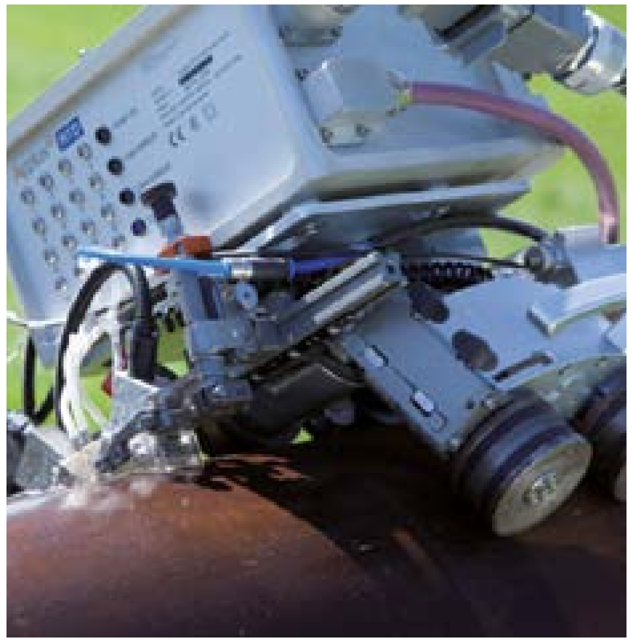
Innovation projects - new certifications and qualifications

In 2016, our innovations gained industry recognition and incorporation, and the division won **new certification and qualification for our breakthrough inspection systems**:

NDT3D IWEX (Inverse Wave Field Extrapolation) for carbon steel has been DNV certified, being the **first TFM-based (Total Focusing Method) certified technology**. Moreover, IWEX has been **qualified for CRA (Corrosion Resistant Alloy) pipelines**. IWEX enhances the ability to identify and characterise defects in a pipeline by ultrasonically generating a reconstructed image of the target area.

Our engineers manage the technology to accurately and effectively assess and map any weaknesses at a pipeline's seam, welds and body.

In **Northern Europe**, the Energy & Industry Division won **two commercial new construction pipeline projects**, in which the IWEX System was deployed as a standalone inspection system.



With our proprietary **Rotoscan technology**, the division developed the "Sectorial Scan Functionality in Rotoscan" project. The project consisted of extending Rotoscan phased array functionality with sector scan visualisations, and **Rotoscan Sectorial has been verified** by Technip **and certified** by DNV.

Rotoscan is an in-house developed automated ultrasonic testing tool to inspect pipeline girth welds during the construction of long-distance pipelines, both on- and offshore. The tool detects and measures welding imperfections and any associated heat defects within a weld, determining the circumferential length and the through-thickness dimension.

DTI (Difficult to Inspect) Trekscan system has been TÜV **certified for the European market**. The DTI Trekscan tool is an ultrasonic ILI (In-line Inspection) tool with pinhole scanning resolution. The system is developed for 6-inch and 8-inch pipelines, with the technical manoeuvrability to navigate through complex pipeline configurations.

Munich Airport was the **division's first aerospace-related DTI Trekscan** Inspection. The project scans 8 fuel-line connections and forms part of a six-year agreement.

DTI Trekscan also underwent the **first US Field Trial** for an American company, which operates over 3,000 miles of cross-country pipeline along the **U.S. Gulf Coast**. Our technology was run in a test-loop line covering 450 feet, and the device successfully navigated and surveyed multiple bends, valves, dents and tees, covering 450 to 500 types of anomalies.

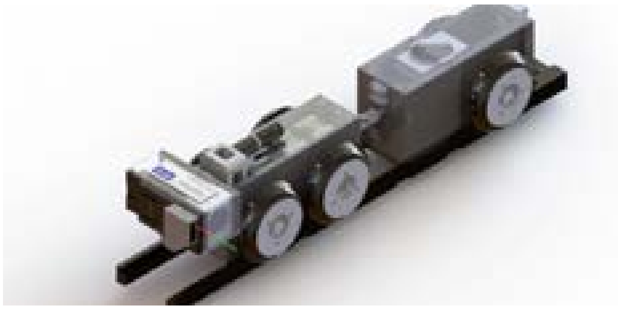
The equipment demonstrated its mechanical capabilities to complete all of the indicators configured in this challenging test-loop segment. The tool is at an early stage of commercialisation, and, following this test-run, **an american company has validated the service for their inspections**. Other new commercial opportunities have been presented, including one for an energy company in Canada.

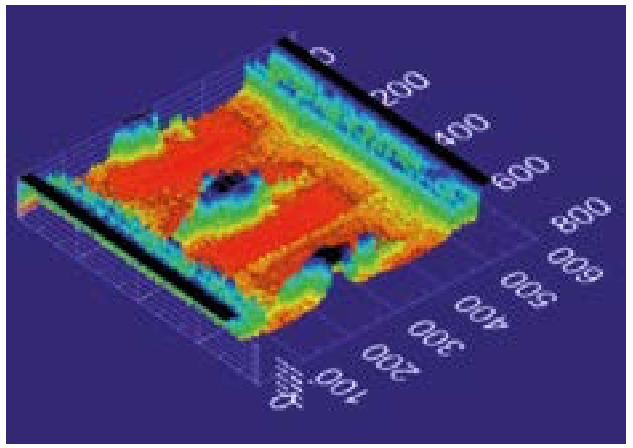
Finally, a proprietary **NDT Applus+ technology** called the **Plant Master System**, developed completely in-house, **has been sold to General Electric**. Plant Master System is a permanently installed monitoring sensor, which is based on ultrasound, and the system provides continuous wall thickness measurements of critical and hard to access components. General Electric Company has identified Plant Master as a key technology to develop their PREDIX platform.

New innovation projects

In **Oceania**, the Energy & Industry Division deployed their **"Camera Aided Visual and Laser Inspection System" (CAVALI)**. This laser piping-inspection system offers full **HD video and 30X optical photo capabilities**, and the technology provides greater accuracy and resolution compared to conventional inspection systems.

The equipment is capable of inspecting 6-inch (or larger) pipes at lengths of up to 250 metres, and our engineers carried out all of the mechanical, electrical and software design, implementation and testing in-house.





The division also developed the **"Applus+ DISCOVERY" (Phased Array Screening)** system to allow customers to assess the integrity of difficult to reach areas and complex geometries, such as corrosion under pipe supports, around large-bore trunnions and beneath vessel saddle supports or shell-to-annular plate junctions.

The solution allows our technicians to **inspect the facilities online, without the need for shutdown**, and the method provides our customers with enhanced productivity and improved cost efficiency. For example, saddle supports on horizontal storage vessels can now be inspected in situ without the need to be shut down, drained, lifted, inspected and restarted. This is a critical and expensive procedure, and, in the single application of our technology, our clients can save significant amounts of time and money.

The Energy & Industry Division has introduced an **innovative remote visual inspection service**, developing **a crane** that reduces inspection times five-fold, whilst providing more safety to technicians by **replacing rope access methods**.

This advancement offers our clients three distinct advantages: maximised safety, improved maintenance times and reduced total cost.

Applications for drone-related technologies are also emerging rapidly, bringing disruptive innovations to a wide variety of industry sectors.

Energy & Industry Division has developed the **"ADRONE" project** to develop **aerial inspections and measurements for power, oil and gas infrastructure**.

In **Spain, UK, the Netherlands and Australia** we have **established ourselves as a drone operating company**. We have **bought various drones and trained a team of skilled operators** to perform our first aerial inspections. We provided services with these devices in several **coal-fields**, supporting our clients' operations by completing this work within a record time and with new levels of quality.

Other innovation projects for 2017

- We will **extend the diameter range of DTI Trekscan** from 6-8 inch to 4-16 inch to cover the diameters requested by our clients. Starting with 10-16 inch, these growing capabilities enhance the Energy & Industry Division's industry position as a full-service provider.
- In 2017, the division will **start the final stage of the pipeline inspection tools (PIT's) upgrade** to expand the Difficult to Inspect (DTI) market and, simultaneously, to fulfil unmet demand for 100% ultrasonic inspection with the latest software and electronics.
- We will develop a new solution to **track and control the temporal evolution of resistance of concrete in situ**, which will be able to predict the material's final resistance quickly, using a non-destructive method.
- We will develop innovative maintenance tools to **detect damage on conveyor belts** and identify damage on bearings at early stages, which are normally difficult to verify with the systems currently available.
- In renewables, we will develop a **new monitoring system for wind turbine gearboxes**, which will be able to automatically detect – in real-time – the existence of damage in different elements. The system will use a wireless accelerometer placed on gearbox housing to analyse and register vibratory response.

Expansion

The division started operating in **India** and **Mozambique**.

Beyond these new countries, the integration of Norcontrol-Velosi and RTD has undoubtedly been the cornerstone of the division's expansion throughout 2016. This new organisational structure has enabled us to integrate highly complementary businesses, which, together with our geographic positioning, has allowed us to increase market competitiveness.

With the unification of our three divisions, we have been able to harness our expertise and skills to develop larger projects and manage our clients' needs around the world more efficiently.

Examples of expansion that are facilitated by this integration include:

- To expand our **rig inspection services** in **Kuwait and Saudi Arabia**, we set up a specialised department that builds on the division's global experience in this sector. The new department will be operational in 2017.
- Energy & Industry Division in **Spain** has won a **quality assurance contract** for the installation of a base station for a **telecommunications operator in Morocco**.
- The division continues to expand its services in **Indonesia** and **Papua New Guinea** with a large contract for **technical staffing**, as well as expanding **inspection and testing services**.
- Energy & Industry Division in **South Korea** has expanded its service offer to include **wind turbine repair, maintenance and inspection**. The service includes the detailed inspection and repair of wind turbine towers and blades. The contract provides a variety of non-destructive testing procedures, such as ET (Eddie Current Test), MPI (Magnetic Particle Test), PAUT (Phased Array Ultrasonic Test), ToFD (Time-of-flight Diffraction), Dropped Objects Survey, Electrical Inspection and UAV (drone) Inspection.

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.

800 EMPLOYEES

12 COUNTRIES

4% TOTAL REVENUE

Materials Testing Laboratory

Tensile test on composite materials for aerospace manufacturing quality control.

Financial performance

Revenue for Laboratories Division for the year of €60.7 million was 11.1% higher than the previous year, of which organic revenue at constant exchange rates was 12.0%, reduced by an impact of 0.9% from currency movements.

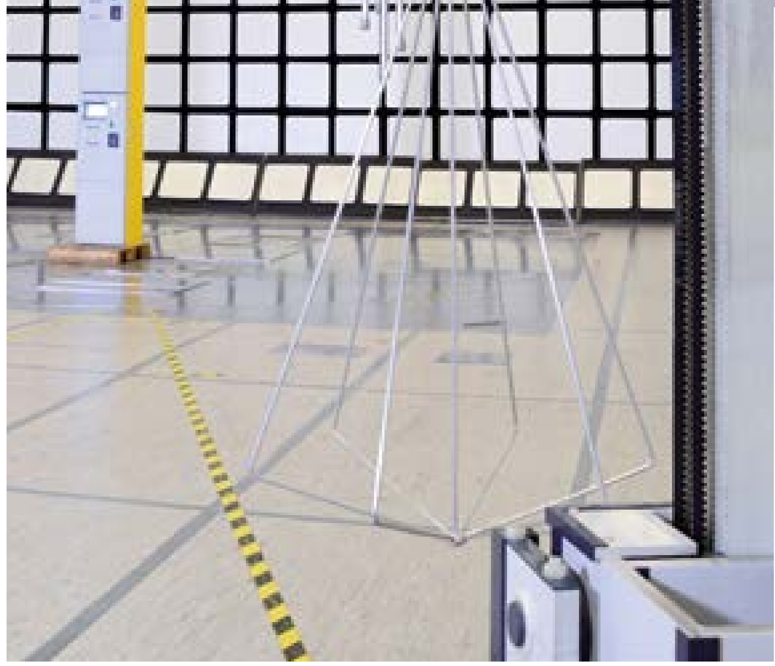
EUR MILLION	FY 2016	FY 2015 PROFORMA (*)	FY 2015
Revenue	60.7	54.2	54.7
% Change		*12.0%*	*11.1%*
Adj. Op. Profit	6.1	4.4	4.5
% Change		*38.0%*	*34.0%*
Margin	10.0%	8.1%	8.3%

The figures shown in the table are rounded for clarity of presentation.
The percentage changes and margins are calculated from the un-rounded numbers.
* FY 2015 Proforma is restated at constant exchange rates.

The adjusted operating profit grew at 34.0% to €6.1 million, resulting in a margin improvement of 170bps to 10.0%.

Laboratories Division had another strong performance with good delivery of projects in healthy market conditions.

The industrial laboratories segment, accounting for half of the division´s revenue, grew very well. It was supported by several very large aerospace projects, especially at the end of the year driving the final quarter divisional revenue growth to

19.4%. Electro-magnetic compatibility and electrical testing for new car models also generated good revenue growth for the segment.

Other parts of the division also performed well, especially fire testing of residential and commercial building products for the UK and Middle East construction industry and testing and certification of electronic payment systems. The significant increase in the adjusted operating profit margin was due to good operational gearing, benefitting from the strong revenue growth as well as higher margin from the several large aerospace projects.

Projects and services

AEROSPACE

The Laboratories Division consolidated its position in the aerospace sector as a **strategic supplier for structures testing, materials testing and the development of test systems and rigs**. Applus+ remains the global benchmark laboratory for large composite-panel testing and includes the two main global commercial aircraft manufacturers amongst its clients.

The division has also **grown in the non-destructive testing business** for the aerospace industry in the **USA**. The division increased sales both in component NDT inspections services and in the development of automated NDT systems. In 2016, Applus+ secured new engineering projects to develop **2 new types of NDT machinery** to install in client production lines.

IT SECURITY

The division continues to grow its presence in the field of **IT security evaluations** for chip manufacturers and software developers. Furthermore, the division has also strengthened its position as a security-evaluation laboratory for payment systems, including **new mobile payment technologies**.

ELECTRICAL & ELECTRONICS

The Laboratories Division strengthened its position in the electrical and electronic products sector with **new services in the field of wireless and the Internet of Things (IoT).** In 2016, Applus+ obtained new accreditations to test and certify products that incorporate connectivity technologies.

Our electromagnetic compatibility, electrical safety and environmental testing laboratories achieved a record year in terms of both sales and number of tests. This growth was based on the increase and geographical diversification of the client portfolio.

Innovation and expansion

Innovation projects

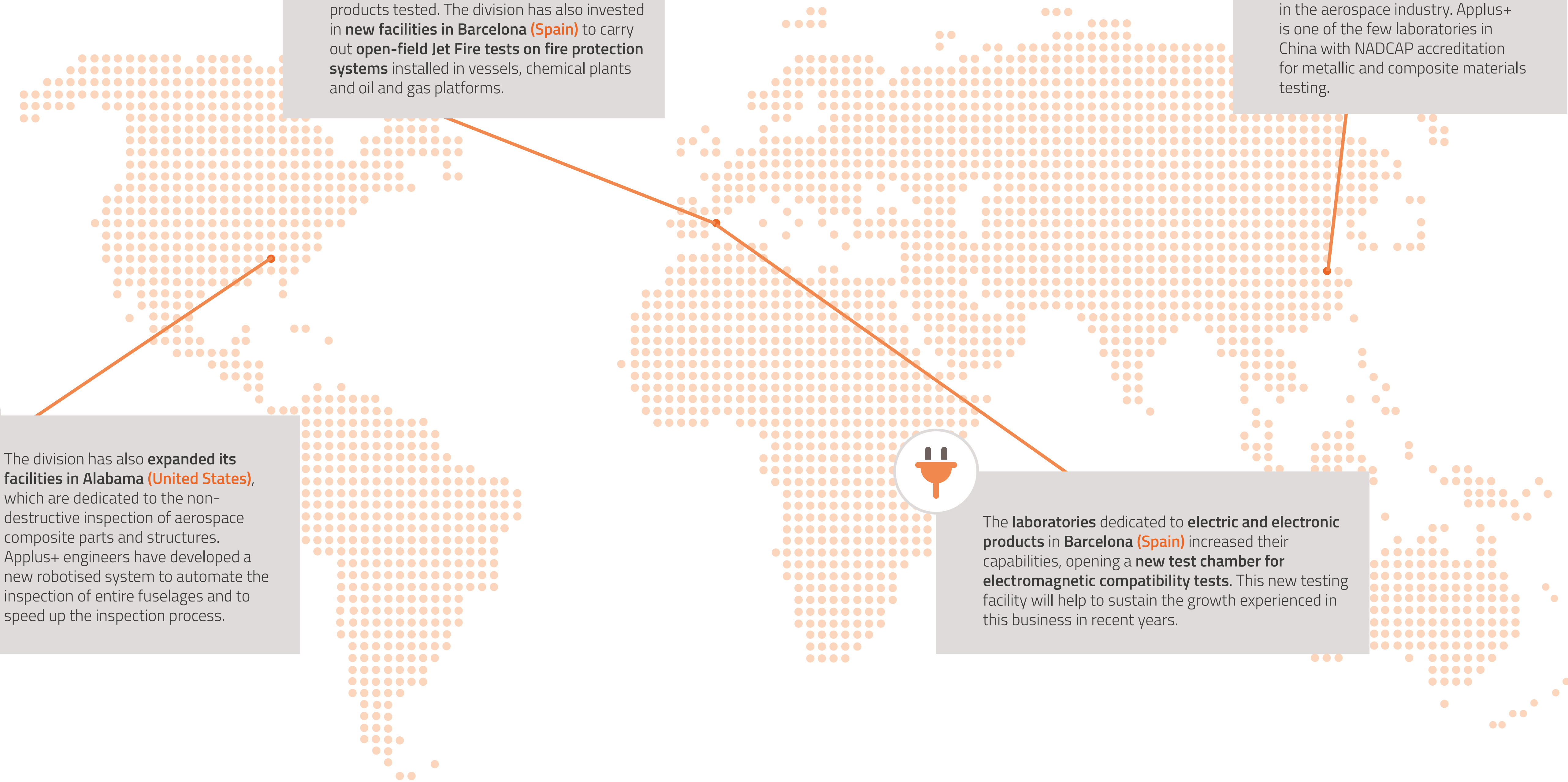
In 2016, the division **successfully industrialised the A+ Glide Forming technology for carbon-fibre reinforcements**, patent pending. A world-leading commercial aircraft manufacturer has invested in our proprietary technology, acquiring an industrial demonstrator with a view to certifying the process for use in its future programmes.

Laboratories Division has initiated a variety of innovation projects related to **forthcoming security technology** for **mobiles and other smart devices**. These projects have provided the division with the expertise needed to evaluate this new technology. The security solution that combines software and hardware is aimed at protecting payment and identification applications.

Structural testing laboratory

Fatigue test on an aerospace engine mount.

Expansion



The **fire laboratories** have continued to grow, both in terms of turnover and number of products tested. The division has also invested in **new facilities in Barcelona** (Spain) to carry out **open-field Jet Fire tests on fire protection systems** installed in vessels, chemical plants and oil and gas platforms.

Laboratories Division has continued to **develop its materials testing laboratories in Shanghai** (China) and has received new recognitions in the aerospace industry. Applus+ is one of the few laboratories in China with NADCAP accreditation for metallic and composite materials testing.

The division has also **expanded its facilities in Alabama** (United States), which are dedicated to the non-destructive inspection of aerospace composite parts and structures. Applus+ engineers have developed a new robotised system to automate the inspection of entire fuselages and to speed up the inspection process.

The **laboratories** dedicated to **electric and electronic products** in **Barcelona** (Spain) increased their capabilities, opening a **new test chamber for electromagnetic compatibility tests**. This new testing facility will help to sustain the growth experienced in this business in recent years.

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.

3,500 EMPLOYEES

8 COUNTRIES

19% TOTAL REVENUE

Headlamp alignment testing

Checking the headlight systems to ensure direction and brightness.

Financial performance

Revenue of €293.3 million was 1.4% lower than the previous year.

Organic revenue at constant exchange rates grew well and in line with its historical performance, at 2.4%. Due to a full year impact of the devaluation of the Argentinian peso at the end of 2015, this revenue was reduced by 3.8%. The adjusted operating profit of €57.4 million was lower than the previous year by 5.7%, most of which was due to the same adverse currency movement, resulting in a margin decline of 80bps to 19.6%. At constant exchange rates, the adjusted operating profit was flat and had a 50bps lower margin impacted by a weaker country mix.

The exclusive concession in Ireland, which is the largest one in the division by revenue, had very good growth in the period due to a higher volume of cars to inspect under the core periodic inspection programme and as a result of an unusually high volume of imported cars from the UK to inspect after the weakening of the British pound in the second half of the year.

In Spain, revenue was flat overall with the lower revenue in the Canary Islands as a result of new competition entering the recently liberalised market, offset by growth elsewhere.

EUR MILLION	FY 2016	FY 2015 PROFORMA (*)	FY 2015
Revenue	293.3	286.4	297.5
% Change		*2.4%*	*(1.4)%*
Adj. Op. Profit	57.4	57.5	60.8
% Change		*(0.2)%*	*(5.7)%*
Margin	19.6%	20.1%	20.4%

The figures shown in the table are rounded for clarity of presentation.
The percentage changes and margins are calculated from the un-rounded numbers.
* FY 2015 Proforma is restated at constant exchange rates.

Finland also continues to see an increasing number of competitors entering the market, although this has now stabilised. Revenue from the liberalised programme in Denmark grew after years of flat or declining revenue as a result of successful marketing initiatives and absorption of smaller players.

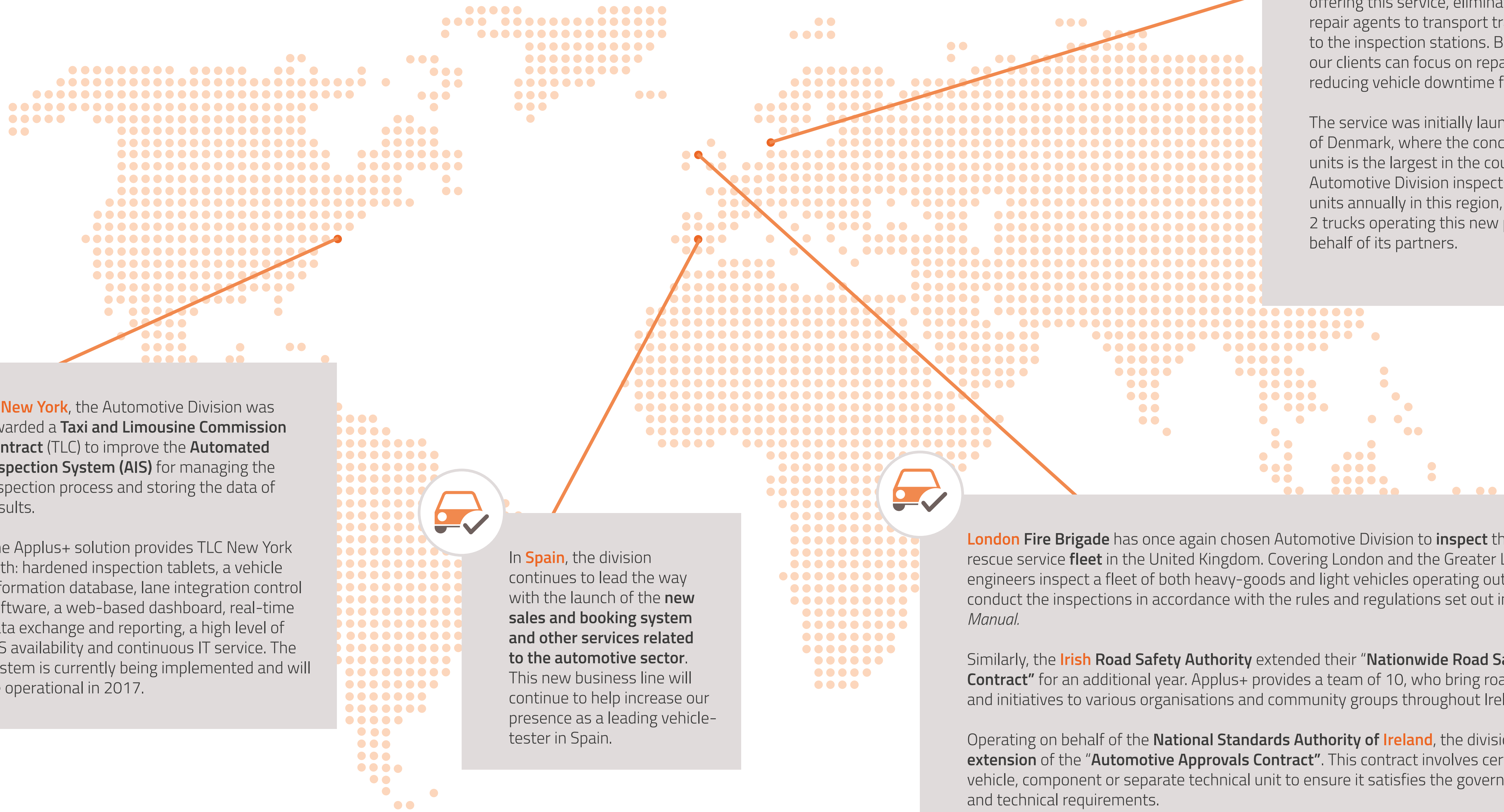
The revenue from the various contracts in the US was approximately flat overall. However, the new eight year contract in Illinois has started well.

In Latin America, the revenue from the old contract in Argentina continued to grow very well with good growth in inspection volume. The new ten-year contract in Buenos Aires city started several months late in 2016, where the costs for maintaining the stations were incurred without corresponding revenue. This is expected to generate around €8 million per annum and is now almost fully operational. In Chile, the contracts have performed well in the year with the renewal of existing concessions now almost complete. The new eight-year concession won last year in Chile for around €2 million revenue per year will start during 2018.

There were two other contract awards made in 2016: a six-year contract in Massachusetts that is expected to start operations at the end of 2017, with a potential to extend to fifteen years and revenue of around €6 million per annum; and a five-year concession in Uruguay for approximately €5 million revenue per year that is expected to start operations in the first half of 2018. There is a pipeline of further opportunities that are being pursued.

Projects and services

Main projects



In **New York**, the Automotive Division was awarded a **Taxi and Limousine Commission contract** (TLC) to improve the **Automated Inspection System (AIS)** for managing the inspection process and storing the data of results.

The Applus+ solution provides TLC New York with: hardened inspection tablets, a vehicle information database, lane integration control software, a web-based dashboard, real-time data exchange and reporting, a high level of AIS availability and continuous IT service. The system is currently being implemented and will be operational in 2017.

In **Spain**, the division continues to lead the way with the launch of the **new sales and booking system and other services related to the automotive sector**. This new business line will continue to help increase our presence as a leading vehicle-tester in Spain.

The Automotive Division in **Denmark** has developed a pioneering **pick-up service for trailer inspections.** Applus+ is the only company offering this service, eliminating the need for repair agents to transport trailers back and forth to the inspection stations. By offering this service, our clients can focus on repairing vehicles whilst reducing vehicle downtime following inspection.

The service was initially launched in the south of Denmark, where the concentration of trailer units is the largest in the country. Currently, the Automotive Division inspects around 3,500 trailer units annually in this region, and the division has 2 trucks operating this new pick-up service on behalf of its partners.

London Fire Brigade has once again chosen Automotive Division to **inspect** the largest fire and rescue service **fleet** in the United Kingdom. Covering London and the Greater London area, our engineers inspect a fleet of both heavy-goods and light vehicles operating out of 116 centres. We conduct the inspections in accordance with the rules and regulations set out in the *UK DOE/CFOA Manual.*

Similarly, the **Irish Road Safety Authority** extended their "**Nationwide Road Safety Education Contract"** for an additional year. Applus+ provides a team of 10, who bring road safety education and initiatives to various organisations and community groups throughout Ireland.

Operating on behalf of the **National Standards Authority of Ireland**, the division also won an **extension** of the "**Automotive Approvals Contract"**. This contract involves certifying the type of vehicle, component or separate technical unit to ensure it satisfies the governmental provisions and technical requirements.

Other projects

NEW SERVICE

The Automotive Division in **Ireland**, which operates the **National Car Testing Service (NCTS)** on behalf of the Road Safety Authority, was delighted to receive a retail ecommerce award for its **new mobile-responsive website**, launched in early 2016. The new website has led to over 60% of all customers booking and paying for their inspection online.

The division's customers are also benefitting from a useful tool to check the due-date for their vehicle's inspection and to verify the certificates validity. Since the launch of the new website, NCTS has had over 3.1 million sessions on-line, with over 53% of these being new visitors to the website, and this increase has resulted in over 16 million page views.

NEW BUSINESS LINE

As a world leader in the field of Statutory Vehicle Inspection, Applus+ works closely with **test equipment manufacturers.** To be independent from the test equipment manufacturers' software, Applus+ has developed its **own proprietary software called P1.**

This software ensures that vehicles are inspected in accordance with their correct specification, as well as **the procedures required** to guide our technicians when inspecting vehicles.

The **Applus+ P1 software** analyses and optimises the test software and procedures for a particular vehicle type and country. Due to the software's innovation, several different operators in the statutory vehicle-inspection field have confirmed their intention to purchase the P1 software, providing a new revenue stream for the division.

Innovation and expansion

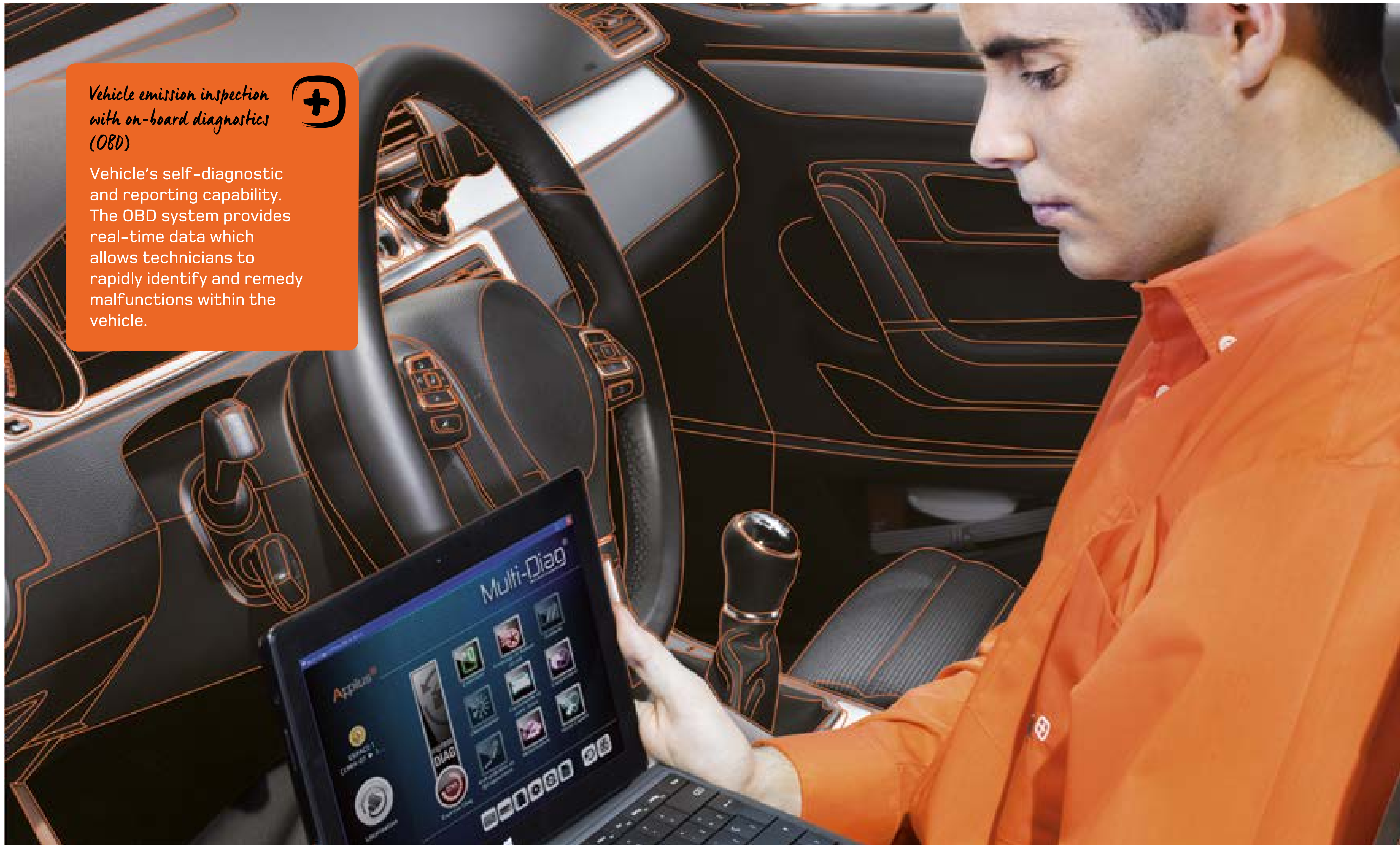
Innovation projects

Adding value in a competitive sector is always a challenge, so the Automotive Division continues to drive the sector for vehicle fleet users by **adding two services: A+ Premium and Portal Web**. The A+ Premium Portal has been developed for customers with small fleets, whereas the Portal Web is designed for bigger fleets.

These portals, launched in 2016, provide our customers with improved information to manage the inspection and maintenance of their fleets, and the service also offers a deferred invoicing system. As well as strengthening our brand offer, this attention to detail is also fostering greater loyalty from our customers.

The Automotive Division is working closely with the **Department of Environmental Quality in Oregon (USA)** to make **vehicle emission testing** more convenient for their motorists. This new initiative provides drivers with more options and locations to meet the emissions inspection requirements and renew their vehicle's annual registration.

Using Automotive Division's newly developed **wireless certified OBD device**, the motoring public can now combine their inspection obligation with other routine errands, such as buying groceries or fuelling their vehicle, rather than waiting in queues at official state inspection stations. The new product adds value to the division's contract with the State of **Oregon**, and the system was launched recently at a state road show.



Vehicle emission inspection with on-board diagnostics (OBD)

Vehicle's self-diagnostic and reporting capability. The OBD system provides real-time data which allows technicians to rapidly identify and remedy malfunctions within the vehicle.

Expansion

In 2016, the Automotive Division grew in the following four countries:

- In **Spain**, with the opening of **a station** in Vallecas, Madrid.

- Automotive Division's presence in **Argentina** continues to go from strength to strength in the Buenos Aires province. The division was awarded **2 concessions** for the rollout of Vehicle Technical Verification services (VTV) in Buenos Aires. The 2 concessions, awarded by the Selection Committee of the Buenos Aires City Government, involve verifying suspension systems, chassis, steering, emissions and other safety elements.

- On the same continent, the Automotive Division in **Chile** grew by winning **3 concessions** from the Ministry of Transport and Telecommunications. These successful bids were awarded because our team demonstrated both a commitment to service quality and to competitive rates – a key factor in the Chilean market.

In the **metropolitan region**, the division has launched 4 new stations out of a total of the 5 planned (the fifth is at the set-up stage), and the division has closed 5 old stations of a prior concession, dating from 2004. Three of these new stations are renovations of this prior concession. Likewise, in the **IX region of La Araucanía**, the division opened 1 new station out of a total of 2 planned, with the second one at the set-up stage. In addition for this region, Applus+ also renewed a concession that had had 2 stations operating since 2004 and that were closed during the present year. In the **V region of Valparaíso**, the division won a new concession for 2 stations that are being constructed to start operations.

- In **Denmark** the division has added **2 new stations**. This expansion included 7 new locations, which totals 9 new centres opened in 2016, servicing Vejle Nord, Hedehusene, Nastvedost, Taulov, Sakskobing, Soro, Norrebro, Lindholm and Kalundborg. The new locations of the 7 stations have allowed us to improve the accessibility and convenience for our customers and consequently the productivity of these stations.

In **Finland**, the division has also **relocated** stations to the cities of Oulu and Porvoo, maintaining **2 stations** as in 2015.

In **Ireland**, we **added additional test-lanes** into each of our existing centres in Skibbereen (1), Enniscorthy (1), Ballina (1) and Dublin (2) to manage the growing demand in these areas. In 2017, we have plans to add 2 additional lanes into our test centres at Athlone and Navan. As we prepare for re-tendering the NCT contract in 2018, we are also applying for planning permission for more test centres nationally to ensure we can continue to manage demand efficiently in the future.

The Automotive Division in **Andorra** has **extended the agreement** with the **Automòbil Club d'Andorra** for the concession covering the technical and operational management of the station for five more years.

The Automotive Division in **USA** recruited **9 independent inspection and repair businesses (I&Rs)** to supplement the 12 centralised locations, creating a convenient network of testing stations to serve Illinois motorists. The division has also developed a new computer-based training module, which complements face-to-face training and ultimately revitalises our training programme. This commitment to our employees' professional development ensures all of our testing inspectors have the most up-to-date information and tools.

The **preparations for the new contracts** in **Massachusetts** (USA) and **Uruguay** (Montevideo and Canelones) that are expected to commence in 2017 and 2018 respectively are well underway.

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, our 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.

The testing services allow manufactures to develop vehicles, systems and components in accordance with a myriad of international regulations, such as *European EC Directives and ECE Regulations.*

2,200 EMPLOYEES

23 COUNTRIES

11% TOTAL REVENUE

Semi-anechoic chamber

Acoustic testing an electric vehicle for pedestrian awareness.

Financial performance

Revenue of €179.6 million for the year was 10.7% higher than the previous year and adjusted operating profit of €22.2 million was 6.3% higher, resulting in a margin of 12.4%, 50bps lower.

EUR MILLION	FY 2016	FY 2015 PROFORMA (*)	FY 2015
Revenue	179.6	161.3	162.2
% Change		*11.4%*	*10.7%*
Adj. Op. Profit	22.2	21.1	20.9
% Change		*5.5%*	*6.3%*
Margin	12.4%	13.1%	12.9%

The figures shown in the table are rounded for clarity of presentation.
The percentage changes and margins are calculated from the un-rounded numbers.
* FY 2015 Proforma is restated at constant exchange rates.

At constant exchange rates, the organic revenue grew by 11.4%.

The division continued its strong growth record with another year of double-digit organic revenue growth. All business lines grew very well, although the growth in the use of the proving ground is at a lower rate than the rest of the division due to capacity constraints. This has had the effect of reducing the margin for the division as it operates at a much higher margin.

IDIADA Division has been able to capture the favourable market conditions in the global automotive engineering and the research and development industry, and through investment in the current and previous years ensured revenue

growth has continued to be strong. Within the segment of Chassis & Powertrain, there has been considerable interest, leading to projects on electric vehicles and electronic and advance driver assistance systems. The increased technological content of cars and the investment into self-driving and co-operative driving has led IDIADA Division to form partnerships with specialised companies and invest in this high growth area.

The Government of Catalonia has extended the contract to operate the **IDIADA Division business until 2024**.

Projects and services

Main projects

IDIADA Division and **TASS International** began their **partnership** working together on the **design of the American Center for Mobility at Willow Run Ypsilanti (Michigan, USA)**, which is a research, product development, testing and validation and certification **facility for connected and automated vehicles**. The venture is a shared-cost investment with federal and state funds, guided and governed by the University of Michigan. Our work will contribute to developing new voluntary industry standards and lead to homologation for highly automated vehicles.

IDIADA Division and the **CEMITEC technological centre** have agreed a joint operation for the road simulator, located in **Pamplona, (Spain)** and run by the Navarra Regional Government. The centre carries out **structural-fatigue tests** for axles of vehicles not exceeding 3,000kg. The project will contribute to our competitiveness through the development of innovation projects. With this agreement, IDIADA Division **adds** the **road simulator to our existing facilities** for structural fatigue and completes our services for developing chassis and component systems.

In Europe, IDIADA Division and the Dutch company **TASS International** have **agreed** to jointly **design and manage** the next generation of **test sites for connected and automated vehicles**. This puts in motion IDIADA Division's strategy to become the leading global partner for our customers to develop solutions in this domain, and the division is set to meet the challenges posed by driverless automotive technology.

The IDIADA Division and the Chinese company **LINGLONG Tires** strengthened its partnership with the **opening of the first phase of a new proving ground** located in **Zhaoyuan (Shandong province, China)**. LINGLONG Tires has been amongst the top 20 tyre companies in the world, and the company has been in the top 5 in China for several years.

Capitalising on the knowledge and experience gained at our Barcelona centre, in 2013 IDIADA Division helped to design the complex in Zhaoyuan and in 2014, LINGLONG chose IDIADA Division to manage the operations of the new proving ground.

Proving grounds

THE PROVING GROUND LOCATED IN CHINA

The complex will be open to all companies in the automotive sector, and the protocols will follow the same rules and standards in safety, confidentiality and customer service that apply at IDIADA Division's proving ground in Spain. The **150-hectare** complex will eventually provide **16 test-tracks**, including a **5.2 km high-speed circuit.**

These specially constructed tracks will facilitate the majority of testing requirements for different vehicles and tyres. The proving ground will allow manufacturers to develop their product research under test conditions for straight-line braking, wet-handling, dry-handling, dynamic platform, fatigue, comfort and pass-by noise.

MAIN TECHNICAL CENTRE LOCATED IN TARRAGONA (SPAIN)

IDIADA division provides comprehensive design, engineering and validation services for turnkey vehicle development projects at international level: CAD, CAE and testing of all major vehicle functionalities with unique state-of-the-art facilities.

IDIADA's **360-hectare** technical centre, located in Tarragona (Spain), includes not only the **best independent proving ground in Europe**, but also the most comprehensive and **modern test laboratories** to undertake vehicle engineering projects related to safety, powertrain, body and chassis development.

MAIN TECHNICAL CENTRE LOCATED IN TARRAGONA (SPAIN)

- 0 General Road
- 0b North straight Brake Zone
- 0c North straight Wide Zone
- 1 High Speed Circuit
- 2 External Noise Test Track
- 3 Fatigue Track A / Comfort Track A
- 4 Dynamic Platform A
- 5 Dry Handling Circuit
- 5b Dynamic Platform C
- 6 Test Hills
- 7 Straight Line Braking Surfaces
- 7b Comfort Track B & Sim city
- 9 Dynamic Platform B
- 10 Off Road / Forest Track
- 11 Wet Circle
- 12 Wet Handling Circuit
- M Clients´ Workshops
- N External base: offices and workshops
- A Welcome Centre
- B Main Building
- C Passive Safety
- D Design Engineering
- E Powertrain & Fuel Systems
- F Body & Components
- G Electronics
- H Braking Systems
- I Vehicle Dynamics
- J NVH
- K Durability
- L Homologations

Innovation and expansion

Innovation projects

Autonomous and cooperative driving is the newest technological line introduced into our portfolio for the automotive sector.

With eco-friendly vehicle technologies reaching a reasonable level of maturity, IDIADA Division is now developing various projects to meet the **challenges for safety in the automation of driverless vehicles.**

In 2016, IDIADA Division participated in the "**European project i-GAME**", which culminated in 2016 at the Grand Cooperative Driving Challenge, held in the Netherlands in May 2016. IDIADA Division, as a member of the i-GAME consortium, actively **coordinated the safety issues during the competition**, where a team of experts from Applus+ prepared, assessed and evaluated the event and the participating vehicles.

IDIADA Division devised an assessment for multiple brands of vehicles, and our engineers had to **define the new methodologies for both static and dynamic testing**, which included failsafe mechanisms to override a vehicle's automated system.

> The technology for vehicle automation and connectivity is also drawing on our strong expertise in vehicle electronics and telecommunications networks.

The demand for reliable data connection in new vehicles is growing rapidly, and **IDIADA Division, ERICSSON and Telefónica** provide joint services for **testing vehicle connectivity for automotive mobility applications**.

In this new, complex testing arena, ERICSSON, Telefónica and IDIADA Division provide **a unique one-stop testing solution** that covers, not only the current needs, but also anticipates the set-up of a dedicated mobile network for the development of automated driving and connected or cooperative vehicles. IDIADA Division's proving ground near Barcelona will be home to the joint project, where ERICSSON will set up a private mobile network to cover the whole testing site with 2G, 3G, 4G and 5G technologies, and in which Telefónica will offer the bandwidth to create an open ecosystem of innovation.

Expansion

The IDIADA Division is strengthening its presence in **Germany** with the opening of **new facilities**. The facility has tripled the available office space, and the division has opened a new state-of-the-art pedestrian protection laboratory and a workshop to continue increasing the service offer and value for our clients. Additionally, IDIADA Division continued its geographical expansion, **increasing its position** in **Sweden** and **USA**.

In 2016, the Russian State Research Centre of the Russian Federation **(NAMI) accredited** the division to **test the Russian emergency call system** called **ERA-GLONASS** in accordance with Russian regulations for vehicles operating this system. This accreditation allows us to perform these inspections for any brand of car intended for sale in the Russian market.

06 Corporate social responsibility

Environmental Inspection

Soil sampling at a mine.

Our CSR approach

Our approach to CSR includes the following pillars:

1. CORPORATE GOVERNANCE AND BUSINESS ETHICS

- To implement the measures required to fulfil our fiduciary duties, including those related to transparency and the internal control of financial and corporate-governance reporting, as well as risk-management or monitoring practices.
- To develop and implement global policies, such as anti-corruption to prevent wrongdoing.
- To ensure the integration of ethical behaviour across all business units through our *Code of Ethics*, the Corporate Social Responsibility Committee and the Chief Compliance Officer, and with the involvement of management.
- To promote impartiality, independence and integrity as the cornerstones of our *Code of Ethics*.

2. HUMAN CAPITAL

- To encourage working conditions based on human and employment rights.
- To maintain a commitment to our HSQE policy at the highest level.
- To deploy effective health-and-safety programmes which promote awareness amongst and the involvement of all employees at Applus+.
- To foster internal promotion.
- To develop specific training and internal-capacity programmes.
- To foster diversity amongst staff, based on our *Non-Discrimination Policy*.

3. COMMITMENT TO STAKEHOLDERS

- To work to fulfil our clients' needs through high service standards and high-quality procedures across all our divisions.
- To meet the communication requirements of the global investor community to allow for well-informed investment decisions, in line with their expectations.
- To strive to consider the demands of society.

4. INNOVATION

- To foster and share innovation across all business units that embeds corporate social responsibility into our employees' technical expertise and into the services developed internally, as well as within our clients' operations.
- To create a working environment that nurtures innovation by organising initiatives to promote innovative thinking between employees.

5. COMMITMENT TO THE ENVIRONMENT

- To reduce potential environmental impact within the communities where our clients operate.
- To work to prevent environmental impacts by implementing environmental-management systems based on international standards.

Corporate governance and business ethics

Corporate governance

Thanks to the actions undertaken in 2016, we have been able to further implement recommendations set out in the CNMV's (Comisión Nacional del Mercado de Valores) Code of Good Governance.

This progress was supported by our shareholders at the Annual General Meeting of Shareholders held in June 2016.

Included in these actions taken were:

- **Board of Directors**:
  - Increased the number of non-executive independent directors from 7 to 9, ahead of Spanish market practices.
  - Welcomed the first female member to the board, which represents the first step to improving our gender diversity goals for the Board of Directors.
- Introduced the ***Directors' Selection Policy*** and ***Policy for Communication and Contacts with Shareholders Investors and Proxy Advisors***.
- Implemented the ***new Directors' Remuneration Policy***, which will remain in force until 2018 according to the recommendations of the CNMV's Code of Good Governance and the standards of the international markets.
- Introduced the **CEO's first *LTIP***, aligned with best practices.
- **Ended the Supervisory Committee**.

Business ethics

Applus+ is faithful to the principle of duty of care to prevent, detect and eradicate any behaviour which is in breach of our established principles of conduct. Consequently, our policies, processes and controls focus on developing employee behaviours which commit to the highest level of compliance.

- The Applus+ ***Code of Ethics*** provides directors, employees and third parties with a strict code of conduct by setting out the values and commitments to govern their activities within the company.
- Applus+ has a robust ***Anticorruption Policy*** to prevent, detect, investigate and remediate any corrupt act within the organisation.
- In 2016, the *Code of Ethics* and the *Anticorruption Policy and Procedure* have been **reviewed and amended** to better comply with the requirements of the *Spanish Criminal Code, UK Bribery Act, and US Foreign Corrupt Practices Act.* Our global annual training for all employees and all new recruits included these updated and renewed versions.

To reinforce the effectiveness of these changes, we have conducted classroom-based training sessions on anti-corruption, compliance and on our *Code of Ethics* for the management.

- Applus+ employees, professionals and third parties have a dedicated **communication channel** for reporting any incidents of possible non-compliance with our *Code of Ethics*. **(whistleblowing.channel@applus.com).**

In 2016, a total of **76 notifications** of non-compliances were reported. Of these, **10%** were contrary to the *Code of Ethics*. The resulting investigations led to corrective or disciplinary measures, and the cases were closed.

- The Board approved the ***Compliance Management System for Criminal Risks (CMS)***, based upon the ISO 19600 Guide; the Spanish Criminal Code; the UK Bribery Act; and the US Foreign Corrupt Practices Act.

Together beyond standards

Human capital

Applus+ has **19,000 people** working worldwide, and we employ and train a wide range of specialists, including many highly qualified engineers and technically certified personnel.

Amongst our priorities towards our people are to respect their need for a good quality of life within a safe and motivating place of work. This includes an environment where they can grow personally and professionally.

Quality-working environment

- We believe in a work-place environment and atmosphere based on respect, ethics, equality and diversity. This is enshrined in our ***Non-Discrimination Policy***.
- Our ***Code of Ethics*** guides our employees to clarify which behaviours are expected of them in their day-to-day performance.
- Applus+ **surveys our employees on satisfaction** periodically to identify which improvements can be made in areas such as teamwork, empowerment, engagement and recognition. The next survey will be conducted in 2017.

Safe people

- We deploy our **health-and-safety programmes** at a local level in accordance with the international OHSAS 18001 standard.
- Our ***Golden Safety Rules*** programme is aimed at mitigating or eliminating risks associated with the eleven activities that have historically led to a wider range of serious incidents and injuries.
- We are continually raising **safety awareness** with our employees by periodically using refresher bulletins named *"***Time for Safety***"*. Additionally, we celebrated *our third consecutive annual Safety Day*, under the banner *"Stand up for Safety"*.
- We also set up our ***Safety Awards*** at a local level, and these will serve to recognise the value gained when employees come up with ideas or act to safeguard health and safety.

We can proudly confirm that the actions and activities we have undertaken in past years have proven to be effective, and, as a result, **we have reduced incident rates in 2016.**

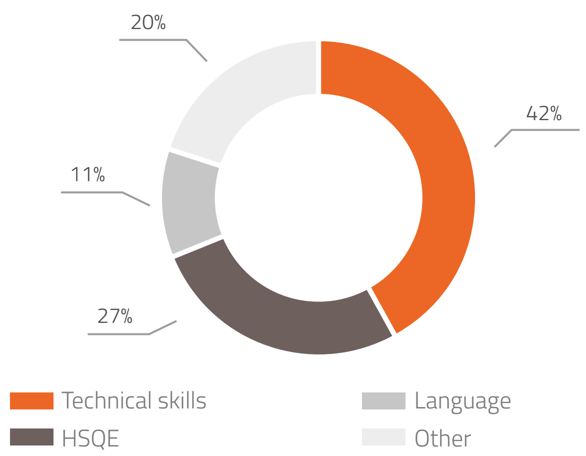
HEALTH AND SAFETY INDICATORS (*)	2015	2016
Number of occupational fatalities	0	0
Lost-time injuries rate (1)	0.71	0.79
Recordable cases rate (2)	1.01	1.13

(*) Velosi-associated companies are not included.
(1) Rate refers to the number of lost-time injuries occurring per 200,000 hours worked.
(2) Rate refers to the total number of recordable cases for every 200,000 hours worked.

Motivated and skilled people

- We are continuously improving our **talent-management processes** which involve performance assessment and the management of professional development opportunities.
- We **encourage internal promotion** in the belief that professional progress leads to enhanced personal performance and motivation, and, of course, this also reduces recruitment needs, staff turnover and employment costs. We were pleased to see that two-thirds of every available management position was filled internally.
- With the implementation of programmes such as ***Valoramos tu Plus*** ("Beyond the Call") or the ***Safety Awards***, we promote a **motivating work environment** and ensure that our employees' efforts are recognised and publicised throughout the group.
- In 2016, our people benefitted from approximately **390,000 hours of training** (averaging 21 hours per person) to contribute to their **life-long learning**.

TRAINING PROGRAMMES 2016



Innovation

Our teams of specialists, technicians and engineers are driven by innovation with a purpose. We invest in innovation to fulfil our goal of adding value to our customers' products, processes and services.

Our innovative approach generates increases in efficiency which is **beneficial to** both our **company and clients and for the environment and society**.

Our innovation performance in figures

175 innovation projects

295,800 hours worked on innovation projects

713 employees working on innovation

ACTIVITIES TO PROMOTE OUR INNOVATION WORK	2015	2016
Technical speeches	78	86
Technical publications	53	74
Training sessions	38	133

INTELLECTUAL PROPERTY	2015	2016
Accumulated patents granted	57	61
Accumulated patents families	32	35
New applications filed (for new and existing families)	15	6

Pavement management equipment

Pavement management equipment on a roadway.

Commitment to stakeholders

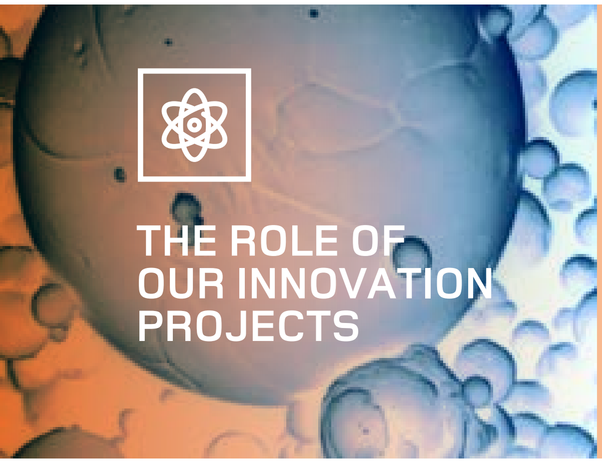
The Applus+ Group deploys its social commitment in three ways: contribution to social causes, innovation projects and promotion of educational and cultural bases´ development which allow the application of new technologies in the future.

SOCIAL CAUSES

The Applus+ Group supports numerous social causes at a local level, whether through direct financial contribution or sponsorship.

We are involved in many kinds of social initiatives:

- To support disadvantaged groups such as in **Australia**, where Applus+ has established a formal partnership with Australia's first indigenous-owned NDT company to deliver **Indigenous Traineeships;** or other projects to provide gifts for under-privileged children in **Texas "Toys for Tots";** or to provide clean water sanitation in **Kenya**.
- To contribute to care for life-threatening illness through donations to several organisations to entertain children with chronic illness; or to provide support for carers of children with life-limiting illnesses or to prevent male suicide in the **UK** by supporting CALM (Campaign Against Living Miserably).
- To promote safe and healthy lifestyles, we collaborated in **"The British 10k Run"** organised by the Commonwealth Girls Education Fund (CGEF) to support young girls to complete high school education in their Commonwealth country of origin. In **Chile**, we created the **"Fruit Day"** activity to promote a healthy and balanced food diet that is compatible with office work. Applus+ also championed other **sporting events** in 2016, such as the "Washington Program Bowling Competition" in the **USA** or the "Corporate Race" in **Mexico** to promote sport, health and inclusion.



THE ROLE OF OUR INNOVATION PROJECTS

One of our greatest social contributions is to participate actively in the processes of creating the media, technologies and the necessary infrastructures that **improve safety and the quality of life in our society**.

Our achievements include:

- For road safety, we participated in the project "**SENIORS"** (Safety Enhancing Innovations for Older Road Users). This project improves safe mobility for the elderly, by using an integrated approach and case knowledge, which covers the main modes of transport, and encompasses the particularities of this vulnerable road-user group.
- In health, as a part of the EU Horizon 2020 programme, Laboratories Division developed a project called "**NANOFACTURING"**. This project sets out to identify methods for scaling up the manufacture of gold-core nanoparticles for medical use. We successfully established a new, scalable synthetic route that can be reproduced in accordance with pharmaceutical industry standards.
- In the field of sustainable urban mobility, Applus+ has also been granted with a **LIFE+ project called "U-MOB"**. The project aims to set up a network of university campuses across the EU to facilitate the exchange and transfer of best practices in sustainable mobility.

WE EDUCATE FOR THE UPTAKE OF NEW TECHNOLOGY

Our knowledge and skills in technological development help to **foster the educational and cultural bases that allow for the use, implementation and optimisation of present and future technologies**.

For example:

- Our Energy & Industry Division in the **Netherlands** sponsored an event called **"Game on!"** – created to stimulate young people's interest in technical education.
- Similarly, the IDIADA Division was the principal company contributor in the continuous education programme called "Driving Innovation to Transform your Organisation" at the **IESE Business School** of the University of Navarra (**Spain**), which benefitted business people and professionals from around the world.

Commitment to the environment

Environmental management

The direct environmental impact of our company's activities is minor, and the impacts are principally related to our office activities and fieldwork. Consequently, the most significant aspects of our activities are energy and water consumption and vehicle emissions.

The main actions contained in the group's current environmental management are as follows:

- We deploy our **environmental-management systems** at a local level in accordance with the international ISO 14001 standard.
- In 2015, we began collecting **global energy and fuel consumption indicators**. In 2016, we extended this to collect **global water consumption indicators**.
- We regularly **inform** Applus+ employees and contractors where **waste containers are situated** in our offices and how to adopt **good environmental practices** to minimise energy consumption or generation of waste.

CONSUMPTION	2015	2016
Energy ratio (GJ/k€)	0.77	0.58 (1)
Total energy consumption (GJ) (2)	1,146,542	920,050 (1)
Total water consumption (m³) (3)	N.A.	625,246

(1) Energy ratio and total energy consumption have dropped as a result of the reduction in liquid fuel consumption.
(2) The reported scope covers 90% of revenue.
(3) The reported scope covers 71% of revenue.

REDUCING OUR CLIENTS' POTENTIAL ENVIRONMENTAL IMPACTS

Our key contribution to the environment is all of the **services we provide** that either directly or indirectly **lead to a reduction of our clients potential impacts** in the areas where they operate.

For example, this year Energy & Industry Division provided technical assistance to different business sectors in **Panama**. Our work identified concrete investment opportunities that lead to **clean energy projects to protect the environment**. These included: heat systems, ventilation, air-conditioning, light supplies, photovoltaic solar energy and self-generating systems.

ENVIRONMENTAL PROTECTION IS A VALUE SHARED WITH OUR STAKEHOLDERS

Applus+ also wants to share the value of **protecting the environment with our main partners and collaborators.**

In 2016, Applus+ planted 500 trees as part of a reforestation programme carried out by **Energuate** at the University of San Carlos in **Guatemala**. Our Automotive Division in **USA** also organised the "Earth Day Initiative" in collaboration with **Arbor Day Foundation**, where for every $1 donated, the Foundation planted 10 trees.

THE ROLE OF OUR INNOVATION PROJECTS

Through our innovation projects, Energy & Industry Division in Panama signed a Memorandum of Understanding for Technical and Scientific Cooperation with **Ramsar Regional Centre for Training and Research on Wetlands in the Western Hemisphere (CREHO)**. Of the research topics, the following include: development of software tools for handling of data on water sanitation plans; comprehensive solutions for sanitation; and drainage in sensitive marine recipient systems.

07

Corporate governance

Non-destructive testing

Non-destructive testing on a sphere tank using rope access technique.

Corporate structure

The Applus+ Group is strongly committed to good corporate governance. Within the framework of this commitment, we drive value creation, improve economic efficiency and increase trust for our investors.

Applus+ Board of Directors is committed to good governance and it has been evolving together with changes in laws and recommendations. It believes this also strengthens our procedures to provide greater transparency and ensure a long-term vision.

In 2016, we ended our Supervisory Committee to simplify and bring greater clarity to our governance procedures.

Good corporate governance is ensured at the Applus+ Group through the following internal bodies:

The Applus+ Board of Directors

The main objective of this board is to maximise the group's long-term value by working in adherence to best practice in corporate governance. The Board of Directors assumes the ultimate responsibility for managing and representing Applus+. The Board defines the general strategies and policies for the Applus+ Group and supervises its implementation. Each member of the Board of Directors attends the shareholders' Annual General Meeting in order to report on the group's economic performance and strategic approach.

The Audit Committee

The Audit Committee supports the Board in its monitoring of tasks and procedures. For example, the Committee monitors issues related to risk management and internal control systems and also conducts reviews of disclosed financial information.

The Appointments and Remuneration Committee

The principal objective of this body is to ensure the compliance of the group's *Remuneration Policy*, approved at the AGM. The committee reports directly to the Board of Directors for proposals on the appointment of directors. In addition, the committee evaluates the group's directors and proposes the company's *Remuneration Policy*.

The Corporate Social Responsibility Committee

The CSR Committee promotes the group's CSR strategy, ensuring the effective adoption and implementation of the *CSR Policy*, our *Code of Ethics* and other governance practices. The Committee also coordinates each of the processes in respect of the reporting of non-financial information.

Board of Directors

Mr Christopher Cole

Member since May 2014.

Non-Executive Chairman of the Board and Chairman of the Corporate Social Responsibility Committee.

Mr Cole has a degree in Environmental Engineering from London South Bank University and is a UK qualified Chartered Engineer. He was a founder of WSP Group Plc, which was listed on the London Stock Exchange in 1987 where he was CEO until it merged with Genivar Inc in 2012 to become WSP Global Inc where Mr Cole remains as the Non-Executive Chairman. He is also Non-Executive Chairman of Ashtead Group plc, Tracsis plc and Redcentric plc.

He holds 12,415 shares which represent 0.010% of the share capital in the company.

Mr Fernando Basabe Armijo

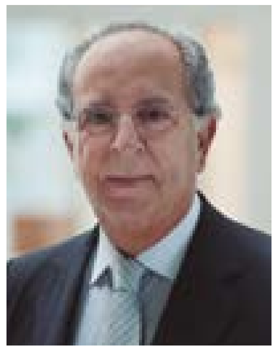
Member since February 2011.

Chief Executive Officer and Member of the Corporate Social Responsibility Committee.

Mr Basabe holds a degree in Law from the Universidad de Madrid and an MBA from IESE (Barcelona).

Before joining Applus+ Mr Basabe was 15 years at SGS S.A. in different senior management positions ultimately becoming the Chief Operating Officer for Western Europe. He started his career at Manufacturers Hanover Trust Co. (JP Morgan & Co) where he held different positions within the corporate banking division.

He holds 256,439 shares which represent 0.200% of the share capital in the company.



Mr Ernesto Mata

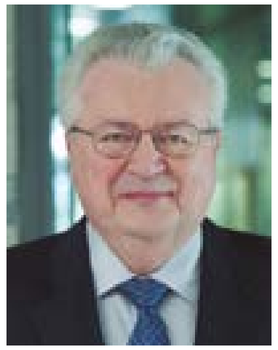
Member since November 2007.

Chairman of the Audit Committee.

Mr Mata has a degree in Economics from the University of Geneva and an MBA from IESE (Barcelona).

Mr Mata has occupied many Board positions of companies and organisations including a Director of Unión Fenosa (Gas Natural), Unión Fenosa Soluziona S.A., and Abertis Infraestructuras S.A., where he was also Chairman of the Audit Committee.

He is currently Chairman of the Advisory Board of KPMG Spain and of Quironsalud. He is also on the Boards or Advisory Committees of several other organisations and private companies in Spain.



Mr John Daniel Hofmeister

Member since July 2013.

Chairman of the Appointments and Remuneration Committee.

Mr Hofmeister has an honorary doctorate from the University of Houston and is a Doctor of Letters at Kansas State University where he obtained his Bachelor and Master's degree in Political Science.

At Shell Oil USA Mr Hofmeister was Director of Human Resources and then President from 2005 to 2008. Before this he held executive leadership positions at General Electric Company, Nortel Network Corporation and AlliedSignal (Honeywell). He founded Citizens for Affordable Energy and remains a Member of the United States Energy Security Council.

Currently, he serves as Non-Executive Director of Hunting PLC in London and Global Geoscience Limited (Australia).

He holds 10,000 shares which represent 0.008% of the share capital in the company.

Mr Richard Nelson

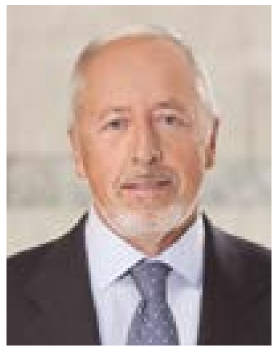
Member since October 2009.

Member of the Appointments and Remuneration Committee and the Corporate Social Responsibility Committee.

Mr Nelson has a degree in Economics from the London Business School and he is a fellow of the Institute of Chartered Accountants in England & Wales.

Mr Nelson was Chief Executive Officer of Intertek Group plc until his retirement in 2006. He is currently the Chairman of the International Federation of Inspection Agencies.

He holds 47,125 shares which represent 0.036% of the share capital in the company.



Mr Nicolás Villén

Member since October 2015.

Member of the Audit Committee.

Mr Villén is an industrial engineer, graduated from the Polytechnic University of Madrid. He holds a Master in Electrical Engineering from Florida University where he was a Fulbright Scholar and he has an MBA from Columbia University.

Previously, Mr Villén was the Chief Executive Officer of Ferrovial Aeropuertos and Chief Financial Officer at Ferrovial. Before that he was the CEO of Midland Montagu Ventures and Smith Kline & French as well as other responsibilities at Abbot Laboratories and Corning Glass Works.

He is currently on the Boards of Banca March, Parques Reunidos and ACR Grupo. He is also external advisor for IFM Investors (an Australian infrastructure fund).

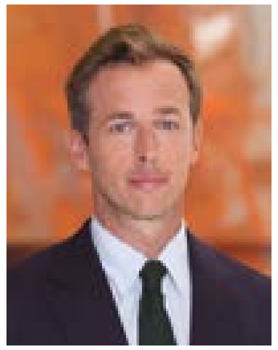
Ms María Cristina Henriquez

Member since July 2016.

Member of the Audit Committee.

Ms Henriquez holds a degree in Business Administration and Economics from ICADE in Madrid.

She is the President and Managing Director Spain and Head of Iberia and Israel Cluster at GlaxoSmithKline and she has held a variety of senior finance roles at Procter & Gamble Europe based in Switzerland and extensive Latin American experience based in Peru and Mexico.



Mr Scott Cobb

Member since July 2016.

Mr Cobb has a degree in History from the University of Memphis and a Master in Theological Studies from Covenant Theological Seminary, St Louis.

Mr Cobb is Managing Partner for Southeastern Concentrated Value, which is the largest shareholder in Applus+, following the acquisition of over 15% of the shares in 2016.

Mr Claudi Santiago

Member since September 2016.

Member of the Appointments and Remuneration Committee.

Mr Santiago holds a degree in Computer Science from the Universidad Autónoma de Barcelona and carried out postgraduate studies at INSEAD and Georgetown University.

He is currently Managing Director and Chief Operating Officer of First Reserve Corporation. Before this, he was at General Electric in different executive positions, including Senior Vice President of GE and President and CEO of GE Oil & Gas, a $15 billion revenue oilfield service business.

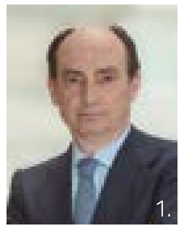
Mr Vicente Conde

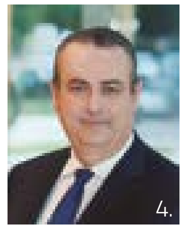
Secretary non-member since January 2016.

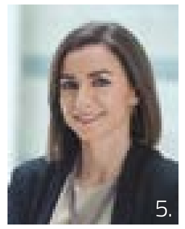
Mr Conde Viñuelas has a degree in Law from the Universidad Autónoma de Madrid and a postgraduate degree in European Law from the Université Libre de Bruxelles.

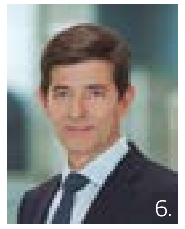
He is a specialist in Corporate and Business law, Capital Markets and M&A and is a Partner in the Madrid offices of Osborne Clark. Previously, he was a Partner at Pérez-Llorca and worked at Uría Menéndez in Spain and Chile. He is also a lecturer at several universities and is a regular speaker at conferences.

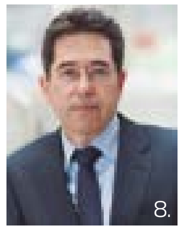
Group management

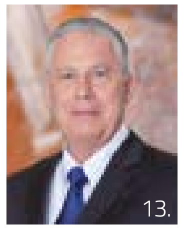


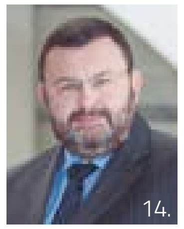


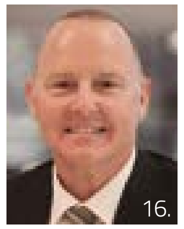


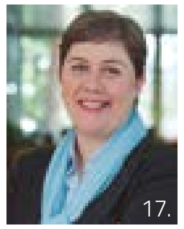


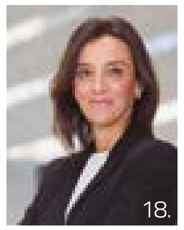


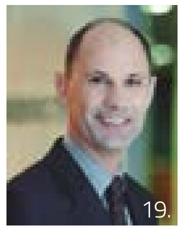












1. Fernando Basabe. Chief Executive Officer (CEO)
2. Joan Amigó. Chief Financial Officer (CFO)
3. José Delfín Pérez. Human Resources
4. Jorge Lluch. Corporate Development & Communications
5. Eva Argilés. Legal
6. Jordi Brufau. Laboratories Division
7. Carles Grasas. IDIADA Division
8. Aitor Retes. Automotive Division
9. Ramón Fernández Armas. Energy & Industry Division
10. Guillermo Andrés Carmona. Energy & Industry Division (Africa)
11. Derek Burr. Energy & Industry Division (Southeast Asia)
12. Brian Dawes. Energy & Industry Division (Middle East)
13. Phillip Morrison. Energy & Industry Division (North America)
14. Pablo San Juan. Energy & Industry Division (Latin America)
15. Sytze Voulon. Energy & Industry Division (Northern Europe)
16. Cameron Waters. Energy & Industry Division (Oceania)
17. Mª Teresa Sanfeliu. Internal Quality, H&S and Innovation (HSQE)
18. Anna Díaz. Compliance
19. Aston Swift. Investor Relations

08 Shareholder information

Capital and shareholder structure

On 31st December 2016, the share capital of the head company, Applus Services, S.A. amounted to €13,001,675.50, which was represented by 130,016,755 shares, each with a value of €0.10. Each share ranks equally with the same economic and voting rights.

Since 9th May 2014, the company shares have been listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges. As per the notifications of the number of shares submitted to the Spanish National Securities Market (CNMV), the shareholders owning significant direct and indirect interests in the share capital of the Parent representing more than 3% of the total share capital at 31 December 2016, were as follows:

SHAREHOLDER	PERCENTAGE
Southeastern Asset Management Inc[1]	15.63%
Threadneedle Asset Management Limited	9.02%
Harris Associates L.P.	5.03%
Norges Bank	5.00%

(1) Southeastern Asset Management Inc is represented by one director on the Board of Applus Services S.A.

Dividend information

On 21st June 2017, at the Group´s Annual General Meeting of Shareholders (AGM), the Board will propose the payment of a dividend of €0.13 per share in line with the amount paid last year. This is equivalent to €16.9 million (2015: €16.9 million) and represents 20.2% of the adjusted net income of €83.7 million. On approval by the shareholders at the AGM, the dividend will be paid on 13th July 2017.

DIVIDEND PAID COMPARED TO ADJUSTED NET PROFIT	2014	2015	2016
Adjusted Net Profit, € million	87.7	97.9	83.7
Dividend, € million	16.9	16.9	16.9
Dividend / Adjusted Net Profit	19.3%	17.3%	20.2%

Financial calendar

EVENT	DATE
Q1 2017 Results Announcement	9th May 2017
Annual General Meeting of Shareholders	21st June 2017
H1 2017 Results Announcement	25th July 2017
Q3 2017 Results Announcement	31st October 2017
Q4 and Full Year 2017 Results Announcement	27th February 2018

Contacts and share information

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investors@applus.com
Telephone: +34 900 103 067

Equity Advisory, Europe – Equity Capital Markets
Barclays, Investment Banking
5 The North Colonnade, Canary Wharf
London, E14 4BB (UK)
Telephone: +44 20 3134 8028

Auditors
Deloitte, S.L.
Avenida Diagonal, 654
08034 Barcelona (Spain)

Registered Office
Applus+ Services, S.A.
Campus UAB – Ronda de la Font del Carme, s/n
08193 Bellaterra – Barcelona (Spain)
Telephone: +34 900 103 067

Share Information
Security number: 79396
ISIN: ES0105022000
CIF: A64622970
Shares issued as of the date of this report:130,016,755
Listed on the Barcelona, Bilbao, Madrid and Valencia
stock exchanges within Mercado Continuo.
Ticker Symbol: APPS-MC.

09 Summary of consolidated financial statements

Non-destructive testing

Non-destructive testing on a storage tank using the Silver Wing Scorpion Scanner (B-scan).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Thousands of Euros)

ASSETS	31/12/2016	31/12/2015
NON-CURRENT ASSETS		
Goodwill	535,481	527,988
Other intangible assets	533,557	581,549
Property, plant and equipment	217,045	209,207
Non-current financial assets	12,570	13,966
Deferred tax assets	87,199	85,355
Total non-current assets	1,385,852	1,418,065
CURRENT ASSETS		
Inventories	8,062	10,106
Trade and other receivables-		
Trade and other receivables	351,943	381,912
Trade receivables from related companies	1,698	2,095
Other receivables	25,519	23,378
Corporate income tax assets	15,893	12,305
Other current assets	14,296	13,183
Current financial assets	4,621	4,258
Cash and cash equivalents	188,224	162,437
Total current assets	610,256	609,674
TOTAL ASSETS	1,996,108	2,027,739

EQUITY AND LIABILITIES	31/12/2016	31/12/2015
EQUITY		
Share capital and reserves-		
Share capital	11,770	11,770
Share premium	313,525	313,525
Retained earnings and other reserves	300,156	281,617
Profit/(Loss) for the year attributable to the Parent	19,542	38,244
Treasury Shares	(2,837)	(7,883)
Valuation adjustments-		
Foreign currency translation reserve	(29,062)	(33,122)
EQUITY ATTIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	613,094	604,151
NON-CONTROLLING INTERESTS	44,500	47,145
Total equity	657,594	651,296
NON-CURRENT LIABILITIES		
Long-term provisions	16,928	28,888
Bank borrowings	757,914	767,380
Other financial liabilities	23,527	24,047
Deferred tax liabilities	164,849	161,317
Other non-current liabilities	6,950	13,198
Total non-current liabilities	970,168	994,830
CURRENT LIABILITIES		
Short-term provisions	1,316	1,886
Bank borrowings	27,086	52,504
Trade and other payables	318,567	302,485
Trade payables from related companies	3	616
Corporate income tax liabilities	12,091	15,693
Other current liabilities	9,283	8,429
Total current liabilities	368,346	381,613
TOTAL EQUITY AND LIABILITIES	1,996,108	2,027,739

Together beyond standards

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2016
(Thousands of Euros)

	2016	2015
CONTINUING OPERATIONS		
Revenue	1,586,496	1,701,473
Procurements	(216,974)	(246,490)
Staff costs	(840,391)	(863,353)
Other operating expenses	(352,324)	(393,954)
Operating Profit Before Depreciation, Amortisation and Others	**176,807**	**197,676**
Depreciation and amortisation charge	(94,362)	(97,128)
Impairment and gains or losses on disposal of non-current assets	108	126
Other results	(5,224)	(10,208)
OPERATING PROFIT	**77,329**	**90,466**
Financial Result	(18,566)	(24,628)
Share of profit of companies accounted for using the equity method	1,724	1,799
Profit / (Loss) before tax	**60,487**	**67,637**
Corporate income tax	(31,912)	(19,705)
Net Profit / (Loss) from continuing operations	**28,575**	**47,932**
PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX	-	-
NET CONSOLIDATED PROFIT / (LOSS)	**28,575**	**47,932**
Profit / (Loss) attributable to non-controlling interests	9,033	9,688
NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT	**19,542**	**38,244**
Profit / (Loss) per share (in euros per share)		
- Basic	**0.150**	**0.296**
- Diluted	**0.150**	**0.296**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016
(Thousands of Euros)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit from operating activities before tax	**60,487**	**67,637**
Adjustments of items that do not give rise to operating cash flows		
Depreciation and amortisation charge	94,362	97,128
Changes in provisions and allowances	(5,229)	(4,954)
Financial result	18,566	24,628
Share of profit of companies accounted for using the equity method	(1,724)	(1,799)
Gains or losses on disposals of intangible and tangible assets	(108)	366
Other results	-	(2,188)
Profit from operations before changes in working capital (I)	**166,354**	**180,818**
Changes in working capital		
Changes in trade and other receivables	27,771	(2,488)
Changes in inventories	2,044	(2,228)
Changes in trade and other payables	17,494	11,430
Cash generated by changes in working capital (II)	**47,309**	**6,714**
Other cash flows from operating activities		
Other payments	(10,381)	-
Corporate income tax payments	(33,836)	(27,956)
Cash flows from operating activities (III)	**(44,217)**	**(27,956)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A) = (I)+(II)+(III)	**169,446**	**159,576**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to acquisition of subsidiaries and other non-current financial assets	(2,057)	(57,722)
Proceeds from disposal of subsidiaries	-	1,000
Payments due to acquisition of intangible and tangible assets	(53,736)	(50,653)
Net cash flows used in investing activities (B)	**(55,793)**	**(107,375)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,339	3,895
Interest paid	(17,109)	(21,364)
Net changes in non-current financing (proceeds and payments)	(21,163)	7,104
Net changes in current financing (proceeds and payments)	(23,022)	(11,644)
Dividends	(16,902)	(16,902)
Dividends paid by group companies to non-controlling interests	(7,180)	(6,000)
Net cash flows used in financing activities (C)	**(84,037)**	**(44,911)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (D)	**(3,829)**	**5,459**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**25,787**	**12,749**
Cash and cash equivalents at beginning of year	162,437	149,688
Cash and cash equivalents at end of year	188,224	162,437

Applus+

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