IMPORTANT NOTICE

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THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: By accepting the e-mail or accessing this document, you shall be deemed to have represented to the Company and the Underwriters that (1) you and any customers you represent are either (a) qualified institutional buyers (as defined in Rule 144A under the Securities Act) or (b) a person outside the United States, (2) if you have received this by e-mail, the electronic mail address that you gave to the Company or the Underwriters and to which this e-mail has been delivered is not located in the United States and (3) you consent to delivery of such document by electronic transmission.

You are reminded that this document has been delivered to you or accessed by you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this document to any other person. The materials relating to the Offering (as defined in the document) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any of the Underwriters or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Underwriters or such affiliate on behalf of the Company in such jurisdiction.

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OFFERING MEMORANDUM

75,862,069 ORDINARY SHARES OF

APPLUS SERVICES, S.A.

at an Offering Price of €14.50 per Share

This is a global initial public offering (the "**Offering**") by Applus Services, S.A. (the **"Company**") and Azul Finance S.à r.l. (Lux) (the "**Selling Shareholder**" or "**Azul Finance**") to qualified investors of 75,862,069 ordinary shares of the Company with a nominal value of €0.10 each (the "**Shares**"). This document has been prepared in connection with the Offering and application for the admission of the Shares to the Barcelona, Bilbao, Madrid and Valencia stock exchanges (the "**Spanish Stock Exchanges**") and on the Automated Quotation System (the **"AQS"**) or *Mercado Continuo* of the Spanish Stock Exchanges ("**Admission**"), which are regulated markets for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). In addition, a "prospectus" was prepared for the purposes of the Admission and was approved by the Comisión Nacional del Mercado de Valores ("**CNMV**") on 25 April 2014. It is available on the website of the CNMV (www.cnmv.es) and the Company (www.applus.com), respectively.

The Company is offering 20,689,655 new Shares (the "**New Offer Shares**") in the Offering, being such number of Shares as is required to provide the Company with gross sale proceeds of €300 million, and the Selling Shareholder is selling 55,172,414 existing Shares (the "**Existing Offer Shares**") in the Offering, being such number of Shares as is required to provide the Selling Shareholder with aggregate gross sale proceeds of €800 million.

In addition, the Selling Shareholder and Azul Holding, S.C.A (Lux) ("**Azul Holding**" and together, the "**Over-allotment Shareholders**") have granted an option to the Underwriters (the "**Over-allotment Option**"), exercisable within 30 calendar days from the date on which the Shares commence trading on the Spanish Stock Exchanges, to purchase a number of additional Shares (the "**Over-allotment Shares**") representing up to 10 per cent. of the total number of Shares sold by the Company and the Selling Shareholder in the Offering, solely to cover over-allotments of Shares in the Offering, if any, and short positions resulting from stabilisation transactions. The Company will not receive any of the proceeds from the sale of Existing Offer Shares sold by the Selling Shareholder in the Offering or the Over-allotment Shares sold by the Over-allotment Shareholders. The New Offer Shares, the Existing Offer Shares and the Over-allotment Shares (if any) are referred to herein as the "**Offer Shares**".

The price of the Shares offered in the Offering (the "**Offering Price**") is €14.50 per Share.

Prior to this Offering, there has been no public market for the Shares. The Company has applied to have the Shares listed on the Spanish Stock Exchanges and to have the Shares quoted on the AQS. The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or after 9 May 2014 under the symbol "APPS". The Offer Shares (other than the Over-allotment Shares) are expected to be delivered through the book-entry facilities of Iberclear and its participating entities on or about 13 May 2014.

Concurrently with the Offering, pursuant to a binding directed offering by Azul Holding (the "**Directed Offering**"), the Chief Executive Officer and Chief Financial Officer of the Company will purchase in aggregate 400,000 Shares at the Offering Price for total consideration of €5.8 million. In addition, the New Chairman (as defined herein) will purchase 6,897 Shares from Azul Holding at the Offering Price for total consideration of €0.1 million. Such Shares, which are not Offer Shares, will be subject to lock-up restrictions as described in "*Plan of Distribution — Lock-Up Agreements*". For further details see, "*Management and Board of Directors — Shareholdings of Directors and Senior Management — Agreements to Acquire Shares*".

Investing in the Shares involves certain risks. See "*Risk Factors*" beginning on page 19 for a discussion of certain matters that investors should consider prior to making an investment in the Shares.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are being sold within the United States only to qualified institutional buyers ("**QIBs**"), as defined in and in reliance on Rule 144A under the Securities Act ("**Rule 144A**") and outside the United States in compliance with Regulation S under the Securities Act. See "*Plan of Distribution — Selling Restrictions*", for a description of certain restrictions on the ability to offer the Offer Shares and to distribute this document, and "*Transfer Restrictions*" for a description of certain restrictions on transfers of Shares.

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley | **UBS Investment Bank**

Joint Bookrunners

Citigroup | **J.P. Morgan**

Co-Lead Managers

Berenberg | **Banco Santander**

Financial Adviser to the Company

Rothschild

The date of this document is 8 May 2014

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None of Morgan Stanley & Co. International plc ("**Morgan Stanley**") or UBS Limited ("**UBS**") (together, the "**Joint Global Coordinators**"), Citigroup Global Markets Limited or J.P. Morgan Securities plc (together with the Joint Global Coordinators, the "**Joint Bookrunners**"), and Joh. Berenberg, Gossler & Co. KG or Banco Santander, S.A. (together, the "**Co-Lead Managers**" and, together with the Joint Bookrunners, the "**Underwriters**"), or Rothschild (acting as financial adviser to the Company) or their respective affiliates make any representation or warranty, express or implied, nor accept any responsibility whatsoever, with respect to the content of this document, including the accuracy or completeness or verification of any of the information in this document. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholder, Azul Holding, the Underwriters or Rothschild that any recipient of this document should subscribe for or purchase the Shares. Each subscriber for or purchaser of Shares should determine for itself the relevance of the information contained in this document, and its subscription for or purchase of Shares should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such investor in connection with the subscription for or purchase of the Shares.

This offering memorandum has been prepared solely for use in connection with the Offering. This offering memorandum is personal to the offeree to whom it has been delivered by the Underwriters and does not constitute an offer to the public generally to subscribe for or purchase or otherwise acquire the Shares. Any reproduction or distribution of this offering memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares offered is prohibited.

In making an investment decision regarding the Shares, an investor must rely on its own examination of the Company and its subsidiaries (together, the "Group") and the terms of the Offering, including the merits and risks involved. The Shares have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is criminal in the United States.

Investors should rely only on the information contained in this document. None of the Company, the Selling Shareholder, Azul Holding, the Underwriters or Rothschild has authorised any other person to provide investors with different information. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. Investors should assume that the information appearing in this document is accurate only as of its date. The Group's business, financial condition, results of operations, prospects and the information set forth in this document may have changed since the date of this document.

The contents of the website of the Company, or the website of any other member of the Group, do not form any part of this document.

Investors should not consider any information in this document to be investment, legal or tax advice. An investor should consult its own legal counsel, financial adviser, accountant and other advisors for legal, tax, business, financial and related advice regarding subscribing for and purchasing the Shares. None of the Company, the Selling Shareholder, Azul Holding, the Underwriters or Rothschild or their respective affiliates makes any representation or warranty to any offeree or purchaser of or subscriber for the Shares regarding the legality of an investment in the Shares by such offeree or purchaser or subscriber under appropriate investment or similar laws.

Each Underwriter that is regulated in the United Kingdom by the Financial Conduct Authority is acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Offering. Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Underwriters under the *Ley* 24/1988 of 28 July 1988, *del Mercado de Valores* (the "**Spanish Securities Markets Act**") or the regulatory regime established thereunder, none of the Underwriters accepts any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it or any of them or on its or their behalf in connection with the Group or the Shares. Each of the Underwriters accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

In connection with the Offering, the Underwriters and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase the Shares and, in that capacity, may retain, subscribe for, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Group or other related investments in connection with the Offering or otherwise. Accordingly, references in this document to the Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Underwriters or any of their respective affiliates acting as an investor for its or their own account(s). The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company and the Selling Shareholder may withdraw the Offering at any time prior to Admission, and the Company, the Selling Shareholder and the Underwriters reserve the right to reject any offer to subscribe for or purchase the Shares, in whole or in part, and to sell to any investor less than the full amount of the Shares sought by such investor. For more information on the withdrawal and revocation of the Offering, see "*Plan of Distribution — Withdrawal and Revocation of the Offering*".

This document does not constitute or form part of an offer to sell, or a solicitation of an offer to subscribe for or purchase, any security other than the Shares. The distribution of this offering memorandum and the offer and sale of the Shares may be restricted by law in certain jurisdictions. Any investor must inform themselves about, and observe any such restrictions. See "*Plan of Distribution — Selling Restrictions*" elsewhere in this document. Any investor must comply with all applicable laws and regulations in force in any jurisdiction in which it subscribes for, purchases, offers or sells the Shares or possesses or distributes this document and must obtain any consent, approval or permission required for its subscription for, purchase, offer or sale of the Shares under the laws and regulations in force in any jurisdiction to which such investor is subject or in which such investor makes such subscriptions, purchases, offers or sales. None of the Company, the Selling Shareholder, Azul Holding or the Underwriters is making an offer to sell the Shares or a solicitation of an offer to buy any of the Shares to any person in any jurisdiction except where such an offer or solicitation is permitted or accepts any legal responsibility for any violation by any person, whether or not an investor, or applicable restrictions. This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to subscribe for or to purchase, any of the Shares in any jurisdiction in which such offer or solicitation would be unlawful.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold within the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in compliance with Regulation S. Investors are hereby notified that sellers of the Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the Shares in other jurisdictions, see "*Transfer Restrictions*".

In connection with the Offering, Morgan Stanley, or any of its agents, as stabilising manager (the "**Stabilising Manager**"), acting on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable law, engage in transactions that stabilise, support, maintain or otherwise affect the price, as well as over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in an open market. Any stabilisation transactions shall be undertaken in accordance with applicable laws and regulations, in particular, Commission Regulation (EC) No 2273/2003 of 22 December 2003 as regards exemptions for buy-back programmes and stabilisation of financial instruments.

The stabilisation transactions shall be carried out for a maximum period of 30 calendar days from the date of the commencement of trading of Shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting. The stabilisation period is expected to commence on 9 May 2014 and end on 8 June 2014 (the "**Stabilisation Period**").

For this purpose, the Stabilising Manager may carry out an over-allotment of Shares in the Offering, which may be covered by the Underwriters pursuant to one or several securities loans granted by the Selling Shareholder and Azul Holding. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on a regulated market and may be taken at any time during the Stabilisation Period. However, there is no obligation that the Stabilising Manager or any of its agents effect stabilising transactions and there is no assurance that the stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice, without prejudice to the duty to give notice to the CNMV of the details of the transactions carried out under Commission Regulation (EC) No 2273/2003 of 22 December 2013. In no event will measures be taken to stabilise the market price of the Shares above the Offering Price. In accordance with Article 9.2 of Commission Regulation (EC) No 2273/2003 of 22 December 2013, the details of all stabilisation transactions will be notified by the Stabilising Manager to the CNMV no later than closing of the seventh daily market session following the date of execution of such stabilisation transactions.

Additionally, in accordance with Article 9.3 of Commission Regulation (EC) No 2273/2003 of 22 December 2013, the following information will be disclosed to the CNMV by the Stabilising Manager within one week of the end of the Stabilisation Period: (i) whether or not stabilisation transactions were undertaken; (ii) the date at which stabilisation transactions started; (iii) the date at which stabilisation transactions last occurred; and (iv) the price range within which the stabilisation transaction was carried out, for each of the dates during which stabilisation transactions were carried out.

For the purposes of this document, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in each relevant member state of the European Economic Area (the "**EEA**")), and includes any relevant implementing measure in each relevant member state of the EEA.

NOTICE TO UNITED STATES INVESTORS

THE SHARES HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE US SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THE OFFERING OR THE ADEQUACY OR ACCURACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY INVESTOR, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO UNITED KINGDOM AND OTHER EUROPEAN ECONOMIC AREA INVESTORS

This document and the Offering are only addressed to and directed at persons in member states of the EEA, who are "qualified investors" ("**Qualified Investors**") within the meaning of Article 2(1)(e) of the Prospectus Directive (including any relevant implementing measure in each relevant member state of the EEA). In addition, in the United Kingdom, this document is only being distributed to and is only directed at (1) Qualified Investors who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or high net worth entities falling within Article 49(2)(a)-(d) of the Order or (2) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, (1) in the United Kingdom, relevant persons and (2) in any member state of the EEA other than the United Kingdom, Qualified Investors. This document and its contents should not be acted upon or relied upon (1) in the United Kingdom, by persons who are not relevant persons or (2) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. This document has been prepared on the basis that all offers of the Shares following approval by the CNMV will be made pursuant to an exemption under the Prospectus Directive, as implemented in the member states of the EEA, from the requirement to produce a document for offers of the Shares. Accordingly, any person making or intending to make any offer within the EEA of the Shares should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder, Azul Holding or any of the Underwriters to produce an offering memorandum for such offer. None of the Company, the Selling Shareholder, Azul Holding or the Underwriters has authorised or authorises the making of any offer of the Shares through any financial intermediary, other than offers made by the Underwriters which constitute the final placement of the Shares contemplated in this document.

NOTICE TO INVESTORS IN CERTAIN OTHER COUNTRIES

For information to investors in certain other countries, see "*Plan of Distribution — Selling Restrictions*".

PRESENTATION OF FINANCIAL INFORMATION

General

The Company prepares its financial statements in euro. The euro is the currency of the member states of the European Union, including Spain, which participated or participate at the relevant time in the Economic and Monetary Union.

Certain monetary amounts and other figures included in this document have been subject to rounding adjustments. Any discrepancies in any tables between the totals and the sums of the amounts listed are due to rounding.

Combined Financial Statements (unaudited)

This document contains the Group's Combined Financial Statements as of and for the years ended 31 December 2011 and 2012 (the "**Combined Financial Statements**"). The Combined Financial Statements have been prepared from the audited consolidated annual accounts of the Group and the Velosi Group (as defined below), respectively, both of which were prepared in accordance with International Financial Reporting Standards. The Combined Financial Statements have not been audited. The Combined Financial Statements are included herein starting on page F-86.

On 20 December 2012, the entire issued share capital of Velosi S.à r.l., the holding company of the Applus+ Velosi business (Velosi S.à r.l., together with its subsidiaries, the "**Velosi Group"**) was contributed to Applus+. Prior thereto, and from 24 January 2011, the Velosi Group was owned by Azul Holding 2, S.à r.l. (Lux), a subsidiary of Azul Holding. Accordingly, from 24 January 2011 until 20 December 2012, the Company and the Velosi Group were under common control. During this period the Velosi Group was managed by the Company.

The Audited Consolidated Financial Statements (as described below) comprise the consolidated financial statements of the Group as of and for the years ended 31 December 2011, 2012 and 2013. The income statement and cash flow statement for the year ended 31 December 2012 reflects the consolidation of the Velosi Group for only 11 days of operations (from 20 December 2012).

In view of the significant contribution of the Velosi Group to the consolidated Group, and reflecting the fact that the Company and the Velosi Group were under common control from 24 January 2011 until the Velosi Group was contributed to the Group on 20 December 2012, the Group has chosen to include herein, unaudited financial statements combining both the Velosi Group and the remainder of the Group (the Combined Financial Statements) in order to present comparable historical financial information for the three years ended 31 December 2013.

Audited Consolidated Financial Statements

In addition to the Combined Financial Statements, this document contains the Group's Audited Consolidated Financial Statements as of and for the years ended 31 December 2011, 2012 and 2013 (the "**Audited Consolidated Financial Statements**") prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Audited Consolidated Financial Statements have been audited by Deloitte, S.L. as stated in its unqualified reports included herein starting on page F-1. The Audited Consolidated Financial Statements are included herein starting on page F-5.

The Group's audited consolidated financial statements for the year ended 31 December 2013 (the "2013 Audited Consolidated Financial Statements") were formally prepared by the Directors of the Company at the Board of Directors meeting held on 4 March 2014. On 22 April 2014, the Company's Directors, taking into account the importance of the events occurring after the reporting date described in Note 32 to the 2013 Audited Consolidated Financial Statements relating to the new management incentive plan for certain Group employees, have reformulated the 2013 Audited Consolidated Financial Statements. Having also considered the proposed Admission, the Company's Directors considered it appropriate to disclose information additional to that which they previously held in relation to the revaluation of the provision for executive incentives (see Note 29 to the 2013 Audited Consolidated Financial Statements), to the assumptions and sensitivity analyses relating to the impairment tests (see Note 6 to the 2013 Audited Consolidated Financial Statements) and to the contingencies relating to vehicle roadworthiness testing in Catalonia (see Note 27 to the 2013 Audited Consolidated Financial Statements). Also, Note 32 to the 2013 Audited Consolidated Financial Statements describes other significant events occurring after the reporting period. As a result, the 2013 Audited Consolidated Financial Statements were replaced for all purposes by the reformulated audited consolidated financial statements for the year ended 2013 on 22 April 2014.

Unless stated otherwise, the financial information as of and for the years ended 31 December 2011 and 2012 presented and discussed in this document is derived from the Combined Financial Statements and the financial information as and of the year ended 31 December 2013 is derived from the Audited Consolidated Financial Statements.

Management Financial or Non-IFRS Measures (unaudited)

In addition to the financial information presented herein and prepared under IFRS, the Group has included herein certain financial measures, which have been extracted from the accounting records of the Group, including "adjusted operating profit", "adjusted operating profit margin" and "adjusted net income". The Group has presented these non-IFRS financial measures, which are unaudited, because the Group believes they may contribute to a fuller understanding of the Group's results of operations by providing additional information on what the Group considers to be some of the drivers of the Group's financial performance.

These measures are not defined under IFRS and may be presented on a different basis than the financial information included in the Audited Consolidated Financial Statements and the Combined Financial Statements. Accordingly, they may differ significantly from similarly titled information reported by other companies, and may not be comparable. Investors are cautioned not to place undue reliance on these non-IFRS financial accounting measures, which should be considered supplemental to, and not a substitute for, the financial information prepared in accordance with IFRS included elsewhere in this document.

MARKET AND INDUSTRY DATA

Certain market and industry data used in this document relating to the Group's business has been extracted without material adjustment from internal surveys, reports and studies, where appropriate, as well as from industry publications and research conducted by third parties. The Company confirms that this information has been accurately reproduced, and as far as it is aware, and is able to ascertain from information published by those third parties, no facts have been omitted which would render the information inaccurate or misleading. Although the Group considers such data to be reliable and to have been accurately reproduced by the Company for the purposes of this document, such data has not been independently verified.

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" which are based on estimates and assumptions and subject to risks and uncertainties. Forward-looking statements are all statements other than statements of historical fact or statements in the present tense, and can be identified by words such as "targets", "aims", "aspires", "assumes", "believes", "estimates", "anticipates", "expects", "intends", "hopes", "may", "outlook", "would", "should", "could", "will", "plans", "potential", "predicts" and "projects", as well as the negatives of these terms and other words of similar meaning. Since these statements speak as to the future, and are based on estimates and assumptions and subject to risks and uncertainties, actual results could differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements appear in a number of places in this document, including in *"Use of Proceeds"*, *"Dividends"*, *"Operating and Financial Review"* and *"Business"*. These may include, among other things, statements relating to:

- the future financial condition of the Group;
- the Group's expected results of operations and business;
- acquisition and disposal strategies;
- capital expenditure priorities;
- prospects and dividends;
- anticipated uses of cash;
- regulatory or technological developments in the markets in which the Group operates;
- potential synergies and cost savings;

- the Group's ability to introduce and expand services;
- competitive and economic factors;
- the growth potential of certain markets;
- liquidity, capital resources and credit risk; and
- the expected outcome of contingencies, including litigation.

The factors listed above and risks specified elsewhere in this document should not be construed as exhaustive. Actual results may differ materially from those described in the forward-looking statements and, therefore, undue reliance should not be placed on any forward-looking statements.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this document include those described in *"Risk Factors"*. The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- changes in the macroeconomic environment;
- competition in the markets in which the Group operates and the ability of the Group to compete;
- increased personnel costs and labour shortages;
- ability to attract and retain key personnel;
- ability to obtain and maintain certain authorisations;
- changes in political, social, legal, economic and other conditions affecting the markets in which the Group operates;
- costs and liabilities that the Group may incur in connection with litigation;
- the Group's ability to insure itself effectively against the financial consequences of potential claims;
- existing or future regulations and standards in the markets in which the Group operates;
- the Group's ability to perform contracts entered into with its clients;
- the Group's ability to protect its reputation;
- the Group's ability to maintain effective internal controls and management independence;
- the Group's ability to meet its debt service obligations and capital expenditure plans;
- restrictions imposed on the Group by certain of its debt instruments; and
- exchange rate and interest rate fluctuations.

Readers should not place undue reliance on any forward-looking statements, which speak only as of the date of this document. Except as otherwise required by Spanish, US federal and other applicable securities law and regulations and by any applicable stock exchange regulations, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in the Company's expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

ENFORCEMENT OF CIVIL LIABILITIES

Applus Services, S.A. is a Spanish company and the majority of the Company's assets are located outside of the United States. In addition, most of the Company's directors and executive officers, as well as the Selling

Shareholders, reside or are located outside of the United States. As a result, investors may not be able to effect service of process outside these countries upon the Company or these persons or to enforce judgments obtained against the Company or these persons in foreign courts predicated solely upon the civil liability provisions of US securities laws. Furthermore, there is doubt that a lawsuit based upon US federal or state securities laws, or the laws of any non-Spanish jurisdiction, could be brought in an original action in Spain and that a foreign judgment based upon such laws would be enforceable in Spain. There is also doubt as to the enforceability of judgments of this nature in several other jurisdictions in which the Company operates and where the Company's assets are located.

AVAILABLE INFORMATION

The Company is currently neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. For as long as this remains the case, the Company will furnish, upon written request, to any shareholder, any owner of any beneficial interest in any of the Shares or any prospective purchaser designated by such a shareholder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, if at the time of such request any of the Shares remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

EXCHANGE RATES

The Group reports its financial results in its functional currency, the euro. However, the Group operates in more than 60 countries worldwide and many of the Group's subsidiaries transact business in currencies other than the euro. The following table sets forth, for the periods set forth below, the high, low, average and period-end Bloomberg Composite Rate for the euro as expressed in Australian dollars, Canadian dollars, US dollars, British Pounds Sterling and Danish Kroner per €1.00, which, after the euro, are the principal currencies referred to herein. The Bloomberg Composite Rate is a "best market" calculation in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this document. No representation is made that the euro could have been, or could be, converted into Australian dollars, Canadian dollars, US dollars, British Pounds Sterling or Danish Kroner at that rate or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

Exchange Rates	**Period End**	**Average**	**High**	**Low**
	(US dollars per €1.00)			
Year:				
2011	1.2960	1.3924	1.4874	1.2925
2012	1.3197	1.2859	1.3463	1.2053
2013	1.3789	1.3283	1.3804	1.2772
Month:				
January 2014	1.3505	1.3620	1.3766	1.3505
February 2014	1.3808	1.3668	1.3808	1.3517
March 2014	1.3772	1.3830	1.3925	1.3733

The US dollar per euro Bloomberg Composite Rates on 31 March 2014 was US$1.3772 per €1.00.

Exchange Rates	**Period End**	**Average**	**High**	**Low**
	(Canadian dollars per €1.00)			
Year:				
2011	1.31748	1.37657	1.43010	1.28440
2012	1.31298	1.28502	1.34435	1.21487
2013	1.46550	1.36859	1.47199	1.28647
Month:				
January 2014	1.50050	1.48857	1.52634	1.44336
February 2014	1.52555	1.51033	1.52801	1.49244
March 2014	1.52033	1.53589	1.55318	1.51758

The Canadian dollar per euro Bloomberg Composite Rates on 31 March 2014 was CAD $1.52033 per €1.00.

Exchange Rates	**Period End**	**Average**	**High**	**Low**
	(AUD dollars per €1.00)			
Year:				
2011	1.26364	1.34826	1.42887	1.26364
2012	1.27108	1.24179	1.29532	1.16168
2013	1.54467	1.37754	1.54955	1.22340
Month:				
January 2014	1.54374	1.53785	1.56962	1.50759
February 2014	1.54691	1.52250	1.54691	1.50582
March 2014	1.48548	1.52194	1.54754	1.48519

The Australian dollar per euro Bloomberg Composite Rates on 31 March 2014 was AUD $1.48548 per €1.00.

Exchange Rates	**Period End**	**Average**	**High**	**Low**
	(GBP per €1.00)			
Year:				
2011	0.83571	0.86798	0.90322	0.83040
2012	0.81255	0.81124	0.84825	0.77745
2013	0.83231	0.84912	0.87480	0.81135
Month:				
January 2014	0.82051	0.82698	0.83417	0.81747
February 2014	0.82545	0.82511	0.83237	0.81844
March 2014	0.82565	0.83194	0.83958	0.82086

The British Pounds Sterling per euro Bloomberg Composite Rates on 31 March 2014 was GBP £0.82565 per €1.00.

Exchange Rates	**Period End**	**Average**	**High**	**Low**
	(DKK per €1.00)			
Year:				
2011	7.4338	7.4506	7.4595	7.4313
2012	7.4608	7.4438	7.4617	7.4303
2013	7.4603	7.4580	7.4634	7.4522
Month:				
January 2014	7.4626	7.4615	7.4632	7.4586
February 2014	7.4626	7.4623	7.4626	7.4618
March 2014	7.4659	7.4640	7.4665	7.4626

The Danish Kroner per euro Bloomberg Composite Rates on 31 March 2014 was DKK 7.4659 per €1.00.

SUMMARY

This summary should be read as an introduction to this document; any decision to invest in the securities should be based on consideration of this document as a whole by the investor including, without limitation, the information set forth in "Risk Factors" and the Combined Financial Statements (including the notes thereto) included elsewhere in this document.

Overview

The Group is one of the world's largest testing, inspection and certification ("**TIC**") companies with leading global market positions in its chosen markets. Applus+ provides technically sophisticated, regulatory-driven and mission-critical services and solutions for the energy, industrial, infrastructure and automotive sectors that enable its clients to manage risk, enhance the quality and safety of their products, assets and operations, comply with applicable standards and regulations and optimise industrial processes. The Group provides its services and solutions to a highly diverse blue chip client base in established as well as high-growth economies globally.

Headquartered in Barcelona, Spain, the Group operates in more than 60 countries through its network of 324 offices, 157 testing facilities and 322 statutory vehicle inspection stations, and employs more than 19,000 people (including approximately 3,000 engineers). In the year ended 31 December 2013, the Group recorded revenue of €1,581 million and adjusted operating profit of approximately €150.7 million. From 1 January 2011 to 31 December 2013, the Group's revenue grew at a compound annual growth rate ("**CAGR**") of 15.8 per cent. For the year ended 31 December 2013, the Group recorded 44.2 per cent. of its revenue in Europe, 22.9 per cent. in the United States and Canada, 15.8 per cent. in the Asia Pacific region, 10.2 per cent. in the Middle East and Africa and 6.9 per cent. in Latin America.

The Group operates through six global divisions, each of which is reported as a segment for financial reporting purposes and which operates under the "Applus+" global brand name. The Group's Statutory Vehicle Inspections and Automotive Engineering and Testing divisions operate on a standalone global basis and are considered as two independent operating verticals. The four divisions serving clients across the energy and industry markets are also operated globally, but have complementary service offerings and target a similar set of end-markets, and are therefore grouped together in the Energy and Industry Services vertical. The following is a summary of the Group's services across these three verticals:

- *Energy and Industry Services*: The Group provides testing, inspection and certification services, including non-destructive testing ("**NDT**"), asset integrity testing, site inspection, vendor surveillance, certification and other services to a diversified client base across a range of highly attractive sectors, including the energy, power generation, infrastructure, industrial, IT and aerospace sectors. The Group is the second largest provider of TIC industrial services globally and the world's leading provider of TIC industrial services to the oil and gas industry (by revenue (2012)). The Group's mission-critical services assist its clients to increase productivity, reduce repair costs, extend the economic life of their assets, comply with applicable national regulations and international quality and safety standards and enhance safety. The Group provides these services to clients in Europe, the United States and Canada, the Asia Pacific region, the Middle East, Africa and Latin America. The Group's Energy and Industry Services vertical comprises the following four divisions:

  - Applus+ RTD is a leading global provider of NDT services to clients in the upstream, midstream and downstream oil and gas industry. Applus+ RTD also provides services to the power utilities, aerospace and civil infrastructure industries. Applus+ RTD's services provide the Group's clients with tools and solutions to inspect and test the mechanical, structural and materials integrity of critical assets such as pipelines, pressure vessels and tanks without causing damage to those assets, either at the time of installation or during the assets' working lives. The Group believes that Applus+ RTD has established a recognised brand and a reputation for technology leadership and quality globally, based on a combination of industry-leading testing equipment and software, staff expertise and extensive experience with leading global clients. Applus+ RTD is active in more than 25 countries across five continents;

  - Applus+ Velosi is a leading global provider of vendor surveillance (third party inspection and auditing services to monitor compliance with client specifications in procurement transactions), site inspection, certification and asset integrity as well as specialised manpower services primarily to companies in the oil and gas industry. Applus+ Velosi has a long-established presence in the Asia Pacific region, the Middle East, Africa and Europe and has also established significant operations in the Americas. Applus+ Velosi is active in more than 35 countries around the world;

- Applus+ Norcontrol focuses primarily on the Spanish, Latin American and Middle Eastern markets. In Spain, Applus+ Norcontrol principally provides supervision, technical assistance and inspection and testing services in respect of electricity and telecommunications networks and industrial facilities. In Latin America, Applus+ Norcontrol primarily provides quality assurance, quality control, testing and inspection and project management services to the utilities, oil and gas and civil infrastructure sectors. Applus+ Norcontrol has a leading market position in Spain, a growing presence in a number of its Latin American markets and has recently established a presence in the Middle East and other countries; and

- Applus+ Laboratories provides a range of laboratory-based product testing, system certification and product development services to clients in a wide range of industries including the aerospace, oil and gas and payment systems sectors.

The Energy and Industry Services vertical employs approximately 12,600 full time equivalents (“**FTEs**”).

- *Statutory Vehicle Inspections*: Applus+ Automotive is the second largest provider, measured by number of inspections carried out, of statutory vehicle inspection services globally, according to the Group’s estimates. The Group provides vehicle inspection and certification services across a number of jurisdictions in which periodic vehicle inspections for compliance with technical safety and environmental specifications are mandatory. Eighty per cent. of these services (by revenue) are provided pursuant to concession agreements or authorisations which regulate and restrict the number of competing operators with an average weighted remaining term of approximately nine years, as at the date of this document. The Group carried out more than 10 million vehicle inspections in 2013 across Spain, Andorra, Ireland, Denmark, Finland, the United States, Argentina and Chile and this vertical employs approximately 3,000 FTEs.

- *Automotive Engineering and Testing*: Applus+ IDIADA provides engineering, safety testing and technical testing services as well as proving ground and homologation (testing and certification of new and prototype vehicle models for compliance with mandatory safety and technical standards) services globally to many of the world’s leading vehicle manufacturers. The Group operates what it believes is the world’s most advanced independent proving ground near Barcelona and has a broad client presence across Europe, China, India and Brazil. Applus+ IDIADA employs approximately 1,700 FTEs.

Competitive Strengths

Global platform with market leadership and scale

Leading provider of testing, inspection and certification services to the energy and industry sectors

The Group is the second largest provider of TIC industrial services globally and the world’s leading provider of TIC industrial services to the oil and gas industry (by revenue (2012)) The Group has established technological leadership through continued investment in its proprietary hardware, software and technical know-how, which has enabled it to establish a strong brand and reputation for innovation and service quality among its clients and to expand its market share in the energy and industry sectors. The Group believes that these competitive attributes should enable it to continue to grow its market share in the energy and industry sectors, enhance its robust competitive position and attract and retain qualified personnel.

Leading global position in the statutory vehicle inspections market

The Group believes it is the second largest provider globally in the statutory vehicle inspection and emissions testing market, by number of inspections, having conducted more than 10 million inspections in Ireland, Spain, Denmark, Finland, the United States, Chile and Argentina in 2013. The Group believes that it is one of only a few global operators that have the technological and operational capabilities to deliver statutory vehicle inspections and emissions testing services efficiently on behalf of national, regional and state authorities, which enhances the Group’s ability to win further contracts and to renew or retain existing ones. Management of the

Group believes that the Group's strong track record of delivering a high level of service, together with its strong brand and credibility in the statutory vehicle testing market should enable it to renew existing contracts successfully while winning new business globally.

Leading provider of testing and engineering services to automotive OEMs

The Group is a leading testing, engineering and homologation services provider to global automotive original equipment manufacturers ("**OEMs**") and operates what is believes is the world's most advanced independent vehicle engineering and testing facilities at its proving ground, near Barcelona. The Group has developed engineering expertise across the automotive value chain which has enabled it to become a leading provider of design and engineering services to global automotive OEMs, many of whom have co-located design and engineering operations at the Group's proving ground. In addition to its long-established European operations, the Group's global network spans key growth markets, including China, India, South Korea and Brazil. The Group believes that its international presence, best-in-class facilities and engineering expertise will enable it to sustain attractive continued growth with existing customers and win business from prospective clients.

Established international network with scale in global markets

The Group believes that the extent of its international network will enable it to achieve further economies of scale and continue to grow across the Group's end-markets and geographies. In particular, the Group's scale in each of its key geographies allows it to serve its multinational blue chip client base globally while also leveraging the extensive local knowledge of national regulatory and business environments to provide highly localised services to clients. The Group believes that the global nature of its network and its leadership positions in key end-markets confer certain competitive advantages upon it, including well-established awareness and recognition of the Group's brand and reputation among clients, economies of scale, the ability to serve clients locally as well as globally and the ability to source acquisition opportunities across the Group's network.

Strategic focus on attractive market segments with robust structural growth

The global testing, inspection and certification market continues to benefit from favourable structural growth trends. These trends include growth in the outsourcing of services to third party providers, the adoption of western safety standards in emerging markets, globalisation, the proliferation of new regulatory requirements, privatisation of state-owned assets as well as general market growth driven by investments in infrastructure and global economic growth, which expand the market for testing, inspection and certification services globally. These trends are generally applicable to the various sub-segments of the testing, inspection and certification industry, and are further enhanced by specific drivers that impact each sub-segment or end-market.

The Group has focused its operations on those markets where it enjoys a leadership position and which it believes benefit from favourable market characteristics, including an attractive competitive landscape and robust growth opportunities. The Group's Energy and Industry Services, Statutory Vehicle Inspections and Automotive Engineering and Testing verticals exhibited an average annual organic growth rate of 15.1 per cent., 5.7 per cent. and 18.6 per cent., respectively, from 2011 through to 2013.

The Group believes that its chosen markets benefit from particularly favourable growth drivers, as outlined below:

Large and growing demand from oil and gas and industry end-markets globally

The Group expects that capital and operating expenditures in the oil and gas sector will increase globally as a result of a number of factors, including investments into new production assets, ageing oil and gas production assets and transportation infrastructure, which requires more frequent inspection and testing to ensure safety and to prolong the useful lives of assets. Additionally, industrial assets are subject to increasingly stringent regulation, partly as a result of major recent safety and environmental incidents and partly due to the increasing adoption of western safety standards in emerging markets.

For example, the Group is currently providing services for clients constructing and operating large-scale energy transportation infrastructure in two of the largest shale regions in the United States. The Group believes that its operations in the United States and Canada are well-positioned to take advantage of further significant anticipated investments into upstream and midstream assets in these regions.

Visible and resilient statutory vehicle inspections market with increasing service scope and international opportunities

The mandatory nature of statutory vehicles inspections provides the Group with highly visible and resilient revenue. Through its experience in the sector and across a number of markets that it operates in, such as Spain, the Group has observed that the volume of inspections has grown over the years and is remaining resilient during periods of economic downturn as lower new vehicle sales frequently lead to ageing vehicle fleets which require more frequent inspections. Proposed amendments to vehicle inspection legislation in the European Union, if enacted, could increase the frequency and the range of vehicles (to include trailers and motorcycles) that are subject to testing, giving rise to the potential for further growth in the statutory vehicle inspections market. The Group believes that the legislation will result in an increase in the number of inspections that its operations within the European Union will carry out. The Group believes that further emissions testing programmes may be introduced in the United States, which would provide a growth opportunity for the Group's operations in the United States and Canada. Similarly, the Group expects that several countries in Africa, Asia, the Middle East and Latin America may adopt statutory vehicle inspection regimes in the coming years and believes that as a result of its leadership position and brand name in the global statutory vehicle inspections market, it will be well positioned to take advantage of a number of these growth opportunities. The Group has identified a number of opportunities for international tenders which it is currently pursuing.

High growth automotive testing and engineering market

Demand for the Group's automotive engineering and testing services is principally driven by a continued increase in the outsourcing of specific functions by resource-constrained automotive OEMs together with the increase in vehicle models launched, all of which require independent testing and certification against safety and performance standards. For example, the number of vehicle models offered is expected to increase by more than 40 per cent. between 2011 and 2020. In addition, the expansion of European automotive OEMs into emerging markets, such as Brazil, is expected to create more opportunities for the Group to expand its homologation services into such markets. Automotive OEMs in emerging economies, such as China, typically need to import technical know-how from established automotive markets, which is further driving demand for the Group's testing and engineering services. Increasingly stringent emissions standards in Europe, Asia and the United States will also drive demand for specialist engineering know-how. The Group believes that these market trends, combined with its strong brand and reputation for technical expertise will enable it to take advantage of these attractive growth opportunities.

Strong barriers to entry strengthening blue-chip client relationships

The Group benefits from multiple competitive advantages creating barriers to entry that limit the development of competing global TIC platforms. The Group's scale allows it to operate an efficient network globally based on economies of scale across the Group's platform and allows the Group to win new business from clients that require a comprehensive global presence and local expertise. This scale and the Group's operating leverage create barriers to entry for smaller operators that lack the Group's global reach. The Group's specific competitive advantages include:

Technical expertise, proprietary technology and patents

The Group has developed market-leading technical expertise in each of its divisions, which has enabled it to develop a significant amount of proprietary technology (hardware and software) and techniques. As at the date of this document, the Group holds 38 patents and operates multiple proprietary client-facing software platforms that support its services. The Group has a large number of technical experts, including an estimated 3,000 engineers.

Portfolio of accreditations, concessions and authorisations

The Group has obtained numerous accreditations, concessions and authorisations, which, depending on the country or business area concerned, include accreditations, approvals, delegated authority, official recognition, certifications or listings and are in effect a licence to operate. For example, Applus+ RTD holds more than 60 authorisations issued by numerous national and international organisations. Obtaining such authorisations globally can be a lengthy process requiring the applicant to establish the strength of its expertise and internal systems. Acquiring a broad portfolio of authorisations and accreditations, together with the associated expertise and experience, is therefore a long-term process that is not easy to replicate.

World class facilities

The Group operates a number of best-in-class facilities which underpin the Group's ability to deliver world class technology, expertise and services. In particular, the Group's network of 322 custom-designed vehicle inspection stations and its engineering and testing laboratories and proving grounds all provide a differentiated platform that would be extremely difficult to replicate.

Efficient, well-invested global network

Through a combination of organic growth and selective acquisitions, the Group has developed a significant global presence that enables it to provide services to key multinational clients wherever they operate in the world as well as service local clients directly, while operating with attractive economies of scale across its global operations. For example, the Group believes that many of the major global energy companies are increasingly seeking to rationalise companies from which they procure testing and inspection services, with a preference for service providers that have a global platform capable of providing consistently high levels of service and a diversified portfolio of services. Replicating the Group's global network would require substantial time, capital and managerial resources and capabilities.

Long-term relationships with core clients

The Group has established long-term relationships with its clients, with 79 per cent. of its top-50 clients (by revenue for the year ended 31 December 2013) having been clients for more than ten years, 7 per cent. for more than five years and 6 per cent. for more than three years. In addition, the Group believes that its in-depth knowledge of key clients' supply chains and facilities provides it with a significant competitive incumbent advantage, since switching service providers carries material costs and risk of disruption of the clients' own services as well as potential capital risks. These long-term, entrenched relationships with key clients have enabled the Group to achieve continued, resilient organic growth across its divisions. The Group has a diverse client base with its top-ten clients (by revenue) representing only 19 percent of the Group's total revenue in the year ended 31 December 2013.

Attractive and resilient financial profile

Superior growth profile underpinned by best in class organic growth

Since 2011, the Group has enjoyed strong revenue and adjusted operating profit growth driven by value-enhancing acquisitions and strong organic growth. The Group's consolidated revenue and adjusted operating profit increased at a CAGR of 15.8 per cent. and 25.0 per cent., respectively, in the three-year period from 1 January 2011 to 31 December 2013.

Recurrent and resilient financial profile

The Group has historically had a high level of recurrent revenue as a result of entrenched, long-term client relationships, global master services agreements, the non-discretionary nature of demand for mission-critical services and multi-year contracts, such as its statutory vehicle inspection concessions. The Group's operations are highly diversified, both geographically and by end-market, which provides the Group with a resilient platform for further growth.

Proven track record of improving operating performance across several divisions with further tangible margin uplift

The adjusted operating profit margin for each of the Group increased from 8.2 per cent. in 2011 to 8.4 per cent. in 2012 and 9.5 per cent. in 2013. Since 2011, the Group's management has increased the Group's strategic focus across the divisions on margin improvement, in addition to revenue growth, which has resulted in improved profitability. The Group believes that there remains significant potential for further margin improvement across its divisions, driven by an increased focus on higher margin segments and technology, increased exposure to higher margin emerging markets, such as Africa, the Asia Pacific and the Middle East, improved operational leverage as the Group's American and Asian operations gain scale and the relocation of shares Group services to low cost countries.

Robust cash flow generation

The Group has demonstrated strong historical cash flow generation supported by low ongoing capital requirements and efficient working capital management. The Group's maintenance capital expenditures have amounted to 2.9 per cent., 3.5 per cent. and 2.9 per cent. of the Group's combined revenue for the years ended 31 December 2011, 2012 and 2013, respectively.

Proven track record of value creation through acquisitions

In pursuit of its strategy to strengthen its global reach, expand existing segments, move into new end-markets and accelerate its growth, the Group has successfully acquired and integrated more than 20 businesses across different geographic regions over the past six years. The Group's revenue increased, as a result of Growth from Acquisitions, by 4.7 per cent. between 2011 and 2012.

The Group leverages its global footprint, using its experienced local management teams and a dedicated corporate development team to identify opportunities and to analyse, negotiate, complete and integrate acquisitions. The Group focuses principally on proprietary transactions involving privately owned companies with attractive valuations and the Group drives further value creation for the Group by extracting revenue and cost synergies from its acquisitions.

For example, the Group expanded its services portfolio and geographic presence with the acquisition of Applus+ Velosi in 2011 and expanded into the high-growth NDT market in the United States and Canada with the acquisition of several small- and medium-sized testing and inspection companies. The Group believes that the markets in which it operates are highly fragmented and offer a number of attractive potential acquisition opportunities. The Group has identified more than 100 potential acquisition opportunities and believes that these opportunities, together with its acquisition expertise would enable the Group to continue to deliver additional value from acquisitions.

Experienced international management team

The Group benefits from an experienced and committed international management team with strong industry experience and a track record of delivering strong financial performance. The Company's senior management is supported by strong divisional management teams with broad experience across the Group's operations. The Group's divisions operate in a decentralised manner with a high degree of responsibility entrusted to divisional and local management in order to preserve an entrepreneurial spirit and tailor client solutions at the local level.

Since 2008, the Group's management team has successfully expanded the Group's international presence from 32 countries to more than 60 countries as of the date of this document, and overseen the continued expansion of the business from revenue of €818 million for the year ended 31 December 2008 to €1,581 million for the year ended 31 December 2013. In addition, the management team has successfully restructured and reorganised a number of the Group's businesses to improve margins across a number of its divisions, driving the adjusted operating profit margin from 8.2 per cent. for the year ended 31 December 2011 to 9.5 per cent. for the year ended 31 December 2013. Senior management, supported by the Group's highly capable technical staff, expects to continue executing on the favourable opportunities available to the Group.

Strategy

Expand the Group's current businesses

The Group has achieved revenue growth not attributable to acquisitions or fluctuations in exchange rates ("**Organic Growth**") of 16.2 per cent. in 2012 compared to 2011 and 11.5 per cent. in 2013 compared to 2012. The Group aims to drive continued robust organic growth by focusing on growth across new services and expanding its presence in existing or less developed geographies, while sustaining its growth in existing services and markets.

Develop new services

The Group continually identifies and develops new services to drive growth, with a particular focus on value-added services and tailored solutions with high-margin. The Group also collaborates with clients to develop new services. For example, Applus+ IDIADA assists clients to develop and integrate new technologies within their designs, such as engines powered by new fuels and autonomous driving systems. Within the Applus+ RTD segment, the Group has assisted clients develop unpiggable inspection technologies and the Applus+ Laboratories division has developed new testing technologies for mobile payment systems.

Geographical expansion

While the Group already operates a broad global footprint, it believes that there remains scope to expand its geographical network across its six divisions to optimise its size in existing geographies and to grow in new geographies with existing clients. For example, the Group believes that there are attractive opportunities for growth in the Statutory Vehicle Inspection vertical in the United States and Canada and other markets, for Applus+ RTD in Latin America and the United States and Canada, for Applus+ Velosi in Latin America and for Applus+ Norcontrol in Latin America and the Middle East.

Focus on high-growth end-markets

The Group intends to continue to focus its operations on end-markets and geographies with superior growth potential, including the oil and gas, aerospace and automotive engineering and testing sectors, with a geographic focus on the United States and Canada, Latin America, the Middle East, Africa and the Asia Pacific region, as well as the infrastructure sector in emerging markets.

Operate as a global market leader in chosen end-markets

Leading scale in chosen business lines

The Group aims to be ranked consistently among the three largest operators, by revenue, in each of its three chosen focus areas within the testing, inspection and certification sector: energy and industry services, statutory vehicle inspections and automotive engineering and testing, coupled with market leadership in certain niche, high margin, areas such as advanced NDT and unpiggable pipeline inspection.

Best-in-class operator

The Group seeks to continue to operate as a partner of choice to clients and to foster long-term relationships with clients by maintaining and improving its operational excellence and enhancing its reputation for quality and integrity in its service offerings.

Global footprint with local presence

The Group intends to consolidate its global and local network by continuing to provide excellent and consistent levels of service across its geographies, following clients as they expand into different geographies and ensuring that the Group can compete with global and local competitors for all sizes of contracts.

Continue to be at the forefront of technological leadership

The Group aims to deliver superior and value-added services by leveraging its technological capabilities and research and development teams to develop state-of-the-art proprietary technologies, including hardware, software and ancillary tools, through continued investment in research and development, by retaining a strategic focus on technical expertise and know-how and by collaborating and partnering with clients to develop new technologies based on the specific needs of the Group's clients. The Group believes that its research and development teams, highly experienced scientists, established hardware platform and software and data acquisition and processing tools will enable it to continue to be one of the technological leaders in its chosen markets.

Drive efficiency and improve margins

The Group is focused on increasing its profitability and operating margins through the following initiatives:

Enhanced strategic focus on margin improvement

Since 2011, the Group's management has driven a change in culture by strategically focussing on margin improvement, as well as revenue growth, which has resulted in improved profitability. The Group will continue focus and encourage margin improvement across its divisions, as it believes that there is further potential for growth in this area.

Moreover, the Group seeks to consolidate its strategic focus on profitability by linking its management compensation incentives to margin improvement.

Benefit from operating leverage

The Group will seek to leverage its economies of scale to ensure that revenue grows at a faster rate than employee costs and other overheads within the Group's divisions. The Group also believes that certain of its smaller operations, such as those in Nigeria, Ghana, South Africa, Mongolia, Korea and Central Asia will benefit from economies of scale and see improved margin performance as they grow.

Turnaround of underperforming business units

The Group continually monitors businesses that do not meet the Group's profitability targets and will seek to restructure or make other strategic decisions in relation to such businesses, as required. The Group successfully turned around the underperforming Applus+ Norcontrol business from 2011 to 2013, despite poor economic conditions. The Group has also divested or discontinued poorly performing businesses in Japan, Poland and Sweden during the past two years.

Continued focus on high margin businesses

The Group will seek to increase its profit margins by increasing the proportion of higher value-added services that it provides to clients. For example, the Group expects to focus its divisions as follows:

- Applus+ RTD and Applus+ Velosi: focus on the upstream and offshore oil and gas sectors where advanced NDT services, such as girth weld testing on pipelines with advanced ultrasonics or radiographs, and asset integrity services attract higher premiums;
- Applus+ Norcontrol: focus on the civil infrastructure sector in emerging markets;
- Applus+ Laboratories: focus on the aerospace, oil and gas, and IT testing, inspection and certification sectors;
- Applus+ IDIADA: focus on developing new services that have a high technical content, such as turn-key projects requiring the integrated development of different vehicle components. Additionally, Applus+ IDIADA intends to invest in its technical expertise with a focus on potential high-growth niches such as electric vehicles, integrated safety technologies and autonomous driving systems; and.
- Applus+ Automotive: seek to develop further proprietary software which will manage vehicle inspection programmes by collecting and processing data from such inspections as well as producing the resulting financial information in order to provide a fully integrated interface that better serves the needs of clients and regulators.

Continued focus on capacity utilisation and labour productivity

The Group will seek to exploit economies of scale to ensure that overheads and indirect staff costs at the corporate and divisional level will grow at a rate below revenue growth. In addition, the Group intends to integrate shared services across its divisions to improve focus on capacity utilisation and labour productivity. For example, the Group seeks to enhance its resource planning software in order to track availability of human resources more effectively and therefore improve productivity rates. Additionally, the Group intends to continue to optimise its equipment utilisation ratio and reduce overall insurance expenses through economies of scale.

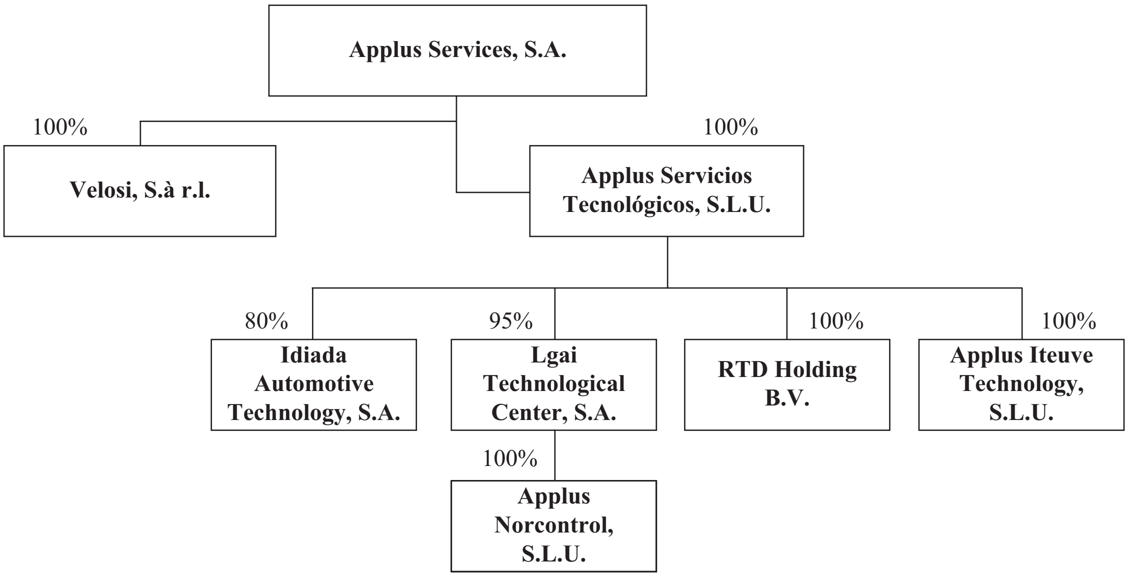
Pursue selective, value-enhancing acquisitions

The Group intends to continue to make selective, value-enhancing acquisitions in order to accelerate its growth, enhance its existing portfolio and increase its scale in order to acquire new capabilities and improve its client reach. In particular, the Group intends to acquire new research and development and technical expertise, permits and access to operate in new regions and broaden its customer base in critical areas. The Group will focus principally on small- and medium-sized privately owned companies that will enable it to increase its scale in key growth regions, such as the United States and Canada, Central Asia, the Middle East, Africa and Latin America. In addition, the Group is focused on pursuing acquisitions that will enable it to extend its leadership positions in high-growth end markets, such as the oil and gas industry and the automotive engineering and testing market, by giving the Group access to new technical expertise or niche service offerings. The Group will also monitor the market and may consider larger acquisition opportunities that would enable it to gain immediate leadership in a new end-market. The Group has identified more than 100 potential acquisition targets in all of its end-markets and geographies and believes that its track record of successfully sourcing, executing and integrating small and large transactions will enable it to continue to make value-enhancing acquisitions.

Group structure

The Company is the parent company of the Group formed by 30 principal directly and indirectly controlled subsidiaries above. The Company will not upon Admission belong to any wider corporate group.

The following chart shows the Company and its material subsidiaries together with the relevant ownership interests.



Current Trading and Recent Developments

The performance of the Group in the first two months of 2014 was positive and the Group expects a similar performance in March 2014. During the first two months of 2014, revenue increased by 8.0 per cent. and operating profit before depreciation, amortisation and others increased by 27.6 per cent. compared to the equivalent period in 2013. This growth was driven principally by the strong performance of Applus+ RTD and Applus+ IDIADA.

During the first two months of 2014, operating profit increased by 256.6 per cent. compared to the equivalent period in 2013, as a result of a reduction of other losses and amortisation and depreciation. In the same period, adjusted operating profit increased by 53.9 per cent. compared to the first two months of 2013 as a result of the increase in operating profit before depreciation, amortisation and others and a decrease in other losses arising from the start-up costs from new businesses. The Group performs impairment tests, and therefore, records impairments on an annual basis at the end of the financial year, or if there is an event or change that suggests that the carrying amount may not be recorded.

Revenue

Revenue increased to €247,611 thousand in the first two months of 2014, from €229,242 thousand in the equivalent period in 2013 driven by Organic Growth of 11.4 per cent. and Growth from Acquisitions of 1.5 per cent. Such growth was partially offset by a decrease in revenue of 4.9 per cent. due to unfavourable fluctuations in exchange rates. The Group's segments performed as follows:

- *Applus+ RTD:* Revenue increased by 14.7 per cent. (of which 19.2 per cent. was Organic Growth) to €79,038 thousand in the first two months of 2014, from €68,902 thousand in the equivalent period in 2013, primarily driven by the continuation of three large pipeline projects in the United States. Applus+ RTD also enjoyed significant revenue growth in Canada, Asia Pacific, the Netherlands and the Middle East.

- *Applus+ Velosi:* Revenue increased by 9.8 per cent. (of which 12.1 per cent. was Organic Growth) to €59,248 thousand in the first two months of 2014, from €53,976 thousand in the equivalent period in 2013, principally due to an increase in technical staffing services in North America although such growth was partially offset by unfavourable fluctuations in exchange rates.

- *Applus+ Norcontrol:* Revenue increased by 4.0 per cent. (of which 8.5 per cent. was Organic Growth) to €30,087 thousand in the first two months of 2014, from €28,943 thousand in the equivalent period in 2013, principally in Latin America (in particular Colombia, Brazil and Chile) and as a result of the stabilisation of revenue in Spain after several years of declining revenue.

- *Applus+ Laboratories*: Revenue decreased by 16.3 per cent., principally due to the sale of the Group's agrofood testing business, to €7,392 thousand in the first two months of 2014, from €8,827 thousand in the equivalent period in 2013. In March 2014, the Group entered into an agreement to sell its agrofood business, which was part of the Applus+ Laboratories segment, to Eurofins Scientific. The agreement is effective as of 1 January 2014, and therefore, revenues from the agrofoods business are excluded from the Group's financial results in January and February 2014. For a further discussion see "— *Recent Developments*" below. Excluding its agrofood business, Applus+ Laboratories generated Organic Growth of 2.8 per cent. in the first two months of 2014 compared to the equivalent period in 2013.

- *Applus+ Automotive:* Revenue decreased by 3.2 per cent. (of which 0.5 per cent. was Organic Growth) to €48,064 thousand in the first two months of 2014, from €49,631 thousand in the equivalent period in 2013. Revenue was negatively impacted by unfavourable fluctuations in exchange rates, the conclusion of equipment sales in Canada and the loss of two stations in the Basque Country. The decrease in revenue was partially offset by Growth from Acquisitions in Denmark as a result of the acquisition of new stations acquired in December 2013.

- *Applus+ IDIADA:* Revenue increased by 20.3 per cent. (of which 22.2 per cent. was Organic Growth) to €23,754 thousand in the first two months of 2014, from €19,739 thousand in the equivalent period in 2013 driven by the robust performance of all the segment's services, particularly proving ground services.

Adjusted operating profit

The Group's adjusted operating profit increased by 53.9 per cent. to €18,360 thousand in the first two months of 2014, from €11,930 thousand in the equivalent period in 2013, as a result of an increase in operating profit before depreciation amortisation and others and a reduction in costs related to new businesses. Operating profit before depreciation, amortisation and others margins was negatively affected by seasonality, especially in Applus+ RTD and Applus+ Velosi, resulting in lower margins in comparison with the previous full year results. The Group's adjusted operating profit margin increased from 5.2 per cent. in the first two months of 2013 to 7.4 per cent. in the equivalent period in 2014. This increase was principally as a result of the improvement in operating profit before depreciation, amortisation and others margin and the reduction in other losses related to start-up costs for new businesses.

The increase in margin was driven by continuous focus across the Group on margin enhancement as well as revenue growth and the restructuring plans implemented in 2013 especially in Applus+ Norcontrol.

Recent Developments

New Facilities

On 7 April 2014, the Company entered into the €850 million multicurrency facilities agreement (the "**New Facilities Agreement**"), comprised of the €700 million multicurrency term loan facility (the "**New Term Loan Facility**") and the €150 million revolving facility agreement (the "**New Revolving Credit Facility**" and, together with the New Term Loan Facility, the "**New Facilities**") between, amongst others, Caixabank S.A., Société Générale, Sucursal en España, BNP Paribas Fortis S.A. N.V., Banco Santander, S.A., Credit Agricole Corporate and Investment Bank, Sucursal en España , RBC Capital Markets, Sumitomo Mitsui Finance Dublin Limited, Mizuho Bank Ltd., The Bank of Tokyo - Mitsubishi UFJ Ltd., UBS Limited, J.P. Morgan Limited and Citigroup Global Markets Limited as mandated lead arrangers, and Société Générale, Sucursal en España as agent and security agent. The New Facilities are conditional on Admission. The funds available under the New Term Loan Facility and €35 million under the New Term Loan Facility will be used, together with the net proceeds of the Offering and the Group's existing cash: (i) to repay the existing Syndicated Loan Facilities dated 27 November 2007 (as defined in "Material Contracts") in full in the amount of €1,047 million; and (ii) make an aggregate cash payment of approximately €20 million to certain key employees of the Group under a management incentive plan.

Sale of agrofoods business

In March 2014, the Group entered into an agreement to sell its agrofood business, including two laboratories, to Eurofins Scientific. The agreement is effective as of 1 January 2014. The Group's agrofood business was part of the Applus+ Laboratories segment and focused primarily on the Spanish market. For the year ended 31 December 2013, its agrofood business represented 19 per cent. of Applus+ Laboratories' revenues (0.7 per cent. of the Group's revenue) and 7.5 per cent. of Applus+ Laboratories' operating profit before depreciation, amortisation and others (0.3 per cent. of the Group's operating profit before depreciation, amortisation and others). The total proceeds received from the sale will amount to €10,394 thousand, with approximately 10 per cent. of the total consideration being deferred until 2015 and 2016.

Use of Proceeds

The Company is offering New Offer Shares and the Selling Shareholder is offering Existing Offer Shares in the Offering.

The Company will raise estimated gross proceeds of €300 million from the Offering. The underwriting commissions, fees and expenses which will be payable by the Company in connection with the Offering are estimated to be €36.2 million. The Company intends to pay this out of the gross proceeds of the Offering. Accordingly, the Company will raise estimated net proceeds of €263.8 million from the Offering.

The Company intends to use the net proceeds of the Offering, together with €700 million under the New Term Loan Facility and the Group's existing cash:

- to repay the existing Syndicated Loan Facilities in full in the amount of €1,047 million; and
- to make an aggregate cash payment of approximately €20 million to certain key employees of the Group under a management incentive plan.

Pursuant to the Offering, the Selling Shareholder will raise estimated gross proceeds of €800 million (assuming no exercise of Over-allotment Option). The Company will not receive any proceeds from the sale of the Existing Offer Shares by the Selling Shareholder. The Selling Shareholder will bear any commissions payable in respect of the sale of the Existing Offer Shares.

In addition, Azul Holding will raise estimated gross proceeds of €5.8 million in the Directed Offering and €0.1 million pursuant to the proposed sale of Shares to the New Chairman. For further details see, "*Management and Board of Directors — Shareholdings of Directors and Senior Management — Agreements to Acquire Shares*".

The Company believes that the Offering will enable the Group to expand the number of shareholders of the Company so as to reach a free float of 58.35 per cent. of the total issued share capital of the Company upon Admission (assuming the Over-allotment Option is not exercised), above the minimum threshold of distribution of the Company's Shares required for their admission to trading on the Spanish Stock Exchanges and on the AQS (which, in accordance with Spanish Royal Decree 1310/2005, of 4 November, and subject to certain exceptions, involves reaching a free float of at least 25 per cent. of the shares admitted to trading), and access the equity capital markets, which could allow the Company to improve its financing arrangements for the future development of the Group's business. In addition, it is expected that the Offering will enhance the Group's brand name as a result of being a listed company and provide liquidity on the Spanish Stock Exchanges for the Shares held by its shareholders. The Offering will also provide an opportunity for the Selling Shareholder and Azul Holding to transfer part of their investment in the Company.

Risk Factors

Risks Related to the Group's Industry

- The performance of the Group's business may be affected by global economic conditions;
- the Group is dependent on levels of capital investment and maintenance expenditures by its clients in the oil and gas industry;
- the Group operates in competitive markets and its failure to compete effectively could result in reduced profitability and loss of market share;
- the Group is dependent on its ability to attract and retain sufficient experienced engineers, scientists and other skilled technical personnel to achieve its strategic objectives;

Risks Related to the Group's Business

- changes to regulatory regimes could have a material adverse effect on the Group's business;
- liberalisation of statutory vehicle inspections markets could result in increased competition;
- the Group's leverage and ability to service its debt may adversely affect its business, financial condition, results of operation and prospects;
- any failure to obtain and maintain certain authorisations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects;
- a number of the Group's key agreements are limited in duration and the Group may not be able to renew such agreements;
- the Group provides services pursuant to contracts entered into with governmental authorities and such authorities may reduce or refuse to increase the price paid for the Group's services;
- there are many risks associated with conducting operations in international markets;
- adverse claims or publicity may adversely affect the Group's reputation, business, financial condition, results of operations and prospects;
- the Group seeks to expand its business partly through acquisitions, which, by their nature, involve numerous risks;
- the loss of any of the Group's key personnel could have a material adverse effect on the Group's business;
- the success of the Group's business depends, in part, on its ability to develop new proprietary technical solutions, increase the functionality of its current offerings and maintain its reputation as a technology leader;
- the Group may be subject to costs and liabilities in connection with current or future litigation or pre-litigation procedures relating to services it has performed;

- although the Group seeks to adequately insure itself, there can be no assurance that all claims made against the Group or all losses suffered may be effectively covered by its insurance;
- the Group may be unable to secure or protect its rights to intellectual property;
- disruptions to the Group's IT systems may have a material adverse effect on its business, financial condition, results of operations and prospects;
- the Group's business is exposed to exchange rate fluctuations. Such fluctuations, to the extent they are unhedged, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects;
- the Group's businesses may be adversely affected by virtue of having major clients in certain markets;
- the Group's operations are subject to anti-bribery and anti-corruption laws and regulations that govern and affect where and how the Group's business may be conducted;
- the Group holds significant tax assets which it may not be able to use, and is subject to tax legislation, the substance and interpretation of which may change;
- labour laws in certain jurisdictions in which the Group conducts its operations could limit the Group's flexibility with respect to employment policy and its ability to respond to market changes;
- compliance with extensive health, environmental and safety laws and regulations could increase the Group's costs or restrict its operations;
- certain of the Group's subsidiaries are held by third parties not controlled by the Group;
- the Group's goodwill and other intangible assets may be subject to further impairments in the future;

Risks Related to the Offering and to the Shares

- after the Offering, CEP II and CEP III will continue to be able to exercise significant influence over the Group, its management and its operations;
- substantial subsequent sales of Shares by significant shareholders could depress the price of the Shares;
- there is no established trading market for the Shares;
- shareholders in certain jurisdictions other than Spain may not be able to exercise their pre-emptive rights to acquire further shares;
- the market price of the Shares may be highly volatile;
- dividend payments are not guaranteed;
- the Company may be classified as a passive foreign investment company ("**PFIC**"), which could result in adverse US federal income tax consequences to US Holders of the Shares; and
- if the Company is treated as a financial institution under the US Foreign Account Tax Compliance Act ("**FATCA**"), withholding tax may be imposed on payments on the Shares.

The Offering

The Company	Applus Services, S.A.
The Selling Shareholder	Azul Finance, S.à r.l. (Lux) See "*Principal and Selling Shareholder*".
The Global Offering	The Offer Shares will be (i) sold in the United States only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) ("**QIBs**") in reliance on Rule 144A under the Securities Act and (ii) offered and sold outside the United States in compliance with Regulation S under the Securities Act.
Offering Price	The Offering Price at which Offer Shares are being sold in the Offering is €14.50 per Share.
Total number of Shares offered in the Offering	75,862,069 Offer Shares.
Share Capital	Immediately after the issue of the New Offer Shares, the Company's issued share capital will consist of 130,016,755 Shares.
Over-allotment Option	The Over-allotment Shareholders have granted an option to the Underwriters, exercisable within 30 calendar days from the date on which the Shares commence trading on the Spanish Stock Exchanges, to purchase additional Over-allotment Shares representing up to 10 per cent. of the total number of Shares offered by the Company and the Selling Shareholder in the Offering to cover over-allotments, if any, and short positions resulting from stabilisation transactions. The Company will not receive any of the proceeds from the sale of the Existing Offer Shares in the Offering or the Over-allotment Shares by the Over-allotment Shareholders.
Listings and quotation	Application has been made to list the Shares on the Spanish Stock Exchanges and to have them quoted on the AQS. It is expected that the Shares will be admitted to listing on the Spanish Stock Exchanges on or about 9 May 2014 under the symbol "APPS". If the Shares are not listed on the Spanish Stock Exchanges and quoted on the AQS before 23 May 2014, the Offering will terminate, the Shares will be returned to the Company and the Selling Shareholder and the purchase price will be returned to the purchasers, together with accrued interest. See "*Plan of Distribution*".

Directed Offering	Concurrently with the Offering, pursuant to the Directed Offering, the Chief Executive Officer and Chief Financial Officer of the Company will purchase from Azul Holding in aggregate 400,000 Shares at the Offering Price for total consideration of €5.8 million.
Dividends	Assuming that there are sufficient distributable reserves available at the time, the Company intends to target a dividend of approximately 20 per cent. of the Group's adjusted net income. Following Admission, the Company currently intends to pay its first dividend in 2015 after the publication of its financial results for the year ended 31 December 2014. The Company will disclose its adjusted net income through a relevant fact announcement ("*hecho relevante*") which will be available on its corporate website (www.applus.com) and on the CNMV's website (www.cnmv.es) simultaneously with the publication of its annual financial results. The amount of future dividends that the Company decides to pay, if any, will depend upon a number of factors, including, but not limited to, the Group's earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time. The amount of dividends will be proposed by the Company's Board of Directors and determined by its shareholders at general shareholders' meetings. The Offer Shares offered hereby will be eligible for any dividends paid or declared after the Offering. Upon Admission, and due to measures taken in 2013 and 2014 (including a capital reduction) and the capital increase for issuance of the new Shares in the Offering, the Company's equity structure will be sufficient to comply with the minimum thresholds set out in the Spanish Companies Act to permit dividend distribution. No dividends have been declared or paid by the Company in the three years ended 31 December 2011, 2012 and 2013. Any dividends paid in the future will be subject to tax under Spanish law. See "*Taxation — Spanish Tax Considerations*".
Voting rights	Each Share entitles the holder to one vote. See "*Description of Capital Stock — Shareholders' Meetings and Voting Rights*".
Total net proceeds of the Offering and use of proceeds	The Company is offering New Offer Shares and the Selling Shareholder is offering Existing Offer Shares in the Offering. The Company will raise estimated gross proceeds of €300 million from the Offering. The underwriting commissions, fees and expenses which will be payable by the Company in connection with the Offering are estimated to be €36.2 million. The Company intends to pay this out of the gross proceeds of the Offering. Accordingly, the Company will raise estimated net proceeds of €263.8 million from the Offering.

The Company intends to use the net proceeds of the Offering, together with €700 million under the New Term Loan Facility and the Group's existing cash:

- to repay the existing Syndicated Loan Facilities in full in the amount of €1,047 million; and
- to make an aggregate cash payment of approximately €20 million to certain key employees of the Group under a management incentive plan.

Pursuant to the Offering, the Selling Shareholder will raise estimated gross proceeds of €800 million (assuming no exercise of Over-allotment Option). The Company will not receive any proceeds from the sale of the Existing Offer Shares by the Selling Shareholder. The Selling Shareholder will bear any commissions payable in respect of the sale of the Existing Offer Shares.

In addition, Azul Holding will raise estimated gross proceeds of €5.8 million in the Directed Offering and €0.1 million pursuant to the proposed sale of Shares to the New Chairman. For further details see, "*Management and Board of Directors — Shareholdings of Directors and Senior Management — Agreements to Acquire Shares*" and *Plan of Distribution — Lock-Up Agreement*".

The Company believes that the Offering will enable the Group to expand the number of shareholders of the Company so as to reach a free float of 58.35 per cent. of the total issued share capital of the Company upon Admission (assuming the Over-allotment Option is not exercised), above the minimum threshold of distribution of the Company's Shares required for their admission to trading on the Spanish Stock Exchanges and on the AQS (which, in accordance with Spanish Royal Decree 1310/2005, of 4 November, and subject to certain exceptions, involves reaching a free float of at least 25 per cent. of the shares admitted to trading), and access the equity capital markets, which could allow the Company to improve its financing arrangements for the future development of the Group's business. In addition, it is expected that the Offering will enhance the Group's brand name as a result of being a listed company and provide liquidity on the Spanish Stock Exchanges for the Shares held by its shareholders. The Offering will also provide an opportunity for the Selling Shareholder to transfer part of its investment in the Company.

SUMMARY HISTORICAL KEY FINANCIAL INFORMATION

The summary selected financial information as of and for the years ended 31 December 2011, 2012 and 2013 presented below has been derived from, and should be read together with, the Combined Financial Statements and the Audited Consolidated Financial Statements included elsewhere in this document.

Summary combined and summary consolidated income statement data

	Year Ended 31 December		
	2011 combined	2012 combined	2013 consolidated
		€ thousands	
Revenue	**1,179,585**	**1,464,998**	**1,580,501**
Procurements	(153,879)	(216,626)	(244,420)
Staff costs	(603,373)	(739,756)	(784,361)
Other operating expenses	(280,282)	(337,544)	(362,268)
Depreciation and amortisation charge	(73,438)	(82,524)	(97,623)
Impairment and gains or losses on disposal of non-current assets	(22,754)	(19,817)	(117,571)
Other losses	(23,578)	(23,512)	(17,024)
Operating profit	**22,281**	**45,219**	**(42,766)**
Net financial expense	(113,644)	(117,448)	(86,407)
Share of profit of companies accounted for using the equity method	894	1,628	2,493
Loss before tax	**(90,469)**	**(70,601)**	**(126,680)**
Income tax	7,027	10,665	(38,832)
Net loss from continuing operations	**(83,442)**	**(59,936)**	**(165,512)**
Loss from discontinued operations net of tax	**(2,464)**	**-**	**-**
Net (combined/consolidated) loss	**(85,906)**	**(59,936)**	**(165,512)**
Profit attributable to non-controlling interests	5,923	7,033	4,567
Net loss attributable to the parent	**(91,829)**	**(66,969)**	**(170,079)**

Summary combined and summary consolidated revenue, adjusted operating profit and adjusted operating profit margin data

	Year Ended 31 December			
	2011 combined	2012 combined	2013 consolidated	CAGR 2011 -2013 (%)
	€ thousands, except for percentages			
Group				
Revenue	1,179,585	1,464,998	1,580,501	15.8
Adjusted operating profit(1)	96,519	122,867	150,725	25.0
Adjusted operating profit margin	8.2%	8.4%	9.5%	-
Energy and Industry Services				
Applus+ RTD				
Revenue	402,615	499,644	558,574	17.8
Adjusted operating profit(1)	23,195	35,732	49,447	46.0
Adjusted operating profit margin	5.8%	7.2%	8.9%	-
Applus+ Velosi				
Revenue	200,304	340,661	372,576	36.4
Adjusted operating profit(1)	13,480	25,393	31,902	53.8
Adjusted operating profit margin	6.7%	7.5%	8.6%	-
Applus+ Norcontrol				
Revenue	187,686	190,695	186,158	(0.4)
Adjusted operating profit(1)	10,973	12,136	15,218	17.8
Adjusted operating profit margin	5.8%	6.4%	8.2%	-
Applus+ Laboratories				
Revenue	52,090	55,852	56,637	4.3
Adjusted operating profit(1)	907	2,379	1,910	45.1
Adjusted operating profit margin	1.7%	4.3%	3.4%	-
Statutory Vehicle Inspection				
Applus+ Automotive				
Revenue	245,025	266,391	273,599	5.7
Adjusted operating profit(1)	55,205	55,413	59,108	3.5
Adjusted operating profit margin	22.5%	20.8%	21.6%	-
Automotive Engineering and Testing				
Applus+ IDIADA				
Revenue	94,211	116,505	132,513	18.6
Adjusted operating profit(1)	11,724	15,093	17,558	22.4
Adjusted operating profit margin	12.4%	13.0%	13.3%	-
Other(2)				
Revenue	(2,346)	(4,750)	444	-
Adjusted operating profit	(18,965)	(23,279)	(24,418)	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

(2) "Other" comprises certain central and divisional activities, including in respect of finance, legal, IT, human resources and corporate development recognised within the two holding companies of the Group, Applus Services, S.A. and Applus Servicios Tecnológicos, S.L.U.

RISK FACTORS

You should carefully consider the following risk factors and the other information contained in this document before making an investment decision. The risks described below are not the only ones that the Group faces. Additional risks not presently known to the Group or that the Group currently believes to be immaterial may also materially adversely affect the Group's business, financial condition, results of operations and prospects. The trading price of the Shares could decline due to any of these risks and, as a result, you may lose part or all of your investment. This document also contains forward-looking statements that are based on estimates and assumptions about future events and, as such, are subject to risks and uncertainties. Actual results could differ materially from those anticipated in such forward-looking statements, whether as a result of the risks described below and elsewhere in this document or otherwise.

Risks Related to the Group's Industry

The performance of the Group's business may be affected by global economic conditions.

The Group operates a global business, with a presence in more than 60 countries throughout the world, providing services to clients in a number of different industries. The Group's business could be affected by developments and trends in the global macro-economic environment, such as changes to world trade, levels of global and regional economic growth, energy prices, and the level of investment and consumption. The Group's business could also be affected by changes in economic conditions affecting its clients. The demand for the Group's services, and the revenue, prices and margins which the Group is able to achieve are directly related to the level of its clients' business activities, including levels of investment and capital and operating expenditure, which can be affected by developments in the macro-economic environment, both globally and in the specific geographic areas in which its businesses are based. In the year ended 31 December 2013, Applus+ RTD recorded an impairment of €16,744 thousand as a result of macro-economic conditions affecting its operations in Europe. For a further discussion on growth expectations for the TIC industry, see "*Business — Industry Overview*".

Certain developments in the macro-economic environment, and in particular, any deterioration of the global economy could reduce demand for the Group's services, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group is dependent on levels of capital investment and maintenance expenditures by its clients in the oil and gas industry.

The Group's clients in the oil and gas industry have accounted for a substantial proportion of the Group's historical revenue. Revenue from clients operating in the oil and gas sector accounted for 53 per cent. of the Group's consolidated revenue in the year ended 31 December 2013, respectively. Demand for TIC services provided to the oil and gas industry is driven by levels of capital investment and maintenance expenditure by oil and gas companies. If clients in the oil and gas industry were to delay or cancel new projects as a result of a downturn in the industry or for any other reason, the Group's revenue could be materially adversely affected. Moreover, from time to time the Group undertakes or provides TIC services in respect of large projects in certain regions. Such projects may generate material revenue or profit for the Group. There can be no assurance that the Group will be able to replace the revenue from these projects with new projects when they are completed. If any of the risks described above were to materialise, they could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group operates in competitive markets and its failure to compete effectively could result in reduced profitability and loss of market share.

The markets in which the Group operates are competitive and could become more competitive in the future. For example:

- Within the Energy and Industry Services vertical the Group competes with a number of global competitors and smaller operators with specialised service offerings on the basis of location, coverage, quality of service, technological expertise and price. Frequently, the Group must compete for service contracts through tender processes against such competitors and operators.

- Applus+ Automotive competes with a limited number of global and regional competitors and numerous local operators. The Group competes for new vehicle inspection programs on the basis of price, technological excellence and track record. In regulated markets, in which 80 per cent. of Applus+ Automotive's revenue was generated in the year ended 31 December 2013, as prices are largely fixed, the Group competes for customers with other operators mostly on the basis of location and customer service. In liberalised markets, in which 20 per cent. of Applus+ Automotive's revenue was generated in the year ended 31 December 2013, the Group also competes on the basis of price. Applus+ Automotive recorded impairments of €60,897 thousand, in the year ended 31 December 2013, as a result of increased competition in the statutory vehicle market in Finland, and €23,105 thousand due to uncertainty as to the Group's ability to renew existing concession agreements in the United States.

- Applus+ IDIADA competes with a large number of regional and specialised operators principally on the basis of technical expertise, price and the quality of testing facilities.

The Group has a number of competitors that operate at the local, regional and global level in one or more of the Group's markets, and it is possible that, given their size, these competitors may possess financial, commercial, technical or human resources greater than those possessed by the Group. Competitors may adopt a number of strategies, such as, among other things, aggressive pricing policies, diversification of their services offerings, the development of long-term or contractual relationships with potential clients in the markets where the Group is currently present or seeking to develop their businesses, and expansion of their operations into the Group's core end-markets or into new geographies where the Group has significant operations, any of which could lead to the Group experiencing competitive pressure. As the Group provides outsourced services it also faces competition from its own clients who may decide to perform certain services in-house rather than out-source them to the Group.

In the event of such competition there can be no assurance that the Group will be able to retain its current market positions. Even if the Group is successful in retaining market share, additional competition may reduce the prices which the Group is able to achieve for its services in certain markets, thereby adversely affecting the Group's ability to offer process, services or a quality of service that is comparable to those offered by its competitors. Existing competition or any increased intensity in competition could, therefore, have significant adverse effects on the Group's business, financial condition, results of operations and prospects.

The Group is dependent on its ability to attract and retain sufficient experienced engineers, scientists and other skilled technical personnel to achieve its strategic objectives.

The successful implementation of the Group's growth strategy is heavily dependent on its ability to attract and retain qualified personnel to carry out its services. Favourable industry dynamics have resulted in an increase in demand for NDT services in certain regions. However, the number of people qualified as NDT technicians in certain geographies is not and has not been sufficient to meet this increased demand, resulting in a shortage of qualified personnel and an increase in average salaries. More generally, a number of the locations in which there is significant demand for qualified technical personnel are very remote, such as the Canadian oil sands regions and certain parts of Australia, which makes recruitment efforts considerably more difficult and has driven significant increases in salaries and costs as compared to other regions in which the Group operates. There is also a lack of qualified personnel and know-how in certain countries in Latin America, such as Brazil and Peru, that could make it more difficult for the Group to take advantage of anticipated growth in demand for testing and inspection services in those markets. In addition, short lead times on projects may create additional pressure on the ability of the Group to staff projects effectively or at all.

If the Group's compensation and other costs increase significantly as a result of such shortages and it is not able to pass these additional costs to its clients, or if the Group cannot attract and retain sufficient skilled personnel, its profitability could be negatively impacted and its growth potential would be impaired, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Risks Related to the Group's Business

Changes to regulatory regimes could have a material adverse effect on the Group's business.

A significant portion of the Group's revenue is derived from the testing of assets, products and systems to determine if they comply with the requirements under applicable legislation, rules or standards. As such the Group's business is impacted by extensive regulation, health, safety and environmental law in each of the countries and industries in which it operates. Changes in regulation, such as the regulations affecting the oil and gas and power sectors or other sectors in which the Group operates, may impact demand for mandatory TIC services or require the Group to undertake more costly and/or less profitable testing, inspection or certification services. Any liberalisation of regulatory regimes could reduce the requirement for independent testing, inspection or certification. Similarly, an increase in self-certification by the Group's customers would lead to a reduction in demand for the Group's services. The Group also benefits from the broad range of differing standards that apply to testing, inspection and certification across different countries, regions or states as its customers are frequently required to comply with multiple applicable standards across jurisdictions, thereby increasing their regulatory compliance burden. If government or other authorities adopt uniform standards or agree to mutually recognise each other's standards this may lead to a decline in demand for TIC services. In the statutory vehicle inspections market, material changes to regulatory regimes would likely have significant impacts. Such changes may include both the implementation of new or the modification of existing regulations and changes to the scope or frequency of inspections. Any such development or any modified or new government regulation applicable to the Group's current or future services which materially increases the Group's costs or reduces demand for the Group's services, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Liberalisation of statutory vehicle inspections markets could result in increased competition.

The Group's Statutory Vehicle Inspections division accounted for 17.3 per cent. of the Group's consolidated revenue and 39.2 per cent. of the Group's adjusted operating profit for the year ended 31 December 2013. As at the date of this document, approximately 80 per cent. (by revenue) of the Group's statutory vehicle inspections services operate as concessions or authorisations under which a limited number of operators are authorised by the relevant local government agency to provide vehicle inspection services within a particular region or jurisdiction. The average weighted remaining term of these concessions or authorisations is approximately nine years, as at the date of this document. Markets in which the Group operates under a concession or authorisation typically have lower levels of competition as compared to liberalised markets. The financial performance of Applus+ Automotive is also driven by other factors, in addition to competition, such as the efficiency of the division's operations, legislative changes, which impact the level and frequency of testing and certification required, and the age of vehicle fleets in the relevant regions as older cars require more frequent testing.

Spain is one of the Group's most important statutory vehicle inspections markets, accounting for 33.9 per cent. of the Applus+ Automotive division's revenue in the year ended 31 December 2013. In certain Spanish regions in which the Group operates, current, proposed or future reforms of the statutory vehicle inspections regimes may remove or limit restrictions on the number of operators that are authorised to conduct vehicle inspections, which may increase the number of operators that are authorised to provide vehicle inspection services.

In Catalonia which represented 18.5 per cent. of Applus+ Automotive's revenue (3.2 per cent. of the Group's revenue) in the year ended 31 December 2013, the existing vehicle inspections regime limits the provision of vehicle inspections to a defined number of operators. This regime (which includes certain provisions of Catalan Decrees 30/2010, of 2 March and 45/2010, of 30 March), as well as certain administrative resolutions granting vehicle inspection authorisations to members of the Group, among other service providers, have been challenged through several appeals before the Catalan High Court of Justice ("*Tribunal Superior de Justicia de Cataluña*") ("**CHCJ**") on the basis that the regime is contrary to the EU Services Directive. In rulings dated 25 April 2012, 13 July 2012, 13 September 2012 and 21 March 2013, respectively the CHCJ ruled at first instance that the authorisation regime operated in Catalonia and, therefore, the authorisations granted thereunder, were contrary to the EU Services Directive. These rulings are currently subject to appeal to the Spanish Supreme Court. On 20 March 2014, the Spanish Supreme Court formally requested a preliminary ruling ("*cuestión prejudicial*") from the European Court of Justice on the application of the EU Services Directive to vehicle inspections services under European Union law. The Group anticipates that a final ruling from the Spanish Supreme Court in relation to this matter will therefore be delayed further. In any event, until a final ruling from the Spanish Supreme Court is handed down, given that the ruling of the CHCJ is not final, no changes to the current Catalan vehicle inspection regime will be implemented as a result of the ruling by the CHCJ. Depending on the outcome of the ruling from the Spanish Supreme Court, the restrictions on the number of operators that are authorised to conduct vehicle inspections in Catalonia may be removed or limited and the number of operators that are authorised to provide vehicle inspection services in Catalonia may increase.

The Group's vehicle inspection operations in the Canary Islands represented 5 per cent. of Applus+ Automotive's revenue (0.9 per cent. of the Group's revenue) in the year ended 31 December 2013. Historically, the regional government of the Canary Islands had limited the number of operators authorised to operate a vehicle testing network. However, in May 2007 (prior to the end of the Group's current concession) the regional government of the Canary Islands passed a liberalisation decree pursuant to which several new operators were authorised to conduct vehicle inspections in the Canary Islands from 2010 onwards. This liberalisation decree has had a negative impact on the Group's market share in the Canary Islands. The Group, along with other operators and certain industry associations, challenged the decision of the regional government of the Canary Islands to award additional contracts before the Spanish Supreme Court. As of the date of this document, the Group's claim is still under consideration by the Spanish Supreme Court. The decision of the regional government of the Canary Islands to award additional vehicle inspection contracts was also challenged by the industry association Asociación Española de Entidades Colaboradoras de la Administración en la Inspección Técnica de Vehículos (AECA-ITV) and General de Servicios ITV, S.A, another provider of vehicle inspection services in Spain. On 11 February 2014, the Spanish Supreme Court rejected the challenges brought by both these entities and upheld the actions taken by the Canary Islands government.

Furthermore, under Spanish law, providers of public services, such as statutory vehicle inspections, are restricted from carrying on a broad range of other commercial activities (which include, among others, being engaged in land transportation activities, in the sale of motor vehicles or in the provision of vehicle insurance services). As such the number of entities willing or able to provide such public services is limited. A current draft royal decree on statutory vehicle inspections stations issued by the Spanish central government proposes to remove such restrictions with respect to entities conducting statutory vehicle inspections, which would, were it to come into force, allow a broader range of operators to conduct statutory vehicle inspections in liberalised regions or allow them to participate in future tenders, thus potentially increasing the competition faced by the Group. There is currently no certainty as to when this royal decree will be passed, if at all, or, if enacted, as to its final terms and conditions.

Any adverse decision in any of the proceedings above or further liberalisation of the vehicle inspections markets in Spain or in any other jurisdiction which is currently regulated and in which the Group operates could increase competition within the relevant vehicle inspection markets which may have a negative impact on sales volumes or the price of vehicle inspections or other services provided by the Group. For example, in Denmark and Finland, two liberalised markets in which the Group operates, the Group has experienced higher levels of competition and, as a consequence, a decrease in market share and in sales, which have affected the margin of the Group. The Group recognised an impairment of the goodwill and other intangible assets of its vehicle inspection business in Finland in 2013 as a result. An increase in the liberalisation of vehicle inspection regimes may render the extension of existing concessions or the entry into new arrangements less commercially attractive, which may have a negative impact on the growth of the Applus+ Automotive division and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's leverage and ability to service its debt may adversely affect its business, financial condition, results of operation and prospects.

On 7 April 2014, the Company entered into the €850 million multicurrency facilities agreement (the "**New Facilities Agreement**"), comprised of the €700 million multicurrency term loan facility (the "**New Term Loan Facility**") and the €150 million revolving facility agreement (the "**New Revolving Facility**" and, together with the New Term Loan Facility, the "**New Facilities**"). The New Facilities are conditional on Admission. The funds available under the New Term Loan Facility will be used, together with the net proceeds of the Offering and the Group's existing cash: (i) to repay the existing Syndicated Loan Facilities in full in the amount of €1,047 million; and (ii) make an aggregate cash payment of approximately €20 million to certain key employees of the Group under a management incentive plan.

The New Facilities Agreement imposes certain restrictions and covenants on the Group, and sets out specific events of default which could lead to early termination, including the following:

- a negative pledge, which prohibits any guarantor or borrower under the agreement from granting or entering into a similar financial arrangement primarily to raise additional finance;

- restrictions on the ability of the Company and certain other members of the Group to make acquisitions of companies, any shares or securities, or any businesses or undertakings (or, in each case, any interest in any businesses or undertakings) which would constitute a class 1 transaction (as defined in The Listing Rules published by the UK Listing Authority);

- a financial covenant to maintain the ratio of consolidated total net debt to consolidated earnings before interest, depreciation and amortisation at or below a specified level. Such financial covenant is to be first tested on 31 December 2014, when the specified maximum level for the ratio will be 4.50:1 and semi-annually thereafter on a rolling 12 month basis, when the ratio will be 4.00:1 thereafter; and

- a cross default provision in respect of indebtedness of the Group pursuant to which the aggregate amount of the indebtedness that is in default is or exceeds €50 million.

The failure of the Group to comply with such restrictions or covenants would result in an event of default which, if not resolved or waived, may result in, amongst other things, the acceleration of all or part of the outstanding loans and/or the termination of the commitments and/or the declaration of all or part of the loans payable on demand and/or the instruction or direction of the security agent to exercise its rights under the New Facilities Agreement, security documents and other finance documents, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any failure to obtain and maintain certain authorisations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A significant part of the Group's business is dependent on obtaining and maintaining industry accreditations, approvals, permits, delegated authority, official recognition and authorisations (together, "**Authorisations**") at local, regional or global levels, which are issued by public authorities or professional organisations following processes which are often complex and time consuming. Certain Authorisations are granted for limited periods of time and are subject to periodic renewal by the authority concerned.

Although the Group monitors closely the quality of services performed under applicable Authorisations, as well as their renewal and the maintenance of its Authorisations, any failure to meet its professional responsibilities, or real or perceived conflicts of interest, could lead the Group losing, either temporarily or on a permanent basis, one or more of its Authorisations. In addition, a public authority or professional organisation which has granted one or more Authorisations to the Group could decide unilaterally to withdraw such Authorisations.

The non-renewal, suspension or loss of certain of these Authorisations, or of membership of certain professional organisations, could result in the Group being unable to meet its contractual obligations and/or disqualify it working on existing contracts. This could materially harm the Group's reputation among clients, which may make it significantly more difficult for the Group to retain existing or win new clients in the future, which, in turn, could have a significant adverse effect on the Group's business, financial condition, results of operations and prospects.

A number of the Group's key agreements are limited in duration and the Group may not be able to renew such agreements.

The Group entered into a services and lease agreement with the Catalan government in 1999 in respect of the proving ground near Barcelona operated by its Automotive Engineering and Testing division (Applus+ IDIADA). In the year ended 31 December 2013, 19 per cent. of Applus+ IDIADA's revenue (1.6 per cent. of the Group's revenue) was generated from the proving ground. If the Group were to lose the right to operate the proving ground, it is unlikely that it would be able to find a suitable replacement. Under the terms of the services and lease agreement, the Group has the exclusive right to operate the proving ground until 2019, after which time the agreement may be extended with the agreement of both the Group and the government of Catalonia. Although in 2010, the Catalan government expressly committed to take the necessary measures to extend the agreement for an additional five year period from 2019 upon completion of the initial term, there can be no assurance that the term of the agreement will be extended to 2024 or beyond. Were this agreement not to be extended, the Group would lose the investments that it has made in the proving ground and its ancillary facilities on the site, including adjacent laboratories. In addition, the Group would lose the revenue generated from the proving ground and the facilities located there, and could also lose the laboratories located adjacent to the proving ground since these facilities also belong to the government of Catalonia. In addition, the Group would lose the revenue generated by Applus+ IDIADA, since it is unlikely that the Group would be able to find a suitable replacement. This would materially and adversely affect the Automotive Engineering and Testing division.

In addition, 80 per cent. (by revenue in the year ended 31 December 2013) of the Group's statutory vehicle inspections services operate pursuant to concessions or authorisations which regulate and restrict the number of competing operators with an average weighted remaining term of approximately nine years. Eight concession agreements (two of which are currently subject to ongoing tenders for new concessions), which represented 8 per cent. of Applus+ Automotive's revenue (1.4 per cent. of the Group's revenue) in the year ended 31 December 2013 are due to expire in the three years ended 31 December 2016. In the year ended 31 December 2013, Applus+ Automotive recorded an impairment of €23,105 thousand due to the uncertainty as to the Group's ability to renew existing concession agreements in the United States.

Applus+ Laboratories operates seven of its twelve laboratories under a contractual agreement with the government of Catalonia. The Group will, upon expiry of the contract in 2033, be required to apply to the relevant agency to renew or extend the term of this contract. Although the contract currently provides the possibility to extend up to 2053 there can be no guarantee that the Group will be able to achieve a renewal or extension on commercially acceptable terms or at all. See *"— The Group operates in competitive markets and its failure to compete effectively could result in reduced profitability and loss of market share*". If the Group is unable to renew or extend the terms of its agreements and/or concessions or purchase the assets in order to continue operating the business, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group provides services pursuant to contracts entered into with governmental authorities and such authorities may reduce or refuse to increase the price paid for the Group's services.

The Group provides TIC services under concession or other agreements entered into with national, regional and local governmental authorities in a number of countries. Government authorities may, under the terms of a concession agreement or relevant legislation, prescribe the maximum prices payable by customers and clients in respect of certain services such as statutory vehicle inspection and infrastructure inspection services, which may particularly affect certain segments of the Group. For example, 80 per cent. of the revenue recorded by Applus+ Automotive in 2013 was attributable to vehicle inspection services provided pursuant to government concessions or authorisations in regulated markets. Applus+ Norcontrol also has a number of clients that are public institutions, and which accounted, in aggregate, for 7.5 per cent. of its revenue (representing less than one per cent. of the Group's revenue) in the year ended 31 December 2013. Government authorities may also seek to reduce or may fail to increase the price payable by customers or clients for such services as a result of popular political pressure or otherwise. For example, on 28 March 2014 the regional government of Valencia passed a resolution, effective as of 1 April 2014, decreasing the tariffs payable by customers or clients for vehicle inspection services in the region. The Group currently estimates that this decrease in tariffs will reduce the Group's adjusted operating profit by approximately €2,000 thousand per annum. In addition, as a result of the recent economic crisis, governmental authorities in a number of countries have reduced their expenditure or budgets. As a result of this, among other reasons, governmental counterparties may reduce or refuse to increase the price they are willing to pay for the Group's services, regardless of whether or not this is prohibited under the relevant agreements. Such governmental authorities may also delay payment for the services provided. If the terms upon which the Group provides services to governmental authorities were to deteriorate or fail to improve over time this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There are many risks associated with conducting operations in international markets.

The Group has operations in more than 60 countries throughout the world. The Group generates a material proportion of its revenue from clients in emerging economies in Africa, Asia, Latin America and the Middle East and the Group's growth strategy to a significant extent focuses on increasing its revenue in emerging economies. Changes in local economic or political conditions in foreign countries (for example, Argentina, a country which has in the past been affected by hyper-inflation and currency devaluations) could negatively impact the Group's ability to conduct business.

There are risks inherent in the Group's international business activities including difficulties in staffing and managing international operations, which may impact the Group's ability to execute projects in a timely and/or cost-effective manner. See also "*— The Group is dependent on its ability to attract and retain sufficient experienced engineers, scientists and other skilled technical personnel to achieve its strategic objectives*". The Group may experience difficulties associated with conducting business in certain countries including the imposition by governments of trade barriers (such as tariffs, quotas, preferential bidding and import restrictions), acts of war, terrorism, theft or other lawless conduct from economic, social or political instability, international sanctions regimes, longer accounts receivable collection cycles, difficulties associated with enforcing agreements through foreign legal systems, arbitrary or inconsistent regulatory decisions, difficulties in protecting and enforcing intellectual property rights, transportation difficulties and delays resulting from inadequate local infrastructure. A number of countries in which the Group currently operates, for example Iraq and Nigeria, present security problems to which the Group's operations are exposed. For instance, the Group's operations in Iraq cannot be carried out without the provision of private security details due to the threat of violence. In some countries, the Group is required under applicable laws to conduct its activities in association with local partners. Although the Group conducts due diligence in selecting its local partners, the business and reputation of the Group may be adversely affected by the activities that such local partners may carry out separately. In addition, economic or fiscal crises in emerging economies may result in the depreciation of the local currency in relation to the euro and/or to restrictions such as foreign exchange controls. The Group's business and growth prospects are vulnerable to economic and political developments in these regions and the occurrence of any of the aforementioned events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Adverse claims or publicity may adversely affect the Group's reputation, business, financial condition, results of operations and prospects.

The Group is exposed to liabilities arising out of the services that it provides. A significant proportion of the Group's clients operate in the industrial, energy, construction, and aerospace sectors, which can give rise to serious and potentially catastrophic environmental or technological incidents. The Group's clients use the results of the Group's testing and inspections in their assessment of their assets, facilities, plants and other structures. Such results may be incorrect or incomplete, whether as a result of poorly designed inspections, malfunctioning testing equipment or the failure of the Group's employees to adequately test or properly record data. Further, if an accident or incident involving an asset or structure that the Group is testing or has tested occurs and causes personal injuries to the Group's personnel or third parties or property damage, and particularly if these injuries or damage could have been prevented by the Group's clients had the Group provided them with correct or complete results, the Group may suffer damage to its reputation and as a result lose existing or future contracts with clients. In addition, any investigation into or claim related to such an incident could take a significant period of time to conclude. Even if the Group's services are carried out competently, the Group may face claims simply because the Group tested the structure or facility in question.

There have been no material claims against the Group in relation to any accidents, disasters or litigation giving rise to substantial media coverage in the three years ended 31 December 2013. However, although the Group closely monitors the quality of its services, there can be no assurance that it will be able to protect itself against claims or damage to its reputation resulting from an accident, disaster or litigation giving rise to substantial media coverage, particularly if such publicity suggests substantial failures, real or alleged, by the Group in discharging its responsibilities. Serious damage to the Group's reputation could result in the Group losing existing and future contracts or make it more difficult for the Group to compete effectively, which would have a negative impact on the Group's financial performance.

Any of the events above could significantly damage the Group's reputation or otherwise have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group seeks to expand its business partly through acquisitions, which, by their nature, involve numerous risks.

The Group's growth strategy is based partly on the acquisition of small-and medium-sized businesses to provide access to new end-markets and/or services or to create synergies with the Group's existing businesses. The Group may not be able to identify appropriate targets, acquire companies on commercially satisfactory terms or achieve the anticipated benefits in terms of revenue growth and synergies. In addition, although the Group's current strategy is to finance acquisitions through cash, it may also seek to fund acquisitions through debt finance. The Group may not be able to obtain such debt financing on favourable terms which may increase financing costs. Furthermore, the New Facilities Agreement contains a covenant that restricts the Company and certain other members of the Group from making acquisitions (see *"Operating and Financial Review — Liquidity and Capital Resources — Indebtedness — Certain Indebtedness at Admission — The New Facilities"*). The Group may also encounter competition for acquisition targets from its competitors or financial investors, which could make acquisitions more expensive or difficult to complete. In addition, the Group may acquire businesses on the basis of limited financial and other information, or may not otherwise identify potential liabilities during pre-acquisition due diligence, which may result in the Group assuming unexpected, unforeseen or unidentified liabilities and obligations. The Group may not be able to recover in full losses arising from such liabilities from the relevant seller. Moreover, the Group may acquire businesses in new sectors in which it lacks experience, which could make the integration process more difficult and/or result in the acquisition bringing fewer benefits than the Group than anticipated.

The Group cannot be certain that the anticipated cash flows, synergies and cost savings from these transactions will materialise or reach expected levels. Further, additional financing costs arising from these transactions could reduce the profitability of the Group. Inefficient integration of the newly acquired businesses poses a risk to the Group's operations. Any failure to integrate the operations of the newly acquired companies could have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Group is not successful in executing its acquisition strategy, it may not be able to meet its growth targets or maintain its market positions, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The loss of any of the Group's key personnel could have a material adverse effect on the Group's business.

The success of the Group's businesses depends heavily on the contribution of its key personnel who possess industry-specific skills and knowledge of the Group's businesses, as well as industry contacts, that are critical to the operation and performance of the Group. The Group may not be able to replace key personnel adequately or at all and the departure of any key personnel could lead to a significant loss of know-how and knowledge of the Group and its businesses and may, in certain cases, enable the Group's competitors and clients to obtain sensitive information about the Group's services or strategy. For example, the loss, resignation or retirement of any of, among other senior managers, the CEO, CFO, vice-president or division heads could, despite the Group's succession plans, have a potentially disruptive effect on the Group's business and management. In particular, Dr. Nabil Abd Jalil, the founder and CEO of Applus+ Velosi is expected to retire from a full time management role during 2014. Dr. Jalil is expected to continue to manage Applus+ Velosi until a successor has been appointed, and is currently expected to provide consultancy services to the division thereafter. The loss of key personnel could also have a negative impact on the Group's relationships with key clients or on its ability to execute its growth strategy and result in the diversion of management attention and the incurrence of substantial costs. If the Group does not succeed in retaining key personnel, its business, financial condition, results of operations and prospects could be materially adversely affected.

The success of the Group's business depends, in part, on its ability to develop new proprietary technical solutions, increase the functionality of its current offerings and maintain its reputation as a technology leader.

The Group believes that it is a technology leader, in particular in the provision of NDT and vendor surveillance services and automotive OEM engineering, and makes significant capital investments with the intention of maintaining this advantage. The Group's research and development expenditure for the three years ended 31 December 2013 were €13,518 thousand, €11,980 thousand and €7,707 thousand, respectively and additionally, the Company capitalised certain research and development expenses amounting to €3,673 thousand, €3,521 thousand and €4,061 thousand in 2011, 2012 and 2013, respectively. The Group's success depends on its ability to continue to innovate, develop and introduce new hardware, software and techniques to support these and other services in order to continue to meet the requirements of its clients better than its competitors. If the Group fails to do so and/or a competitor develops equivalent or superior technology, demand for certain of the Group's existing services could decline, the Group may not be able to take advantage of new market opportunities that may arise and/or the Group may be required to make significant unplanned occasional expenditures to develop technological solutions that will allow the Group to compete more effectively. Furthermore, if the Group's competitors have greater resources and access to funding, they may be able to finance the development of new technologies before the Group is able to do so, which may allow them to enter new markets before the Group and/or provide lower-priced or better-quality services. The occurrence of any of the foregoing events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be subject to costs and liabilities in connection with current or future litigation or pre-litigation procedures relating to services it has performed.

In the ordinary course of the Group's business it from time to time is involved in claims and proceedings relating to services it has performed. In certain situations, a claim may only be notified to the Group after resolution of the underlying commercial dispute and, in such cases, a considerable period of time may elapse between the performance of services by the Group and the assertion of a claim in respect of such services. In either case, because the underlying commercial transaction can be of significant value, the claims notified to the Group can allege damages in significant amounts. In addition to the potential to pay damages, claims brought against the Group may require it to incur significant legal and other expenses in investigating and defending such claims. Costs associated with these claims may fluctuate significantly between accounting periods depending on activity levels with respect to claims in any particular accounting period. In addition, the payment of damages and incurrence of legal and other costs arising from such claims and proceedings could make it more expensive or impossible for the Group to obtain insurance coverage in respect of such incidents in the future. Actual or claimed defects in the Group's services may give rise to claims against it for losses and expose it to claims for damages. Claims can also divert the attention of management from other aspects of the Group's business. Accordingly, there can be no assurance that claims asserted against the Group, individually or in the aggregate, will not have a material adverse effect on the Group.

Although the Group seeks to adequately insure itself, there can be no assurance that all claims made against the Group or all losses suffered may be effectively covered by its insurance.

The Group seeks to insure itself against all financial consequences of claims asserting professional liability. However, there can be no assurance that all claims made against the Group or all losses suffered are or will be effectively covered by insurance, nor that the policies in place will always be sufficient to cover all costs and financial awards it may be required to pay as a result. As a result, there may in the future be claims which are not covered in full or which significantly exceed the limit of the relevant insurance policy. In addition, insurance coverage for certain of the Group's activities may become unavailable on commercially acceptable terms or at all or more costly in the future, which would either result in an increase in insurance premiums or prevent the Group from obtaining adequate insurance coverage, which may cause the Group to withdraw from certain markets. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be unable to secure or protect its rights to intellectual property.

The Group's ability to compete effectively depends in part upon the maintenance and protection of the intellectual property, including any know-how required for its day-to-day operations, related to its services. See "*— The Group is dependent on its ability to attract and retain sufficient experienced engineers, scientists and other skilled technical personnel to achieve its strategic objectives*". Patent protection is unavailable for certain aspects of the technology and operational processes important to the Group's business. Any patent held by the Group or to be issued to the Group, or any of the Group's pending patent applications, could be unenforceable, challenged, invalidated or circumvented. To date, the Group, and in particular Applus+ RTD, has relied principally on patent protection, as well as confidentiality agreements and licensing arrangements, to establish and protect rights to intellectual property. The Group is not dependent to any material extent on any relevant third party intellectual property rights. While there have been no material violations of any of the Group's patents in the three years ended 31 December 2013, there can be no assurance that patent protection, as well as confidentiality agreements and licensing arrangements will be honoured or enforceable. Policing unauthorised use of intellectual property is difficult and expensive. The steps that the Group has taken or may take might not prevent misappropriation of the intellectual property on which it relies. In addition, effective protection may be unavailable or limited in jurisdictions outside the United States or the European Union, as the intellectual property laws of foreign countries sometimes offer less protection or have onerous filing requirements. From time to time, third parties may infringe the Group's intellectual property rights. Litigation may be necessary to enforce or protect the Group's rights or to determine the validity and scope of the rights of others. Any litigation could be unsuccessful, cause the Group to incur substantial costs, divert resources away from its daily operations and result in the impairment of the Group's intellectual property. Failure to adequately enforce the Group's rights could cause the Group to lose valuable rights in its intellectual property and may negatively affect its business.

Disruptions to the Group's IT systems may have a material adverse effect on its business, financial condition, results of operations and prospects.

Certain of the Group's businesses are heavily dependent on its IT systems. The Group's testing, inspection, vendor surveillance, statutory vehicle inspection and automotive testing and engineering services all rely on the continuous functioning of the Group's IT systems, and the Group stores key information relating to the assets or operations of its clients on its IT systems.

The Group's IT systems, related infrastructure and business processes may be vulnerable to a variety of sources of interruption, some of which may be due to events beyond the Group's control, including telecommunications and other technological failures, human errors, computer viruses, hackers and security issues, and natural disasters and terrorist attacks. The Group could be affected by any number of disruptions, including to the Group's IT systems or those of its third party suppliers or any other external interruption in the technology infrastructure on which the Group depends, or any failure of the general operations of the internet. Were this to occur, it could significantly hamper or prevent the continued operation of the Group's businesses, result in negative publicity, damage the Group's reputation or brand, expose the Group to risk of loss or litigation and possible liability, subject the Group to regulatory penalties and sanctions, reduce its revenue, increase its compliance, insurance and other costs or otherwise have a material adverse effect on the its business, financial condition, results of operations and prospects. There can be no assurance that the Group's recovery and contingency plans, including its secondary data centre in Barcelona, in respect of such interruptions or failures will be effective or sufficient if they need to be activated. Furthermore, the Group's technology business continuity management and disaster recovery plans may not be adequate to prevent a business disruption which could have a material adverse effect on the Group's business and operations. If there are technological impediments to introducing or maintaining the Group's services, or if its products and services do not meet the requirements of the Group's clients and third party suppliers, the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group's business is exposed to exchange rate fluctuations. Such fluctuations, to the extent they are unhedged, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group generates a significant proportion of its revenue in currencies other than its reporting currency, the euro. As a result, the Group faces exchange rate risks due to exchange rate translation losses. A significant negative change in exchange rates could result in a significant translation impact, which could have a material adverse effect on its results of operations. For example, as a result of the favourable fluctuations in exchange rates, the revenue of the Group increased by 3.3 per cent. for the year ended 31 December 2012 compared to the year ended 31 December 2011. However, in the year ended 31 December 2013, revenue was reduced by unfavourable fluctuations in exchange rates of 3.6 per cent. compared to the revenue in the previous year. In addition, economic or fiscal crises in emerging economies may result in the depreciation of the local currency in relation to the euro and/or to restrictions such as exchange controls. In the year ended 31 December 2013, Group revenue split by currency was: 38.8 per cent. in euros; 27 per cent. in US Dollars, or currencies pegged to the US Dollar; 5.0 per cent. in Canadian Dollars; 5.4 per cent. in Australian Dollars; 4.9 per cent. in Pound Sterling; and 18.9 per cent. in other currencies. In the same period, 75 per cent. of the Group's liabilities were denominated in euro, 18.9 per cent. in US Dollars, 2 per cent. in Pound Sterling and 3 per cent. in other currencies.

The Group's businesses may be adversely affected by virtue of having major clients in certain markets.

The Group has a highly diversified client base of over 48,000 active clients with the Group's top 20 clients by revenue in 2013 accounting for only 25 per cent. of revenue, while the top 3 clients by revenue in 2013 accounted for 11 per cent. of the Group's revenue. However, within certain of the Group's divisions a significant portion of the revenue generated by that division is attributable to a limited number of major clients. For example, in 2013, the largest client of Applus+ Velosi represented 20 per cent. of this division's revenue (5 per cent. of the Group's revenue). The loss of one or more of these major clients could have a significant adverse effect on the division's business and therefore the Group's business, financial condition, results of operations and prospects.

The Group's operations are subject to anti-bribery and anti-corruption laws and regulations that govern and affect where and how the Group's business may be conducted.

The Group's activities are subject to a number of laws and regulations including the US Foreign Corrupt Practices Act 1977, the UK Bribery Act 2010, and regulations promulgated by the US Department of the Treasury Office of Foreign Assets Control and the Spanish Criminal Code, which was modified in 2010 and sets out the criminal liability of legal persons, and are subject to additional anti-corruption laws in other jurisdictions.

The Group has established policies and procedures to facilitate compliance with applicable laws and regulations and has provided training to its employees to facilitate compliance with such laws and regulations. As at the date of this document, the Group is not subject to any anti-corruption or anti-bribery sanctions. However, there can be no assurance that the Group's policies and procedures will be followed at all times or effectively detect and prevent all violations of the applicable laws and regulations and every instance of fraud, bribery and corruption in every jurisdiction in which one or more of the Group's employees, consultants, agents, commercial partners, contractors, sub-contractors or joint venture partners is located. As a result, the Group could be subject to penalties and reputational damage, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, if its employees, agents, suppliers or business partners violate any anti-corruption or anti-bribery laws.

The Group holds significant tax assets which it may not be able to use, and is subject to tax legislation, the substance and interpretation of which may change.

In the year ended 31 December 2013, the Group had substantial tax assets and other fiscal assets not recognised on its balance sheet amounting to €101,727 thousand. Such assets may, in future, reduce the Group's corporate income tax burden, and comprised €60,478 thousand of tax loss carryforwards, deferred tax assets of

€30,478 thousand and tax credits of €10,771 thousand. Furthermore, the Group has €65,315 thousand potential tax assets which have not been recognised on the Group's balance sheet. Such items were largely generated, in or are deductible in, Spain. These tax assets were generated principally during the years 2009 to 2013.

Pursuant to Spanish tax regulations, net operating losses and deferred tax assets expire 18 years after the year in which the relevant loss or asset is incurred and tax credits expire ten years after the year in which the relevant credit is incurred. If the Group is unable to use these losses in the future, whether as a result of changes to legislation in relation to carrying losses forward, or as a result of a failure to achieve sufficient profits which could be offset by such losses, or otherwise, the Group may be forced to write down its deferred tax assets and may be subject to higher taxation charges, which may have an adverse effect on the Group's future cash flows.

As of the year ended 31 December 2013, the Spanish Group companies, the Company, Applus Servicios Tecnológicos, S.L.U., IDIADA Automotive Technology, S.A., LGAI Technological Center, S.A. and Applus Iteuve Technology, S.L.U., were subject to ongoing tax audits by the Spanish tax authorities in respect of the following: income tax for 2008, 2009, 2010 and 2011; VAT for 2009, 2010 and 2011; personal income tax withholdings and prepayments for 2009, 2010, and 2011; tax withholdings and prepayments relating to income from movable capital for 2009, 2010 and 2011; tax withholdings relating to property income for 2009, 2010 and 2011; and non-resident income tax withholdings and prepayments for 2009, 2010 and 2011. In addition, the Group is currently subject to tax audits and inspections being undertaken by the relevant authorities in Argentina, Canada, Chile, Finland and India. For further details see Note 20.6 to the Audited Consolidated Financial Statements for the year ended 31 December 2013. The Group believes that such audits are being conducted in the ordinary course of business and does not believe that there is a material risk of any material liability arising from such tax inspections.

The Group has operations in various countries that have differing tax laws and rates. The Group relies upon generally accepted interpretations of tax laws and regulations in the countries in which it operates. The Group cannot be certain that these interpretations are accurate or that the responsible taxing authority is in agreement with its views. Where a responsible taxing authority interprets tax laws and regulations differently from the Group, or disagrees with the views taken by it, the ultimate tax outcome may differ significantly from the amounts recorded in the Group's consolidated financial statements and adversely affect the results of operations in the period(s) for which such determination is made. Moreover, any change in the tax status of any member of the Group or in taxation legislation or its interpretation could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Labour laws in certain jurisdictions in which the Group conducts its operations could limit the Group's flexibility with respect to employment policy and its ability to respond to market changes.

Labour laws applicable to the Group's business in certain jurisdictions are onerous. In certain jurisdictions, such as Spain, the Group's employees are partially or fully unionised or, based on applicable regulations, represented within the company by an employee committee. In some cases, the Group must inform or consult with and, in certain jurisdictions, request the consent or opinion of union representatives or employee committees in managing its business. In addition, labour regulations in many European countries are highly restrictive. For instance, in certain European countries, labour laws require consultation periods or other similar procedures with union representatives or employee committees in case of collective redundancies or change of working conditions procedures. These labour laws and consultative procedures with unions or employee committees could limit the Group's flexibility to rationalise its workforce in the event of poor market conditions or require the Group to change working condition procedures. In addition, any strike or other work stoppage involving any of the Group's businesses, it could have a material adverse effect on its business, financial condition and results of operations and prospects.

Compliance with extensive health, environmental and safety laws and regulations could increase the Group's costs or restrict its operations.

The Group's operations are subject to extensive health, environmental and safety laws and regulations by various governmental entities and agencies in the jurisdictions in which it operates. Certain of the Group's activities potentially have adverse environmental effects, such as discharges into air and water and the handling, storage and disposal of hazardous wastes and chemicals. The Group believes that it materially complies with all health, environmental and safety laws and regulations, nevertheless, in many jurisdictions these laws are complex, subject to frequent change and are increasingly becoming more stringent. Although the Group is currently not subject, and has not within the three years ended 31 December 2013, been subject, to any material litigation in respect of health, environmental or safety matters, there can be no assurance that breaches of these laws have not occurred or will not occur or be identified or that these laws will not change in the future in a manner that could have a material adverse effect on the Group. There can also be no assurance that the Group will be able to comply with existing or new requirements and, as a result, the Group may be required to cease certain of its business activities and/or to remedy past infringements. In addition, many of the Group's clients insist, as a matter of policy, that service providers such as the Group demonstrate unequivocally that they have established effective health and safety systems and that failure to do so will exclude a service provider from tendering for business.

Environmental laws and regulations may also impose obligations to investigate and remediate or pay for the investigation and remediation of environmental contamination, and compensate public and private parties for related damages. If an environmental issue arises in relation to a property and it is not remedied, or not capable of being remedied, this may result in such property either being sold at a reduced sale price or becoming unsaleable. There can be no assurance that future remediation will not be required or that any such work will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In some jurisdictions, notably the United States, these obligations (including but not limited to those under the US Comprehensive Environmental Response, Compensation and Liability Act) may impose joint and several liabilities and may apply to properties presently or formerly owned or operated by the Group, as well as to properties at which wastes or other contamination attributable to the Group have been sent or otherwise come to be located.

Although the Group did not incur any material expenses related to environmental matters in 2013 or 2012, if, in the future, the Group is required to incur material expenditures to comply with new and/or existing health, safety and environmental laws, this could restrict its ability to execute its growth plan and have a material adverse effect on its business, financial condition and results of operations and prospects.

Certain of the Group's subsidiaries are held by third parties not controlled by the Group.

The Group has operations in Angola, Brunei, Ghana, Indonesia, Kuwait, Malaysia, Nigeria, Qatar, Thailand and the United Arab Emirates, where local law restricts or may restrict: (i) foreign shareholders from holding a majority of the shares in either any locally registered companies or those companies which operate in certain sectors such as oil and gas: or (ii) the ability of foreign-owned companies from participating in certain public tenders. Consistent with the approach taken by many other foreign-owned companies operating in these jurisdictions, the Group has addressed this foreign ownership restriction by using commonly used structures, whereby the majority of the shares in its local business is held by a locally registered company or national in that country (depending on the requirements of local law) on trust or pursuant to a management agreement or similar arrangement, for and on behalf of the Group. The remaining minority share capital is usually held by the Group through one of its locally incorporated subsidiaries. However, these arrangements may not be as effective in providing control over these entities as a direct majority ownership.

Moreover, a particular ownership structure could be unilaterally challenged before a court in one or more of these jurisdictions. In the event a challenge is made as to the ownership structure of any of the Group's subsidiaries based in any jurisdiction where this foreign ownership restriction applies, there is no certainty as to the approach these courts would take in applying the relevant local laws or policies to the corporate structure in question. Whilst the Group considers the possibility of a successful legal challenge to its ownership structure in these jurisdictions to be unlikely, the potential consequences of a negative judgment in relation to the corporate structure could lead to the Group's legal arrangements and agreements being declared void or unenforceable, or the Group having to change the corporate ownership structure of its businesses in these jurisdictions and may lead to the imposition of legal penalties, which could all have a material adverse effect on the Group's business, financial condition, result of operations and prospects.

The Group's goodwill and other intangible assets may be subject to further impairments in the future.

The Group recognises significant goodwill and other intangible assets arising principally from the acquisition of the Group by funds advised by Carlyle and other investors in 2007, in addition to subsequent acquisitions undertaken by the Group. See "*Operating and Financial Review — Impact of Acquisitions*". As at 31 December 2013, the Group carried goodwill of €487,882 thousand and other intangible assets of €632,695 thousand (including an associated deferred tax liability of €166,465 thousand), of which €444,210 thousand and €550,245 thousand (including an associated deferred tax liability of €153,709 thousand), respectively, was recognised upon the acquisition of the Group by funds advised by Carlyle and other investors in 2007. In the years ended 31 December 2011, 2012 and 2013, the Group recognised impairment losses and losses on disposals of €22,754 thousand, €19,817 thousand and €117,571 thousand, respectively. Of the impairment recognised in the year ended 31 December 2013, €16,744 thousand was attributable to Applus+ RTD's operations in Europe, €60,897 thousand to Applus+ Automotive's operations in Finland, €23,105 thousand to Applus+ Automotive's operations in the United States, €11,370 thousand to Applus+ Norcontrol's operations in Spain and €7,051 thousand to Applus+ Automotive's operations in Spain. In the years ended 31 December 2011 and 2012 impairments of €18,000 thousand and €18,101 thousand, respectively, were attributable to Applus+ RTD's operations in Europe. For a further discussion, see "*Operating and Financial Review — Results of Operations for the year ended 31 December 2012 compared to the year ended 31 December 2013 ended — Consolidated balance sheet — Goodwill*". As part of the Group's expansion strategy it intends to undertake further acquisitions which may lead to an increase in the Group's goodwill and other intangible assets. The Group's goodwill and other intangible assets may be subject to further impairments in the future which could have a material adverse effect on the Group's financial condition and results of operations.

Risks Related to the Offering and to the Shares

After the Offering, CEP II and CEP III will continue to be able to exercise significant influence over the Group, its management and its operations.

As at the date of this document, CEP II and CEP III indirectly hold, in aggregate, 71.2 per cent. of the Company's issued share capital. CEP II and CEP III are investment companies in risk capital. CEP II and CEP III will together be able to exercise significant influence over the Group's management and operations and over the Company's shareholders' meetings, such as in relation to the payment of dividends and the appointment of Directors to the Company's Board of Directors. There can be no assurance that the interests of CEP II and CEP III will coincide with the interests of purchasers of the Offer Shares or that CEP II and CEP III will act in a manner that is in the best interests of the Company.

Upon Admission and for such period as CEP II and CEP III will continue to own and control, directly or indirectly, a material portion of the Shares, even if such portion represents less than half of the issued Shares, they will continue to be able to exert significant influence over decisions adopted both by the general shareholders' meetings and the Board of Directors. Upon Admission, following the Directed Offering and sale of €0.1 million of Shares to the New Chairman, and assuming the Over-allotment Option is exercised in full, CEP II and CEP III will hold indirectly, in aggregate, 35.51 per cent. of the voting rights attaching to the Shares. If the Over-allotment Option is not exercised at all, CEP II and CEP III will hold indirectly, in aggregate, 41.34 per cent. of the voting rights attaching to the Shares. Accordingly, CEP II and CEP III will hold upon Admission, in aggregate, an indirect interest in the share capital of the Company that will exceed the 30 per cent. control threshold set forth in Article 4.1.a) of the Spanish Royal Decree 1066/2007 of 27 July 2007, on tender offers.

On the date of Admission of the Shares, there are no shareholders' agreements in force between CEP II and CEP III or their affiliates and other indirect shareholders of the Company which may regulate the exercise of voting rights at the general shareholders meetings or restrict or condition the free transfer of Shares, in the terms described in Article 530 of the Spanish Companies Act.

Substantial subsequent sales of Shares by significant shareholders could depress the price of the Shares.

Each of the Selling Shareholder, Azul Holding and the Company has agreed in the underwriting agreement to certain restrictions on the ability to sell, transfer and otherwise deal in Shares for a period of 180 days from the date of the listing of the Shares on the Spanish Stock Exchanges, unless otherwise consented to by the Joint Global Coordinators. In addition, the Shares purchased by the Chief Executive Officer and Chief Finance Officer of the Group will be subject to lock-up restrictions for a period of 360 days from the date of the listing of the Shares on the Spanish Stock Exchanges. Nevertheless, subsequent sales by the Selling Shareholder, Azul Holding or by the Company of a substantial number of Shares may significantly reduce the price of the Shares and the Group is unable to predict whether substantial amounts of Shares will be sold in the open market following the termination of the lock-up arrangements or their waiver by the Underwriters. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares. Further sales of Shares could also dilute the holdings of shareholders.

There is no established trading market for the Shares.

There is no established trading market for the Shares, and there can be no assurance that any active trading market will develop. The Offering Price has been agreed between the Selling Shareholder, Azul Holding, the

Company and the Underwriters, and may not be indicative of the market price for the Shares following Admission. There can be no assurance that an active trading market will develop or be sustained following the completion of the Offering, or that the market price of the Shares will not decline thereafter below the Offering Price. The Company will apply to list the Shares on the Spanish Stock Exchanges, and the Company expects the Shares to be quoted on the AQS on or about 9 May 2014, subject to completion of customary procedures in Spain. Any delay in the commencement of trading of the Shares would impair the liquidity of the market for the Shares and make it more difficult for holders to sell Shares.

Moreover, the Shares to be sold in the United States have not been listed on a US exchange or registered under the Securities Act. Accordingly, although the Shares will be listed and tradeable on the Spanish Stock Exchanges, there will not be a trading market for the Shares in the United States and resale of such Shares in the United States will be restricted.

Shareholders in certain jurisdictions other than Spain may not be able to exercise their pre-emptive rights to acquire further shares.

Under Spanish corporate law, holders of the Shares generally have the right to subscribe and pay for a sufficient number of Shares to maintain their relative ownership percentages prior to the issuance of any new Shares against monetary contributions, unless such right is excluded under special circumstances by a resolution passed by the general shareholders' meeting or Board of Directors, in accordance with the Spanish Companies Act. Even if the right is not excluded and therefore is exerciseable, holders of the Shares in certain jurisdictions other than Spain may not be able to exercise pre-emptive rights unless applicable securities law requirements are complied with or exemptions are available, although the option provided under the Prospectus Rules to passport a prospectus into other member states of the EEA may facilitate the exercise of such rights for residents in the EEA. The Company may determine it is not in its best interest to comply with such formalities, and there can be no assurance that such exemptions will be available. Accordingly, the pre-emptive rights of any such affected shareholders may lapse and their proportionate interests may be reduced. In particular, holders of the Shares resident in the United States may not be able to exercise any future preferential subscription rights in respect of the Shares they hold unless a registration statement under the Securities Act is effective or an exemption from the registration requirements under the Securities Act is available. No assurance can be given that the Company would file or have declared effective any such registration statement or that any exemption from such registration requirements would be available to allow for the exercise of the preferential rights of US holders, or that the Company would utilise an exemption if one were available.

The market price of the Shares may be highly volatile.

The liquidity of any market for the Shares depends on the number of holders of the Shares, the market for similar securities and other factors, including general economic conditions and the Group's financial condition, performance and prospects, as well as the recommendations of securities analysts. As a result, the Group cannot be certain that an active trading market for the Shares will develop or that it will be maintained. If an active trading market for the Shares does not develop, investors may not be able to sell the Shares they purchased at or above the price at which they acquired them or at all. As a result, investors could lose all or part of their investment in the Shares.

Dividend payments are not guaranteed.

From Admission, the Company intends to target a dividend of approximately 20 per cent. of the Group's adjusted net income. Dividends may only be paid by the Company if certain requirements under the Spanish Companies Act are met. For example, dividends may only be paid to shareholders if the value of the Company's net equity (*patrimonio neto*) does not, and as a result of the payment of dividends would not, amount to less than the capital stock. The amount of dividends that the Company decides to pay in the future, if any, will depend upon a number of factors, including, but not limited to, the Company's earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time.

The Company's capacity to distribute dividends may be restricted under general Spanish corporate law rules, but is not restricted contractually under the terms of the new €850 million facility, of which €700 million comprises the Term Loan Facility and €150 million comprises the Revolving Facility, or under any other financing arrangement expected to be in place upon Admission.

The Company may be classified as a PFIC, which could result in adverse US federal income tax consequences to US Holders of the Shares.

If the Company is a PFIC for any taxable year during which a US Holder (see "*Taxation — United States Federal Income Tax Considerations*" for a definition) holds Shares, certain adverse US federal income tax consequences could apply to such US Holder. See "*Taxation — United States Federal Income Tax Considerations — Passive Foreign Investment Company*"

Based on the Company's historic and expected operations, composition of assets and market capitalisation (which will fluctuate from time to time), the Company does not expect that it will be classified as a PFIC for the current taxable year or for the foreseeable future. However, the determination of whether the Company is a PFIC is made annually, after the close of the relevant taxable year. Therefore, it is possible that the Company could be classified as a PFIC for the current taxable year or in future years due to changes in the composition of the Company's assets or income, as well as changes in the Company's market capitalisation.

If the Company is treated as a financial institution under FATCA, withholding tax may be imposed on payments on the Shares.

The provisions of FATCA under the US Internal Revenue Code of 1986 (the "**Internal Revenue Code**") and US Treasury Regulations may impose 30 per cent. withholding on certain "withholdable payments" and "foreign passthru payments" (each as defined in the Internal Revenue Code) made by a "foreign financial institution" (as defined in the Internal Revenue Code) that has entered into an agreement with the Internal Revenue Service of the US Government (the "**IRS**") to perform certain diligence and reporting obligations with respect to the foreign financial institution's US-owned accounts. FATCA Treasury Regulations treat an entity as a "financial institution" if it is a holding company formed in connection with or availed of by a private equity fund or other similar investment vehicle established with an investment strategy of investing, reinvesting, or trading in financial assets. The United States has entered into an intergovernmental agreement (an "**IGA**") with Spain, which modifies the FATCA withholding regime described above, although the IRS and Spanish tax authorities have not yet provided final guidance regarding compliance with the Spanish IGA. It is not clear whether the Company would be treated as a financial institution subject to the diligence, reporting and withholding obligations under FATCA. Furthermore, it is not yet clear how the IGA between the United States and Spain will address foreign passthru payments, and whether such IGA may relieve Spanish financial institutions of any obligation to withhold on foreign passthru payments. Prospective investors should consult their tax advisors regarding the potential impact of FATCA, the Spanish IGA and any non-US legislation implementing FATCA, on their investment in the Shares.

USE OF PROCEEDS

The Company is offering New Offer Shares and the Selling Shareholder is offering Existing Offer Shares in the Offering.

The Company will raise estimated gross proceeds of €300 million from the Offering. The underwriting commissions, fees and expenses which will be payable by the Company in connection with the Offering are estimated to be €36.2 million. The Company intends to pay this out of the gross proceeds of the Offering. Accordingly, the Company will raise estimated net proceeds of €263.8 million from the Offering.

The Company intends to use the net proceeds of the Offering, together with €700 million under the New Term Loan Facility and the Group's existing cash:

- to repay the existing Syndicated Loan Facilities in full in the amount of €1,047 million; and
- to make an aggregate cash payment of approximately €20 million to certain key employees of the Group under a management incentive plan.

Pursuant to the Offering, the Selling Shareholder will raise estimated gross proceeds of €800 million (assuming no exercise of the Over-allotment Option). The Company will not receive any proceeds from the sale of the Existing Offer Shares by the Selling Shareholder. The Selling Shareholder will bear any commissions payable in respect of the sale of the Existing Offer Shares.

In addition, Azul Holding will raise estimated gross proceeds of €5.8 million in the Directed Offering and €0.1 million pursuant to the proposed sale of Shares to the New Chairman. For further details see, "*Management and Board of Directors — Shareholdings of Directors and Senior Management–Agreements to Acquire Shares*" and "*Plan of Distribution — Lock-Up Agreements*".

The Company believes that the Offering will enable the Group to expand the number of shareholders of the Company so as to reach a free float of 58.35 per cent. of the total issued share capital of the Company upon Admission (assuming the Over-allotment Option is not exercised), above the minimum threshold of distribution of the Company's Shares required for their admission to trading on the Spanish Stock Exchanges and on the AQS (which, in accordance with Spanish Royal Decree 1310/2005, of 4 November, and subject to certain exceptions, involves reaching a free float of at least 25 per cent. of the shares admitted to trading), and access the equity capital markets, which could allow the Company to improve its financing arrangements for the future development of the Group's business. In addition, it is expected that the Offering will enhance the Group's brand name as a result of being a listed company and provide liquidity on the Spanish Stock Exchanges for the Shares held by its shareholders. The Offering (together, with the Over-allotment Option, if exercised) will also provide an opportunity for the Selling Shareholder to transfer part of its investment in the Company.

DIVIDENDS AND DIVIDEND POLICY

Dividends

Assuming that there are sufficient distributable reserves available at the time, the Company intends to target a dividend of approximately 20 per cent. of the Group's adjusted net income (as described below). Following Admission, the Company currently intends to pay its first dividend in 2015 after the publication of its financial results for the year ended 31 December 2014.

The amount of future dividends that the Company decides to pay, if any, and the Company's future dividend policy will depend upon a number of factors, including, but not limited to, the Company's earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time. The amount of dividends will be proposed by the Company's Board of Directors and determined by its shareholders at general shareholders' meetings.

The Offer Shares offered hereby will be eligible for any dividends paid or declared after the Offering.

No dividends have been declared or paid by the Company in the three years ended 31 December 2011, 2012 and 2013.

Any dividends paid in the future will be subject to tax under Spanish law. See "*Taxation — Spanish Tax Considerations*" below.

For the purposes of the Company's dividends payments, "adjusted net income" means net income, plus PPA Amortisation, plus impairment and gains or losses on disposal of non-current assets, non-recurrent items within depreciation and amortisation and certain items within other losses (severances related to restructuring processes, inorganic growth costs and other non-recurrent costs), plus the tax impact of these adjustments. The Company will disclose its adjusted net income through a relevant fact announcement ("*hecho relevante*") which will be available on its corporate website (www.applus.com) and on the CNMV's website (www.cnmv.es) simultaneously with the publication of its annual financial results.

Limitations on Dividends and other Distributions

The Company's capacity to distribute dividends may be restricted under general Spanish corporate law rules.

The conditions under which the Company may declare dividends based on Spanish law and the Company's by-laws are described under *"Description of Capital Stock — Dividend and Liquidation Rights"*.

Upon Admission, and due to measures taken in 2013 and 2014 (including a capital reduction) and the capital increase for issuance of the New Offer Shares in the Offering, the Company's equity structure will be sufficient to comply with the minimum thresholds set out in the Spanish Companies Act to permit dividend distribution. See "*Capitalisation and Indebtedness*" below.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Group's cash and cash equivalents, current borrowings and capitalisation as at 28 February 2014, on a historical basis and as adjusted to give effect to (i) the receipt of the gross proceeds of the Offering, (ii) the drawdown of amounts under the New Facilities, (iii) the repayment of certain of the Group's existing indebtedness and (iv) the costs of the Offering.

The capitalisation information presented as adjusted has been prepared for illustrative purposes only. By its nature, such information addresses a hypothetical situation and, therefore, does not reflect the Group's actual financial position.

Prospective investors should read this table in conjunction with *"Selected Consolidated Financial Information and Other Data*", "*Operating and Financial Review*" and the financial information starting on page F-1. In particular, for a description of the main terms of the New Facilities, see "*Operating and Financial Review — Liquidity and Capital Resources — Indebtedness*".

	As of 28 February 2014					
		Adjustments				
	Actual	**Gross Proceeds[3]**	**New Debt[4]**	**Existing Debt Refinanced[5]**	**Offering and Management Incentive Plan Costs[6]**	**As Adjusted**
	€ thousands					
Local debt facilities[1]	37,808	-	-	-	-	37,808
Term Loan B	621,650	-	-	(621,650)	-	-
Second Lien	100,000	-	-	(100,000)	-	-
Mezzanine	205,199	-	-	(205,199)	-	-
Capex line drawn	119,688	-	-	(119,688)	-	-
New Term Loan Facility	-	-	700,000	-	-	700,000
New Revolving Facility	-	-	35,000	-	-	35,000
Gross financial debt	**1,084,345**	**-**	**735,000**	**(1,046,537)**	**-**	**772,808**
Cash[2]	(145,479)	(300,000)	(735,000)	1,046,537	56,200	(77,742)
Net financial debt	**938,866**	**(300,000)**	**-**	**-**	**56,200**	**695,066**
Equity:	**318,581**	**300,000**	**-**	**-**	**(56,200)**	**562,381**
Total capitalisation	**1,257,447**	**-**	**-**	**-**	**-**	**1,257,447**

(1) Includes financial leases and bank borrowings contracted by Group subsidiaries.
(2) The Group has no restricted cash.
(3) The increase in cash and cash equivalents is the result of a capital increase in the gross amount of €300 million and is presented prior to the deduction of underwriting commissions, which are included within "Offering and Management Incentive Plan Costs".
(4) New Debt reflects the draw down of €700,000 thousand under the New Term Loan Facility and €35,000 thousand under the New Revolving Facility (out of a total of €150,000 thousand available under the New Revolving Facility), expected to occur upon Admission. There would be an increase in cash for the same aggregate amount.
(5) The decrease of €1,046,537 thousand represents debt that is being repaid and cancelled.
(6) Offering and Management Incentive Plan Costs comprise underwriting commissions, other fees and expenses in connection with the Offering and an aggregate payment of approximately €20 million to certain senior managers of the Group under a management incentive plan. The decrease of €56,000 thousand in equity represents the pre-tax impact of the costs related to the Offering.

Working Capital

The Company is of the opinion that, taking into account the bank facilities available and its existing cash resources, the Group has sufficient working capital for its present requirements, that is, for at least twelve months from the date of this document. For a discussion of movements in working capital see "*Operating and Financial Review — Liquidity and Capital Resources — Cash Flows*".

SELECTED FINANCIAL INFORMATION

The selected combined and selected consolidated financial information set out below shows certain of the Group's combined financial information as at and for the years ended 31 December 2011 and 2012, and consolidated financial information as at and for the year ended 31 December 2013. Such selected combined and selected consolidated financial information, has been extracted from the Combined Financial Statements and the Audited Consolidated Financial Statements.

The selected combined and selected consolidated financial information should be read in conjunction with *"Operating and Financial Review"*, the Combined Financial Statements and the Audited Consolidated Financial Statements included in this document beginning on page F-1. For a description of the Combined Financial Statements and the Audited Consolidated Financial Statements, see *"Presentation of Financial Information"*.

Selected Combined and Selected Consolidated Income Statement Data

The following table sets out the Group's selected combined and selected consolidated income statement information for the years ended 31 December 2011, 2012 and 2013.

	Year Ended 31 December		
	2011 combined	**2012 combined**	**2013 consolidated**
		€ thousands	
Revenue	1,179,585	1,464,998	1,580,501
Procurements	(153,879)	(216,626)	(244,420)
Staff costs	(603,373)	(739,756)	(784,361)
Other operating expenses	(280,282)	(337,544)	(362,268)
Depreciation and amortisation charge	(73,438)	(82,524)	(97,623)
Impairment and gains or losses on disposal of non-current assets	(22,754)	(19,817)	(117,571)
Other losses	(23,578)	(23,512)	(17,024)
Operating profit	**22,281**	**45,219**	**(42,766)**
Net financial expense	(113,644)	(117,448)	(86,407)
Share of profit of companies accounted for using the equity method	894	1,628	2,493
Loss before tax	**(90,469)**	**(70,601)**	**(126,680)**
Income tax	7,027	10,665	(38,832)
Net loss from continuing operations	**(83,442)**	**(59,936)**	**(165,512)**
Loss from discontinued operations net of tax	**(2,464)**	**-**	**-**
Net (combined/consolidated) loss	**(85,906)**	**(59,936)**	**(165,512)**
Profit attributable to non-controlling interests	5,923	7,033	4,567
Net loss attributable to the parent	**(91,829)**	**(66,969)**	**(170,079)**

Selected Combined and Consolidated Revenue, Adjusted Operating Profit and Adjusted Operating Profit Margin Data

The following table sets out the Group's selected combined and consolidated revenue, adjusted operating profit, adjusted operating profit margin, by segment, for the years ended 31 December 2011, 2012 and 2013.

	Year Ended 31 December			
	2011 combined	2012 combined	2013 consolidated	CAGR 2011 – 2013 (%)
	€ thousands, except for percentages			
Group				
Revenue	1,179,585	1,464,998	1,580,501	15.8
Adjusted operating profit	96,519	122,867	150,725	25.0
Adjusted operating profit margin	8.2%	8.4%	9.5%	-
Energy and Industry Services				
Applus+ RTD				
Revenue	402,615	499,644	558,574	17.8
Adjusted operating profit	23,195	35,732	49,447	46.0
Adjusted operating profit margin	5.8%	7.2%	8.9%	-
Applus+ Velosi				
Revenue	200,304	340,661	372,576	36.4
Adjusted operating profit	13,480	25,393	31,902	53.8
Adjusted operating profit margin	6.7%	7.5%	8.6%	-
Applus+ Norcontrol				
Revenue	187,686	190,695	186,158	(0.4)
Adjusted operating profit	10,973	12,136	15,218	17.8
Adjusted operating profit margin	5.8%	6.4%	8.2%	-
Applus+ Laboratories				
Revenue	52,090	55,852	56,637	4.3
Adjusted operating profit	907	2,379	1,910	45.1
Adjusted operating profit margin	1.7%	4.3%	3.4%	-
Statutory Vehicle Inspection				
Applus+ Automotive				
Revenue	245,025	266,391	273,599	5.7
Adjusted operating profit	55,205	55,413	59,108	3.5
Adjusted operating profit margin	22.5%	20.8%	21.6%	-
Automotive Engineering and Testing				
Applus+ IDIADA				
Revenue	94,211	116,505	132,513	18.6
Adjusted operating profit	11,724	15,093	17,558	22.4
Adjusted operating profit margin	12.4%	13.0%	13.3%	-
Other(1)				
Revenue	(2,346)	(4,750)	444	-
Adjusted operating profit	(18,965)	(23,279)	(24,418)	-

(1) "Other" comprises certain central and divisional activities, including in respect of finance, legal, IT, HR and corporate development recognised within the two holding companies of the Group, Applus Services, S.A. and Applus Servicios Tecnológicos, S.L.U.

Selected Combined and Consolidated Balance Sheet Data

The following table sets out the Group's selected combined and consolidated balance sheet for the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	2012 combined	2013 consolidated
	€ thousands except for percentages and ratios		
ASSETS			
Non-current assets			
Goodwill(1)	579,474	571,168	487,882
Other intangible assets(2)	695,545	716,388	632,695
Property, plant and equipment	179,241	196,566	189,450
Non-current financial assets	15,252	13,163	13,831
Deferred tax assets	113,354	137,547	101,727
Total non-current assets(3)	**1,582,866**	**1,634,832**	**1,425,585**
CURRENT ASSETS			
Cash and cash equivalents	120,737	141,426	180,877
Additional current assets(4)	365,918	393,597	417,418
Total current assets	**486,655**	**535,023**	**598,295**
TOTAL ASSETS	**2,069,521**	**2,169,855**	**2,023,880**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	31,807	600,825	654,731
Total reserves	35,725	(210,426)	(331,482)
TOTAL EQUITY	**67,532**	**390,399**	**323,249**
PARTICIPATING LOAN	**391,715**	**92,448**	**-**
NON-CURRENT LIABILITIES			
Financial liabilities(5)	1,051,378	1,108,610	1,100,076
Non-current liabilities(6)	264,080	264,116	242,664
TOTAL NON-CURRENT LIABILITIES	**1,315,458**	**1,372,726**	**1,342,740**
CURRENT LIABILITIES			
Bank borrowings	70,752	33,929	37,671
Additional current liabilities(7)	224,064	280,353	320,220
TOTAL CURRENT LIABILITIES	**294,816**	**314,282**	**357,891**
TOTAL EQUITY AND LIABILITIES	**2,069,521**	**2,169,855**	**2,023,880**

(1) Other intangible assets include administrative authorisations and concessions (related to the statutory vehicle inspection activity), patents, licences and trademarks, the value of various customer portfolios contracts and asset usage rights.
(2) Additional current assets comprises inventories, trade receivables for sales and services, trade receivables from related companies, other receivables, income tax assets, other current assets and current non-current financial assets.
(3) Financial liabilities comprises non-current bank borrowings and other financial liabilities.
(4) Non-current liabilities comprise mainly deferred tax liabilities, other non-current liabilities and long-term provisions.
(5) Additional current liabilities comprises short-term provisions, trade and other payables, income tax liabilities, other current liabilities and long-term provisions.
(6) Net financial debt is defined as the Group's financial indebtedness to banks and other financial institutions (including, without limitation, local debt facilities, the Syndicated Loan Facilities and derivatives) less cash and cash equivalents. Local debt facilities comprise a number of borrowings with different institutions in different countries.
(7) Net total debt is defined as net financial debt plus the amount of the Participating Loan.

Selected Combined and Consolidated Statement of Cash Flow Data

The following table sets out the Group's selected combined and consolidated statements of cash flows for the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	2012 combined	2013 consolidated
		€ thousands	
Net cash from operating activities	113,491	153,280	154,798
Net cash used in investing activities	(69,424)	(81,961)	(69,999)
Net cash (used in)/from financing activities	4,620	(50,630)	(45,348)
Net increase in cash and cash equivalents	**48,687**	**20,689**	**39,451**

In the three years ended 31 December 2011, 2012 and 2013, net cash from operating activities represented 9.6 per cent., 10.5 per cent. and 9.8 per cent. of revenue, respectively.

Reconciliation of operating profit to adjusted operating profit

For a discussion of certain management financial or non-IFRS measures, including adjusted operating profit, see "*Presentation of Financial Information — Management Financial or Non-IFRS Measures (unaudited)*" and "*Operating and Financial Review — Management Financial or Non-IFRS Measures (unaudited) — Adjusted Operating Profit*". The tables below provide a reconciliation of operating profit to adjusted operating profit for the periods indicated.

	Year ended 31 December 2011 combined							
	€ thousands							
	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Holding	Group
Operating profit	**(7,370)**	**7,570**	**2,383**	**(1,253)**	**34,883**	**9,169**	**(23,101)**	**22,281**
Impairment and gains/(losses) on disposal of fixed assets	18,079	4	23	(14)	4,592	5	65	22,754
PPA amortisation	9,815	-	1,596	1,151	15,119	2,161	-	29,842
Non-recurring software amortisation(1)	-	-	-	-	-	-	2,630	2,630
Certain items within other losses	2,671	5,906	6,971	1,023	611	389	1,441	19,012
Severances(2)	*2,093*	*572*	*6,971*	*1,023*	*611*	*389*	*1,371*	*13,030*
Inorganic growth costs(3)	*578*	*5,334*	-	-	-	-	*70*	*5,982*
Adjusted operating profit	**23,195**	**13,480**	**10,973**	**907**	**55,205**	**11,724**	**(18,965)**	**96,519**

(1) "Non-recurring software amortisation" is the amortisation of certain Group software.

(2) Severances include: (i) severance costs regarding redundancies carried out by the Group throughout the historical period as a result of various restructuring processes undertaken by the segments, (ii) specific office restructuring expenses which affected Applus+ Norcontrol Spain due to the early termination of a lease contract, and (iii) costs incurred in discontinuing certain operations related to Applus+ RTD.

(3) Inorganic growth costs mainly relate to: (i) costs related to acquisition processes, (ii) one-off consultancy services, and (iii) start-up costs, which largely correspond to the costs of launching new operations before they begin to generate revenues.

	Year ended 31 December 2012 combined							
	€ thousands							
	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Holding	Group
Operating profit	**6,117**	**17,511**	**4,371**	**701**	**34,613**	**13,118**	**(31,212)**	**45,219**
Impairment and gains/(losses) on disposal of fixed assets	18,620	(115)	938	84	(412)	(817)	1,519	19,817
PPA amortisation	9,828	-	1,596	1,151	20,119	2,161	-	34,855
Non-recurring software amortisation(1)	-	-	-	-	-	-	2,835	2,835
Certain items within other losses	1,167	7,997	5,231	443	1,093	631	3,579	20,141
Severances(2)	*917*	-	*5,231*	*443*	*1,093*	*258*	*295*	*8,237*
Inorganic growth costs(3)	*250*	*7,997*	-	-	-	*373*	*631*	*9,251*
Refinancing costs	-	-	-	-	-	-	*2,653*	*2,653*
Adjusted operating profit	**35,732**	**25,393**	**12,136**	**2,379**	**55,413**	**15,093**	**(23,279)**	**122,867**

(1) "Non-recurring software amortisation" is the amortisation of certain Group software.
(2) Severances include: (i) severance costs regarding redundancies carried out by the Group throughout the historical period as a result of various restructuring processes undertaken by the segments, (ii) specific office restructuring expenses which affected Applus+ Norcontrol Spain due to the early termination of a lease contract and (iii) costs incurred in discontinuing certain operations related to Applus+ RTD.
(3) Inorganic growth costs mainly relate to: (i) costs related to acquisition processes, (ii) one-off consultancy services, and (iii) start-up costs, which largely correspond to the costs of launching new operations before they begin to generate revenues.

	Year ended 31 December 2013 consolidated							
	€ thousands							
	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Holding	Group
Operating profit	**21,982**	**22,067**	**(201)**	**(451)**	**(56,840)**	**14,893**	**(44,216)**	**(42,766)**
Impairment and gains/(losses) on disposal of fixed assets	16,585	(1,614)	11,334	89	91,201	(22)	(2)	117,571
PPA amortisation	9,934	8,169	1,675	1,703	24,591	2,160	-	48,232
Non-recurring software amortisation(1)	-	-	-	-	-	-	2,982	2,982
Certain items within other losses	946	3,280	2,410	569	156	527	168	8,056
Severances(2)	*946*	*113*	*2,410*	*569*	*156*	*487*	*168*	*4,849*
Inorganic growth costs(3)	-	*3,167*	-	-	-	*40*	-	*3,207*
IPO related costs(4)	-	-	-	-	-	-	16,650	16,650
Adjusted operating profit	**49,447**	**31,902**	**15,218**	**1,910**	**59,108**	**17,558**	**(24,418)**	**150,725**

(1) "Non-recurring software amortisation" is the amortisation of certain Group software.
(2) Severances include: (i) severance costs regarding redundancies carried out by the Group throughout the historical period as a result of various restructuring processes undertaken by the segments, (ii) specific office restructuring expenses which affected Applus+ Norcontrol Spain due to the early termination of a lease contract and (iii) costs incurred in discontinuing certain operations related to Applus+ RTD.
(3) Inorganic growth costs mainly relate to: (i) costs related to acquisition processes, (ii) one-off consultancy services, and (iii) start-up costs, which largely correspond to the costs of launching new operations before they begin to generate revenues.
(4) IPO related costs impacting the Group's consolidated financial statement in 2013 mainly relate to: (i) management incentives of €10,650 thousand included in staff costs and (ii) costs relating to the Offering of €6,000 thousand included with Other losses.

OPERATING AND FINANCIAL REVIEW

The following discussion of the Group's financial condition and results of operations as at and for the three year period ending 31 December 2013 should be read in conjunction with the Combined Financial Statements and the Audited Consolidated Financial Statements, including the notes thereto, and the other information included elsewhere in this document. See also "Presentation of Financial and Other Information". The Audited Consolidated Financial Statements are prepared in accordance with IFRS. The Combined Financial Statements have been prepared from the audited consolidated annual accounts of the Group and the Velosi Group respectively, both in accordance with IFRS.

This section contains forward-looking statements, which are based on assumptions and estimates, and, as such, subject to risks and uncertainties. Accordingly, the Group's actual results may differ materially from those expressed or implied in such forward-looking statements, as a result of various factors, including those described under "Risk Factors" and "Forward-Looking Statements". Unless otherwise indicated, the financial information as of and for the years ended 31 December 2011 and 2012 discussed herein is extracted or derived from the Combined Financial Statements and the financial information as of and for the year ended 31 December 2013 discussed herein is derived from the Audited Consolidated Financial Statements for the year ended 31 December 2013.

Overview

The Group is one of the world's largest TIC companies with leading global market positions in its chosen markets. Applus+ provides technically sophisticated, mission-critical services and solutions for the energy, industrial, infrastructure and automotive sectors that enable its clients to manage risk enhance the quality and safety of their products, assets and operations, comply with applicable standards and regulations and optimise industrial processes. The Group provides its services and solutions to a highly diverse blue-chip client base in established as well as high-growth economies globally.

Headquartered in Barcelona, Spain, the Group operates in more than 60 countries through its network of 324 offices, 127 testing facilities and 322 statutory vehicle inspection stations, and employs more than 19,000 people (including approximately 3,000 engineers). In the year ended 31 December 2013, the Group recorded revenue of €1,581 million and adjusted operating profit of approximately €150.7 million. From 1 January 2011 to 31 December 2013, the Group's revenue grew at a CAGR of 15.8 per cent. For the year ended 31 December 2013, the Group recorded 44.2 per cent. of its revenue in Europe, 22.9 per cent. in United States and Canada, 15.8 per cent. in the Asia Pacific region, 10.2 per cent. in the Middle East and Africa and 6.9 per cent. in Latin America.

The Group operates through six global divisions, each of which is reported as a segment for financial reporting purposes and which operates under the Applus+ global brand name. The Group's Statutory Vehicle Inspections and Automotive Engineering and Testing divisions operate on a standalone global basis and are considered as two independent operating verticals. The four divisions serving clients across the energy and industry markets are also operated globally, but have complementary service offerings and target a similar set of end-markets, and are therefore grouped together in the Energy and Industry Services vertical. The following is a summary of the Group's services across these three verticals:

- *Energy and Industry Services*: The Group provides TIC services, including NDT, asset integrity testing, site inspection, vendor surveillance, certification and other services to a diversified client base across a range of highly attractive sectors, including the energy, power generation, infrastructure, industrial, IT and aerospace sectors. The Group is the second largest provider of TIC industrial services globally and the world's leading provider of TIC industrial services to the oil and gas industry (by revenue (2012)). The Group's mission-critical services assist its clients to increase productivity, reduce repair costs, extend the economic life of their assets, comply with applicable national regulations and international quality and safety standards and enhance safety. The Group provides these services to clients in Europe, the United States and Canada, the Asia Pacific region, the Middle East, Africa and Latin America. The Group's Energy and Industry Services vertical comprises the following four divisions:
    - Applus+ RTD is a leading global provider of NDT services to clients in the upstream, midstream and downstream oil and gas industry. In the year ended 31 December 2013, Applus+ RTD recorded revenue of approximately €559 million and adjusted operating profit of approximately €49 million, representing 35.3 per cent and 32.8 of the Group's total revenue and adjusted operating profit, respectively. From 1 January 2011 to 31 December 2013, the revenue of Applus+ RTD grew at a CAGR of 17.8 per cent.

- Applus+ Velosi is the leading global provider of vendor surveillance (third party inspection and auditing services to monitor compliance with client specifications in procurement transactions), site inspection, certification and asset integrity as well as specialised manpower services primarily to companies in the oil and gas industry. In the year ended 31 December 2013, Applus+ Velosi recorded revenue of approximately €373 million and adjusted operating profit of approximately €32 million representing 23.6 per cent. and 21.2 per cent. of the Group's total revenue and adjusted operating profit, respectively. From 1 January 2011 to 31 December 2013, the revenue of Applus+ Velosi grew at a CAGR of 36.4 per cent.

- Applus+ Norcontrol primarily provides quality assurance, quality control, testing and inspection and project management services primarily to the utilities, oil and gas and civil infrastructure sectors. In the year ended 31 December 2013, Applus+ Norcontrol recorded revenue of approximately €186 million and adjusted operating profit of approximately €15 million representing 11.8 per cent and 10.1 per cent. of the Group's total revenue and adjusted operating profit, respectively. Over the years between 1 January 2011 and 31 December 2013, Applus+ Norcontrol's revenue decreased at a CAGR of 0.4 per cent.

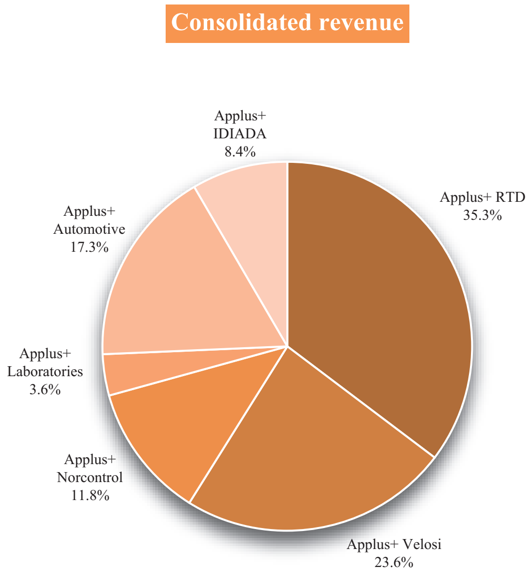
- Applus+ Laboratories provides a range of laboratory-based product testing, system certification and product development services to clients in a wide range of industries including the aerospace, oil and gas and payment systems sectors. In the year ended 31 December 2013, Applus+ Laboratories recorded revenue of approximately €57 million and adjusted operating profit of approximately €1.9 million, representing 3.6 per cent and 1.3 per cent. of the Group's total revenue and adjusted operating profit, respectively. Over the years between 1 January 2011 and 31 December 2013, Applus+ Laboratories' revenue grew at a CAGR of 4.3 per cent.

- *Statutory Vehicle Inspections*: Applus+ Automotive is the second largest provider, measured by number of inspections carried out, of statutory vehicle inspection services globally, according to the Group's estimates. In the year ended 31 December 2013, Applus+ Automotive recorded revenue of approximately €274 million and adjusted operating profit of approximately €59 million, representing 17.3 per cent and 39.2 per cent. of the Group's total revenue and adjusted operating profit, respectively. From 1 January 2011 to 31 December 2013, the revenue of Applus+ Automotive grew at a CAGR of 4.3per cent.

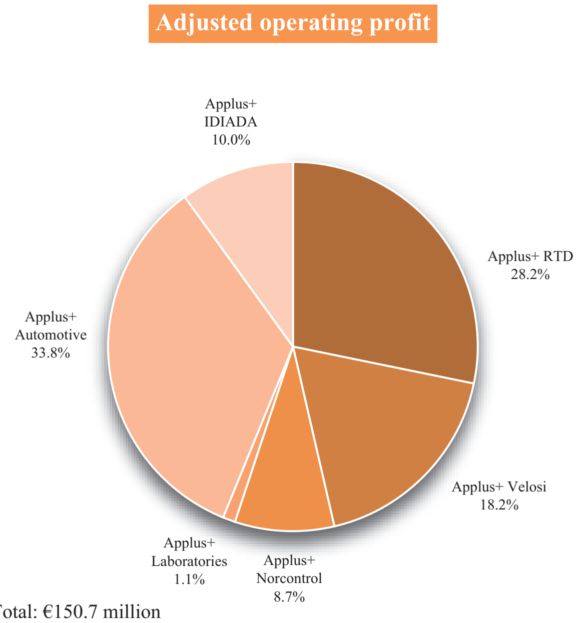
- *Automotive Engineering and Testing*: Applus+ IDIADA provides engineering, safety testing and technical testing services as well as proving ground and homologation (testing and certification of new and prototype vehicle models for compliance with mandatory safety and technical standards) services globally to many of the world's leading vehicle manufacturers. In the year ended 31 December 2013, Applus+ IDIADA recorded revenue of approximately €133 million and adjusted operating profit of approximately €18 million, representing 8.4 per cent and 11.6 per cent. of the Group's total revenue and adjusted operating profit, respectively. Over the years between 1 January 2011 and 31 December 2013, Applus+ IDIADA's revenue grew at a CAGR of 5.7 per cent.

Revenue and adjusted operating profit breakdown

The following charts set out the percentage of the Group's (i) revenue and (ii) adjusted operating profit by division in the year ended 31 December 2013:



Total: €1,581 million



Total: €150.7 million

Note: the percentages in the chart above are calculated excluding the impact of the adjusted operating loss of €24,418 thousand attributable to "Other".

Basis of Presentation of Combined Financial Statements and Audited Consolidated Financial Statements

This operating and financial review for the three-year period ended 31 December 2011, 2012 and 2013 is based on the financial information as and of the years ended 31 December 2011 and 2012 extracted or derived from the Combined Financial Statements and the financial information as of and for the year ended 31 December 2013 extracted or derived from the Audited Consolidated Financial Statements. The Combined Financial Statements have been prepared from the audited accounts of the Group and the Velosi Group, respectively, both of which were prepared in accordance with IFRS, and are set forth on page F-86. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS, and are set forth on page F-2.

The Group has six reportable segments: Applus+ RTD, Applus+ Velosi, Applus+ Norcontrol, Applus+ Laboratories, Applus+ Automotive and Applus+ IDIADA, which are the Group's strategic divisions. To measure the performance of these segments, the Group examines certain segment financial information, including revenue and adjusted operating profit, as it believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the Group's industry. See also, "*Management Financial or Non-IFRS Measures (unaudited)*".

Key Factors Affecting the Comparability of Results of Operations

Contribution of Applus+ Velosi

On 20 December 2012, Azul Holding, a shareholder of the Company, contributed the entire issued share capital of Velosi S.à r.l., the holding company of the Applus+ Velosi business, to the Group.

The Audited Consolidated Financial Statements comprise the consolidated financial statements of the Group (excluding the Velosi Group) as of and for the year ended 31 December 2011, the consolidated financial statements of the Group as of and for the year ended 31 December 2012, the audited consolidated balance sheet of which reflects the consolidation of the Velosi Group but the income statement and cash flow statement of which reflects the consolidation of the Velosi Group for only 11 days of operations (from 20 December 2012), and the consolidated financial statements of the Group as of and for the year ended 31 December 2013 (including the Velosi Group for all purposes). Accordingly, the Group's results of operations for the years ended 31 December 2011 and 2012 are not directly comparable with those of subsequent periods. For example, the revenue contributed to the Group by the Applus+ Velosi segment in 2012 from 11 days of operations (from 20 December 2012) was €8,837 thousand whereas in the year ended 31 December 2013 the Applus+ Velosi segment contributed revenue of €372,576 thousand.

The Group has prepared financial statements combining both the Velosi Group and the remainder of the Group (the Combined Financial Statements) in order to present comparable historical financial information for the years ended 31 December 2011 and 2012 which are included in this document at page F-86. For a discussion of the Combined Financial Statements, see "*Presentation of Financial Information — Combined Financial Statements*".

See also, "*Key Factors Affecting the Group's Performance and Results of Operations — Impact of acquisitions*".

Financing arrangements

Historically, the Group has incurred significant costs arising from its financing arrangements, which has had a significant impact on the Group's adjusted operating profit. The Company entered into an agreement dated 29 November 2007 with the Selling Shareholder, under which the Selling Shareholder extended a participating loan to the Company for an initial amount of €369,375 thousand with a stated maturity date of 27 November 2019 (the "**Participating Loan**"). In addition the Company entered into the Syndicated Loan Facilities dated 27 November 2007 (as defined in "*Material Contracts*") with a syndicate of lenders in an initial amount of €1.085 million.

In the year ended 31 December 2013, the Group generated adjusted operating profit of €150,725 thousand, however the Group incurred a loss before tax of €126,680 thousand. In 2012, the adjusted operating profit and the loss before tax of the Group amounted to €122,867 thousand and €70,601 thousand respectively.

These losses before tax were driven, in part, by borrowing costs relating to the Syndicated Facilities Loan of €43,129 thousand in 2013 and €45,863 thousand in 2012 and the non-cash borrowings costs relating to the capitalisation of interests under the Participating Loan of €14,351 thousand in 2013 and €41,740 thousand in 2012. The Participating Loan was fully capitalised by way of a conversion into share capital and share premium by the end of December 2013, which reduced the Group's indebtedness and financing costs. In addition, the Group intends to use part of the net proceeds of the Offering and the New Facilities towards the repayment of the Syndicated Facilities Loan upon Admission.

As a result of the Group's New Facilities, the Group's indebtedness, the average weighted interest rate payable on such indebtedness and its finance costs will be lower post-Admission. Accordingly, the changes to the Group's debt financing arrangements post-Admission will have a positive effect on the Group's financial results. The Group's debt financing arrangement post-Admission are described in detail in "*Operating and Financial Review — Liquidity and Capital Resources*". As a result of the transactions described above, the Group's results of operations for the years ended 31 December 2011, 2012 and 2013 are not directly comparable with those of subsequent periods.

Impairment of goodwill and other intangible assets

The Group recognises significant goodwill and other intangible assets arising principally from the acquisition of the Group by funds advised by Carlyle and other investors in 2007, in addition to subsequent acquisitions undertaken by the Group. See *"— Impact of Acquisitions*". As at 31 December 2013, the Group carried goodwill of €487,882 thousand and other intangible assets of €632,695 thousand (including an associated deferred tax liability of €166,465 thousand), of which €444,210 thousand and €550,245 thousand (including an associated deferred tax liability of €153,709 thousand), respectively, was recognised upon the acquisition of the Group by funds advised by Carlyle and other investors in 2007.

The changes in the impairment and gains or losses on disposal of non-current assets in 2013 and 2012 are set out in the table below:

	Year Ended 31 December	
	2012 combined	2013 consolidated
	€ thousands	
Impairment of Goodwill	(18,101)	(81,285)
Impairment of Other Intangible Assets	-	(37,882)
Impairment losses	**(18,101)**	**(119,167)**
Asset sales results	(800)	(18)
Other	(916)	1,614
Total	**(19,817)**	**(117,571)**

	Year Ended 31 December	
	2012 combined	2013 consolidated
	€ thousands	
Applus+ RTD (Europe)	18,101	16,744
Applus+ Norcontrol (Spain)	-	11,370
Applus+ Automotive (Finland)	-	60,897
Applus+ Automotive (US)	-	23,105
Applus+ Automotive (Spain)	-	7,051
Total	**18,101**	**119,167**

Save for the acquisition of the Group, the impairments for the three year period ended 31 December 2013 related principally to Applus+ RTD as a result of macro-economic conditions affecting its operations in Europe. In this regard the Group recognised impairments of €16,744 thousand, €18,101 thousand and €18,000 thousand in 2013, 2012 and 2011 respectively. In 2013 the Group also recorded impairments of €60,897 thousand in the Applus+ Automotive division as a result of the liberalisation of the statutory vehicle inspections market in Finland, and of €23,105 thousand due to uncertainty in respect of the Group's ability to renew existing concession agreements in the United States. Additionally, during the year 2013 the Group impaired €18,421 thousand related to Applus+ Norcontrol goodwill (€11,370 thousand) and Applus+ Automotive Spain (€7,051 thousand).

As a result of the impairments described above, the Group's results of operations for the years ended 31 December 2011, 2012 and 2013 are not directly comparable with those of subsequent periods. As part of the Group's expansion strategy it intends to undertake further acquisitions which may lead to an increase in the Group's goodwill and other intangible assets. The Group's goodwill and other intangible assets may be subject to further impairments in the future.

Management incentive plans

The Group has established a number of management incentive plans, including two cash incentive agreements, a cash and share based management incentive plan, a multi-annual bonus agreement and a new long-term incentive plan. Certain of these management incentive plans were entered into prior to the date of this document and the remainder will be implemented upon or after Admission. Certain of the awards under the management incentives plans or agreements are dependent on the Offering Price or on the financial results of the Group or one of its divisions.

Starting from October 2008, Azul Holding entered into certain cash incentive agreements granting nine senior managers and 37 other employees of the Group an incentive linked to the return received in the Offering by the Selling Shareholder and Azul Holding with respect to their initial investment in the Company. Prior to Admission these economic incentive agreements will have been terminated (with no entitlement to cash payments), other than with respect to one senior manager and 18 other employees of the Group. The Company estimates that these 19 employees could potentially receive a cash payment upon Admission of an aggregate estimated amount of €1,250 thousand, although the maximum aggregate amount potentially payable under these cash incentive agreements is €10,500 thousand (of which a total aggregate amount of €1,500 thousand would be payable to the senior manager and the remaining €9,000 thousand to 18 other employees of the Group).

Starting from June 2011, Velosi S.à r.l. entered into a cash incentive agreement with two senior managers of the Group and nine other employees of the Applus+ Velosi division. Under the cash incentive agreement, the relevant individuals are entitled to a cash payment upon the achievement of certain targets relating to the cash flow and EBITDA of the Applus+ Velosi division for the years ended 31 December 2013 through to 31 December 2015. Cash payments under these incentive agreements with respect to one senior manager and seven other employees are due on 2014. Cash payments with respect to the remaining senior manager and two other employees will be due in 2015. The aggregate estimated cash payment under these cash incentive agreements is approximately €9,448 thousand, of which a total aggregate estimated amount of €3,321 thousand will be payable to senior managers of the Group and the remaining €6,126 thousand to the nine other employees of the Applus+ Velosi division.

Pursuant to a cash and share based management incentive plan to be implemented upon Admission, ten senior managers of the Group will receive benefits from a cash and share based management incentive plan of the Group consisting of: (i) an aggregate gross cash payment before tax on or about the date of Admission of approximately €20,000 thousand (in particular, Mr. Fernando Basabe Armijo is expected to receive an aggregate gross cash payment before withholding taxes of approximately €9,950 thousand); and (ii) an aggregate estimated number of non-transferrable restricted stock units of the Company ("**RSUs**") of 2,583,217 (which will be exchangeable upon vesting into an equal number of Shares). Although the exchange for Shares of the RSUs awarded under this management incentive plan will not occur on Admission, the aggregate estimated number of RSUs awarded thereunder will have an aggregate equivalent value in cash on Admission of approximately €37,456,648. In particular, the aggregate estimated number of RSUs awarded to Mr. Fernando Basabe Armijo under this management incentive plan will have an aggregate equivalent value in cash on Admission of approximately €17,192,617. It should be noted that these aggregate equivalent values in cash are a mere estimate and that this management incentive plan does not contemplate a minimum guaranteed value for the Shares which may be exchanged thereunder at vesting of the RSUs.

RSUs will vest in three equal annual instalments subject to customary vesting conditions being met. RSUs will be exchangeable for Shares upon vesting at market value, with no minimum guaranteed rate of exchange. The value of this share based management incentive plan and the number of RSUs is dependent on the Offering Price. On that assumption, the aggregate number of RSUs awarded under this incentive plan would represent, if exchanged for Shares on Admission, 1.99 per cent. of the capital stock of the Company on such date (in particular, the aggregate RSUs awarded to Mr. Fernando Basabe Armijo under this incentive plan would represent, if exchanged for Shares on Admission, 0.91 per cent. of the capital stock of the Company.)

In addition, on or about the date of this document, the Group will enter into a multi-annual bonus agreement with approximately nine senior managers and three other employees of the Group, effective from 1 January 2014 until 31 December 2016, and payable in February 2017, for a total variable amount to be determined upon achievement of the Group of certain profitability and cash flow targets during the financial years from 2014 to 2016. The total aggregate estimated amount payable under the multi-annual bonus incentive for the three year period is €2,497 thousand. The senior managers subject to this multi-annual bonus agreement are expected to receive an aggregate estimated amount thereunder of €2,107 thousand and the three other employees of the Group are expected to receive an aggregate estimated amount of €390 thousand. The terms and conditions of this multi-annual bonus agreement are similar to other multi-annual bonus agreements implemented by the Group historically.

The Group also intends to implement a new long-term incentive plan after Admission, whereby approximately 11 senior managers and 50 other employees of the Group who receive an annual bonus under the terms of their respective employment agreements will additionally receive RSUs in an amount equivalent to their respective annual bonus, in case of the senior managers and, in case of the other employees, dependent on the level of compliance with certain performance targets related to their respective annual bonus. The number of RSUs will be determined by reference to the trading price of the Shares on the date on which the annual bonus is accrued. Such RSUs will have a three-year vesting period. Thirty per cent. of the RSUs will vest in each of the first and second years after being awarded and the remaining 40 per cent. will vest in the third year after being awarded. The aggregate value of this long-term incentive plan for each three-year period is expected to be €2,880 thousand. The senior managers subject to this long-term incentive plan are expected to receive RSUs thereunder for an aggregate estimated value of €1,380 thousand and the 50 other employees of the Group are expected to receive RSUs for an aggregate estimated value of €1,500 thousand.

The table below sets out the details of (i) the total estimated maximum aggregate amounts to be paid in cash by the Group; and (ii) the total estimated maximum aggregate equivalent value in cash of the RSUs which may be awarded during 2014, 2015, 2016 and 2017 in connection with the Group's management incentive plans described above. RSU awards after 2017 will continue subject to the terms and conditions of the Group's long-term incentive plan described above.

	2014	2015	2016	2017	TOTAL
Aggregate incentives payable to senior management in cash	€20,367,953	€ 3,132,267	-	€ 2,107,000	**€25,607,220**
Aggregate incentives payable to other employees in cash	€ 4,377,686	€ 2,536,337	€ 283,430	€ 390,000	**€ 7,587,453**
SUB TOTAL	**€24,745,639**	**€ 5,668,604**	**€ 283,430**	**€ 2,497,000**	**€33,194,673**
Aggregate value of RSUs issued to senior management	-	€12,485,549	€12,899,549	€13,313,549	**€40,379,457**
Aggregate value of RSUs issued to other employees	-	-	€ 450,000	€ 900,000	**€ 1,350,000**
SUB TOTAL	**-**	**€12,485,549**	**€13,349,549**	**€14,213,549**	**€40,048,648**
TOTAL cash payments and RSU awards	**€24,745,639**	**€18,154,153**	**€13,632,979**	**€16,710,549**	**€73,243,321**

Mr. Fernando Basabe Armijo is expected to receive (i) an aggregate gross cash payment before withholding taxes of approximately €9,950 thousand; and (ii) an aggregate equivalent value in cash of €17,642,617, under the Group's management incentive plans he participates in from Admission through to 31 December 2017. It should be noted that this aggregate equivalent value in cash is a mere estimate and that these management incentive plans do not contemplate a minimum guaranteed value for the Shares which may be exchanged thereunder at vesting of the RSUs.

The Group has recognised and will, in the future, recognise the impact of such management incentive plan in its consolidated financial statements.

Key Factors Affecting the Group's Performance and Results of Operations

The principal factors that have affected the Group's results of operations during the periods under review, and that the Group expects to affect its results of operations in the future, include those summarised below. For further information on some of the risks that may affect the Group's results of operations see, "*Risk Factors*".

Macro-economic factors and market developments affecting the industries and regions in which the Group operates

The Group maintains a presence in more than 60 countries through its network of 324 offices, 127 testing facilities, and 322 statutory vehicle inspection stations and offers TIC services to clients operating in a number of sectors including the oil and gas, automotive, power generation, utilities, industrial, mining, infrastructure, IT and aerospace industries.

As a result of the diversified nature of the Group's business model and its global footprint, the Group believes that its revenue and profitability are relatively resilient to short-term fluctuations as a result of macro-economic conditions or market developments affecting specific geographies or industries to which the Group provides services.

However, growth of the global TIC market is driven by the growth of a number of key industries that require TIC services. The growth of such industries is, in turn, to an extent driven by global economic growth. For example, global economic growth drives, in part, demand for oil and gas, the development of power and energy facilities, investment in utilities, construction of civil infrastructures and the production of and investment in the development of, products such as automotive vehicles. Nonetheless, many of the TIC services that the Group provides are required to meet clients' internal and regulatory compliance requirements and are therefore relatively non-discretionary. Many of the largest TIC service providers in the industry have continued to expand the breadth of their services, reporting consistent favourable organic growth, and outperforming growth in global GDP in recent years.

In addition, certain developments in the industries or geographic regions in which the Group and its clients operate could have a significant influence on the Group's revenue and results of operations as set out below:

Geographic trends

The Group's revenue and profitability may be impacted by trends within certain geographic regions in which it operates and its exposure to geographic trends will evolve as the Group's operations penetrate new countries or expand in its existing geographic regions, especially high growth and/or emerging markets. For example, the Group has expanded its operations in regions with positive growth trends, such as the Asia Pacific region, the United States, Canada and Latin America, among others.

Oil and gas industry

The level of growth and investment in the oil and gas sector can have a significant effect on the Group's revenue and profitability. Demand for TIC services provided to the oil and gas industry, including those provided by Applus+ RTD and Applus+ Velosi, is driven by levels of capital investment and maintenance expenditure by oil and gas companies.

Automotive industry

A number of trends in the automotive industry have led to increased statutory vehicle testing, the growth of which in turn has impacted the Group's revenue positively. These trends include an increased focus on safety and emissions testing and, as a result of recent adverse economic conditions in certain of the Group's markets, lower volumes of car sales leading to an ageing vehicle fleet, which requires an increased frequency of inspections, which in turn has increased demand for the services provided by Applus+ Automotive. In addition, the number of vehicle models under development by global automotive OEMs is, to a certain extent, dependent on macro-economic factors in the markets in which they operate. For example, during the recent global economic crisis, a number of OEMs reduced their investment in the development of new models, thereby reducing demand for services provided by Applus+ IDIADA.

Competition in the TIC industry

The TIC industry is subject to significant competition.

- Within the Energy and Industry Services vertical the Group competes with a number of global competitors and smaller operators with specialised service offerings on the basis of location, coverage, quality of service, technological expertise and price. Frequently, the Group must compete for service contracts through tender processes against such competitors and operators.
- Applus+ Automotive competes with a limited number of global and regional competitors and numerous local operators. The Group competes for new vehicle inspection programs on the basis of price, technological excellence and track record. In regulated markets as prices are largely fixed, the Group mostly competes for customers with other operators on the basis of location and customer service. In liberalised markets the Group also competes on the basis of price.
- Applus+ IDIADA competes with a large number of regional and specialised operators principally on the basis of technical expertise, price and the quality of testing facilities.

Accordingly, the Group's results of operations and its ability to expand its operations have been and will continue to be affected by the strength of competition and the ability of the Group to respond effectively to such competition.

Changes to, and increases in, regulation

The Group's business is impacted by extensive health, safety and environmental law and regulation in each of the countries and industries in which it operates. Increases in regulation, such as the regulations affecting the oil and gas and power sectors, typically lead to increased demand for mandatory TIC services. Many global companies adopt western standards regardless of where they operate throughout the world and emerging markets are increasingly adopting the same standards, which has had a positive impact on the Group's revenue. The Group believes that it is likely to continue to benefit from this increased focus on health, safety and environmental regulation.

In the statutory vehicle inspections market, material changes to regulatory regimes are likely to have significant impacts. Such changes include both the implementation of new or the modification of existing regulations and changes to the scope or frequency of inspections. Moreover, the Group believes that economic development in a number of countries in Africa, Asia, the Middle East and Latin America will lead to the development of more sophisticated regulatory regimes which are expected to lead in several cases to the establishment of statutory vehicle inspection programmes which the Group may seek to exploit.

The Group believes that these factors have historically and will continue to have a positive impact on the Group's revenue. See *"Risk Factors — Risks Related to the Group's Business — Changes to regulatory regimes could have a material adverse effect on the Group's business"*. For a detailed discussion of other regulatory risks that the Group faces, see *"Risk Factors — Risks Related to Regulation"* and *"Regulation"*.

Outsourcing trends

Growth in the independent third party TIC industry is driven, in part, by trends in outsourcing. The Group believes that in recent years, within the TIC industry, the proportion of services performed by independent third parties has continued to increase. This trend has been driven principally by more complex testing requiring specialist expertise, the economies of scale enjoyed by large TIC companies and regulation requiring assets to be inspected by an independent third party. The continuing trend to outsource TIC services has driven the Group's revenue growth in the three years ended 31 December 2013 and is expected to continue to do so. For a further discussion of outsourcing trends within the TIC industry, see *"Business — Industry Overview — Increased outsourcing of services to independent service providers"*.

Impact of acquisitions

Since the acquisition of the Group by Carlyle and other investors in November 2007, the Group has made more than 20 acquisitions and the Group's consolidated results of operations in the periods under review reflect the impact of these acquisitions, some of which, such as the acquisition of Applus+ Velosi (by way of contribution in kind) in 2012, have been significant. See, "*Key Factors Affecting the Comparability of Results of Operations — Acquisition of Velosi*". The Group focuses mainly on proprietary transactions with attractive valuations and drives further value creation for the Group by extracting revenue and cost synergies from its acquisitions. The Group's financial results are impacted by such acquisitions.

The table below sets out the principal acquisitions completed by the Group in the three years ended 31 December 2013:

Year	Principal entity or business acquired / contributed	Location	Segment	Principal activities	Revenue of the year €m[1]
2011	BKW including the following subsidiaries: - Werkstofftechnik - Prüfstelle für Werkstoffe GmbH; and - Burek & Partner GbR	Germany	Applus +Laboratories	Material testing	2.5
	Qualitec Engenharia de Qualidade, Ltda	Brazil	Applus +Norcontrol	NDT	4.4
	Kiefner & Associates, Inc.	United States	Applus + RTD	Engineering and failure analysis services	3.4
	John Davidson & Associates Ltd. including the following subsidiaries: - John Davidson & Associates Pty Ltd, PT JDA Indonesia; and - JDA Wokman Ltd (PNG)	Australia, Papua New Guinea and Indonesia	Applus + Velosi	Specialised recruitment services	23.2
	Total revenue attributable to entities acquired/contributed in 2011				**33.5**
2012	Applus + Velosi[2]	The Americas, Europe, the Middle East, Africa and Australasia	Applus + Velosi	Vendor surveillance, site inspection, certification, asset integrity and specialised manpower services	159.1
	Shanghai EDI Automotive Technology Co Ltd	China	Applus + IDIADA	Automotive design and engineering	3.3

Year	Principal entity or business acquired / contributed	Location	Segment	Principal activities	Revenue of the year €m(1)
	Total revenue attributable to entities acquired/contributed in 2012				**162.4**
2013	TesTex Inspection, LLC	United States	Applus + Velosi	Specialised personnel services for pipeline, utility, chemical, and oil and gas companies	24.2
	Applus+ Velosi OMS Co Ltd	South Korea	Applus + Velosi	Offshore safety training to the oil and gas sector	1.0
	A-Inspektion	Denmark	Applus + Automotive	Statutory vehicle inspection	3.8
	Total revenue attributable to entities acquired/contributed in 2013				**29**
	Total revenue attributable to entities acquired/contributed in 2011 – 2013				**224.9**

(1) Revenue attributable to the business acquired in the full financial year of the relevant acquisition or contribution. Accordingly, only part of such revenue was consolidated.

(2) The Velosi Group was acquired by Azul Holding 2, S.à r.l. (Lux), a subsidiary of Azul Holding, and was under common control with the Group, from 24 January 2011. The Applus+ Velosi business was contributed to the Group on 20 December 2012 and consolidated within the Group from that date.

The Group intends to continue to pursue strategic acquisitions in the future and, as a result, the Group expects the impact of acquisitions to continue to be a factor affecting its performance.

Impact of size

The Group's growth in the end markets and geographies in which it operates has had a positive effect on the Group's operating profit margins. Growth in the Group's size offers benefits of scale which enable it to improve operating profit margins by diluting the cost of central functions, including senior management and financial services, legal, insurance and risk management, human resources, communications and information systems. In the years ended 31 December 2011, 2012 and 2013, costs related to central and divisional overheads functions amounted to €87,186 thousand (7.4 per cent. of revenue), €90,947 thousand (6.2 per cent. of revenue) and €95,077 thousand (6.0 per cent. of revenue), respectively. The Group believes that its growth has allowed it to achieve critical size in the majority of its local operations. However, the Group also believes that there remain opportunities to expand its operations in a number of locations in order to achieve critical size and thereby improve operating margins further.

Impact of changes in exchange rates

The Group reports its financial results in its functional currency, the euro. However, the Group operates in 60 countries worldwide and many of the Group's subsidiaries transact business in currencies other than the euro. In the year ended 31 December 2013, the euro accounted for 38.8 per cent. and the US dollar accounted for 27 per cent. of the Group's consolidated revenue. As a result, fluctuations in exchange rates, including the euro/dollar exchange rate have historically, and will in the future, give rise to period-on-period differences in the Group's results of operations. For example, had the US Dollar been 1.0 per cent. weaker against the euro during 2013, the Group's revenue would have been 0.31 per cent. lower. See *"— Quantitative and Qualitative Disclosures about Financial Risk — Currency Risk"*. For those countries with a reporting currency other than euro, profits and losses are translated into euro at average exchange rates, and assets and liabilities are translated into euro at closing exchange rates for the purposes of preparing the Group's financial statements. Accordingly, the Group's results of operations are impacted by changes in exchange rates arising from such currency translation exposure.

Both the revenue and costs of the Group's subsidiaries are largely incurred in their respective operating currencies and as a result the transaction-related exchange exposure is mitigated to a certain extent.

The New Facilities may be drawn down in euro, US dollars and certain other currencies as may be agreed with the relevant lenders.

The Group is also subject to foreign currency effects linked to certain intercompany loans denominated in euros. To the extent that the euro is not the local currency of the relevant entity that holds the loan, such loans create foreign currency gains and/or losses depending on the fluctuation of the underlying exchange rates.

Taxation

The Group operates across a number of jurisdictions with different corporate tax rates, which range from 12 per cent. to 40 per cent..

In the year ended 31 December 2013, the Group had substantial tax assets amounting to €101,727 thousand. Such assets may, in the future, reduce the Group's corporate income tax burden, and comprised €60,478 thousand of tax loss carryforwards, deferred tax assets of €30,478 thousand and tax credits of €10,771 thousand. Such items were predominantly generated in or are deductible in Spain, with a small proportion coming from the United States. These tax assets were generated principally during the years 2009 to 2013. Furthermore, the Group has €65,315 thousand potential tax assets which have not been recognised on the Group's balance sheet.

Further details of these tax assets as of 31 December 2013 are set out in the table below.

	Year ended 31 December 2013		
	Recognised	Non-recognised	Total
		€ thousands	
Tax loss carryforwards	60,478	47,207	107,685
Deferred tax assets	30,478	-	30,478
Tax credits	10,771	18,108	28,879
Total tax assets	**101,727**	**65,315**	**167,042**

Pursuant to Spanish tax regulations, net operating losses, and deferred tax assets expire 18 years after the year in which the relevant loss or asset was incurred, and tax credits expire, ten years after the year in which the relevant credit was incurred. The ability of the Group to effectively use these tax losses (and to achieve all or part of the theoretical tax savings they represent) will depend on a number of factors, such as:

- the ability of the Group or of certain Group companies to generate taxable profits and the difference between such taxable profits and tax losses;
- the general limitation pursuant to Spanish tax regulations, under which the percentage of Spanish tax loss carryforwards that may be used to offset the portion of taxable profit exceeding €1 million, is limited to the outcome of current or future tax audits and any relevant tax-related litigation; and
- possible changes in applicable laws and regulations.

Current Trading and Recent Developments

The performance of the Group in the first two months of 2014 was positive and the Group expects a similar performance in March 2014. During the first two months of 2014, revenue increased by 8.0 per cent. and operating profit before depreciation, amortisation and others increased by 27.6 per cent. compared to the equivalent period in 2013. This growth was driven principally by the strong performance of Applus+ RTD and Applus+ IDIADA.

During the first two months of 2014, operating profit increased by 256.6 per cent. compared to the equivalent period in 2013, as a result of a reduction of other losses and amortisation and depreciation. In the same period, adjusted operating profit increased by 53.9 per cent. compared to the first two months of 2013 as a result of the increase in operating profit before depreciation, amortisation and others and a decrease in other losses arising from the start-up costs from new businesses. The Group performs impairment tests, and therefore, records impairments on an annual basis at the end of the financial year, or if there is an event or change that suggests that the carrying amount may not be recorded.

Revenue

Revenue increased to €247,611 thousand in the first two months of 2014, from €229,242 thousand in the equivalent period in 2013 driven by Organic Growth of 11.4 per cent. and Growth from Acquisitions of 1.5 per cent. Such growth was partially offset by a decrease in revenue of 4.9 per cent. due to unfavourable fluctuations in exchange rates. The Group's segments performed as follows:

- *Applus+ RTD:* Revenue increased by 14.7 per cent. (of which 19.2 per cent. was Organic Growth) to €79,038 thousand in the first two months of 2014, from €68,902 thousand in the equivalent period in 2013, primarily driven by the continuation of three large pipeline projects in the United States. Applus+ RTD also enjoyed significant revenue growth in Canada, Asia Pacific, the Netherlands and the Middle East.

- *Applus+ Velosi:* Revenue increased by 9.8 per cent. (of which 12.1 per cent. was Organic Growth) to €59,248 thousand in the first two months of 2014, from €53,976 thousand in the equivalent period in 2013, principally due to an increase in technical staffing services in North America although such growth was partially offset by unfavourable fluctuations in exchange rates.

- *Applus+ Norcontrol:* Revenue increased by 4.0 per cent. (of which 8.5 per cent. was Organic Growth) to €30,087 thousand in the first two months of 2014, from €28,943 thousand in the equivalent period in 2013, principally due to solid performance in Latin America (in particular, Colombia, Brazil and Chile) and as a result of the stabilisation of revenue in Spain after several years of declining revenue.

- *Applus+ Laboratories*: Revenue decreased by 16.3 per cent., principally due to the sale of the Group's agrofood testing business, to €7,392 thousand in the first two months of 2014, from €8,827 thousand in the equivalent period in 2013. In March 2014, the Group entered into an agreement to sell its agrofood business, which was part of the Applus+ Laboratories segment, to Eurofins Scientific. The agreement is effective as of 1 January 2014, and therefore revenue from the agrofood business are excluded in January and February 2014. For a further discussion see "— *Recent Developments*" below. Excluding the agrofood business, Applus+ Laboratories generated Organic Growth of 2.8 per cent. in the first two months of 2014 compared to the equivalent period in 2013.

- *Applus+ Automotive:* Revenue decreased by 3.2 per cent. (of which 0.5 per cent. was Organic Growth) to €48,064 thousand in the first two months of 2014, from €49,631 thousand in the equivalent period in 2013. Revenue was negatively impacted by unfavourable fluctuations in exchange rates, the conclusion of equipment sales in Canada and the loss of two stations in the Basque Country. The decrease in revenue was partially offset by Growth from Acquisitions in Denmark as a result of the acquisition of new stations in December 2013.

- *Applus+ IDIADA:* Revenue increased by 20.3 per cent. (of which 22.2 per cent. was Organic Growth) to €23,754 thousand in the first two months of 2014, from €19,739 thousand in the equivalent period in 2013 driven by the robust performance of all the segment's services, particularly proving ground services.

Adjusted operating profit

The Group's adjusted operating profit increased by 53.9 per cent. to €18,360 thousand in the first two months of 2014, from €11,930 thousand in the equivalent period in 2013, as a result of an increase in operating profit before depreciation, amortisation and others and a reduction in costs related to new businesses. The Group's adjusted operating profit margin increased from 5.2 per cent. in the first two months of 2013 to 7.4 per cent. in the equivalent period in 2014. This increase was principally as a result of the improvement in operating profit before depreciation, amortisation and others margin and the reduction in other losses related to start-up costs for new businesses.

This increase was principally as a result of the continuous focus across the Group on margin enhancement as well as revenue growth and the restructuring plans implemented in 2013 especially in Applus+ Norcontrol. Operating profit before depreciation, amortisation and others margins was negatively affected by seasonality, especially in Applus+ RTD and Applus+ Velosi, resulting in lower margins in comparison with the previous full year results.

Recent Developments

New Facilities

The Group's indebtedness as at 28 February 2014 was €1,084,345 thousand. On 7 April 2014, the Company entered into the €850 million New Facilities Agreement, comprised of the €700 million New Term Loan Facility, which shall be applied to repay the existing Syndicated Loan Facilities, and the €150 million New Revolving Credit Facility. The New Facilities are conditional on Admission. Therefore, upon Admission, the Group's total indebtedness and the average cost of its debts will be reduced as a result of the repayment of the Syndicated Loan Facilities, the drawdown on the New Facilities and the receipt of proceeds from capital increase undertaken in connection with the Offering (see "*Capitalisation and Indebtedness*").

Sale of agrofoods Business

In March 2014, the Group entered into an agreement to sell its agrofood business, including two laboratories, to Eurofins Scientific. The agreement is effective as of 1 January 2014. The Group's agrofood business was part of the Applus+ Laboratories segment and focused primarily on the Spanish market. For the year ended 31 December 2013, its agrofood business represented 19 per cent. of Applus+ Laboratories' revenues (0.7 per cent. of the Group's revenue) and 7.5 per cent. of Applus+ Laboratories' operating profit before depreciation, amortisation and others (0.3 per cent. of the Group's operating profit before depreciation, amortisation and others). The total proceeds received from the sale will amount to €10,394 thousand, with approximately 10 per cent. of the total consideration being deferred until 2015 and 2016.

Description of Key Financial Items

The following discussion provides a description of the composition of the key financial line items in the Group's statement of comprehensive income for the periods presented.

Revenue

The Group recognises revenue in respect of consideration received or receivable for goods and services provided in the normal course, less VAT (or equivalent tax) and duties as well as price and quantity discounts (and after intra-group consolidation adjustments).

Revenue associated with the rendering of services is always recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. In particular, revenue from projects in progress related to the multi-industry certification or engineering business is recognised by the Group on the basis of the stage of completion of each individual project on an accrual basis, which depends on the type of contract, giving rise to a balancing entry consisting of an asset for the difference between the amount billed and the amount yet to be billed for each project.

Procurements

Procurements comprise subcontractors and external personnel costs and also include the acquisition of goods and services from an external source.

Staff costs

Staff costs comprise costs of personnel employed by the Group, working full time or part time. Staff costs include wages and salaries, employee welfare expenses, bonuses and other personnel expenses.

Other operating expenses

Other operating expenses comprise the remaining expenses incurred by the Group, as a result of performing its normal business operations, including, among others, operating leases, royalties payable, travel costs, consumable costs and independent professional services.

Depreciation and amortisation charge

Depreciation (related to tangible assets including property, plant and equipment such as testing, laboratories and office equipment) and amortisation (related to intangible assets such as software, patents and licences) charges comprise amounts provided for the consumption of operational tangible and intangible assets as these are utilised over their useful economic life, taking into account any residual values.

Amortisation also comprises the amortisation charge associated with the assessment of the assets and liabilities acquired by the Group pursuant to the acquisition of the Group by funds advised by Carlyle and other investors on 29 November 2007 and subsequent acquisitions at fair value ("**PPA Amortisation**").

The table below sets out depreciation, operational intangible assets amortisation and PPA Amortisation charges for the years ended 31 December 2011, 2012 and 2013:

	Year Ended 31 December		
	2011 Combined	**2012 Combined**	**2013 Consolidated**
		€ thousands	
Depreciation	(32,758)	(35,417)	(37,196)
Operational intangible assets Amortisation	(10,838)	(12,252)	(12,195)
PPA Amortisation	(29,842)	(34,855)	(48,232)
	(73,438)	**(82,524)**	**(97,623)**

Impairment and gains or losses on disposal of non-current assets

The recoverable amount of an asset is the higher of the fair value of that asset less its cost to sell and its value in use. In order to estimate the value in use of a non-current asset, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discount rate that reflects market conditions and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the income statement.

In 2013, the Group had more detailed information available for the coming years on each cash-generating unit, which enabled the impairment test to be performed with a five-year cash flow projection and a perpetuity rate of return, instead of considering the following year's budget and a 25-year projection. This change did not have a material effect on the fair value estimate.

The impact estimated by the directors of the Company as a result of the outcome of the litigation and contingencies the Group is exposed to was taken into account in the cash flow projections used to calculate the recoverable amount of each asset, including goodwill.

The Company's auditor, Deloitte, S.L., reviewed the impairment test performed by Group management at 31 December 2013, concluding favourably on the results and the reasonableness of the assumptions applied in this calculation. In addition, there is a report from an independent third party which also concluded satisfactorily on this impairment test.

Other losses

Other losses comprise the extraordinary expenses incurred by the Group during the year, principally restructuring and start-up costs associated with the establishment of new businesses or operations.

Share of profit for companies accounted for using the equity method

Share of profit for companies accounted for using the equity method comprise the results of the associate companies of the Group. An associate company is an entity over which the Group has significant influence to participate in the financial and operating policy decisions of the entity without exercising control or joint control. Share of profit for companies accounted for using the equity methods represents the Group's proportional share of the associate's net income or net loss.

Net financial expense

Net financial expense is the difference between (a) finance income (being the aggregate of (i) income from long term loans to associates and (ii) other finance income from third parties) and (b) expense costs (which are the aggregate of (i) finance costs arising from derivatives transactions, (ii) borrowing costs relating to syndicated loans, (iii) borrowing costs relating to participating loans, (iv) other finance costs paid to third parties (being finance costs related to local debt facilities which are not related to (i) the syndicated loan or (ii) participating loans) and (v) exchange differences).

Income tax

The income tax expense represents the sum of the current tax expense and the effect of the changes in deferred tax assets and liabilities and reported tax loss and tax credit carryforwards.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Profit attributable to non-controlling interests

"Non-Controlling Interests" reflects the equity of the non-controlling shareholders in the Group consolidated companies, principally relating to Applus+ IDIADA and Applus+ Velosi. Also, the balance of "Profit Attributable to Non-Controlling Interests" reflects the share of these non-controlling interests in the profit or loss for the year.

Management Financial or Non-IFRS Measures (unaudited)

Organic Growth

"Organic Growth" in the relevant year is defined as total revenue growth in the relevant year excluding (i) revenue Growth from Acquisitions in the relevant year and (ii) growth from fluctuations in exchange rates in the relevant year.

Growth From Acquisitions

"Growth from Acquisitions" in the relevant year is the revenue attributable to changes in the scope of the consolidation of the Group in the relevant year (including as a result of acquisitions or disposals) divided by total revenue in the prior year.

Fluctuations in exchange rates

Growth from fluctuations in exchange rates is defined as the difference between Organic Growth in the relevant year at actual exchange rates and Organic Growth in the relevant year excluding any effect from changes in foreign currency exchange rates against the euro (the Group's reporting currency).

Adjusted Operating Profit

The combined income statement and the consolidated income statement sets forth operating profit, which is widely used in corporate financial communications and defined as the difference between all income and expenses not arising from financing activities, income from associates, minorities or income tax.

The Group follows internally an "adjusted" operating profit which the Group's management considers more representative of the Group's operating performance. Adjusted operating profit is defined as operating profit before income and expenses related to acquisitions and other elements considered as non-recurring.

Specifically, adjusted operating profit excludes: impairment and gains or losses on disposal of non-current assets; PPA Amortisation of the intangibles from purchase allocations; non-recurrent items within depreciation and amortisation; certain items within Other losses (as described below); and IPO related costs.

Non-recurrent items within depreciation and amortisation specifically include non-recurring software amortisation in respect of a one-off project related to the renewal of the Group's IT systems amounting to €2,982 thousand in 2013, €2,835 thousand in 2012 and €2,630 thousand in 2011.

Certain items within Other losses include:

- severances costs regarding redundancies carried out by the Group as a result of various restructuring processes undertaken by its segments, in particular Applus+ Norcontrol;

- inorganic growth costs: costs related to acquisition processes, one-off consultancy services and a bonus retention plan that includes costs for key Velosi managers following the contribution of the Velosi Group to Applus+. All provisions relating to this retention plan were recognised in the Combined Financial Statements and the Audited Consolidated Financial Statements on or before 31 December 2013, although the relevant cash payments will be completed in 2014;

- refinancing costs relating to fees for advisory contracts in respect of the Group's syndicated loan amendment in 2012; and

IPO related costs are costs incurred in connection with the Offering and relate to (i) management incentives of €10,650 thousand included in Staff costs and (ii) costs relating to the Offering of €6,000 thousand included within Other losses. Provisions relating to these costs were recognised in the Combined Financial Statements and the Audited Consolidated Financial Statements on or before 31 December 2013, although the relevant cash payments will be completed in 2014.

Results of Operations for the year ended 31 December 2012 compared to the year ended 31 December 2013

The following table sets out selected combined and selected consolidated income statement information of the Group for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands		% of variation
Revenue	**1,464,998**	**1,580,501**	**7.9%**
Procurements	(216,626)	(244,420)	12.8%
Staff costs	(739,756)	(784,361)	6.0%
Other operating expenses	(337,544)	(362,268)	7.3%
Depreciation and amortisation charge	(82,524)	(97,623)	18.3%
Impairment and gains or losses on disposal of non-current assets	(19,817)	(117,571)	493.3%
Other losses	(23,512)	(17,024)	(27.6)%
Operating profit	**45,219**	**(42,766)**	**(194.6)%**
Net financial expense	(117,448)	(86,407)	(26.4)%
Share of profit of companies accounted for using the equity method	1,628	2,493	53.1
Loss before tax	**(70,601)**	**(126,680)**	**(79.4)%**
Income tax	10,665	(38,832)	(464.1)%
Net combined/consolidated loss	**(59,936)**	**(165,512)**	**176.1%**
Profit attributable to non-controlling interests	7,033	4,567	(35.1)%
Net loss attributable to the parent	**(66,969)**	**(170,079)**	**154.0%**

Revenue

Revenue for the Group increased by 7.9 per cent. to €1,580,501 thousand for the year ended 31 December 2013, from €1,464,998 thousand for the year ended 31 December 2012, reflecting:

- Organic Growth of 11.5 per cent.; and
- a decrease in revenue due to unfavourable fluctuations in exchange rates of 3.6 per cent., principally of the US Dollar, Canadian Dollar, Australian Dollar and certain other currencies.

Organic Growth was driven principally by a strong performance across all segments, and in particular by a significant increase in the revenue of the Applus+ RTD, Applus+ Velosi and Applus+ IDIADA segments.

The following table sets out the Group's revenue in absolute terms and as a percentage of the Group's total revenue and growth by vertical and segment for the years ended 31 December 2012 and 2013.

	Year Ended 31 December				
	2012 combined		2013 consolidated		
	€ thousands	% of total revenue	€ thousands	% of total revenue	% variation
Energy and Industry Services					
Applus+ RTD	499,644	34.1%	558,574	35.3%	11.8%
Applus+ Velosi	340,661	23.3%	372,576	23.6%	9.4%
Applus+ Norcontrol	190,695	13.0%	186,158	11.8%	(2.4)%
Applus+ Laboratories	55,852	3.8%	56,637	3.6%	1.4%
Sub-total Energy and Industry Services	**1,086,852**	**74.2%**	**1,173,945**	**74.3%**	**8.0%**
Statutory Vehicle Inspection					
Applus+ Automotive	266,391	18.2%	273,599	17.3%	2.7%
Automotive Engineering and Testing					
Applus+ IDIADA	116,505	7.9%	132,513	8.4%	13.7%
Other[(1)]	(4,750)	(0.3)%	444	0.0%	(109.3)%
Total (all segments)	**1,464,998**	**100%**	**1,580,501**	**100%**	**7.9%**

(1) "Other" comprises certain central and divisional activities, including in respect of finance, legal, IT, human resources and corporate development recognised within the two holding companies of the Group, Applus Services S.A. and Applus Servicios Tecnológicos S.L.U.

The table below sets out the Group's Organic Growth, Growth from Acquisitions and revenue growth attributable to fluctuations in foreign currencies by vertical and segment for the year ended 31 December 2013, as compared to the year ended 31 December 2012.

	Year Ended 31 December 2013			
	Organic Growth	**Growth from Acquisitions**	**Fluctuations in foreign currencies**	**Total**
Energy and Industry Services				
Applus+ RTD	15.0%	-	(3.2)%	11.8%
Applus+ Velosi	15.9%	-	(6.5)%	9.4%
Applus+ Norcontrol	1.1%	-	(3.5)%	(2.4)%
Applus+ Laboratories	1.9%	-	(0.5)%	1.4%
Sub-total Energy and Industry Services	**12.1%**	**-**	**(4.1)%**	**8.0%**
Statutory Vehicle Inspection				
Applus+ Automotive	5.2%	-	(2.5)%	2.7%
Automotive Engineering and Testing				
Applus+ IDIADA	15.0%	-	(1.3)%	13.7%
Total (all segments)	**11.5%**	**-**	**(3.6)%**	**7.9%**

Revenue by geographic region

The increase in revenue was driven by strong growth outside of Spain, the Middle East and Africa, particularly in the United States and Canada, where revenue increased by 21.7 per cent. Revenue growth was offset by lower growth in the Middle East and Africa, principally as a result of the negative impact of currency fluctuations, and a decrease of revenues in Spain.

The following table sets out the Group's revenue in absolute terms and as a percentage of the Group's total revenue and growth by geographic region for the years ended 31 December 2012 and 2013.

	Year Ended 31 December				
	2012 combined		**2013 consolidated**		
	€ thousands	**% of revenue**	**€ thousands**	**% of revenue**	**% variation**
Spain	282,568	19.3%	275,665	17.5%	(2.4)%
Rest of Europe	389,339	26.6%	422,530	26.7%	8.5%
United States and Canada	297,706	20.3%	362,401	22.9%	21.7%
Latin America	99,270	6.8%	109,029	6.9%	9.8%
Asia Pacific	236,859	16.1%	250,390	15.8%	5.7%
Middle East and Africa	159,256	10.9%	160,486	10.2%	0.8%
Total revenue	**1,464,998**	**100%**	**1,580,501**	**100%**	**7.9%**

Procurements

Procurements increased by 12.8 per cent. to €244,420 thousand for the year ended 31 December 2013, from €216,626 thousand for the year ended 31 December 2012, primarily due to an increase in the volume of services carried out by the Group, especially by the Applus+ Velosi segment which employs a significant number of sub-contractors. As a percentage of revenue, procurements increased to 15.5 per cent. for the year ended 31 December 2013, from 14.8 per cent. for the year ended 31 December 2012.

Staff Costs

Staff costs increased by 6.0 per cent., to €784,361 thousand for the year ended 31 December 2013, from €739,756 thousand for the year ended 31 December 2012, primarily due to the growth of the Group. The Group's headcount increased by 2.0 per cent., to 17,456 as at 31 December 2013, from 17,110 as at 31 December 2012. As a percentage of revenue, staff costs decreased to 49.6 per cent. for the year ended 31 December 2013, from 50.5 per cent. for the year ended 31 December 2012, due to an improvement in operating leverage and initiatives to use the Group's available capacity more efficiently.

Other operating expenses

Other operating expenses increased by 7.3 per cent. to €362,268 thousand for the year ended 31 December 2013, from €337,544 thousand for the year ended 31 December 2012. As a percentage of revenue, other operating expenses decreased to 22.9 per cent. for the year ended 31 December 2013, from 23.0 per cent. for the year ended 31 December 2012 due to a general improvement in operating leverage across the Group, and initiatives to use the Group's available capacity more efficiently.

Depreciation and amortisation charge

Depreciation and amortisation charge increased by 18.3 per cent. to €97,623 thousand for the year ended 31 December 2013, from €82,524 thousand for the year ended 31 December 2012, which was due to the annual amortisation of other intangible assets relating to the Group's Catalan vehicle inspection concession and the purchase price allocation relating to the acquisition of the Velosi Group. The depreciation and amortisation charge increased less than revenue in percentage terms in the year ended 31 December 2013 compared to the year ended 31 December 2012, following the consolidation of the Applus+ Velosi business, which has a lower fixed asset base relative to the remainder of the Group.

Impairment and gains or losses on disposal of non-current assets

Impairment and gains or losses on disposal of non-current assets increased by 493.3 per cent. to €117,571 thousand for the year ended 31 December 2013, from €19,817 thousand for the year ended 31 December 2012. Such increase was driven principally by impairment losses on goodwill of €81,285 thousand in 2013 compared to €18,101 thousand in 2012. The impairment in 2013 related principally to the impairment of the value attributed to vehicle inspection concession agreements entered into with respect to the Applus+ Automotive segment in both Finland as a result of the liberalisation of the statutory vehicle inspections market, and the United States due to uncertainty in respect of the Group's ability to renew existing concession agreements. In addition, the Group recognised impairment losses on intangible assets of €37,882 thousand in 2013 (2012: nil), as a result of potential legal proceedings in Spain (regarding statutory vehicle inspection regimes in Catalonia and the Canary Islands) in connection with the liberalisation of certain statutory vehicle inspections markets. See *"— Risk Factors — Liberalisation of statutory vehicle inspections markets could result in increased competition"* and *"— Legal proceedings"*.

The following table sets out the impairment on goodwill and intangible assets of certain cash-generating units for the years ended 31 December 2012 and 2013.

	Year Ended 31 December	
	2012 combined	**2013 consolidated**
	€ thousands	
Cash-generating units		
Applus+ RTD (Europe)	18,101	16,744
Applus+ Norcontrol (Spain)	-	11,370
Applus+ Automotive (Finland)	-	60.897
Applus+ Automotive (US)	-	23,105
Applus+ Automotive (Spain)	-	7,051
Total	**18,101**	**119,167**

The key considerations in determining cash flow projections in, and the recognition of impairment on goodwill and intangible assets of certain cash-generating units for, the year ended 31 December 2013 are set out below:

- *Applus+ Automotive's operations in Finland*:

  As a result of the liberalisation of the statutory vehicle inspection regime in Finland, competition increased and as a consequence, revenues and margin decreased leading to an impairment of €60,897 thousand (excluding the tax effect) in 2013, of which €52,782 thousand related to goodwill and €8,115 thousand to intangible assets (administrative authorisations and trademarks).

- *Applus+ Automotive's operations in Spain*:

  In 2013, impairment losses of €7,051 thousand were recognised on intangible assets relating to the partial loss, in October 2013, of the vehicle inspection business in the Basque Country due to the loss of a group of facilities as a result of the Basque regional government's enforcement of a decision handed down in litigation involving the Group and its competitors in the initial tender for the service.

- *Applus+ Automotive's operations in the United States*:

  In 2013 the Company reduced its estimates as to the probability of renewal of its existing concessions due to evidence observed during the year with respect to the renewal of certain programmes by some of the Group's competitors, resulting on an impairment of goodwill amounting to €17,133 thousands. The goodwill recognized as 31 December 2013 after this impairment amounts to €6,141 thousands. No changes in the existing programmes of the Company were made during 2013.

- *Applus+ Norcontrol's operations in Spain*:

  Impairment was due to the ongoing macro-economic factors affecting Spain in recent years.

- *RTD Europe*:

  Impairment connected with the impairment of the brand following the re-estimation of the average life of its business relationship with customers.

In the year end 31 December 2013, there were no significant losses on disposals of current or non-current assets.

Other losses

Other losses decreased by 27.6 per cent. to €17,024 thousand for the year ended 31 December 2013, from €23,512 thousand for the year ended 31 December 2012 due to a decrease in inorganic growth costs and severances related to the restructuring process. Such decreases were offset, in part, by IPO related costs of €6,000 thousand incurred in 2013.

Operating profit

As a result of the foregoing, operating profit decreased by 194.6 per cent., to a loss of €42,766 thousand for the year ended 31 December 2013, from a profit of €45,219 thousand for the year ended 31 December 2012.

Adjusted operating profit

The table below sets out the reconciliation of adjusted operating profit to operating profit for the years ended 31 December 2013 and 2012.

	Year Ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands		% variation
Operating profit	**45,219**	**(42,766)**	**(194.6)%**
Impairment and gains/(losses) on disposal of fixed assets	19,817	117,571	493.3%
PPA Amortisation(1)	34,855	48,232	38.4%
Non-recurring software amortisation	2,835	2,982	5.2%
Certain items within other losses	20,141	8,056	(60.0%)
Severances(2)	*8,237*	*4,849*	(41.1%)
Inorganic growth costs(3)	*9,251*	*3,207*	(65.3%)
Refinancing costs	*2,653*	-	-
IPO related costs(4)	-	16,650	-
Adjusted operating profit	**122,867**	**150,725**	**22.7%**

(1) "Non-recurring software amortisation" is the amortisation of certain Group software.

(2) Severances include: (i) severance costs regarding redundancies carried out by Applus+ throughout the historical period as a result of various restructuring processes undertaken by the segments, (ii) specific office restructuring expenses which affected Applus+ Norcontrol Spain due to the early termination of a lease contract, and (iii) costs incurred in discontinuing certain operations related of Applus+ RTD.

(3) Inorganic growth costs mainly relate to: (i) costs related to acquisition processes, (ii) one-off consultancy services, and (iii) start-up costs, which correspond to the costs of launching new operations before they begin to generate revenues.

(4) IPO related costs impacting the Group's consolidated income statement in 2013 relate to: (i) management incentives of €10,650 thousand included in staff costs and (ii) costs relating to the Offering of €6,000 thousand included within Other losses.

The Group's adjusted operating profit increased by 22.7 per cent. to €150,725 thousand for the year ended 31 December 2013, from €122,867 thousand for the year ended 31 December 2012, primarily as a result of an increase in the adjusted operating profit across most divisions, in particular, Applus+ RTD and Applus+ Velosi, although this was offset by a slight decrease in the adjusted operating profit of Applus+ Laboratories. The Group's adjusted operating profit margin increased from 8.4 per cent. in 2012 to 9.5 per cent. in 2013. This increase was principally as a result of increased focus across the Group on margin enhancement as well as revenue growth, the integration and standardisation of services across the Group and the improved management of each division's cost base.

The table below sets out the adjusted operating profit by vertical and segment and the percentage variation for the years ended 31 December 2012 and 2013.

	Year Ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands		% variation
Energy and Industry Services			
Applus+ RTD	35,732	49,447	38.4%
Applus+ Velosi	25,393	31,902	25.6%
Applus+ Norcontrol	12,136	15,218	25.4%
Applus+ Laboratories	2,379	1,910	(19.7)%
Sub-total Energy and Industry Services	**75,640**	**98,477**	**30.2%**
Statutory Vehicle Inspection			
Applus+ Automotive	55,413	59,108	6.7%
Automotive Engineering and Testing			
Applus+ IDIADA	15,093	17,558	16.3%
Other	(23,279)	(24,418)	(4.9)%
Total (all segments)	**122,867**	**150,725**	**22.7%**

Net financial expense

Net financial expense decreased by 26.4 per cent. to €86,407 thousand for the year ended 31 December 2013, from €117,448 thousand for the year ended 31 December 2012.

This decrease was mainly due to:

- Capitalisation of Participating Loan: as a result of the capitalisation of the Profit Participating Loan done in 2013 in an amount of €92,178 thousand, related financial expense has been reduced from €41,740 thousand in the year ended 31 December 2012 to €14,351 thousand in the year ended 31 December 2013. This loan was fully capitalized by 2013 year-end. The effective interest rate of the Participating Loan was 16.0 per cent. in 2013 and 10.9 per cent. in 2012.

- The Group had certain interest rate derivatives that expired 1 October 2013. The Company's directors decided not to renew these interest hedges. As a result of lower interest rates in recent years, the Group incurred greater expenses from its hedged debt than it would have done had such indebtedness remained unhedged. Accordingly, once these hedging contracts terminated, the impact of such derivatives on the Group's results decreased from €20,585 thousand in 2012 to €6,688 thousand in 2013. Since the effectiveness of all the hedges were verified, no amounts were recognised in relation to ineffective hedges in profit or loss in 2012, or 2013.

Part of this reduction has been offset by an increase of the exchange rate interest differences (realised and unrealised), which increased from €755 thousand losses to €14,371 thousand losses. This increase mainly comes from operations from Velosi (just accounted for 11 days), and fluctuation in the US Dollar and Australian Dollar. Despite this variation, the Group does not consider contracting exchange rates hedges as it should be naturally covered by any individual P&L. Both the revenues and costs of the Group's subsidiaries are largely incurred in their respective operating currencies and as a result the transaction-related exchange exposure is mitigated to a certain extent.

Loss before tax

As a result of the foregoing, loss before tax increased by 79.4 per cent. to €(126,680) thousand for the year ended 31 December 2013, from €70,601 thousand for the year ended 31 December 2012.

Income tax

Income tax decreased to expenses of €38,832 thousand for the year ended 31 December 2013, from a benefit of €10,665 thousand for the year ended 31 December 2012 due to the write-downs of certain tax assets recognised in previous years in Spain, amounting to €54,791 thousand.

Net combined/consolidated loss

Net combined/consolidated loss increased by 176.1 per cent. to €165,512 thousand for the year ended 31 December 2013, from a combined loss of €59,936 thousand for the year ended 31 December 2012.

Segment revenue, adjusted operating profit and adjusted operating profit margin

The following table sets out the revenue and adjusted operating profit of each of the Group's segments in the years ended 31 December 2012 and 2013, in accordance with the Combined Financial Statements and the Audited Consolidated Financial Statements:

	Year Ended 31 December					
	2012 combined			2013 consolidated		
	€ thousands, except percentages					
	Revenue	Adjusted operating profit(1)	Adjusted operating profit margin %	Revenue	Adjusted operating profit(1)	Adjusted Operating profit margin %
Energy and Industry Services						
Applus+ RTD	499,644	35,732	7.2%	558,574	49,447	8.9%
Applus+ Velosi	340,661	25,393	7.5%	372,576	31,902	8.6%
Applus+ Norcontrol	190,695	12,136	6.4%	186,158	15,218	8.2%
Applus+ Laboratories	55,852	2,379	4.3%	56,637	1,910	3.4%
Sub-total Energy and Industry Services	**1,086,852**	**75,640**	**-**	**1,173,945**	**98,477**	**-**
Statutory Vehicle Inspection						
Applus+ Automotive	266,391	55,413	20.8%	273,599	59,108	21.6%
Automotive Engineering and Testing						
Applus+ IDIADA	116,505	15,093	13.0%	132,513	17,558	13.3%
Other	(4,750)	(23,279)	-	444	(24,418)	-
Total (all segments)	**1,464,998**	**122,867**	**8.4%**	**1,580,501**	**150,725**	**9.5%**

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Segment revenue, adjusted operating profit and adjusted operating profit margin

Applus+ RTD

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ RTD for the years ended 31 December 2013 and 2012.

	Year ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands, except percentages		% variation
Revenue	499,644	558,574	11.8%
Adjusted operating profit(1)	35,732	49,447	38.4%
Adjusted operating profit margin	7.2%	8.9%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ RTD increased by 11.8 per cent. to €558,574 thousand for the year ended 31 December 2013, from €499,644 thousand for the year ended 31 December 2012, reflecting:

- Organic Growth of 15.0 per cent.; and
- a decrease in revenue of 3.2 per cent. due to changes in foreign exchange rates, particularly as a result of the weakening of the US Dollar, Canadian Dollar and Australian Dollar,.

Revenue by geography

The following table sets out Applus+ RTD's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2012 combined		2013 consolidated		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Europe(1)	159,868	32%	176,578	31.6%	10.5%
United States and Canada	239,268	47.9%	290,580	52.0%	21.4%
Asia Pacific	67,967	13.6%	60,730	10.9%	(10.6)%
Rest of the world(2)	32,541	6.5%	30,686	5.5%	(5.7)%
Total	**499,644**	**100%**	**558,574**	**100%**	**11.8%**

(1) Europe comprises Spain and rest of Europe.
(2) Rest of the world comprises Latin America and Middle East and Africa.

- *Europe*: Revenue in Europe increased 10.5 per cent. to €176,578 thousand for the year ended 31 December 2013, from €159,868 thousand for the year ended 31 December 2012. Applus+ RTD's operations performed strongly in the Netherlands and the United Kingdom. The increase in revenue in the Netherlands was due to a large number of scheduled shutdowns of refineries for repair and maintenance. In the United Kingdom, significant revenue growth was mostly driven by a large contract win at the end of 2012 and increased services provided to oil and gas companies in the North Sea region.
- *United States and Canada*: Revenue in the United States and Canada increased by 21.4 per cent., to €290,580 thousand for the year ended 31 December 2013, from €239,268 thousand for the year ended 31 December 2012, as a result of the sustained favourable market conditions in the United States, the continued development of new specialised proprietary technologies and significant contract wins in respect of pipeline construction activity. In Canada, revenue growth continued to be driven by the increased activity in Fort McMurray, the ongoing construction of pipelines and the continued increase in market share.
- *Asia Pacific*: Revenue in the Asia Pacific region decreased by 10.6 per cent., to €60,730 thousand for the year ended 31 December 2013, from €67,967 thousand for the year ended 31 December 2012, driven by the discontinuation of low margin contracts in Australia and the discontinuation of certain loss making operations in Japan, which was offset by increased activity in Singapore.
- *Rest of the World*: Revenue decreased by 5.7 per cent. to €30,686 thousand for the year ended 31 December 2013, from €32,541 thousand for the year ended 31 December 2012, principally due to the expiry of a significant contract in Iraq and a delay in its renewal.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ RTD increased by 38.4 per cent., to €49,447 thousand for the year ended 31 December 2013 from €35,732 thousand for the year ended 31 December 2012, and the adjusted operating profit margin increased from 7.2 per cent. to 8.9 per cent. in the same period. The improvement in the adjusted operating profit margin resulted from margin increases across the regions. In the United States and Canada, the increase was due to an increase in operating leverage and stronger growth in regions generating higher margins and cost management initiatives in the United States. In Europe, Applus+ RTD restructured and closed underperforming businesses in Austria, Poland and Switzerland, resulting in improved operating profit margins. In the Asia Pacific region, margins were improved through cost savings initiatives implemented and a discontinuation of low-margin contracts in Australia, as well as the discontinuation of certain loss making operations in Japan.

Applus+ Velosi

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Velosi for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands, except percentages		% variation
Revenue	340,661	372,576	9.4%
Adjusted operating profit[(1)]	25,393	31,902	25.6%
Adjusted operating profit margin	7.5%	8.6%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Velosi increased by 9.4 per cent. to €372,576 thousand for the year ended 31 December 2013, from €340,661 thousand for the year ended 31 December 2012, reflecting:

- Organic Growth of 15.9 per cent.; and
- a decrease in revenue of 6.5 per cent. due to unfavourable changes in foreign exchange rates, particularly as a result of the weakening of the US Dollar, British Pound and Singapore Dollar.

Revenue by geography

The following table sets out the percentage of Applus+ Velosi's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2012 combined		2013 consolidated		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Europe[(1)]	49,843	14.6%	48,304	13.0%	(3.1%)
United States and Canada	18,386	5.4%	33,596	9.0%	82.7%
Latin America	-	-	2,082	0.6%	-
Asia Pacific	144,050	42.3%	156,646	42.0%	8.7%
Middle East and Africa	128,382	37.7%	131,948	35.4%	2.8%
Total	**340,661**	**100%**	**372,576**	**100%**	**9.4%**

(1) Europe comprises Spain and the Rest of Europe.

- *Europe*: Revenue decreased by 3.1 per cent. to €48,304 thousand for the year ended 31 December 2013, from €49,843 thousand for the year ended 31 December 2012, as a result of a decrease in revenue generated by Applus+ Velosi's Norwegian business following the conclusion of a significant project from a major client. Such decrease was partially offset by increased activity in the United Kingdom and Italy.
- *United States and Canada*: Revenue increased by 82.7 per cent. to €33,596 thousand for the year ended 31 December 2013, from €18,386 thousand for the year ended 31 December 2012, as a result of continued expansion of Applus+ Velosi's operations in the United States following the reorganisation of the regional management team in 2011.

- *Asia Pacific*: Revenue increased by 8.7 per cent. to €156,646 thousand for the year ended 31 December 2013, from €144,050 thousand for the year ended 31 December 2012, as a result of a strong performance by Applus+ Velosi in Singapore (especially relating to rig inspection and audit services), Australia (especially relating to vendor inspection services) and Indonesia.

- *Middle East and Africa*: Revenue increased by 2.8 per cent. to €131,948 thousand for the year ended 31 December 2013, from €128,382 thousand for the year ended 31 December 2012, partly as a result of the growth of specialised manpower services in Angola and increased activity in Saudi Arabia although this was offset, in part, by lower revenue in Nigeria, Qatar and Kuwait following the completion of large projects in 2013.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Velosi increased by 25.6 per cent. to €31,902 thousand for the year ended 31 December 2013 from €25,393 thousand for the year ended 31 December 2012 and the adjusted operating profit margin increased from 7.5 per cent. to 8.6 per cent. in the same period. In the Asia Pacific region, this margin increase was driven by margin recovery in Singapore and Australia. The increase in adjusted operating profit margin in Europe was due to an increase in operating leverage and an improved mix of services. There was a slight margin decrease in the Middle East and Africa region due to the increased weight of African operations, which are lower-margin businesses, than the operations in the Middle East.

Applus+ Norcontrol

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Norcontrol for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2012 combined	**2013 consolidated**	
	€ thousands, except percentages		**% variation**
Revenue	190,695	186,158	(2.4)%
Adjusted operating profit[(1)]	12,136	15,218	25.4%
Adjusted operating profit margin	6.4%	8.2%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Norcontrol decreased by 2.4 per cent. to €186,158 thousand for the year ended 31 December 2013, from €190,695 thousand for the year ended 31 December 2012, reflecting:

- Organic Growth of 1.1 per cent.; and

- a decrease in revenue of 3.5 per cent. due to unfavourable fluctuations in exchange rates, particularly the Colombian Peso, Chilean Peso and Brazilian Real.

Revenue by geography

The following table sets out Applus+ Norcontrol's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2012 combined		**2013 consolidated**		
	€ thousands	**% revenue**	**€ thousands**	**% revenue**	**% variation**
Spain	129,443	67.9%	116,342	62.5%	(10.1)%
Latin America	59,143	31.0%	64,669	34.7%	9.3%
Rest of the world[(1)]	2,109	1.1%	5,147	2.8%	144.0%
Total	**190,695**	**100%**	**186,158**	**100%**	**(2.4)%**

(1) Rest of the world comprises Rest of Europe, United States and Canada, Asia Pacific and Middle East and Africa.

- *Spain*: Revenue decreased by 10.1 per cent. to €116,342 thousand for the year ended 31 December 2013, from €129,443 thousand for the year ended 31 December 2012, as a result of the continued adverse macroeconomic conditions in Spain, which continued to result in reduced demand for Applus+ Norcontrol's services, particularly technical assistance services in respect of infrastructure and building projects.

- *Latin America*: Revenue increased by 9.3 per cent. to €64,669 thousand for the year ended 31 December 2013, from €59,143 thousand for the year ended 31 December 2012, driven by the high demand for services in the power sector in Chile, new legislation in Mexico, where the government is planning to permit private investment in the power, oil and gas sectors, and the development of cross-selling opportunities with other Group segments, such as the vendor inspection services of Applus+ Velosi.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Norcontrol increased by 25.4 per cent., to €15,218 thousand for the year ended 31 December 2013 from €12,136 thousand for the year ended 31 December 2012, and the adjusted operating profit margin increased from 6.4 per cent. to 8.2 per cent. in the same period. This improvement in margin was the result of proactive steps taken to address recessionary pressures and improve profitability in Spain. The Group undertook a number of restructuring operations, including headcount reduction, an increase in capacity utilisation, and other cost-cutting measures including a reduction of overheads, salary reduction and the renegotiation of office leases. Applus+ Norcontrol's revenue and margin growth was also driven by an increase in operating leverage across Latin America and significant improvement in its Brazilian operations.

Applus+ Laboratories

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Laboratories for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands, except percentages		% variation
Revenue	55,852	56,637	1.4%
Adjusted operating profit(1)	2,379	1,910	(19.7)%
Adjusted operating profit margin	4.3%	3.4%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Laboratories increased by 1.4 per cent. to €56,637 thousand for the year ended 31 December 2013, from €55,852 thousand for the year ended 31 December 2012. Such revenue growth was attributable to:

- Organic Growth of 1.9 per cent.; and

- minor fluctuations in exchange rates of 0.5 per cent.

In March 2014, the Group entered into an agreement to sell its agrofood business, including two laboratories, to Eurofins Scientific. For a further discussion see "*Operating and Financial Review — Current Trading and Recent Developments — Recent Developments*". Excluding revenue from its consumer goods business, revenue growth of Applus+ Laboratories was 3.1 per cent. in the same period.

Revenue by geography

The following table sets out Applus+ Laboratories' revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2012 combined		2013 consolidated		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	38,333	68.6%	36,344	64.2%	(5.2)%
Rest of the world(1)	17,519	31.4%	20,293	35.8%	15.8%
Total	**55,852**	**100%**	**56,637**	**100%**	**1.4%**

(1) Rest of the world comprises Rest of Europe, United States and Canada, Latin America, Asia Pacific and Middle East and Africa.

- *Spain*: Revenue decreased by 5.2 per cent. to €36,344 thousand for the year ended 31 December 2013, from €38,333 thousand for the year ended 31 December 2012 principally due to poor economic conditions.
- *Rest of the world*: Revenue increased by 15.8 per cent., to €20,293 thousand for the year ended 31 December 2013, from €17,519 thousand for the year ended 31 December 2012, driven principally by the strong performance of its German subsidiary.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Laboratories decreased by 19.7 per cent., to €1,910 thousand for the year ended 31 December 2013 from €2,379 thousand for the year ended 31 December 2012, and the adjusted operating profit margin decreased from 4.3 per cent. to 3.4 per cent. in the same period. The decrease in margin resulted principally from investment and start-up costs related to new laboratories in Saudi Arabia and Norway, although this decrease was offset in part by the provision of higher margin services in China and improved operating leverage in Spain.

Applus+ Automotive

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Automotive for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands, except percentages		% variation
Revenue	266,391	273,599	2.7%
Adjusted operating profit(1)	55,413	59,108	6.7%
Adjusted operating profit margin	20.8%	21.6%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Automotive increased by 2.7 per cent. to €273,599 thousand for the year ended 31 December 2013, from €266,391 thousand for the year ended 31 December 2012, reflecting:

- Organic Growth of 5.2 per cent.; and
- a decrease in revenue due to unfavourable fluctuations in exchange rates of 2.5 per cent., particularly the US Dollar, Argentine Peso, and Chilean Peso.

Revenue by geography

The following table sets out Applus+ Automotive's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2012 combined		2013 consolidated		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	87,741	32.9%	92,680	33.9%	5.6%
Rest of Europe	115,092	43.3%	116,424	42.5%	1.2%
United States and Canada	39,215	14.7%	36,877	13.5%	(6.0)%
Latin America	24,343	9.1%	27,618	10.1%	13.5%
Total	**266,391**	**100%**	**273,599**	**100%**	**2.7%**

- *Spain*: Revenue increased 5.6 per cent. to €92,680 thousand for the year ended 31 December 2013 from €87,741 thousand for the year ended 31 December 2012. The increase in revenue was driven by the opening of new stations in Madrid and Aragon, and a moderate growth in Catalonia driven by an increase in market share and lower levels of avoidance of statutory testing obligations by vehicle owners following a campaign by the Catalan government to increase compliance.

- *Rest of Europe*: Revenue increased by 1.2 per cent. to €116,424 thousand for the year ended 31 December 2013, from €115,092 thousand for the year ended 31 December 2012, driven by continued growth of the Group's operations in Ireland, which was partially offset by lower revenue in Denmark and Finland.

- *United States and Canada*: Revenue decreased by 6.0 per cent. to €36,877 thousand for the year ended 31 December 2013, from €39,215 thousand for the year ended 31 December 2012, primarily as a result of reduced revenue in the equipment supply business in Ontario Province, Canada, and due to the negative fluctuations in the US Dollar/Euro exchange rate.

- *Latin America*: Revenue increased by 13.5 per cent. to €27,618 thousand for the year ended 31 December 2013, from €24,343 thousand for the year ended 31 December 2012, as a result of significant increases in tariffs, the number of inspections carried out and the market share in Argentina.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Automotive increased to €59,108 thousand for the year ended 31 December 2013 from €55,413 thousand for the year ended 31 December 2012, and the adjusted operating profit margin increased to 21.6 per cent., from 20.8 per cent. in the previous period, as a result of the growth of higher margin businesses such as Spain although these increases were partially offset by margin decreases in Finland.

Applus+ IDIADA

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ IDIADA for the years ended 31 December 2012 and 2013.

	Year ended 31 December		
	2012 combined	2013 consolidated	
	€ thousands, except percentages		% variation
Revenue	116,505	132,513	13.7%
Adjusted operating profit(1)	15,093	17,558	16.3%
Adjusted operating profit margin	13.0%	13.3%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ IDIADA increased by 13.7 per cent. to €132,513 thousand for the year ended 31 December 2013, from €116,505 thousand for the year ended 31 December 2012, reflecting:

- Organic Growth of 15.0 per cent.; and
- a decrease in revenue of 1.3 per cent. due to unfavourable fluctuations in exchange rates.

The following table sets out the percentage of Applus+ IDIADA's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2012 combined		2013 consolidated		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	26,820	23.0%	29,340	22.1%	9.4%
Rest of Europe	54,426	46.8%	65,837	49.7%	21.0%
Asia Pacific	23,356	20.0%	30,952	23.4%	32.5%
Rest of world[(1)]	11,903	10.2%	6,384	4.8%	(46.4)%
Total	**116,505**	**100%**	**132,513**	**100%**	**13.7%**

(1) Rest of world comprises the United States and Canada, Latin America and Middle East and Africa.

Revenue by geography

- *Spain*: Revenue increased by 9.4 per cent. to €29,340 thousand for the year ended 31 December 2013, from €26,820 thousand for the year ended 31 December 2012, as a result of strong growth across all businesses lines supported by continued increased investments for the development of new vehicle models by automotive OEMs.
- *Rest of Europe*: Revenue increased by 21.0 per cent. to €65,837 thousand for the year ended 31 December 2013, from €54,426 thousand for the year ended 31 December 2012, as a result of strong performance in Germany and the Czech Republic, as a result of demand for testing and engineering services supported by increased investments for the development of new vehicle models by automotive OEMs and increased levels of outsourcing.
- *Asia Pacific*: Revenue increased by 32.5 per cent. to €30,952 thousand for the year ended 31 December 2013, from €23,356 thousand for the year ended 31 December 2012, as a result of a gradual ramp up of Applus+ IDIADA's operations in India and China including as a result of the acquisition of EDI in 2012.
- *Rest of the world*: Revenue decreased by 46.4 per cent. to €6,384 thousand for the year ended 31 December 2013 and €11,903 thousand for the year ended 31 December 2012 due to weaker performance by Applus+ IDIADA's Brazilian operations following the expiry of a significant contract.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ IDIADA increased by 16.3 per cent., to €17,558 thousand for the year ended 31 December 2013 from €15,093 thousand for the year ended 31 December 2012, and the adjusted operating profit margin increased to 13.3 per cent., from 13.0 per cent. in the previous period as a result of strong growth in Germany, the Czech Republic and Asia (as a result of expansion in India and China); better management of Applus+ IDIADA's cost base and through the introduction of operational efficiencies. This growth was partially offset by the underperformance of operations in Brazil due to the difficult economic environment in the relevant period.

Results of Operations for the year ended 31 December 2011 compared to the year ended 31 December 2012

The following table sets out selected combined income statement information of the Group for the years ended 31 December 2011 and 2012.

	Year ended 31 December		
	2011 combined	**2012 combined**	
	€ thousands		**% of variation**
Revenue	**1,179,585**	**1,464,998**	**24.2%**
Procurements	(153,879)	(216,626)	40.8%
Staff costs	(603,373)	(739,756)	22.6%
Other operating expenses	(280,282)	(337,544)	20.4%
Depreciation and amortisation charge	(73,438)	(82,524)	12.4%
Impairment and gains or losses on disposal of non-current assets	(22,754)	(19,817)	(12.9)%
Other losses	(23,578)	(23,512)	(0.3)%
Operating profit	**22,281**	**45,219**	**102.9%**
Net financial expense	(113,644)	(117,448)	3.3%
Share of profit of companies accounted for using the equity method	894	1,628	82.1%
Loss before tax	**(90,469)**	**(70,601)**	**(22.0)%**
Income tax	7,027	10,665	51.8%
Net loss from continuing operations	**(83,442)**	**(59,936)**	**(28.2)%**
Loss from discontinued operations net of tax	**(2,464)**	**-**	**-**
Net combined loss	**(85,906)**	**(59,936)**	**(30.2)%**
Profit attributable to non-controlling interests	5,923	7,033	18.7%
Net loss attributable to the parent	**(91,829)**	**(66,969)**	**(27.1)%**

Revenue

Revenue for the Group increased by 24.2 per cent. to €1,464,998 thousand for the year ended 31 December 2012, from €1,179,585 thousand for the year ended 31 December 2011, reflecting:

- Organic Growth of 16.2 per cent.;
- Growth from Acquisitions of 4.7 per cent. principally as a result of the acquisition of John Davidson & Associates Ltd., a specialised manpower services business focused on the mining, oil, gas and construction industries which operates primarily in Australia, Indonesia and Papua New Guinea, in 2011; and
- an increase in revenue of 3.3 per cent due to favourable fluctuations in exchange rates.

Organic Growth was driven principally by a strong performance across all segments and in particular by a significant increase in the revenue of the Applus+ RTD, Applus+ Velosi, Applus+ IDIADA segments globally and Applus+ Norcontrol in Latin America.

The following table sets out the Group's revenue in absolute terms and as a percentage of the Group's total revenue and growth by vertical and segment for the years ended 31 December 2011 and 2012.

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% of total revenue	€ thousands	% of total revenue	% variation
Energy and Industry Services					
Applus+ RTD	402,615	34.1%	499,644	34.1%	24.1%
Applus+ Velosi	200,304	17.0%	340,661	23.3%	70.1%
Applus+ Norcontrol	187,686	15.9%	190,695	13.0%	1.6%
Applus+ Laboratories	52,090	4.4%	55,852	3.8%	7.2%
Sub-total Energy and Industry Services	**842,695**	**71.4%**	**1,086,852**	**74.2%**	**28.9%**
Statutory Vehicle Inspection					
Applus+ Automotive	245,025	20.8%	266,391	18.2%	8.7%
Automotive Engineering and Testing					
Applus+ IDIADA	94,211	8.0%	116,505	7.9%	23.7%
Other[(1)]	(2,346)	(0.2)%	(4,750)	(0.3%)	102.5%
Total (all segments)	**1,179,585**	**100%**	**1,464,998**	**100%**	**24.2%**

(1) "Other" comprises certain central and divisional activities, including in respect of finance, legal, IT, human resources and corporate development recognised within the two holding companies of the Group, Applus Services, S.A. and Applus Servicios Tecnológicos, S.L.U.

The table below sets out the Group's Organic Growth, Growth from Acquisitions and revenue growth attributable to fluctuations in foreign currencies by vertical and segment for the year ended 31 December 2012, as compared to the year ended 31 December 2011.

	Year Ended 31 December 2012 combined			
	Organic Growth	Growth from Acquisitions	Fluctuations in foreign currencies	Total
Energy and Industry Services				
Applus+ RTD	23.2%	0.9%	-	24.1%
Applus+ Velosi	31.5%	22.7%	15.9%	70.1%
Applus+ Norcontrol	(3.0)%	2.3%	2.3%	1.6%
Applus+ Laboratories	4.0%	3.2%	-	7.2%
Sub-total Energy and Industry Services	**18.1%**	**6.5%**	**4.3%**	**29.0%**
Statutory Vehicle Inspection				
Applus+ Automotive	7.1%	-	1.6%	8.7%
Automotive Engineering and Testing				
Applus+ IDIADA	24.6%	-	(1.0)%	23.7%
Total (all segments)	**16.2%**	**4.7%**	**3.3%**	**24.2%**

Revenue by geographic region

The increase in revenue was driven by strong growth in all regions outside of Europe, including the Asia Pacific region, where revenue increased by 87.8 per cent. in the year ended 31 December 2012, the Middle East and Africa, where revenue increased by 43.4 per cent., the United States and Canada, where revenue increased by 44.3 per cent., and Latin America, where revenue increased by 22.0 per cent., in each case in the same period. Revenue growth was also driven in part by the consolidation of JDA for a full year and Applus+ Velosi in December 2012.

The following table sets out the Group's revenue in absolute terms and as a percentage of the Group's total revenue and growth by geographic region for the years ended 31 December 2011 and 2012.

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% of revenue	€ thousands	% of revenue	% variation
Spain	292,854	24.8%	282,568	19.3%	(3.5)%
Rest of Europe	361,859	30.7%	389,339	26.6%	7.6%
United States and Canada	206,307	17.5%	297,706	20.3%	44.3%
Latin America	81,367	6.9%	99,270	6.8%	22.0%
Asia Pacific	126,155	10.7%	236,859	16.1%	87.8%
Middle East and Africa	111,043	9.4%	159,256	10.9%	43.4%
Total revenue	**1,179,585**	**100%**	**1,464,998**	**100%**	**24.2%**

Procurements

Procurements increased by 40.8 per cent. to €216,626 thousand for the year ended 31 December 2012, from €153,879 thousand for the year ended 31 December 2011, primarily due to an increase in the volume of services carried out by the Group. As a percentage of revenue, procurements increased to 14.8 per cent. for the year ended 31 December 2012, from 13.0 per cent. for the year ended 31 December 2011.

Procurements as a percentage of revenue increased principally as a result of the acquisition of JDA during 2011. JDA has a higher proportion of sub-contracted personnel than the rest of the Group and therefore increased procurements in both 2011 and 2012. The impact of the acquisition of JDA was greater in 2012 as this reflected the inclusion of the first full year of procurements attributable to JDA.

Staff costs

Staff costs increased by 22.6 per cent., to €739,756 thousand for the year ended 31 December 2012, from €603,373 thousand for the year ended 31 December 2011, primarily due to an increase in headcount across the Group's segments as a result of an increase in the volume of services carried out by the Group. The Group's headcount increased by 3,183, or 22.9 per cent., to 17,110 as at 31 December 2012, from 13,927 as at 31 December 2011. As a percentage of revenue, staff costs decreased to 50.5 per cent. for the year ended 31 December 2012, from 51.1 per cent. for the year ended 31 December 2011. Staff costs increased at a slower rate than revenue growth due to an increase in higher-margin services and improved utilisation rates in certain segments.

Other operating expenses

Other operating expenses increased by 20.4 per cent. to €337,544 thousand for the year ended 31 December 2012, from €280,282 thousand for the year ended 31 December 2011. This change was driven by the increase in the Group's revenue. As a percentage of revenue, other operating expenses decreased from 23.0 per cent. for the year ended 31 December 2012, as compared to 23.8 per cent. for the year ended 31 December 2011.

Depreciation and amortisation charge

Depreciation and amortisation charge increased by 12.4 per cent. to €82,524 thousand for the year ended 31 December 2012, from €73,438 thousand for the year ended 31 December 2011. This increase was due primarily to a re-estimate of the useful life of the Group's administrative vehicle inspection authorisation in Finland, which was effected due to a sharp decline in the revenue of the Group's business in Finland as a result of increased competition and a decrease in market share.

Impairment and gains or losses on disposal of non-current assets

Impairment and gains or losses on disposal of non-current assets decreased by 12.9 per cent. to €19,817 thousand for the year ended 31 December 2012, from €22,754 thousand for the year ended 31 December 2011. The significant majority of these charges related to the write-down of goodwill (as a result of annual impairment) associated with the business of Applus+ RTD in Europe of €18,000 thousand and €18,101 thousand in 2011 and 2012, respectively, which occurred as a result of the poor macro-economic conditions affecting Europe.

Other losses

Other losses decreased by 0.3 per cent. to €23,512 thousand for the year ended 31 December 2012, from €23,578 thousand for the year ended 31 December 2011. Termination benefits decreased by 32.5 per cent. to €8,108 thousand for the year ended 31 December 2012, from €11,710 thousand for the year ended 31 December 2011 due to lower restructuring activity in 2012. In addition, lower acquisition activity in 2012 resulted in a significant decrease in associated acquisition costs. This was offset by refinancing costs in 2012 associated with an amendment to a syndicated loan agreement and the accrual of compensation due to the management team of Applus+ Velosi under a payment incentive plan established as part of the acquisition of Applus+ Velosi.

Operating profit

As a result of the foregoing, operating profit increased by 102.9 per cent., to €45,219 thousand for the year ended 31 December 2012, from €22,281 thousand for the year ended 31 December 2011. Operating profit expressed as a percentage of revenue increased to 3.1 per cent. for the year ended 31 December 2012 from 1.9 per cent. for the year ended 31 December 2011. The increase in operating profit was driven principally by increases in the profitability of Applus+ RTD and Applus+ Velosi.

Adjusted operating profit

The table below sets out the reconciliation of adjusted operating profit to operating profit for the years ended 31 December 2011 and 2012.

	Year Ended 31 December		
	2011 combined	**2012 combined**	
	€ thousands		**% variation**
Operating profit	**22,281**	**45,219**	**102.9%**
Impairment and gains/(losses) on disposal of fixed assets	22,754	19,817	(12.9)%
PPA Amortisation	29,842	34,855	16.8%
Non-recurring software amortisation	2,630	2,835	7.2%
Certain items within other losses	19,012	20,141	5.9%
Severances	*13,030*	*8,237*	(36.8)%
Inorganic growth costs	*5,982*	*9,251*	-
Refinancing costs	-	*2,653*	-
Adjusted operating profit	**96,519**	**122,867**	**27.3%**

The Group's adjusted operating profit increased by 27.3 per cent. to €122,867 thousand for the year ended 31 December 2012, from €96,519 thousand for the year ended 31 December 2011, primarily as a result of an increase in the adjusted operating profit across all divisions, especially Applus+ RTD and Applus+ Velosi. The Group's adjusted operating profit margin remained stable, increasing from 8.2 per cent. in 2011 to 8.4 per cent. in 2012. This increase was as a result of increased margins within Applus+ RTD but was offset by a change in mix as a result of revenue growth in lower margin businesses and a decrease in margins achieved by Applus+ Automotive.

Net financial expense

Net financial expense increased by 3.3 per cent. to €117,448 thousand for the year ended 31 December 2012, from €113,644 thousand for the year ended 31 December 2011. This was primarily due to an increase in borrowing costs of 15.4 per cent., to €41,740 thousand in the year ended 31 December 2012, from €36,166 thousand for the year ended 31 December 2011, relating to the Participating Loan between the Company and a related party as a result of an increase in the effective interest rate payable from 6.5 per cent. for the year ended 31 December 2011 to 10.9 per cent. for the year ended 31 December 2012. This was partially offset by a decrease in borrowing costs related to a syndicated loan of 9.1 per cent. to €45,863 thousand for the year ended 31 December 2012, from €50,451 thousand for the year ended 31 December 2011 due to lower interest expenses as a result of a decrease in EURIBOR and the expiry of certain swaps.

Loss before tax

As a result of the foregoing, loss before tax decreased by 22.0 per cent. to €70,601 thousand for the year ended 31 December 2012, from €90,469 thousand for the year ended 31 December 2011.

Income tax

Income tax benefit increased by 51.8 per cent. to €10,665 thousand for the year ended 31 December 2012, from €7,027 thousand for the year ended 31 December 2011. The increase in income tax benefit in 2012 was due principally to the derecognition of tax assets in 2011, principally unused tax credits, for a total amount of €3,567 thousand.

As at 31 December 2012, the Group's net operating losses amounted to €331 thousand, against which the Group recorded tax assets of €101 thousand.

Net loss from continuing operations

Net loss from continuing operations decreased by 28.2 per cent. to €59,936 thousand for the year ended 31 December 2012, from €83,442 thousand for the year ended 31 December 2011.

Net combined loss

Net combined loss decreased by 30.2 per cent. to €59,936 thousand for the year ended 31 December 2012, from €85,906 thousand for the year ended 31 December 2011.

Segment revenue, adjusted operating profit and adjusted operating profit margin

The following table sets out the revenue and adjusted operating profit of each of the Group's segments in the years ended 31 December 2011 and 2012, in accordance with the Combined Financial Statements:

	Year Ended 31 December					
	2011 combined			2012 combined		
	€ thousands, except percentages					
	Revenue	Adjusted operating profit(1)	Adjusted operating profit margin %	Revenue	Adjusted operating profit(1)	Adjusted operating profit margin %
Energy and Industry Services						
Applus+ RTD	402,615	23,195	5.8%	499,644	35,732	7.2%
Applus+ Velosi	200,304	13,480	6.7%	340,661	25,393	7.5%
Applus+ Norcontrol	187,686	10,973	5.8%	190,695	12,136	6.4%
Applus+ Laboratories	52,090	907	1.7%	55,852	2,379	4.3%
Sub-total Energy and Industry Services	**842,695**	**48,555**	**5.8%**	**1,086,852**	**75,640**	**7.0%**
Statutory Vehicle Inspection						
Applus+ Automotive	245,025	55,205	22.5%	266,391	55,413	20.8%
Automotive Engineering and Testing						
Applus+ IDIADA	94,211	11,724	12.4%	116,505	15,093	13.0%
Other	(2,346)	(18,965)	-	(4,750)	(23,279)	-
Total (all segments)	**1,179,585**	**96,519**	**8.2%**	**1,464,998**	**122,867**	**8.4%**

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Applus+ RTD

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ RTD for the years ended 31 December 2011 and 2012.

	Year ended 31 December		
	2011 combined	2012 combined	
	€ thousands, except percentages		% variation
Revenue	402,615	499,644	24.1%
Adjusted operating profit(1)	23,195	35,732	54.1%
Adjusted operating profit margin	5.8%	7.2%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ RTD increased by 24.1 per cent. to €499,644 thousand for the year ended 31 December 2012, from €402,615 thousand for the year ended 31 December 2011. Such revenue growth was attributable to:

- Organic Growth of 23.2per cent.; and
- Growth from Acquisitions of 0.9per cent..

Revenue by geography

The following table sets out Applus+ RTD's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Europe	159,729	39.7%	159,868	32.0%	0.0%
United States and Canada	166,835	41.4%	239,268	47.9%	43.4%
Asia Pacific	52,260	13.0%	67,967	13.6%	30.1%
Rest of the world(1)	23,791	5.9%	32,541	6.5%	36.8%
Total	**402,615**	**100%**	**499,644**	**100%**	**24.1%**

(1) Rest of the world comprises Latin America and Middle East and Africa.

- *Europe*: Revenue in Europe was stable at €159,868 thousand for the year ended 31 December 2012, from €159,729 thousand for the year ended 31 December 2011. Applus+ RTD's operations performed strongly in the Czech Republic and Denmark.
- *United States and Canada*: Revenue in the United States and Canada increased by 43.4 per cent., to €239,268 thousand for the year ended 31 December 2012, from €166,835 thousand for the year ended 31 December 2011, as a result of favourable market conditions in the United States, driven by increases in the levels of capital expenditures by upstream and midstream oil and gas companies, the successful introduction of new specialised proprietary technologies (such as Rotoscan and Rayscan) and significant contract wins to provide TIC services in respect of pipeline construction activity undertaken by the Group's clients. In Canada, significant revenue growth was driven by increased sales to an oil sands operator in Fort McMurray, new construction of pipelines and an increase in market share.
- *Asia Pacific*: Revenue in the Asia Pacific region increased by 30.1 per cent., to €67,967 thousand for the year ended 31 December 2012, from €52,260 thousand for the year ended 31 December 2011, driven by the provision of services in respect of large liquid natural gas projects in Western Australia.
- *Rest of the World*: Revenue increased by 36.8 per cent. to €32,541 thousand for the year ended 31 December 2012, from €23,791 thousand for the year ended 31 December 2011, principally following the establishment of Applus+ RTD's operations in the Middle East in 2010, and underpinned by a significant new contract in Iraq.

The revenue of Applus+ RTD in 2011 includes the revenue attributable to JDA, which was acquired by the Group in December 2011. However, in the year ended 31 December 2011, JDA was consolidated within the Applus+ Velosi segment.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ RTD increased by 54.1 per cent., to €35,732 thousand for the year ended 31 December 2012 from €23,195 thousand for the year ended 31 December 2011, and the adjusted operating profit margin increased from 5.8 per cent. to 7.2 per cent. in the same period. The increase in margin was driven by an increase in sales of higher margin services in the United States and Canada related to the construction of pipelines and services to the shale gas and oil sands industry, the consolidation of the Group's Middle East operation and shut downs lower margin operations in Germany.

Applus+ Velosi

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Velosi for the years ended 31 December 2011 and 2012:

	Year ended 31 December		
	2011 combined	2012 combined	
	€ thousands, except percentages	€ thousands, except percentages	% variation
Revenue	200,304	340,661	70.1%
Adjusted operating profit(1)	13,480	25,393	88.4%
Adjusted operating profit margin	6.7%	7.5%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Velosi increased by 70.1 per cent. to €340,661 thousand for the year ended 31 December 2012, from €200,304 thousand for the year ended 31 December 2011, reflecting:

- Organic Growth of 31.5 per cent.;
- Growth from Acquisitions of 22.7 per cent. as a result of the acquisition of John Davidson & Associates Ltd., a specialised manpower services business focused on the mining, oil, gas and construction industries which operates primarily in Australia, Indonesia and Papua New Guinea, in 2011; and
- an increase in revenue due to favourable fluctuations in exchange rates of 15.9 per cent., particularly as a result of exposure to currencies in Africa, the Middle East and Asia, including Indonesia and Malaysia.

Revenue by geography

The following table sets out Applus+ Velosi's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Europe	40,641	20.3%	49,843	14.6%	22.6%
United States and Canada	9,825	4.9%	18,386	5.4%	87.1%
Asia Pacific	57,527	28.7%	144,050	42.3%	150.4%
Middle East and Africa	92,311	46.1%	128,382	37.7%	39.1%
Total	**200,304**	**100%**	**340,661**	**100%**	**70.1%**

(1) Rest of the world comprises Middle East, Africa and Asia Pacific.

- *Europe:* Revenue increased by 22.6 per cent. to €49,843 thousand for the year ended 31 December 2012, from €40,641 thousand for the year ended 31 December 2011, as a result of increased vendor inspection services for clients in Italy and increased activity in the North Sea region.
- *United States and Canada:* Revenue increased by 87.1 per cent. to €18,386 thousand for the year ended 31 December 2012, from €9,825 thousand for the year ended 31 December 2011, driven by a gradual expansion of Applus+ Velosi's operations in the United States following the reorganisation of the regional management team in 2011.

- *Asia Pacific region:* Revenue increased by 150.4 per cent. to €144,050 thousand for the year ended 31 December 2012, from €57,527 thousand for the year ended 31 December 2011, as a result of the consolidation of JDA, which accounted for one month in 2011, and strong performance by Applus+ Velosi in Singapore, Australia and Indonesia.

- *Middle East and Africa:* Revenue increased by 39.1 per cent. to €128,382 thousand for the year ended 31 December 2012, from €92,311 thousand for the year ended 31 December 2011, as a result of increases in specialised manpower services to clients in Angola and significant additional revenue from operations in the Middle East, specifically Abu Dhabi, Saudi Arabia and Qatar, as a result of increased levels of capital expenditures by clients in the oil and gas sector in these countries.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Velosi increased by 88.4 per cent., to €25,393 thousand for the year ended 31 December 2012 from €13,480 thousand for the year ended 31 December 2011, and the adjusted operating profit margin increased from 6.7 per cent. to 7.5 per cent. in the same period. This improvement in margin resulted principally from an increase in operating leverage, which was partially offset by small decreases in margins in the Asia Pacific region.

Applus+ Norcontrol

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Norcontrol for the years ended 31 December 2011 and 2012.

	Year ended 31 December		
	2011 combined	2012 combined	
	€ thousands, except percentages		% variation
Revenue	187,686	190,695	1.6%
Adjusted operating profit[(1)]	10,973	12,136	10.6%
Adjusted operating profit margin	5.8%	6.4%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Norcontrol increased by 1.6 per cent. to €190,695 thousand for the year ended 31 December 2012, from €187,686 thousand for the year ended 31 December 2011, reflecting:

- negative Organic Growth of 3.0 per cent.;

- growth from Acquisitions of 2.3 per cent.; and

- an increase in revenue due to favourable fluctuations in exchange rates of 2.3 per cent., particularly the Colombian peso.

Revenue by geography

The following table sets out Applus+ Norcontrol's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	141,696	75.5%	129,443	67.9%	(8.6)%
Latin America	44,002	23.4%	59,143	31.0%	34.4%
Rest of the world [(1)]	1,988	1.1%	2,109	1.1%	6.1%
Total	**187,686**	**100%**	**190,695**	**100%**	**1.6%**

(1) Rest of the world comprises Rest of Europe, United States and Canada, Asia Pacific and Middle East and Africa.

- *Spain*: Revenue decreased by 8.6 per cent. to €129,443 thousand for the year ended 31 December 2012, from €141,696 thousand for the year ended 31 December 2011, as a result of adverse macroeconomic conditions in Spain, which resulted in reduced demand for Applus+ Norcontrol's services, particularly technical assistance services in respect of infrastructure and building projects.

- *Latin America*: Revenue increased by 34.4 per cent. to €59,143 thousand for the year ended 31 December 2012, from €44,002 thousand for the year ended 31 December 2011, driven by increased revenue from the Colombian power sector and Central America, including Mexico, and the acquisition of Qualitec (Brazil) only part of the revenue which was consolidated with the Group in 2011.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Norcontrol increased by 10.6 per cent., to €12,136 thousand for the year ended 31 December 2012 from €10,973 thousand for the year ended 31 December 2011, and the adjusted operating profit margin increased from 5.8 per cent. to 6.4 per cent. in the same period. This improvement in margin resulted from cost savings initiatives undertaken by management in Spain, including significant headcount reductions and improvements to the efficiency of support functions. The margin in Latin America decreased due to losses in the Brazilian operations due to a reduction in sales of NDT services, although this was offset in part by margin increases in Colombia and Central America.

Applus+ Laboratories

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Laboratories for the years ended 31 December 2011 and 2012.

	Year ended 31 December		
	2011 combined	2012 combined	
	€ thousands, except percentages		% variation
Revenue	52,090	55,852	7.2%
Adjusted operating profit[(1)]	907	2,379	162.0%
Adjusted operating profit margin	1.7%	4.3%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Laboratories increased by 7.2 per cent. to €55,852 thousand for the year ended 31 December 2012, from €52,090 thousand for the year ended 31 December 2011. Such revenue growth was attributable to:

- Organic Growth of 4.0 per cent.; and

- Growth from Acquisitions of 3.2 per cent.

Excluding revenue from its consumer goods business, revenue growth of Applus+ Laboratories was 11.7 per cent. in the same period.

Revenue by geography

The following table sets out Applus+ Laboratories' revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	38,480	73.9%	38,333	68.6%	(0.4)%
Rest of the world[(1)]	13,610	26.1%	17,519	31.4%	28.7%
Total	**52,090**	**100%**	**55,852**	**100%**	**7.2%**

(1) Rest of the world comprises Rest of Europe, United States and Canada, Latin America, Asia Pacific and Middle East and Africa.

- *Spain*: Revenue remained stable with a slight decrease of 0.4 per cent. to €38,333 thousand for the year ended 31 December 2012, from €38,480 thousand for the year ended 31 December 2011.

- *Rest of the world*: Revenue increased by 28.7 per cent., to €17,519 thousand for the year ended 31 December 2012, from €13,610 thousand for the year ended 31 December 2011 mainly due to growth in operations in Germany, Latin America and China.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Laboratories increased by 162.0 per cent., to €2,379 thousand for the year ended 31 December 2012 from €907 thousand for the year ended 31 December 2011, and the adjusted operating profit margin increased from 1.7 per cent. to 4.3 per cent. in the same period. The improvement in margin resulted mainly from growth of higher margin services in China and improved operating leverage in Spain.

Applus+ Automotive

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ Automotive for the years ended 31 December 2011 and 2012.

	Year ended 31 December		
	2011 combined	2012 combined	
	€ thousands, except percentages		% variation
Revenue	245,025	266,391	8.7%
Adjusted operating profit(1)	55,205	55,413	0.4%
Adjusted operating profit margin	22.5%	20.8%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ Automotive increased by 8.7 per cent. to €266,391 thousand for the year ended 31 December 2012, from €245,025 thousand for the year ended 31 December 2011, reflecting:

- Organic Growth of 7.1 per cent.; and

- an increase in revenue due to favourable fluctuations in exchange rates of 1.6 per cent., particularly the US dollar.

Revenue by geography

The following table sets out Applus+ Automotive's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	87,772	35.8%	87,741	32.9%	(0.0)%
Rest of Europe	109,428	44.7%	115,092	43.3%	5.2%
United States and Canada	28,949	11.8%	39,215	14.7%	35.5%
Latin America	18,876	7.7%	24,343	9.1%	29.0%
Total	**245,025**	**100%**	**266,391**	**100%**	**8.7%**

- *Spain*: Revenue remained largely unchanged, despite a decrease in GDP in the period of 1.6 per cent., at €87,741 thousand for the year ended 31 December 2012 and €87,772 thousand for the year ended 31 December 2011. Despite a slight reduction in market share in Catalonia following the opening of six new inspection stations by competitors as part of the new regulatory framework, Applus+ Automotive's revenue remained resilient, in part as a result of limited tariff increases.

- *Rest of Europe*: Revenue increased by 5.2 per cent. to €115,092 thousand for the year ended 31 December 2012, from €109,428 thousand for the year ended 31 December 2011, driven by increased revenue from the Group's operations in Ireland, due to an increase in the frequency of inspections and an increase in the inspection tariff of 5 per cent. during 2011. This was partially offset by lower revenue in Denmark and Finland, where increased competition negatively impacted market share and revenues.

- *United States and Canada*: Revenue increased by 35.5 per cent. to €39,215 thousand for the year ended 31 December 2012, from €28,949 thousand for the year ended 31 December 2011, primarily as a result of the establishment of an emission testing equipment supply business in Ontario Province, Canada, which was launched in June 2012.

- *Latin America*: Revenue increased by 29.0 per cent. to €24,343 thousand for the year ended 31 December 2012, from €18,876 thousand for the year ended 31 December 2011, as a result of significant increases in tariffs in Argentina and volumes increases as a result of increased market share and lower levels of avoidance of statutory testing obligations by vehicle owners in Latin America.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ Automotive remained stable at €55,413 thousand for the year ended 31 December 2012 and €55,205 thousand for the year ended 31 December 2011, and the adjusted operating profit margin decreased to 20.8 per cent., from 22.5 per cent. in the previous period, as a result of an increase in revenue generated by the Group's Irish, US and Finnish businesses, which have lower margins than the Group's other vehicle inspection businesses, relative to the Applus+ Automotive segment as a whole.

Applus+ IDIADA

The following table sets out the revenue, adjusted operating profit and adjusted operating profit margin for Applus+ IDIADA for the years ended 31 December 2011 and 2012.

	Year ended 31 December		
	2011 combined	**2012 combined**	
	€ thousands, except percentages		**% variation**
Revenue	94,211	116,505	23.7%
Adjusted operating profit[(1)]	11,724	15,093	28.7%
Adjusted operating profit margin	12.4%	13.0%	-

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Revenue

Revenue from Applus+ IDIADA increased by 23.7 per cent. to €116,505 thousand for the year ended 31 December 2012, from €94,211 thousand for the year ended 31 December 2011, reflecting:

- Organic Growth of 24.7 per cent.; and

- a decrease in revenue due to unfavourable fluctuations in exchange rates of 1.0 per cent., principally of the Brazilian real and the Indian Rupee.

Revenue by geography

The following table sets out the percentage of Applus+ IDIADA's revenue generated in the periods indicated by geographic region:

	Year Ended 31 December				
	2011 combined		2012 combined		
	€ thousands	% revenue	€ thousands	% revenue	% variation
Spain	24,577	26.1%	26,820	23.1%	9.1%
Rest of Europe	41,032	43.6%	54,426	46.7%	32.6%
Asia Pacific	17,617	18.7%	23,356	20.0%	32.6%
Rest of world(1)	10,985	11.6%	11,903	10.2%	8.4%
Total	**94,211**	**100%**	**116,505**	**100%**	**23.7%**

(1) Rest of world comprises the United States, Canada, Latin America and Middle East and Africa

- *Spain*: Revenue increased by 9.1 per cent. to €26,820 thousand for the year ended 31 December 2012, from €24,577 thousand for the year ended 31 December 2011, as a result of demand for testing and engineering services supported by increased investments for the development of new vehicle models by automotive OEMs and increased levels of outsourcing, especially by German automotive OEMs.

- *Rest of Europe*: Revenue increased by 32.6 per cent. to €54,426 thousand for the year ended 31 December 2012, from €41,032 thousand for the year ended 31 December 2011, as a result of strong performance in Germany and the Czech Republic, as a result of demand for testing and engineering services supported by increased investments for the development of new vehicle models by automotive OEMs and increased levels of outsourcing.

- *Asia Pacific*: Revenue increased by 32.6 per cent. to €23,356 thousand for the year ended 31 December 2012, from €17,617 thousand for the year ended 31 December 2011, as a result of a gradual expansion of Applus+ IDIADA's operations in India and China.

- *Rest of the world*: Revenue increased by 8.4 per cent. to €11,903 thousand for the year ended 31 December 2012 from €10,985 thousand for the year ended 31 December 2011 mainly as a result of stable revenue in Brazil.

Adjusted operating profit and adjusted operating profit margin

The adjusted operating profit of Applus+ IDIADA increased by 28.7 per cent., to €15,093 thousand for the year ended 31 December 2012 from €11,724 thousand for the year ended 31 December 2011, and the adjusted operating profit margin increased to 13.0 per cent., from 12.4 per cent. in the previous period as a result of lower amortisation of operating intangibles in 2012 and improved operating leverage in the Czech Republic and China.

Liquidity and Capital Resources

General

The Group relies primarily on cash flow from operating activities, liquid funds and liquidity under its unused credit facilities to finance its operations. The Group's liquidity requirements primarily relate to meeting ongoing debt service obligations and funding working capital requirements. The most significant components of the Group's working capital are trade receivables and trade payables, as well as other liabilities.

Cash flows

The following table sets out the Group's cash flows for the years ended 31 December 2013, 2012 and 2011.

	Year ended 31 December		
	2011 combined	2012 combined	2013 consolidated
		€ thousands	
Loss from operating activities before tax	**(90,469)**	**(70,601)**	**(126,680)**
Adjustments of items that do not give rise to operative cash flows			
Depreciation and amortisation charge	73,438	82,524	97,623
Writedown of goodwill and impairment losses	18,000	18,101	119,167
Changes in provisions and allowance	4,136	916	-
Net financial loss	113,644	117,448	86,407
Share of profit in associated companies	(894)	(1,628)	(2,493)
Gains or losses on disposals of tangible assets	536	(39)	20
Gains or losses on disposals of intangible assets	22	839	(2)
Profit from operations before changes in working capital	**118,413**	**147,560**	**174,042**
Changes in working capital:			
Cash generated by changes in working capital	**1,396**	**16,390**	**3,207**
Income tax paid	(6,318)	(10,670)	(22,451)
Cash flows from income tax	**(6,318)**	**(10,670)**	**(22,451)**
Net cash flows from operating activities	**113,491**	**153,280**	**154,798**
Business combinations	2,893	-	854
Payments due to acquisition of subsidiaries and other non-current financial assets	(24,552)	(23,000)	(18,557)
Payments due to acquisition of non-current assets	(10,508)	(10,350)	(5,907)
Payments due to acquisition of tangible and intangible assets	(37,257)	(48,611)	(46,389)
Net cash flows used in investing activities	**(69,424)**	**(81,961)**	**(69,999)**
Interest received	1,027	2,175	1,065
Interest paid	(64,774)	(65,534)	(44,803)
Changes in financing	69,831	17,895	938
Dividends paid by Group companies to non-controlling interests	(1,464)	(5,166)	(2,548)
Net cash flows used in financing activities	**4,620**	**(50,630)**	**(45,348)**
Net change in cash and cash equivalents	48,687	20,689	39,451
Cash and cash equivalents at beginning of year	72,050	120,737	141,426
+ Cash and cash equivalents at end of the year	**120,737**	**141,426**	**180,877**

Net cash flows from operating activities

Net cash flows from operating activities increased to €154,798 thousand for the year ended 31 December 2013, as compared to net cash flows from operating activities of €153,280 thousand for the year ended 31 December 2012. This increase was principally due to a strong business performance, which drove an increase in profit from operations before changes in working capital from €147,560 thousand for the year ended 31 December 2012 to €174,042 thousand for the year ended 31 December 2013. Profit from operations was reduced, in part, by a minor decrease in working capital in 2013 of €3,207 thousand, as compared to a reduction in 2012 of €16,390 thousand, and an increase of taxes paid to €22,451 thousand in 2013 as compared to €10,670 thousand in 2012. The decrease in cash generated by changes in working capital was driven principally by an increase in activity within both Applus+ RTD and Applus+ Velosi. Net cash from operating activities was offset by an increase in income tax to €22,451 thousand as a result of the significant increase in the Group's adjusted net income in certain geographies, including North America and Australia.

Net cash from operating activities increased to €153,280 thousand for the year ended 31 December 2012, as compared to net cash from operating activities of €113,491 thousand for the year ended 31 December 2011, principally due to an increase in profit from operations before changes in working capital. Profit from operations also increased due to an increase in cash generated by changes in working capital from €1,396 thousand in 2011 to €16,390 thousand in 2012. The increase in cash generated by changes in working capital was driven primarily by a Group-wide initiative to increase collections, in particular within the Applus+ Norcontrol segment. The increase in net cash from operating activities was also offset by an increase in income tax to €10,670 thousand in 2012 compared to €6,318 thousand in 2011.

Net cash used in investing activities

Net cash used in investing activities decreased to €69,999 thousand for the year ended 31 December 2013, as compared to net cash used in investing activities of €81,961 thousand for the year ended 31 December 2012, primarily due to a reduction in cash used in acquisitions and earn-outs. In 2013, the Group acquired a number of businesses including Testex, OMS, A-Inspektion and a minority stake in JDA and made a number of payments in respect of earn-out agreements. In addition, there was a decrease in investment in new service stations in Spain. Cash used in investing activities in 2012 was attributable to earn-out payments.

Net cash used in investing activities increased to €81,961 thousand for the year ended 31 December 2012, as compared to net cash used in investing activities amounting to €69,424 thousand for the year ended 31 December 2011, primarily due to an increase in investment in 2012 in new service stations in Spain, new laboratories in China and Norway and following the renewal of inspection programmes in the United States (Washington and Connecticut), as well as an increase in maintenance capital expenditure in respect of Applus+ RTD due to increased activity in the United States.

Net cash flows used in financing activities

Net cash used in financing activities decreased to €45,348 thousand for the year ended 31 December 2013, as compared to net cash used in financing activities amounting to €50,630 thousand for the year ended 31 December 2012 as a result of a reduction in interest paid from €65,534 thousand in 2012 to €44,803 thousand, principally due to the expiration of certain swaps agreements in December 2012 and September 2013 and a decrease in interest rates in 2013.

Net cash used in financing activities amounted to €50,630 thousand for the year ended 31 December 2012, as compared to net cash from financing activities amounting to €4,620 thousand for the year ended 31 December 2011. Net cash flow used in financing activities increased in 2012 due to the repayment of a credit line of €27,384 thousand compared to 2011 during which period the Group drew down €60,595 thousand under such credit line for the purposes of acquisitions undertaken in 2011. The Group also drew down €37,912 thousand under its revolving facility in 2012. In addition, in the year ended 31 December 2012, Applus+ IDIADA made an extraordinary dividend payment of which €4,000 thousand was paid to Applus+ IDIADA's non-controlling shareholder, Empresa de Promoció i Localització Industrial de Catalunya (AVANÇSA), a publicly held company related to the regional government of Catalonia, and Applus+ Velosi made a dividend payment amounting to €1,166 thousand to non-controlling shareholders.

Net cash and cash equivalents

As a result of the changes discussed above, net cash and cash equivalents increased from €120,737 thousand as at 31 December 2011 to €141,426 thousand as at 31 December 2012 and €180,877 thousand as at 31 December 2013.

Indebtedness

Overview

Upon Admission the Group's indebtedness will comprise the New Facilities, local debt facilities (including financial leases and bank borrowings) entered into by the Group's subsidiaries and other financing sources.

The New Facilities

On 7 April 2014 the Company entered into the €850 million New Facilities Agreement, which provides the €700 million New Term Loan Facility and the €150 million New Revolving Facility. The New Facilities are conditional on Admission.

The funds available under the New Term Loan Facility will be used, together with the net proceeds of the Offering and the Group's existing cash: (i) to repay the existing Syndicated Loan Facilities in full in the amount of €1,047 million and (ii) make an aggregate cash payment of approximately €20 million to certain key employees of the Group under a management incentive plan. The New Revolving Facility is made available for general corporate and working capital purposes of the Group, including capital expenditure and acquisitions permitted by the New Facilities Agreement. The New Revolving Facility can be utilised by way of loans, letters of credit or ancillary facilities. For a further discussion, see "*Use of Proceeds*".

Interest is payable on loans under the New Facilities at a rate equal to LIBOR, or in relation to any loan drawn in euro, EURIBOR, plus the applicable margin. The initial margin that applies to each New Facility is 2.25 per cent., per annum (subject to a ratchet by which the margin may vary from 1.50 per cent. per annum to 2.75 per cent. per annum according to the prevailing total net leverage ratio (as described below)).

There is no commitment fee payable in respect of the New Term Loan Facility. A commitment fee applies to the New Revolving Facility at a rate of 35 per cent. per annum of the then applicable margin payable (quarterly in arrears) on the unused and uncancelled amount of the New Revolving Facility for the availability period applicable to the New Revolving Facility (i.e. the period from the date of the New Facilities Agreement to the business day one month prior to the Maturity Date (as defined below)). An arrangement fee, which is in line with customary terms for such arrangements, will be paid in respect of the New Facilities and certain fees will also be payable to the facility agent and security agent.

The New Facilities may be drawn in euro, US dollars and certain other currencies that may be agreed with the relevant lenders.

The New Facilities matures on the date falling five years after the date of initial utilisation of the New Term Loan Facility (the "**Maturity Date**"). Any amounts still outstanding under the New Facilities at that time will be immediately due and payable. Subject to certain conditions, all or part of the utilisations under the New Facilities may be voluntarily prepaid and all or part of the available commitments under the New Facilities may be cancelled. Such voluntary prepayments are required to be made in a minimum amount of €10 million in respect of the New Term Loan Facility and €500,000 in respect of the New Revolving Facility and such voluntary cancellations are required to be made in a minimum amount of €2,500 thousand of the relevant facility, in each case, following giving the facility agent three business days' notice of such prepayment or cancellation. No amount of the New Term Loan Facility that is prepaid can be re-borrowed; however, amounts prepaid/repaid under the New Revolving Facility maybe re-borrowed until the business day one month prior to the Maturity Date.

In addition to voluntary prepayments, the New Facilities will be required to be repaid in full or part in certain other circumstances, including:

(a) with respect to a lender under the New Facilities, if (i) it becomes unlawful for such a lender to perform its obligations and/or fund its participation in the New Facilities, and such lender's participation has not been transferred; and (ii) any person or group of persons acting in concert (other than funds or limited partnerships managed or advised by Carlyle or one or more of Carlyle's affiliates) gains control of the Company, and such lender requests prepayment; and

(b) with the net cash or cash equivalent disposal proceeds received by a member of the Group, in respect of the disposal of an asset or series of assets, exceeding €100 million in any financial year (unless such disposal proceeds have been, or are contractually committed to be, used to purchase other assets for use in the Group's current business within 18 months of receipt (and if contractually committed are actually so applied within 24 months)).

The New Facilities Agreement is to be initially secured by share pledges over the shares in 22 subsidiaries of the Company, which include certain holding companies and material subsidiaries, each of which represents more than 5 per cent. of the earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), or net assets of the Group, including: Applus Servicios Tecnológicos, S.L.U.; IDIADA Automotive Technology, S.A. (the subholding of Applus+ IDIADA); Arctosa Holding B.V. (the subholding of Applus+ RTD); Applus Norcontrol, S.L.U. (the subholding of Applus+ Norcontrol); LGAI Technological Center, S.A. (the subholding of Applus+ Laboratories); Applus Iteuve Technology, S.L.U. (the subholding of Applus+ Automotive); and Azul Holding 2, S.à r.l. (Lux) (the subholding of Applus+ Velosi). These 22 subsidiaries represent approximately, in aggregate, 60.7 per cent. of the EBITDA and 60.3 per cent. of net assets of the Group as of the date of this document.

The New Facilities Agreement contains certain covenants customary for a listed entity (including a negative pledge (which prohibits any guarantor or borrower under the agreement from entering into a similar financial arrangement primarily to raise additional funds and a restriction on any guarantors under the agreement merging unless permitted under the agreement but without any specific restrictions on dividends or debt incurrence). The

New Facilities Agreement does not restrict the ability of the Company and other members of the Group to make acquisitions of companies, any shares or securities, or any businesses or undertakings (or, in each case, any interest in any businesses or undertakings) unless, in respect of the Company and certain other members of the Group the acquisition would constitute a class 1 transaction (as defined in The Listing Rules published by the UK Listing Authority). A 'class 1' transaction under the Listing Rules published by the UK Listing Authority is, in summary, (subject to certain specific situations) a major transaction outside the ordinary course of business the size of which results in a 25 per cent. threshold being reached under any one of the class tests. The class tests comprise an assets test (gross assets the subject of the transaction divided by the gross assets of the company), a profits test (profits attributable to the assets the subject of the transaction divided by the profits of the company), a consideration test (the consideration divided by the aggregate market value of all the ordinary shares of the company) and a gross capital test (gross capital of the company or business being acquired divided by the gross capital of the company). The Company may seek a waiver of this restriction providing it has the consent of the majority of lenders under the New Facilities.

The New Facilities also include a financial covenant which must be complied with, being the ratio of consolidated total net debt to consolidated earnings before interest, depreciation and amortisation. Whilst there is no applicable ratio upon Admission, this financial covenant is to be first tested on 31 December 2014 when the specified maximum level for the ratio will be 4.50:1 and semi-annually thereafter on a rolling twelve month basis with a ratio of 4.00:1 from 31 December 2015 thereafter. For illustrative purposes only, as at 28 February 2014, the pro forma ratio of the Group's consolidated total net debt to consolidated earnings before interest, depreciation and amortisation was 3.33:1.

The New Facilities Agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including breach of the financial covenant described above and a cross default in respect of indebtedness of the Group where the aggregate amount of the indebtedness that (i) has not been paid when due is or exceeds €50 million; (ii) is declared or otherwise becomes payable before its stated maturity date (or is capable of being so declared) as a result of an event of default is or exceeds €50 million; or (iii) is cancelled or suspended as a result of an event of default, is or exceeds €50 million.

The occurrence of an event of default would allow the lenders of the New Facilities to, amongst other things, accelerate all or part of the outstanding loans and/or terminate the commitments and/or declare all or part of the loans payable on demand and/or instruct or direct the security agent (who holds the security on behalf of the lenders) to exercise its rights under the New Facilities Agreement, security documents and other finance documents.

The New Facilities Agreement is governed by and will be interpreted in accordance with English law.

For detail of the expected amount of the Group's indebtedness post-Offering, see "*Capitalisation and Indebtedness*".

Other financing sources

The Group has certain other financial liabilities which include mainly various loans with favourable terms and conditions that the subsidiaries have been granted by various public institutions, principally the Centre for Industrial Technological Development (CDTI) and Institut Català de Finances (ICF).

Contractual obligations

The Group has various contractual obligations and commercial commitments to make future payments, including debt obligations, lease obligations and certain committed obligations.

Finance leases

The table below sets out the Group's future obligations in respect of the main assets held by the Group under finance leases due by the periods indicated as at 31 December 2013.

	As at 31 December 2013 consolidated						
	€ thousands						
	Lease payments out-standing	**2014**	**2015**	**2016**	**2017**	**Rest**	**Value of purchase option**
Plant and machinery	251	186	77	15	-	-	27
Computer hardware	1,103	836	267	-	-	-	-
Transport equipment	6,383	2,843	2,145	1,277	109	9	-
Other	-	-	-	-	-	-	-
Total assets held under finance lease	**7,737**	**3,865**	**2,489**	**1,292**	**109**	**9**	**27**

Operating leases

Operating leases principally comprise leases of premises and vehicles and royalties payable for the different concessions possessed by the Group.

The table below sets out the minimum lease payments (without taking into account the charging of common expenses, future increases in the consumer price index or future contractual lease payment revisions and not including the expenses for royalties available to the Group) as agreed at the end of 2012 and 2013 based on the Group's operating leases then in force (the most significant of which relate to the lease of premises and vehicles and to royalties payable for the different concessions possessed by the Group).

	2013 consolidated	**2012 combined**
	€ thousands	
Less than 12 months	44,710	50,027
1 – 5 years	116,592	137,423
More than 5 years	15,197	39,076
Total	**176,499**	**226,526**

Guarantees and obligations acquired

As at 31 December 2013, the Group had provided guarantees totalling approximately €18 million.

As at 31 December 2013, the Group had provided guarantees totalling €7.7 million (2012: €7.7 million) to the regional government of Catalonia in connection with the incorporation of the subsidiaries IDIADA Automotive Technology, S.A. and LGAI Technological Center, S.A..

The Group has also provided other guarantees to the regional government of Catalonia for the management of the statutory vehicle inspection services, amounting to €10.3 million, primarily to secure royalty payments and to guarantee the reversion value of the proving ground at which the companies provide statutory vehicle inspection services. The companies for which these guarantees were provided are Applus Servicios Tecnológicos, S.L.U. and Applus Iteuve Technology, S.L.U. for €2.9 million and €7.4 million (31 December 2012: €2.6 million and €7.4 million) respectively. In addition, other guarantees have been provided to the regional government of Catalonia amounting to €323 thousand (31 December 2012: €715 thousand) to guarantee a portion of the administrative authorisation system concession obligations and commitments.

The total amount provisioned by the Group for the years ended 31 December 2012 and 2013 for the guarantees covering the reversion of land on which the statutory vehicle inspection centres in Catalonia are located was €16,025 thousand.

As at 31 December 2013, various banks had provided guarantees to third parties for the subsidiaries Applus Norcontrol, S.L.U., LGAI Technological Center, S.A. and IDIADA Automotive Technology, S.A amounting to

€14,126 thousand, €2,438 thousand and €2,096 thousand, respectively (31 December 2012: €11,821 thousand, €2,115 thousand and €5,153 thousand, respectively). These guarantees were given to companies or public agencies as a provisional or definitive guarantee for the tendering of bids or to secure contracts awarded.

In addition, as at 31 December 2013, the Group had arranged other guarantees required for the operating activities of various Group companies totally €9.9 million (31 December 2012: €13.5 million).

The agreement entered into between the Irish government and Applus Car Testing Services Limited for the provision of statutory vehicle inspection services in Ireland provides for variable remuneration to the Irish government in the event that the expected returns envisaged in the agreed-upon business plan, which is reviewed every three years, are exceeded. No payment has been made to the Irish government in respect of this agreement. Also, in 2013 the Company cancelled the guarantee for the statutory vehicle inspection concession in Ireland for €4 million.

Off-balance sheet arrangements

The Group has been extended bank guarantees and performance bonds amounting to €62.6 million as at the year ended 31 December 2013.

Except for the contractual obligations and commercial commitments described in this section and in the "*Business*" section herein, on the date hereof, the Company is not dependent on any particular client or supplier as a consequence of any material contract.

Capital expenditures

The following table sets out the Group's capital expenditure (capex) in the periods indicated in absolute terms and as a percentage of the Group's revenue by type of capital expenditure.

	Year Ended 31 December					
	2011 combined		2012 combined		2013 consolidated	
	€ millions	% of revenue	€ millions	% of revenue	€ millions	% of revenue
Growth capex	10.5	0.9%	10.4	0.7%	5.9	0.4%
Maintenance capex	34.8	2.9%	51.1	3.5%	46.4	2.9%
Total	**45.3**	**3.8%**	**61.5**	**4.2%**	**52.3**	**3.3%**

The Group's capital expenditure relates principally to maintenance projects. However, the Group has consistently invested in growth projects with the intention of driving future expansion. Maintenance capex includes recurring replacement investments which are undertaken to sustain a level of revenue growth and profitability, whereas growth capex includes non-recurring investments undertaken to drive future growth and profitability. The following table sets out the Group's capital expenditure on growth projects in the periods indicated.

	Year Ended 31 December		
	2011 combined	2012 combined	2013 consolidated
	€ millions	€ millions	€ millions
New vehicle inspection stations	8.1	5.8	1.7
Development of new services	0.9	0.8	0.4
New labs	1.1	1.4	0.8
Other projects	0.4	2.4	3.0
Total	**10.5**	**10.4**	**5.9**

The Group's capital expenditure in the three years ended 31 December 2013 has focussed primarily on the following segments and investments:

- Applus+ RTD: investment in inspection equipment, vehicles and expenditure on growth capex and research and development projects;

- Applus+ Velosi: purchase of vehicles, inspection equipment and components and research and development projects;

- Applus+ Norcontrol and Applus+ Laboratories: new laboratories and enhancement of laboratory equipment; and
- Applus+ Automotive: maintenance and upgrade of vehicle inspection stations and equipment and proprietary IT solutions.

The Group believes that investments in progress will be financed with its existing resources and cash generated from its operating activities as well as with the New Facilities.

Committed capex

The agreement between Applus+ IDIADA and the Catalan Regional Government establishes the minimum capex to be invested by each party (the Catalan Regional Government and Applus+ IDIADA). Applus+ IDIADA must invest a minimum each year of 5.0 per cent. of its revenues to develop and expand its services (5.0 per cent. of such revenues in 2013 amounted to €6,625 thousand).

There is no further committed capex.

No Significant Change

Other than as described in the "*Current Trading and Recent Developments*" section above, there has been no significant change in the Group's financial or trading position since 31 December 2013, the end of the last financial period for which financial information has been published.

Profit Forecast

The Company has chosen not to include a profit forecast or estimate in this document.

Qualitative and Quantitative Disclosure about Market Risks

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities. This management is based on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established. The Group hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable. The Group's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangements of hedges in markets. All external hedges, including those relating to subsidiaries and those arranged on their behalf, must be authorised and arranged on a centralised basis at Group level.

Following is a description of the main financial risks to which the Group is exposed and the practices established:

Foreign currency risk

The increased volatility of currency markets with respect to other markets (such as the interest rate market) and the significant international activity of the Group as a long-term investor in countries outside of the Eurozone make foreign currency risk (loss of value in euros of long-term investments in countries whose currency is not the euro) the most significant financial risk for the Group.

To manage foreign currency risk, the Group takes the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

Interest rate risk

Interest rate risk relates to the effect on profit or loss of rises in interest rates that increase borrowing costs. Exposure to the risk is significantly mitigated by the natural hedging offered by businesses in which inflation and/or interest rates are factors which are part of the periodical tariff and price revision process. The other exposure is assessed periodically and, taking into consideration the projected interest rate fluctuations in the main borrowing currencies, the desirable fixed-rate protection levels and periods are determined. The structure thus established is achieved by means of new financing and/or the use of interest rate derivatives. Net debt at floating rates is generally tied to EURIBOR for the debt in euros and to LIBOR for debts in dollars.

Liquidity Risk

Liquidity risk relates to the possibility of adverse situations in the capital markets preventing the Group from financing, at reasonable market prices, its obligations relating to both non-current financial assets and working capital requirements, or of the Group being unable to implement its business plan using stable financing sources.

The Group takes various preventative measure to manage liquidity risk:

- The capital structure of each Group company is established taking into account the degree of volatility of the cash generated by it.
- Debt repayment periods and schedules are established on the basis of the nature of the needs being financed.
- The Group diversifies its sources of financing through continued access to financing and capital markets.
- The Group secures committed credit facilities for sufficient amounts and with sufficient flexibility.

Hedging instruments arranged

The Group has historically arranged over-the-counter derivative financial instruments with Spanish and International banks with high credit ratings. In 2013 and 2012 the only derivatives held by the Group were interest rate derivatives. The objective of these interest rate hedges was to mitigate, by arranging fixed-for-floating interest rate swaps, the fluctuations in cash outflows in respect of payments tied to floating interest rates (EURIBOR and USD LIBOR) on the Group’s borrowings. The Group opted to account for hedges as permitted under IFRS, designating in the appropriate manner the hedging relationships in which the derivatives are hedges of net investments in foreign operations that neutralise changes in value due to the spot rate of the foreign currency.

On 1 October 2013, the last two derivatives arranged by the Group with banks expired and the Company’s directors decided not to renew these interest rate hedges. Therefore, the Group did not have any derivative financial instruments at 31 December 2013.

Critical Accounting Policies

The principal accounting policies used to prepare the Group’s consolidated financial information in accordance with IFRS are included in Note 3 to the Audited Consolidated Financial Statements included herein starting on page F-10.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires the Group’s management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and obligations of the Group. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. For a detailed description of the Group’s critical accounting estimates, see Note 2 to the Audited Consolidated Financial Statements included herein starting on page F-10.

BUSINESS

Overview

The Group is one of the world's largest TIC companies with leading global market positions in its chosen markets. Applus+ provides technically sophisticated, regulatory-driven and mission-critical services and solutions for the energy, industrial, infrastructure and automotive sectors that enable its clients to manage risk, enhance the quality and safety of their products, assets and operations, comply with applicable standards and regulations and optimise industrial processes. The Group provides its services and solutions to a highly diverse blue-chip client base in established, as well as high-growth economies globally.

Headquartered in Barcelona, Spain, the Group operates in more than 60 countries through its network of 324 offices, 157 testing facilities and 322 statutory vehicle inspection stations, and employs more than 19,000 people (including approximately 3,000 engineers). In the year ended 31 December 2013, the Group recorded revenue of €1,581 million and adjusted operating profit of approximately €150.7 million. From 1 January 2011 to 31 December 2013, the Group's revenue grew at a CAGR of 15.8 per cent. For the year ended 31 December 2013, the Group recorded 44.2 per cent. of its revenue in Europe, 22.9 per cent. in the United States and Canada, 15.8 per cent. in the Asia Pacific region, 10.2 per cent. in the Middle East and Africa and 6.9 per cent. in Latin America.

The Group operates through six global divisions, each of which is reported as a segment for financial reporting purposes and, which operates under the "Applus+" global brand name. The Group's Statutory Vehicle Inspections and Automotive Engineering and Testing divisions operate on a standalone global basis and are considered as two independent operating verticals. The four divisions serving clients across the energy and industry markets are also operated globally, but have complementary service offerings and target a similar set of end-markets, and are therefore grouped together in the Energy and Industry Services vertical. The following is a summary of the Group's services across these three verticals:

- *Energy and Industry Services*: The Group provides testing, inspection and certification services, including NDT, asset integrity testing, site inspection, vendor surveillance, certification and other services to a diversified client base across a range of highly attractive sectors, including the energy, power generation, infrastructure, industrial, IT and aerospace sectors. The Group is the second largest provider of TIC industrial services globally and the world's leading provider of TIC industrial services to the oil and gas industry (by revenue (2012)) and industrial services inspection globally. The Group's mission-critical services assist its clients to increase productivity, reduce repair costs, extend the economic life of their assets, comply with applicable national regulations and international quality and safety standards and enhance safety. The Group provides these services to clients in Europe, the United States and Canada, the Asia Pacific region, the Middle East, Africa and Latin America. The Group's Energy and Industry Services vertical comprises the following four divisions:

  - Applus+ RTD is a leading global provider of NDT services to clients in the upstream, midstream and downstream oil and gas industry. Applus+ RTD also provides services to the power utilities, aerospace and civil infrastructure industries. Applus+ RTD's services provide the Group's clients with tools and solutions to inspect and test the mechanical, structural and material integrity of critical assets without causing damage to those assets, either at the time of installation or during the assets' working lives. The Group believes that Applus+ RTD has established a recognised brand and a reputation for technology leadership and quality globally, based on a combination of industry-leading testing equipment and software, staff expertise and extensive experience with leading global clients. Applus+ RTD is active in more than 25 countries across five continents;

  - Applus+ Velosi is a leading global provider of vendor surveillance (third party inspection and auditing services to monitor compliance with client specifications in procurement transactions), site inspection, specialised engineering support and certification services, as well as specialised manpower services primarily to companies in the oil and gas industry. Applus+ Velosi has a long-established presence in the Asia Pacific region, the Middle East, Africa and Europe and has also established significant operations in the Americas. Applus+ Velosi is active in more than 35 countries around the world;

  - Applus+ Norcontrol focuses primarily on the Spanish, Latin American and Middle Eastern markets. In Spain, Applus+ Norcontrol principally provides supervision, technical assistance and inspection and testing services in respect of electricity and telecommunications networks and industrial facilities. In Latin America, Applus+ Norcontrol primarily provides quality assurance, quality control, testing and inspection and project management services primarily to the utilities, oil and gas and civil infrastructure sectors. Applus+ Norcontrol has a leading market position in Spain, a strong presence in a number of its Latin American markets and has recently established a presence in the Middle East; and

- Applus+ Laboratories provides a range of laboratory-based product testing, system certification and product development services to clients in a wide range of industries including the aerospace, oil and gas and payment systems sectors.

The Energy and Industry Services vertical employs approximately 12,600 FTEs.

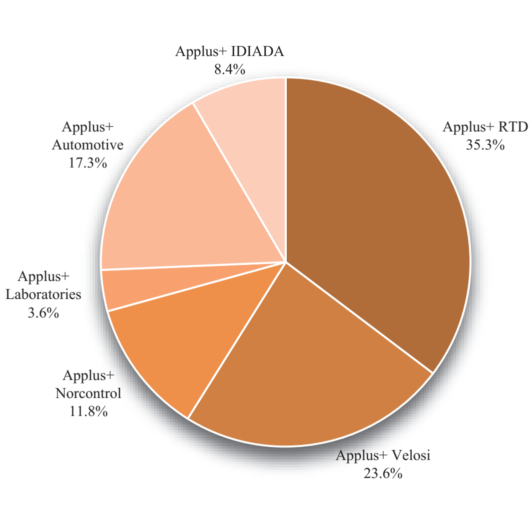
- *Statutory Vehicle Inspections*: Applus+ Automotive is the second largest provider, measured by number of inspections carried out, of statutory vehicle inspection services globally, according to the Group's estimates. The Group provides vehicle inspection and certification services across a number of jurisdictions in which periodic vehicle inspections for compliance with technical safety and environmental specifications are mandatory. Eighty per cent. of these services (by revenue) are provided pursuant to concession agreements or authorisations which regulate and restrict the number of competing operators with an average weighted remaining term of approximately nine years, as at the date of this document. The Group carried out more than 10 million vehicle inspections in 2013 across Spain, Andorra, Ireland, Denmark, Finland, the United States, Argentina and Chile and employs approximately 3,000 FTEs.

- *Automotive Engineering and Testing*: Applus+ IDIADA provides engineering, safety testing and technical testing services as well as proving ground and homologation (testing and certification of new and prototype vehicle models for compliance with mandatory safety and technical standards) services globally to many of the world's leading vehicle manufacturers. The Group operates what it believes is one of world's leading independent proving grounds near Barcelona and has a broad client presence across Europe, China, India and Brazil. Applus+ IDIADA employs approximately 1,700 FTEs.

Revenue and adjusted operating profit breakdown

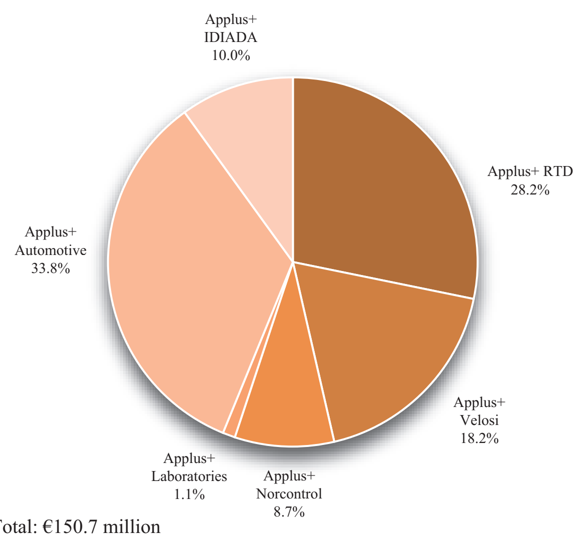
The following charts set out the percentage of the Group's (i) revenue and (ii) adjusted operating profit by division in the year ended 31 December 2013:

Consolidated revenue



Total: €1,581 million

Adjusted Operating Profit(1)



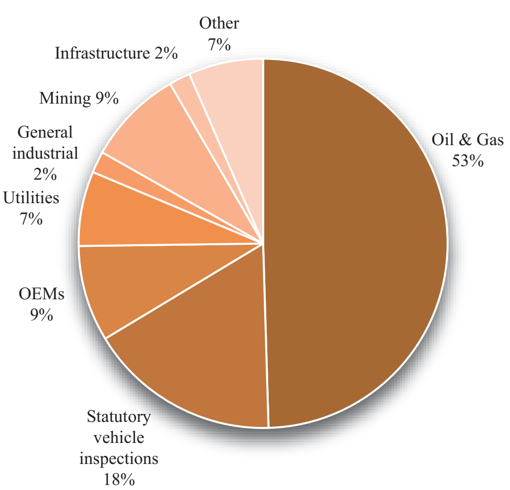
Total: €150.7 million

Note: the percentages in the chart above are calculated excluding the impact of the adjusted operating loss of €24,418 thousand attributable to "Other".

Revenue by end markets and geography

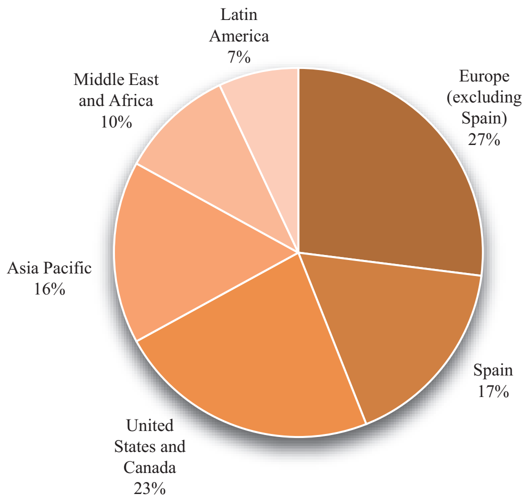
The following charts set out the percentage of the Group's consolidated revenue in the year ended 31 December 2013 by (i) the Group's end markets and (ii) geographical locations.

End markets



Total: €1,581 million

Geographic regions



Total: €1,581 million

History

The Group traces the formation of the Applus+ Group to the establishment of the Agbar Automotive business (as owned by Aguas de Barcelona) in 1996. Since then, the Group has grown its network and operations from a Spanish company with revenue of €669 million for the year ended 31 December 2007 into a leading global company with a presence in more than 60 countries and revenue of €1,581 million for the year ended 31 December 2013.

The Company was incorporated in 2007 as an acquisition vehicle as the means by which Carlyle and other investors would acquire the Group. The Company acquired the then holding company of the Group which had acquired a number of established companies prior to 2007 (including, Röntgen Technische Dienst ("**RTD**"). Since the acquisition of the Group in 2007, the Group has focused on building a global presence and leading market positions in each of the divisions in which it operates.

Key highlights of the Group's recent evolution include:

- 1996: The Agbar Group commenced statutory vehicle inspecting through the establishment of the Spanish vehicle inspection division of the Agbar Group.

- 1999: The Agbar Group entered into the automotive testing and engineering services market following the privatisation of IDIADA. IDIADA won a public tender to provide automotive testing and engineering services.

- 2002: Launch of the Applus+ brand worldwide.

- 2003: Formation of the Applus+ Laboratories division through entry into a long-term contract with the regional government of Catalonia.

- 2004: The Agbar Group and Union Fenosa reached an agreement to contribute "*Soluziona Calidad y Medio Ambiente*" (predecessor of Applus+ Norcontrol) in exchange for a 25 per cent. stake in Applus Servicios Tecnológicos, S.L.U.

- 2006: Acquisition of RTD to become a leading inspection and testing services provider for the European oil and gas industry.

- 2007: Funds advised by Carlyle and other investors acquired a majority stake in the Group. Since 2007, the Group has developed into a leading company, in the global testing, inspection and certification sector.

- 2008-2013: Over the period from January 2008 to December 2013, the Group:

  - more than 20 acquisitions to strengthen its market positions and to expand into new geographic regions, such as the United States and Canada, the Asia Pacific region and other emerging markets; and

  - these acquisitions included, the contribution of Velosi (known today as Applus+ Velosi), a leading global provider of vendor surveillance, site inspection, certification and asset integrity, as well as specialised manpower services primarily to companies in the oil and gas sector, which was acquired by a related party of the Company in 2011. Applus+ Velosi was consolidated into the Group for accounting purposes on 20 December 2012, further extending the Group's leadership in the oil and gas sector.

Competitive Strengths

Global platform with market leadership and scale

Leading provider of testing, inspection and certification services to the energy and industry sectors

The Group is the second largest provider of TIC industrial services globally and the world's leading provider of TIC industrial services to the oil and gas industry (by revenue (2012)) The Group has established technological leadership through continued investment in its proprietary hardware, software and technical know-how, which has enabled it to establish a strong brand and reputation for innovation and service quality among its clients and to expand its market share in the energy and industry sectors. The Group believes that these competitive attributes should enable it to continue to grow its market share in the energy and industry sectors, enhance its robust competitive position and attract and retain qualified personnel.

Leading global position in the statutory vehicle inspections market

The Group believes it is the second largest provider globally in the statutory vehicle inspection, by number of inspections, having conducted more than 10 million inspections in Ireland, Spain, Denmark, Finland, the United States, Chile and Argentina in 2013. The Group believes that it is one of only a few global operators that have the technological and operational capabilities to deliver statutory vehicle inspections and emissions testing services efficiently on behalf of national, regional and state authorities, which enhances the Group's ability to win further contracts and to renew or retain existing ones. Management of the Group believes that the Group's strong track record of delivering a high level of service, together with its strong brand and credibility in the statutory vehicle testing market should enable it to renew existing contracts successfully while winning new business globally.

Leading provider of testing and engineering services to automotive OEMs

The Group is a leading testing, engineering and homologation services provider to global automotive original equipment manufacturers ("**OEMs**") and operates what is believes is the world's most advanced independent vehicle engineering and testing facilities at its proving ground, near Barcelona. The Group has developed engineering expertise across the automotive value chain which has enabled it to become a leading provider of design and engineering services to global automotive OEMs, many of whom have co-located design and engineering operations at the Group's proving ground. In addition to its long-established European operations, the Group's global network spans key growth markets, including China, India, South Korea and Brazil. The Group believes that its international presence, best-in-class facilities and engineering expertise will enable it to sustain attractive continued growth with existing customers and win business from prospective clients.

Established international network with scale in global markets

The Group believes that the extent of its international network will enable it to achieve further economies of scale and continue to grow across the Group's end markets and geographies. In particular, the Group's scale in each of its key geographies allows it to serve its multinational blue chip client base globally while also leveraging the extensive local knowledge of national regulatory and business environments to provide highly localised services to clients. The Group believes that the global nature of its network and its leadership positions in key end markets confer certain competitive advantages upon it, including well-established awareness and recognition of the Group's brand and reputation among clients economies of scale the ability to serve clients locally as well as globally and the ability to source acquisition opportunities across the Group's network.

Strategic focus on attractive market segments with robust structural growth

The global testing, inspection and certification market continues to benefit from favourable structural growth trends. These trends include growth in the outsourcing of services to third party providers, the adoption of western safety standards in emerging markets, globalisation, the proliferation of new regulatory requirements, privatisation of state-owned assets as well as general market growth driven by investments in infrastructure and global economic growth, which expand the market for inspection, testing and certification services globally. These trends are generally applicable to the various sub-segments of the testing, inspection and certification industry, and are further enhanced by specific drivers that impact each sub-segment or end-market.

The Group has focused its operations on those markets where it enjoys a leadership position and which it believes benefit from favourable market characteristics, including an attractive competitive landscape and robust growth opportunities. The Group's Energy and Industry Services, Statutory Vehicle Inspections and Automotive Engineering and Testing verticals exhibited an average annual organic growth rate of 15.1 per cent., 5.7 per cent. and 18.6 per cent., respectively, from 2011 through to 2013.

The Group believes that its chosen markets benefit from particularly favourable growth drivers, as outlined below:

Large and growing demand from oil and gas and industry end-markets globally

The Group expects that capital and operating expenditures in the oil and gas sector will increase globally as a result of a number of factors, including investments into new production assets, ageing oil and gas production assets and transportation infrastructure, which requires more frequent inspection and testing to ensure safety and to prolong the useful lives of assets. Additionally, industrial assets are subject to increasingly stringent regulation, partly as a result of major recent safety and environmental incidents and partly due to an increasing adoption of western safety standards in emerging markets.

For example, the Group is currently providing services for clients constructing and operating large-scale energy transportation infrastructure in two of the largest shale regions in the United States. The Group believes that its operations in the United States and Canada are well-positioned to take advantage of further significant anticipated investments into upstream and midstream assets in these regions.

Visible and resilient statutory vehicle inspections market with increasing service scope and international opportunities

The mandatory nature of statutory vehicles inspections provides the Group with highly visible and resilient revenue. Through its experience in the sector and across a number of markets that it operates in, such as Spain, the Group has observed that the volume of inspections has grown over the years and is remaining resilient during periods of economic downturns as lower new vehicle sales frequently lead to ageing vehicle fleets which require more frequent inspections. Proposed amendments to vehicle inspection legislation in the European Union, if enacted, could increase the frequency and the range of vehicles (to include trailers and motorcycles) that are subject to testing, giving rise to the potential for further growth in the statutory vehicle inspections market. The Group believes that the legislation will result in an increase in the number of inspections that its operations within the European Union will carry out. The Group believes that further emissions testing programmes may be introduced in the United States, which would provide a growth opportunity for the Group's operations in the United States and Canada. Similarly, the Group expects that several countries in Africa, Asia, the Middle East and Latin America may adopt statutory vehicle inspection regimes in the coming years and believes that as a result of its leadership position and brand name in the global statutory vehicle inspections market it will be well positioned to take advantage of a number of these growth opportunities. The Group has identified a number of opportunities for international tenders which it is currently pursuing.

High growth automotive testing and engineering market

Demand for the Group's automotive engineering and testing services is principally driven by a continued increase in the outsourcing of specific functions by resource-constrained automotive OEMs together with the increase in vehicle models launched, all of which require independent testing and certification against safety and performance standards. For example, the number of vehicle models offered is expected to increase by more than 40 per cent. between 2011 and 2020. In addition, the expansion of European automotive OEMs into emerging markets, such as Brazil, is expected to create more opportunities for the Group to expand its homologation services into such markets. Automotive OEMs in emerging economies, such as China, typically need to import technical know-how from established automotive markets, which is further driving demand for the Group's testing and engineering services. Increasingly stringent emissions standards in Europe, Asia and the United States will also drive demand for specialist engineering know-how. The Group believes that these market trends, combined with its strong brand and reputation for technical expertise will enable it to take advantage of these attractive growth opportunities.

Strong barriers to entry strengthening blue-chip client relationships

The Group benefits from multiple competitive advantages creating barriers to entry that limit the development of competing global TIC platforms. The Group's scale allows it to operate an efficient network globally based on economies of scale across the Group's platform and allows the Group to win new business from clients that require a comprehensive global presence and local expertise. This scale and the Group's operating leverage create barriers to entry for smaller operators that lack the Group's global reach. The Group's specific competitive advantages include:

Technical expertise, proprietary technology and patents

The Group has developed market-leading technical expertise in each of its divisions, which has enabled it to develop a significant amount of proprietary technology (hardware and software) and techniques. As at the date of this document, the Group holds 38 patents and operates multiple proprietary client-facing software platforms that support its services. The Group has a large number of technical experts, including an estimated 3,000 engineers.

Portfolio of accreditations, concessions and authorisations

The Group has obtained numerous accreditations, concessions and authorisations, which, depending on the country or business area concerned, include accreditations, approvals, delegated authority, official recognition, certifications or listings and are in effect a licence to operate. For example, Applus+ RTD holds more than 100 authorisations issued by numerous national and international organisations. Obtaining such authorisations globally can be a lengthy process requiring the applicant to establish the strength of its expertise and internal systems. Acquiring a broad portfolio of authorisations and accreditations, together with the associated expertise and experience, is therefore a long-term process that is not easy to replicate.

World class facilities

The Group operates a number of best-in-class facilities which underpin the Group's ability to deliver world class technology, expertise and services. In particular, the Group's network of 322 custom-designed vehicle inspection stations and its engineering and testing laboratories and proving grounds all provide a differentiated platform that would be extremely difficult to replicate.

Efficient, well-invested global network

Through a combination of organic growth and selective acquisitions, the Group has developed a significant global presence that enables it to provide services to key multinational clients wherever they operate in the world as well as service local clients directly, while operating with attractive economies of scale across its global operations. For example, the Group believes that many of the major global energy companies are increasingly seeking to rationalise companies from which they procure inspection and testing services, with a preference for service providers that have a global platform capable of providing consistently high levels of service and a diversified portfolio of services. Replicating the Group's global network would require substantial time, capital and managerial resources and capabilities.

Long-term relationships with core clients

The Group has established long-term relationships with its clients, with 79 per cent. of its top-50 clients (by revenue for the year ended 31 December 2013) having been clients for more than ten years, 7 per cent. for more than five years and 6 per cent. for more than three years. In addition, the Group believes that its in-depth knowledge of key clients' supply chains and facilities provides it with a significant competitive incumbent advantage, since switching service providers carries material costs and risk of disruption of the clients own services as well as potential capital risks. These long-term, entrenched relationships with key clients have enabled the Group to achieve continued, resilient organic growth across its divisions. The Group has a diverse client base with its top-ten clients (by revenue) representing only 19 per cent of the Group's total revenue in the year ended 31 December 2013.

Attractive and resilient financial profile

Superior growth profile underpinned by best in class organic growth

Since 2011, the Group has enjoyed strong revenue and adjusted operating profit growth driven by value-enhancing acquisitions and strong organic growth. The Group's consolidated revenue and adjusted operating profit increased at a CAGR of 15.8 per cent. and 25.0 per cent., respectively, in the three year period from 1 January 2011 to 31 December 2013.

Recurrent and resilient financial profile

The Group has historically had a high level of recurrent revenue as a result of entrenched, long-term client relationships, global master services agreements, the non-discretionary nature of demand for mission-critical services and multi-year contracts, such as its statutory vehicle inspection concessions. The Group's operations are highly diversified, both geographically and by end-market, which provides the Group with a resilient platform for further growth.

Proven track record of improving operating performance across several divisions with further tangible margin uplift

The adjusted operating profit margin for each of the Group increased from 8.2 per cent. in 2011 to 8.4 per cent. in 2012 and 9.5 per cent. in 2013. Since 2011, the Group's management has increased the Group's strategic focus across the divisions on margin improvement, in addition to revenue growth, which has resulted in improved profitability. The Group believes that there remains significant potential for further margin improvement across its divisions, driven by an increased focus on higher margin segments and technology, increased exposure to higher margin emerging markets, such as Africa, the Asia Pacific and the Middle East, improved operational leverage as the Group's American and Asian operations gain scale and the relocation of shares Group services to low cost countries.

Robust cash flow generation

The Group has demonstrated strong historical cash flow generation supported by low ongoing capital requirements and efficient working capital management. The Group's maintenance capital expenditures have amounted to 2.9 per cent., 3.5 per cent. and 2.9 per cent. of the Group's combined revenue for the years ended 31 December 2011, 2012 and 2013, respectively.

Proven track record of value creation through acquisitions

In pursuit of its strategy to strengthen its global reach, expand existing segments, move into new end markets and accelerate its growth, the Group has successfully acquired and integrated more than 20 businesses across different geographic regions over the past six years. The Group's revenue increased, as a result of Growth from Acquisitions, by 4.7 per cent. between 2011 and 2012.

The Group leverages its global footprint, using its experienced local management teams and a dedicated corporate development team to identify opportunities and to analyse, negotiate, complete and integrate acquisitions. The Group focuses principally on proprietary transactions involving privately owned companies with attractive valuations and the Group drives further value creation for the Group by extracting revenue and cost synergies from its acquisitions.

For example, the Group expanded its services portfolio and geographic presence with the acquisition of Applus+ Velosi in 2011 and expanded into the high-growth NDT market in the United States and Canada with the acquisition of several small- and medium sized testing and inspection companies. The Group believes that the markets in which it operates are highly fragmented and offer a number of attractive potential acquisition opportunities.

The Group has identified more than 100 potential acquisition opportunities and believes that these opportunities, together with its acquisition expertise would enable the Group to continue to deliver additional value from acquisitions.

Experienced international management team

The Group benefits from an experienced and committed international management team with strong industry experience and a track record of delivering strong financial performance. The Company's senior management is supported by strong divisional management teams with broad experience across the Group's operations. The Group's divisions operate in a decentralised manner with a high degree of responsibility entrusted to divisional and local management in order to preserve an entrepreneurial spirit and tailor client solutions at the local level.

Since 2008, the Group's management team has successfully expanded the Group's international presence from 32 countries to more than 60 countries as of the date of this document, and overseen the continued expansion of the business from revenue of €818 million for the year ended 31 December 2008 to €1,581 million for the year ended 31 December 2013. In addition, the management team has successfully restructured and reorganised a number of the Group's businesses to improve margins across a number of its divisions, driving the adjusted operating profit margin from 8.2 per cent. for the year ended 31 December 2011 to 9.5 per cent. for the year ended 31 December 2013. Senior management, supported by the Group's highly capable technical staff, expects to continue executing on the favourable opportunities available to the Group.

Strategy

Expand the Group's current businesses

The Group has achieved Organic Growth of 16.2 per cent. in 2012 compared to 2011 and 11.5 per cent. in 2013 compared to 2012. The Group aims to drive continued robust organic growth by focusing on growth across new services and expanding its presence in existing or less developed geographies, while sustaining its growth in existing services and markets.

Develop new services

The Group continually identifies and develops new services to drive growth, with a particular focus on value-added services and tailored solutions with high-margin. The Group also collaborates with clients to develop new services. For example, Applus+ IDIADA assists clients to develop and integrate new technologies within their designs, such as engines powered by new fuels and autonomous driving systems. Within Applus+ RTD segment, the Group has assisted clients develop unpiggable inspection technologies and the Applus+ Laboratories division has developed new testing technologies for mobile payment systems.

Geographical expansion

While the Group already operates a broad global footprint, it believes that there remains scope to expand its geographical network across its six divisions to optimise its size in existing geographies and to grow in new geographies with existing clients. For example, the Group believes that there are attractive opportunities for growth in the Statutory Vehicle Inspection vertical in the United States and Canada and other markets, for Applus+ RTD in Latin America and the United States and Canada, for Applus+ Velosi in Latin America and for Applus+ Norcontrol in Latin America and the Middle East.

Focus on high-growth end-markets

The Group intends to continue to focus its operations on end-markets and geographies with superior growth potential, including the oil and gas, aerospace and automotive engineering and testing sectors, with a geographic focus on the United States and Canada, Latin America, the Middle East, Africa and the Asia Pacific region, as well as the infrastructure sector in emerging markets.

Operate as a global market leader in chosen end-markets

Leading scale in chosen business lines

The Group aims to be ranked consistently among the three largest operators, by revenue, in each of its three chosen focus areas within the testing, inspection and certification sector: energy and industry services, statutory vehicle inspections and automotive engineering and testing, coupled with market leadership in certain niche, high margin, areas such as advanced NDT and unpiggable pipeline inspection.

Best-in-class operator

The Group seeks to continue to operate as a partner of choice to clients and to foster long-term relationships with clients by maintaining and improving its operational excellence and enhancing its reputation for quality and integrity in its service offerings.

Global footprint with local presence

The Group intends to consolidate its global and local network by continuing to provide excellent and consistent levels of service across its geographies, following clients as they expand into different geographies and ensuring that the Group can compete with global and local competitors for all sizes of contracts.

Continue to be at the forefront of technological leadership

The Group aims to deliver superior and value-added services by leveraging its technological capabilities and research and development teams to develop state-of-the-art proprietary technologies, including hardware, software and ancillary tools, through continued investment in research and development, by retaining a strategic focus on technical expertise and know-how and by collaborating and partnering with clients to develop new technologies based on the specific needs of the Group's clients. The Group believes that its research and development teams, highly experienced scientists, established hardware platform and software and data acquisition and processing tools will enable it to continue to be one of the technological leaders in its chosen markets.

Drive efficiency and improve margins

The Group is focused on increasing its profitability and operating margins through the following initiatives:

Enhanced strategic focus on margin improvement

Since 2011, the Group's management has driven a change in culture by strategically focussing on margin improvement, as well as revenue growth, which has resulted in improved profitability. The Group will continue focus and encourage margin improvement across its divisions, as it believes that there is further potential for growth in this area.

Moreover, the Group seeks to consolidate its strategic focus on profitability by linking its management compensation incentives to margin improvement.

Benefit from operating leverage

The Group will seek to leverage its economies of scale to ensure that revenue grows at a faster rate than employee costs and other overheads within the Group's divisions. The Group also believes that certain of its smaller operations, such as those in Nigeria, Ghana, South Africa, Mongolia, Korea and Central Asia will benefit from economies of scale and see improved margin performance as they grow.

Turnaround of underperforming business units

The Group continually monitors businesses that do not meet the Group's profitability targets and will seek to restructure or make other strategic decisions in relation to such businesses, as required. The Group successfully turned around the underperforming Applus+ Norcontrol business from 2011 to 2013, despite poor economic conditions. The Group has also divested or discontinued poorly performing businesses in Japan, Poland and Sweden during the past two years.

Continued focus on high margin businesses

The Group will seek to increase its profit margins by increasing the proportion of higher value-added services that it provides to clients. For example, the Group expects to focus its divisions as follows:

- Applus+ RTD and Applus+ Velosi: focus on the upstream and offshore oil and gas sectors where advanced NDT services, such as girth weld testing on pipelines with advanced ultrasonics or radiographs and asset integrity services attract higher premiums;

- Applus+ Norcontrol: focus on the civil infrastructure sector in emerging markets;

- Applus+ Laboratories: focus on the aerospace, and oil and gas, and IT testing, inspection and certification sectors;

- Applus+ IDIADA: focus on developing new services that have a high technical content, such as turn-key projects requiring the integrated development of different vehicle components. Additionally, Applus+ IDIADA intends to invest in its technical expertise with a focus on potential high-growth niches such as electric vehicles, integrated safety technologies and autonomous driving systems; and

- Applus+ Automotive: seek to develop further proprietary software which will manage vehicle inspection programmes by collecting and processing data from such inspections as well as producing the resulting financial information in order to provide a fully integrated interface that better serves the needs of clients and regulators.

Continued focus on capacity utilisation and labour productivity

The Group will seek to exploit economies of scale to ensure that overheads and indirect staff costs at the corporate and divisional level will grow at a rate below revenue growth. In addition, the Group intends to integrate shared services across its divisions to improve focus on capacity utilisation and labour productivity. For example, the Group seeks to enhance its resource planning software in order to track availability of human resources more effectively and therefore improve productivity rates. Additionally, the Group intends to continue to optimise its equipment utilisation ratio and reduce overall insurance expenses through economies of scale.

Pursue selective, value-enhancing acquisitions

The Group intends to continue to make selective, value-enhancing acquisitions in order to accelerate its growth, enhance its existing portfolio and increase its scale in order to acquire new capabilities and improve its client reach. In particular, the Group intends to acquire new research and development and technical expertise, permits and access to operate in new regions and broaden its customer base in critical areas. The Group will focus principally on small and medium sized privately owned companies that will enable it to increase its scale in key growth regions, such as the United States and Canada, Central Asia, the Middle East, Africa and Latin America. In addition, the Group is focused on pursuing acquisitions that will enable it to extend its leadership positions in high-growth end markets, such as the oil and gas industry and the automotive engineering and testing market by giving the Group access to new technical expertise or niche service offerings. The Group will also monitor the market and may consider larger acquisition opportunities that would enable it to gain immediate leadership in a new end-market. The Group has identified more than 100 potential acquisition targets in all of its end-markets and geographies and believes that its track record of successfully sourcing, executing and integrating small and large transactions will enable it to continue to make value-enhancing acquisitions.

Industry Overview

To the Group's knowledge, there is no comprehensive report covering or dealing with the market for testing, inspection and certification. As a result, and unless otherwise stated, the information presented in this section regarding market and segment size and share reflects the Group's estimates and is provided on an indicative basis only. The Group gives no assurance that a third party using other methods for collecting, analysing or compiling market data would arrive at the same result. In addition, the Group's competitors may define these markets differently. The data regarding market share and size presented in this section are only Group estimates and accordingly they do not constitute official data.

The global TIC market comprises services addressing the safety, performance and conformity of products, industrial assets or systems. These services are frequently designed to ensure that clients' products, assets or systems comply with applicable quality, health, safety and environmental ("**QHSE**") standards as established by regulators, industry bodies or internal corporate standards. Given the critical importance clients place on QHSE performance, such TIC services are typically mission critical for clients, who require the services on an ongoing basis across the full industrial lifecycle from design, manufacture / installation and operation through to end-of-service compliance.

The Group estimates the addressable global market for TIC services to be worth in excess of €100 billion. Given the increasingly requirements for QHSE compliance, the market for TIC services continues to expand.

Additionally, given the increasingly complex and global supply chain, such services are increasingly outsourced to third party providers with the global footprint, scale, reputation and technical expertise to carry out these services on behalf of a diverse variety of end-users and industries. Additionally, outsourcing QHSE-related TIC services to independent third parties is typically more cost-effective because of their operating leverage and high utilisation rates. As a result, the TIC industry continues to benefit from structural drivers that support robust organic growth. TIC services are performed on behalf of clients across a broad range of industries, geographies and corporate sizes.

An Industry with Attractive Structural Growth Trends

Many of the largest TIC service providers in the industry have continued to expand the breadth of their services, reporting consistently favourable organic growth and outperforming growth in global GDP in recent years. The increased complexity of supply chains requires independent verification and inspection.

Globalisation has changed the nature of manufacturing, procurement and trade, and has led to increasingly complex supply chains with increased cross border sourcing. Clients require independent certification of vendors' capabilities and systems to establish conformity with relevant standards and client requirements.

An increase in the complexity and variety of products and assets

Products and assets are continuing to increase in the complexity of features and capabilities, increasing the need for inspection, testing and verification at the point of production as well as for their ongoing operation. Additionally, an increase in the variety of products to meet increasingly customised end user requirements drives an increased need for inspection and verification of each product model or variant.

Increased outsourcing of services to independent service providers

The Group believes that, relative to the estimated total size of the TIC market, the proportion of services performed by external third parties has continued to increase historically based on several structural drivers, including, credibility and consistency of third party accreditation, clients moving away from non-core activities, improved quality of service and better use of technical capabilities by industry experts, reduced time-to-market especially important for markets with shorter product cycles and lower cost driven by higher efficiency and better utilisation offered by third party providers.

Strengthening of regulations and sustainability concerns resulting in increasing scope of mandatory and quasi mandatory services

Increasingly wide ranging and stringent QHSE regulations worldwide have led to the extension of the scope of TIC services in both the regulated and non-regulated segments of the TIC market.

Increased public safety concerns and improved living standards driving higher demand of quality and safety standards

The public's growing awareness of QHSE related risks, partly driven by improved living standards, generates demand for products that meet strict quality and safety standards, thereby increasing demand for TIC services.

Developing markets adopting best-in-class standards

Regulators and consumers in developing markets are increasingly adopting more stringent QHSE standards that have become customary in other markets, resulting in increased convergence of verification requirements to best in class global standards.

Attractive Segment Specific Growth Drivers

In addition to the general market drivers outlined above, each of the Group's verticals benefits from specific drivers of growth, as set out below.

Vertical	Key Trends
Energy and Industry Services	• Investments in new oil and gas infrastructure globally • Investments in new energy sources (e.g. shale gas and oil sands) • Ageing infrastructure in developed markets, resulting in increased maintenance and testing to ensure safety and prolong asset life • Increasing QHSE standards following major incidents whilst oil majors are increasingly applying best in class standards worldwide • High economic and reputational cost of safety related incidents • Oil majors increasingly engaging a limited number of suppliers with strong reputation and global coverage • Growing asset base in emerging markets especially in infrastructure, resulting in increased demand for TIC services • Positive investment trends in Latin America in utilities, energy and infrastructure sectors • Substantial investment in civil, power and transport infrastructures in the Middle East • Strong growth in niche markets with high technical requirements • New materials testing in aerospace and automotive • Increasing technical and security requirements for smartcard and cashless payment solutions
Statutory Vehicle Inspections	• Trend towards increased inspection frequency and scope (e.g. new European Union legislation expanding testing regime to motorcycles and trailers) • Recent reviews of national vehicle inspection regimes in certain countries have considered and rejected the establishment of fully liberalised statutory vehicle inspection models (for example, in Ireland). • The European Parliament and the Council have recently adopted a Directive on periodic roadworthiness tests for motor vehicles and their trailers and repealing Directive 2009/40/EC, which will potentially reduce the ability of the Group's competitors or others to challenge any vehicle inspection concessions on the grounds of incompatibility with the EU Service Directive (as defined below). See, "— *Other regulatory matters*". • Existing programmes continuously upgraded in developed markets with additional requirements (e.g. emissions testing) • Emerging markets increasingly establishing statutory vehicle inspection programmes, such as in Ecuador, Argentina and Chile • Steadily increasing vehicle fleet
Automotive Engineering and Testing	• Increasingly shorter product lifecycle of automotive products, and therefore increasing number of new models/products introduced by automotive OEMs which require engineering and testing services • Greater demand for homologation services as automotive OEMs increasingly look to new export markets such as Asia and the Middle East • Increased outsourcing by OEMs • Increasing technological complexity of vehicles and regulations

Fragmented Competitive Landscape

The TIC market is characterised by a very high level of fragmentation, with hundreds of players offering a narrow range of services on a local or regional basis. There are few international players with truly global TIC capabilities, which among them make up a relatively small proportion of the overall TIC market. This supports high barriers to entry for global players while offering continued scope for consolidation given the large number of small, local operators. The table below sets out the nature of competition and key market participants.

Vertical	Nature of competition	Key market participants
Energy and Industry Services	• Few global players with leading positions • A few smaller regional niche players with specialised offering. • Numerous small local players	• Applus+, Acuren, ALS, Bureau Veritas, DNV GL, Intertek, Mistras, SGS, Stork Technical Services, Team, TÜV Nord, TÜV Rheinland, TÜV Süd
Statutory Vehicle Inspections	• Depends on nature of operational market (i.e. concession, authorised or liberalised market) • In general very few global players, a few regional and numerous local players	• Applus+, DEKRA, Opus, SGS, TÜV Nord, TÜV Rheinland, TÜV Süd
Automotive Engineering and Testing	• Several large engineering services players • Large number of regional/specialised players • Limited number of independent proving grounds	• Applus+, AVL, Bertrandt, MIRA, Nardó Technical Centre, Roush, TRC, Volke

High Barriers to Entry for Global Leaders

Given the significant economies of scale in the sector arising from the efficient utilisation of existing networks and human resources, the trend of increasing convergence in QHSE regulation, and the demand for international capabilities by global clients, larger TIC providers have competitive strengths that provide a sustained advantage over smaller scale players.

Requirement for portfolio of accreditations and authorisations

An extensive portfolio of accreditations and authorisations is necessary to operate in the variety of markets and industry segments within the sector. Building up such an extensive portfolio requires global expertise, presence, experience and a long timeframe.

Focus on brand and reputation

Mission critical nature of services where quality is key, favour established players with a reputation for excellence.

Global capabilities with local presence and scale

International presence and scale and the capacity to provide a spectrum of services at all client locations is an important benefit in servicing local operations of multinational clients as well as addressing global client contracts.

Network density

Larger global players with larger operational scale across their geographic footprint benefit from efficiencies of scale in the utilisation of assets and technical staff.

Importance of technical know-how and expertise

Technical expertise, proprietary technology and highly skilled staff provide a strong competitive advantage in the TIC sector. For example, Applus+ RTD has developed a number of proprietary technologies that it uses to perform its testing services, such as Rotoscan, which uses ultrasonic science for automated girth weld inspections. Replicating these would require significant investment and time.

Mission critical nature of services increases customer inertia

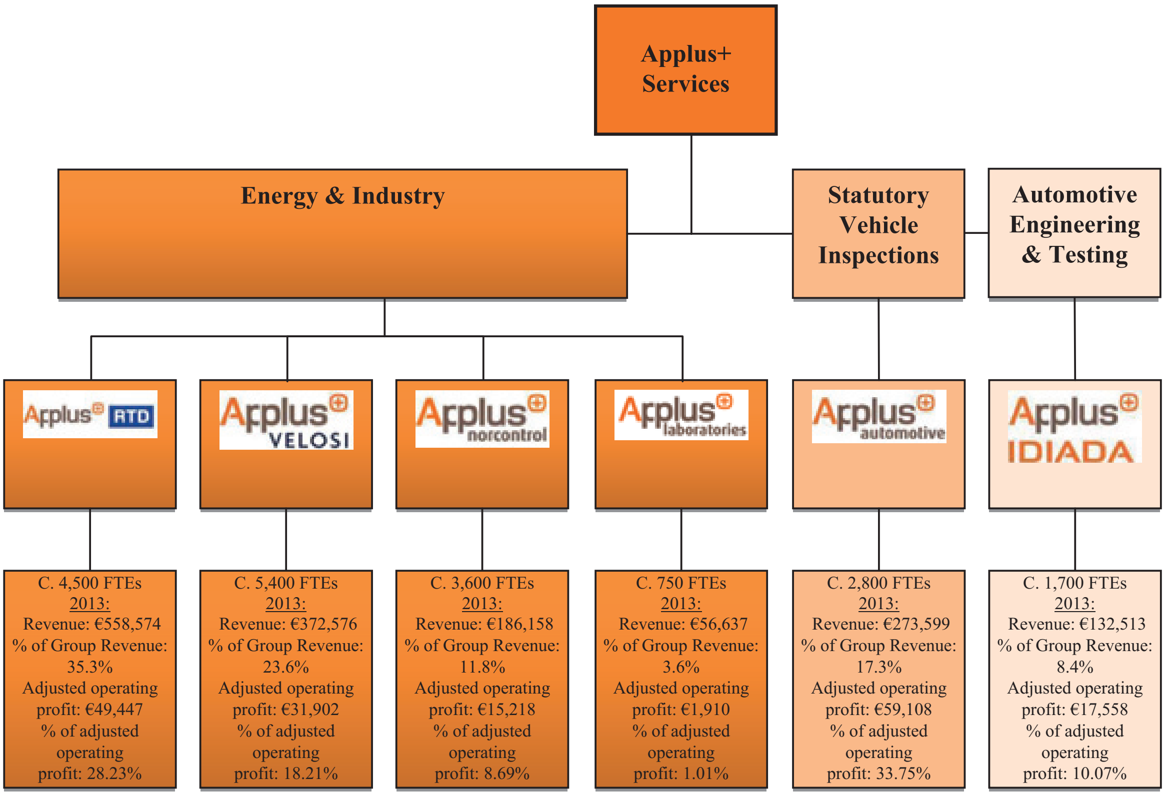
Customers have a preference for continuity in their relationships with TIC providers, creating a competitive advantage for established players over new entrants.

Continued Scope for Consolidation

The large number of smaller, niche regional or local service providers offers meaningful continued scope for a global player such as Applus+ to identify and acquire such smaller players to selectively strengthen its market positions, enter new end markets or enhance its service offering. The Group believes that its presence and brand enable it to drive further growth and value through such selective acquisitions.

Organisational Structure

The chart below sets out an organisational structure of the Group's verticals and divisions as at the date of this document.



Note: This chart does not reflect the ownership structure of the Group.
Amounts in thousands other than percentages.
The percentages of adjusted operating profit are calculated excluding the adjusted operating loss of €24,418 attributable to "Other". See "*Operating and Financial Review — Results of Operations for the year ended 31 December 2012 compared to the year ended 31 December 2013…— Adjusted Operating Profit*".

Description of Divisions

Energy and Industry Services

The Group's Energy and Industry Services vertical provides inspection, testing and certification services to clients through its four divisions: Applus+ RTD, Applus+ Velosi, Applus+ Norcontrol and Applus+ Laboratories. The Group assesses clients' facilities for compliance with national regulations and international quality and safety standards and enables clients to optimise their processes using a broad range of different equipment, inspection and data interpretation techniques to inspect and test assets, materials, processes, products and management systems.

Applus+ RTD

Applus+ RTD was founded in 1937 and was acquired by the Group in 2006. Applus+ RTD is headquartered in Rotterdam, the Netherlands and employs 3,770 FTEs in more than 25 countries across five continents. Applus+ RTD is a leading global provider of NDT (conventional and advanced), inspection and certification services mainly to the oil and gas industry.

- *Technologically advanced service offering*

  Applus+ RTD provides regulatory-driven and mission-critical services to upstream, midstream and downstream oil and gas exploration, transportation and production facilities, as well as to clients in the power, aviation and civil infrastructure sectors. These services primarily comprise NDT, asset integrity (including pipeline integrity management, plant life management and risk-based inspection), in-service inspection and certification, new construction inspection and consultancy and radiation protection services. The Group believes that Applus+ RTD has a strong brand and a reputation for technological leadership, highly qualified employees and delivering high quality services globally. Applus+ RTD has established technological leadership in testing and inspection services through continued investment in proprietary technology and know-how including products such as Rotoscan, which is used in ultrasonic testing, and Rayscan, which is used in connection with radiography. Applus+ RTD's research and development team, which employs more than 50 specialists, has developed inspection equipment and advanced inspection techniques in respect of which it has been granted 35 patents.

- *Services addressing critical client assets and infrastructure*

  Applus+ RTD tests both newly constructed assets and assets that are already in-service. Applus+ RTD also designs and manufactures sophisticated inspection equipment, which is used by its technicians to perform inspections at clients' sites. Applus+ RTD is working on new, innovative techniques, such as non-piggable pipeline inspection equipment, which Applus+ RTD plans to launch later in 2014, to create opportunities to sell new and improved inspection services to clients. In the year ended 31 December 2013, 64 per cent. of Applus+ RTD's revenue was generated from clients in the upstream and midstream oil and gas industry, compared to 22 per cent. from the downstream oil and gas industry, 7 per cent. from the power generation industry and 7 per cent. from other end-markets. Within the upstream and midstream oil and gas industry services in respect of onshore facilities represented 19 per cent. of Applus+ RTD's revenue in 2013, onshore pipelines represented 37 per cent, storage represented 3 per cent. and offshore fixed units 5 per cent. In the year ended 31 December 2013, 73 per cent. of revenue generated by Applus+ RTD was attributable to conventional NDT services, 17 per cent. to advanced NDT services and 10 per cent. to other services such as asset integrity inspection and management, new construction and in-service inspection, radiation protection services and rope access.

- *Addressing a diverse base of blue chip clients*

  Applus+ RTD has a diversified blue chip customer base, with the largest client accounting for 7 per cent, and no other client accounting for more than 5 per cent. of its recorded revenue in the year ended 31 December 2013. Applus+ RTD's top 20 clients represented 36 per cent. of its recorded revenue in 2013. Applus+ RTD has established long-term relationships with its key clients and has entered into global master service agreements and global supply contracts with a number of them. A large number of clients have had teams of Applus+ RTD employees embedded within their facilities for significant periods of time. Illustrative clients include oil and gas majors such as BP, Chevron, Exxon Mobil, Shell and Total, and other oil and gas operators, and downstream energy companies such as EDF, Enbridge, Oxy, Technip, and TransCanada. Applus+ RTD also has long-term relationships with major engineering, procurement and construction ("EPC") contractors, such as Jacobs, and pipeline construction companies such as Saipem and Serimax.

- *Servicing clients in key geographies*

  Applus+ RTD has a geographical presence across the United States and Canada, Latin America, Europe, the Middle East, South East Asia and Australia. In the year ended 31 December 2013, services provided to clients in the United States and Canada accounted for 52 per cent. of Applus+ RTD's revenue, as compared to 32 per cent. in Europe, 11 per cent. in the Asia Pacific region and 6 per cent. in Latin America, the Middle East and Africa.

The table below sets out Applus+ RTD's revenue, adjusted operating profit and adjusted operating profit margin for each of the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	2012 combined	2013 consolidated
	€ thousands, except for percentages		
Revenue	402,615	499,644	558,574
Adjusted operating profit(1)	23,195	35,732	49,447
Adjusted operating profit margin	5.8%	7.2%	8.9%

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Applus+ Velosi

- Applus+ Velosi was founded in 1982 in Kuala Lumpur, Malaysia and was acquired by Azul Holding on 24 January 2011, before being contributed to the Group on 20 December 2012. Applus+ Velosi operates globally from five regional headquarters based in the United States, the United Kingdom, South Africa, the UAE and Malaysia and employs approximately 5,400 FTEs in more than 35 countries across five continents.

  Applus+ Velosi is a leading global provider of vendor surveillance and site inspection services for majors in the oil and gas industry. Applus+ Velosi's specialised manpower services consist of the recruitment of inspectors, construction supervisors, engineers and other specialised labour required by clients for the inspection, testing and construction of assets. Applus+ Velosi also provides safety and quality certification services and specialised engineering support to clients, such as assisting with the repair and maintenance of the floating production storage and offloading ("**FPSO**") vessel units used by offshore oil and gas providers. In the year ended 31 December 2013, 47 per cent. of Applus+ Velosi's revenue was generated from such technical staffing services. Applus+ Velosi's services also comprise training in first aid, rope access, NDT and work safety to its clients' personnel. Applus+ Velosi has developed market leading proprietary software for use in its vendor surveillance and asset integrity services. Its software development team can adapt and develop this software to provide additional functionalities if required.

- *Services addressing critical client assets and infrastructure*

  Applus+ Velosi generates the significant majority of its revenue from services to clients in the oil and gas industry. Applus+ Velosi carries out vendor surveillance services at manufacturing plants globally for a broad range of structural, mechanical, electrical and instrumentation equipment to ensure compliance with client specifications. Applus+ Velosi conducts site inspections for clients, which involve the inspection of welding, painting, coating, electrical instrumentation, structural and dimensional control on offshore platforms, floating production, storage offloading vessels, drilling operations, on/offshore pipelines, sub-sea and petrochemical facilities. In the year ended 31 December 2013, 19 per cent. of Applus+ Velosi's revenue was generated from vendor inspection services compared to 13 per cent. from site inspection, 9 per cent. from engineering support and 12 per cent. from other services provided by the division.

- *Addressing a diverse base of blue chip clients*

  Applus+ Velosi is one of the few operators with global coverage, enabling it to provide services to key clients wherever their assets are located. Applus+ Velosi has entered into medium-term global master service agreements with 17 of its 25 major clients in the Energy and Industry Services vertical. Applus+ Velosi has a high share of repeat business; for example, in 2013, 81 per cent. of its revenue was attributable to existing clients. The Group believes that these global master services agreements strongly evidence the long-term relationships it has with its major clients as these agreements establish a framework for Applus+ Velosi to provide new and ongoing services to its major clients , which the Group believes can lead to higher revenue visibility and order backlogs. The Group believes that Applus+ Velosi has a strong brand and a reputation for providing a full suite of high quality services, particularly in emerging markets. Applus+ Velosi's global reach and reputation for quality has enabled it to develop strong relationships with key clients in the oil and gas industry such as BP, Chevron, Conoco Phillips, Eni, Exxon Mobil, Shell and Transocean, pipeline construction companies, such as TransCanada, infrastructure companies such as Alstom and construction and mining equipment manufacturers such as Komatsu. Applus+ Velosi's top 20 clients represented 54 per cent. of its recorded revenue in 2013.

- *Serving clients in key geographies*

  Applus+ Velosi is a leading provider of vendor surveillance, site inspection and specialised manpower services in the Middle East and has a leading position in Africa and the Asia Pacific region with a growing presence in the United States and Canada, as well as an established presence in Europe. In the year ended 31 December 2013, services provided to clients in Asia Pacific accounted for 42 per cent. of Applus+ Velosi's revenue, as compared to 35 per cent. in the Middle East and Africa, 13 per cent. in Europe, and 9 per cent. in the United States and Canada.

The table below sets out Applus+ Velosi's revenue, adjusted operating profit and adjusted operating profit margin for each of the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	**2012 combined**	**2013 consolidated**
	€ thousands, except for percentages		
Revenue	200,304	340,661	372,576
Adjusted operating profit	13,480	25,393	31,902
Adjusted operating profit margin	6.7%	7.5%	8.6%

Applus+ Norcontrol

Applus+ Norcontrol was founded in 1981 and was acquired by the Group in 2004. Applus+ Norcontrol is headquartered in Madrid. It operates primarily in Spain, Latin America and the Middle East and employs approximately 3,700 FTEs. Applus+ Norcontrol is primarily engaged in the assessment of the quality, safety and efficiency of the design, construction and operation of utilities infrastructure, oil and gas facilities, other industrial facilities and large-scale civil engineering projects for a diversified client base that includes, among others, clients in the construction, utilities and telecommunications sectors.

- *Broad range of services addressing a diverse range of end-markets*

  Applus+ Norcontrol provides a broad range of services across a number of end-markets, which can be summarised as follows:

  - Industrial, utilities and telecommunications sectors — Applus+ Norcontrol assists its clients by providing TIC services, which include statutory inspection, particularly of power grids, and telecommunication networks, civil infrastructure quality control, project management and other technical assistance, such as advising on energy efficiency;

  - Public Sector and other companies — Applus+ Norcontrol provides health, safety and environmental (HSE) consultancy, which includes quality and management consulting, environmental testing, inspection and environmental control, health and safety coordination, occupational health consultancy and external accident prevention services; and

  - Construction — Applus+ Norcontrol provides inspection, quality control testing for building materials, technical assistance, project design, consulting, project management and testing services for a broad range of civil construction projects, including transport infrastructure, industrial facilities and residential construction projects.

  In the year ended 31 December 2013, 55 per cent. of Applus+ Norcontrol's revenue was generated from clients in the industrial, utilities and telecommunications sector, compared to 31 per cent. from the public sector and other companies and 13 per cent. from construction clients.

- *Recognised expertise, advanced technical know-how and brand recognition*

  The Group believes that Applus+ Norcontrol has recognised expertise in the utilities and civil infrastructure sectors. Through its advanced technical know-how, Applus+ Norcontrol has established technology leadership in respect of the inspection of power grids, civil infrastructure and energy efficiency. These strengths have allowed Applus+ Norcontrol to establish a strong brand and reputation in many of the markets it operates in.

- *Proven ability to leverage the Group's global relationships and platform*

  Applus+ Norcontrol has a leading market position in Spain, with many established long-term relationships with clients in the utilities sector, and has leveraged the Group's global relationships to penetrate Latin American markets. Additionally, the Group has established a presence in the Middle East and other countries to diversify revenue further. In the year ended 31 December 2013, Spain and Latin America accounted for 62 per cent. and 35 per cent. of Applus+ Norcontrol's revenue, respectively. The Group believes that Applus+ Norcontrol's operations in Latin America are well established and will provide a platform for further growth in the region. Applus+ Norcontrol provides services to utilities companies such as Codelco, Gas Natural and Iberdrola, telecommunications companies such as Huawei, Telefonica and Vodafone, oil and gas companies such as Petrobras and Repsol, and infrastructure companies such as Aena Aeropuertos and Ferrovial. Applus+ Norcontrol's top 20 clients in Spain and Latin America represented approximately 60 per cent. and 66 per cent., respectively, of its recorded revenue in the relevant region in 2013.

The table below sets out Applus+ Norcontrol's revenue, adjusted operating profit and adjusted operating profit margin for each of the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	**2012 combined**	**2013 consolidated**
	€ thousands, except for percentages		
Revenue	187,686	190,695	186,158
Adjusted operating profit(1)	10,973	12,136	15,218
Adjusted operating profit margin	5.8%	6.4%	8.2%

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*."

Applus+ Laboratories

Applus+ Laboratories, which is headquartered in Barcelona, traces its history back to 1907. It was acquired by the Group in 2003. It has a presence in Europe, Latin America, China and Saudi Arabia and employs approximately 600 FTEs.

- *Wide range of product testing and system certification services*

  Applus+ Laboratories provides a wide range of product testing, system certification and product development services, such as: IT security and functionality testing; testing of smart cards, chips and systems security; mechanical, structural and materials testing; electromagnetic compatibility; electrical and environmental testing and certification; construction material testing (including fire testing) and certification; legal metrology; and industrial calibration. Applus+ Laboratories has clients in a wide range of industries including the aerospace, oil and gas and payment systems sectors, through a network of 12 laboratories. Applus+ Laboratories' operations focus primarily on Spain, where it is a leading provider of product testing and system certification services, and other European markets.

  Product testing and certification: Laboratory services for technical products are focused on the industrial, aerospace, oil and gas, metrology and IT sectors. Applus+ Laboratories provides IT consultancy to payments systems providers, IT systems companies and chip manufacturers globally, including smart card and chip testing. In the aerospace and automotive testing sectors, Applus+ Laboratories focuses on safety and reliability testing and provides structural and materials testing and quality control for new products. In 2012, Applus+ Laboratories established new laboratories in Saudi

Arabia and Norway focused on destructive testing, which the Group believes is a significant market for upstream oil and gas equipment. Laboratories for technological products accounted for the majority of the services provided by Applus+ Laboratories in 2013.

Management systems certification: Applus+ Laboratories provides management systems certification services, quality, environmental, occupational health and safety and IT security services, primarily to small- and medium-sized businesses in Spain, where it is a leading provider, and in Latin America. It also provides services to large companies in the financial, food, telecommunications and retail sectors. Applus+ Laboratories has a presence in China, where it provides certification services to the construction industry.

In the year ended 31 December 2013, product testing and certification accounted for 63 per cent. of Applus+ Laboratories' revenue, compared to 18 per cent. from management systems certification and 19 per cent. from consumer goods.

- *State-of-the-art facilities*

  Following the divestment of two laboratories as part of the sale of the agrofoods business to Eurofins Scientific in March 2014, Applus+ Laboratories has twelve laboratories, which have a number of approvals and accreditations to work with the Group's principal clients. In 2003, Applus+ Laboratories entered into a programme with the regional government of Catalonia to manage its laboratories based in Balleterra, Barcelona, until 2033, upon which it will have the option, subject to the agreement of both parties, to extend the programme for a further two ten-year periods. In March 2014, the Group entered into an agreement to sell its agrofood business, including two laboratories, to Eurofins Scientific. In the year ended 31 December 2013, its agrofood business represented 19 per cent. of Applus+ Laboratories' revenues (0.7 per cent. of the Group's revenue) and 7.5 per cent. of Applus+ Laboratories operating profit before depreciation, amortisation and others (0.3 per cent. of the Group's operating profit before depreciation, amortisation and others). The total proceeds received from the sale will amount to €10,394 thousand, with approximately 10 per cent. of the total consideration being deferred until 2015 and 2016. For a further discussion, see *"Operating Review — Current Trading and Recent Developments — Recent Developments"*. Applus+ Laboratories has more than 70 accreditations from European regulatory bodies.

- *Specialist knowledge*

  Applus+ Laboratories has established technological leadership in materials testing and quality control in the aerospace, automotive and oil and gas sectors and has significant experience in the testing, evaluation and accreditation of chip payment security and payment devices.

- *Long-term client relationships*

  Applus+ Laboratories has established long-term relationships with a number of key clients and provides services to a diverse range of clients in a number of industries. In the aerospace industry, Applus+ Laboratories' key clients include Airbus, EADS, Rolls Royce and Safran. Applus+ Laboratories also provides services to technology companies such as HP and Indra. It has a presence in Europe, Latin America, China and Saudi Arabia. In the year ended 31 December 2013, Applus+ Laboratories generated 81 per cent. of its revenue from clients in Spain, 9 per cent. from the rest of Europe, 6 per cent. from China and 4 per cent. from Latin America.

The table below sets out Applus+ Laboratories' revenue, adjusted operating profit and adjusted operating profit margin for each of the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	**2012 combined**	**2013 consolidated**
	€ thousands, except for percentages		
Revenue	52,090	55,852	56,637
Adjusted operating profit(1)	907	2,379	1,910
Adjusted operating profit margin	1.7%	4.3%	3.4%

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*"

Statutory Vehicle Inspections (Applus+ Automotive)

Applus+ Automotive was established in Spain in 1994 and was acquired by the Group in 1996. It has expanded its operations to include a number of Spanish regions, several European Union countries, several states in the United States and several countries in Latin America. In Europe and Latin America, Applus+ Automotive's services consist of emissions testing and testing of safety systems, including under-the-bonnet inspections, headlamp and indicator checks, steering, seating, suspension and brakes tests, and interior and under-body inspections to ensure that a vehicle is roadworthy. Vehicles that pass the testing process are issued with a roadworthiness certificate confirming compliance with legislative requirements. In the United States, the Group's vehicle inspection services relate to compliance with environmental emissions legislation. Applus+ Automotive provides its services to individual vehicle users and fleet operators in the regions in which it operates. In each region which operates a regulated or exclusive model, Applus+ Automotive contracts with the relevant government agency responsible for implementing the statutory vehicle inspection regime. The Group believes that it has become a trusted partner to a number of regulators and has the capability to deliver complex contracts with high quality standards around the world. Applus+ Automotive is a full service provider, which includes the design and development of vehicle inspections programmes for national, state and local authorities, software design and development and the use of state-of-the art inspection technology. In addition to providing statutory vehicle inspections and vehicle emission inspections, Applus+ Automotive provides a number of ancillary services, including the sale of testing equipment such as smoke meters and portable gas analysers and training and educational services. Applus+ Automotive currently employs approximately 3,000 FTEs.

- *Leading market position*

Applus+ Automotive is the second largest vehicle inspection operator in the world, by number of vehicle inspections, according to the Group's estimates, with market leading positions in Europe, the United States and Canada and certain Latin American countries. The Statutory Vehicle Inspection vertical provided more than 10 million statutory vehicle inspections in 2013 to certify that vehicles comply with minimum safety, emissions and technical standards.

- *Competes across a spectrum of markets*

  Applus+ Automotive operates successfully in liberalised and regulated vehicle inspections markets and provides services under the following types of operational model, depending on the regulatory framework in a particular jurisdiction:

  - *Exclusive model*: the service is provided by one operator, which manages all aspects of the service and controls all systems within a particular jurisdiction. Competition with other providers occurs only when the mandate is being tendered for renewal. In the United States Applus+ Automotive operates under this model in the states of Connecticut, Georgia, Illinois, Utah and Washington, and as well as the countries of Andorra and Ireland. In Ireland, Applus+ Automotive has a ten-year mandate expiring in 2020, with exclusivity for the entire national territory. In the United States, operators provide services either under a centralised model, under which the contractor operates the testing stations and conducts the vehicle tests itself or under a decentralised model, under which independent operators operate testing stations and conduct vehicle testing under the supervision of the contractor. Under the decentralised model, the contractor is responsible for training and certification of individual operators and data collection.

  - *Regulated model*: a limited number of operators are authorised by the relevant regulator to operate a vehicle testing network within a particular jurisdiction (pursuant to concessions or authorisations and, in some cases, with certain degrees of territorial exclusivity). If additional capacity is required, the regulator may tender for a limited number of additional testing stations. Applus+ Automotive operates vehicle inspection programmes under this model in Argentina, Chile and some Spanish regions.

  - *Liberalised model*: under this model, any operator fulfilling the technical and administrative requirements specified by the relevant regulator can provide vehicle testing services. Requirements typically include independent facilities, certified equipment, IT infrastructure and trained personnel. Jurisdictions in which The Group's Statutory Vehicles Inspection vertical operates and which have adopted this system include Denmark, Finland, and Madrid and Castile-La Mancha regions in Spain.

- *Long-term agreements*

  As of the date of this document, the weighted average remaining life of Applus+ Automotive's inspection service contracts is more than nine years (excluding potential contract extensions). The Group believes that on expiry of contracts, existing operators have a clear advantage over competitors if service expectations have been met during the life of the contract. The Group has an established track record of renewing, extending and winning contracts. Over the last ten years, Applus+ Automotive has lost three programmes (Ontario, Canada, Massachusetts, United States and Rhode Island, United States) and since 2005 has successfully renewed nine programmes and won nine additional programmes. In the three years ended 31 December 2013, the Group has won concessions in Weber (Utah), Ontario, Ireland, Chile and Georgia and has successfully renewed its concessions in Connecticut, Menorca, Washington and Chile.

The table below sets out the Group's statutory vehicle inspection contracts and their expiry dates by geographic region:

Geographic region(1)	% of revenue in 2013	Regulatory model	Minimum contract duration	Possible maximum(2) extensions	Price scheme
Spain					
Catalonia	18%	Regulated	2035	-	Maximum only
Canary Islands	5%	Regulated	2018	99 years	Price limit
Alicante	4%	Regulated	2023	75 years	Fixed price
Basque Country	3%	Regulated	2024	99 years	Fixed price
Aragon	1%	Regulated	2020	50 years	Fixed price
Castile-La Mancha	<1%	Liberalised	2015	5 years	Price limit
Menorca	<1%	Regulated	2017	99 years	Fixed price
Madrid	<1%	Liberalised	N/A	-	Free pricing
Total Spain	**34%**				
Rest of Europe					
Ireland	24%	Exclusive	2020	-	Fixed price
Finland	10%	Liberalised	N/A	-	Free pricing
Denmark	9%	Liberalised	N/A	-	Free pricing
Andorra	<1%	Exclusive	2016	25 years	Fixed price
Total Spain and Rest of Europe	**77%**				
United States/Canada(3)					
Illinois	4%	Exclusive	2015	-	Fixed price
Washington	4%	Exclusive	2017	5 years x 2	Fixed price
Connecticut	2%	Exclusive	2017	2 years x 2	Fixed price
Georgia	<1%	Exclusive	2018	1 year x 2	Fixed price
Utah - Weber	<1%	Exclusive	2015	3 years	Fixed price
Salt Lake City	<1%	Exclusive	2014	3 years	Fixed price
Total United States	**13%**				
Latin America					
Argentina	7%	Regulated	2018	-	Fixed price
Chile	3%	Regulated	2014/2022	-	Fixed price
Total Latin America	**10%**				
Total	**100%**				

(1) In relation to the Spanish regions: the Canary Islands, Alicante, the Basque Country, and Aragon, programmes may be renewed for successive periods of 10 years, and in Menorca, Castile-La Mancha and Andorra for successive periods of 5 years. The table sets out the maximum possible extension period.

(2) The table sets out the maximum extension period included in the contract. Although for those contracts with no possible extension, the Group will be able to win the future new programmes.

(3) In addition, the Group has entered into an equipment supply contract in Canada — Ontario which expires in 2018 and for which extensions are limited to 3 years. Canada accounted for 2 per cent. of Applus+ Automotive's revenue in the year ended 31 December 2013.

- *Ability to participate in tenders globally*

  Applus+ Automotive operates in a number of Spanish regions, Ireland, where it is the sole provider of vehicle inspection services, and in Denmark, Finland, the United States and Canada, Argentina and

Chile. In the year ended 31 December 2013, Spain accounted for 33.9 per cent. of Applus+ Automotive's revenue, as compared to 23.5 per cent. in Ireland, 13.5 per cent. in the United States and Canada, 10 per cent. in Finland, 8.8 per cent. in Denmark and 10.1 per cent. in Latin America.

Applus+ Automotive has identified more than ten concessions globally, including in, Latin America and Asia, in respect of which it has or expects to bid and tender for over the next 24 months. See "*Risk Factors — The Group operates in competitive markets and its failure to compete effective could result in reduced profitability and loss of market share*".

- *Technologically advanced services*

  Applus+ Automotive has developed proprietary software and management systems to increase efficiency and share know-how across the regions in which it operates. It believes that it is one of only a few operators in the world that has the technical expertise to be able to execute complex contracts globally with a high standard of quality. Applus+ Automotive has developed the use of modern inspection technology, such as on-board diagnostics and dashboards incorporated into clients' vehicles, to provide clients with technically advanced services. This technological and data gathering expertise also enables Applus+ Automotive to provide regulators with key market information.

The table below sets out Applus+ Automotive's revenue, adjusted operating profit and adjusted operating profit margin for each of the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	2012 combined	2013 consolidated
	€ thousands, except for percentages		
Revenue	245,025	266,391	273,599
Adjusted operating profit(1)	55,205	55,413	59,108
Adjusted operating profit margin	22.5%	20.8%	21.6%

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*"

Automotive Engineering and Testing (Applus+ IDIADA)

- Applus+ IDIADA was established in 1971 as an institute at the Polytechnic University of Catalonia specialising in applied automotive research. In 1990, the institute was spun-off from the university and in 1999 it was privatised and the Group acquired 80 per cent. of its issued share capital. Applus+ IDIADA provides automotive testing and engineering services to automotive OEMs at all stages of vehicle development. Applus+ IDIADA operates an international network with a presence in Europe, China, India and Brazil with approximately 1,700 FTEs of which approximately 950 employees are skilled and experienced engineers.

- *Leading global testing, engineering and homologation services provider*

  Applus+ IDIADA provides solutions to automotive OEMs at each stage of the development of a vehicle. Its principal services are:

  - *Engineering services*: Applus+ IDIADA collaborates with OEMs on vehicle development projects. Services include the development of passive and active safety systems, such as passenger and pedestrian protection, as well as braking systems, in addition to focussing on the comfort of the interior and exterior of the vehicle, including noise levels, physical comfort, reliability, electronics, power testing and chassis development.

  - *Proving ground services*: Applus+ IDIADA operates a comprehensive range of testing facilities, including a high speed circuit, external noise test tracks, dry and wet handling tracks, test hills and off-road tracks.

  - *Homologation services*: European legislation requires OEMs to ensure that vehicles comply with strict requirements. Applus+ IDIADA provides homologation services to OEMs to ensure that vehicles and vehicle components meet these requirements. In addition, Applus+ IDIADA also assists certain western OEMs, which are expanding their operations into emerging markets, to meet local requirements.

- *Other services*: Applus+ IDIADA provide other services to OEMs, including testing services for OEM facilities, designing proving grounds, events organisation and vehicle exhibitions.

In the year ended 31 December 2013, 61 per cent. of Applus+ IDIADA's revenue was generated through its engineering and testing services, 19 per cent. by proving ground services, 13 per cent. by homologation services and 7 per cent. by other services.

- *State-of-the art testing facilities*

Applus+ IDIADA operates one of the world's leading independent testing facilities for automotive OEMs at its proving ground close to Barcelona. The proving ground enables automotive OEMs to test new models confidentially and includes a high speed circuit, external noise test tracks, dry and wet handling tracks, test hills and off-road tracks.

The Company indirectly holds an 80 per cent. stake in Applus+ IDIADA with the Catalan government holding the remaining 20 per cent. The Catalan government also owns Applus+ IDIADA's vehicle proving ground near Barcelona and in 1999 Applus+ IDIADA entered into a 20-year services and use assignment agreement to operate it. This services and use assignment agreement can, with the agreement of both Applus+ IDIADA and the Catalan government, be extended after 2019 by successive five-year periods up to 2049. In 2010, the Catalan government expressly committed to take the necessary regulatory measures to extend the services and use assignment agreement for an additional five-year period (until 2024) upon completion of the initial term. Under the terms of the services and use assignment agreement, the Catalan government is required to incur certain capital expenditure in order to maintain the condition of the proving ground. Many automotive OEMs have located operations at the Group's proving ground so that they can work closely with Applus+ IDIADA's engineering teams and for ease of access to the testing facilities.

- *Highly skilled engineering team and reputation for innovation*

The Group believes that the know-how and technical expertise that it has developed position it in line with leading testing and engineering firms and that its passive safety, homologation and electrical vehicle engineering services are considered best-in-class by its clients. Applus+ IDIADA has a strong focus on research and development to underpin its new services and maintain its reputation for innovation.

- *Established international network*

Applus+ IDIADA provides engineering, testing and homologation services to the world's leading automotive OEMs and has a presence in 22 countries worldwide, including in Europe, China, Mexico, the United States, Japan, South Korea, India and Brazil. In the year ended 31 December 2013, 22 per cent. of Applus+ IDIADA's revenue was generated in Spain, 50 per cent. in the rest of Europe, 23 per cent in in the Asia Pacific region and 5 per cent. in Latin America.

- *Highly recognised brand*

Applus+ IDIADA believes that it has established a highly recognised brand in the global automotive testing and, engineering services market and is considered a leading provider of testing services in passive safety systems, homologation and electric vehicles. Through its teams of engineers specialising in vehicle development, Applus+ IDIADA has acquired in depth knowledge of technical requirements to enable vehicle manufacturers to fulfil standards and regulations worldwide. Applus+ IDIADA also has extensive research and development capabilities in active safety systems, chassis and powertrain design and electronics and reliability. Applus+ IDIADA provides services to major global vehicle manufacturers such as Audi, BMW, Ferrari, Hyundai, KIA, Mercedes, McLaren, Nissan, Seat and TATA and to vehicle equipment manufacturers such as Continental. Applus+ IDIADA's top 20 clients represented 64 per cent. of its recorded revenue in 2013.

The table below sets out Applus+ IDIADA's revenue, adjusted operating profit and adjusted operating profit margin for each of the years ended 31 December 2011, 2012 and 2013.

	Year ended 31 December		
	2011 combined	2012 combined	2013 consolidated
	€ thousands, except for percentages		
Revenue	94,211	116,505	132,513
Adjusted operating profit(1)	11,724	15,093	17,558
Adjusted operating profit margin	12.4%	13.0%	13.2%

(1) For a reconciliation of operating profit to adjusted operating profit, see "*Selected Financial Information*".

Intellectual property

The Group's intellectual property consists of inventions, trademarks, industrial designs and copyright (for example, in the case of technical drawings). The Group continually generates new procedural and technological innovations and analyses newly created intellectual property to decide strategically if and how the knowledge created should be protected. The Group seeks to ensure long-term value-added and distinguishable technological and procedural solutions that it offers to its clients. By conducting periodic audits of its intellectual property, the Group seeks to ensure that all created intellectual property is adequately protected to preserve the Group's revenue and growth potential resulting from the intellectual property. Audits are designed to identify areas in which the Group could improve its intellectual property protection or if the Group is potentially infringing any third party's intellectual property rights.

The Group also uses professional agents specialising in intellectual property protection to monitor the market for new innovations and to protect the Group's intellectual property rights in case of infringement by third parties.

The Group relies on intellectual property rights across each of its divisions. In particular, Applus+ RTD relies on the technology and equipment it develops to provide inspection and testing services, for example, oil and gas NDT, which provide a significant competitive advantage. In addition, Applus+ Laboratories relies on patents related to the aeronautical sector which are valuable for the Group's revenue attributable to this sector. Both Applus+ Automotive (which relies on certain software in its operations in the United States) and Applus+ Velosi (which relies on the proprietary software it has developed as an important component of its asset integrity, site inspection and vendor surveillance services) rely on intellectual property rights in their operations which differentiate the Group from its competitors.

As of the date of this document, the Group holds approximately 38 patents, of which 35 are held by Applus+ RTD, two are held by Applus Norcontrol+ and one is held by Applus Technologies, Inc.. The Group has 18 outstanding patent applications, including with respect to Applus+ Laboratories. The Group periodically assesses appropriate circumstances for seeking patent protection for those aspects of its technologies, designs, methodologies and processes that it believes provide significant financial, operational or competitive advantages. See "*Risk Factors — Risks Related to the Group's Business — The Group may be unable to secure or protect its rights to intellectual property*".

Certain intellectual property held by Applus+ RTD is licenced to a number of the Group's clients.

Accreditations, Approvals and Authorisations

To carry out its business, the Group has numerous licenses to operate ("**Authorisations**") which vary depending on the country or business concerned, including accreditations (official voluntary acknowledgments which are granted by official accreditation bodies who assess, among other things, a company's technical competence and expertise, equipment and HR in accordance with International Organisation Standards and applicable laws), approvals (which must be obtained in order to access and operate in certain regulated business sectors), certifications (which indicate that a company meets system-related standards, for example, management system standards), delegated authority, official recognition, or listings. The Authorisations may be issued by national governments, public or private authorities, and national or international organisations.

Obtaining Authorisations globally can be a lengthy process requiring the applicant to establish the strength of its expertise and internal systems. In addition, costs may be payable in respect of certain Authorisations, for example, periodic fees payable to accreditation bodies and fees for annual audits.

See also "*Risk factors — Any failure to obtain and maintain certain authorisations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects*".

Applus+ RTD

Applus+ RTD holds more than 100 authorisations issued by numerous national and international organisations, including the Belgian accreditation bodies DAP and BELAC, the German accreditation bodies DAkkS and KTA 1401, National Association of Testing Authorities in Australia, United Kingdom Accreditation Service, *Raad voor Accreditatie* (RvA) in the Netherlands, NADCAP and ASTM in the United States, SAC in Singapore, CAI in Czech Republic and DANAK in Denmark. In addition, Applus+ RTD holds "SCC" and "VCA" safety certifications and also more than 15 approvals issued worldwide by government authorities.

Applus+ Velosi

Applus+ Velosi holds accreditations and certifications from RvA, Dubai Accreditation Department, Emirates Authority for Standardisation and Metrology, Accredia in Italy, American Petroleum Institute, and approvals by classification societies such as ABS, DNV and Lloyd's. In addition, Applus+ Velosi holds authorisations from governments worldwide that enable it to operate in more than 35 countries, including authorisations from the Abu Dhabi EHS Centre, the Government of Dubai, the Government of Sharjah, the Department of Occupational Safety in Malaysia, the Central Boilers Board in India and the Ministry of Manpower in Singapore. Applus+ Velosi also holds certification in relation to quality and environmental management, occupational risk prevention and the oil and gas sector.

Applus+ Norcontrol

Applus+ Norcontrol holds more than 30 authorisations. These accreditations have been issued by national accreditation bodies such as *Entidad Nacional de Acreditación* ("**ENAC**"), *Organismo Nacional de Acreditación de Colombia* and MINCOMU in Colombia. In addition, the division is classified as a "notified body" under European Union Directives in respect of pressure equipment, simple pressure vessels and lifting equipment. A "notified body" is an organisation that has been accredited by a member state of the European Union to assess whether a product meets certain prescribed standards. Applus+ Norcontrol holds more than 15 approvals and certifications issued by local authorities to perform official inspections which are mandatory under industrial safety regulations.

Applus+ Laboratories

Applus+ Laboratories has approximately 85 accreditations issued by recognised organisations such as ENAC, Norwegian Accreditation, DAkkS, NADCAP, United Nations Acreditación UNFCCC, EMA in Mexico, ONA in Colombia, INN in Chile, International Automotive Task Force (IATF), the International Maritime Organisation and EMvCO, which cover a broad range of accredited activities. The division is a "notified body" under European Union Directives in respect of construction products, measuring instruments, electromagnetic compatibility, machinery, safety of toys and interoperability of electronic road toll systems. Applus+ Laboratories has several approvals issued by local authorities enabling the division to perform official inspections which are mandatory under regulations relating to legal metrology.

Applus+ Automotive

Applus+ Automotive, as a provider of statutory vehicle inspection services, has been authorised by national organisations to perform vehicle inspections in more than 300 stations in the United States, Latin America and Europe. The division holds approximately 60 accreditations issued by international organisations, including ENAC in Spain and the Irish National Accreditation Board in the Republic of Ireland including in respect of management systems of quality, health and safety and environment.

Applus+ IDIADA

Applus+ IDIADA holds several accreditations for testing activities issued by ENAC, National Institute of Metrology Standardisation and Industrial Quality (INMETRO) and Euro NCAP and is a "notified body" under the European Union Directive relating to personal protective equipment. The division holds European vehicle type approval from Germany (KBA), the Netherlands (RDW), and Spain (MINETUR), and the Japanese and Taiwanese vehicle type approval (NTSEL and VSCC respectively).

IT and Management Systems

The Group's IT initiatives can be broadly categorised into two areas:

- Development of business applications to support sales and operational processes. The Group uses a number of tailor-made solutions and software packages to manage its operations. Requirements vary from one division to another, and as a result, the Group has developed various applications including key applications that it uses to carry out its site inspection, vendor surveillance, specialised manpower, project management, NDT, statutory vehicle inspection and laboratory information management services. The development and refinement of these business applications are critical to the Group's ability to carry out its services and establish technology leadership in its chosen markets.

- Standardisation of technology platforms across the Group. The Group is standardising the way employees use technology to ensure that all employees have access to enterprise information systems and tools with the appropriate level of performance and support.

The Group's corporate applications are hosted in a modern data centre in Madrid. Critical information is continuously replicated into a secondary data centre in Barcelona to ensure business continuity. The Group has back-up and disaster recovery plans in place which are reviewed on a periodic basis. The IT services are supplied in a cost efficient and flexible way through a combination of internal and external resources from the Group's IT partners.

Employees

The Group has approximately 19,000 employees as at the date of this document. Of the Group's employees, approximately 3,000 are qualified engineers.

There have been no material collective redundancies implemented by the Group in the three years ended 31 December 2013.

To date, the Group has not experienced any material strikes, work stoppages or labour disputes. The Group considers its relations with its employees satisfactory.

The following table sets out the approximate number of the Group's FTEs as of each of the years ended 31 December 2011, 2012 and 2013 by division.

	Number of FTEs as of 31 December		
	2011	**2012**	**2013**
Applus+ RTD	2,952	3,989	3,770
Applus+ Velosi	-	4,581	4,517
Applus+ Norcontrol[(1)]	3,198	3,402	3,683
Applus+ Laboratories	614	775	612
Applus+ Automotive[(2)]	2,896	2,887	3,064
Applus+ IDIADA	1,287	1,368	1,690
Other[(3)]	103	108	119
TOTAL	**8,171**	**17,110**	**17,456**[(4)]

(1) Includes Applus+ Norcontrol units in Latin America.
(2) Includes Applus+ Automotive units in Latin America, Spain and other countries worldwide.
(3) Includes employees in the in-house corporate division within the Group.
(4) As at the date of this document, the Group has approximately 19,000 employees.

Facilities

As of 31 March 2014, the Group operated 324 offices, 157 testing facilities and 322 statutory vehicle inspection stations in 60 countries. The total net book value of land and buildings owned by the Group was €88,812 thousand as at 31 December 2013. In addition, in the year ended 31 December 2013 the total amount paid under the operating leases of the Group was €28,682 thousand. Details of the Group's material properties are set out below.

Division	Geographic region	Facility[(1)]	Owned/leased
Applus+ RTD	Germany	Laboratory	Leased
Applus+ RTD	Germany	10 offices / laboratories	Leased
Applus+ RTD	Australia	2 offices	Leased
Applus+ RTD	Australia	Laboratory	Leased
Applus+ RTD	Canada	2 offices / laboratories	Leased
Applus+ RTD	Netherlands	2 offices /laboratories	Owned
Applus+ RTD	UK	Offices / laboratories	Leased
Applus+ RTD	UK	Laboratory	Leased
Applus+ RTD	US	2 offices / laboratories	Owned
Applus+ RTD	US	Offices / laboratories	Leased
Applus+ RTD	US	Offices	Leased
Applus+ Laboratories	China	Offices / laboratories	Leased
Applus+ Laboratories	Germany	Offices/ laboratories	Leased
Applus+ Laboratories	Norway	Offices / laboratories	Leased
Applus+ Laboratories	Saudi Arabia	Laboratory	Leased
Applus+ Laboratories	Spain	2 offices / laboratories	Leased
Applus+ Norcontrol	Spain	2 laboratories	Owned
Applus+ Norcontrol	Spain	6 offices / laboratories	Owned
Applus+ Norcontrol	Spain	5 offices / laboratories	Leased
Applus+ Norcontrol	Spain	5 laboratories	Leased
Applus+ Norcontrol	Spain	3 offices	Leased
Applus+ IDIADA	Spain	Proving ground / laboratories / offices	Leased

(1) Office / laboratories denotes a single facility or location that has both office and laboratory facilities.

The Group is not aware of any material environmental issues that may affect the Group's utilisation of its tangible fixed assets.

Health and safety

The Group's operations (and, in particular, the operations of Applus+ NDT, Applus+ Laboratories and Applus+ Norcontrol) are subject to numerous health and safety laws and regulations. The Group believes that its operations are in compliance with applicable health and safety legislation. Except as described in "*Risk Factors — Compliance with extensive health, environmental and safety laws and regulations could increase the Group's costs or restrict its operations*", the Group has not experienced any serious accidents that have had a significant impact on employee health and safety.

Environmental matters

The Group is subject to numerous environmental, legal and regulatory requirements related to its operations worldwide. In the European Union, these laws and regulations include, among others, Directives 2008/EC on waste, and 2013/59/EURATOM on safety standards for protection against the risks of exposure to ionising radiation. In the United States, these laws and regulations include, among others: the Comprehensive Environmental Response, Compensation, and Liability Act, the Resources Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act, the Toxic Substances Control Act, the Atomic Energy Act, the Energy Reorganization Act of 1974, as amended, and applicable state regulations.

In addition to these laws and regulations, other jurisdictions in which the Group does business often have environmental, legal and regulatory requirements with which the Group is obliged to comply. The Group evaluates and addresses the environmental impact of its operations by assessing properties in order to avoid future liabilities and comply with environmental, legal and regulatory requirements.

The Group did not incur any significant expenses related to environmental matters in 2013, 2012 and 2011.

Insurance

The Group has entered into global insurance policies covering general and professional liability in the countries in which it operates. The Group carries property damage and business interruption in most of the countries where the Group operates. The Group's main insurance policy also covers the transportation of the Group's equipment and machinery by sea. The Group carries director and officer liability insurance covering the Company and all of its subsidiaries. The Group also purchases insurance cover locally in certain circumstances, for example for individual projects or for nuclear power related services.

The Group believes that its insurance coverage is generally similar to that of global companies of the same size operating in the same sectors. The Group intends to continue its policy of subscribing global insurance policies where possible and increase coverage locally where necessary.

Other regulatory matters

In July 2012, as part of the "Roadworthiness Package", the European Commission proposed a new Regulation on periodic roadworthiness tests for motor vehicles and their trailers, which would repeal the current Directive 2009/40/EC. The objective of the proposal was to update the current European rules on the roadworthiness testing of motor vehicles and their trailers and enhance road safety and environmental protection. In March 2014, the European Parliament and the Council approved this proposal and adopted a new Directive on roadworthiness tests for vehicles, which as of the date of this document, is awaiting publication in the Official Journal of the European Union (the "**New Roadworthiness Directive**"). Once in force, the New Roadworthiness Directive will have to be adopted by member states of the EEA within 36 months.

Directive 2006/123/EC on services of the internal market (the "**Service Directive**") seeks to encourage freedom of establishment and freedom to provide services across borders. Although the Service Directive aims to encourage the liberalisation of certain markets it specifically does not apply to "services of general interest in the field of transport". The New Roadworthiness Directive confirms that when authorising vehicle testing centres in their respective territories, member states of the EEA should take into account the fact that the Service Directive excludes from its scope services of general interest in the field of transport.

The ability of the Group's competitors or others to challenge any vehicle inspection concessions awarded to a sole or a limited number of operators on the grounds of incompatibility with the Service Directive will potentially be significantly reduced pursuant to the New Roadworthiness Directive.

The operations of Applus+ RTD, Applus+ Velosi and Applus+ Norcontrol involve the storage, handling, import, export and transport of radioactive materials and equipment in more than ten countries, including the United States, Canada, Indonesia, Spain and the United Arab Emirates. The right to perform such activities is granted by the relevant federal or national regulator upon issuance of a permit or licence once compliance with the applicable regulatory and technical requirements is verified. Such permits and licences are issued for a specific term and may be renewed periodically. Applus+ RTD, Applus+ Velosi and Applus+ Norcontrol hold approximately 90 permits and licenses to operate radioactive materials and equipment issued by numerous federal and national organisations, including the New York State Department of Health, Scottish Environment Protection Agency and the Canadian Nuclear Safety Commission.

The operations of Applus+ RTD, Applus+ Velosi and Applus+ Norcontrol are also subject to periodic audits by the relevant regulators to verify compliance with the applicable regulatory and technical requirements to operate radioactive materials and equipment. Such audits may result in sanctions, fines and the withdrawal or non-renewal of permits and licenses. Furthermore, these divisions are subject to surveillance obligations by federal and national regulators in connection with the exposure of personnel to radiation (in terms of both accumulated exposure over extended periods of time and isolated incidents of exposures).

Legal proceedings

From time to time, the Group is involved in legal proceeding arising in the ordinary course of business. Except as referred to below, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the last 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

Statutory vehicle inspections

In certain Spanish regions in which the Group operates, current, proposed or future reforms of the statutory vehicle inspections regimes may remove or limit restrictions on the number of operators that are authorised to conduct vehicle inspections, which may increase the number of operators that are authorised to provide vehicle inspection services.

In Catalonia which represented 18.4 per cent. of Applus+ Automotive's revenue (3.2 per cent. of the Group's revenue) in the year ended 31 December 2013, the existing vehicle inspections regime limits the provision of vehicle inspections to a defined number of operators. This regime (which includes certain provisions of Catalan Decrees 30/2010, of 2 March and 45/2010, of 30 March), as well as certain administrative resolutions granting vehicle inspection authorisations to members of the Group, among others, have been challenged through several appeals before the Catalan High Court of Justice ("*Tribunal Superior de Justicia de Cataluña*",) ("**CHCJ**") on the basis that the regime is contrary to the EU Services Directive. In rulings dated 25 April 2012, 13 July 2012, 13 September 2012 and 21 March 2013, respectively the CHCJ ruled at first instance that the authorisation regime operated in Catalonia and, therefore, the authorisations granted thereunder, were contrary to the EU Services Directive. These rulings are currently subject to appeal to the Spanish Supreme Court. On 20 March 2014, the Spanish Supreme Court formally requested a preliminary ruling ("*cuestión prejudicial"*) from the European Court of Justice on the application of the EU Services Directive to vehicle inspections services under European Union law. The Group anticipates that a final ruling from the Spanish Supreme Court in relation to this matter will therefore be delayed further. In any event, until a final ruling from the Spanish Supreme Court is handed down, given that the ruling of the CHCJ is not final, no changes to the current Catalan vehicle inspection regime will be implemented as a result of the ruling by the CHCJ. Depending on the outcome of the ruling from the Spanish Supreme Court, the restrictions on the number of operators that are authorised to conduct vehicle inspections in Catalonia may be removed or limited and the number of operators that are authorised to provide vehicle inspection services in Catalonia may increase.

The Group's vehicle inspection operations in the Canary Islands represented 5 per cent. of Applus+ Automotive's revenue (0.9 per cent. of the Group's revenue) in the year ended 31 December 2013. Historically, the regional government of the Canary Islands had limited the number of operators authorised to operate a vehicle testing network. However, in May 2007 (prior to the end of the Group's current concession) the regional government of the Canary Islands passed a liberalisation decree pursuant to which several new operators were authorised to conduct vehicle inspections in the Canary Islands from 2010 onwards. This liberalisation decree has had a negative impact on the Group's market share in the Canary Islands. The Group, along with other operators and certain industry associations, challenged the decision of the regional government of the Canary Islands to award additional contracts before the Spanish Supreme Court. As of the date of this document, the Group's claim is still under consideration by the Spanish Supreme Court. The decision of the regional government of the Canary Islands to award additional vehicle inspection contracts was also challenged by the industry association Asociación Española de Entidades Colaboradoras de la Administración en la Inspección Técnica de Vehículos (AECA-ITV) and General de Servicios ITV, S.A, another provider of vehicle inspection services in Spain. On 11 February 2014, the Spanish Supreme Court rejected the challenges brought by both of these entities and upheld the actions taken by the Canary Islands government.

The Group's vehicle inspection operations in the Canary Islands represented 5 per cent. of Applus+ Automotive's revenue (0.9 per cent. of the Group's revenue) in the year ended 31 December 2013. Historically, the regional government of the Canary Islands had limited the number of operators authorised to operate a vehicle testing network. However in May 2007, (prior to the end of the Group's current concession), the regional government of the Canary Islands passed a liberalisation decree pursuant to which several new operators were authorised to conduct vehicle inspections in the Canary Islands from year 2010 onwards. This liberalisation decree has had an impact on the Group's market share in that territory. The Group, along with other operators and certain industry associates, challenged the decision of the regional government of the Canary Islands to award additional contracts before the Spanish Supreme Court. As of the date of this document, the Group's claim is still under consideration by the Spanish Supreme Court. The decision of the regional government of the Canary Islands to award additional vehicle inspection contracts was also challenged by the industry association Asociación Española de Entidades Colaboradoras de la Administración en la Inspeccion Técnica de Vehículos (AECA-ITV) and General de Servicios ITV, S.A., another provider of vehicle inspection services in Spain. On 11 February 2014, the Spanish Supreme Court rejected the challenge of both of these entities and upheld the action of the Canary Islands government.

See also, *"Risk Factors — Liberalisation of statutory vehicle inspections markets could result in increased competition"*.

Employee Matters

On 6 November 2013 and 28 February 2014, two employment claims were filed against Valley Industrial X-Ray and Inspection Services, Inc. and Applus Technologies, Inc., two members of the Group, in connection with, amongst other things, unpaid overtime and a failure to provide appropriate meal breaks. As of the date of this document, both cases are pending in the United States District Court for the Eastern District of California, Fresno Division. The plaintiffs have applied for the matter to be tried as a class action. The court has set 21 May 2015 as the date for hearing when it will determine whether these claims can proceed as a class action. The Group intends to defend the claims and vigorously oppose the commencement of any class action. A €3,600 thousand provision has been made by the Group in the Audited Consolidated Financial Statements for the year ended 31 December 2013 to cover reasonable contingencies in connection with the potential early settlement of these two employment claims and related opposing counsel fees.

MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors

Directors

Subject to and upon Admission, the members of the Company's Board of Directors, their positions within the Board of Directors, their category as Directors, and, where relevant, the shareholder being represented by such Director, as well as the person acting as Secretary non-Director ("*Secretario no Consejero*") of the Company, will be as detailed in the table below. As of the date of this document, all of the Directors have been appointed by the general shareholders' meeting of the Company and the Secretary non-Director has been appointed by the Board of Directors. On 7 May 2014, the general shareholders' meeting of the Company appointed Mr. Christopher Cole as the new, non-executive independent Chairman of the Board of Directors, whose appointment is conditional upon and with effect from, Admission (the "**New Chairman**"). The appointment of the New Chairman will be announced through the publication of a relevant fact ("*hecho relevante*"). The New Chairman will replace Mr. Joaquín Coello Brufau in his current office as Chairman of the Board of Directors.

Name	Date of first appointment to the Company	Expiry date of appointment to the Board	Age	Title	Shareholder represented	Category[1]
Mr. Christopher Cole[2]	7 May 2014	7 May 2020	68	Chairman	-	Non-executive independent
Mr. Ernesto Gerardo Mata López	29 November 2007	4 March 2020	73	-	-	Non-executive independent
Mr. John Daniel Hofmeister	1 July 2013	4 March 2020	66	-	-	Non-executive independent
Mr. Richard Campbell Nelson	1 October 2009	4 March 2020	71	-	-	Non-executive independent
Mr. Fernando Basabe Armijo	1 February 2011	4 March 2020	54	-	-	Executive
Mr. Josep María Panicello Primé	8 November 2013	4 March 2020	37	-	Azul Holding, S.C.A.	Non-executive nominee ("*Dominical*")
Mr. Pedro de Esteban Ferrer[3]	27 September 2007	4 April 2020	54	-	Azul Holding, S.C.A.	Non-executive nominee ("*Dominical*")
Mr. Alex Wagenberg Bondarovschi[3]	27 September 2007	4 April 2020	46	-	Azul Holding, S.C.A.	Non-executive nominee ("*Dominical*")
Mr. Mario Pardo Rojo[3]	27 September 2007	4 April 2020	38	-	Azul Holding, S.C.A.	Non-executive nominee ("*Dominical*")
Mr. José Luis Blanco Ruiz	27 September 2007	Indefinite	52	Secretary non-Director ("*Secretario no Consejero*")	-	-

(1) The categories of Directors have been determined by applying the definitions set out in the Spanish Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March 2013 (the "**Order**"), applicable to listed companies in Spain, which have also been incorporated into Article 6 of the Regulations of the Board of Directors ("*Reglamento del Consejo de Administración*"). As of the date of this document, the category assigned to each Director has not been confirmed by the Company's Appointments and Compensation Committee, as this Committee was not yet in place on the date of each of the appointments. However, once this committee is formed, as soon as practicable following Admission, it will confirm the assigned categories in accordance with the Order and the Regulations of the Board of Directors.

Pursuant to the Order, a director is categorised as "independent" if he or she has been appointed based on his or her personal and professional experience and is able to perform his or her duties without being impaired by his or her relationships with the company, its significant shareholders or its senior management. The Order sets out a series of objective criteria which may prevent a director from being categorised as "independent".

(2) Mr. Christopher Cole was appointed as Chairman of the Board of Directors on 7 May 2014, conditional upon and with effect from, Admission.

(3) Mr. de Esteban Ferrer, Mr. Wagenberg Bondarovschi and Mr. Pardo Rojo have been members of the Board of Directors since the date of their first appointment, both in their individual capacity as Directors and in their capacity as the individual representatives of certain companies that have held the office of Director ("*representante persona física*") from time to time.

The biographies for each of the Directors following Admission are set out below:

Mr. Christopher Cole

Mr. Christopher Cole was born in 1946.

Mr. Cole holds a Degree in Environmental Engineering from Borough Polytechnic (University of South Bank) and is a chartered engineer in the United Kingdom. Mr. Cole also attended an INSEAD Executive Management Course in France in 1999.

Mr Cole founded WSP Group Plc, a professional services company, which was first listed on the London Stock Exchange in 1987. Mr. Cole was the CEO of the company until it merged with Genivar, Inc. in 2012, when he was appointed as executive chairman. Mr. Cole is currently the non-executive chairman of the merged entity, renamed WSP Global Inc. and listed on the Toronto Stock Exchange.

Currently, Mr. Cole is also the non-executive chairman of Ashtead Group Plc, senior independent director of Infinis Energy Plc and non-executive chairman of Tracsis Plc.

Mr. Ernesto Gerardo Mata López

Mr. Mata López was born in 1941.

Mr. Mata López holds a Degree in Economics and MA from the University of Geneva and an MBA from IESE (Barcelona).

Mr. Mata López has developed extensive experience in the energy and capital markets sectors. He was a director of Unión Fenosa, S.A. (now Gas Natural SDG, S.A.), Unión Fenosa Soluziona, S.A., Compañía Española de Petróleos, S.A. and Abertis Infraestructuras, S.A., where he was the chairman of the audit committee of the board of directors.

Currently, Mr. Mata López is a member of the advisory board of Abertis Infraestructuras, S.A., Chairman of the board of Pagaralia, S.L., Senior Advisor to Matlin Patterson Global Advisers LLC, member of the board of Factor Energía, S.A., Toro Finance, S.L. and a member of the advisory board of Herbert Smith Freehills LLP (Spain).

Mr. John Daniel Hofmeister

Mr. Hofmeister was born in 1948.

Mr. Hofmeister holds a Bachelors and Masters Degree in Political Science from Kansas State University. In May 2010, he was awarded an honorary doctorate from the University of Houston.

Mr. Hofmeister was the president of Shell Oil Company (USA) from 2005 to 2008 and director of human resources. Upon retirement as president of Shell Oil Company in 2008, Mr. Hofmeister founded and headed the not-for-profit membership association, Citizens for Affordable Energy. Mr. Hofmeister is a key member of the "United States Energy Security Council", a bipartisan group that includes several dozen former presidential appointees and Fortune 500 chief executive officers who focus on national security through energy security. Mr. Hofmeister also has held executive leadership positions in General Electric Company, Nortel Network Corporation and AlliedSignal (now Honeywell International Inc.).

Currently, Mr. Hofmeister serves as non-executive director of Hunting Plc, London (United Kingdom); and CAMAC Energy, Inc., Houston (USA).

Mr. Richard Campbell Nelson

Mr. Nelson was born in 1943.

Mr. Nelson is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Master of Science Degree in Economics at the London Business School.

Mr. Nelson was a director of Transcontinental Services Inc. from 1972 and CEO from 1982 to the date of its acquisition by Inchcape Plc in 1985. He was nominated to the same position in Inchcape Plc which combined Transcontinental Services Inc. with its consumer goods testing and minerals testing businesses to become Inchcape Testing Services NA, Inc. In 1996, Inchcape Testing Services NA, Inc. was acquired by a private equity firm and became Intertek Group Limited of which Mr. Nelson was the executive chairman until 2002, when the company floated on the London Stock Exchange. At this time, Mr. Nelson became the CEO of Intertek Group Limited (a TIC sector company) until he retired in 2006.

Mr. Fernando Basabe Armijo

Mr. Basabe Armijo was born in 1959.

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

Mr. Basabe Armijo started his career in Manufacturers Hanover Trust Co (now J.P. Morgan Chase & Co) where he held different positions within the corporate banking division. Prior to joining the Company, Mr. Basabe Armijo worked for SGS, SA (a TIC sector company) for 15 years in different senior management positions. He started in SGS Spain in 1996 as corporate development manager and was promoted in 1999 to managing director. Between 2002 and 2011, he served as chief operating officer for the Western Europe division of SGS, SA.

Mr. Josep María Panicello Primé

Mr. Panicello Primé was born in 1976.

Mr. Panicello Primé holds a Degree in Actuarial and Financial Sciences together with a degree in Business Administration from the Universidad of Barcelona and the Universidad Rovira i Virgili.

Currently, Mr. Panicello Primé is the Chief Financial Officer of Catalunya Banc, S.A.

Previously, Mr. Panicello Primé was director of risk control and management at Catalunya Banc, S.A., director of management and control information at Caixa d'Estalvis de Tarragona, and controller at Criteria CaixaHolding, S.A.

Dr. Pedro de Esteban Ferrer

Dr. de Esteban Ferrer was born in 1959.

Dr. de Esteban Ferrer holds a Degree in Engineering from the Universidad Politécnica de Cataluña, an MBA from Stanford University and a Ph.D. summa cum laude from Universidad Ramon Llull. He is also a Fulbright alumni.

Dr. de Esteban Ferrer joined Carlyle in 2001 and is, currently, a managing director advising Carlyle funds on European buyout opportunities. Prior to joining Carlyle, Dr. de Esteban Ferrer was a managing director of Europatweb in Spain and managing director of Novae, a private turnaround firm. In addition, Dr. de Esteban Ferrer was an executive director at Goldman Sachs & Co. and a senior consultant at The Boston Consulting Group.

Mr. Alex Wagenberg Bondarovschi

Mr. Wagenberg Bondarovschi was born in 1968.

Mr. Wagenberg Bondarovschi is a Phi Beta Kappa and magna cum laude graduate of Princeton University, with a Degree in Civil Engineering and Operations Research.

Mr. Wagenberg Bondarovschi joined Carlyle in 2001 and is, currently, a Managing Director advising Carlyle funds on European buyout opportunities. Prior to joining Carlyle, Mr. Wagenberg Bondarovschi was CFO of eDreams, Inc. in Barcelona, and CEO of Hilti, Inc. in Colombia. In addition, prior to that, Mr. Wagenberg Bondarovschi spent seven years in the mergers and acquisitions team of Goldman Sachs & Co. in New York and London.

Mr. Mario Pardo Rojo

Mr. Pardo Rojo was born in 1975.

Mr. Pardo Rojo holds a Dual Degree from Universidad Politécnica de Cataluña and the École Centrale de Paris in Industrial Engineering.

Mr. Pardo Rojo joined Carlyle in 2002 and is, currently, a director advising Carlyle's funds on European buyout opportunities. Prior to joining Carlyle, Mr. Pardo Rojo worked as a consultant for The Boston Consulting Group.

Mr. José Luis Blanco Ruiz

Mr. Blanco Ruiz was born in 1961.

Mr. Blanco holds a Degree in Law from Universidad Autónoma de Barcelona (1984) and an LL.M. Master of Laws Degree from Yale Law School (1986).

Mr. Blanco joined Latham & Watkins LLP in 2007 to open the Spanish offices as office managing partner, a position which he currently holds. Prior to joining Latham & Watkins LLP, Mr. Blanco was a partner at Cuatrecasas Gonçalves Pereira, S.L.P. and chair of the M&A practice. Prior to that, Mr. Blanco was a partner at Garrigues, and was responsible for the corporate department of the Barcelona office. Mr. Blanco has been associate professor of corporate law at Universidad de Barcelona School of Law and at Universidad Pompeu Fabra School of Law.

The table below sets out all entities in which the members of the Board of Directors have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this document, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities:

Directors	Entity	Sector	Position / Title	In office
Mr. Christopher Cole	WSP Global Inc.	Consulting	Non-executive chairman	Yes
	Ashtead Group Plc	Real estate	Non-executive chairman	Yes
	Infinis Energy Plc	Renewable energy	Senior non-executive director	Yes
	Tracsis Plc	Transportation	Non-executive chairman	Yes
Mr. Ernesto Gerardo Mata López	Toro Finance, S.L.	Finance	Director	Yes
	Abertis In fraestructuras, S.A.	Telecommunication and transportation infrastructure	Director	Yes
	Pagaralia, S.L.	Finance	Chairman	Yes
	Factor Energía, S.A.	Energy	Director	Yes
	SGA Information Management, S.A.	Outsourcing	Director	No
	Fundación Seeliger y Conde	Non-profit organisation	Chairman	Yes
	Trigenia Inversiones, S.L.	Investments	Chairman	No
	Herbert Smith Freehills LLP (Spain)	Law firm	Member of the advisory board	Yes
	Matlin Patterson Global Advisers, LLC	Asset management	Senior advisor	Yes
	Autopistas Aumar, S.A.	Infrastructure	Director	No

Directors	Entity	Sector	Position / Title	In office
Mr. John Daniel Hofmeister	JKH Group LLC	Energy and management consulting	Executive Director and Managing Partner	Yes
	Hunting Plc	Oil and gas equipment and field services	Non-Executive Director and Senior Independent Director	Yes
	Camac Energy Inc	Oil and gas exploration and production	Non-Executive Director	Yes
	Lufkin Industries Inc	Oil and gas equipment and field services	Non-Executive Director	No
Mr. Richard Campbell Nelson	International Federation of Inspection Agencies	Representation of TIC companies	Chairman	Yes
Mr. Fernando Basabe Armijo	Information included in the table below.			
Mr. Josep María Panicello Primé	CatalunyaCaixa Inversió SGIIC, S.A.	Investment fund	Director	Yes
	CatalunyaCaixa Vida SA D'Assegurances i Reassegurances	Insurance company	Vice-Chairman	Yes
	CatalunyaCaixa Assegurances Generals Societat Anónima D'Assegurances i Reassegurances	Insurance company	Vice-Chairman	Yes
	Gestión de Activos Titulizados Sociedad Gestora de Fondos de Titulización, S.A.	Securitisation company	Chairman	Yes
	Caixa Catalunya Preferents, S.A.	Preferred shares issuer	Liquidator	Yes
	Caixa Manresa Preferents, S.A.	Preferred shares issuer	Liquidator	Yes
	CatalunyaCaixa Immobiliaria, S.A.	Real estate company	Director	Yes
	Gescat Gestió del Sòl, S.L.	Real estate	Vice-Chairman	Yes
	Activos Macorp, S.L.	Real estate	Director	Yes
	Gescat Vivendes en Comercialització, S.L.	Real estate	Director	Yes
	Gescat Lloguers, S.L.	Real estate	Director	Yes
	Volja Plus, S.L.	Investment	Chairman of the Board	Yes
	CatalunyaCaixa Mediació Operador de Banca-Assegurances Vinculat, S.L.	Insurance	Director	Yes
	Empleats Caixa Tarragona Fons de Pensions	Pension fund	Member of the Control Committee	No
	Caixa Tarragona Vida, Societat Anónima D'Assegurances i Reassegurances	Insurance	CEO	No
Mr. Pedro de Esteban Ferrer	The Carlyle Group España, S.L.	Advisory	Chairman and Director	Yes
	Iberotravel Vacations Holding, S.L.	Travel and hospitality group	Representative of CEP II in its capacity as Director and attorney in fact ("*apoderado*")	No
	Orizonia Travel Group, S.L.	Travel and hospitality group	Representative of CEP II in its capacity as Director and attorney in fact ("*apoderado*")	No
	Azul Management, S.à r.l.	Holding	Representative of CEP III in its capacity as Director	No
	Azul Finance, S.à r.l.	Holding	Representative of CEP III in its capacity as Director	No
	Azul Holding 2, S.C.A.	Holding	Representative of CEP III in its capacity as Director	No

Directors	Entity	Sector	Position / Title	In office
Mr. Alex Wagenberg Bondarovschi	Telecable Capital Holding, S.L.	Telecommunications provider	Representative of CEP III in its capacity as Director	Yes
	Telecable Capital Holding, S.L.	Telecommunications provider	Chairman	No
	Telecable de Asturias, S.A.	Telecommunications provider	Representative of CEP III in its capacity as Chairman and Director	Yes
	The Carlyle Group España, S.L.	Advisory company	Director	No
	Red Universal de Marketing y Bookings On Line, S.A.	Online travel agency	Director	No
	Orizonia Travel Group, S.L.	Travel and hospitality group	Representative of The Carlyle Group (Luxembourg) J.V., S.C.A. in its capacity as Director and attorney in fact (“*apoderado*”)	No
	Iberotravel Vacations Holding, S.L.	Travel and hospitality group	Representative of The Carlyle Group (Luxembourg) J.V., S.C.A. in its capacity as Director and attorney in fact (“*apoderado*”)	No
	Azul Management, S.à r.l.	Holding	Representative of The Carlyle Group (Luxembourg) S.à r.l. in its capacity as Director	No
	Azul Finance, S.à r.l.	Holding	Representative of The Carlyle Group (Luxembourg) S.à r.l. in its capacity as Director	No
	Velosi S.à r.l.	Subsidiary of the Company	Director	No
Mr. Mario Pardo Rojo	Telecable de Asturias, S.A.	Telecommunications provider	Representative of The Carlyle Group (Luxembourg), S.à r.l. in its capacity as Director	Yes
	Telecable Capital Holding, S.L.	Telecommunications provider	Director and Joint CEO	Yes
	Orizonia Travel Group, S.L.	Travel and hospitality group	Representative of The Carlyle Group (Luxembourg) S.à r.l. in its capacity as Director and attorney in fact (“*apoderado*”)	No
	Iberotravel Vacations Holding, S.L.	Travel and hospitality group	Representative of The Carlyle Group (Luxembourg) S.à r.l. in its capacity as Director and attorney in fact (“*apoderado*”)	No
	Arsys Internet, S.L.	Internet and technology provider	Director	No
	Mr. Mario Pardo Rojo is, or was, during the relevant period, a member of the board of directors or advisory board of the Group companies Velosi S.à r.l., IDIADA Automotive Technology, S.A. and LGAI Technological Center, S.A.			

Supervisory Committee (“Comisión Ejecutiva”)

The Supervisory Committee of the Company will have between three to five members, chosen among the members of and appointed by the Board of Directors. Subject to Admission, the initial members of the Supervisory Committee will be:

Name	Title	Category
Mr. Christopher Cole	Chairman	Non-executive independent
Mr. Fernando Basabe Armijo	-	Executive
Mr. Alex Wagenberg Bondarovschi	-	Non-executive nominee
Mr. Pedro de Esteban Ferrer	-	Non-executive nominee

The Chairman of the Board of Directors will chair the Supervisory Committee. The Secretary of the Supervisory Committee shall be the Secretary of the Board of Directors.

The organisation of the Supervisory Committee is regulated by the Company’s by-laws and the Regulations of the Board of Directors.

The Board of Directors has delegated all of its authority to the Supervisory Committee, except for those issues reserved to the Board in full by law or by the Company’s by-laws. The Supervisory Committee will meet monthly unless otherwise required. Within two years from the date of Admission, the Board of Directors will consider whether the Supervisory Committee is still required by the Company.

Professional address

All members of the Board of Directors designate the Company's registered address as their professional address for the purposes of this document.

Senior management

Aside from the Board of Directors and the Supervisory Committee, the Group is managed on a day-to-day basis by the Group's senior management.

The following table sets out the key current members of the Group's senior management (who have an average of 12 years of experience within the Group) and their respective ages and positions.

Name	Age	Title
Mr. Fernando Basabe Armijo	54	Chief Executive Officer
Mr. Joan Amigó i Casas	47	Senior Vice-President Finance (Chief Financial Officer)
Mr. José Delfín Pérez Fernández	46	Senior Vice-President Human Resources
Mr. Jorge Lluch Zanón	53	Senior Vice President Corporate Development & Communications
Mr. Aitor Retes Aguado	46	Executive Vice-President Applus+ Automotive Spain and Latin America
Mr. Arne Willerslev-Legrand	49	Executive Vice-President Applus+ Automotive International
Mr. Carles Grasas Alsina	59	Executive Vice-President Applus+ IDIADA
Mr. Jordi Brufau Redondo	54	Executive Vice-President Applus+ Laboratories
Mr. Ramón Fernández Armas	44	Executive Vice-President Applus+ Norcontrol Spain
Mr. Pablo San Juán Sarde	50	Executive Vice-President Applus+ Norcontrol Latin America
Mr. Iain Light	60	Executive Vice-President Applus+ RTD
Mr. Nabil Abd Jalil	62	Executive Vice-President Applus+ Velosi
Ms. Eva Argilés Malonda	41	General Counsel

Biographical information for each of the members of the senior management, including a brief description of each person's business experience and education, is presented below:

Mr. Fernando Basabe Armijo
CEO

Biographical information for Mr. Fernando Basabe Armijo is provided in "Board of Directors — Directors".

Mr. Joan Amigó i Casas
CFO

Born in 1966, Mr. Amigó i Casas is the Senior Vice President Finance (CFO) of the Company.

Mr. Amigó i Casas holds a Degree in Economics from the Universidad Autónoma de Barcelona and an Advanced Management Program from IESE (Barcelona).

Mr. Amigó i Casas started his career at PricewaterhouseCoopers in 1991 as an external auditor. Before joining the Company in 2007, Mr. Amigó i Casas worked for Bimbo, S.A., a consumer goods company in Spain and Portugal, where he held various senior positions including vice president & chief financial officer, financial shared services director, controller, and internal audit manager. In 2006, he was appointed vice president financial planning and control of Sara Lee Bakery Europe Division.

Mr. José Delfín Pérez Fernández
Senior Vice President Human Resources

Born in 1967, Mr. Pérez Fernández is the Senior Vice President of Human Resources of the Company.

Mr. Pérez Fernández holds a Degree in Telecommunications Engineering from the Universidad de Vigo. He also holds an MBA from ESADE (Barcelona) and a Senior Management Program degree (SMP) from Instituto de Empresa (Madrid). Mr. Pérez Fernández started his career at Norvidan Overseas A/S as a sales manager. In 1994, he joined Meliá Hotels International, S.A. and held various positions in auditing and consultancy, e-business, and human resources. Prior to joining the Company in 2006, he was the director of human resources for Meliá Hotels International, S.A.

Mr. Jorge Lluch Zanón *Senior Vice President Corporate Development and Communications*	Born in 1960, Mr. Lluch Zanón is the Senior Vice President of Corporate Development and Communications of the Company. Mr. Lluch Zanón holds a Degree in Aeronautical Engineering and an MBA from IESE (Barcelona). Mr. Lluch Zanón started his career in Construcciones Aeronáuticas, S.A. holding various engineering positions, notably, turbo shaft project manager, programs director and commercial director in Industria de Turbo Propulsores, S.A. Prior to his joining the Company in 2007, he was executive director for in service support at Industria de Turbo Propulsores, S.A.
Mr. Aitor Retes Aguado *Executive Vice President Applus+ Automotive Spain and Latin America*	Born in 1967, Mr. Retes Aguado is the Executive Vice President of Applus+ Automotive in Spain and Latin America. Mr. Retes Aguado holds a Degree in Law and Economics from the Universidad de Deusto and an MBA from Instituto de Empresa (Madrid). Mr. Retes Aguado started his career in Adecco S.A. in 1993, holding various management positions. In 1997, he was appointed operational financial manager for Spain, and held various senior positions thereafter including as chief financial officer for Latin America, and chief operating officer for Canada, Mexico and Puerto Rico. Prior to joining the Company in 2009, he was the general manager for Doctor Clic, S.L.
Mr. Arne Willerslev-Legrand *Executive Vice President Applus+ Automotive International*	Born in 1964, Mr. Willerslev is the Executive Vice President of Applus+ Automotive International. Mr. Willerslev holds the Queens Silver Medal for Senior Technicians and a Graduate Diploma from Copenhagen Business School (Economics and Business Law). Mr. Willerslev started his career at General Motors International in 1986, holding various technical and administrative positions. In 1988, he was appointed regional manager for General Motors Denmark, before joining Citroën Denmark as after sales director in 1994, moving on to become senior vice president at Nissan Denmark in 1999 and becoming after sales director of Citroën UK in 2001. Prior to joining the Company in 2006, he was senior vice president of Citroën UK for five years.
Mr. Carles Grasas Alsina *Executive Vice President Applus+ IDIADA*	Born in 1954, Mr. Carles Grasas Alsina is the Executive Vice President of Applus+ IDIADA. Mr. Grasas Alsina holds a Ph.D. in Internal Combustion Engines Engineering from the Universidad de Cataluña and a Business Administration degree from ESADE (Barcelona). In addition, he is an active member of the Honorary Committee of FISITA, the World Federation of Societies of Automotive Engineers. Mr. Grasas Alsina started his career as director of Applus+ IDIADA in 1987 and since then has held various management positions with Applus+ IDIADA.
Mr. Jordi Brufau Redondo *Executive Vice President Applus+ Laboratories*	Born in 1959, Mr. Brufau Redondo is the Executive Vice President of Applus+ Laboratories. Mr. Brufau Redondo holds a Degree in Industrial Engineering from the Escuela Técnica Superior de Ingenieros Industriales de Barcelona and an MBA from IESE (Barcelona). Mr. Brufau Redondo started his career as the general manager of Ingeniería de Composites, S.L. Prior to joining the Company in 2007, Mr. Brufau Redondo worked for SENER, Ingeniería y Sistemas, S.A. as general manager for the Catalonia division, and general manager of the aeronautical and vehicles business.

Mr. Ramón Fernández Armas
Executive Vice President Applus+ Norcontrol Spain

Born in 1970, Mr. Fernández Armas is the Executive Vice President of Applus+ Norcontrol Spain.

Mr. Fernández Armas holds a Degree in Forestry Engineering by the Universidad Politécnica de Madrid and a PDD from ESADE (Barcelona).

Mr. Fernández Armas started his career with Applus+ Norcontrol in 1998, holding various management positions. In 2002, he was appointed Head of Environmental Department in Galicia, and held various senior positions from 2002 onwards. Prior to this appointment, he was the Business Unit Manager of Environmental, Health and Safety in Applus+ Norcontrol Spain for eight years.

Mr. Pablo San Juán Sarde
Executive Vice President Applus+ Norcontrol Latin America

Born in 1963, Mr. San Juán Sarde is the Executive Vice President of Applus+ Norcontrol Latin America.

Mr. San Juán Sarde holds an M.Sc. Industrial Engineering Degree from ICAI School of Engineering, and he also studied Marketing and Sales Management at ESIC Business & Marketing School. In addition, he holds a General Management Program (PDG) certificate from IESE (Barcelona).

Prior to this appointment, he was the Development Business Director of Applus+ Norcontrol from 2004 to 2007.

Dr. Nabil Abd Jalil
Executive Vice President Applus+ Velosi

Born in 1952, Dr. Jalil is the Executive Vice President of Applus+ Velosi.

Dr. Jalil holds a B.Sc. (Hons) in Applied Physics from City University (London) and a M.Sc. in Physical Methods of Analysis as well as a Ph.D. in Nuclear Physics from the University of Aston (Birmingham).

Dr. Jalil founded Applus+ Velosi and was the CEO until the acquisition by the Company in 2011.

Dr. Jalil started his career as a research officer with the Malaysian Tun Ismail Atomic Research Centre prior to founding Applus+ Velosi in 1982.

Dr. Jalil is expected to retire from a full time management role during 2014. Dr. Jalil is expected to continue to manage Applus+ Velosi until a successor has been appointed, and is currently expected to provide consultancy services to the division thereafter.

Mr. Iain Light
Executive Vice President Applus+ RTD

Born in 1954, Mr. Iain Light is the Executive Vice President of Applus+ RTD.

Mr. Light holds a Bachelor of Science Degree from the University of London and a Ph.D. in Thermodynamics from the University of Aberdeen in addition to an MBA from Robert Gordon (University of Aberdeen).

Prior to joining the Company in 2011, Mr. Light was group energy director for Lloyd's Register for almost three years. Before joining Lloyd's Register, Mr. Light enjoyed a 16 year career within Det Norske Veritas (DNV) (an international TIC company) holding various management positions before becoming senior vice president and then a member of the executive board of DNV in 1999, a position he held until leaving DNV in 2006.

Eva Argilés Malonda
General Counsel

Born in 1973, Ms. Argilés Malonda is the General Counsel of the Company.

Ms. Argilés holds a Degree in Law from the University of Valencia and a Master's degree in European Union Law from the University Carlos III (Madrid).

Ms. Argilés Malonda started her career at the law firm Cuatrecasas Gonçalves Pereira, S.L.P. Prior to joining the Company in 2013, Ms. Argilés Malonda held several positions in Puig, S.L., advising the Puig group worldwide on corporate matters and business affairs.

The table below sets out all entities in which the members of the senior management have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this document, indicating whether or not each person is still a member of such bodies or holds any shareholdings in any such entities:

Member of Senior Management team	Entity	Sector	Position / Title	In office
Mr. Fernando Basabe Armijo	SGS Medisearch International Spain, S.L.	Global investigation services	Representative of Auxiliar de Gas y Electricidad, S.L. in its capacity as director	No
	SGS International Certification Services Ibérica, S.A.	Certification services	Chairman and director	No
	Inspección Técnica Link, S.A.	Vehicle inspection	Chairman and director	No
	Lodge Service Specialists, S.A.	Market research	Chairman and director	No
	Barcelona International Terminal, S.A.	Handling and storage services	Chairman and director	No
	SGS Española de Control, S.A.	Agriculture- and livestock-related services	Chairman and director	No
	SGS Qualicafé, S.A.	Food product analysis and testing services	Director	No
	Itedal, Revisiones de Vehículos, S.A.	Vehicle inspection	Director	No
	SGS Ireland (Holdings) Limited	Vehicle inspection	Director	No
	SGS Portugal — Sociedade Geral de Superintendência S.A.	Inspection and testing services	Director	No
	Vicuna Limited	Vehicle inspection	Director	No
	Additionally, Mr. Fernando Basabe Armijo is or was during the relevant five year period, a member of the board of directors or advisory board, sole director or representative of the sole director, as applicable, of 13 Group companies, including Applus Technologies, Inc., K1 Katsastajat Oy, Libertytown USA 1 Inc., Applus Servicios Tecnológicos, S.L.U., IDIADA Automotive Technology, S.A., LGAI Technological Center, S.A. and Velosi S.à r.l.			
Mr. Aitor Retes Aguado	Mr. Retes is or was during the relevant five year period, a member of the board of directors or advisory board, sole director or representative of the sole director, as applicable, of seven Group companies, including Applus Iteuve Euskadi, S.A.U., Applus Iteuve Argentina, S.A. and Applus Chile, S.A.			
Mr. Arne Willerslev-Legrand	CITA — International Motor Vehicle Inspection Committee	International non-profit organisation (vehicle inspection)	Director	Yes
	Mr.Willerslev-Legrand is or was during the relevant five year period, a member of the board of directors or advisory board of five Group companies, including Applus Danmark A/S, K1 Katsastajat Oy and Applus Technologies, Inc.			
Mr. Carles Grasas Alsina	Mr. Grasas is the representative of the director of the Group companies IDIADA Automotive Technology, S.A. and CTAG-IDIADA Safety Technology, S.L.			
Mr. Jordi Brufau Redondo	Abac Enginyeria, S.L.U.(1)	Engineering and technical services	Representative of LGAI Technological Center, S.A. in its capacity as sole director ("*administrador único*")	No
	Laboratori i Serveis Agroalimentaris, S.L.U.(1)	Food product analysis and testing services	Representative of LGAI Technological Center, S.A. in its capacity as sole director ("*administrador único*")	No
	Indulab 2000, S.L.U.(1)	Testing and research laboratories	Representative of LGAI Technological Center, S.A. in its capacity as sole director ("*administrador único*")	No
	Randa Quatre, S.L.	Real estate	Shareholder (20% shareholding). Joint director ("*administrador mancomunado*")	No
	Forum Marítim Català	Non-profit organisation (maritime industry)	Chairman	No
	Modas Tricot, S.L.	Retail products	Shareholder (8.75% shareholding)	Yes
	Additionally, Mr. Jordi Brufau Redondo is or was during the relevant five year period, a member of the board of directors or advisory board, the sole director or representative of the sole director, as applicable, of five Group companies, including LGAI Technological Center, S.A. and LGAI Chile, S.A.			
Mr. Ramón Fernández Armas	Mr. Ramón Fernández Armas is the sole director or representative of the sole director of three Group companies, including, Applus Norcontrol, S.L.U. and Applus Energy, S.L.			

Member of Senior Management team	Entity	Sector	Position / Title	In office
Mr. Pablo San Juan Sarde	Mr. Pablo San Juan Sarde is or was during the relevant five year period, a member of the board of directors or advisory board of 19 Group companies, including, Applus Argentina, S.A., Norcontrol Chile, S.A., Applus Servicios Tecnológicos do Brasil, Ltda, Applus Norcontrol Colombia Limitada, Applus Norcontrol Consultorías e Ingenierías S.A.S., Applus Iteuve Argentina, S.A. and LGAI Chile, S.A.			
Mr. Iain Michael Light	Lloyd's Register	Classification services	Energy manager	No
	Lloyd's Register Scandpower	Risk management consulting	Director	No
	Lloyd's Register Moduspec	Drilling rig inspection	Director	No
	Mr. Iain Michael Light is or was during the relevant five year period, a member of the board of directors or advisory board of 21 Group companies, including, Arctosa Holding B.V., Röntgen Technische Dienst B.V., Röntgen Technische Dienst N.V., Applus RTD Deutschland Inspektionsgesellschaft GmbH, Applus RTD Danmark A/S, Applus RTD UK Ltd., RTD Quality Services Inc. and Janx Holding Inc.			
Mr. Nabil Bin Abd Jalil	Intaj Holdings Sdn Bhd	Suppliers of oil and gas, petroleum and lubricants	Director	Yes
	Kaefer (Malaysia) Sdn Bhd	Technical thermal insulation contractor	Director	Yes
	Mr. Nabil Bin Abd Jalil is or was during the relevant five year period, a member of the board of directors or advisory board of 49 Group companies, including, Velosi S.à r.l., Velosi Industries Sdn Bhd, Velosi Corporate Services Sdn Bhd, Velosi Certification Services Company Limited, Velosi - PSC S.r.l., Velosi Bahrain WLL, Velosi Specialised Inspection Sdn Bhd, SAST International Limited, K2 Specialist Services Pte Ltd, JDA Wokman Ltd and PT JDA Indonesia.			
Mr. Joan Amigó i Casas	Mr. Joan Amigó is or was during the relevant five year period, a member of the board of directors or advisory board, sole director or representative of the sole director, as applicable, of five Group companies, including Libertytown USA 1, Inc. and Applus Euskadi Holding, S.L.U.			
Mr. Jorge Lluch Zanón	Mr. Jorge Lluch Zanón is or was during the relevant five year period, a member of the board of directors or advisory board of 11 Group companies, including, Libertytown USA 1, Inc., Applus Car Testing Service Limited, Velosi Saudi Arabia Ltd., Arctosa Holding B.V., Röntgen Technische Dienst Holding B.V. and Velosi S.à r.l.			
Ms. Eva Argilés Malonda	Diagonal Fondo de Pensiones	Pension fund	Chair of Control Commission	No
	Scents & Senses Company, S.L.	Perfumery and cosmetics	Attorney in fact	No
	División Puig España, S.L.	Perfumery and cosmetics	Attorney in fact	No
			Secretary of the Board	No
	Antonio Puig, S.A.	Perfumery and cosmetics	Attorney in fact	No
			Secretary of the Board	No
	Fragrance and Skincare, S.L.	Perfumery and cosmetics	Attorney in fact	No
			Secretary of the Board	No
	Perfumería Gal, S.A.	Perfumery and cosmetics	Attorney in fact	No
	Cosmética Estética Avanzada, S.L.	Perfumery and cosmetics	Attorney in fact	No
			Secretary of the Board	No

(1) Abac Enginyeria, S.L.U., Laboratori i Serveis Agroalimentaris, S.L.U. and Indulab 2000, S.L.U. have been dissolved and no longer exist as of the date of this document.

Professional address

All members of the senior management team designate the Company's registered address as their professional address for the purposes of this document.

Corporate Governance

Board of Directors

Authority of the Board of Directors

Spanish corporate law provides that the board of directors is responsible for the management, administration and representation of a company in respect of its business matters, subject to the provisions of the by-laws ("*estatutos sociales*") and except for those matters expressly reserved to the general shareholders' meetings.

In addition to any restrictions set forth in the applicable laws, pursuant to the Company's by-laws and the Regulations of the Board of Directors, the following matters must be approved by the Board of Directors in full and, subject to certain exceptions, may not be delegated to any Board Committee or to any attorney or representative of the Company:

- the Company's general policies and strategies and, in particular, the strategic or business plan; annual management objectives and budgets; investment and financing policy; the determination of the corporate structure of the Group; the corporate governance policy; the corporate social responsibility policy; the policy on remuneration and performance evaluation of senior officers; the risk control and management policy; the periodic monitoring of internal information and control systems and the dividend policy (if any) and the treasury stock policy;

- decisions on the following matters: (i) recommendations made by the Company's chief executive officer; (ii) the appointment and removal of senior officers and any relevant compensation; (iii) the Directors' remuneration and, in the case of executive Directors, any additional remuneration in consideration for their management duties and other contractual conditions; (iv) the financial information to be legally disclosed periodically as a listed company; (v) investments or operations deemed to be strategic by virtue of their amount or special characteristics, unless any such decisions can be taken at an upcoming general shareholders' meeting; and (vi) the creation of, or acquisition of, shares in special purpose vehicles or entities resident in tax havens and any other transactions or operations of a comparable nature which may impair the transparency of the Group; and

- transactions that the Company conducts with its Directors, significant shareholders with board representation or any other related parties ("related-party transactions"), unless the relevant transaction meets all the following conditions set forth in the Company's Regulations of the Board of Directors: (a) is entered into pursuant to an agreement with standard conditions ("*contratos de adhesión*"); (b) is entered into for a price generally applied by the party acting as supplier; and (c) does not exceed one per cent. of the Company's annual turnover.

Pursuant to the Company's by-laws and the Regulations of the Board of Directors, any decisions with respect to the matters described in the first and second paragraphs above may, in urgent cases, be delegated to the Supervisory Committee. If the Board of Directors so decides, it may subsequently ratify any such decisions.

Composition of the Board of Directors and appointment of Directors

The Company's by-laws provide for a Board of Directors consisting of between seven and nine members. In accordance with the resolution approved by the Company's general shareholders' meeting on 4 April 2014, the Board of Directors is currently composed of nine members, subject to Admission. Directors are elected by shareholders to serve for a term of six years and may be re-elected to serve for an unlimited number of terms. If a Director does not serve a full term, the Board of Directors may fill the vacancy by appointing a replacement Director to serve until the next general shareholders' meeting. According to the Spanish Companies Act, any Director appointed by the Board of Directors whose appointment requires subsequent approval at a general shareholders' meeting must be a shareholder (*"nombramiento por cooptación"*). Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law. A Director may be removed from office by the shareholders at a general shareholders' meeting, even if such removal is not included on the agenda for that general shareholders' meeting.

In addition, Directors must tender their resignation to the Board of Directors, which may accept such resignation, in its discretion, under the following circumstances: (i) when the Director ceases to hold the executive office position to which such member's appointment as Director was related; (ii) where the Director had been appointed to represent a shareholder that transfers all of its shares; (iii) where the Director had been appointed to represent a shareholder that transfers part of its shares and such transfer requires the removal of any of the non-executive nominee Directors appointed by such transferring shareholder pursuant to Spanish corporate regulations with respect to proportional rights of appointment of Directors ("*derecho de representación proporcional*"); (iv) when such Director's participation in the Board of Directors is contrary to applicable law for reasons of ineligibility or incompatibility; (v) where the Director breaches his or her duties resulting in: (x) a serious infringement; or (y) a resolution of the Board of Directors at the proposal of the Appointments and Compensation Committee or with a prior report issued by such committee; or (vi) where the Director's participation in the Board of Directors may be contrary to the corporate benefit of the Group.

The Chairman of the Board of Directors is elected from among the members of the Board of Directors. One or more Vice-Chairmen, who act as Chairman in the event of the Chairman's absence or incapacity, may be elected among the members of the Board of Directors. The Secretary and, where applicable, the Vice-Secretary of the Board of Directors, need not be Directors. The Board of Directors appoints the Company's executive officers and authorised signatories and supervises the Group's operations. Moreover, the Board of Directors is entrusted with preparing shareholders' meetings and implementing shareholders' resolutions.

The Chairman of the Board of Directors may call a meeting of the Board of Directors whenever he or she considers necessary or convenient. The Chairman of the Board of Directors is also required to call a meeting of the Board of Directors at the request of one-third of the members of the Board of Directors. If the Chairman of the Board of Director is also an executive Director, the Board shall grant an independent member of the Board the authority to request the Chairman to call a Board meeting and to request the inclusion of new items in the meeting's agenda. The Company's by-laws provide that the majority of the members of the Board of Directors (attending in person or represented by proxy by another Director) constitutes a quorum. Except as otherwise provided by law, resolutions of the Board of Directors are approved by majority of the Directors attending or represented at a Board meeting.

Board Committees

Audit Committee

The members of the Audit Committee are appointed by the Board of Directors. The Audit Committee is comprised of between three and five members of the Board of Directors, taking into account the appointees' knowledge and experience in accountancy, auditing and risk management standards.

The organisation of the Audit Committee is regulated by the Company's by-laws and the Regulations of the Board of Directors.

The Audit Committee is responsible for:

- reporting to the general shareholders' meeting on any matters within the Audit Committee's authority;
- supervising the efficiency of the Company's internal controls, internal audit and risk management systems, and discussing with the external auditors of the Company any significant weaknesses in the internal control systems identified during the audit process;
- overseeing the process of drafting and filing the Company's regulated financial information;
- making proposals to the Board of Directors for submission to the general shareholders' meeting regarding the appointment and terms of retention of the external auditors;
- liaising with the Company's external auditors in order to receive information about any matters that might jeopardise such auditors' independence and any other matters related to the audit process and to any other legal communications regarding the auditing and technical standards applied to auditing; and
- issuing an annual report prior to the completion of the auditors' report containing the Audit Committee's opinion on the independence of the appointed external auditors and describing any other services rendered by the external auditors or their related entities to the Company or its related entities.

At least three members of the Audit Committee must be non-executive Directors from time to time. At least one member of the Audit Committee must be an independent Director from time to time and must act as committee chairman.

Subject to Admission, the initial members of the Audit Committee will be:

Name	Title	Category
Mr. Ernesto Gerardo Mata López	Committee Chairman	Independent
Mr. Josep María Panicello Primé	N/A	Non-executive nominee
Mr. Mario Pardo Rojo	N/A	Non-executive nominee

The chairman of the Audit Committee is appointed by the Audit Committee to serve for a maximum term of four years. The chairman of the Audit Committee may only be re-elected as Chairman at least one year after his or her removal, although such person may continue being, or being re-elected, as member of the Audit Committee. The Audit Committee may appoint a Secretary and a Vice-Secretary, neither of whom need to be members of the Audit Committee.

The initial Secretary of the Audit Committee will be the Secretary of the Board of Directors.

The Audit Committee will meet at least quarterly. The Audit Committee may also meet at the request of the chairman of the Audit Committee or the Chairman of the Board of Directors, or at the request of any two members of the Audit Committee, or whenever a meeting is necessary to fulfil the duties for which the Audit Committee has been established.

Appointments and Compensation Committee

The members of the Appointments and Compensation Committee are appointed by the Board of Directors. The Appointments and Compensation Committee will be comprised of between three and five members, all of which must be non-executive Directors.

The organisation of the Appointments and Compensation Committee is regulated by the Company's by-laws and the Regulations of the Board of Directors and most of them must be independent Directors.

The Appointments and Compensation Committee is responsible for the following:

- reporting on proposals for the appointment or re-election of executive and non-executive nominee Directors;
- issuing proposals for the appointment of independent Directors;
- issuing reports for any proposal to remove a Director;
- verifying the category to which each Director shall be ascribed and reviewing that each member complies with the requirements set out for each category;
- evaluating the competence, knowledge and experience required within the Board of Directors;
- evaluating the time and resources required for Directors to carry out their tasks;
- examining and organising, in the most appropriate way, the replacement of the Chairman and of the Company's first executive ("*primer ejecutivo*") and, if applicable, making proposals to the Board of Directors in order for such replacements to take place in an orderly and well-planned manner;
- reporting annually on the performance of the Chairman of the Board and Company's first executive;
- issuing reports for the appointment or removal of the Secretary of the Board of Directors and the members of the senior management team, at the time such appointments and removals are proposed to the Board of Directors by the first executive;
- reporting to the Board on matters of gender diversity, and procuring that, when filling vacancies, the recruitment procedures are not biased so as to hinder the hiring of women, and for the Company to deliberately search and include women who hold the required professional profile among the candidates;
- keeping and updating a register with the information which each Director discloses to the Company;
- receiving the information submitted by Directors regarding potential conflicts of interest;
- making proposals to the Board on the compensation policies for Directors and senior management;
- making proposals to the Board on the individual compensation of executive Directors and other terms of their agreement with the Company;
- making proposals to the Board of Directors in relation to the basic terms of senior management agreements; and
- overseeing compliance with the compensation policies set out within the Company.

At least one member of the Audit Committee must from time to time be an independent Director and must act as Committee Chairman.

Subject to Admission, the initial members of the Appointments and Compensation Committee are:

Name	Title	Category
Mr. John Daniel Hofmeister	Committee Chairman	Independent
Mr. Richard Campbell Nelson	N/A	Independent
Mr. Alex Wagenberg Bondarovschi	N/A	Non-executive nominee

The chairman of the Appointments and Compensation Committee is appointed by the Committee among its members.

The initial Secretary of the Appointments and Compensation Committee will be the Secretary of the Board of Directors.

The committee Chairman will call a meeting of the Appointments and Compensation Committee whenever the Board of Directors or the Chairman of the Board of Directors requests the preparation of a report or the adoption of a proposal within the Committee's authority, or whenever the Chairman of the Board, the committee Chairman, or any two Committee members request such a meeting. In any event the Appointments and Compensation Committee shall meet as often as necessary for the proper discharge of its functions.

Group Ethics Committee

The Group created on 7 July 2012 an ad-hoc committee named "Group Ethics Committee" responsible for supervising, monitoring and updating the corporate compliance, anti-bribery and anti-corruption policies of the Group.

The Group Ethics Committee is not technically a management body of the Group nor a Board committee.

The Group Ethics Committee is comprised of between six and twelve members, chosen among certain members of the senior management team of the Company, the CEO, and two independent members of the Board of Directors. The Chairman of the Board of Directors will be the Chairman of the Group Ethics Committee. As of Admission, the members of the Group Ethics Committee will be:

Name	Category	Position within the Company
Mr. Christopher Cole	Independent	Chairman of the Board of Directors
Mr. Richard Campbell Nelson	Independent	Non-executive independent Director
Mr. Fernando Basabe Armijo	Executive	CEO
Mr. Joan Amigó i Casas	N/A	CFO
Mr. José Delfín Pérez	N/A	Senior Vice President Human Resources
Ms. María Teresa Sanfeliu Ribot	N/A	Vice President Internal Quality, H&S and Innovation
Ms. Angela Casals Noguer	N/A	Vice President Legal

The Group Ethics Committee will meet quarterly unless otherwise required.

The Group Ethics Committee reports directly to the Board of Directors of any material issue in relation to a corporate compliance matter.

Internal Code of Conduct and Corporate Governance Recommendations

Internal Code of Conduct

On 25 March 2014, the Board of Directors approved the internal capital markets code of conduct ("*Reglamento Interno de Conducta en los Mercados de Valores*") (the "**Internal Code of Conduct**"), to take effect upon Admission. The Internal Code of Conduct regulates, among other things, the Directors' and management's conduct with regard to the treatment, use and disclosure of non-public material information relating to the Group. The Internal Code of Conduct applies to, among other persons, all members of the Board of Directors, senior management and employees who have access to material non-public information, as well as to the Company's external advisors when they handle such material non-public information.

The Internal Code of Conduct, among other things:

- establishes the restrictions on, and conditions for, the purchase or sale of the Company's securities or the Company's other financial instruments by persons subject to the Internal Code of Conduct, and by those who possess material non-public information;

- provides that persons subject to the Internal Code of Conduct shall not engage in market manipulation with respect to the Company's securities or the Company's other financial instruments;

- provides that the Company shall not engage in open market acquisitions with a view to manipulating the market price of its securities or its other financial instruments, or to favouring any particular shareholder; and

- provides that persons who have a conflict of interest shall act in good faith and with loyalty toward the Company and its shareholders and without regard to such person's individual interests. Accordingly, such persons shall: (i) not act in their own interest at the Company's expense or in the interest of particular shareholders at the expense of other shareholders; (ii) not participate in decisions that may affect other persons or entities with whom such person has a conflict of interest; and (iii) report potential conflicts of interest to the Board of Directors.

Corporate Governance Recommendations

The Spanish Unified Corporate Governance Code ("*Código Unificado de Buen Gobierno Corporativo*") sets out the recommendations on corporate governance to be considered by companies listed in the Spanish stock exchange.

The Company believes that it substantially complies with the recommendations of the Spanish Unified Corporate Governance Code, in its 2013 restated version. The Company's corporate practices vary from these recommendations in the following ways:

- **Recommendation 11**. The number of non-executive nominee ("*dominicales*") and independent Directors do not exactly match the proportion between the capital stock represented on the Board by non-executive nominee Directors ("*dominicales*") and the remainder of the Company's capital stock. The size of the Board (nine members) makes it impossible to exactly match the referred proportion in the Board of Directors. The shareholders have nevertheless decided to set up a nine member Board since they believe this number of directors will make the Board more functional. Besides, the proportion of independent Directors (44.44 per cent.) exceeds by far the one third target set out in Recommendation 12 of the Spanish Unified Corporate Governance Code.

- **Recommendation 14**. No women are currently appointed as Directors. However, the Company confirms that: (i) the process of filling vacancies has no implicit bias against women candidates; and (ii) the Company has made, and will continue to make, a conscious effort to include women with a suitable professional profile to be among the candidates for Board.

Conflicts of Interest within the Board of Directors and Senior Management

Pursuant to Article 229 of the Spanish Companies Act, Directors are required to report to the Board of Directors any circumstances that may give rise to a conflict of interest as soon as they become aware of such circumstances. Directors should abstain from voting on matters in which they may have a personal interest, whether directly or indirectly. Additionally, according to the Regulations of the Board of Directors and following the recommendations of the Spanish Unified Corporate Governance Code, the Directors should abstain from engaging in commercial or professional transactions with the Company, without having first informed and received approval for the transaction from the Board of Directors, which shall request a report from the Audit Committee. Such authorisation shall not be necessary if all of the following conditions are met in respect of the relevant transaction: (a) the transaction is entered into pursuant to an agreement with standard conditions (*contratos de adhesión*); (b) the transaction is entered into for a price generally applied by the party acting as supplier; and (c) the transaction does not exceed one per cent. of the Company's annual turnover.

To the best of the Company's knowledge, as of the date of this document, there are no real or potential conflicts of interest among the Directors and officers of the Group and none of them is engaged in self-dealing or personally engaged in any business that could be deemed part of the Group's operations.

As of the date of this document, none of the Directors have notified the Company: (i) their ownership of any type of relevant shareholdings in the capital stock of any company with an identical, analogous, or complementary corporate purpose to that of the Company or the Group as outlined in Article 229 of the Spanish Companies Act; nor (ii) their membership to the board of directors or the administrative, management or supervisory body of any such company.

Non-Compete Obligation

Directors are not entitled to hold office or render services for entities which are competitors of the Group. The general shareholders' meeting may waive this restriction. Any person holding interests which are contrary to the Company's best interest must leave his office at the request of any shareholder or of the general shareholders' meeting.

Before accepting any office in the management body of any company or entity outside the Group, the Directors shall consult with the Appointments and Compensation Committee.

To the best of the Company's knowledge, as of the date of this document, none of the Directors and officers render services for entities which are competitors of the Group.

Shareholdings of Directors and Senior Management Team

Agreements to acquire Shares

On or about the date of Admission, Azul Holding (or a wholly-owned subsidiary) will enter into separate sale and purchase agreements with Mr. Fernando Basabe Armijo and Mr. Joan Amigó i Casas with respect to the unconditional transfer of 400,000 (at the Offering Price) for an aggregate amount of €5 million and €800 thousand, respectively. The transfer of such Shares will be completed within 60 days from the date of the Offering. These agreements will include customary terms and conditions for transactions of this type. Mr. Fernando Basabe Armijo and Mr. Joan Amigó i Casas will respectively acquire 344,828 and 55,172 Shares, representing 0.27 per cent. and 0.04 per cent. of the capital stock of the Company.

On or about the date of Admission, Azul Holding (or a wholly-owned subsidiary) will enter into a further separate sale and purchase agreement with the New Chairman with respect to the transfer of a number of Shares (at the Offering Price) for an aggregate amount of approximately €100 thousand. Pursuant to this sale and purchase agreement, the New Chairman will acquire 6,897 Shares, representing 0.01 per cent. of the capital stock of the Company.

No other Director or member of the Group's senior management team holds Shares directly.

On or about the date of Admission, Azul Holding, indirectly through a fully owned subsidiary, will grant an interest-bearing loan at market rates to Mr. Basabe Armijo and Mr. Amigó i Casas to acquire the aforementioned Shares at the Offering Price. The referred loans will be secured with a pledge over the Shares acquired by each of Mr. Basabe Armijo and Mr. Amigó i Casas pursuant to such loan agreements. See "*Corporate Governance — Shareholdings of Directors and Senior Management Team — Loans and similar undertakings*" for further information regarding these loans.

Indirect interests in the Shares

Pursuant to the management incentive plan in force prior to Admission, certain members of the Group's senior management team and certain other employees of the Group have acquired shareholdings in Azul Holding and, consequently, have indirect interests in the Shares, as set forth below:

Name	Number of shares in Azul Holding, S.C.A. (Lux)	Indirect % of capital stock in the Company
Mr. Carles Grasas Alsina	1,825	0.19%
Mr. Joan Amigó i Casas	319	0.03%
Mr. Jordi Brufau Redondo	97	0.01%
Mr. Jorge Lluch Zanón	137	0.01%
Mr. José Delfín Pérez Fernández	71	0.01%
Mr. Nabil Adb Jalil	8,356	0.87%
Mr. Pablo San Juan Sarde	60	0.01%
Mr. Ramón Fernández Armas	60	0.01%
Mr. Aitor Retes Aguado	55	0.01%
Mr. Arne Willerslev-Legrand	123	0.01%
Other employees	4,337	0.45%
TOTAL	**15,440**	**1.61%**

No other Director or member of the senior management team holds indirect interests in Shares.

Loans and Similar Undertakings

On or about the date of this document, Azul Holding, indirectly through a subsidiary named Azul Bridge, S.à r.l. (Lux), has granted or will grant a loan at market rates to acquire shares of the Company to the following key members of the senior management team for the amounts set out in the table below:

Name	Title	Amount
Mr. Fernando Basabe Armijo	CEO	€5,000,006
Mr. Joan Amigó i Casas	CFO	€ 799,994
Total		**€5,800,000**

On 11 March 2008, the Company granted a loan at market rates to Mr. Joaquín Coello Brufau, as individual representative ("*representante persona física*") of Azul Management, S.à r.l. (Lux) and, in turn, Chairman of the Board of Directors until the date of Admission, for a total principal amount of €1,100 thousand. On or about the date of this document, this loan will be repaid.

Upon termination of the loan granted to Mr. Joaquín Coello Brufau, the Company will have no outstanding loans to its Directors or members of its senior management team.

See "*Related Party Transactions — Loan and services agreements with certain Directors*" for further information regarding the loan agreements to be respectively entered into by and between Azul Bridge, S.à r.l. (Lux), a subsidiary of Azul Holding, and Mr. Fernando Basabe Armijo and Mr. Joan Amigó i Casas and the loan granted by the Company to Mr. Joaquín Coello Brufau.

In addition, a member of the senior management team was granted by the Company a salary advance of €40,000 paid in two instalments of €20,000 respectively on 1 August 2013 and 15 November 2013. This salary advance will be deducted as appropriate pursuant to applicable laws.

Compensation

Board of Directors compensation

The compensation of the members of the Board of Directors is determined by the general shareholders' meeting.

For the year ended on 31 December 2011, the only Directors receiving compensation for their office were Mr. Narcís Serra i Serra (who was a Director for a certain period during the financial years to which the historical financial information contained in this document refers) and Mr. Ernesto Gerardo Mata López, in their respective capacities as Vice-Chairmen of the Board of Directors at the time. For the years ended on 31 December 2012 and on 31 December 2013, the only Director receiving compensation for his office was Mr. Ernesto Gerardo Mata López, in his capacity as Vice-Chairman of the Board of Directors.

In addition, Mr. Joaquín Coello Brufau, Mr. John Daniel Hofmeister, Mr. Richard Campbell Nelson and Pasiphae Consultora Internacional, S.L. have received certain amounts of consideration for their advisory services to the Group, as set forth in the table below. See "*Related Party Transactions — Loan and services agreements with certain Directors*" for further information regarding the advisory services agreements entered into by and between the Company and such persons.

The following table sets out the compensation received by: (i) Mr. Joaquín Coello Brufau, Mr. John Daniel Hofmeister, Mr. Richard Campbell Nelson and Mr. Josep Piqué i Camps (indirectly, as sole director ("*administrador único*") of Pasiphae Consultora Internacional, S.L.) pursuant to their advisory services; and (ii) Mr. Ernesto Gerardo Mata López and Mr. Narcís Serra i Serra in connection with their office:

Director		2011	2012	2013	2014(1)
Mr. Joaquín Coello Brufau	Monetary compensation(2)	€250,000	€150,000	€150,000	€37,500
	In-kind compensation(3)	€12,000	€12,000	€12,000	€3,000
	Contribution to the retirement plan and similar benefits	-	-	-	-
	Severance payments	-	-	-	€350,000
Mr. John Daniel Hofmeister	Monetary compensation(2)	-	-	€30,000(4)	€30,000
	In-kind compensation(3)	-	-	-	-
	Contribution to the retirement plan and similar benefits	-	-	-	-
	Severance payments	-	-	-	-
Mr. Richard Campbell Nelson	Monetary compensation(2)	€60,000	€60,000	€60,000	€30,000
	In-kind compensation(3)	-	-	-	-
	Contribution to the retirement plan and similar benefits	-	-	-	-
	Severance payments	-	-	-	-
Mr. Ernesto Gerardo Mata López	Monetary compensation(2)	€50,000	€50,000	€50,000	€12,500
	In-kind compensation(3)	-	-	-	-
	Contribution to the retirement plan and similar benefits	-	-	-	-
	Severance payments	-	-	-	-
Mr. Narcís Serra i Serra	Monetary compensation(2)	€50,000	-	-	-
	In-kind compensation(3)	-	-	-	-
	Contribution to the retirement plan and similar benefits	-	-	-	-
	Severance payments	-	-	-	-
Mr. Josep Piqué i Camps (indirectly, as sole director ("*administrador único*") of Pasiphae Consultora Internacional, S.L.)	Monetary compensation(2)	€50,000	€50,000	-	-
	In-kind compensation(3)	-	-	-	-
	Contribution to the retirement plan and similar benefits	-	-	-	-
	Severance payments	-	-	-	-
TOTAL		**€472,000**	**€322,000**	**€302,000**	**€463,000**

(1) Amounts calculated pro rata until 31 March 2014.
(2) VAT is excluded from the amounts shown under "monetary compensation".
(3) The amounts shown under "in-kind compensation" refer to the non-monetary consideration agreed with the relevant Directors under their respective advisory services agreement (e.g. use of company cars and offices in the Group's premises).
(4) The agreed compensation of Mr. John Daniel Hofmeister amounts to €60,000 per year, but he joined the Board of Director on 1 July 2013.

Furthermore, Mr. Fernando Basabe Armijo receives monetary and in-kind compensation in his capacity as first executive of the Company (and not as Director). The in-kind compensation received by Mr. Fernando Basabe Armijo includes payment of a medical insurance policy and use of a company car. No contributions to retirement plans or similar benefits are made on behalf of Mr. Fernando Basabe Armijo.

The table below sets out the compensation received by Mr. Fernando Basabe Armijo during years 2011, 2012 and 2013:

	2011	2012	2013
Monetary compensation	€650,000.04	€975,000.04	€1,168,589.68
In-kind compensation	€ 4,741.58	€ 5,953.22	€ 17,269.31
Contribution to the retirement plan and similar benefits	-	-	-
TOTAL	**€654,741.62**	**€980,953.26**	**€1,185,858.99**

Save as described below, no Director is entitled to any retirement plan contribution, severance payment or similar benefits for their position as Directors. However, (i) Mr. Joaquín Coello Brufau is entitled to an amount of €350,000, payable on or about the date of Admission, as consideration for the contributions and work performed for the benefit of the Group and as compensation upon termination of the services agreement entered into with the Company; and (ii) Mr. Fernando Basabe Armijo will be entitled to receive a severance payment except in case of fair disciplinary dismissal ("*despido disciplinario procedente*") from his position as first executive of the Company (and not as Director).

Subject to Admission, on 25 March 2014 the Company's by-laws were amended to reflect the following compensation scheme for Directors. The remuneration of the Directors shall consist of a fixed annual amount with attendance allowances for each Board of Directors meeting, for any Board Committee meeting, in the following terms:

- the fixed annual allocation shall consist of an amount for each of the Directors (including the New Chairman) to be set by the general shareholders' meeting of the Company. If this amount is not set at the general shareholders' meeting for any given period, it shall be equivalent to the amount paid for the same period during the previous calendar year, subject to any additional increases in the consumer price index or any such index as may replace it in the future;
- attendance allowances for each Board of Directors meeting or for any Board Committee meeting shall be equivalent to an amount per Director and per meeting that will also be determined by the general shareholders' meeting of the Company. If this amount is not set at the general shareholders' meeting for any given period, it shall be equivalent to the amount paid for the same period during the previous calendar year, subject to any additional increases in the consumer price index or any such index as may replace it in the future; and
- remuneration schemes linked to the share value or including the granting of stock or stock options of the Company may be additionally implemented. Such remuneration schemes must be approved by the general shareholders' meeting of the Company, which shall establish the reference value of the Shares, the number of Shares to be granted, the share option exercise price, the duration of this remuneration scheme and such other conditions as may be deemed necessary. In particular, as part of his compensation package, the New Chairman may be granted a one-time extraordinary incentive, whereby he would acquire 6,897 RSUs (which will be exchangeable upon vesting into an equal number of Shares, subject to certain conditions being met).

Provided that the applicable laws are complied with, any compensation received by Directors in accordance with the Company's by-laws (as set out above) will be independent from salaries, remuneration, indemnifications, pensions, contributions to social security systems, life insurance or any other compensation of any kind, whether fixed or variable, annual or multiple-year, established on a general basis or individually for those Directors performing executive duties, whatever the nature of their relationship with the Company, whether such Directors are employed — ordinary or top senior management ("*alto directivo*") — as commercial or service providers, relationships which shall be compatible with their appointment as Directors.

Subject to Admission, independent Directors who are members of the Group Ethics Committee (including the New Chairman) will receive a fixed annual allocation to be determined by the general shareholders' meeting of the Company.

Agreements with Directors including post-termination benefits

Aside from the foregoing, neither the Company nor any of its subsidiaries have, as of the date of this document, entered into any agreements with any Directors providing for benefits upon termination of office, including, contributions to retirement or pension plans, severance payments or insurance policies.

Senior management compensation

The details of the total aggregate compensation received by the senior management team from the Group during years 2011, 2012 and 2013 is included below:

	2011	2012	2013
Number of senior managers employed by the Group	12	13	12
Monetary compensation(1)	€3,252,871.00	€3,562,174.92	€4,195,679.49
In-kind compensation(2)	€162,846.82	€158,041.31	€162,910.02
Contribution to the retirement plan and similar benefits	€30,282.18	€57,028.60	€52,159.89
TOTAL	**€3,446,000.00**(3)	**€3,777,244.83**	**€4,410,749.36**

(1) Amounts shown for monetary compensation paid by the Group include multi-annual incentives and bonus payments.

(2) Amounts shown for in-kind compensation paid by the Group include, amongst others, payments for medical insurance, company cars, professional associations and housing and related utilities.

(3) Aggregate compensation received by the members of the senior management team from the Company and the following Group subsidiaries during years 2011, 2012 and 2013: Applus Iteuve Technology, S.L.U., Applus Servicios Tecnológicos, S.L.U., Applus Norcontrol, S.L.U., LGAI Technological Center, S.A., IDIADA Automotive Technology, S.A., Applus Car Testing Service Limited, Velosi S.à r.l., Velosi Certification LLC, Velosi Corporate Services Sdn. Bhd. and Röntgen Technische Dienst Holding B.V. See the table below for further details regarding the compensation paid by the Company to those senior managers directly employed by the Company.

Aside from the management incentive plans described below, no additional compensation will be accrued as a result of the Admission.

Senior management severance payments

As of the date of this document, the Group has entered into severance payment arrangements ("*blindajes*") with 8 members of the senior management team, including Mr. Basabe Armijo, as first executive of the Group. The amounts payable to senior management pursuant to the severance payment arrangements may be determined by reference to one of the three following parameters, as applicable: (i) the amount equal to twice the gross annual compensation received by the relevant senior manager in the year immediately preceding termination of employment; (ii) the gross amount equal to twice the net annual monetary compensation received by the relevant senior manager in the year immediately preceding termination of employment after withholding taxes; or (iii) the amount equal to the greater of (x) twice the net annual monetary compensation received by the relevant senior manager in the year immediately preceding termination of employment, and (y) the amount equal to 45 days of salary received by the relevant senior manager per year of employment with a 42 month limit.

No severance payments have been paid by the Group during the years 2011, 2012 and 2013 or up until the date of this document. As of the date of this document, eight members of the senior management team of the Group are entitled to severance payments. Pursuant to the arrangements entered into by the Group, certain senior managers (including Mr. Basabe Armijo) are entitled to severance payments in case their employment is terminated by the Group at will, except in case of fair disciplinary dismissal ("*despido disciplinario procedente*") declared by a final judgment. Certain other senior managers are additionally entitled to severance payments in the event they decide to early terminate their employment with the Group, except in case of resignation ("*dimisión*").

A total amount of €6,021,211.90 could be payable by the Group in the event that all of the agreements entered into with these members of the senior management team were to be terminated.

In particular, pursuant to the severance payment arrangements entered into with Mr. Basabe Armijo, and based on the remuneration paid to him by the Group during the past three months, he would be entitled to a total potential severance payment in an amount of €2,283,295.14 if his employment agreement with the Group were to be terminated.

As of the date of this document, the remaining members of the senior management team of the Group with which no severance payments have been agreed have customary contractual termination notice periods.

Management incentive plans

The Group has established a number of management incentive plans, including two cash incentive agreements, a cash and share based management incentive plan, a multi-annual bonus agreement and a new long-term incentive plan. Certain of these management incentive plans were entered into prior to the date of this document and the remainder will be implemented upon or after Admission. Certain of the awards under the management incentive plans or agreements are dependent on the Offering Price or on the financial results of the Group or one of its divisions. No Director will benefit from any of the management incentive plans set forth below except for Mr.Basabe Armijo, who in his capacity as senior manager of the Group, will be part of the share based management incentive plan and the long-term incentive plan. All of the senior managers of the Group will participate in, atleast, one of these incentive plans and agreements.

Starting from October 2008, Azul Holding S.C.A. (Lux) entered into certain cash incentive agreements granting nine senior managers and 37 other employees of the Group an incentive linked to the return received in the Offering by the Selling Shareholder and Azul Holding with respect to their initial investment in the Company. Prior to Admission these economic incentive agreements will have been terminated (with no entitlement to cash payments), other than with respect to one senior manager and 18 other employees of the Group. The Company estimates that these 19 employees could potentially receive a cash payment upon Admission of an aggregate estimated amount of €1,250 thousand, although the maximum aggregate amount potentially payable under these cash incentive agreements is €10,500 thousand (of which a total aggregate amount of €1,500 thousand would be payable to the senior manager and the remaining €9,000 thousand to 18 other employees of the Group).

Starting from June 2011, Velosi S.à r.l. entered into a cash incentive agreement with two senior managers of the Group and nine other employees of the Applus+ Velosi division. Under the cash incentive agreement, the relevant individuals are entitled to a cash payment upon the achievement of certain targets relating to the cash flow and EBITDA of the Applus+ Velosi division for the years ended 31 December 2013 through to 31 December 2015. Cash payments under these incentive agreements with respect to one senior manager and seven other employees are due in 2014. Cash payments with respect to the remaining senior manager and two other employees will be due in 2015. The aggregate estimated cash payment under these cash incentive agreements is approximately €9,448 thousand, of which a total aggregate estimated amount of €3,321 thousand will be payable to senior managers of the Group and the remaining €6,126 thousand to the nine other employees of the Applus+ Velosi division.

Pursuant to a cash and share based management incentive plan to be implemented upon Admission, ten senior managers of the Group will receive benefits from a cash and share based management incentive plan of the Group consisting of: (i) an aggregate gross cash payment before tax on or about the date of Admission of approximately €20,000 thousand (in particular, Mr. Fernando Basabe Armijo is expected to receive an aggregate gross cash payment before withholding taxes of approximately €9,950 thousand); and (ii) an aggregate estimated number of non-transferrable restricted stock units of the Company ("**RSUs**") of 2,583,217 (which will be exchangeable upon vesting into an equal number of Shares). RSUs are non-transferrable free rights (except for *mortis causa* transfers or permanent disability) that entitle their beneficiary to acquire Shares (one per RSU) in accordance with their vesting calendar. Although the exchange for Shares of the RSUs awarded under this management incentive plan will not occur on Admission, the aggregate estimated number of RSUs awarded thereunder will have an aggregate equivalent value in cash on Admission of approximately €37,456,648. In particular, the aggregate estimated number of RSUs awarded to Mr. Fernando Basabe Armijo under this management incentive plan will have an aggregate equivalent value in cash on Admission of approximately €17,192,617. It should be noted that these aggregate equivalent values in cash are a mere estimate and that this management incentive plan does not contemplate a minimum guaranteed value of the Shares which may be exchanged thereunder at vesting of the RSUs.

RSUs will vest in three equal annual instalments subject to customary vesting conditions being met. RSUs will be exchangeable for Shares upon vesting at market value, with no minimum guaranteed rate of exchange. The value of this share based management incentive plan and the number of RSUs is dependent on the Offering Price. On that assumption, the aggregate number of RSUs awarded under this incentive plan would represent, if exchanged for Shares on Admission, 1.99 per cent. of the capital stock of the Company on such date (in particular, the aggregate RSUs awarded to Mr. Fernando Basabe Armijo under this incentive plan would represent, if exchanged for Shares on Admission, 0.91 per cent. of the capital stock of the Company.)

In addition, on or about the date of this document, the Group will enter into a multi-annual bonus agreement with approximately nine senior managers and three other employees of the Group, effective from 1 January 2014 until 31 December 2016, and payable in February 2017, for a total variable amount to be determined upon achievement of the Group of certain profitability and cash flow targets during the financial years from 2014 to 2016. The total aggregate estimated amount payable under the multi-annual bonus incentive for the three year period is €2,497 thousand. The senior managers subject to this multi-annual bonus agreement are expected to receive an aggregate estimated amount thereunder of €2,107 thousand and the three other employees of the Group are expected to receive an aggregate estimated amount of €390 thousand. The terms and conditions of this multi-annual bonus agreement are similar to other multi-annual bonus agreements implemented by the Group historically.

The Group also intends to implement a new long-term incentive plan after Admission, whereby approximately 11 senior managers and 50 other employees of the Group who receive an annual bonus under the terms of their respective employment agreements will additionally receive RSUs in an amount equivalent to their respective annual bonus, in case of the senior managers and, in case of the other employees, dependent on the level of compliance with certain performance targets related to their respective annual bonus. The number of RSUs will be determined by reference to the trading price of the Shares on the date on which the annual bonus is accrued. Such RSUs will have a three-year vesting period. Thirty per cent. of the RSUs will vest in each of the first and second years after being awarded and the remaining 40 per cent. will vest in the third year after being awarded. The aggregate value of this long-term incentive plan for each three-year period is expected to be €2,880 thousand. The senior managers subject to this long-term incentive plan are expected to receive RSUs thereunder for an aggregate estimated value of €1,380 thousand and the 50 other employees of the Group are expected to receive RSUs for an aggregate estimated value of €1,500 thousand.

The table below sets out the details of (i) the total estimated maximum aggregate amounts to be paid in cash by the Group; and (ii) the total estimated maximum aggregate equivalent value in cash of the RSUs which may be awarded during 2014, 2015, 2016 and 2017 in connection with the Group's management incentive plans described above. The RSU awards after 2017 will continue subject to the terms and conditions of the Group's long-term incentive plan described above.

	2014	2015	2016	2017	TOTAL
Aggregate incentives payable to senior management in cash	€20,367,953	€ 3,132,267	-	€ 2,107,000	**€25,607,220**
Aggregate incentives payable to other employees in cash	€ 4,377,686	€ 2,536,337	€ 283,430	€ 390,000	**€ 7,587,453**
SUB TOTAL	**€24,745,639**	**€ 5,668,604**	**€ 283,430**	**€ 2,497,000**	**€33,194,673**
Aggregate value of RSUs issued to senior management	-	€12,485,549	€12,899,549	€13,313,549	**€40,379,457**
Aggregate value of RSUs issued to other employees	-	-	€ 450,000	€ 900,000	**€ 1,350,000**
SUB TOTAL	**-**	**€12,485,549**	**€13,349,549**	**€14,213,549**	**€40,048,648**
TOTAL cash payments and RSU awards	**€24,745,639**	**€18,154,153**	**€13,632,979**	**€16,710,549**	**€73,243,321**

Mr. Fernando Basabe Armijo is expected to receive (i) an aggregate gross cash payment before withholding taxes of approximately €9,950 thousand; and (ii) an aggregate equivalent value in cash of €17,642,617, under the Group's management incentive plans he participates in from Admission through to 31 December 2017. It should be noted that this aggregate equivalent value in cash is a mere estimate and that these management incentive plans do not contemplate a minimum guaranteed value for the Shares which may be exchanged thereunder at vesting of the RSUs.

The Group has recognised and will, in the future, recognise the impact of such management incentive plan in its consolidated financial statements.

D&O insurance policy

The Company has entered in an insurance policy, effective until 31 December 2014, which covers, amongst other things, any liability claims against the Group's directors, officers and senior managers in connection with their office, as well as any defence costs incurred as a consequence of applicable claims, including any related attorneys' fees. This policy has a total aggregate annual limit of €50,000 thousand. The policy covers any claims made during the term of the policy, irrespective of the date on which the acts were committed.

Family relationships

Aside from Mr. Joaquín Coello Brufau and Mr. Jordi Brufau Redondo, who are cousins, there are no family relationships and no "close relatives" (as this term is defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of 15 September 2004, on information to be disclosed by listed companies regarding related party transactions) among the Directors, the Directors and other members of the Group's senior management team or among the members of the Group's senior management team.

No convictions and other negative statements

To the best of the Company's knowledge, none of the Directors or the members of the Group's senior management team have, in the five years preceding the date of this document: (i) been convicted in relation to fraudulent offences; (ii) acted as Directors or senior managers of entities affected by bankruptcy, receivership or liquidation; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court form acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer, except for Mr. Pedro de Esteban Ferrer, Mr. Alex Wageneberg Bondarovschi and Mr. Mario Pardo Rojo who, indirectly, were directors and attorneys in fact ("*apoderados*") of Orizonia Travel Group, S.L. and Iberotravel Vacations Holding, S.L., both companies that filed for voluntary insolvency in Spain. As of the date of this document, the liquidation phase ("*fase de liquidación*") of the insolvency proceedings of Orizonia Travel Group, S.L. and Iberotravel Vacations Holding, S.L. has commenced, but the qualification phase ("*pieza de calificación*") of such proceedings (the phase during which the competent court determines any potential liability attributable to directors and attorneys in fact) has not been commenced by the applicable court.

PRINCIPAL AND SELLING SHAREHOLDER

The following table sets forth certain information with respect to the ownership of the Shares prior to and after the Offering, the Directed Offering and the sale of Shares to the Chairman. For further details of the transfer of Shares to the New Chairman, see "*Management and Board of Directors – Agreements to Acquire Shares*" and "*Plan of Distribution – Lock-up Agreements*".

	Shares owned prior to the Offering and the Directed Offering		Number of Shares being offered[4]	Shares owned after the Offering, the Directed Offering and the sale of Shares to the Chairman			
				No exercise of the Over-allotment Option		Full exercise of the Over-allotment Option	
	Number	%		Number	%	Number	%
Azul Finance[1]	67,476,686	61.72%	55,172,414	12,304,272	9.46%	4,718,065	3.63%
Azul Holding[2]	41,850,414	38.28%	-	41,450,414	31.88%	41,450,414	31.88%
Public (free float)[3]	-	-	-	76,262,069	58.66%	83,848,276	64.49%
Total	109,327,100	100%	55,172,414	130,016,755	100%	130,016,755	100%

(1) Azul Finance is wholly owned by Azul Holding.

(2) The following table sets out the direct and indirect percentage ownership interests in Azul Holding, S.C.A. (Lux), including those minority shareholders which, in 2007, invested jointly with Carlyle in the Group (and where applicable, their successors or assignees):

	Sector	Ownership interest %
CEP III[a]	Investment company in risk capital	54.46%
CEP II[a]	Investment company in risk capital	16.74%
Catalunya Bank	Financial entity	7.98%
ICG[b]	Private equity fund	6.34%
GTD Invest S.à r.l.	Private equity fund	4.64%
Banco Bilbao Vizcaya Argentaria, S.A.	Financial entity	2.62%
Bankia, S.A.	Financial entity	1.72%
Company's senior management[c]	N/A	1.61%
Infisol 3000 S.L.	Private equity fund	1.32%
Costafreda family	N/A	1.31%
ASF V Brown LP	Private equity fund	1.24%
Total		100.00%

(a) CEP II and CEP III are investment companies in risk capital constituted as limited liability companies organised under the laws of the Grand Duchy of Luxembourg ("*société d'investissement à capital risqué constituée sous la forme d'une société à responsibilité limitée*"), owned by Carlyle Europe Partners II L.P., a partnership organised under the laws of England and Carlyle Europe Partners III, L.P., a partnership organised under the laws of England, respectively and, together with their affiliates, doing business as The Carlyle Group. There are no controlling shareholders of Carlyle (as defined under Article 42 of the Spanish Commercial Code (*"Real Decreto de 22 de agosto de 1885, Código de Comercio"*)). Carlyle is a full service asset manager engaged in various activities, which may include securities trading, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of its various business activities, Carlyle may, through one or more affiliates, make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve the Shares or other securities and instruments of the Group.

(b) ICG's interest in Azul Holding is held by Intermediate Investment Jersey Limited and ICG European Fund 2006, Nº2 S.A. ICG is an affiliate of Intermediate Capital Group PLC, a public limited company listed on the London Stock Exchange under the symbol "ICP".

(c) For further details of management's indirect shareholding Azul Holding, see "*Management and Board of Directors – Shareholdings of Directors and Senior Management Team – Indirect Interests in the Shares*".

(3) For the purposes of the table above, the free float includes an aggregate of all the Shares in the Company that, as of the Admission, are not held by Azul Finance, S.à r.l (Lux) or Azul Holding, S.C.A. (Lux). However, any stake subscribed or acquired by any other final investor in the context of the Offering that reaches any of the thresholds that trigger the reporting obligations indicated in the section "*Description of Capital Stock – Reporting Requirements*" below would be required to be disclosed to the market as a significant stake and would not form part of the free float.

(4) Excludes any Shares offered pursuant to the Directed Offering, the sale of Shares to the New Chairman, or the Over-allotment Option. For further details of the transfer of Shares to the New Chairman, see "*Management and Board of Directors – Agreements to Acquire Shares*" and "*Plan of Distribution – Lock-up Agreements*".

For a description of certain transactions between the Company and certain of the Company's principal shareholders, see "*Related Party Transactions*" below.

On the date of Admission, there will not be any shareholders' agreements in force between CEP II and CEP III or their affiliates and other indirect shareholders of the Company which may regulate the exercise of voting rights at the general shareholders meetings or restrict or condition the free transfer of shares, in the terms described in Article 530 of the Spanish Companies Act.

Principal Shareholders

Save as described above, the Company is not aware of (i) any intention of its principal shareholders and/or members of its management to acquire any Shares in the Offering or (ii) any intention of a particular person to acquire more than 5 per cent. of the Shares in the Offering.

Concurrently with the Offering, the Chief Executive Officer and the Chief Financial Officer of the Company will purchase Shares pursuant to the Directed Offering (see "*The Offering*"), and Azul Holding will also sell a number of Shares at the Offering Price to the New Chairman. For further details of the transfer of Shares to the New Chairman, see "*Management and Board of Directors – Agreements to Acquire Shares*" and "*Plan of Distribution – Lock-up Agreements*".

RELATED PARTY TRANSACTIONS

The Group is required to report all related party transactions, as defined in IAS 24 "Related Party Disclosure", in accordance with IFRS. During the period covered by the Audited Consolidated Financial Statements and up to the date of this document, the Group has entered into transactions with parties related or associated to the Group, including certain members of its senior management team, as set out below. For the purposes of this document, any transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed herein. For more information, please see the description of the Group's significant related party transactions below and Note 28 to the 2013 Audited Consolidated Financial Statements.

Financing arrangements with the Selling Shareholder

On 29 November 2007, the Company entered into the Participating Loan which bore: (i) a variable interest payable on the maturity date at an annual percentage rate of 70 per cent. of the non-consolidated operating and non-operating accounting profit (before deduction of net interests and income taxes and excluding any interest, commissions or fees accrued under the Participating Loan and any other financial agreement) obtained by the Company each year until repayment of the Participating Loan, under the terms set forth therein; and (ii) a fixed interest payable on the maturity date irrespective of the Company's profits at an annual percentage rate of 5 per cent. The total of variable and fixed interest payable under the Participating Loan was capped at an amount equal to 16 per cent. per annum of the outstanding principal thereunder.

On 29 December 2011, the Company increased its capital stock by €20,000 thousand and issued 20,000,000 new shares of €1.00 nominal value each with a total share premium of €180,000 thousand, or €9.00 per share. The Company carried out this capital increase as consideration for the contribution in kind of a portion of the principal and accrued interests under the Participating Loan, amounting to €200,000 thousand.

On 20 December 2012, the Company increased its capital stock by €330,975,863 and issued 330,975,863 new shares of €1.00 nominal value each with a total share premium of €10,029 thousand, or approximately €0.03 per share. The Company carried out this capital increase as consideration for the contribution in kind of a portion of the principal under the Participating Loan and accrued interest thereon, amounting to €77,196 thousand and €263,808 thousand, respectively.

On 19 December 2013, effective on 20 December 2013, the Company increased its capital stock by €53,906,285 and issued 53,906,285 new shares of €1.00 nominal value each, with a total share premium of €52,926 thousand, or approximately €0.98 per share. The Company carried out this capital increase as consideration for the contribution in kind of the remaining portion of the principal under the Participating Loan and all accrued interest thereon, amounting to €92,178 thousand and €14,654 thousand, respectively. As a result of this capital increase, the Participating Loan was fully capitalised and terminated.

Loan and services agreements with certain Directors

During the three years ended 31 December 2013, the Company granted a total aggregate amount of €1,100,000 under a loan agreement entered into with a Director, Mr. Joaquín Coello Brufau, and paid a total aggregate amount of €1,046,000 in connection with services agreements entered into with certain Directors. Further details on the terms and conditions of such loan and services agreements are set out below.

Loan agreement with Mr. Joaquín Coello Brufau

On 11 March 2008, the Company granted a loan to Mr. Joaquín Coello Brufau, the representative ("*representante persona física*") of Azul Management, S.à r.l. (Lux) in turn, Chairman of the Board of Directors until the date of Admission, for a total principal amount of €1,100,000. This loan was amended from time to time (including, on 1 June 2012) and was terminated on 31 March 2014. The maturity date of the loan was initially set at 31 March 2015, but on 25 March 2014 the parties agreed to an early termination, pursuant to which the total outstanding amount for the principal of the loan and any accrued interests thereunder will be payable within sixty days from the date of Admission. The loan bears an interest at a percentage rate per annum in the aggregate of EURIBOR (3 months) plus 0.15 per cent. The repayment of the loan was secured on 25 June 2013 by Mr. Coello Brufau, who granted a mortgage over a real estate property in favour of the Company.

Services agreement with Mr. Richard Campbell Nelson

On 1 October 2009, the Company entered into a services agreement with Mr. Richard Campbell Nelson in connection with the rendering of certain advisory services to the Company, including the development of the growth strategy of the Company, the identification of new business opportunities, acquisitions and joint ventures, strategy and implementation of a potential initial public offering of the Company and review of the organisational structure of the Company. This services agreement will be terminated prior to the date of Admission.

In consideration for the services provided by Mr. Nelson, the Company paid during years 2013, 2012 and 2011 a total annual compensation of €60,000, which is payable in two biannual instalments of €30,000. Mr. Nelson is not entitled to any additional compensations or in-kind payments under the agreement. Any travel expenses incurred by Mr. Nelson in connection with the agreement are paid by the Company.

Services agreement with Mr. John Daniel Hofmeister

On 1 July 2013, the Company entered into a services agreement with Mr. John Daniel Hofmeister in connection with the rendering of certain advisory services to the Company, including the development of the growth strategy of the Company, the identification of new business opportunities, acquisitions and joint ventures, strategy and implementation of a potential initial public offering of the Company and review the organisational structure of the Company. This services agreement will be terminated prior to the date of Admission.

In consideration for the services provided by Mr. Hofmeister, the Company has undertaken to pay a total annual compensation of €60,000, payable in two biannual instalments of €30,000. Mr. Hofmeister is not entitled to any additional compensations or in-kind payments under the agreement. Any travel expenses incurred by Mr. Hofmeister in connection with the agreement are paid by the Company.

Services agreement with Mr. Joaquin Coello Brufau

On 1 February 2011, the Company entered into a services agreement with Mr. Joaquin Coello Brufau in connection with certain services rendered as the representative of Azul Management S.à r.l. (Lux), Chairman of the Board of Directors, until the date of Admission. This services agreement was terminated on 31 March 2014.

In consideration for the services provided by Mr. Coello Brufau, the Company undertook to pay a total fixed annual compensation of €250,000, which was payable in twelve monthly instalments of €20,833 during the first year after the execution of the agreement. Thereafter and pursuant to the terms of the services agreement, the Company paid a total fixed annual compensation of €150,000, which was payable in twelve monthly instalments of €12,500. Mr. Coello Brufau was entitled to an additional variable compensation under the agreement amounting to a maximum of €50,000, which was determined upon performance of the annual objectives set forth by the Board of Directors in accordance with the Company's strategic plan in force from time to time. Furthermore, Mr. Coello Brufau was entitled to support from an assistant hired by the Company, use of a Company car of up to a total €1,000 monthly expense and use an office respectively in the Company's corporate address in Bellaterra, Cerdanyola del Vallès (Barcelona) and in the Company's Madrid offices. He also had the benefit of a medical insurance policy under the agreement. Mr. Coello Brufau received a total aggregate amount (including any and all in-kind payments) of €262,000, €172,000 and €172,000, respectively, in years 2011, 2012 and 2013, in connection with this services agreement.

Upon termination of the services agreement Mr. Coello Brufau is entitled to an amount of €350,000, payable on or about the date of Admission. As of the date of this document, no termination payments have been made by the Group in favour of Mr. Coello Brufau.

Services agreement with Mr. Ernesto Mata López

On 8 April 2011, the Company entered into a services agreement with Mr. Ernesto Gerardo Mata López pursuant to which Mr. Mata López, as Vice Chairman of the Board of Directors, agreed to render certain services in connection with the Company's commercial strategy. This services agreement will be terminated prior to the date of Admission.

In consideration for the services provided by Mr. Mata López, the Company paid during years 2013, 2012 and 2011 a total fixed annual compensation of €50,000, payable in twelve monthly instalments. Mr. Mata López is not entitled to any additional compensation or in-kind payments under this agreement.

Services agreement with Pasiphae Consultora Internacional, S.L.

On 1 October 2009, the Company entered into a services agreement with Pasiphae Consultora Internacional, S.L., represented by its sole director, Mr. Josep Piqué i Camps, pursuant to which Pasiphae Consultora Internacional, S.L. agreed to render certain advisory services in connection with the Company's commercial strategy. This services agreement was terminated in 16 December 2012.

Mr. Piqué i Camps, sole director and owner of 98 per cent. of the share capital of Pasiphae Consultora Internacional, S.L., was a member of the Board of Directors of the Company at the time the services agreement was entered into.

In consideration for the advisory services provided by Pasiphae Consultora Internacional, S.L., the Company paid during years 2011 and 2012 a total annual compensation of €50,000, which was payable in two biannual instalments of €25,000. Pasiphae Consultora Internacional, S.L. was not entitled to any additional compensation or in-kind payments under the agreement.

Loan agreements with certain members of the senior management team

Mr. Fernando Basabe Armijo and Mr. Joan Amigó i Casas

On or about the date of Admission, Azul Holding, as lender, will, directly or indirectly, grant a loan to each of Mr. Fernando Basabe Armijo and Mr. Joan Amigó i Casas for a total amount of €5,000 thousand and €800 thousand, respectively, to acquire Shares, subject to the terms and conditions of the Directed Offering. The maturity date of these loans will be three years after the date of execution of the loan agreements, payable in a single instalment upon maturity. The loans will bear an interest at an annual rate of 4 per cent. The repayment of the loans will be secured by a pledge granted in favour of the lender over each of the Shares acquired by Mr. Basabe Armijo and Mr. Amigó i Casas respectively, with the proceeds of the loans.

Such Shares will be subject to lock-up restrictions as described in "*Plan of distribution — Lock-Up Agreements*".

Other related party transactions

Velosi (M) Sdn. Bhd.

Velosi (M) Sdn. Bhd. is a company outside the Group existing under the laws of Malaysia, which shares are entirely held by Mr. Mohamed Ashari Bin Abas and Mr. Mohd Jai Bin Suboh, directors of several companies of Applus+ Velosi segment, and that holds a minority shareholding in Velosi International Holding Company BSC, a subsidiary of the Group, as of the date of this document.

Licence agreement

On 9 February 2010, Velosi S.à r.l., as licensor, entered into a licence agreement with Velosi (M) Sdn. Bhd., as licensee, in connection with an exclusive licence to use certain intellectual property and the "Velosi" trade name and logo in Malaysia for an indefinite period. In consideration for the use of the licence, Velosi (M) Sdn. Bhd. has undertaken to pay Velosi S.à r.l. an annual licence fee or royalty, which amount is to be determined on the basis of Velosi (M) Sdn. Bhd.'s profits obtained in the ordinary course of its business for the relevant year, in accordance with the terms set out in the agreement. In 2013, 2012 and 2011, the licence fee or royalty paid by Velosi (M) Sdn. Bhd. to Velosi S.à r.l. was €2,240 thousand, €1,948 thousand and €1,349 thousand, respectively.

Pursuant to the licence agreement, Velosi S.à r.l. is entitled to appoint from time to time one of Velosi (M) Sdn. Bhd.'s directors in order to supervise the management of the company and ensure that the terms and conditions of the licence agreement are fully observed.

This licence agreement may be terminated by the parties pursuant to customary terms upon breach of any warranties or covenants or failure to perform any of their respective obligations thereunder. Velosi S.à r.l. is entitled to full recovery for any damages that it may incur in connection with any claims or proceedings brought against Velosi (M) Sdn. Bhd. for the inappropriate use of the licence.

This licence agreement is governed by the laws of Malaysia.

Project subcontracts

In the context of certain management, engineering and construction projects in the oil and gas industry awarded by certain customers and governmental entities in Malaysia, Velosi (M) Sdn Bhd. has in the past subcontracted the services of various of the Group's subsidiaries in the Applus+ Velosi segment. In 2013, the revenues corresponding to projects subcontracted by Velosi (M) Sdn Bhd. amounted to €9,815 thousand. The largest project in this context was the "*Gumusut-Kakap semi-submersible floating production system project*" for a total amount of €6,100 thousand, which was awarded to Velosi (M) Sdn. Bhd. by Malaysia Marine and Heavy Engineering Holdings Bhd., a Malaysian public company, and which was, in turn, subcontracted by Velosi (M) Sdn. Bhd. to Velosi Engineering Projects Pte. Ltd. Services. Under such subcontracting agreements, the Group directly provides certain services to the final customer or governmental entity in exchange for a subcontracting fee payable to Velosi (M) Sdn. Bhd. Fees in consideration for such services are negotiated on a project-by-project basis between the relevant Velosi subcontractor and Velosi (M) Sdn. Bhd. and typically range between 5 and 25 per cent. of the total project margin.

Call option agreement

On 16 July 2012, Velosi S.à r.l., as purchaser, entered into a call option agreement with Mohamed Ashari Bin Abas and Mohd Jai Bin Suboh, as vendors, over the entire share capital held by the vendors in Velosi (M) Sdn. Bhd. Velosi S.à r.l. has the right to purchase the entire share capital of Velosi (M) Sdn. Bhd. from time to time at a purchase price based on the Velosi (M) Sdn. Bhd. group attributable profit, as detailed below which cannot be precisely determined on the date of this document.

For the purpose of this agreement, attributable profit means the profits derived from the Velosi (M) Sdn. Bhd. group in the ordinary course of business, namely from the trade related activities but shall not include profits, or losses, derived from disposal of Velosi (M) Sdn. Bhd.'s assets or any extraordinary gains, or losses, from accounting adjustments, and before provisions and diminutions for investments. For the avoidance of doubt, attributable profit shall include interest and rental income and expense. Additionally, for the purpose of calculating the price for the option shares, attributable profit is the consolidated profit before tax less minority interest in subsidiaries and for the avoidance of any doubt, the consolidated profit before tax must include the attributable profit before tax from associates. The licence fee or royalty paid pursuant to licence agreement described above shall not be included as an expense item to be deducted from the profit. This call option agreement will be in force until 31 December 2015.

This call option agreement is governed by the laws of Malaysia.

MATERIAL CONTRACTS

The following summary of the material terms of all those contracts to which the Company and certain of its subsidiaries are a party and which are considered material for the purposes of this document.

As the Group operates in more than 60 countries worldwide and many of the Group's subsidiaries transact business in currencies other than the euro, some of the material contracts summarised under this "Material Contracts" section are expressed in currencies other than euro. These currencies have been converted into euro for information purposes by applying the average exchange rate applicable on the date of the relevant agreements according to Bloomberg Composite Rate. The Bloomberg Composite Rate is a "best market" calculation in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements of the Group and other financial information appearing in this document. No representation is made that the euro could have been, or could be, converted into the currencies that appears in this "Material Contracts" section, at that rate or any other rate.

Financing arrangements

Syndicated Loan Facilities

On 27 November 2007, the Company, as original borrower and original guarantor, and certain other companies of the Group, as obligors, entered into: (i) a senior facilities agreement with, amongst others, a group of lenders and Société Générale, London Branch, as agent and security agent, for a total amount of €790,160,334 and US$215,000,000 (approximately €145,082,000) (as amended and restated from time to time, the "**Senior Facilities Agreement**"); and (ii) a mezzanine facility agreement with, amongst others, Intermediate Capital Group PLC and Intermediate Finance II PLC, as original lenders, Intermediate Capital Group PLC, as agent, and Société Générale, London Branch, as security agent, for a total amount of €150,000,000 (as amended and restated from time to time, the "**Mezzanine Facility Agreement**") (the Senior Facilities Agreement and the Mezzanine Facility Agreement will be jointly and indistinctly referred to as the "**Syndicated Loan Facilities**"). The proceeds received from the Admission, together with those received from the New Facilities, will be used to repay and cancel the Syndicated Loan Facilities in full.

The following subsidiaries of the Group, amongst others, acted as obligors and guarantors under the Syndicated Loan Facilities: Libertytown USA Finco Inc., Libertytown Germany GmbH, Applus Servicios Tecnológicos, S.L.U., Applus Iteuve Technology, S.L.U., IDIADA Automotive Technology, S.A., LGAI Technological Center, S.A., Applus Norcontrol, S.L.U., Applus Iteuve Euskadi, S.A., Applus Technologies, Inc., Libertytown USA 1 Inc., Applus Inc., Röntgen Technische Dienst Holding B.V., K1 Katsastajat Oy, RTD Holding Deutschland GmbH, Applus RTD Deutschland Inspektionsgesellschaft mbH, RTD Quality Services Canada Inc., Novotec Consultores, S.A., Applus Danmark A/S, Applus Services, S.A., Arctosa Holding B.V., Applus RTD UK Limited, Applus RTD UK Holding Limited, Libertytown USA 2 Inc., JANX Holding Inc., JAN X-Ray Services Inc., JANX Integrity Group Inc., Spection LLC, Quality Inspection Services Inc., and Valley Industrial X-Ray and Inspection Inc. Amongst other securities, pledges were granted over the shares of the aforementioned Group subsidiaries in favour of the lenders under the Syndicated Loan Facilities.

The Senior Facilities Agreement is structured in five different facilities: (i) Facility B1 of €465,160,334; (ii) Facility B2 of US$215,000,000 (approximately €145,082,000); (iii) Facility D of €100,000,000; (iv) Capex/Acquisition Facility, subdivided in Capex/Acquisition Facility 1 of €2,660,877.09, GBP1,233,638.90 (approximately €1,719,076) and US$4,170,778 (approximately €2,814,441) and Capex/Acquisition Facility 2 of €44,977,163.65, GBP19,558,027.76 (approximately €27,254,112) and US$66,123,233.68 (approximately €44,619,958); and (v) Revolving Facility, subdivided in Revolving Facility 1 of €10,500,000 and Revolving Facility 2 of €64,500,000.

The facilities of the Senior Facilities Agreement will mature as follows: (i) Facilities B1 and B2 on 29 May 2016; (ii) Facility D on 29 May 2017; (iii) Capex/Acquisitions Facility 1 on 29 November 2014; (iv) Capex/Acquisitions Facility 2 on 29 May 2016; (v) Revolving Facility 1 on 29 November 2014; and (vi) Revolving Facility 2 on 29 May 2016.

The Mezzanine Facility Agreement is structured in two different tranches: (i) Tranche 1 of €100,000,000; and (ii) Tranche 2 of €50,000,000. The tranches of the Mezzanine Facility Agreement will mature on 29 November 2017.

The total outstanding amount under the Syndicated Loan Facilities was €1,080,575,508 as of 31 December 2013. The €700,000 thousand Term Loan Facility comprised in the New Facilities will be used by the Company to partially repay the Syndicated Loan Facilities.

Purpose

Borrowings under the Senior Facilities Agreement were used as follows: (i) Facilities B1, B2 and D for, amongst others, the payment of part of the purchase price for the acquisition of the Group by Azul Holding in 2007; (ii) Capex/Acquisition Facilities 1 and 2 for, amongst others, the financing or refinancing of certain capital expenditures; and (iii) Revolving Facilities 1 and 2 for, amongst others, the financing of general corporate and working capital purposes of the Group.

Borrowings under the Mezzanine Facility Agreement were used for the payment of part of the purchase price for the acquisition of the Group by Azul Holding in 2007 and related acquisition costs (which will be fully repaid by applying the proceeds of the offering and the Group's existing cash).

Interest

The facilities under the Syndicated Loan Facilities bear interest for each of the interest periods respectively set out in the Senior Facilities Agreement and the Mezzanine Facility Agreement at a percentage rate per annum in the aggregate of the applicable margin, EURIBOR (for borrowings in euros) or LIBOR (for borrowings in currencies other than euro) and certain compliance costs. The aggregate interest rate applicable in 2013 under the Syndicated Loan Facilities amounted to 4.04 per cent. (excluding derivative costs) or 4.66 per cent. (including derivative costs).

Covenants

The Syndicated Loan Facilities requires the obligors thereunder to comply with the following financial covenants at a consolidated level: (i) "Consolidated EBITDA" to "Consolidated Net Finance Charges" ratios described in the Syndicated Loan Facilities in respect of each Relevant Period of the Syndicated Loan Facilities; and (ii) "Consolidated Total Net Debt" to "Consolidated EBITDA" ratios described in the Syndicated Loan Facilities in respect of each Relevant Period of the Syndicated Loan Facilities.

Events of Default

The Syndicated Loan Facilities sets out customary events of default including, amongst others, non-payment on the due date, failure to comply with financial covenants (subject to equity cure provisions and deemed remedy provisions contained therein), cross-default in connection with any financial indebtedness described in the Syndicated Loan Facilities over €17,500,000 and insolvency of any of the companies of the Group representing 5 per cent. or more of the Group's EBITDA or gross tangible assets.

Security

All obligors under the Syndicated Loan Facilities have granted security over their respective shares, bank accounts and other certain assets to secure any outstanding obligations thereunder.

Governing Law

The Syndicated Loan Facilities are governed by the laws of England.

New Facilities Agreement

Please see "*Operating and Financial Review — Liquidity and Capital Resources — Indebtedness*" for further information regarding the New Facilities Agreement entered into by the Company on 7 April 2014.

Factoring agreement with Standard Chartered Bank of Malaysia Bhd.

On 7 September 2012, Velosi Industries Sdn Bhd. entered into a recourse factoring agreement with Standard Tableered Bank of Malaysia Bhd. for the discount of invoices sold on an open account basis with respect to certain customers of the Applus+ Velosi segment, with a current credit limit of US$20,000,000 (approximately

€15,604,000), of which US$19,539,000 (approximately €15,244,328) was outstanding as of 31 December 2013. Financing of sales invoices for the benefit of 47 subsidiaries in the Velosi division is permitted under this factoring agreement.

Borrowings under the factoring agreement will mature on 21 June 2014. Outstanding amounts under this agreement bear an annual interest at a rate of the cost of funding plus 1.5 per cent.

The factoring agreement sets out customary events of default including, amongst others, non-payment on the due date and insolvency of Velosi Industries Sdn Bhd.

Off-balance sheet bank guarantee line with CaixaBank, S.A.

On 29 November 2007, Applus Servicios Tecnológicos, S.L.U., Applus Iteuve Technology, S.L.U., LGAI Technological Center, S.A. and Applus Norcontrol, S.L.U., as joint and several guaranteed parties, entered into a framework bank guarantee line agreement ("*póliza de contragarantía para líneas de avales*") in customary terms with CaixaBank, S.A. (formerly, Caja de Ahorros y Pensiones de Barcelona), as guarantor, for an indefinite period. Pursuant to the last amendment of the agreement dated 29 November 2013, the current total credit line limit thereunder amounts to €35,000,000, of which €29,178,679 was outstanding as of 31 December 2013.

Pursuant to this framework bank guarantee line agreement, the guarantor undertakes to grant individual bank guarantees on behalf of the guaranteed parties in favour of certain contractual third party beneficiaries up to the agreed credit line limit.

Outstanding amounts under this agreement bear an annual nominal interest at a rate of 1.4 per cent. and 2.6 per cent. for, respectively, technical and financial-commercial bank guarantees.

Joint venture agreements

IDIADA Automotive Technology, S.A.

On 5 August 1999, Applus Servicios Tecnológicos, S.L.U. was awarded shareholdings representing 80 per cent. of the capital stock of IDIADA Automotive Technology, S.A. in the public tender promoted on 31 March 1999 by Institut d'Investigació Aplicada de l'Automòbil (IDIADA), an entity related to the regional government of Catalonia ("*Generalitat de Catalunya*"). The remaining shareholdings representing 20 per cent. of the capital stock of IDIADA Automotive Technology, S.A. were initially held by IDIADA. The main corporate purpose of IDIADA Automotive Technology, S.A. is the provision of testing, research, development, quality control, certification and other similar services in the automotive industry.

Pursuant to Act 11/2011 *("Ley 11/2011, del 29 de diciembre, de reestructuración del sector público para agilizar la actividad administrativa")* passed by the regional Parliament of Catalonia on 29 December 2011, IDIADA was formally dissolved and the regional government of Catalonia was subrogated in all of its rights and obligations. On 13 December 2012, such shareholdings representing 20 per cent. of the capital stock of IDIADA Automotive Technology, S.A. were contributed by the regional government of Catalonia to Empresa de Promoció i Localització Industrial de Catalunya, S.A. (AVANÇSA), a publicly held company related to the regional government of Catalonia.

See "*Material Contracts — Concessions and exclusive mandates — Applus+ IDIADA*" for further information regarding (i) the concession granted to Applus Servicios Tecnológicos, S.L.U. by the regional government of Catalonia; and (ii) the services agreement entered into by and between the regional government of Catalonia and IDIADA Automotive Technology, S.A. in connection therewith.

On 8 September 1999, Applus Servicios Tecnológicos, S.L.U. and IDIADA entered into a shareholders' agreement in order to regulate their relationships as shareholders of IDIADA Automotive Technology, S.A. This shareholders' agreement is currently in force and fully applicable between Applus Servicios Tecnológicos, S.L.U. and AVANÇSA.

The shareholders' agreement regulates, amongst others, the composition and organisation of the board of directors of IDIADA Automotive Technology, S.A., the voting majorities and quorum required by the general shareholders' meeting and the board of directors, and the dividend distribution and share transfer restrictions policies.

Pursuant to the shareholders' agreement, the board of directors of IDIADA Automotive Technology, S.A. must comprise a minimum of five and a maximum of nine directors. The shareholders of IDIADA Automotive Technology, S.A. are entitled to appoint a number of directors pro rata to their shareholding in IDIADA Automotive Technology, S.A. Notwithstanding the foregoing, AVANÇSA, is entitled to appoint at least two directors.

The shareholders' agreement will terminate on 8 September 2019. However, it may be extended by mutual agreement of the shareholders.

The shareholders' agreement will be terminated, amongst others things: (i) if the services agreement entered into between IDIADA Automotive Technology, S.A. and the regional government of Catalonia terminates or any third party replaces IDIADA Automotive Technology, S.A. in such agreement; (ii) at the request of the regional government of Catalonia if Applus Servicios Tecnológicos, S.L.U. or any other successor thereof is replaced by a third party pursuant to a merger or spin off and such third party does not meet the requirements for the transfer of shares under the shareholders' agreement as described below; (iii) at the request of the regional government of Catalonia, if Applus Servicios Tecnológicos, S.L.U. or any company which, directly or indirectly, has effective control over it, ceases to meet all the requirements set out in the tender offer conditions in relation to the concession; or (iv) if the conditions for the transfer of shares under the shareholders' agreement are not met.

Any change of control in Applus Servicios Tecnológicos, S.L.U. or any transfer of its shares will have to be previously authorised by AVANÇSA provided that the following requirements are met: (i) the potential acquirer is legally entitled to contract with the governmental authorities according to Spanish laws and the transfer of the shares is approved by the representatives of the regional government of Catalonia in the board of directors of IDIADA Automotive Technology, S.A.; (ii) the potential acquirer adheres to the shareholders' agreement; (iii) the transfer of the shares does not alter the economic and technical solvency of IDIADA Automotive Technology, S.A.; and (iv) the acquirer does not affect the independence and neutrality of IDIADA Automotive Technology, S.A.

This shareholders' agreement is governed by the applicable laws of Catalonia.

LGAI Technological Center, S.A.

On 5 February 2003, Applus Servicios Tecnológicos, S.L.U. was awarded shareholdings representing 60 per cent. of the capital stock of LGAI Technological Center, S.A. in the public tender of 25 September 2002 by Laboratori General d'Assaigs i Investigacions (LGAI), an entity related to the regional government of Catalonia ("*Generalitat de Catalunya*"). The remaining shareholdings representing 40 per cent. of the capital stock of LGAI Technological Center, S.A. were initially held by LGAI. The share capital of LGAI Technological Center, S.A. was increased in 2004 and 2005 and, as a result, Applus Servicios Tecnológicos, S.L.U. acquired a shareholding representing 95 per cent. of the capital stock of LGAI Technological Center, S.A. The main corporate purpose of LGAI Technological Center, S.A. is the provision of testing, analysis, calibration, technological innovation, quality control, certification, inspection and other similar services.

Pursuant to Act 11/2011 *("Ley 11/2011, del 29 de diciembre, de reestructuración del sector público para agilizar la actividad administrativa")* passed by the regional Parliament of Catalonia on 29 December 2011, LGAI was formally dissolved and the regional government of Catalonia was subrogated in all of its rights and obligations.

See "*Material Contracts — Concessions and exclusive mandates — Applus+ LGAI*" for further information regarding (i) the concession granted to Applus Servicios Tecnológicos, S.L.U. by the regional government of Catalonia; and (ii) the services agreement entered into by and between the regional government of Catalonia and IDIADA Automotive Technology, S.A. in connection therewith.

On 29 May 2003, Applus Servicios Tecnológicos, S.L.U. entered into a shareholders' agreement with LGAI in order to regulate their relationships as shareholders of LGAI Technological Center, S.A.

The shareholders' agreement regulates, amongst others, the composition and organisation of the board of directors of LGAI Technological Center, S.A., the voting majorities and quorum required by the general shareholders' meeting and the board of directors and the dividend distribution and share transfer restrictions policies.

Pursuant to the shareholders' agreement, the board of directors of LGAI Technological Center, S.A. must comprise of a minimum of five and a maximum of nine directors. The shareholders of LGAI Technological

Center, S.A. are entitled to appoint a number of directors pro rata to their shareholding in LGAI Technological Center, S.A. Notwithstanding the foregoing, the regional government of Catalonia is entitled to appoint at least two directors from time to time.

The shareholders' agreement will be in full force and effect for so long as the services agreement entered into between LGAI (currently replaced by the regional government of Catalonia) and LGAI Technological Center, S.A. continues to be in force.

The shareholders' agreement will be terminated, amongst other things: (i) if any third party replaces LGAI Technological Center, S.A. in the services agreement entered into by and between LGAI (currently replaced by the regional government of Catalonia) and LGAI Technological Center, S.A.; (ii) at the request of the regional government of Catalonia in case Applus Servicios Tecnológicos, S.L.U. or any other successor thereof is replaced by a third party pursuant to a merger, spin off or change of control without previously notifying the regional government of Catalonia and such third party does not meet the requirements for the transfer of shares under the shareholders' agreement, as described in the paragraph below; (iii) at the request of the regional government of Catalonia, if Applus Servicios Tecnológicos, S.L.U. or any company which, directly or indirectly, has effective control over it, ceases to meet all the requirements set out in the tender offer conditions in relation to the concession; or (iv) if the conditions for the transfer of shares under the shareholders' agreement are not met.

Among others, any change of control in Applus Servicios Tecnológicos, S.L.U. and any transfer of its shares will have to be previously authorised by the regional government of Catalonia, provided that the following requirements are met: (i) the potential acquirer is legally entitled to contract with the governmental authorities according to Spanish laws and the transfer of the shares is approved by the representatives of the regional government of Catalonia in the board of directors of LGAI Technological Center, S.A.; (ii) the potential acquirer adheres to the shareholders' agreement; (iii) the transfer of the shares does not alter the economic and technical solvency of LGAI Technological Center, S.A., and (iv) the acquirer does not affect the independence and neutrality of LGAI Technological Center, S.A..

This shareholders' agreement is governed by the applicable laws of Catalonia.

Velosi Angola Prestaçao de Serviços, LDA.

On 16 January 2007, Applus Velosi America, LLC, Rubelda Comercial — Comércio Geral Limitada and Estrich Enterprises Limited entered into a shareholders' agreement with respect to Velosi Angola Prestaçao de Serviços, LDA., whose main corporate purpose is the provision of quality assurance and quality control services to the oil and gas industry in Angola. Pursuant to a settlement and release agreement dated on 28 October 2009, Applus Velosi America, LLC acquired the entire shareholdings held by Estrich Enterprises Limited, representing 5 per cent. of the issued capital stock of Velosi Angola Prestaçao de Serviços, LDA. Such acquisition was approved by the National Private Investment Agency of Angola on 15 May 2013. Currently, the shareholders of Velosi Angola Prestaçao de Serviços, LDA. are Applus Velosi America, LLC with a shareholding representing 49 per cent. of its capital stock, and Rubelda Comercial — Comércio Geral Limitada with a shareholding representing 51 per cent. of its capital stock. As of the date of this document and pursuant to this acquisition, this shareholders' agreement is being renegotiated.

The shareholders' agreement regulates, amongst others, the transfer and pledge of the shares of Velosi Angola Prestaçao de Serviços, LDA., the appointment of directors and members of the board and the management of the business.

Pursuant to the current shareholders' agreement, the board of directors of Velosi Angola Prestaçao de Serviços, LDA. must comprise three directors: two appointed by Velosi America, LLC and one appointed by Rubelda Comercial — Comércio Geral Limitada. The current shareholders' agreement determines that the chairman of the board of directors will be one of the directors appointed by Velosi America, LLC from time to time.

Pursuant to the current shareholders' agreement, dividends are paid by Velosi Angola Prestaçao de Serviços, LDA. on an annual basis in the following proportions: Velosi America, LLC is entitled to 70 per cent. of the total dividends distributed, Rubelda Comercial — Comércio Geral Limitada to 25 per cent. and Estrich Enterprises Limited to 5 per cent. The losses of the company are shared between the shareholders in proportion to the nominal value of their respective shares.

Pursuant to the current shareholders' agreement, Rubelda Comercial — Comércio Geral Limitada and Estrich Enterprises Limited have undertaken to execute an irrevocable power of attorney granting Velosi America, LLC an irrevocably and discretionally right to transfer the respective shares of Rubelda Comercial — Comércio Geral Limitada and Estrich Enterprises Limited in Velosi Angola Prestaçao de Serviços, LDA.

The shareholders' agreement will be terminated, amongst others, (i) if a dispute arises between Velosi America, LLC and any other shareholder; (ii) if Velosi Angola Prestaçao de Serviços, LDA. is dissolved; or (iii) if Velosi America, LLC exercises its buy-sell option right. This buy-sell option right is a right triggered in the event of an ongoing dispute between the shareholders and pursuant to which, Velosi America, LLC is entitled to either buy all of the shares from the other shareholders or to sell its own shares to the other shareholders at a price determined by an auditing firm of international repute.

This shareholders' agreement is governed by the laws of Angola.

Acquisitions

TesTex Inspection, LLC

On 12 December 2013, Applus Velosi America, LLC, as purchaser, and certain individuals, as sellers, entered into a share sale and purchase agreement whereby the former acquired the shares representing the entire issued capital stock of TesTex Inspection, LLC for an aggregate purchase price of US$10,000,000 (approximately €7,273,000), subject to any adjustments and any earn-outs payable thereunder and up to a maximum aggregate purchase price of US$16,000,000 (approximately €11,636,800).

TesTex Inspection, LLC is a limited liability company existing under the laws of the Commonwealth of Pennsylvania (United States) and its principal activity is the provision of specialised personnel services for pipeline, utility, chemical and oil and gas companies. This company has been integrated into the Applus+ Velosi segment.

Except for representations and warranties made in connection with, amongst others, tax and environmental matters, which have longer survival periods, any representations and warranties made by the parties under this agreement generally survive for 18 months after the closing date of the transaction. Applus Velosi America, LLC is generally not entitled to recover losses from the sellers amounts: (i) in excess of US$3,000,000 (approximately €2,181,900) plus any earn-outs payable under the agreement, in connection with the breach of any representations and warranties other than those referred to in (ii); and (ii) in excess of US$10,000,000 (approximately €7,273,000) plus any earn-outs payable under the agreement, in connection with the breach of labour and employment representations and warranties.

This share sale and purchase agreement is governed by the laws of the Commonwealth of Pennsylvania (United States).

Applus Velosi OMS Co. Ltd.

On 20 November 2013, Velosi Industries Sdn Bhd, as purchaser, and, amongst others, certain individuals, as sellers, entered into a share sale purchase agreement whereby the former acquired the shares representing 66.6 per cent. of the issued capital stock of Applus Velosi OMS Co. Ltd. for an aggregate purchase price of 86,580,000 South Korean Won (approximately €60,885), subject to any earn-outs payable thereunder.

Applus Velosi OMS Co. Ltd. is a company existing under the laws of Korea and its principal activity is the provision of offshore safety training services in the oil and gas sector. This company has been integrated into the Applus+ Velosi segment.

Velosi Industries Sdn Bhd must pay the seller an earn-out for an amount to be determined on the basis of the revenue of Applus Velosi OMS Co. Ltd. for years 2014, 2015 and 2016, as set forth in the agreement. The earn-out may not exceed US$2,000,000 (approximately €1,488,200) and will not be payable if the seller fails to fulfil certain undertakings under the agreement.

A shareholders' agreement with respect to Applus Velosi OMS Co. Ltd. was entered into on 12 December 2013 between the company's shareholders pursuant to the share purchase agreement. The shareholders' agreement sets out the terms and conditions for the operation and management of Applus Velosi OMS Co. Ltd., including, amongst others, corporate governance, restrictions on transfer of shares and certain non-compete provisions.

The share purchase agreement and the shareholders' agreement are both governed by the laws of Korea.

A-Inspektion A/S

On 18 November 2013, Applus Danmark A/S, as purchaser, and A-Katsastus Oy, as seller, entered into a share sale and purchase agreement whereby the former acquired the shares representing the entire issued capital stock of A-Inspektion A/S for a total purchase price of €349,957, subject to certain adjustments.

A-Inspektion A/S is a limited liability company existing under the laws of Denmark and its principal activity is the provision of statutory vehicle inspection services. This company has been integrated into the Applus+ Automotive segment.

Except for representations and warranties made in connection with, amongst others, tax matters, which have longer survival periods, any representations and warranties made by the parties under this agreement generally survive for an 18-month period after the closing date of the transaction. Applus Danmark A/S is generally not entitled to recover losses from the sellers in excess of €100,000 under this agreement. However, losses arising in connection with, amongst others, certain antitrust matters, termination of certain contracts and breach of the seller's tax and indebtedness representations and warranties, will be recovered by the purchaser up to approximately €250,000. Such limit does not apply to any losses arising in connection with the seller's tax and indebtedness representations and warranties.

This share sale and purchase agreement is governed by the laws of Denmark.

Shanghai EDI Automotive Technology Co. Ltd.

On 14 December 2012, IDIADA Automotive Technology Services Shanghai Co., Ltd., as purchaser, and, amongst others, Shanghai EDI Automotive Technology Co. Ltd., as seller, entered into an asset and business transfer agreement whereby the former acquired certain assets, business contracts, employment agreements and goodwill required for conducting the latter's vehicle design and engineering business, for a total purchase price of 31,500,000 Chinese Renmibi (approximately €3,831,345), subject to any earn-outs payable thereunder. The business transferred by Shanghai EDI Automotive Technology Co. Ltd. was integrated in the Applus+ IDIADA segment.

IDIADA Automotive Technology Services Shanghai Co., Ltd must pay the seller two earn-outs respectively in 2014 and 2015 for an amount to be determined on the basis of the contract revenue, as set forth in the agreement. The earn-outs will be deemed as a variable part of the purchase price and may not exceed 9,500,000 Chinese Renmibi (approximately €1,155,485) in the aggregate. As of the date of this document, no earn-out payments have been made by IDIADA Automotive Technology Services Shanghai Co.

The representations and warranties made by the seller pursuant to this asset and business transfer agreement survived until 16 January 2013. The seller's confidentiality and non-compete obligations thereunder survive indefinitely. The parties are entitled to recovery for any losses arising in connection with the breach of any obligations or any representations and warranties under the agreement. The ultimate beneficial owners of the seller personally guarantee all of the seller's obligations and will be jointly and severally liable vis-à-vis IDIADA Automotive Technology Services Shanghai Co., Ltd. for any breaches thereof.

Several lease agreements with respect to certain offices and equipment premises owned by the seller in Shanghai and certain other offices and residential premises in Liuzhou and Chongqing were entered into by IDIADA Automotive Technology Services Shanghai Co., Ltd., as lessee, pursuant to the asset and business transfer agreement.

This asset and business transfer agreement is governed by the laws of the People's Republic of China.

BKW Group

On 27 July 2011, LGAI Technological Center, S.A. and Applus LGAI Germany GmbH, as purchasers, Applus Servicios Tecnológicos, S.L.U., as guarantor, and certain individuals, as sellers, entered into a share sale and purchase agreement whereby (i) Applus LGAI Germany GmbH acquired the shares representing the entire issued capital stock of BK Werkstofftechnik — Prüfstelle für Werkstoffe GmbH and the shares representing 99 per cent. of the issued capital stock of Burek & Partner GbR; and (ii) LGAI Technological Center, S.A. acquired the shares representing 1 per cent. of the issued capital stock of Burek & Partner GbR, for an aggregate purchase price of €3,048,000, subject to any adjustments and any earn-outs payable thereunder and up to a maximum aggregate purchase price of €5,350,000.

BK Werkstofftechnik — Prüfstelle für Werkstoffe GmbH is a limited liability company and Burek & Partner GbR is a private partnership ("*Gesellschaft bürgerlichen Rechts*"), both existing under the laws of Germany. Their principal activity is the performance of material testing and they have been integrated into the Applus+ Laboratories segment.

Applus LGAI Germany GmbH undertook to pay the sellers two earn-outs respectively in 2012 and 2013 for an amount determined on the basis of certain revenues for the 2011 and 2012 fiscal years, as set forth in the agreement. The earn-outs payable under the share sale and purchase agreement were limited to a maximum aggregate amount of €2,302,000. In 2012, a first earn-out of €2,302,000 was paid to the sellers. Since the maximum agreed aggregate amount was covered with this first earn-out payment, no second earn-out was accrued.

Except for tax representations and warranties, which have longer survival periods, any representations and warranties made by the parties under this agreement generally survive for a 3-year period after the closing date of the transaction. The purchasers are generally not entitled to recover losses from the sellers in excess of 50 per cent. of the closing purchase price of the transaction. However, losses arising in connection with the breach of the sellers' tax representations and warranties, will be subject to an aggregate limit equal to the closing purchase price of the transaction.

The share sale and purchase agreement is governed by the laws of Germany.

Qualitec Engenharia de Qualidade, Ltda.

On 3 May 2011, RTD Brasil Investimentos Ltda., as purchaser, and certain individuals, as sellers, entered into a quotas sale and purchase agreement with respect to the quotas of Qualitec Engenharia de Qualidade, Ltda. Such agreement was amended on 19 December 2011. Pursuant to such agreement, RTD Brasil Investimentos Ltda. acquired the quotas representing the entire issued capital stock of Qualitec Engenharia de Qualidade, Ltda. for a total purchase price of 10,400,000 Brazilian Reais (approximately €4,495,816), subject to any earn-outs payable thereunder.

Qualitec Engenharia de Qualidade, Ltda. is a limited liability company existing under the laws of Brazil and its principal activity is the performance of NDT. This company was initially integrated into the Applus+ RTD segment, but was indirectly transferred to the Applus+ Norcontrol segment pursuant to the intragroup quotas sale and purchase agreement entered into between Röntgen Technische Dienst Holding B.V., as seller, and Ringal Invest, S.L., as purchaser, with respect to the former's shareholding in RTD Brasil Investimentos Ltda.

Subject to certain exceptions set out in the quotas sale and purchase agreement of the quotas of Qualitec Engenharia de Qualidade, Ltda., RTD Brasil Investimentos Ltda. undertook to pay the seller three earn-outs respectively in 2011, 2012 and 2014 for an amount determined on the basis of the revenue of Qualitec Engenharia de Qualidade, Ltda. in years 2011, 2012, 2013 and 2014, as set forth in the agreement. The aggregate purchase price under the agreement, including any payable earn-outs, may not exceed 52,400,000 Brazilian Reais (approximately €22,651,996). As of the date of this document, no earn-outs payments have been made by the Group.

The representations and warranties made by the sellers pursuant to this quotas sale and purchase agreement will survive for a 5-year period after the Closing Date (as defined therein). The purchaser is entitled to recovery for any losses arising in connection with the breach of any obligations or any representations and warranties under the agreement.

The quotas sale and purchase agreement is governed by the laws of Brazil.

Kiefner & Associates, Inc.

On 16 November 2011, Libertytown USA 2, Inc., as purchaser, and, amongst others, certain individuals, as sellers, entered into a stock purchase agreement whereby the former acquired the shares representing the entire issued capital stock of Kiefner & Associates, Inc. for a total purchase price of US$1,857,000 (approximately €1,373,437) as fixed based price, plus US$299,175.19 (approximately €221,270), subject to any adjustments and earn-outs payable thereunder.

Kiefner & Associates, Inc. is a corporation existing under the laws of the State of Ohio (United States) and its principal activity is the provision of engineering and failure analysis services. The corporation is integrated in the Applus+ RTD segment.

Libertytown USA 2, Inc. undertook to pay the sellers two earn-outs respectively in 2012 and 2013 for an amount determined on the basis of the revenue of Kiefner & Associates, Inc. for years 2011 and 2012, as set forth in the agreement. A US$2,400,000 (approximately €1,775,040) earn-out has been paid by Libertytown USA 2, Inc. on 2013.

Except for representations and warranties made in connection with, amongst others, tax and environmental matters, which have longer survival periods, any representations and warranties made by the parties under this agreement generally survive for a 2-year period after the Closing Date (as defined therein). Libertytown USA 2, Inc. is generally not entitled to recover losses from the sellers in excess of an amount equal to the aggregate purchase price and any earn-outs payable under this agreement.

This stock purchase agreement is governed by the laws of the State of Ohio (United States).

John Davidson & Associates Pty Ltd. and JDA Wokman Ltd.

Libertytown Australia Pty Ltd., as purchaser, and, amongst others, certain individuals, as sellers, entered into (i) a share sale and purchase agreement dated 30 November 2011, whereby the former acquired shares respectively representing 70 per cent. of the issued capital stock of John Davidson & Associates Pty Ltd., JDA Wokman Ltd. and, indirectly, of PT JDA Indonesia, for a total purchase price of US$2,000,000 (approximately €1,487,400), subject to any adjustments and performance incentives payable thereunder; and (ii) a share sale and purchase agreement dated 17 July 2013, whereby the former exercised its call option rights under the share sale and purchase agreement described in (i) and acquired the shares respectively representing the remaining issued capital stock of John Davidson & Associates Pty Ltd. and JDA Wokman Ltd. and, indirectly, the shares representing 29.92 per cent. of the issued capital stock of PT JDA Indonesia, for a total purchase price of 3,000,000 Australian dollars (approximately €2,287,200).

John Davidson & Associates Pty Ltd. is a proprietary limited liability company existing under the laws of Queensland (Australia), JDA Wokman Ltd. is a company existing under the laws of Papua New Guinea and PT JDA Indonesia is a company existing under the laws of Indonesia. Their principal activity is the provision of specialised recruitment services and they have all been integrated into the Applus+ Velosi segment.

Pursuant to the share sale and purchase agreement dated 30 November 2011, the purchaser undertook to pay the sellers an earn-out for an amount determined on the basis of the revenues of John Davidson & Associates Pty Ltd., JDA Wokman Ltd. and PT JDA Indonesia for years 2010, 2011 and 2012, as set forth in the agreement. An earn-out for a total amount of 3,550,000 Australian dollars (approximately €2,668,400) has been paid by the Group thereunder. Payment of an additional 450,000 Australian dollars (approximately €343,080) earn-out is pending as of the date of this document.

Except for tax representations and warranties, which will survive until 30 November 2017, there are no other representations and warranties biding between the parties under the share sale and purchase agreement dated 30 November 2011. Representations and warranties made by the seller under the share sale and purchase agreement dated on 17 July 2013 remain in full force and effect on and after 17 July 2013. The purchaser is entitled to recovery for any losses arising in connection with the breach of any obligations or any representations and warranties under the agreements.

Both share sale and purchase agreements are governed by the laws of Queensland (Australia).

Divestments

Agrofood Business

The Company, LGAI Technological Center, S.A., Applus Norcontrol, S.L.U., Applus Portugal, Ltda. and Applus Quality Inspection Co, Ltd., as sellers, and Eurofins Food Testing Spain, S.L., Eurofins Análisis Alimentario, S.L., Eurofins Product Testing Spain, S.L., Eurofins Product Testing Service (Shanghai) Co, Ltd. and Eurofins Technology Services (Suzhou) Co, Ltd., as purchasers, entered into a master agreement dated 14 March 2014, whereby the formers sold the Group's agrofood testing business (a business that was part of the Applus+

Laboratories segment and includes two laboratories of the Group), as detailed in the paragraph below, to the purchasers, for a total purchase price of €10,394,000. An upfront consideration of €8,244,000 will be paid on the completion date of the transaction, which will occur on or before 30 April 2014 and could be extended until 31 May 2014. The remaining €2,150,000 will be held in escrow to secure any liability or obligation in connection with any price adjustments, payment of certain costs and representations and warranties guarantee, as set forth therein.

The agrofood testing business comprises: (i) 100 per cent. of the shares of Laibaranatura, S.L. and its holding of 75.42 per cent. of the shares of Applus Agroambiental, S.A.; (ii) the food testing business of LGAI Technological Center, S.A. and Applus Norcontrol, S.L.U., as detailed therein; (iii) the consumer testing business and related consulting businesses of LGAI Technological Center, S.A. and Applus Norcontrol, S.L.U., as detailed therein; (iv) the cost centre business of Natura Management, as defined therein, (v) the testing distribution business Applus Portugal, Ltda., as detailed therein; (vi) the consumer inspection, sensorial testing business of Applus Quality Inspection Co, Ltd., as detailed therein; and (vii) the consumer product testing laboratory business of Applus Quality Inspection Co, Ltd., as detailed therein.

On the completion date of the transaction, the parties undertake to execute: (i) a share purchase agreement to be entered into LGAI Technological Center, S.A., as seller, and Eurofins Food Testing Spain, S.L., as purchaser, whereby the latter will acquire shares respectively representing 100 per cent. of the issued capital stock of Laibaranatura, S.L.; (ii) nine business purchase agreements related to the food, food sensorial, distribution, consumer and consumer testing businesses in Spain, Portugal and China, including two laboratories of the Group; (iii) a transactional services agreement; and (iv) several sublease agreements.

The master agreement is governed by the laws of the Kingdom of Spain.

Concessions, governmental authorisations, exclusive mandates and related agreements

Applus+ IDIADA

Applus Servicios Tecnológicos, S.L.U. was awarded 80 per cent. of the capital stock of IDIADA Automotive Technology, S.A., a company publicly tendered by Institut d'Investigació Aplicada de l'Automòbil (IDIADA) on 31 March 1999.

According to the tender document, Applus Servicios Tecnológicos, S.L.U. will cease in its condition as tenderer, if, amongst others, it breaches any of the obligations set forth thereunder and, in particular, those related to the assignment of the condition of tenderer.

Pursuant to the tender agreement, on 8 September 1999, IDIADA and IDIADA Automotive Technology, S.A. entered into a services agreement whereby the latter undertook to provide certain testing, research, development, quality control, certification and similar services in the automotive sector. Pursuant to Act 11/2011 *("Ley 11/2011, del 29 de diciembre, de reestructuración del sector público para agilizar la actividad administrativa")* passed by the regional Parliament of Catalonia on 29 December 2011, IDIADA was formally dissolved and the regional government of Catalonia was subrogated in all of its rights and obligations under the services agreement.

The services agreement (as amended from time to time) is valid until 2024 and may be extended for successive 5-year periods until 2049.

Pursuant to the services agreement, IDIADA (currently replaced by AVANÇSA) has authorised IDIADA Automotive Technology, S.A. to use several publicly-owned premises, equipment, facilities and other assets attached to the services to be performed thereunder, subject to the quarterly payment of a fee by IDIADA Automotive Technology, S.A. IDIADA (currently replaced by AVANÇSA) manages and controls the use of said premises, equipment, facilities and assets and sets out mandatory guidelines for the performance of the services contracted under the agreement.

IDIADA Automotive Technology, S.A. has undertaken an obligation to annually invest at least 5 per cent. of its annual turnover in the expansion of the services contracted under the agreement and in the development of new services. IDIADA Automotive Technology, S.A. is also obliged to contract and maintain any insurance policies required under the services agreement in order to cover the risk of any potential liabilities that may arise in connection with the provision of the contracted services or the use of any publicly-owned assets.

The services agreement may be early terminated by the regional government of Catalonia, amongst others, in the event: (i) a merger or spin off of IDIADA Automotive Technology, S.A. occurs without its prior consent; or (ii) the successor of IDIADA Automotive Technology, S.A. in any such merger or spin off is not legally entitled to contract with governmental authorities in accordance with the applicable laws in Spain.

Upon termination of the services agreement, the regional government of Catalonia will immediately recover the exclusive use of the publicly-owned premises, equipment, facilities and other assets attached to the services to be performed thereunder and IDIADA Automotive Technology, S.A. will lose the right to provide any of the contracted services.

The tender document and the services agreement are both governed by the applicable laws of Catalonia.

Applus+ Laboratories

Applus Servicios Tecnológicos, S.L.U. was awarded 60 per cent. of the capital stock of LGAI Technological Center, S.A., a company publicly tendered by Laboratori General d'Assaigs i Investigacions (LGAI) on 25 September 2002. The capital stock of LGAI Technological Center, S.A. was increased in accordance with the tender document and Applus Servicios Tecnológicos, S.L.U. acquired shareholdings amounting to 95 per cent. of the company's issued capital stock.

According to the tender document, Applus Servicios Tecnológicos, S.L.U. will cease in its condition as tenderer if, amongst others things: (i) the services agreement entered into by and between LGAI (currently replaced by the regional government of Catalonia) and LGAI Technological Center, S.A. or the shareholders' agreement entered into by and between LGAI (currently replaced by the regional government of Catalonia) and Applus Servicios Tecnológicos, S.L.U. is terminated; or (ii) if Applus Servicios Tecnológicos, S.L.U. breaches any of the obligations set forth in the tender document and, in particular, those related to the assignment of the condition of tenderer.

Pursuant to the tender agreement, on 29 May 2003, LGAI and LGAI Technological Center, S.A. entered into a services agreement whereby the latter undertook to provide testing, analysis, calibration, technological innovation, quality control, homologation, certification, inspection, assistance and other similar services. Pursuant to Act 11/2011 *("Ley 11/2011, del 29 de diciembre, de reestructuración del sector público para agilizar la actividad administrativa")* passed by the regional Parliament of Catalonia on 29 December 2011, LGAI was formally dissolved and the regional government of Catalonia was subrogated in all of its rights and obligations under the services agreement.

The services agreement, which is valid until 2033, can be extended for successive two 10-year periods until 2053.

Pursuant to the services agreement, LGAI (currently replaced by the regional government of Catalonia) has authorised LGAI Technological Center, S.A. to use several publicly-owned buildings, subject to payment of an annual fee, as well as certain equipment, intellectual property rights, facilities and other assets attached to the services to be performed thereunder. LGAI, manages and controls the use of such premises, equipment, intellectual property rights, facilities and assets and sets out mandatory guidelines for the performance of the services contracted under the agreement.

LGAI Technological Center, S.A. is obliged to contract and maintain any insurance policies required under the services agreement in order to cover the risk of any potential liabilities that may arise in connection with the provision of the contracted services or the use of any publicly-owned assets.

The services agreement may be early terminated by the regional government of Catalonia, amongst others, in the event: (i) a merger or spin off of LGAI Technological Center, S.A. occurs without its prior consent; or (ii) the successor of LGAI Technological Center, S.A. in any such merger or spin off is not legally entitled to contract with governmental authorities in accordance with the applicable laws in Spain.

In the event of an early termination of the services agreement for any reason attributable to LGAI Technological Center, S.A. or Applus Servicios Tecnológicos, S.L.U., the regional government of Catalonia is entitled to recover up to 6,000,000 (to be updated by application of the annual consumer price index in Spain) and to compensation for any additional damages and losses that might arise in connection with such early termination.

Upon termination of the services agreement, the regional government of Catalonia will immediately recover the exclusive use of the publicly-owned premises, equipment, facilities, intellectual property rights and assets attached to the services to be performed thereunder and LGAI Technological Center, S.A. will lose the right to provide any of the contracted services. The regional government of Catalonia may waive its right to recover the exclusive use of such premises, equipment, facilities, intellectual property rights and assets by transferring their ownership in exchange for the payment of their replacement value, which shall amount to, at least, 14,400,000 (to be updated by application of the yearly consumer price index in Spain).

The tender document and the services agreement are both governed by the applicable laws of Catalonia.

Applus+ Automotive

See "*Business — Description of Divisions — Statutory Vehicle Inspections (Applus+ Automotive)*" for further information on the Group's concession agreements and exclusive mandates in the statutory vehicle inspection sector.

Spain

Catalonia

The Group's authorisations in Catalonia stem from the second additional stipulation ("*disposición adicional segunda*") of Catalan Law 12/2008, of 31 July, on industrial safety ("*Ley 12/2008, de 31 de julio, de seguridad industrial*"), which entitled the regional government of Catalonia to establish the procedure applicable to those operators that were subject to the previous statutory vehicle inspection regime in Catalonia and willing to continue to operate in that territory under the new authorisation regime provided for under Catalan Law 12/2008, of 31 July.

On 22 June 2010 and 28 June 2010, the regional government of Catalonia awarded Applus Iteuve Technology, S.L.U. an authorisation to operate several roadworthiness inspection stations in Catalonia. This authorisation will expire on June 2035.

The authorisation requires compliance with, amongst others, the following requirements from time to time: (i) maximum market share and minimum compatibility distance requirements; (ii) labour requirements in connection with workplace risks; and (iii) award of the corresponding technical competence accreditation and the certification of the quality assurance system and the environmental management system with respect to any mobile roadworthiness inspection stations comprised in the authorisations.

Other regions in Spain

On 1 August 1988, the regional government of the Canary Islands awarded Applus Iteuve Technology, S.L.U. a concession to operate statutory roadworthiness inspection services in zones G.C.2 and T.F.3, respectively, located in Las Palmas and Santa Cruz de Tenerife. This concession will expire on 1 August 2018.

On 18 December 1997, the regional government of Valencia awarded Applus Iteuve Technology, S.L.U. a concession to operate statutory roadworthiness inspection services in Alicante and Elche. This concession will expire on 1 January 2023, but may be extended until 1 January 2073 (in the terms set forth in the concession agreement).

On 19 November 1993, the Basque regional government awarded Applus Iteuve Euskadi, S.A. a concession to operate statutory roadworthiness inspection services for the so-called Batch I and III until 1 January 2024. This concession may be extended successively by the Basque regional government until 2092. The terms of the concession were modified by the Basque regional government on 12 June 1997 and 30 September 2013, pursuant to which, the territory subject to the concession agreement was reduced to Batch I and, therefore, the number of inspection stations operated by the Group consequently decreased from four to two.

On 17 January 1989, the regional government of Aragon awarded Applus Iteuve Technology, S.L.U. a concession to operate statutory roadworthiness inspection services in zones I, IX and X of Aragon. Certain terms of the concession were amended on 26 June 2003 pursuant to Decree 3/2003 of the regional government of Aragon. The concession will expire on 31 December 2020 and may be extended until 2039. On 20 December 2000, the regional government of Aragon awarded Applus Iteuve Technology, S.L.U. a further concession to operate statutory roadworthiness inspection services in zone III (Huesca). This concession will expire on 31 December 2020 and may be extended until 2050.

On 14 June 1999, Applus Iteuve Technology, S.L.U. acquired a concession from a third party to operate statutory roadworthiness inspection services in Menorca. The concession had been previously awarded to such third party by the autonomous government of the Balearic Islands on 26 March 1992. This concession will expire on 29 June 2017 and may be extended for successive five years periods until 2091.

All of the aforementioned concessions are, amongst other things, generally subject to: (i) the granting of a definitive guarantee to secure the obligations arising in connection with the relevant concession agreement; (ii) the execution of a liability insurance policy to cover any damages that may arise in connection therewith; and (iii) payment of annual fees to the relevant authority.

Ireland

Project agreement entered into with the Road Safety Authority

On 23 December 2008, Applus Car Testing Service, LTD. entered into a project agreement with the Road Safety Authority for the exclusive operation of the national car testing services in Ireland. This agreement was amended on 20 May 2013.

Pursuant to the agreement, Applus Car Testing Service, LTD. agreed to pay a monthly fee to the Road Safety Authority in consideration for the exclusive operation of the national car testing services in Ireland and to hold the Road Safety Authority harmless against any claims or losses which may arise during the course of the project or in connection with the performance of or failure to perform such services.

The agreement expires on 4 January 2020 and does not provide for any further extensions or renewals thereafter. However, the Road Safety Authority may exercise an early termination right if, amongst other things, Applus Car Testing Service, LTD. ceases to carry on business or becomes insolvent.

This agreement is governed by the laws of Ireland.

United States

Contract for purchase of services VI-7303 entered into with the Illinois Environmental Protection Agency

On 13 June 2007 and 14 June 2007, Applus Technologies, Inc. entered into an agreement with the Illinois Environmental Protection Agency to provide vehicle emissions testing and inspection services for all eligible motor vehicles under the Illinois Vehicle Emissions Test Program, in the Chicago and Metro-East St. Louis areas in the State of Illinois. The agreement (as amended or renewed from time to time) expires on 30 April 2015 and does not provide for any further extensions or renewals thereafter.

The Illinois Environmental Protection Agency undertakes to pay Applus Technologies, Inc. a fee for each reimbursable test performed during the operating phase (as set forth in the agreement). The Illinois Environmental Protection Agency may withhold payment from such fees for any damages caused by Applus Technologies, Inc. in connection therewith.

Motor vehicle emissions testing services contract entered into with the State of Washington, vehicle inspection contract entered into with the State of Connecticut and inspection and maintenance contract entered into with the State of Georgia

On 19 October 2011, Applus Technologies, Inc. entered into a motor vehicle emissions testing services contract with the State of Washington, Department of General Administration Office of State Procurement, to provide motor vehicle emissions testing services in Washington State. This contract expires on 30 June 2017 and may be extended, subject to mutual agreement, until 31 December 2019. This contract is governed by the laws of the State of Washington.

On 6 May 2011, Applus Technologies, Inc. entered into a contract with the State of Connecticut in order to implement and execute Connecticut's Vehicle Inspection Program. Such contract expires on 2017 and may be extended by the State of Connecticut until 2021. This contract is governed by the laws of the State of Connecticut.

On 30 April 2013, Applus Technologies, Inc. entered into a contract with the Department of Natural Resources-Environmental Protection Division of the State of Georgia for the Georgia Enhanced Inspection and Maintenance Program. Such contract expires on 31 December 2018 and may be extended until 31 December 2020. This agreement is governed by the laws of the State of Georgia.

Pursuant to the aforementioned contracts, Applus Technologies, Inc. undertakes to indemnify, defend and hold harmless the relevant governmental authority against any and all claims and liabilities, damages, losses, costs and expenses arising in connection with each contract.

In relation to the contract for the Georgia Enhanced Inspection and Maintenance Program, the State of Georgia may terminate the agreement for, amongst other things, the following: (i) failure of Applus Technologies, Inc. to deliver the contracted services or to perform any material requirement of or comply with any material provision of the agreement; or (ii) failure by Applus Technologies, Inc. to make substantial and timely progress towards performance of the agreement.

Services contracts entered into with Weber-Morgan Health Department and Salt Lake County

On 31 August 2011, Applus Technologies, Inc. entered into a services contract with Weber-Morgan Health Department for the performance of management services in relation to the automotive emissions inspection and maintenance program for the County of Weber. This contract expires on 31 January 2015 and may be extended by the County of Weber for an additional three one-year periods or one three-year period.

On 28 December 2010, Applus Technologies, Inc. entered into a services contract with Salt Lake County for the development and operation of an automobile emissions inspection and maintenance program and the provision of certain equipment, software and other related services. In 2014, Salt Lake County extended the contract for an additional three-year period and, therefore, the expiration date is currently set on 31 March 2017.

Pursuant to the aforementioned contracts, Applus Technologies, Inc. undertakes to respectively indemnify and hold Weber County and Salt Lake County harmless against any and all claims, demands, actions, attorneys' fees, costs and expenses arising out of or in connection with Applus Technologies, Inc.'s performance of the relevant contract.

The agreement entered into by and between Applus Technologies, Inc. and Salt Lake County may be terminated early by the Salt Lake County, amongst other things: (i) if Salt Lake County withdraws the operating authorisation granted to Applus Technologies, Inc.; or (ii) if there is a material alteration in the programs administered by the Salt Lake County.

Both of these contracts are governed by the laws of the State of Utah.

Exclusive mandate in Canada

On 21 August 2012, Applus Technologies, Inc. entered into a subcontract agreement with Parsons Canada Ltd. for the supply of labour, equipment, and material and the provision of certain services. Such subcontract agreement is related to the Prime Contract between Parsons and Her Majesty the Queen in Right of Ontario as represented by the Minister of Environment, entered into on 14 January 2011. This subcontract agreement expires on 30 June 2018 and may be extended, subject to the extension of the Prime Contract between Parsons and Her Majesty the Queen in Right of Ontario, for additional three one year periods.

Applus Technologies, Inc. agreed to perform the contracted services in a timely manner before 30 June 2018.

Applus Technologies, Inc. undertook to indemnify and hold Parsons Canada Ltd. harmless against any and all liabilities, claims, demands, damages, or costs arising in connection with the subcontract.

The Agreement is governed by the laws of Canada.

Concession agreements in Argentina

On 16 February 1996, 1 April 1996 and 22 April 1996, Applus Iteuve Argentina, S.A. entered into three public service concession agreements for the operation of technical vehicle inspection services in the province of Buenos Aires. All such concession agreements expire on 30 July 2018 and do not provide for any further extensions or renewals thereafter.

The price to be paid by end-users for the vehicle inspection services provided by Applus Iteuve Argentina, S.A. is established by the relevant authorities. Applus Iteuve Argentina, S.A. must pay a monthly fee to the State of the Province of Buenos Aires as consideration under the concession agreements.

The concessions may be terminated early, amongst other things, upon a breach by Applus Iteuve Argentina, S.A. of any of its obligations under the concession agreements. Such breaches must be reliably verified by the relevant authorities through inspections and audits.

Concession agreements in Chile

On 30 June 2004, Applus Chile, S.A. entered into a concession agreement with the "*Subsecretaría de Transportes del Ministerio de Transportes y Telecomunicaciones*" for the installation and operation of five stations for the provision of technical vehicle inspection services in the "Metropolitana" region. This concession will expire on 31 July 2014.

On 27 December 2004, Applus Revisiones Técnicas de Chile, S.A. entered into a further concession agreement with the "*Subsecretaría de Transportes del Ministerio de Transportes y Telecomunicaciones*" for the installation and operation of two stations for the provision of technical inspection services in the 9th region. This concession agreement will expire on 27 December 2014.

On 9 April 2014, Applus Chile, S.A. entered into two further concession agreements with the "*Ministerio de Transportes y Telecommunicaciones*" for the installation and operation of five stations for the provision of technical vehicle inspection services in the "Metropolitana" region.

These concession agreements will expire in April 2022.

Pursuant to the concession agreement, Applus Chile, S.A. is obliged to contract an insurance damages policy and to provide three bank guarantees or equivalent guarantees issued by an insurance company for each of the stations thereunder.

The concession agreements are both governed by the laws of Chile.

Agreements related to the Offering

For a description of the material contracts relating to the Offering including the Underwriting Agreement and lock-up deeds, see "*Plan of Distribution*".

In addition, for a description of the loan agreements respectively to be entered into by and between Azul Holding and Mr. Fernando Basabe Armijo and Mr. Joan Amigó i Casas to acquire Shares, see "*Related Party Transactions — Loan and services agreements with certain members of the senior management team*".

MARKET INFORMATION

Prior to the Offering, there has been no public market for the Shares. The Company will apply to list the Shares on the Spanish Stock Exchanges and to have them quoted on the AQS or Mercado Continuo.

The Spanish securities market for equity securities comprises four stock exchanges located in Madrid, Barcelona, Bilbao and Valencia (the "**Spanish Stock Exchanges**") and the AQS.

Automated Quotation System

The AQS links the Spanish Stock Exchanges, providing any equity securities listed on it with a uniform continuous market in order to eliminate certain differences arising among the various local exchanges. The principal feature of the system is the computerised matching of bid and offer orders at the time of placement. Each order is completed as soon as a matching order occurs, but can be modified or cancelled until completion. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by Sociedad de Bolsas, S.A. ("**Sociedad de Bolsas**"), a company owned by the companies that manage the Spanish Stock Exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm, or a credit entity that is a member of one of the Spanish Stock Exchanges.

In a pre-opening session held each trading day from 8:30 a.m. to 9:00 a.m. (CET), an opening price is established for each equity security traded on the AQS based on a real-time auction in which orders can be placed, modified or cancelled, but not completed. During this pre-opening session, the system continuously displays the price at which orders would be completed if trading were to begin. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer prices. If an auction price cannot be determined, the best bid and offer prices and their respective associated trading volumes are disclosed instead. The auction terminates with a random 30 second period in which the shares are allocated. Until the allocation process has finished, orders cannot be placed, modified or cancelled. In exceptional circumstances (including the admission of new securities to trade in the AQS) and subject to prior notice to the CNMV, Sociedad de Bolsas may fix an opening price disregarding the reference price (i.e., the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price and modify the reference price.

The computerised trading hours, known as the open session, range from 9:00 a.m. to 5:30 p.m. (CET). The AQS sets out two ranges of prices for each security named "static" and "dynamic" in order to monitor the volatility of the trading price of each security. During the open session, the trading price of a security may fluctuate within a certain predetermined percentage above and below the "static" price (i.e., the price resulting from the closing auction of the previous trading day or the immediately preceding volatility auction in the current open session) (the "static range"). In addition, the trading price may range within a certain predetermined percentage above and below the "dynamic" price (i.e., the trading price of the immediately preceding trade of the same security) (the "dynamic range"). If, during the open session, there are matching bid and offer orders for a security within the computerised system which exceed any of the above "static" and/or "dynamic" ranges, trading on the security is automatically suspended and a new auction, known as volatility auction, is held where a new reference price is set, and the "static" and "dynamic" ranges will apply over such new reference price. The "static" and "dynamic" ranges applicable to each specific security are set up and reviewed periodically by Sociedad de Bolsas. From 5:30 p.m. to 5:35 p.m. (CET), known as the closing auction, orders can be placed, modified and cancelled, but no trades can be completed.

Between 5:30 p.m. and 8:00 p.m. (CET), trades may occur outside the computerised matching system without prior authorisation of Sociedad de Bolsas (provided such trades are however disclosed to Sociedad de Bolsas) at a price within the range of five per cent. over the higher of the average price and the closing price for the trading day and five per cent. below the lower of the average price and closing price for the trading day provided that: (i) there are no outstanding bids or offers in the computerised system matching or improving the terms of the proposed off-system transaction; and (ii) among other requirements, the trade involves more than three hundred thousand euros (€300,000) and more than twenty per cent. of the average daily trading volume of the relevant security during the preceding three months. These off-system trades must also relate to individual orders from the same person or entity and shall be reported to Sociedad de Bolsas before 8:00 p.m. (CET).

Trades may take place at any time (with the prior authorisation of Sociedad de Bolsas) and at any price if:

- they involve more than one million five hundred thousand euros (€1,500,000) and more than 40 per cent. of the average daily trading volume of the relevant security during the preceding three months;

- the transaction results from a merger, spin-off or the restructuring of a group of companies;

- the transaction is carried out for the purposes of settling a litigation process or completing a complex set of sale and purchase agreements; or

- for any other reason which justifies the authorisation of such transaction at the discretion of Sociedad de Bolsas.

Information with respect to computerised trades, which take place between 9:00 a.m. and 5:30 p.m., is made public immediately. On the other hand, information with respect to off-system trades is reported to Sociedad de Bolsas by the end of the trading day and is also published in the Stock Exchange Official Gazette ("*Boletín de Cotización*") and on the computer system by the beginning of the next trading day.

Clearance and Settlement System

Transactions carried out on the Spanish Stock Exchanges are cleared and settled through Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("**Iberclear**"). Only those entities participating in Iberclear are entitled to use the clearance and settlement system and access to become a participating entity in Iberclear is restricted to: (i) authorised members of the Spanish Stock Exchanges; (ii) the Bank of Spain (in case an agreement is reached with Iberclear with prior approval of the Spanish Ministry of Economy and Competitiveness ("*Ministerio de Economía y Competitividad*")) and; (iii) other brokers that are not members of the Spanish Stock Exchanges, banks, savings banks and foreign settlement and clearing systems with prior approval of the CNMV.

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company which holds 100 per cent. interest in each of the Spanish official secondary markets and settlement systems. The clearance and settlement system and its participating entities are responsible for keeping records of purchases and sales in book-entry form ("*anotaciones en cuenta*"). Shares of listed Spanish companies are represented in book-entry form. Iberclear manages the clearance and settlement system and keeps a registry of the number of shares held by each of its participating entities on their own behalf and on behalf of third parties. Each participating entity, in turn, keeps a registry of the ultimate owners of such shares. Pursuant to Spanish law, the legal owner of the shares is deemed to be either:

- the participating entity registered in the records of Iberclear as holder of the shares in its own name; or

- the investor registered in the records of the participating entity as holder of the shares.

Iberclear operates on the basis of the "T+3 Settlement System" pursuant to which the settlement of any trading transactions must occur within three business days from the date on which the transaction was actually completed.

The acquisition of a legal title over shares of a company listed in one of the Spanish Stock Exchanges requires the intervention of a Spanish official stockbroker, broker-dealer or another other entity authorised by Spanish law to record the transfer of listed shares. In order to evidence title over any given listed shares, the relevant participating entity must issue a certificate of ownership at the shareholder's request. If the shareholder is a participating entity, Iberclear must issue such certificate with respect to the shares held in the participating entity's name.

Euroclear and Clearstream, Luxembourg

Shares deposited with depositaries for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, Société Anonyme ("**Clearstream**"), and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream, will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System (as amended from time to time), the Management Regulations of Clearstream and the instructions to Participants of Clearstream (as amended from time to time), as applicable. Subject to compliance with such regulations and procedures, those persons on whose behalf accounts are kept at Euroclear or Clearstream and to whom shares have been credited ("investors"), will be entitled to receive a number of shares equal to that amount credited in their accounts.

With respect to shares deposited with depositaries for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees (as described below), if any, and once the relevant recording in the book-entry records kept by the members of Iberclear has occurred.

Under Spanish law, only the shareholder of record in Iberclear's registry is entitled to dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear (or its nominees) or Clearstream (or its nominees) will, respectively, be the sole record holders of the shares that are deposited with any depositaries for Euroclear and Clearstream until investors exercise their rights to withdraw such shares and record their ownership rights over them in the book-entry records kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction of any applicable withholding taxes, in accordance with the applicable regulations and procedures for Euroclear and Clearstream. See "*Taxation*" below.

Euroclear and Clearstream will endeavour to inform investors of any significant events of which they become aware affecting the shares recorded in the name of Euroclear (or its nominees) and Clearstream (or its nominees) and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at their discretion, take such action, as they deem appropriate in order to assist investors in exercising their voting rights in respect of the shares. Such actions may include: (i) acceptance of instructions from investors to grant or to arrange for the granting of proxies, powers of attorney or other similar certificates; or (ii) exercise by Euroclear or its nominees and Clearstream or its nominees of voting rights in accordance with the instructions provided by investors.

In case the Company offers or causes to be offered to Euroclear or its nominees and Clearstream or its nominees, acting in their capacity as record holders of the shares deposited with the depositaries for Euroclear and Clearstream, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will, respectively, endeavour to inform investors of the terms of any such rights of which they become aware in accordance with the applicable provisions in the aforementioned regulations and procedures. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or, alternatively, such rights may be sold and, in such event, the net proceeds will be credited to the cash account kept on behalf of the investor with Euroclear or Clearstream.

Tender Offers

Tender offers are governed in Spain by Articles 34 and 60 of the Spanish Securities Market Act and Royal Decree 1066/2007, of 27 July ("*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores"*), which have implemented Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004. Other than the referred tender offer regulation, there is no other special regulation in Spain which may govern mandatory tender offers over the Shares.

Tender offers in Spain may qualify as either mandatory or voluntary.

Mandatory tender offers must be launched for all the shares of the target company and all other securities that might directly or indirectly entitle to acquire or subscribe such shares (including, without limitation, convertible and exchangeable notes) at an equitable price when any person or entity acquires control of a Spanish listed company, whether such control is obtained:

- by means of the acquisition of shares or other securities that directly or indirectly entitle to subscribe or acquire voting shares in such company;
- through shareholder agreements with shareholders or other holders of said securities; or
- as a result of other situations of equivalent effect as provided in the applicable Spanish regulation on tender offers (i.e., indirect control acquired through mergers, share capital decreases, changes in the target's treasury stock, etc.).

A person or entity is deemed to have control over a target company, either individually or jointly with concerted parties, whenever:

- it acquires, directly or indirectly, a percentage of the company's voting rights equal to or greater than 30 per cent.; or
- it has acquired less than 30 per cent. of the voting rights and appoints, during the 24 month period following the date of acquisition of said percentage of voting rights, a number of directors that, together with those already appointed by it (if any), represents more than one-half of the members of the target company's board of directors. The Spanish regulation on tender offers also sets forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

For the purposes of calculating the percentages of voting rights acquired, the Spanish regulation establishes the following rules:

- percentages of voting rights corresponding to: (i) companies belonging to the same group as the bidder; (ii) members of the board of directors of the bidder or of companies of its group (unless evidence to the contrary is provided); (iii) persons acting in concert with or on behalf of the bidder; (iv) voting rights which may be exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of their specific instructions with respect thereto; and (v) shares held by a nominee (such nominee being as a third-party whom the bidder totally or partially covers against the risks related to acquisitions or transfers of the shares or the possession thereof), will be deemed to be held by the bidder;
- both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other contractual title, will also be deemed to be held by the bidder;
- the percentage of voting rights shall be calculated based on the entire number of the company's shares with voting rights, even if the exercise of such rights has been suspended. Treasury stock held directly or indirectly by the target company (according to the information available on the date of calculation of the percentage of voting rights held by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and
- acquisitions of securities or other financial instruments which entitle the holder to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer either until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the applicable Spanish regulation on tender offers, the CNMV will conditionally exempt a person or entity from the obligation to launch a mandatory bid when another person or entity not acting in concert with the potential bidder, directly or indirectly holds an equal or greater voting percentage in the target company.

The price of the mandatory tender offer is deemed to be equitable when it is at least equal to the highest price paid by the bidder or any person acting in concert therewith for the same securities during the twelve months preceding the announcement of the tender offer. Other rules used to calculate such equitable price are set forth in the applicable Spanish regulation. However, the CNMV may change the price determined pursuant to said rules in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and at any event within one month from the acquisition of the control of the target company.

Voluntary tender offers may be launched in those cases in which a mandatory offer is not legally required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the by-laws or adoption of certain resolutions by the general shareholders' meeting of the target company, acceptance of the offer by a minimum number of shares of the target company, approval of the offer by the general shareholders' meeting of the bidder; and any other condition deemed by the CNMV to be in accordance with law), provided that the fulfilment of such conditions may be verified by the end of the offer acceptance period; and
- they may be launched at a price other than an equitable price.

The Spanish regulation on tender offers sets forth further relevant provisions, including, amongst others:

- the board of directors of the target company will be exempt from the prohibition to carry out frustrating or defensive actions against a foreign bidder provided the latter's board of directors is not subject to equivalent passivity rules and subject to prior approval by the company's general shareholders' meeting within the 18 month period before the date of the public announcement of the tender offer;

- defensive measures included in a listed company's by-laws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders decide otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected shall be entitled to compensation at the target company's expense); and

- squeeze-out and sell-out rights will apply provided that following a mandatory tender offer (or as a result of a voluntary offer for all the of the target's capital stock) the bidder holds shares representing at least ninety per cent. of the target company's voting capital stock and the tender offer has been accepted by the holders of securities representing at least ninety per cent. of the voting rights over which the offer was launched.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of material information regarding the Company's capital stock and certain applicable provisions in connection therewith to be found in the Company's by-laws ("*estatutos sociales*") and (amongst other regulations) the Spanish Companies Act, the Spanish Securities Market Act and Royal Decree 116/1992 on the representation of securities in book-entry form and the settlement of transactions in the stock exchanges ("*Real Decreto 116/1992, de 14 de febrero, sobre representación de valores por medio de anotaciones en cuenta y compensación y liquidación de operaciones bursátiles*").

This summary does not purport to be complete nor to describe all of the applicable provisions and regulations in connection with the matters described herein and is qualified in its entirety by reference to the Company's by-laws and to the Spanish Companies Act (or any other applicable regulations from time to time). It is recommended that you refer to the Company's by-laws and the Spanish Companies Act (or any other regulation referred herein) for further details. A copy of the Company's deed of incorporation and by-laws are available at the Company's registered office (Campus de la UAB, Ronda de la Font del Carme, s/n, 08193 Bellaterra, Cerdanyola del Vallès, Barcelona, Spain). Furthermore, a copy of the Company's by-laws is also available on the Company's website (www.applus.com), and upon Admission, in the CNMV's offices.

General

As of the date of this document, the capital stock of the Company amounts to €10,932,710, issued as a single series of 109,327,100 Shares denominated in euro, with a nominal value of €0.1 per share, represented by book-entry records ("*anotaciones en cuenta*") and each with ISIN code ES0105022000, allocated by the Spanish National Agency for the Codification of Securities ("*Agencia Nacional de Codificación de Valores Mobiliarios*"), an entity of the CNMV. The Company's entire capital stock is fully paid-up and non-assessable. On the date hereof, the Company does not own Shares as treasury stock ("*autocartera*") and has not issued securities convertible or exchangeable into Shares, nor securities with warrants over the Shares.

The Company was incorporated on 5 July 2007 and its capital stock amounted to €3,100, issued as a single series of 3,100 shares with a nominal value of €1.00 per share. The Company was used by Azul Holding as a single purpose vehicle for the acquisition of the shares representing the entire capital stock of Applus Servicios Tecnológicos, S.L., the former holding company of the Group. On 29 November 2007, the Company acquired all of the issued shares of Applus Servicios Tecnológicos, S.L.U. and became the Group's new holding entity.

On 29 November 2007, the Company's capital stock was increased by €12,312,500, and 12,312,500 new shares were issued with a nominal value of €1.00 per share and an individual issue premium ("*prima de emisión*") of €9.00 per share (which resulted in a total amount of €123,125,000, including nominal value and issue premium). This capital stock increase was approved by the Company's general shareholders meeting as consideration for a cash contribution by Azul Holding.

On 29 December 2011, the Company's capital stock was increased by €20,000,000, and 20,000,000 new shares were issued with a nominal value of €1.00 per share and an individual issue premium of €9.00 per share (which resulted in a total amount of €200,000,000, including nominal value and issue premium). Such capital stock increase was approved by the Company's general shareholders meeting as consideration for the contribution in kind of part of the principal and interests arising under the Participating Loan.

On 20 December 2012, the Company's capital stock was increased by €238,764,894, and 238,764,894 new shares were issued with a nominal value of €1.00 per share and an individual issue premium of approximately €0.03 per share (which resulted in a total amount of €246,000,000, including nominal value and issue premium). This capital stock increase was approved by the Company's general shareholders meeting as consideration for the contribution in kind by Azul Holding of the shares representing 100 per cent. of the capital stock of Azul Holding 2, S.à r.l. (Lux), the former holding company of Applus+ Velosi. On 20 December 2012 the Company's capital stock was further increased by an additional €330,975,863, and 330,975,863 new shares were issued with a nominal value of €1.00 per share and an individual issue premium of approximately €0.03 per share (which results in a total amount of €341,005,166, including nominal value and issue premium). This additional capital stock increase was approved by the Company's general shareholders' meeting as consideration for a further contribution in kind of part of the principal and interests arising under the Participating Loan.

On 19 December 2013, effective on 20 December 2013, the Company's capital stock was further increased by an additional €53,906,285, and 53,906,285 new shares were issued with a nominal value of €1.00 per share and an individual issue premium of approximately €0.9818 per share (which resulted in a total amount of €106,832,563, including nominal value and issue premium). This additional capital stock increase was approved by the Company's general shareholders' meeting as consideration for a contribution in kind of all outstanding principal and interests arising under the Participating Loan, which was consequently fully repaid and terminated.

At 31 December 2013, the share capital amounted to €655,962,642 (31 December 2012: €602,056,357) and was represented by 655,962,642 fully subscribed and cumulative shares of €1 nominal value each, numbered sequentially from 1 to 655,962,642.

On 4 April 2014, the general shareholders' meeting resolved to decrease the Company's capital stock by €645,029,932, and this amount was allocated to the Company's voluntary non-distributable reserves ("*reserva voluntaria de carácter indisponible*"). Pursuant to this capital stock reduction, 645,029,932 shares were redeemed and cancelled, and the total number of shares was reduced to 10,932,710 with a nominal value of €1.00 each. The same general shareholders' meeting further resolved to decrease the unitary nominal value of the Company's shares to €0.10, without amending the capital stock of the Company, and to reduce the non-distributable mandatory reserve ("*reserva legal*") to an amount equal to 20 per cent. of the total capital stock of the Company by reallocating the excess, which amounted to €8,746,168 to voluntary freely distributable reserves ("*reserva voluntaria de libre disposición*").

Pursuant to the capital stock decrease and reduction of the unitary nominal value of the Company's shares, as of the date of this document: (i) the total capital stock of the Company amounts to €10,932,710; (ii) the total non-distributable mandatory reserve of the Company amounts to €2,186,542, representing 20 per cent. of the Company's capital stock; (iii) the total voluntary non-distributable reserve amounts to €645,029,932; and (iv) there are 109,327,100 fully paid shares with a nominal value of €0.10 each.

Besides the authorisation granted on 4 April 2014 by the general shareholders' meeting to the Board of Directors to issue shares up to an amount equal to 50 per cent. of the Company's current capital stock until the date on which the ordinary general shareholders meeting will approve the accounts for the financial year ended 31 December 2014, no additional authorisations have been granted by the general shareholders' meeting to increase the Company's capital stock. Upon Admission, taking into account the New Offer Shares to be issued, the total estimated pending amount of authorised and unissued share capital will be €3,397,389.50. For more information, see, "*Plan of Distribution — Authorisations of the Offering*" below.

On 22 April 2014, the general shareholders' meeting resolved: (i) to allocate profits for the year ended 31 December 2013 to partially set-off losses of prior years ("*resultados negativos de ejercicios anteriores*") for an aggregate amount of €101,983,499.94; and (ii) to reclassify the existing share premium ("*prima de asunción*") for an aggregate amount of €31,650,796.03 to set-off in full the losses of prior years at that time outstanding.

The summary tables below outline: (i) the main changes in the Company's capital stock; and (ii) the Company's shares acquired by the Selling Shareholder and Azul Holding from the date the Company became the holding company of the Group by the Company until the date hereof:

Allocation	**Capital stock increase dated 29 November 2007**	**Capital stock increase dated 29 December 2011**	**Capital stock increases dated 20 December 2012**	**Capital stock increase dated 20 December 2013**	**Capital stock decrease dated 4 April 2014**
Nominal value	€12,312,500	€20,000,000	€569,740,757	€53,906,285	€10,932,710
Issue premium	€110,812,500	€180,000,000	€17,264,409	€52,926,278	-
Total modification	**€123,125,000**	**€200,000,000**	**€587,005,166**	**€106,832,563**	**(€645,029,932)**
Total issued capital stock	**€12,315,600**	**€32,315,600**	**€602,056,357**	**€655,962,642**	**€10,932,710**

Shareholder	Acquisition of the Group on 29 November 2007	Capital stock increase dated 29 November 2007	Capital stock increase dated 29 December 2011	Capital stock increases dated 20 December 2012	Capital stock increase dated 19 December 2013	Capital stock decrease dated 4 April 2014	Ownership interest
Azul Holding	3,100 shares numbered 1 to 3,100	12,312,500 new shares numbered 3,101 to 12,312,500, both inclusive etc.	-	238,764,894 new shares numbered 32,315,601 to 271,080,494, both inclusive	-	41,580,414	38.28%
Azul Finance	-	-	20,000,000 new shares numbered 12,312,501 to 32,312,500, both inclusive	330,975,863 new shares numbered 271,080,495 to 602,056,357, both inclusive	53,906,285 new shares numbered 602,056,358 to 655,962,642, both inclusive	67,476,686	61.72%
Total no. of shares	**3,100**	**12,315,600**	**32,315,600**	**602,056,357**	**655,962,642**	**109,327,100**	**100%**

As of 31 December 2013, a first rank pledge had been granted by the Selling Shareholder and Azul Holding over 602,056,357 of the Company's shares, representing 91.78 per cent. of its total issued capital stock on the date thereof, in order to secure any outstanding obligations under the Syndicated Loan Facilities. Upon Admission, such first rank pledge will be cancelled and fully released upon termination of the Syndicated Loan Facilities. No pledges or other types of securities will be granted over the Shares held by the Selling Shareholder and Azul Holding after the Offering pursuant to the Group's post-Admission debt financing arrangements.

Non-residents in the Kingdom of Spain (including companies incorporated in other jurisdictions) are entitled to hold shares in a Spanish company and vote in its general shareholders' meeting, subject to the restrictions described under "*Restrictions on Foreign Investment*" below.

Dividend and Liquidation Rights

Dividend distribution

The payment of dividends to the Company's shareholders shall be authorised by the Company's general shareholders' meeting by a majority of the attending shareholders (both personally and by proxy) at proposal of the Board of Directors. Shareholders are entitled to an amount of dividends proportional to their paid-up stockholding in the Company. Unless the general shareholders' meeting decides otherwise, dividends become payable by the Company from the next day on which the distribution agreement is adopted by the general shareholders' meeting.

Prior to any dividend distribution, the Spanish Companies Act requires companies to allocate at least 10 per cent. of their annual net profit to a non-distributable mandatory reserve ("*reserva legal*") until such reserve amounts to, at least, 20 per cent. of the company's capital stock. The general shareholders' meeting of the Company held on 4 April 2014, allocated €2,186,542 to the non-distributable mandatory reserve, representing 20 per cent. of the Company's total capital stock. Therefore, as of the date of this document, legal requirements in connection with the minimum allocation of net profits to the non-distributable mandatory reserve have been satisfied, and no further allocations are currently required.

Furthermore, the Spanish Companies Act also provides for the creation of a mandatory non-distributable reserve equal to the amount of goodwill ("*fondo de comercio*") recorded as an asset in the company's balance sheet. For that purpose, prior to any dividend distribution, companies shall allocate each year an amount of their annual net profit equal to, at least, 5 per cent. of their accounted-for goodwill to such mandatory non-distributable reserve. If, in any given financial year, there is no positive net profit or it is insufficient for such purposes, the Spanish Companies Act requires that the shortfall be transferred to the mandatory non-distributable reserve from freely distributable reserves of the company. As of 31 December 2013, the Company has not allocated any amounts to the mandatory non-distributable goodwill reserve.

These mandatory reserves will be distributed only upon liquidation of the Company.

According to the Spanish Companies Act, dividends may only be paid to shareholders of the Company from: (i) the company's annual net income (once the mandatory reserve requirements have been met, if applicable, and provided that net profits shall be applied to offset losses from previous years in the event that such losses cause the Company's net equity to fall below the capital stock amount); or (ii) distributable reserves, provided that (x) the value of the company's net equity ("*patrimonio neto*") does not, and as a result of the payment of dividends will not, amount to less than the capital stock; and (y) the distributable reserves are equal or higher than the research and development expenses recorded as an asset in the company's balance sheet. Furthermore, net profits will in any case be applied to offset losses from previous years in the event that such losses cause the Company's net equity to fall below the capital stock amount.

Upon Admission, and due to a combination of measures taken in 2013 and during the first months of 2014 (including a capital reduction), and of the capital increase for issuance of the New Offer Shares in the Offering, the Company's equity structure will be sufficient to comply with the minimum thresholds set out in the Spanish Companies Act to permit dividend distribution. See "*Capitalisation and Indebtedness*".

The Company's ability to distribute dividends in the near future will depend upon a number of factors, including, but not limited to, the Company's earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects, market conditions and such other factors as may be deemed relevant at the time. There are no contractual restrictions to the distribution of dividends under the New Facilities or any other financing arrangement that will be in place upon Admission.

In accordance with Article 947 of the Spanish Commercial Code ("*Real Decreto de 22 de agosto de 1885, Código de Comercio*"), a shareholder's right to any given dividend expires if unclaimed during five years after the date it becomes payable.

Dividends payable to non-residents of the Kingdom of Spain for tax purposes are currently subject to Spanish withholding tax at a rate of 21 per cent. However, residents of certain countries may be entitled to an exemption or reduction of withholding tax in certain cases. See "*Taxation — Spanish Tax Considerations — Taxation of Dividends*" below.

Shareholder liquidation rights

Upon liquidation of a company, shareholders are entitled to any remaining assets in proportion to their respective shareholdings, once the company's debts, taxes and any expenses related to the liquidation have been paid.

Shareholders' Meetings and Voting Rights

Meeting call

Pursuant to the Company's by-laws, the regulations of the Company's general shareholders' meeting ("*Reglamento de la Junta General de Accionistas*") and the Spanish Companies Act, ordinary general shareholders' meetings are to be held annually during the first six months of each fiscal year on a date fixed by the Board of Directors. Extraordinary general shareholders' meetings may be called by the Board of Directors: (i) whenever it deems appropriate; or (ii) at the request of shareholders representing at least five per cent. of the Company's capital stock. Meeting notices are currently delivered by individual written notice at least one (1) month prior to the meeting. Once the Shares are trading, meeting notices for all general shareholders' meetings shall either be published in the Commercial Registry's Official Gazette ("*Boletín Oficial del Registro Mercantil*") or in a newspaper of wide circulation in the Kingdom of Spain, on the Company's website and on the CNMV's website (www.cnmv.es).

Pursuant to the provisions of the Spanish Companies Act an extraordinary general shareholders' meeting may be called by the board of directors at least 15 days in advance of the date of the meeting (as opposed to the default one month period) if the shareholders are entitled to vote on the matters considered at the meeting by electronic means accessible to all such shareholders at any given general shareholders' meeting. The decision to shorten the default notice period before an extraordinary general shareholders' meeting must be adopted by the Company's ordinary general shareholders' meeting by a majority of at least two thirds of the voting capital stock. Such decision will remain in force, at least, until the following ordinary general shareholders' meeting.

Authority of the general shareholders' meeting

Action is taken at ordinary shareholders' meetings on the following matters: (i) approval of the management carried out by the directors; (ii) approval of the annual accounts from the previous fiscal year; and (iii) allocation of the previous fiscal year's income. Any other matters may be subject to approval either by an extraordinary general shareholders' meeting or an ordinary general shareholders' meeting provided that matter falls within the authority of the general shareholders' meeting and that matter has been included in the meeting's agenda.

Voting and attendance rights

Each share of the Company entitles the holder to one vote in the general shareholders' meeting and there is no limit as to the maximum number of votes that may be issued by any shareholder, companies belonging to the same group or any person acting in coordination with any of the former. Shareholders are not required to hold a minimum number of shares in order to exercise their right to attend any general shareholders' meeting.

Holders of record of any number of shares with voting rights are entitled to attend the Company's general shareholders' meeting with right to speak and vote. The general shareholders' meeting notice shall indicate the date on which shares must be held for a shareholder to be effectively entitled to attend the meeting and exercise any voting rights. Pursuant to the Spanish Companies Act, shareholders that are duly registered in the book-entry records *("anotaciones en cuenta")* managed by Iberclear and its participating entities at least five days in advance to the date of the general shareholders' meeting, shall in any case be entitled to attend and vote at such meeting.

Amendments to the Company's by-laws that directly or indirectly affect the rights of a specific class of shares, including any voting and attendance rights, shall only be valid when adopted by the general shareholders' meeting and adopted by the majority of shareholders affected in compliance with the requirements set out in the Spanish Companies Act. The Company's by-laws do not provide any particular provision in this respect.

The Company's by-laws and internal regulations do not include any provision that would have the effect of delaying, deferring or preventing a change of control of the Company and do not provide for conditions to be met by changes in the capital of the Company which are more stringent than the provisions of the Spanish Companies Act.

Proxies

Pursuant to the Spanish Companies Act, shareholders may vote by proxy. Proxies must be given for each general shareholders' meeting in writing or by electronic means acceptable under the Company's by-laws. Proxies may be given to any person, whether or not a shareholder. Proxies may be revoked by the shareholder by giving the Company notice prior to the meeting or by personally attending the meeting.

Proxy holders are required to disclose any conflict of interest to the shareholder prior to their appointment. In case a conflict of interest arises after the proxy holder's appointment, it shall immediately be disclosed to the shareholder. In both cases, the proxy holder shall refrain from exercising the shareholder's voting rights after disclosure of the conflict of interest unless the shareholder has provided new specific voting instructions for each matter in respect of which the proxy holder is to vote on its behalf. A conflict of interest may (amongst other things) be deemed to arise when the proxy holder: (i) is one of the Company's controlling shareholders or an entity controlled by such shareholder; (ii) is a member of the Company's administrative, management or supervisory body, or that of one of the controlling shareholders or of another entity controlled by such shareholders; (iii) is the Company's employee or auditor, or that of a controlling shareholder or another entity controlled by any of such shareholders; (iv) is a natural person related to those mentioned in (i) to (iii) above ("*persona física vinculada*"), as this concept is defined under the Spanish Companies Act (i.e., the spouse or similar, at that time or within the two preceding years, as well as ascendants, descendants, siblings, and their respective spouses) and under the Spanish Ministry of Economy and Competitiveness Order ECC/3050/2004, of 15 September 2014 ("*Orden EHA/3050/2004 de 15 de septiembre sobre información de las operaciones vinculadas que deben suministrar las sociedades emisoras de valores admitidos a negociación en mercados secundarios oficiales*").

A proxy holder may act on behalf of more than one shareholder without limitation as to the maximum number of represented shareholders. Where a proxy holder holds proxies from several shareholders with diverging voting instructions, it shall be entitled to cast votes differently as appropriate for each shareholder.

Pursuant to the Spanish Companies Act, entities rendering investment services, acting in their capacity as professional financial intermediaries, can also be appointed as proxy holders. Seven days in advance of a general shareholders' meeting, financial intermediaries shall provide the Company with the identity of each client that has appointed them as proxy holders, the number of shares in respect of which votes shall be cast and the voting instructions received from each client. Financial intermediaries shall also be entitled to cast different votes for each shareholder in observance of diverging voting instructions from their clients.

Celebration of the meeting and adoption of resolutions

According to the Company's by-laws, by reference to the Spanish Companies Act and other applicable laws, holders of at least 25 per cent. of the Company's voting stock shall attend (both personally and by proxy) a general shareholders' meeting on its first call in order to form a quorum at such meeting. If such quorum is not met on the meeting's first call, the meeting can be reconvened by a second call, which, according to the Spanish Companies Act, requires no minimum quorum. Pursuant to the Spanish Companies Act, at least 50 per cent. or 25 per cent. of the Company's voting stock shall, respectively on a general shareholders' meeting first and second call, attend (both personally and by proxy) the meeting for the adoption of any agreement to amend the Company's by-laws (including, without limitation, increases and reductions of capital stock), issue notes, eliminate or limit pre-emptive rights over new shares, authorise a conversion, merger, or spin-off of the Company, approve global transfers of the Company's assets and liabilities or change the Company's statutory seat abroad.

At least 24 hours must lapse between a general shareholders' meeting's first and second call.

Generally, resolutions can be passed by a simple majority of the votes issued by the attending shareholders (both personally and by proxy). However, where the general shareholders' meeting is a second call, the adoption of any agreement to amend the Company's by-laws (including, without limitation, increases and reductions of capital stock), issue notes, eliminate or limit pre-emptive rights over new shares, authorise a conversion, merger, or spin-off of the company, approve global transfers of the Company's assets and liabilities or change the Company's statutory seat abroad, the vote of two thirds of those attending shareholders (both personally and by proxy) is required, in case the attending shareholders (both personally and by proxy) hold less than 50 per cent. of the total capital stock of the Company.

The Spanish Companies Act allows shareholders to voluntarily group their shares so that the capital stock in aggregate is equal to or greater than the result of dividing the total capital stock by the number of Directors on the Board. Such grouped shareholders have the right to appoint a corresponding proportion of the members of the Board of Directors (disregarding any fractions). Shareholders who exercise this grouping right may not vote on the appointment of the remaining other directors.

Legal effects of resolutions passed by the general shareholders' meeting and opposition to the resolutions of the general shareholders' meeting.

A resolution passed by the general shareholders' meeting is binding on all shareholders.

Resolutions which are either: (i) contrary to Spanish law or the by-laws of the Company; or (ii) detrimental to the corporate interests of the Company in benefit of one or more shareholders or third parties, may be contested. In the case of resolutions that are contrary to Spanish law, the Spanish Companies Act acknowledges a legal action right in favour of all the shareholders, the Company's directors and interested third parties. In case of resolutions that are detrimental to the corporate interests of the Company or contrary to the Company's by-laws, such legal action is given to those shareholders who attended the general shareholders' meeting and recorded their opposition to the resolution in the meeting's minutes, those shareholders who were absent from the meeting, those shareholders who were unlawfully prevented from casting their vote and the Company's directors.

In certain circumstances (such as a significant amendment of the Company's corporate purpose, certain cases of conversion of the corporate form of the company or the change of its statutory seat overseas), the Spanish Companies Act entitles dissenting or absent shareholders to withdraw from the company. If this right were to be exercised, the Company would be obliged to repurchase the relevant shareholding(s) from the withdrawing shareholder in accordance with the procedures established under the Spanish Companies Act.

Shareholder Claims

Pursuant to the Spanish Companies Act, directors are liable towards the company, the shareholders and the creditors for any actions or omissions that are illegal or contravene the by-laws and for failure to perform their legal and fiduciary duties diligently.

Under Spanish law, shareholders must bring any actions against the company's directors as well as any other actions against the company or challenging corporate resolutions before the competent courts in the province where the company's statutory seat is located (in the Company's case, currently Barcelona, Kingdom of Spain).

Representation and Transfer of Shares

The Shares are represented by book-entry records and are indivisible. Joint holders of one or several Shares must appoint a single representative to exercise their rights jointly on their behalf. However, they shall all be jointly and severally ("*solidariamente*") liable towards the Company for any obligations in their capacity as shareholders.

Iberclear (the managing entity for the Spanish clearance and settlement system of the Spanish Stock Exchanges) manages the central registry, which reflects the number of shares held by each of its participating entities ("*entidades participantes*") from time to time as well as the amount of shares held by beneficial owners. Each participating entity, in turn, keeps a record of the owners of such shares. Since the Shares are represented by book-entry records, the Company will keep an electronic shareholder registry for which Iberclear shall report to the Company all transactions entered into by the Company's shareholders in respect of the Shares.

The Shares are freely transferable in accordance with the Spanish Companies Act, the Spanish Securities Market Act and any implementing regulations.

Transfers of shares quoted in the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchanges. For more information, see "*Market Information*". The transfer of shares may be subject to certain fees and expenses.

Restrictions on Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalised by Royal Decree 664/1999, of 23 April 1999 ("*Real Decreto 664/1999, de 23 de abril, de régimen jurídico de las inversiones exteriores*"), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the European Union.

According to Royal Decree 664/1999, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer their interests, equity gains and dividends outside the Kingdom of Spain (subject to applicable taxes and exchange controls) by filing a standardised notice with the Spanish Registry of Foreign Investments ("*Registro de Inversiones Exteriores*") (kept by the General Bureau of Commerce and Investments ("*Dirección General de Comercio e Inversiones*") within the Ministry of Economy and Competitiveness ("*Ministerio de Economía y Competitividad*")) following the investment in or divestment of (if any) a Spanish company. Such filing is to be made solely for statistical, economic and administrative purposes. In case the shares belong to a Spanish company listed on any of the Spanish Stock Exchanges, the duty to file a notice regarding the foreign investment or divestment falls with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with such investment or disinvestment.

If the foreign investor is a resident of a tax haven, as defined under Royal Decree 1080/1991 of 5 July 1991 ("*Real Decreto 1080/1991, de 5 de julio*"), notice must be provided to the Registry of Foreign Investments ("*Registro de Inversiones Exteriores*") both before and after execution of the investment. However, prior notice from residents in tax havens is excluded in the following cases:

- investments in listed securities, whether or not trading in an official secondary market, as well as participations in investment funds that are registered with the CNMV; and
- investments in connection with shareholdings that do not exceed 50 per cent. of the capital stock of a Spanish company.

Additional regulations apply to investments in certain industries, including air transportation, mining, manufacturing and sales of weapons and explosives for non-military use, national defence, radio, television and telecommunications. These additional restrictions do not apply to investments made by EU residents, except for those related to the Spanish defence sector and the manufacturing and sale of weapons and explosives for non-military use.

The Spanish Council of Ministers ("*Consejo de Ministros*"), acting on the recommendation of the Ministry of Economy and Competitiveness, may suspend the application of the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or with respect to investments in particular industries. In such cases, any purported foreign investments falling within the scope of the suspension would be subject to prior authorisation from the Council of Ministers of the Spanish government, acting on the recommendation of the Ministry of Economy and Competitiveness.

Exchange control regulations

Pursuant to Royal Decree 1816/1991 of 20 December 1991 ("*Real Decreto 1816/1991, de 20 de diciembre, de transacciones económicas con el exterior*"), as amended by Royal Decree 1360/2011 of October 7 ("*Real Decreto 1360/2011, de 7 de octubre, que modifica el Real Decreto 1816/1991, de 20 de diciembre, sobre transacciones económicas con el exterior*") and EC Directive 88/361/EEC, any payments or transfers between non-residents and residents of the Kingdom of Spain must be effected through an official payment services supplier registered with the Bank of Spain ("*entidades registradas*"). All payments or transfers which exceed €6,010 (or its equivalent in another currency) must be notified to the relevant Spanish general administration authorities ("*Administración General del Estado*") and the Bank of Spain if made in cash or by check payable to the bearer.

Pre-emptive Rights and Increases of Capital Stock

Pursuant to the Spanish Companies Act, shareholders have pre-emptive rights to subscribe for newly issued shares in consideration to cash contributions or newly issued notes that are convertible into shares. Such pre-emptive rights may be waived under special circumstances by a resolution passed by the general shareholders' meeting or the board of directors (in case the general shareholders' meeting of a listed company delegates the decision to increase the company's capital stock or issue convertible notes waiving pre-emptive rights to the board of directors), in accordance with the provisions of the Spanish Companies Act. In such cases, the resolution authorising the waiver of pre-emptive rights will only be valid if, amongst other requirements: (i) a report is issued by an independent expert appointed by the Commercial Registry ("*Registro Mercantil*") stating, amongst other elements, the reasonable market value ("*valor razonable*") of the shares (quotation price in case of listed companies unless other arrangements can be justified) and determining the theoretical value ("*valor teórico*") of the pre-emptive rights and, in case of listed companies, also the net book value ("*valor neto patrimonial*") of the shares; and (ii) the nominal value and issue premium of the newly issued shares is equivalent to the reasonable value assigned to such shares in the aforementioned independent expert's report, provided, however, that pursuant to Article 505 of the Spanish Companies Act, listed companies are entitled to issue shares at a value equal or higher than their net book value, as determined by the independent expert's report.

Furthermore, pre-emptive rights will not be exercisable by shareholders in case of a capital stock increase that is required for the purposes of issuing convertible notes, completing a merger, acquiring all or part of another company's assets or as consideration to in-kind contributions. Pre-emptive rights are transferable, may be traded on the AQS and may be of value to existing shareholders since new shares may be offered for subscription at prices lower than prevailing market prices.

Reporting Requirements

Transactions affecting voting rights

Pursuant to Royal Decree 1362/2007 of 19 October 2007 ("*Real Decreto 1362/2007, de 19 de diciembre, que desarrolla la Ley 24/1988, del Mercado de Valores*"), any individual or legal entity who, by whatever means, purchases or transfers shares granting voting rights in a company listed in a secondary official market or other regulated market in the EU for which Spain is the country of origin (if the corporate address of the listed company is located in Spain), must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a three per cent. threshold over the company's total voting rights. The reporting obligations are also triggered at thresholds of five per cent. and multiples thereof (excluding 55 per cent., 65 per cent., 85 per cent., 95 per cent. and 100 per cent.).

The notice shall be served by means of the standard form approved by the CNMV from time to time for such purpose, within four business days from the date on which the transaction is acknowledged (Royal Decree

1362/2007 deems a transaction to be acknowledged within two business days from the date on which it is entered into). Where the individual or legal entity effecting the transaction is a non-resident of the Kingdom of Spain, notice must also be served to the Spanish Registry of Foreign Investments ("*Registro de Inversiones Exteriores*") (kept by the General Bureau of Commerce and Investments ("*Dirección General de Comercio e Inversiones*") within the Ministry of Economy and Competitiveness ("*Ministerio de Economía y Competitividad*")).

The foregoing disclosure requirements also apply to those transactions (other than sales and purchases of shares) by which the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the aforementioned thresholds that trigger the obligation to report.

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares or who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights, shall also notify the company and the CNMV if the aggregate voting rights held by that individual or legal entity reaches, exceeds or falls below the aforementioned thresholds.

In case the person, legal entity or group effecting the transaction is a resident in a tax haven (as defined by applicable Spanish regulations), the threshold that triggers the obligation to disclose the acquisition or transfer of shares in a Spanish company is reduced to one per cent. (and successive multiples thereof).

The Company shall report to the CNMV any self-acquisition of treasury stock which, together with all other acquisitions since the last disclosure, reaches or exceeds one per cent. of the company's capital stock (irrespective of whether the Company has sold any of the company's treasury stock in the same period). In such circumstances, the disclosure notice must include the number of shares acquired by the company since the last disclosure (detailed by transaction), the number of shares sold in such period (detailed by transaction), the share prices paid in such transactions and the resulting net holding of treasury stock.

The Company's by-laws and internal regulations do not provide for any significant shareholdings disclosure requirements more stringent than those established under Royal Decree 1362/2007 of 19 October (as mentioned in this sub-section) and Royal Decree 1333/2005 of 11 November (as mentioned in the following sub-section).

Disclosure requirements applicable to Directors and senior managers

All members of the Board of Directors must report both to the Company and the CNMV any percentage or number of voting rights held by them in the company from time to time and within five trading days from the time of their appointment or resignation as directors.

In addition, pursuant to Royal Decree 1333/2005 of 11 November 2005 ("*Real Decreto 1333/2005, de 11 de noviembre, que desarrolla la Ley 24/1988, del Mercado de Valores, en materia de abuso de mercado*") (implementing European Directive 2004/72/EC), any member of a company's board of directors or the company's senior managers ("*directivos*") (as defined therein) and any persons having a close link ("*vínculo estrecho*") with any of them, must similarly report any acquisition or transfer of the company's shares, derivatives and financial instruments linked to the company's shares, regardless of the amount and including information on the percentage of voting rights which they hold as a result of the relevant transaction. In addition, any member of a company's board of directors or the company's senior managers ("*directivos*") (as defined in Royal Decree 1333/2005 of 11 November 2005), must also report any stock-based compensation that they may receive pursuant to any of the company's compensation plans.

Disclosure of shareholder agreements

The Spanish Companies Act requires the parties to disclose shareholder agreements that affect the exercise of voting rights at a general shareholders' meeting of a listed company or contain restrictions or conditions in connection with the transfer of shares or convertible notes. The execution, amendment or extension of such agreements shall be immediately disclosed by the parties to the shareholder agreements to the company and to the CNMV and a copy of the agreement shall be filed with the relevant Commercial Registry ("*Registro Mercantil*"). If these requirements are not fulfilled, any provisions contained in such shareholder agreements which affect the exercise of voting rights and/or restrict or place conditions upon the transfer of shares, will not be effective. The shareholder agreements will be disclosed as relevant facts ("*hechos relevantes*") on the CNMV's website.

Disclosure of net short positions

Moreover, in accordance with EU Regulation No. 236/2012 of the European Parliament and of the Council, of 14 March 2012, any person or legal entity holding net short positions on a company's shares must report them to the CNMV on a confidential basis in case they reach 0.2 per cent. of the capital stock and disclose any subsequent reductions or increases by 0.1 per cent. and successive multiples thereof no later than 3:30 p.m. on the following trading day. Positions over 0.5 per cent. (and each 0.1 per cent. increase above that) shall be publicly disclosed.

In addition, on 19 December 2007 the CNMV issued Circular 3/2007 ("*Circular 3/2007, de 19 de diciembre, de la Comisión Nacional del Mercado de Valores, sobre los Contratos de Liquidez a los efectos de su aceptación como práctica de mercado*"), which sets out the requirements to be met for liquidity contracts entered into between issuers and financial institutions for the management of treasury stock to be accepted as a market practice.

Share Repurchases

Pursuant to the Spanish Companies Act, the Company may only repurchase the Company's own shares derivatively within certain limits and in compliance with the following requirements:

- the repurchase must be previously authorised by the general shareholders' meeting in a resolution establishing the maximum number of shares to be acquired, the minimum and maximum acquisition price (if any) and the duration of the authorisation, which may not exceed five years from the date of the resolution; and
- the repurchase, including the shares already acquired and currently held by the company or any person or company on the Company's behalf, does not reduce the company's net equity ("*patrimonio neto*") below the aggregate amount of the Company's share capital and non-distributable reserves.

For these purposes, net equity ("*patrimonio neto*") means the amount resulting from the application of the criteria used to draw up the company's financial statements, minus the amount of profits directly allocated to such net equity ("*patrimonio neto*"), plus the amount of uncalled subscribed share capital and the total amounts of nominal value and issue premium for the subscribed share capital registered as a liability in the company's accounting.

In addition:

- the aggregate nominal value of the shares directly or indirectly repurchased by the company, together with the aggregate nominal value of the treasury stock already held by the company and its subsidiaries, shall not exceed ten per cent. of the company's total capital stock; and
- the repurchased shares shall always be fully paid-up. The repurchase shall be deemed null and void if: (i) the shares are partially paid-up (except in case of free repurchase); or (ii) the shares entail ancillary obligations.

Treasury stock lacks voting and economic rights. Economic rights bound to treasury stock (i.e. dividend distributions and liquidation rights) shall, except for the right to bonus shares, be distributed amongst the company's shareholders in proportion to their respective shareholdings.

Directive 2003/6/EC of the European Parliament and the European Council dated 28 January 2003 on insider dealing and market manipulation establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence. Article 8 of the Directive establishes an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an EU member state. European Commission Regulation No. 2273/2003 of 22 December 2003, implemented the aforementioned Directive with regard to exemptions for buy-back programs. Article 3 of the Regulation states that in order to benefit from the exemption provided for in Article 8 of the Directive, a buy-back program must (i) comply with certain requirements established under such Regulation; and (ii) its sole purpose must be the reduction of an issuer's capital stock (either in value or in number of shares) or the fulfilment of obligations arising from either:

- debt financial instruments exchangeable into equity instruments; or
- employee share option programs or other allocations of shares to employees of the issuer or those of an associated company.

Notwithstanding the foregoing, and except for commitments under the management incentive plan (see "*Management and Board of Directors — Corporate Governance — Compensation — Management Incentive Plan*") and the Underwriting Agreement (see "*Plan of Distribution — The Offering*"), on the date hereof no option over the shares of any member of the Group has been granted or has been agreed conditionally or unconditionally to be granted.

TAXATION

Spanish Tax Considerations

General

The following is a summary of certain Spanish tax implications of the acquisition, ownership and disposition of the Shares by Spanish and non-Spanish tax resident investors. This summary is not a complete analysis or description of all the possible Spanish tax implications of such transactions and does not purport to address all tax considerations that may be relevant to all categories of potential investors, some of whom may be subject to special rules (for instance, EU pension funds and EU harmonised collective investment institutions). In particular, this tax section does not address the Spanish tax consequences applicable to certain "look through" entities (such as trusts, estates or partnerships) that may be subject to a specific tax regime applicable under the Spanish Non-Residents Income Tax Law, approved by Royal Legislative Decree 5/2004 of 5 March, as amended (hereinafter, the "**NRIT Act**") or under the Spanish Personal Income Tax Law, approved by Law 35/2006, of 28 November (hereinafter, the "**PIT Act**").

Accordingly, prospective investors in the Shares should consult their own tax advisers as to the applicable tax consequences of their purchase, ownership and disposition of the Shares, including the implications arising under the tax laws of any other jurisdiction, based on their particular circumstances. The description of Spanish tax laws set forth below is based on the laws currently in effect in Spain as of the date of this document, and on administrative interpretations of Spanish law made public to date. As a result, this summary is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retrospective effect.

As used in this particular section "*Spanish Tax Considerations*", the term "**Holder**" means a beneficial owner of the Shares:

- who is an individual or corporation resident for tax purposes in Spain; and
- who is an individual or corporation resident for tax purposes in any country other than Spain, and whose ownership of shares is not deemed to be effectively connected with a permanent establishment in Spain.

Resident Individuals

Personal Income Tax (PIT)

Taxation of dividends

Article 25.1 of the PIT Act provides for a definition of "investment income" that includes dividends and other income items derived from the ownership of an equity interest in an entity (such as, for instance, attendance fees at general shareholders meetings, income derived from any arrangement aimed at allowing another person to use or enjoy the shares and, generally, any other income obtained as a result of being a shareholder).

Investment income earned by Holders as a result of their ownership of the Shares is calculated as the gross income less certain tax-deductible expenses, such as general securities administration and custody fees. Discretionary fees relating to an individualised management of a portfolio of securities are not treated as tax-deductible. The resulting net investment income will be considered as "savings income" (along with any other income item obtained by a Holder that is not related to the ownership of the Shares and that is treated as "savings income"), and subject to PIT at the following progressive rates (as applicable in fiscal year 2014):

Taxable income (EUR)		Rate (%)
up to	6,000	21
6,000.01	24,000	25
24,000	And over	27

In principle, as from fiscal year 2015, the applicable PIT rates on savings income will be reduced. Should that happen, investment income earned by Holders as a result of owning the Shares will be taxed at a fixed rate of 19 per cent. (applicable on the first €6,000 of savings income obtained in a given fiscal year) and 21 per cent. (for the amount of such savings income in excess of €6,000).

Notwithstanding the above, Article 7. y) of the PIT Act exempts from PIT dividends obtained in a given fiscal year up to an amount of €1,500. This limit will apply to the combined amount of dividends or other distributions of earnings during the calendar year received by PIT taxpayers as their shareholder status in any entity. This exemption does not apply to dividends derived from securities acquired in the two months immediately preceding the date the dividends were paid, provided that equivalent securities are subsequently transferred within the two months following the date of such dividend distribution.

Holders will usually be liable for a PIT withholding on investment income at a rate of 21 per cent. in fiscal year 2014 (19 per cent. as from fiscal year 2015), on the whole amount of the income obtained. The €1,500 exemption will not be taken into account for purposes of assessing the PIT withholding to be made in connection with dividends paid to Holders. This PIT withholding will be credited against the taxpayer's annual PIT due.

The distribution of share premium is not considered as dividend. This amount will decrease the acquisition value of the Shares and any excess will be subject to PIT as "saving income" at the progressive rates mentioned in section a) (21 per cent./25 per cent./27 per cent.). These amounts will not be subject to withholding tax unless they derive from non-distributed profits.

Capital gains and losses

If the Shares are sold or otherwise transferred, such transaction may give rise to the recognition of a capital gain or loss. Such capital gain or loss will be measured by the difference between the Holders' tax basis in the Shares and their transfer price. Such transfer price will be based on either (i) the trading price of the Shares at the transfer date or (ii) the agreed transfer price, whichever is higher. Both the acquisition price and the transfer price will be increased or decreased to reflect the taxes and expenses borne by the transferor related to the acquisition and sale of the shares, respectively.

Where the taxpayer owns other equivalent securities, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Capital gains or losses that arise as a result of the transfer of the Shares acquired more than a year before the transfer date by the Holders, are added to or netted from the "savings income" obtained by such Holder for the year in which such gain or loss was realised. Consequently, "long-term" capital gains or losses derived from the transfer of shares should be taxed at the progressive "savings income" PIT rates (in fiscal year 2014, 21 per cent./ 25 per cent./27 per cent.).

Capital gains or losses that arise as a result of transfers of shares acquired less than a year before the transfer date, shall not be treated as "savings income", but should be added to or netted from the Holder's respective ordinary PIT bases (subject to certain restrictions as to the offsetting of capital losses against other income items). Consequently, "short-term" capital gains derived from the transfers of shares will be taxed at the general tax scale, which for fiscal year 2014 sets rates ranging between 23.95 per cent. and 51.5 per cent. (this may be higher — up to 56 per cent. — depending on the Spanish region of domicile of each Holder).

Additionally, capital gains derived from the transfer of the Shares are not subject to withholding tax.

Finally, losses derived from the transfer of the Shares cannot be considered as capital losses when equivalent shares have been acquired within the two months preceding or following the transfer that has triggered the loss. In these cases, the capital losses arising in connection with such transferred Shares may only be claimed when the equivalent shares acquired by the taxpayer are subsequently transferred.

Preemptive subscription rights

Proceeds derived from the sale of pre-emptive subscription rights in respect of the Shares are not treated as income but are deemed to reduce a Holder's tax basis in such shares. Proceeds in excess of such tax basis shall be treated as capital gains.

As previously mentioned in subsection (b) above, capital gains or losses arising as a result of transfers of subscription rights on the Shares acquired more than a year before the transfer date (long-term capital gains or losses) will be subject to the tax rates mentioned in subsection a) (in fiscal year 2014, 21 per cent./25 per cent./27 per cent.), whereas short-term gains or losses will be subject to the ordinary PIT rates, depending on the region of domicile of the taxpayer.

Net Wealth Tax

Under Royal Decree Law 13/2011, of 16 September — as amended by Law 22/2013, of 23 December, in 2014, all Spanish-resident individual shareholders are liable for Net Wealth Tax (hereinafter, "**NWT**") on all net assets and rights deemed to be owned as of 31 December, irrespective of where these assets are located or where the rights may be exercised, and amounting to more than €700,000 (such amount may be lower depending on the Spanish region of domicile of the taxpayer) A Holder who is required to file a NWT return should value the Shares at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

NWT is levied at rates ranging from 0.2 per cent. to 2.5 per cent. Depending on the Spanish region of domicile of the taxpayer, certain tax allowances may be available.

In principle, as from 1 January 2015, NWT is expected to be effectively abolished. The NWT Act (Law 19/1991, of 6 June) shall provide for a 100 per cent. rebate on the NWT liability due by any NWT taxpayer (while also derogating NWT filing obligations).

Inheritance and Gift tax

The transfer of the Shares by inheritance, gift or legacy (on death or as a gift) to individuals resident in Spain is subject to Inheritance and Gift Tax (hereinafter, "**IGT**") as set out in Law 29/1987, of 18 December, being payable by the person who acquires the securities, at an effective tax rate ranging from 7.65 per cent. to 81.6 per cent., depending on relevant factors (such as e.g. the specific regulations imposed by each Spanish region, the amount of the pre-existing assets of the taxpayer and the degree of kinship with the deceased or donor).

Corporate Income Tax (CIT)

Taxation of dividends

Domestic corporations will include dividends received in connection with Shares in their taxable base, subject to a 30 per cent. tax rate, according to the Royal Legislative Decree 4/2004, of 5 March (hereinafter, "**CIT Act**").

Unless one of the exclusions set out in Article 30 of CIT Act may apply, Holders obtaining dividends or profit distributions in respect of the Shares shall be entitled to a double tax credit equal to 50 per cent. (in case the stake held by such Holder in the Company is lower than 5 per cent.) or 100 per cent. (generally, in case the stake held by such Holder in the Company is equal to or higher than 5 per cent., and is held uninterruptedly for a year — requirement which may be fulfilled after the distribution of such dividend) of the CIT payable, as the case may be, on the gross dividend or profit distribution received.

In general, the gross dividend received annually from the Shares will be subject to withholding tax at a 21 per cent. tax rate (19 per cent. as from 2015), unless the Holder is a 5 per cent. shareholder that has had a minimum one year holding period in respect of the Shares on the distribution date. Holders shall be able to credit such withholding tax against their annual CIT due.

In certain circumstances, this deduction will also apply in cases where the Holder had in the past a direct or indirect stake of at least five per cent. of the share capital which has fallen to a minimum of three per cent. because the company concerned has carried out (i) one of the tax-neutral restructuring transactions foreseen in Title VII, Chapter VIII of the CIT Act, or (ii) a transaction as part of a public tender offer.

The distribution of share premium is not considered as dividend. This amount will decrease the acquisition value of the Shares and any excess will be subject to CIT at a 30 per cent. tax rate. These amounts will not be subject to withholding tax and will not benefit from the aforementioned 50 per cent. or 100 per cent. tax credit.

Taxation of gains or losses

Gains or losses arising from the sale of the Shares by a Holder will be included in its CIT taxable base, and shall generally be subject to CIT at a 30 per cent. rate.

Gains arising from the sale of the Shares will not be subject to withholding tax and may also be entitled to a double tax credit at the level of the Holder, provided the Holder has owned, directly or indirectly, at least five per cent. of the Shares for at least one year before the date of the transfer, and to the extent that such gains may correspond to reserves generated during the holding period of such shares. The portion of the gain that has not benefited from such double tax credit may qualify as a tax credit for reinvestment of extraordinary profits, in accordance with the provisions of Article 42 of the CIT Act.

Lastly, in the event of an acquisition of the Shares by a CIT taxpayer for no consideration, an amount equivalent to the fair market value of such Shares will be taxed according to the CIT rules, the IGT not being applicable.

Non-Resident Shareholders

Non-residents Income Tax (NRIT)

Taxation of dividends

According to the NRIT Act, dividends paid by a Spanish resident company to a non-Spanish tax resident Holder not holding the Shares through a permanent establishment located in Spain are subject to NRIT, withheld at the source on the gross amount of dividends, currently at a tax rate of 21 per cent. (19 per cent. as from 2015).

The NRIT Act provides for an exemption in respect of the first €1,500 of any Spanish source dividends received annually by individual Holders who are resident in an EU Member State or in a territory or country that has an effective agreement for the exchange of fiscal information with Spain, provided that such Holders do not have a permanent establishment in Spain and do not obtain such dividends through a jurisdiction deemed to be a tax haven for Spanish tax purposes. However, Spanish withholding tax will nevertheless be required to be deducted from the gross amount of the dividends paid. Holders will have to seek a direct refund of such withholding taxes from the Spanish tax authorities by following the Spanish refund procedure (as described below under "*Spanish refund procedure*").

Certain corporate Holders resident in a EU Member State (other than a tax haven jurisdiction for Spanish tax purposes) may also be entitled to an exemption from NRIT dividend withholding tax to the extent that they are entitled to the benefits of the Spanish NRIT provisions that implement the regime of the EU Parent-Subsidiary Directive. Such exemption may be available to the extent that the recipient of the dividends has held, directly or indirectly, at least five per cent. of the shares of the distributing entity (such minimum shareholding threshold could be lower in certain cases) uninterruptedly for at least one year prior to the distribution date, and provided that other requirements (including specific anti-abuse rules that need to be analysed on a case-by-case basis and procedural formalities, such as the supply of a government-issued tax residence certificate) are met. Holders claiming the applicability of such exemption that have not met a minimum one year holding period as of a given dividend distribution date (but who could meet such requirement afterwards) should be aware that the NRIT Act requires the Company to withhold the applicable NRIT on such dividends, and that such Holders will need to request a direct refund of such withholding tax from the Spanish tax authorities pursuant to the Spanish refund procedure described below under "*Spanish refund procedure*".

In addition, Holders resident in certain countries may be entitled to the benefits of a double taxation convention ("**DTC**"), in effect between Spain and their country of tax residence providing from a reduced tax rate or an exemption on dividends, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the Holder by means of a certificate of tax residence duly issued by the tax authorities of its country of tax residence making express reference to the Holders' entitlement to the benefits of such DTC (or equivalent specific form required under an applicable DTC). From a Spanish tax perspective, tax residence certificates issued by a foreign tax authority (or equivalent DTC forms) are deemed to be valid only for one year as from their date of issuance.

In accordance with the Order of the Ministry of Finance and Taxation of April 13, 2000, upon distribution of a dividend, the Company or the Company's paying agent will withhold an amount equal to the NRIT amount required to be withheld according to the general rules set forth above (generally, 21 per cent.), transferring the resulting net amount to the financial institution acting as a depositary of the shares held by such Holder. If the applicable depositary is resident, domiciled or represented in Spain and it provides timely evidence (including a valid certificate of tax residence for purposes of the exemption of reduction of withholding tax being claimed, or equivalent form under the applicable DTC), the Company will immediately receive the amount withheld, which will be credited to the relevant Holder. For these purposes, the relevant certificate of residence (or equivalent DTC form) must be provided before the tenth day following the end of the month in which the dividends were paid.

If such certificate of tax residence or, as the case may be, the equivalent DTC form referred to above, is not provided to us by the relevant depositary within the mentioned time frame the relevant NRIT withheld will be paid to the Spanish tax authorities, and a Holder entitled to an exemption or reduction of NRIT pursuant to the NRIT Act or pursuant to an applicable DTC may subsequently request a refund of the amounts withheld in excess from the Spanish tax authorities, following the standard refund procedure described below under "*Spanish refund procedure*". Notwithstanding the above, this procedure is not applicable in respect to the first €1,500 dividends exempt from taxation.

Spanish refund procedure

According to Royal Decree 1776/2004, dated 30 July (NRIT regulations) and the Order of the Ministry of Finance and Taxation EHA/3316/2010, of 17 December, a refund of an amount withheld in excess of any applicable NRIT (taking into account an available exemption or reduction under the NRIT Act or applicable DTC) can be requested and obtained directly from the relevant Spanish tax authorities.

To pursue the refund claim, the Holder is required to file:

- the corresponding Spanish tax refund form (currently, Form 210);
- a valid certificate of tax residence issued by the relevant tax authorities of the Holder's country of residence stating that the Holder is a resident of such country (and, in case an exemption or reduction of NRIT is claimed pursuant to a DTC, such certificate must indicate that the relevant Holder is a resident therein within the meaning of the relevant DTC) or, as the case may be, the equivalent DTC form, as referred to above under "*Taxation of dividends*"; and
- a certificate from the Company stating that Spanish NRIT was withheld and collected with respect to such Holder.

For further details, prospective Holders should consult their own tax advisors.

Taxation of capital gains

Capital gains derived from the transfer or sale of the Shares will be deemed to be income arising in Spain, and, therefore, subject to NRIT (currently, at a 21 per cent. rate).

Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses derived from a given transfer of shares against capital gains obtained upon another transfer of shares.

However, capital gains derived from the Shares will be exempt from taxation in Spain in either of the three following cases:

- Capital gains derived from a transfer of the Shares carried out on an official Spanish secondary stock market (such as the Spanish Stock Exchanges), by any Holder who is tax resident of a country that has entered into a DTC with Spain containing an "exchange of tax information" clause. This exemption is not applicable to capital gains obtained by a Holder through a country or territory that is classified as a tax haven under the Spanish tax regulations, nor by a Holder holding the Shares through a permanent establishment located in Spain.
- Capital gains obtained directly by any Holder resident of another EU Member State or indirectly through a permanent establishment of such Holder in a EU Member State (other than Spain), provided that:
    - the Company's assets do not mainly consist of, directly or indirectly, real estate property located in Spain;
    - during the preceding twelve months the Holder has not held a direct or indirect interest of at least 25 per cent. in the Company's capital or net equity; and
    - the gain is not obtained through a country or territory defined as a tax haven under the applicable Spanish tax regulations.

- Capital gains realised by Holders who benefit from a DTC entered into between their country of tax residence and Spain that provides for taxation of capital gains derived from the transfer of the Shares only in such US Holder's country of tax residence.

In order for the exemptions mentioned above to apply, a Holder must timely file the applicable NRIT tax return before the Spanish tax authorities, and attach to it a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that the Holder is a resident of such country within the meaning of the relevant DTC) or, as the case may be, equivalent DTC form. As mentioned in subsection (a) above, certificates of tax residence (or equivalent DTC forms) will be generally valid only for a period of one year after their date of issuance.

Prospective Holders should consult their own tax advisors to obtain detailed information regarding NRIT filings they may be required to make before the Spanish Tax Authorities.

Net Wealth Tax

In relation to fiscal year 2014, non-Spanish tax resident individual Holders holding the Shares will be subject to Spanish NWT to the extent that such Holders own shares (along with other property located in Spain and rights which could be exercised in Spain) valued for a combined net amount in excess of €700,000, as of 31 December, 2014 Spanish NWT rates vary between 0.2 per cent. and 2.5 per cent. For NWT valuation purposes, the Shares should be valued at their average trading price during the last quarter of such year (according to information published on an annual basis by the Spanish Ministry of Finance and Public Administration. Holders who benefit from a DTC that provides for net wealth taxation only in the Holder's country of residence will not be subject to NWT.

In principle, NWT is expected to be effectively abolished as from 1 January 2015.

Spanish Inheritance and Gift Tax

Unless otherwise provided under an applicable DTC, transfers of the Shares upon death and by gift to individuals not resident in Spain for tax purposes are subject to Spanish IGT (pursuant to Spanish Law 29/1987), regardless of the residence of the heir or the beneficiary. The effective tax rate, after applying all relevant factors, may range between 7.65 per cent. and 81.6 per cent..

Gifts granted to non-Spanish tax resident corporations will be generally subject to Spanish NRIT as capital gains, without prejudice to the exemptions referred to above under "Taxation of capital gains".

Spanish Transfer Tax

The acquisition or subscription of the Shares and any subsequent transfer thereof will be exempt from Transfer Tax and Value Added Tax, under the terms and with the exemptions set out in Article 108 of the Securities Market Act.

Additionally, no stamp duty will be levied on such acquisition, subscription and transfers.

United States Federal Income Tax Considerations

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE (AS DEFINED BELOW); (B) THIS PROSPECTUS IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion describes certain US federal income tax consequences generally applicable to US Holders (defined below) of Shares acquired pursuant to the Offering. This summary applies only to US Holders that acquire Shares in the Offering, hold the Shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), and that have the US dollar as their functional currency. This discussion is based upon the Internal Revenue Code, applicable US Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the IRS regarding the tax consequences of the acquisition, ownership or disposition of the Shares, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any US tax consequences other than US federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income).

The following discussion does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- broker dealers;
- traders that elect to mark-to-market;
- tax-exempt entities;
- individual retirement accounts and other tax-deferred accounts;
- persons liable for alternative minimum tax;
- US expatriates;
- persons holding a Share as part of a straddle, hedging, conversion or other integrated transaction;
- persons that actually or constructively own 10 per cent. or more of the total voting power or value of all of the Company's outstanding stock;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons who acquired the Shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons holding Shares through partnerships or other pass-through entities.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-US TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

The discussion below of the US federal income tax consequences to "US Holders" will apply if a person is a beneficial owner of Shares and, for US federal income tax purposes, is

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) organised under the laws of the United States, any state thereof or the District of Columbia;

- an estate whose income is subject to US federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more US persons or (2) has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

If a US Holder is a partner in an entity taxable as a partnership that holds Shares, the tax treatment of any such US Holder generally will depend on such US Holder's status and the activities of the partnership. Partners of a partnership considering an investment in Shares should consult their tax advisers regarding the US federal income tax consequences of acquiring, owning and disposing of the Shares.

Dividends

Subject to the PFIC rules discussed below, the gross amount of distributions made by the Company with respect to the Shares (including the amount of any Spanish taxes withheld therefrom) generally will be includable in the US Holder's gross income as foreign source dividend income to the extent that such distributions are paid out of the Company's current or accumulated earnings and profits as determined under US federal income tax principles. To the extent, if any, that the amount of any such distribution exceeds the Company's current or accumulated earnings and profits, it will be treated first as a tax-free return of such US Holder's tax basis in the Shares and thereafter as capital gain. However, the Company does not intend to calculate its earnings and profits under US federal income tax principles. Therefore, a US Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other US corporations. With respect to non-corporate US Holders, including individual US Holders, dividends may be "qualified dividend income", which is taxed at the lower applicable capital gains rate provided that (1) the Company is eligible for the benefits of the Convention between the United States of America and the Kingdom of Spain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"), which the Company expects will be the case, (2) the Company is not a PFIC (as discussed below) for either the Company's taxable year in which the dividend was paid or the preceding taxable year, (3) such US Holder has held the Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, and (4) such US Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

US Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to Shares.

For US federal income tax purposes, US Holders will be treated as having received the amount of any Spanish taxes withheld by the Spanish resident intermediary (as discussed above under "*Taxation — Spanish Tax Considerations*") or any other withholding agent, and as then having paid over the withheld taxes to the Spanish taxing authorities. As a result of this rule, the amount of dividend income a US Holder is required to include in gross income for US federal income tax purposes with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by such US Holder with respect to the payment.

Subject to certain conditions and limitations, Spanish taxes withheld from a distribution may be eligible to be used as a credit against, or a deduction in computing against a US Holder's US federal income tax liability. If a refund of the tax withheld is available to a US Holder under the laws of Spain or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against US federal income tax liability (and will not be eligible for the deduction against US federal taxable income). If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Company with respect to Shares will generally constitute "passive category income" but could, in the case of certain US Holders, constitute "general category income".

However, if the Company is a "United States-owned foreign corporation," a portion of the dividends allocable to its US source earnings and profits may be re-characterized as US source. A "United States-owned foreign corporation" is any foreign corporation in which US persons own, directly or indirectly, 50 per cent. or more (by vote or by value) of the stock. In general, United States-owned foreign corporations with less than 10 per cent. of earnings and profits attributable to sources within the United States are excepted from these rules. If the Company is or becomes a United States-owned foreign corporation, a US Holder may not offset any foreign tax withheld as a credit against US federal income tax imposed on that portion of dividends.

The rules relating to the determination of the US foreign tax credit are complex and US Holders should consult their tax advisors to determine whether and to what extent a credit would be available. If a US Holder does not elect to claim a foreign tax credit with respect to any foreign taxes for a given taxable year, such US Holder may instead claim an itemised deduction for all foreign taxes paid in that taxable year.

The amount of any distribution paid in euros will be equal to the US dollar value of such euros calculated by reference to the spot rate of exchange on the date such distribution is received by a US Holder, regardless of whether the payment is in fact converted into US dollars at that time. If the euros so received are converted into US dollars on the date of receipt, such US Holder generally will not recognise foreign currency gain or loss on such conversion. If the euros are not converted into US dollars on the date of receipt, such US Holder will have a basis in the euros equal to its US dollar value on the date of receipt. Gain or loss, if any, realised on the subsequent conversion or other disposition of such euros generally will be US source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Sale or Other Taxable Disposition of Shares

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of Shares, a US Holder generally will recognise a capital gain or loss for US federal income tax purposes in an amount equal to the difference between the amount realised and such US Holder's adjusted tax basis in such Shares. Any such gain or loss generally will be US source gain or loss and will be treated as long-term capital gain or loss if the US Holder's holding period in the Shares exceeds one year. If the US Holder is a non-corporate US Holder, including an individual US Holder, any capital gain generally will be subject to US federal income tax at preferential rates. The deductibility of capital losses is subject to significant limitations.

In addition, because capital gains generally will be treated as US source gain, in the event that the US Holder is subject to Spanish income tax upon the sale or other taxable disposition of the Shares, such US Holder may not be able to credit such Spanish income tax against its US federal income tax liability with respect to the gain it realises on such sale or other taxable disposition unless it has other foreign source income for the year in the appropriate US foreign tax credit limitation basket. If the consideration a US Holder receives upon a sale or other taxable disposition of Shares is not paid in US dollars, the amount realised will be the US dollar value of the payment received, determined by reference to the spot rate of exchange on the date of the sale or other taxable disposition. However, if the Shares are treated as traded on an established securities market and the US Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), such US Holder will determine the US dollar value of the amount realised in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale or other taxable disposition. US Holders will have a tax basis in the foreign currency equal to the US dollar value on the settlement date. A US Holder may realise additional gain or loss upon the subsequent conversion or disposition of such currency, which generally will be treated as US source ordinary income or loss. If a US Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realised using the spot rate on the settlement date, it will recognise foreign currency gain or loss to the extent of any difference between the US dollar amount realised on the date of the sale or other taxable disposition and the US dollar value of the currency received at the spot rate on the settlement date.

A US Holder's initial tax basis in Shares generally will equal the US dollar cost of such Shares. If a US Holder uses foreign currency to purchase Shares, the cost of the Shares will be the US dollar value of the foreign currency purchase price determined by reference to the spot rate of exchange on the date of purchase. However, if the Shares are treated as traded on an established securities market and the US Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such US Holder will determine the US dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company

Based on the Company's historic and expected operations, composition of assets and market capitalisation (which will fluctuate from time to time), the Company does not expect that it will be classified as a PFIC for the current taxable year or for the foreseeable future. However, the determination of whether the Company is a PFIC is made annually, after the close of the relevant taxable year. Therefore, it is possible that the Company could be classified as a PFIC for the current taxable year or in future years due to changes in the composition of the Company's assets or income, as well as changes in the Company's market capitalisation.

In general, a non-US corporation will be classified as a PFIC for any taxable year if at least (i) 75 per cent. of its gross income is classified as ''passive income'' or (ii) 50 per cent. of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For these purposes, cash is considered a passive asset. In making this determination, the non-US corporation is treated as earning its proportionate Share of any income and owning its proportionate share of any assets of any corporation in which it directly or indirectly holds 25 per cent. or more (by value) of the stock.

Under the PFIC rules, if the Company was considered a PFIC at any time that a US Holder holds the Shares, the Company would continue to be treated as a PFIC with respect to such US Holder's investment unless (i) the Company ceases to be a PFIC and (ii) the US Holder has made a ''deemed sale'' election under the PFIC rules. If the Company is considered a PFIC at any time that a US Holder holds the Shares, any gain recognised by the US Holder on a sale or other disposition of the Shares, as well as the amount of an "excess distribution" (defined below) received by such US Holder, would be allocated rateably over the US Holder's holding period for the Shares. The amounts allocated to the taxable year of the sale or other disposition (or the taxable year of receipt, in the case of an excess distribution) and to any year before the Company became a PFIC would be taxed as ordinary income. The amounts allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. For purposes of these rules, an excess distribution is the amount by which any distribution received by a US Holder on its Shares in a taxable year exceeds 125 per cent. of the average of the annual distributions on the Shares received during the preceding three years or the US Holder's holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Shares.

If the Company is treated as a PFIC with respect to a US Holder for any taxable year, the US Holder will be deemed to own Shares in any of the Company's subsidiaries that are also PFICs. However, an election for mark-to-market treatment would likely not be available with respect to any such subsidiaries. If the Company is considered a PFIC, a US Holder will also be subject to information reporting requirements, possibly on an annual basis. US Holders should consult their own tax advisors about the potential application of the PFIC rules to an investment in the Shares.

Information Reporting and Backup Withholding

Dividend payments and proceeds paid from the sale or other disposition of the Shares may be subject to information reporting to the IRS. In addition, a US Holder (other than exempt US Holders who establish their exempt status if required) may be subject to backup withholding on cash payments received in connection with dividend payments and proceeds from the sale or other taxable disposition of Shares made within the United States or through certain US-related financial intermediaries.

Backup withholding will not apply, however, to a US Holder who furnishes a correct taxpayer identification number, provides other required certification and otherwise complies with the applicable requirements of the backup withholding rules or who is otherwise exempt from backup withholding. Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the US Holder's US federal income tax liability, provided the required information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain US Holders who are individuals and certain entities may be required to report information relating to the Shares, subject to certain exceptions (including an exception for Shares held in accounts maintained by certain financial institutions). US Holders should consult their tax advisors regarding their reporting obligations with respect to their ownership and disposition of the Shares.

The discussion above is a general summary. it does not cover all tax matters that may be important to holders. each prospective purchaser should consult its own tax advisor about the tax consequences of an investment in the shares under the investor's own circumstances.

PLAN OF DISTRIBUTION

The Offering

The Company, the Selling Shareholder, Azul Holding and the Underwriters have entered into an underwriting agreement (the "**Underwriting Agreement**") with respect to the New Offer Shares being issued by the Company and the Existing Offer Shares and Over-allotment Shares being sold by the Selling Shareholder and the Over-allotment Shares being sold by the Over-allotment Shareholders upon the finalisation of the book-building period (expected to be on or about 7 May 2014). Subject to the satisfaction of certain conditions set out in the Underwriting Agreement, each Underwriter has agreed, severally but not jointly, to purchase such percentage of the total number of Offer Shares as is set forth opposite its name in the following table:

Underwriters	% Offer Shares
Morgan Stanley & Co. International plc	31.00
UBS Limited	31.00
Citigroup Global Markets Limited	13.50
J.P. Morgan Securities plc	13.50
Joh. Berenberg, Gossler & Co. KG	5.50
Banco Santander, S.A.	5.50

In consideration of the agreement by the Underwriters to purchase the Offer Shares, the Company and the Selling Shareholder will pay to the Underwriters commissions totalling 1.5 per cent. of the aggregate Offering Price of the Offer Shares issued or sold by them, as the case may be, in the Offering (including Over-allotment Shares, if and to the extent the Over-allotment Option is exercised). In addition, the Company, the Selling Shareholder and Azul Holding have agreed that they may, in their sole discretion, pay to the Underwriters discretionary commissions of up to 1.0 per cent. of the aggregate Offering Price of the Shares issued or sold by them, as the case may be, in the Offering (including Over-allotment Shares, if and to the extent the Over-allotment Option is exercised) to be distributed among the Underwriters as determined by the Company, the Selling Shareholder and Azul Holding. Furthermore, the Company have agreed to reimburse the Underwriters for certain expenses.

The closing date of the Offering or "*fecha de operación bursátil*" (the "**Closing Date**") is expected to be on or about 8 May 2014. The Company has made public the result of the Offering through a disclosure ("*informatión adicional*") reported to the CNMV on 8 May 2014. Under Spanish law, on the Closing Date, investors become unconditionally bound to pay for, and entitled to receive, the relevant Offer Shares subscribed for or purchased in the Offering.

In order to expedite the listing of the Offer Shares, it is expected that the Joint Global Coordinators, in their capacity as prefunding banks, will subscribe and pay for the New Offer Shares on the Closing Date of the Offering, each acting in the name and on behalf of the Underwriters, and each Underwriter acting on behalf of the final investors. Payment for the New Offer Shares by the prefunding banks is expected to be made to the Company by 9:00 a.m. CET on the Closing Date in its account maintained with Santander Investment, S.A., as the agent bank (the "**Agent Bank**"), and the New Offer Shares will come into existence once registered with the Commercial Registry of Barcelona and recorded in book-entry form with Iberclear. Payment by the final investors for the Offer Shares, including for the New Offer Shares subscribed and paid for on the Closing Date by the Joint Global Coordinators as prefunding banks, will be made no later than the third business day after the Closing Date against delivery through the facilities of Iberclear of the Offer Shares (other than the Over-Allotment Shares) to final investors, which is expected to take place on or about 13 May (the "**Settlement Date**"). The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about 9 May 2014, under the symbol "APPS".

The Company has given the Underwriters customary representations and warranties under the Underwriting Agreement, including in relation to the Group's business, the Shares and the contents of this document. The Selling Shareholder and Azul Holding have also given the Underwriters customary representations and warranties under the Underwriting Agreement in relation to, among other matters, their title to the Existing Offer Shares.

The Underwriting Agreement also provides that the Company will, subject to certain exceptions, indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

The Shares have not been registered under the Securities Act, and may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act. The

Underwriters have advised the Company that they propose to resell the Offer Shares initially at the Offering Price (i) in the United States, through their respective selling agents, to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act or (ii) outside the United States in compliance with Regulation S under the Securities Act. Any offer or sale of Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. In addition, until 40 days after the commencement of the Offering, any offer or sale of Shares that is made in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A under the Securities Act.

Other than the New Offer Shares that will be issued by the Company, and the Existing Offer Shares and the Over-allotment Shares (if any) that will be sold by the Selling Shareholder, no other Shares or classes of Shares of the Company will be simultaneously created for admission to trading or offered for purchase or subscription by investors.

Pricing of the Offering

Prior to the Offering, there has been no public market for the Shares. Besides those Shares subscribed pursuant to the share capital increase approved on 19 December 2013 with a subscription price of €1.98 per share (including a nominal value of €1.00 and a share premium of €0.98 per share) (compared to €14.50, which is the Offering Price) (for additional information on such capital increase, see "*Description of Capital Stock — General*"), over the course of the past year no member of the Board of Directors or of the Company's senior management team, nor related parties to the foregoing, has acquired Shares in the Company.

Offering Price

The Offering Price is €14.50 per Offer Share.

Expenses and taxes charged to the investor

Purchasers of Shares may be required to pay stamp taxes and other charges in compliance with the laws and practices of their country of purchase in addition to the Offering Price.

In addition, purchasers will have to bear the commissions payable to the financial intermediaries through which they will hold the Shares.

Revocation of the Offering

The Offering will be revoked (i) if the Underwriting Agreement is terminated prior to the time of registration of the notarial deed of the capital increase relating to the issue of the New Offer Shares with the relevant Commercial Registry upon the occurrence of certain events set forth in the Underwriting Agreement; (ii) in case the Offering is suspended or withdrawn by any judicial or administrative authority; or (iii) if the Shares are not admitted to listing on the Spanish Stock Exchanges before 11.59 p.m. Madrid time of 23 May 2014.

In case of withdrawal or revocation of the Offering, all offers to subscribe or purchase shall be cancelled and all subscription or purchase orders related to the Offering of the Offer Shares shall be terminated. Additionally, the Company shall have no obligation to issue and deliver the New Offer Shares and the Selling Shareholder shall have no obligation to deliver the Existing Offer Shares and the investors (including for the purposes of this section, the Joint Global Coordinators in the name and on behalf of the Underwriters, and each Underwriter on behalf of the final investors) shall have no obligation to subscribe for or purchase, as the case may be, the Offer Shares.

In the event that the New Offer Shares have been issued and paid for by investors before termination of the Offering takes place, investors would be required to return the New Offer Shares to the Company, and the Company will repurchase from the holders of the New Offer Shares the New Offer Shares that have been issued and paid, and then reduce its share capital and cancel the New Offer Shares in order to return the subscription moneys received by the Company. The Company will repurchase the New Offer Shares for an amount equal to the moneys paid by the investors in respect of the subscription of the New Offer Shares in the Offering, together with interest calculated at the statutory rate ("*interés legal*", currently set at 4 per cent.) from the date on which the investors paid for the New Offer Shares until the date on which the Company repays the subscription price.

In the event that the Existing Offer Shares have already been delivered by the Selling Shareholder and the purchase price has been paid by the investors, the investors would be required to return title to the Existing Offer Shares to the Selling Shareholder and the Selling Shareholder would be obligated to return the moneys paid by the investors in respect of the sale of the Existing Offer Shares in the Offering, together with interest calculated at the statutory rate ("*interés legal*", currently set at 4 per cent.) from the date on which the investors paid for the Existing Offer Shares until the date on which they repay the purchase price.

Simultaneously to the issuance of the subscription or purchase proposals, the investors subscribing or purchasing Offer Shares shall be deemed to have consented to the aforementioned repurchase of Offer Shares. The Underwriters will expressly consent to such repurchase under the Underwriting Agreement.

Tentative calendar of the Offering

The Company expects that the Offering will take place according to the tentative calendar set out below:

Action	Estimated Date
Allocation of the Offer Shares	8 May 2014
Prefunding of New Offer Shares by one or both of the Joint Global Coordinators	no later than 9:00 a.m. on 8 May 2014
Closing Date of the Offering	8 May 2014
Admission to trading on the Spanish Stock Exchanges and commencement of the stabilisation period	9 May 2014
Payment by final investors	no later than 09:30 a.m. on 13 May 2014
Settlement Date	13 May 2014
Finalisation of the stabilisation period.	8 June 2014

The purchase proposals of the Offer Shares (other than the Over-Allotment Shares) constitute only an indication of the interest of the investors interested in the Offer Shares (other than the Over-Allotment Shares) which shall not be binding either for the investors, the Company, the Selling Shareholder, or Azul Holding. However, the confirmation of the purchase proposals shall be irrevocable.

The Agent Bank will be responsible for, among other things: issuing a certificate confirming payment for the New Offer Shares for the purposes of notarising the corresponding capital increase; maintaining the Offer Shares (other than the Over-Allotment Shares) deposited in the securities accounts held with it by the Selling Shareholder, Azul Holding or the Joint Global Coordinators, as the case may be, until settlement of the Offering; instructing the entities participating in the Offering on the procedures applicable to its execution; receiving and processing information on the selection and confirmation of subscription and/or purchase proposals and collaborating in the allocation of the Offer Shares (other than the Over-Allotment Shares) to the final investors; and arranging the allocation of the corresponding registration references ("*referencias de registro*") by Iberclear, through the Spanish Stock Exchanges, and cooperating with the Company in the Admission process.

Authorisations of the Offering

On 25 March and 4 April 2014, the general shareholders' meeting of the Company determined to apply for the Admission and granted the Board of Directors the necessary authority to resolve the issuance of the New Offer Shares pursuant to a share capital increase for a maximum amount of €5,466,355, and the implementation by the Company of the subscription offer for the New Offer Shares and of an offer for the sale of the Existing Offer Shares, on behalf of the Selling Shareholder, as contemplated in the Offering. Pursuant to the authority granted by the general shareholders' meeting, on 7 May 2014 the Board of Directors established the Offering Price and the number of Shares to be offered in the context of the Offering. For the avoidance of doubt, no application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any exchange other than the Spanish Stock Exchanges and the AQS.

No pre-emptive subscription and/or acquisition rights are applicable in relation to the Offering, taking into account that all of the Company's current shareholders have irrevocably waived their pre-emptive subscription rights over the New Offer Shares, and that no pre-emptive acquisition rights apply to the transfer of the Existing Offer Shares and Over-allotment Shares.

The Offering shall not be subject to any administrative approval or authorisation besides the regime applicable to the approval by the CNMV of a "prospectus" for the purposes of the Admission in accordance with the Spanish Securities Market Act and related regulation. A "prospectus" was prepared and approved by the CNMV. It is available on the website of the CNMV (www.cnmv.es) and the Company (www.applus.com).

Agreements to Acquire Shares

Concurrently with the Offering, pursuant to the Directed Offering, the Chief Executive Officer and Chief Financial Officer of the Company will purchase in aggregate 400,000 Shares at the Offering Price for total consideration of €5.8 million.

Azul Holding will also sell 6,897 Shares at the Offering Price for total consideration of €0.1 million to the New Chairman. For further details of the sale of Shares to the New Chairman, see "*Management and Board of Directors – Agreements to Acquire Shares*" and "*Lock-up Agreements*".

Stabilisation

In connection with the Offering, the Stabilising Manager, or any of its agents, acting on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable law, engage in transactions that stabilise, support, maintain or otherwise affect the price, as well as over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in an open market. Any stabilisation transaction shall be undertaken in accordance with applicable laws and regulations, in particular, Commission Regulation (EC) No 2273/2003 of 22 December 2003 as regards exemptions for buy-back programmes and stabilisation of financial instruments.

The stabilisation transactions shall be carried out for a maximum period of 30 calendar days from the date of the commencement of trading of Shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting. The Stabilisation Period is expected to commence on 9 May 2014 and end on 8 June 2014.

For this purpose, the Stabilising Manager may carry out an over-allotment of Shares in the Offering, which may be covered by the Underwriters pursuant to one or several securities loans granted by the Selling Shareholder or Azul Holding. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on a regulated market and may be taken at any time during the Stabilisation Period. However, there is no obligation that the Stabilising Manager or any of its agents effect stabilising transactions and there is no assurance that the stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice, without prejudice of the duty to give notice to the CNMV of the details of the transactions carried out under Commission Regulation (EC) No 2273/2003 of 22 December 2013. In no event will measures be taken to stabilise the market price of the Shares above the Offering Price. In accordance with Article 9.2 of Commission Regulation (EC) No 2273/2003 of 22 December 2013, the details of all stabilisation transactions will be notified by the Stabilising Manager to the CNMV no later than closing of the seventh daily market session following the date of execution of such stabilisation transactions.

Additionally, in accordance with Article 9.3 of Commission Regulation (EC) No 2273/2003 of 22 December 2013, the following information will be disclosed to the CNMV by the Stabilising Manager within one week of the end of the Stabilisation Period: (i) whether or not stabilisation transactions were undertaken; (ii) the date at which stabilisation transactions started; (iii) the date at which stabilisation transactions last occurred; and (iv) the price range within which the stabilisation transaction was carried out, for each of the dates during which stabilisation transactions were carried out.

Liquidity providers

There are no entities which have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates.

Over-allotment Option

In connection with the Offering, the Over-allotment Shareholders, acting severally and not jointly, have granted to the Joint Global Coordinators, acting on behalf of the Underwriters, acting severally but not jointly, an option to purchase the Over-allotment Shares at the Offering Price. The Over-allotment Option is exercisable by the Joint Global Coordinators, on behalf of the Underwriters, upon notice to the Selling Shareholder, on one occasion in whole or in part, only for the purpose of covering over-allotments (if any) and to cover any short positions resulting from stabilisation transactions, at any time on or before the 30th calendar day after the commencement of trading of the Shares on the Spanish Stock Exchanges. This period is expected to commence on 9 May 2014 and end on 8 June 2014. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the New Offer Shares and the Existing Offer Shares, including for all dividends and other distributions declared, made or paid on the New Offer Shares and the Existing Offer Shares, will be purchased on the same terms and conditions as the New Offer Shares and the Existing Offer Shares being issued or sold in the Offering and will form a single class for all purposes with the other Shares.

The exercise of the Over-allotment Option is not subject to any conditions.

Lock-Up Agreements

The Company has agreed that without the prior written consent of the Joint Global Coordinators on behalf of the Underwriters, it will not, and will not permit any of its subsidiaries or other affiliates over which it exercises management or voting control or any person acting on its or their behalf, during the period commencing on the date the Underwriting Agreement is signed and ending 180 days after from the Settlement Date: (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares, or any securities convertible into or exercisable or exchangeable for Shares, or file any prospectus under the Prospectus Directive and the prospectus rules set out in Commission Regulation (EC) No 809/2004 (and amendments thereto, including Commission Delegated Regulation (EU) 486/2012 and Commission Delegated Regulation (EU) 862/2012), enacted in the European Union (the "**Prospectus Rules**") or any similar document with any securities regulator, stock exchange, or listing authority with respect to any of the foregoing, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise or (iii) publicly announce such an intention to effect any such transaction. The restrictions detailed above shall not apply to (a) the issuance and sale of the Offer Shares, or (b) issuances or transfers of Shares in connection with the implementation by the Company of any employee benefit or incentive plan to the extent described in this document.

Each of the Selling Shareholder and Azul Holding has agreed that without the prior written consent of the Joint Global Coordinators on behalf of the Underwriters they will not during the period commencing on the date the Underwriting Agreement is signed and ending 180 days from the Settlement Date: (i) offer, pledge, sell, transfer, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Shares or warrants or any securities convertible into or exercisable or exchangeable for Shares or warrants or file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any securities regulator, stock exchange, or listing authority, with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part the economic consequence of ownership of Shares or warrants, (iii) not to take any steps to issue new Shares or other securities that are convertible or exchangeable into Shares, nor to authorise the disposal of any Shares owned by the Company. The restrictions detailed above shall not apply to: (a) any sale of Existing Offer Shares and any transfer of Over-allotment Shares; (b) any inter-company transfer of Shares by one or more of the Selling Shareholder or Azul Holding in favour of its companies or affiliates; (c) such Shares held by the Selling Shareholder or Azul Holding as may be lent by the Selling Shareholder or Azul Holding to the Joint Global Coordinators pursuant to the stock lending agreement to be entered into in connection with the Offering; (d) the transfer of the Shares in the context of a potential tender offer for the acquisition of the Company; (e) the provision of an irrevocable undertaking to accept an offer for the acquisition of the Company; (f) any disposal of Shares pursuant to any offer by the Company to purchase its own securities which is made on identical terms to all holders of Shares; (g) any disposal of Shares pursuant to a compromise or arrangement between the Company and any of its creditors or between the Company; (h) any disposal of rights to Shares to be issued by way of a rights issue or pre-emptive offer; (i) any transfers of Shares by to the chief executive officer or chief financial officer of the Company; or (j) any sale of Shares by Azul Holding to the New Chairman.

The Chief Executive Officer, the Chief Financial Officer and the New Chairman of the Company have agreed to abide by similar restrictions, subject to customary exceptions, during the period commencing on the date the Underwriting Agreement is signed and ending 360 days from the Settlement Date.

Other Relationships

The Underwriters and their respective affiliates may have engaged in transactions with and may have performed various investment banking, financial advisory and other services for the Company, the Selling Shareholder, Azul Holding and their respective affiliates, for which they received customary fees, and they and their respective affiliates may provide such services for the Company, the Selling Shareholder, Azul Holding and their respective affiliates in the future. Certain of the Underwriters are lenders (either directly or through their affiliates) under certain of the Group's debt facilities. Moreover, in the ordinary course of their business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments, including corporate debt facilities, of the Group, the Selling Shareholder and Azul Holding.

Offering expenses

Due to the difficulty to determine the expenses incurred as of the date of this document, for purely information purpose, the following table sets forth the estimated expenses related to the Offering (VAT excluded, which shall be added where applicable):

Expenses	**€ thousand**
Underwriting commissions(1)	7,500
Underwriting commission	4,500
Discretionary commission	3,000
Iberclear fee	46
Spanish Stock Exchanges fee	204
CNMV fee	75
Legal expenses and others (notary public, registration with the Commercial Registry, legal publishing, legal and financial advice, audit)	23,388
TOTAL	**36,213**

(1) Assuming that (i) all the Offer Shares (including the Over-allotment Shares) have been underwritten by each of the Underwriters and that the Over-allotment Option has been entirely exercised; and (ii) the discretionary commission is paid in full.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") no Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- by the Underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or a Supplement to the Prospectus pursuant to Article 16 of the EU Prospectus Directive and each person who initially acquires any Shares or to whom an offer is made will be deemed to have represented, warranted and agreed to and with the Underwriters and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(e) of the Prospectus Directive.

For the purpose of the expression an "offer of any Shares to the public" in relation to any Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Shares to be offered, so as to enable an investor to decide to acquire any Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, Azul Holding, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Underwriters, be permitted to acquire Shares in the Offering.

United Kingdom

Each of the Underwriters has represented, warranted and agreed that it has:

- only communicated and caused to be communicated, and will only communicate, or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

- complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

United States

This document is not a public offering (within the meaning of the Securities Act) of securities in the United States. The Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Underwriters may offer Shares (i) the United States only through their US registered broker affiliates to persons reasonably believed each to be a QIB in reliance on Rule 144A under the Securities Act or (ii) outside the United States in compliance with Regulation S.

In addition, until 40 days after the commencement of the Offering, any offer or sale of Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act.

TRANSFER RESTRICTIONS

The offering of the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional adviser as to whether they require any governmental or other consent or need to observe any other formalities to enable the investor to accept, sell or purchase Offer Shares. No action has been or will be taken to permit a public offering of the Offer Shares in any jurisdiction. Receipt of this document will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document will be sent for informational purposes only and should not be copied or redistributed.

If an investor receives a copy of this document, the investor may not treat this document as constituting an invitation or offer to the investor of the Offer Shares unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this document or any other offering materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, or any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this document or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to accept, sell or purchase Offer Shares must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to purchase Offer Shares should consult their professional adviser without delay.

United States

Each purchaser of Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

a) The purchaser is, and at the time of its purchase of any Offer Shares will be, a QIB within the meaning of Rule 144A and is aware the sale to it is being made in reliance on Rule 144A.

b) The purchaser understands and acknowledges that the Offer Shares have not been, nor will they be, registered under the Securities Act, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder, and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph d below.

c) The purchaser is purchasing the Offer Shares (i) for its own account, or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such shares.

d) The purchaser understands and agrees that offers and sales of the Offer Shares are being made in the United States only to QIBs in transactions not involving a public offering or which are exempt from the registration requirements of the Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph c above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only

(i) pursuant to an effective registration statement under the Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Offer Shares into the United States) or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. The purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Shares.

e) The purchaser understands that for so long as the Offer Shares are "restricted securities" within the meaning of the US federal securities laws, no such shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such shares will not settle or trade through the facilities of the Depositary Trust & Clearing Corporation ("DTCC") or any other US clearing system.

f) The purchaser has received a copy of this document and has had access to such financial and other information concerning the Company as it deems necessary in connection with making its own investment decision to purchase Offer Shares. The purchaser acknowledges that none of the Company and the Joint Global Coordinators or any of their respective representatives has made any representations to it with respect to the Company or the allocation, offering or sale of any shares other than as set forth in this document, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares. The purchaser also acknowledges that it has made its own assessment regarding the US federal tax consequences of an investment in the Offer Shares. The purchaser has held and will hold any offering materials, including this document, it receives directly or indirectly from the Company in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it.

g) The purchaser understands that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. The purchaser irrevocably authorises the Company and the Underwriters to produce this document to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein.

h) The purchaser undertakes promptly to notify the Company and the Underwriters if, at any time prior to the purchase of the Offer Shares any of the foregoing ceases to be true.

i) The purchaser agrees that it will give to each person to whom it transfers the Shares notice of any restrictions on the transfer of the Shares.

Each purchaser of the Offer Shares outside the United States will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of the document and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

- The purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, were located outside the United States at the time the buy order for such Offer Shares was originated and continue to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States;

- The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S and it will not offer, sell, pledge or transfer any Offer Shares, except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction;

- The Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S; and

- The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements and the purchaser agrees that, if any of its acknowledgments, representations or agreements herein cease to be accurate and complete, they will notify the Company and the Underwriters promptly in writing. If the purchaser is acquiring Offer Shares on behalf of one or more accounts, it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such accounts as well).

In addition, each purchaser acknowledges that it understands that the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Company in respect of the laws of England, Spain and the United States by Latham & Watkins (London) LLP, and in respect of the laws of Spain by Latham & Watkins LLP and Cuatrecasas, Gonçalves Pereira, S.L.P.

Certain legal matters in connection with the Offering will be passed upon for the Underwriters in respect of the laws of England, Spain and the United States by Linklaters LLP, and in respect of the laws of Spain by Linklaters, S.L.P.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements incorporated by reference herein have been audited by Deloitte, S.L., with its address for these purposes at Plaza Ruiz Picasso, Torre Picasso, 28020 Madrid (Spain), registered with the Commercial Registry of Madrid, under Volume 16,650, page 188 and sheet M-544,414, and registered with the Official Registry of Accounting Auditors (ROAC) under number S0692, independent auditors, as stated in their reports appearing elsewhere in this document.

Deloitte, S.L. have not resigned or been removed or not reappointed as auditors of the Company during the period covered by the Audited Consolidated Financial Statements.

GENERAL INFORMATION

1. The Audited Consolidated Financial Statements and the unconsolidated historical financial information of the years ended 31 December 2012 and 2013 are available at the Company's registered office (Campus de la UAB, Ronda de la Font del Carme, s/n, Bellaterra, Cerdanyola del Vallès, Barcelona, Spain), on the Company's website (www.applus.com), and, following Admission, on the CNMV's website (www.cnmv.es). Neither the website www.applus.com nor any of its contents forms part of or is incorporated into this document, whether by reference or otherwise.

2. The following table sets out certain information required by the Prospectus Rules in respect of the Group's material subsidiaries:

Subsidiary	Country of incorporation	Ownership interest (%)
Applus+ RTD		
Arctosa Holding B.V. (subholding)	Netherlands	100
Applus RTD Deutschland Inspektions-Gesellschaft, Gmbh	Germany	100
Applus RTD Pty Ltd.	Australia	100
Applus RTD UK, Ltd.	United Kingdom	100
Janx Holding, Inc.	United States	100
Röntgen Technische Dienst, B.V.	Netherlands	100
Röntgen Technische Dienst Holding B.V.	Netherlands	100
RTD Quality Services Canada, Inc.	Canada	100
Valley Industrial X-Ray & Inspection Services, Inc.	United States	100
Applus+ Velosi		
Azul Holding 2, S.à r.l. (subholding)	Luxembourg	100
K2 Specialist Services Pte Ltd.	Singapore	100
PT JDA Indonesia	Indonesia	99.2
QA Management Services Pty Ltd.	Australia	100
Quality Inspection Services, Inc.	United States	100
Velosi Angola Prestação de Serviços Limitada L.T.D.A.	Angola	49
Velosi Certification Services LLC.	Abu Dhabi	100
Velosi Certification WLL.	Qatar	75
Velosi S.à r.l.	Luxembourg	99.9
Applus+ Norcontrol		
Applus Norcontrol, S.L.U. (subholding)	Spain	95
Novotec Consultores, S.A.	Spain	95
Applus Norcontrol Colombia, Ltda.	Colombia	100
Applus+ Laboratories		
LGAI Technological Center, S.A.	Spain	95
Applus+ Automotive		
Applus Iteuve Technology, S.L.U. (subholding)	Spain	100
Applus Car Testing Service, Ltd.	Ireland	100
Applus Danmark A/S	Denmark	100
Applus Iteuve Argentina, S.A.	Argentina	100
Applus Technologies Inc.	United States	100
K1 Kasastajat, Oy.	Finland	100
Applus+ IDIADA		
IDIADA Automotive Technology, S.A. (subholding)	Spain	80
Other (holding companies)		
Applus Servicios Tecnológicos, S.L.U.	Spain	100
Libertytown Usa 1, Inc.	United States	100

(1) The Group beneficially owns a 51.0 per cent. interest in Velosi Certification Services LLC through a trust arrangement and the remaining 49 per cent. interest directly.

(2) The Group beneficially owns a 51.0 per cent. interest in Velosi Certification WLL through a management arrangement and the remaining 24.0 per cent. interest directly.

As of 31 December 2013, a non-material subsidiary of the Group incorporated in Ghana had incurred losses which reduced its net worth below the legal thresholds for mandatory dissolution or mandatory capital reduction under the applicable laws. However, no significant equity contribution will be required to increase the net worth of such subsidiaries of the Group above such legal thresholds.

As of 31 December 2013 the following non-material subsidiaries of the Group were subject to a liquidation process: Applus RTD AG (Switzerland), Applus RTD KK (Japan), Applus LGAI Certification and Inspection Ltd. (Turkey) and Velosi (S) Pte Ltd (Singapore). As of the date of this document, Applus RTD KK (Japan) and Velosi (S) Pte Ltd (Singapore) have been liquidated.

Except for the BKW Group, with respect to which the Group holds an 11 per cent. shareholding, there are no other non-Group companies in which the Group holds a minority interest. See "*Material Contracts — Acquisitions — BKW Group*", for further information on the BKW Group.

The global brand name of the Company and its subsidiaries is "Applus+" and its telephone number is (+34) 900 103 067.

CERTAIN TERMS AND CONVENTIONS

As used in this document:

"**adjusted net income**" means net income, plus PPA Amortisation plus certain items within other losses (severances related to restructuring processes, inorganic growth costs and other non-recurrent costs) plus the tax impact of these adjustments.

"**Admission**" means the effective listing and trading of the Shares on the Spanish Stock Exchanges and their quotation on the AQS.

"**Agent Bank**" means Santander Investment, S.A.

"**AQS**" means Automated Quotation System.

"**Applus+**" refers to the Group.

"**Audited Consolidated Financial Statements**" means the audited consolidated financial statements of the Group and its subsidiaries as of and for the years ended 31 December 2011, 2012 and 2013.

"**Authorisations**" means the industry accreditations, approvals, permits, delegated authority, official recognition and authorisations on which the Group relies to conduct its business.

"**Azul Finance**" means Azul Finance S.à r.l. (Lux)

"**Azul Holding**" means Azul Holding, S.C.A. (Lux)

"**Board**" or "**Board of Directors**" refers to the Company's board of directors.

"**Bribery Act**" means the UK Bribery Act 2010.

"**CAGR**" means compound annual growth rate.

"**Carlyle**" means CEP II and CEP III and their affiliates, together doing business as The Carlyle Group.

"**CEP II**" means CEP II Participations S.à r.l. SICAR, an investment company in risk capital constituted as a limited liability company organised under the laws of the Grand Duchy of Luxembourg ("*société d'investissement à capital risqué constituée — sous la forme d'une société à responsibilité limitée*"), owned by Carlyle Europe Partners II L.P., a partnership organised under the laws of England.

"**CEP III**" means CEP III Participations S.à r.l. SICAR, an investment company in risk capital constituted as a limited liability company organised under the laws of the Grand Duchy of Luxembourg (*société d'investissement à capital risqué constituée sous la forme d'une société à responsibilité limitée*), owned by Carlyle Europe Partners III L.P., a partnership organised under the laws of England.

"**CHCJ**" means Catalonia High Court of Justice ("*Tribunal Superior de Justicia de Cataluña*").

"**CIT**" means Spanish corporate income tax.

"**CIT Act**" means Royal Legislative Decree 4/2004 of 5 March 2004 enacted in the Kingdom of Spain.

"**Clearstream**" means Clearstream Banking, Société Anonyme.

"**Closing Date**" means the closing date ("*fecha de la operación*") of the Offering.

"**CNMV**" means Comisión Nacional del Mercado de Valores, the regulator for the securities markets in Spain.

"**Co-Lead Managers**" means Joh. Berenberg, Gosler & Co K.G. and Banco Santander, S.A.

"**Combined Financial Statements**" means the combined financial statements of the Group as of and for the years ended 31 December 2011 and 2012.

"**Company**" means Applus Services, S.A., a company incorporated under the laws of Spain in Barcelona on 5 July 2007 pursuant to a notarised deed of incorporation, under number 3,567 of the public notary's official records and registered with the Commercial Registry of Barcelona under volume 39,788, page 127 and sheet B-355,307, and holder of the Spanish tax identification number A-64622970, with its registered office at Campus de la UAB, Ronda de la Font del Carme, s/n, Bellaterra, Cerdanyola del Vallès (Barcelona).

"**Directed Offering**" means the directed offering by Azul Holding.

"Director" means the directors of the Company, whose details are set out in *Management and Board of Directors*.

"**DTC**" means the Spanish Double Taxation Convention.

"**EEA**" means the European Economic Area.

"**Elements**" means the disclosure requirements listed in the Summary of this document drafted in accordance with Annex XXII of Regulation (EC) No 809/2004.

"**ENAC**" means Entidad Nacional de Acreditación, an accreditation body.

"**euro**" or "**€**" refers to the currency of the member states of the European Union, including Spain, which participated or participate at the relevant time in the European Economic Union.

"**Euroclear**" means Euroclear Bank, S.A./N.V., as operator of the Euroclear System.

"**Exchange Act**" means the United States Securities Exchange Act of 1934 (as amended).

"**Existing Offer Shares**" means an aggregate of between 49,230,769 and 60,377,358 Shares in the Offering offered by the Selling Shareholder.

"**FATCA**" means the United States Foreign Account Tax Compliance Act.

"**FCPA**" means the United States Foreign Corrupt Practices Act 1977.

"**FTEs**" means 'full-time equivalents', a unit which represents the approximate number of employees that would be required by the workload of a company if every employee worked on a full-time basis.

"**GDP**" means gross domestic product.

"**Group**" refers to the Company and its subsidiaries.

"**Growth from Acquisitions**" means the revenue attributable to changes in the scope of the consolidation of the Group in the relevant year (including as a result of acquisitions or disposals) divided by total revenue in the prior year.

"**Iberclear**" means Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

"**IFRS**" means the International Financial Reporting Standards, as adopted by the European Union.

"**IGT**" means Inheritance and Gift Tax as set out in Law 29/1987 of 18 December 1987 enacted in the Kingdom of Spain.

"**Internal Code of Conduct**" means the Internal Capital Markets Code of Conduct of the Company ("*Reglamento Interno de Conducta en los Mercados de Valores*").

"**Internal Revenue Code**" means the Internal Revenue Code of 1986 enacted in the United States.

"**IRS**" means the Internal Revenue Service of the US Government.

"**JDA**" means John Davidson & Associates Ltd.

"**Joint Bookrunners**" means Morgan Stanley & Co. International plc, UBS Limited, Citigroup Global Markets Limited and J.P. Morgan Securities plc.

"**Joint Global Coordinators**" means Morgan Stanley & Co. International plc and UBS Limited.

"**Morgan Stanley**" means Morgan Stanley & Co. International plc.

"**New Facilities**" means the New Term Loan Facility and the New Revolving Facility, which are conditional upon Admission.

"**New Facilities Agreement**" means the €850 million multicurrency facilities agreement dated 7 April 2014, comprised of the New Term Loan Facility and the New Revolving Facility.

"**New Offer Shares**" means between 18,461,538 and 22,641,509 new Shares offered by the Company in the Offering.

"**New Revolving Facility**" means the €150 million revolving credit facility which constitutes part of the New Facilities.

"**New Term Loan Facility**" means the €700 million multicurrency term loan facility which constitutes part of the New Facilities.

"**NRIT Act**" means the Spanish Non-Residents Income Tax Law approved by Royal Legislative Decree 5/2004 of 5 March 2004 enacted in the Kingdom of Spain.

"**NWT**" means Net Wealth Tax as contained in Royal Decree Law 13/2011 of 16 September 2011 as amended by Law 22/2013 of 23 December 2014 enacted in the Kingdom of Spain.

"**OFAC**" means US Department of the Treasury Office of Foreign Assets Control.

"**Offer Shares**" means New Offer Shares, the Existing Offer Shares and the Over-allotment Shares.

"**Offering**" means the global initial public offering by Applus Services, S.A.

"**Offering Price**" means the price of the Offering which is €14.50 per Share.

"**Operating profit before depreciation, amortisation and others**" means operating profit before (i) depreciation and amortisation charges, (ii) impairment gains or losses on disposal of non-current assets and (iii) other losses.

"**Operating profit**" means operating profit which is widely used in corporate financial communications, is the difference between all income and expenses not arising from financial activities, income from associates, minorities or income tax.

"**Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

"**Organic Growth**" means total revenue growth in the relevant year excluding (i) revenue Growth from Acquisitions in the relevant year and (ii) growth from fluctuations in exchange rates in the relevant year.

"**Over-allotment Option**" means the option that the Over-allotment Shareholders have granted to the Underwriters to purchase the Over-allotment Shares in connection with the Offering.

"**Over-allotment Shares**" means the additional Shares representing up to 10 per cent. of the total number of Shares offered by the Company and the Over-allotment Shareholders in the Offering to cover over-allotments, if any, and short positions resulting from stabilisation transactions.

"**Over-allotment Shareholders**" means the Selling Shareholder and Azul Holding.

"**PFIC**" means passive foreign investment company.

"**PIT Act**" means the Spanish Personal Income Tax Law approved by Law 35/2006 of 28 November 2006 enacted in the Kingdom of Spain.

"**PIT**" means Spanish personal income tax.

"**Participating Loan**" means the loan dated 29 November 2007 between the Company and Azul Finance, a related party, under which Azul Finance extended a participating loan to the Company for an initial amount of €369,375 thousand with a stated maturity date of 27 November 2019.

"**Prospectus Directive**" means Directive 2003/71/EC (as amended) enacted in the European Union.

"**Prospectus Rules**" means the Commission Regulation (EC) No 809/2004 (and amendments thereto, including Commission Delegated Regulation (EU) 486/2012 and Commission Delegated Regulation (EU) 862/2012), enacted in the European Union.

"**QIB**" means a qualified institutional buyer as defined in Rule 144A under the United States Securities Act 1933.

"**Qualified Investors**" means persons in member states of the EEA who are 'qualified investors' within the meaning of Article 2(1)(e) of the Prospectus Directive.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Selling Shareholder**" means Azul Finance S.à r.l. (Lux).

"**Shares**" means the shares of the Company with a nominal value of €0.10 each offered in the Offering.

"**Sociedad de Bolsas**" means Sociedad de Bolsas, S.A.

"**Spanish Companies Act**" means Spanish Companies Act ("*Real Decreto Legislativo 1/2010, de 2 de julio, que aprueba el Texto Refundido de la Ley de Sociedades de Capital*") enacted in the Kingdom of Spain.

"Spanish Securities Market Act" means the Spanish Securities Market Act ("*Ley 24/1988, de 28 de julio, del Mercado de Valores*") enacted in the Kingdom of Spain.

"**Spanish Stock Exchanges**" refers to the Barcelona, Bilbao, Madrid and Valencia stock exchanges in the Kingdom of Spain.

"**Stabilisation Period**" means the period expected to commence on 9 May 2014 and end on 8 June 2014.

"**Stabilising Manager**" means Morgan Stanley.

"**Syndicated Loan Facilities**" means the syndicated loan facilities agreements dated 27 November 2007 pursuant to which the Company, as original borrower and original guarantor, and certain other companies of the Group, as obligors, entered into (i) a senior facilities agreement with, amongst others, a group of lenders and Société Générale, London Branch, as agent and security agent, for a total amount of €790,160,334 and $215,000,000 (as amended and restated from time to time, the "Senior Facilities Agreement"); and (ii) a mezzanine facility agreement with, amongst others, Intermediate Capital Group PLC and Intermediate Finance II PLC, as original lenders, Intermediate Capital Group PLC, as agent, and Société Générale, London Branch, as security agent, for a total amount of €150,000,000 (as amended and restated from time to time, the "Mezzanine Facility Agreement").

"**T+3 Settlement System**" means the compensation settlement system of Iberclear.

"**Underwriters**" means each of the Joint Global Coordinators, each of the Joint Bookrunners and each of the Co-Lead Managers.

"**Underwriting Agreement**" means the underwriting agreement between the Company, the Selling Shareholder, Azul Holding and the Underwriters with respect to the New Offer Shares being issued by the Company, the Existing Offer Shares being sold by the Selling Shareholder and the Over-allotment Shares to be sold by the Over-allotment Shareholder.

"**United States**" or "**US**" means the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia.

"**US$, $ or US dollars**" means the lawful currency of the United States.

"**Velosi Group**" means Velosi S.à.r.l. together with its subsidiaries.

GLOSSARY

"**autonomous driving systems**" means operating systems for driverless vehicles.

"**destructive testing**" means testing by which the properties of a material, component or system are evaluated to the point of failure or damage to the relevant material, component or system.

"**HSE consultancy**" means consultancy services aimed at improving or testing safety in the workplace.

"**metrology**" means the science of measurement.

"**NDT**" means testing by which the properties of a material, component or system are evaluated without causing damage.

"**notified body**" means an organisation that has been accredited by a member state of the European Union to assess whether a product meets certain prescribed standards.

"**OEM**" means to original equipment manufacturer.

"**passive safety systems**" means vehicle features that help to reduce the effect of an accident.

"**QHSE**" means quality, health, safety, performance and environmental.

"**rope access**" means the use of ropes and associated equipment when working at height to gain access to and from the work place.

"**TIC**" means testing, inspection and certification.

"**vendor surveillance**" means third party inspection and auditing services to monitor compliance with client specifications in procurement transactions.

INDEX TO FINANCIAL STATEMENTS

Applus Services, S.A.
(formerly Applus
Technologies
Holding, S.L.) and
Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Consolidated Directors' Report, together with Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Applus Services, S.A. (formerly Applus Technologies Holding, S.L.):

1. We have audited the consolidated financial statements of Applus Services, S.A. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2013 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2-a to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Applus Services, S.A. and Subsidiaries at 31 December 2013, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

3. Without qualifying our audit opinion, we draw attention to Notes 2-a.a and 32 to the accompanying consolidated financial statements, which indicate that the Parent's directors reformulated the consolidated financial statements on 22 April 2014 in order to include the proposal for the novation of the incentive plans that was signed with certain executives on 2 April 2014, after 4 March 2014, the date on which the consolidated financial statements were initially authorised for issue. Also, the directors considered it appropriate to include further disclosures relating to information available to them at the date of reformulation of the consolidated financial statements with regard to the revaluation of the provision for the executives' incentive plans, taking into account more up-to-date information regarding various market situations (see Note 29 to the accompanying consolidated financial statements), to the impairment test assumptions and sensitivity analysis (see Note 6 to the accompanying consolidated financial statements), to the contingencies arising from vehicle roadworthiness testing in Catalonia (see Note 27 to the accompanying consolidated financial statements) and to the relevant resolutions adopted by the Board of Directors and the shareholders up to the date of the reformulation (see Note 32 to the accompanying consolidated financial statements). In this connection, this auditors' report replaces the auditors' report that we issued on 4 March 2014 in relation to the consolidated financial statements of Applus Services, S.A. and Subsidiaries that were initially authorised for issue.

4. The accompanying consolidated directors' report for 2013 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Applus Services, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ana María Gibert
22 April 2014

CONTENTS **Page**

**APPLUS SERVICES, S.A. (formerly APPLUS TECHNOLOGIES HOLDING, S.L.)
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013
(Thousands of Euros)

	Notes	**12/31/2013**	**12/31/2012**
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	*4*	487,882	571,168
Other intangible assets	*5*	632,695	716,388
Property, plant and equipment	*7*	189,450	196,566
Non-current financial assets	*8*	13,831	13,163
Deferred tax assets	*20.3*	101,727	137,547
Total non-current assets		**1,425,585**	**1,634,832**
CURRENT ASSETS:			
Inventories	*9*	7,266	7,898
Trade and other receivables			
Trade and other receivables	*10*	355,695	335,543
Trade receivables from related companies	*10 & 28*	4,198	5,106
Other receivables	*10*	27,945	26,770
Income tax assets	*20.2*	12,013	14,004
Other current assets		7,453	1,453
Current financial assets	*11*	**2,848**	**2,823**
Cash and cash equivalents	*11*	**180,877**	**141,426**
Total current assets		**598,295**	**535,023**
TOTAL ASSETS		**2,023,880**	**2,169,855**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital and reserves			
Share capital		654,731	600,825
Share premium		52,926	308,076
Retained earnings and other reserves		(231,086)	(470,219)
Foreign currency translation reserve		(17,944)	(9,032)
Loss for the year		(170,079)	(69,157)
Valuation adjustments			
Hedges		—	(4,882)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**288,548**	**355,611**
NON-CONTROLLING INTERESTS	*13*	**34,701**	**34,788**
Total equity	*12*	**323,249**	**390,399**
PARTICIPATING LOAN:	*15*	**—**	**92,448**
NON-CURRENT LIABILITIES:			
Long-term provisions	*17 & 27*	12,761	8,965
Bank borrowings	*14*	1,070,676	1,080,580
Other financial liabilities	*15*	29,400	28,030
Deferred tax liabilities	*20.4*	220,464	241,335
Other non-current liabilities	*18*	9,439	13,816
Total non-current liabilities		**1,342,740**	**1,372,726**
CURRENT LIABILITIES:			
Short-term provisions		1,288	2,139
Bank borrowings	*14*	37,671	33,929
Trade and other payables	*19*	289,541	247,518
Income tax liabilities	*20.2*	18,787	19,573
Other current liabilities	*18*	10,604	11,123
Total current liabilities		**357,891**	**314,282**
TOTAL EQUITY AND LIABILITIES		**2,023,880**	**2,169,855**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated balance statement for 2013.

APPLUS SERVICES, S.A. (formerly APPLUS TECHNOLOGIES HOLDING, S.L.) AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR 2013
(Thousands of Euros)

	Notes	**2013**	**2012**
CONTINUING OPERATIONS:			
Revenue	*21.a*	1,580,501	1,192,647
Procurements		(244,420)	(101,083)
Gross profit		**1,336,081**	**1,091,564**
Staff costs	*21.b*	(784,361)	(640,077)
Other operating expenses		(362,268)	(305,952)
Operating Profit Before Depreciation, Amortization and Others		**189,452**	**145,535**
Depreciation and amortisation charge	*5 & 7*	(97,623)	(79,173)
Impairment and gains or losses on disposal of non-current assets	*23*	(117,571)	(19,932)
Other losses	*21*	(17,024)	(15,502)
OPERATING PROFIT:		**(42,766)**	**30,928**
Net financial expense	*22*	(86,407)	(114,683)
Share of profit of companies accounted for using the equity method		2,493	—
Loss before tax		**(126,680)**	**(83,755)**
Income tax	*20*	(38,832)	17,512
Net loss from continuing operations		**(165,512)**	**(66,243)**
LOSS FROM DISCONTINUED OPERATIONS NET OF TAX:		—	—
NET CONSOLIDATED LOSS:		**(165,512)**	**(66,243)**
Profit attributable to non-controlling interests	*13*	4,567	2,914
NET LOSS ATTRIBUTABLE TO THE PARENT:		**(170,079)**	**(69,157)**
Profit / (Loss) per share (in euros per share):	*12*		
- Basic		(0.282)	(1.443)
- Diluted		(0.282)	(1.443)

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated income statement for 2013.

**APPLUS SERVICES, S.A. (formerly APPLUS TECHNOLOGIES HOLDING, S.L.)
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2013
(Thousands of Euros)

	Notes	2013	2012
NET CONSOLIDATED LOSS:		**(165,512)**	**(66,243)**
Other comprehensive income/loss, net of income tax			
Exchange differences on translating foreign operations	*12.d*	(9,427)	(311)
Fair value gain on hedging instruments entered into for cash flow hedges	*16*	6,974	20,166
Income tax effect of other comprehensive income/loss	*16*	(2,092)	(6,049)
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR		**(170,057)**	**(52,437)**
Total comprehensive income/loss for the year attributable to:			
- Owners of the company		(174,109)	(55,341)
- Non-controlling interests		4,052	2,904
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR		**(170,057)**	**(52,437)**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated statement of comprehensive income for 2013.

APPLUS SERVICES, S.A. (formerly APPLUS TECHNOLOGIES HOLDING, S.L.) AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2013
(Thousands of Euros)

Notes 12 & 13	Share capital	Share premium	Retained earnings and other reserves	Valuation adjustments	Foreign currency translation reserve	Loss for the year attributable to the Parent	Non-controlling interests	Total equity
Balance at 31/12/2011	**31,085**	**290,812**	**(222,484)**	**(18,999)**	**(8,731)**	**(94,510)**	**21,848**	**(979)**
Changes in the scope of consolidation	238,765	7,235	(143,787)	—	—	—	14,472	116,685
Allocation of 2011 loss	—	—	(94,510)	—	—	94,510	—	—
Dividends paid	—	—	—	—	—	—	(4,000)	(4,000)
Capital increase (Note 12)	330,975	10,029	—	—	—	—	—	341,004
Other changes	—	—	(9,438)	—	—	—	(436)	(9,874)
2012 comprehensive income / (loss)	—	—	—	14,117	(301)	(69,157)	2,904	(52,437)
Balance at 31/12/2012	**600,825**	**308,076**	**(470,219)**	**(4,882)**	**(9,032)**	**(69,157)**	**34,788**	**390,399**
Changes in the scope of consolidation	—	—	(680)	—	—	—	(1,521)	(2,201)
Allocation of 2012 loss	—	—	(69,157)	—	—	69,157	—	—
Dividends paid	—	—	—	—	—	—	(2,548)	(2,548)
Offset of losses from prior years		(308,076)	308,076	—	—	—	—	—
Capital increase	53,906	52,926	—	—	—	—	—	106,832
Other changes	—	—	894	—	—	—	(70)	824
2013 comprehensive income / (loss)	—	—	—	4,882	(8,912)	(170,079)	4,052	(170,057)
Balance 31/12/2013	**654,731**	**52,926**	**(231,086)**	**—**	**(17,944)**	**(170,079)**	**34,701**	**323,249**

The accompanying Notes 1 to 33 and Appendix I and II are an integral part of the combined statement of changes in equity for 2013.

**APPLUS SERVICES, S.A. (formerly APPLUS TECHNOLOGIES HOLDING, S.L.)
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2013

(Thousands of Euros)

	Notes	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from operating activities before tax		**(126,680)**	**(83,755)**
Adjustments of items that do not give rise to operating cash flows-			
Depreciation and amortisation charge	*5 & 7*	97,623	79,173
Writedown of goodwill and impairment of intangible assets	*6*	119,167	18,101
Changes in provisions and allowances		—	916
Financial loss	*22*	86,407	114,683
Share of profit in associated companies	*8*	(2,493)	—
Gains or losses on disposals of property, plant and equipment	*23*	20	76
Gains or losses on disposals of intangible assets	*23*	(2)	839
Profit from operations before changes in working capital (I)		**174,042**	**130,033**
Changes in working capital-			
Changes in trade and other receivables		(21,814)	(10,056)
Changes in inventories		632	(2,493)
Changes in trade and other payables		24,389	21,748
Cash generated by changes in working capital (II)		**3,207**	**9,199**
Income tax		**(22,451)**	**(6,465)**
Cash flows from income tax (III)		**(22,451)**	**(6,465)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)		**154,798**	**132,767**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Business combinations	*2.b.e.1*	854	28,867
Payments due to acquisition of subsidiaries and other non-current financial assets		(18,557)	(13,723)
Payments due to acquisition of one-off assets		(5,907)	(10,350)
Payments due to acquisition of intagible and tangible assets		(46,389)	(44,967)
Net cash flows used in investing activities (B)		**(69,999)**	**(40,173)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received	*22*	1,065	2,072
Interest paid		(44,803)	(61,209)
Net Changes in non-current financing (charges and payments)		(3,876)	43,246
Net Changes in current financing (charges and payments)		4,814	(32,524)
Dividends paid by Group companies to non-controlling interests	*13*	(2,548)	(4,000)
Net cash flows used in financing activities (C)		**(45,348)**	**(52,415)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C)		**39,451**	**40,179**
Cash and cash equivalents at beginning of year		**141,426**	**101,247**
Cash and cash equivalents at end of year		**180,877**	**141,426**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

Applus Services, S.A.
(formerly Applus Technologies Holding, S.L.)
and Subsidiaries

Notes to the Consolidated Financial Statements
for the year ended 31 December 2013

1. Group's activities

Applus Services, S.A. (formerly Applus Technologies Holding, S.L., hereinafter "the Parent") has been the Parent of the Applus Group ("the Applus Group" or "the Group") since 29 November 2007 and was incorporated on 5 July 2007 as a private limited liability company for an indefinite period of time under the name of Libertytown, S.L., which was changed to Applus Technologies Holding, S.L on 10 July 2008 and on 4 March 2014 to the current name.

On 4 March 2014, the General Meeting of the Parent resolved to change the Company from a private limited liability company to a public limited liability company.

When the Company was incorporated its registered office was established at calle Aribau no. 171, Barcelona. On 29 November 2007, the registered office was moved to its current location at Campus de la UAB, Ronda de la Font del Carme s/n, Bellaterra, Cerdanyola del Vallès (Barcelona).

On 10 July 2008, the Parent's sole shareholder at that date amended its company object. The Parent's company object is as follows:

- The provision of services related to the automotive industry and vehicle and road safety (engineering processes, design, testing, standardisation and certification of second-hand vehicles) and technical inspections for other non-automotive industries except for reserved activities subject to special legislation.
- The performance of technical audits of all manner of facilities used for vehicle roadworthiness or monitoring tests throughout Spain and abroad and any other type of non-vehicle inspections.
- The preparation and performance of all manner of studies and projects relating to the foregoing activities, whether of an economic, industrial or technical nature or relating to real estate, computing or market research, and the supervision, management and rendering of services and provision of counselling on the performance thereof.
- The provision of advisory, administration and management services of a technical, tax, legal or commercial nature.
- The provision of commercial intermediation services in Spain and abroad. The provision of all manner of quality and quantity inspection and control services, statutory inspections, cooperation with the public authorities, consulting, audit, certification and standardisation services, personnel training and skill-building and technical assistance in general aimed at enhancing quality, safety and environmental organisation and management.
- The performance of laboratory or in situ studies, work, measurements, trials, analyses and controls using the professional methods and means deemed necessary or appropriate and, particularly, relating to materials, equipment, products and industrial facilities in the mechanical, electrical, electronic and IT fields and the areas of transport, communications, administrative organisation, office computerisation, mining, foodstuffs, environment, construction and civil engineering at the design, project, manufacturing, construction, assembly and start-up phases and subsequent maintenance and production for all manner of companies and public and private entities including central government, autonomous community, provincial and municipal authorities and for all manner of bodies, institutions and users in Spain and abroad.
- The acquisition, holding and direct or indirect management of shares or other equity investments or ownership interests in share capital and/or securities entitling the holder to obtain shares, equity investments or ownership interests in companies of any kind and entities with or without legal personality incorporated under Spanish law or any other applicable legislation in accordance with

Article 116 of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, or any legal provisions that may replace such legislation, and the direct or indirect management of any such company or entity through the membership, attendance at or holding of positions on any governing or managing body of the aforementioned companies or entities, performing such advisory or management services through the related organisation of material and human resources. The activities expressly reserved by the Collective Investment Undertakings Law and by the Securities Market Law for securities brokers and dealers are excluded. These activities may be wholly or partially carried on by the Company indirectly through the ownership of shares or other equity interests in companies with an identical or similar company object.

On 29 November 2007, the Parent acquired all of the shares of Applus Servicios Tecnológicos, S.L.U., at that date the holding company of the Applus Group. From that date the Group became wholly owned by Azul Holding S.C.A. which, in turn, is an investee of funds managed by The Carlyle Group.

On 21 December 2012, the Velosi Group was acquired by the Applus Group. The transaction was carried out through the non-monetary contribution of the shares representing the entire share capital of Azul Holding 2 S.à.r.l., sole shareholder of the Velosi Group, by Azul Holding S.C.A., shareholder of the Parent (see Notes 2.a.b, 2.b and 12).

The subsidiaries and associates directly or indirectly owned by the Parent and included in the scope of consolidation are shown in Appendix I.

The subsidiaries and associates directly or indirectly owned by the Parent and excluded from the scope of consolidation either because they are dormant companies or because effective control over them is not exercised by the shareholders of the Applus Group are shown in Appendix II.

2. Basis of presentation and principles of the consolidated accounts

2.a Basis of presentation of the consolidated financial statements

a) Basis of presentation

The 2013 consolidated financial statements were formally prepared by the directors of Parent at the Board of Directors meeting held on 4 March 2014. On 22 April 2014, the Parent's directors, taking into account the importance of the event occurring after the reporting date described in Note 32 relating to the new incentive plan for certain Group executives, have reformulated the consolidated financial statements of the Group. Also, taking into consideration the context of the potential admission to listing, the Parent's directors considered it appropriate to disclose information additional to that which they previously held in relation to the revaluation of the provision for executive incentives (see Note 29), to the assumptions and sensitivity analyses relating to the impairment tests (see Note 6) and to the contingencies relating to vehicle roadworthiness testing in Catalonia (see Note 27). Also, Note 32 describes other significant events occurring after the reporting period. As a result, the consolidated financial statements prepared by the Parent's directors and approved by the shareholders at the Annual General Meeting held on 4 March 2014 are replaced for all purposes by these reformulated consolidated financial statements.

The Group's reformulated consolidated financial statements for 2013 and the financial statements of the Group companies for 2013 have not yet been approved by their respective shareholders at the related Annual General Meetings. The Parent's Board of Directors considers that these consolidated financial statements will be approved without any changes. The Group's consolidated financial statements for 2012 were approved by the shareholders at the Parent's Annual General Meeting held on 30 June 2013.

Since 2005 the Parent's directors have prepared the Applus Group's consolidated financial statements in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and taking into account all the mandatory accounting principles and rules and measurement bases and the Spanish Commercial Code, the Spanish Limited Liability Companies Law and other Spanish corporate law applicable to the Group. They were prepared from the separate accounting records of the Parent and of each of the consolidated companies (detailed in Appendix I) and, accordingly, they present fairly the Group's equity, financial position, results of operations, changes in consolidated equity and consolidated cash flows under EU-IFRSs.

The consolidated financial statements for 2013 were prepared from the separate accounting records of the Parent and of each of the consolidated companies (detailed in Appendix I) and, accordingly, they present fairly the Group's equity, financial position, results of operations, changes in consolidated equity and consolidated cash flows under EU-IFRSs and the rest of the applicable regulatory financial reporting framework. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2013 (IFRSs) sometimes differ from those used by the Group companies (local standards), all the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

The accounting policies used to prepare these consolidated financial statements comply with all the IFRSs in force at the date of their preparation. The EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group are described in Notes 2 and 3.

These consolidated financial statements for 2013 were formally prepared taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3. In particular, in accordance with the going-concern principle of accounting, taking into consideration the financial resouces available to the Group and the actions initiated or envisaged of an operating, commercial or particularly, of a financial nature which the Group's shareholders may carry out in the future (see Note 31).

b) Comparative information

The information relating to 2013 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2012. Due to the acquisition of the Velosi Group by the Applus Group on 21 December 2012, the consolidated income statement for 2012 includes the results of the Velosi Group from the date of acquisition (ten days). In contrast, the consolidated income statement for 2013 includes the results of the Velosi Group for the entire year. This matter should be taken into account when comparing the figures (see Note 2.b.e.4.1).

c) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors, who are responsible for preparing the consolidated financial statements in accordance with the applicable regulatory financial reporting framework (see paragraph a) above), as well as for the internal control they consider necessary to enable the consolidated financial statements to be prepared free of material misstatements.

In the Group's consolidated financial statements for 2013, estimates were occasionally made by management of the Parent and of the consolidated companies, later ratified by their directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Notes 3.d, 6 and 23)
- The recovery of the deferred tax assets (see Note 20).
- The useful life of the property, plant and equipment and intangible assets (see Notes 3.b and c)
- The measurement of goodwill (see Notes 3.a and 4)
- The assumptions used in measuring the fair value of the financial instruments (see Note 3.m)
- Income from unbilled services (see Note 3.s)
- Provisions and contingent liabilities (see Notes 3.l, 17 and 27)

Although these estimates were made on the basis of the best information available at 31 December 2013 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements or consolidated statements of equity, as appropriate.

d) Presentation currency

These consolidated financial statements are presented in euros, since this is the currency of the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies described in Note 3.

e) Changes in accounting policies

In preparing the accompanying consolidated financial statements no changes in accounting policies were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2012.

2.b Basis of consolidation and accounting principles

a) Subsidiaries

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the subsidiary or, even if this percentage is lower or zero, when there are agreements with other shareholders of the subsidiary that give the Parent control. Under IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Appendix I to these notes to the consolidated financial statements contains the most significant information on these companies.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The businesses acquired are recognised using the acquisition method so that the assets, liabilities and contingent liabilities of a subsidiary are measured at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (see Notes 3.a and 4). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a bargain purchase) is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

Also, with respect to the share of third parties, the following must be taken into account:

- The equity of their subsidiaries is presented within the Group's equity under "Non-Controlling Interests" in the consolidated balance sheet (see Note 13).
- The profit for the year is presented under "Profit Attributable to Non-Controlling Interests" in the consolidated income statement (see Note 13).

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal only.

The foreign companies' financial statements were translated to euros by applying the year-end exchange rate method, whereby the companies' equity is measured at the historical exchange rates, the income statement items at the average exchange rates for the year and the assets, rights and obligations at the year-end exchange rates. Translation differences are charged or credited, as appropriate, to "Equity - Translation Differences" in the consolidated balance sheet.

Also, in accordance with standard practice, the accompanying consolidated financial statements do not include the tax effects that might arise as a result of the inclusion of the results and reserves of the consolidated companies in those of the Parent, since it is considered that no transfers of reserves will be made that are not taxed at source and that such reserves will be used as means of financing at each company.

b) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Group holds -directly or indirectly- 20% or more of the voting power of the subsidiary.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the subsidiary, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

There are no jointly controlled entities, i.e. no proportionately consolidated entities.

c) Changes in accounting policies and in disclosures of information effective in 2013

In 2013 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

The following standards have been applied in these consolidated financial statements but did not have a significant impact on the presentation hereof and disclosures herein:

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Amendments to IAS 12, Income Taxes - Deferred Taxes Arising From Investment Property (issued in December 2010)	On the measurement of deferred taxes arising from investment property measured using the fair value model in IAS 40.	Annual reporting periods beginning on or after 1 January 2013 (original IASB date: 1 January 2012)
IFRS 13, Fair Value Measurement (issued in May 2011)	Sets out a regulatory framework for measuring fair value.	Annual reporting periods beginning on or after 1 January 2013
Amendments to IAS 1, Presentation of Items of Other Comprehensive Income (issued in June 2011)	Minor amendments relating to the presentation of items of other comprehensive income.	Annual reporting periods beginning on or after 1 July 2012
Amendments to IAS 19, Employee Benefits (issued in June 2011)	The amendments affect mainly defined benefit plans since one of the major changes is the elimination of the "corridor".	Annual reporting periods beginning on or after 1 January 2013
Amendments to IFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	Introduction of new disclosures relating to offsetting financial assets and financial liabilities under IAS 32.	Annual reporting periods beginning on or after 1 January 2013
Improvements to IFRSs, 2009-2011 cycle (issued in May 2012)	Minor amendments to a series of standards.	Annual reporting periods beginning on or after 1 January 2013
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011)	The International Financial Reporting Interpretations Committee addresses the accounting treatment of the stripping costs in surface mines.	Annual reporting periods beginning on or after 1 January 2013

d) Accounting policies issued but not yet in force in 2013

At the date of formal preparation of these consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Approved for use in the European Union		
IFRS 10, Consolidated Financial Statements (issued in May 2011)	Supersedes the requirements relating to consolidated financial statements in IAS 27.	Annual reporting periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements (issued in May 2011)	Supersedes the current IAS 31, Joint Ventures.	Annual reporting periods beginning on or after 1 January 2014

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011)	Single IFRS presenting the disclosure requirements for interests in subsidiaries, associates, joint arrangements and unconsolidated entities.	Annual reporting periods beginning on or after 1 January 2014
IAS 27 (Revised), Separate Financial Statements (issued in May 2011)	The IAS is revised, since as a result of the issue of IFRS 10 it applies only to the separate financial statements of an entity.	Annual reporting periods beginning on or after 1 January 2014
IAS 28 (Revised), Investments in Associates and Joint Ventures (issued in May 2011)	Revision in conjunction with the issue of IFRS 11, Joint Arrangements	Annual reporting periods beginning on or after 1 January 2014
Transition rules: Amendments to IFRS 10, 11 and 12 (issued in June 2012)	Clarification of the rules for transition to these standards	Annual reporting periods beginning on or after 1 January 2014
Investment Entities: Amendments to IFRS 10, IFRS 12 and IFRS27 (issued in October 2012)	Exception from consolidation for parent companies that meet the definition of investment entities.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	Additional clarifications to the rules for offsetting financial assets and financial liabilities under IAS 32.	Annual reporting periods beginning on or after 1 January 2014
Not yet approved for use in the European Union at the date of publication of this document		
IFRS 9, Financial Instruments: Classification and Measurement (issued in November 2009 and in October 2010) and subsequent amendments to IFRS 9 and IFRS 7 on effective date and transition disclosures (issued in December 2011) and hedge accounting and other amendments (issued in November 2013)	Replace the IAS 39 requirements relating to the classification, measurement and derecognition of financial assets and liabilities and hedge accounting.	To be determined
Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013)	Clarifies when certain disclosures are required and extends the disclosures required when recoverable amount is based on fair value less costs to sell.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013)	The amendments establish the cases in which -and subject to which criteria- there is no need to discontinue hedge accounting if a derivative is novated.	Annual reporting periods beginning on or after 1 July 2014
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (issued in November 2013)	The amendments were issued to allow employee contributions to be deducted from the service cost in the same period in which they are paid, provided certain requirements are met.	Annual reporting periods beginning on or after 1 July 2014
Improvements to IFRSs, 2010-2012 cycle and 2011-2013 cycle (issued in December 2013)	Minor amendments to a series of standards.	Annual reporting periods beginning on or after 1 January 2014
IFRIC 21, Levies (issued in May 2013)	This interpretation addresses the accounting for a liability to pay a levy that is triggered by an entity undertaking an activity on a specified date.	Annual reporting periods beginning on or after 1 January 2014

The Parent's director have not considered the early application of the standards and interpretations detailed above and, in any event, application thereof will be considered by the Group once they have been approved, as the case may be, by the European Union.

In any case, the Parent's directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements.

e) Changes in the scope of consolidation

e.1. Inclusions in the scope of consolidation in 2013:

In 2013 the following companies were included in the scope of consolidation:

- Companies acquired in 2013:
  - A-Inspektion A/S Group
  - OMS Co Ltd.
  - Testex Inspection LLC
  - Ringal Invest, S.L.
- Companies incorporated in 2013:
  - Applus II Meio Ambiente Portugal, LDA
  - Velosi Turkmenistam
  - Applus Velosi Mongolia, LLC.
  - Applus Norcontrol Consultoria e Ingenieria SAS
  - Applus Arabia, L.L.C,

e.1.1. Companies acquired in 2013

On 12 December 2013, the subsidiary Danmark A/S acquired all the share capital of the Danish company A-Inspektion A/S for EUR 98 thousand. The acquired company includes one subgroup with two subsidiaries, A-Inspektion Invest Aps and Synshallen, Århus Havn ApS, which are fully owned by A-Inspektion A/S.

On 12 December 2013, the subsidiary Velosi Industries SDN BHD acquired 66.6% of the share capital of OMS Co Ltd. for a fixed amount of KRW 86,580 (EUR 59 thousand at the acquisition date) plus an earn-out of USD 2,000 thousand (EUR 1,453 thousand at 31 December 2013). The Group considers that the conditions to ensure that the earn-out will be paid in full will be met and, accordingly, it was taken into account when determining the acquisition cost of the ownership interest.

On 12 December 2013, Applus Velosi America, LLC acquired all the share capital of Testex Inspection LLC for a fixed amount of USD 10,000 thousand (EUR 7,436 thousand at the acquisition date) plus a maximum earn-out of USD 6,000 thousand (EUR 4,360 thousand at 31 December 2013). The Group considers that the conditions to ensure that the earn-out will be paid in full will be met and, accordingly, it was taken into account when determining the acquisition cost of the ownership interest. Pursuant to IFRS 3, only USD 4,800 thousand (EUR 3,488 thousand) - the part to be paid to shareholders who do not remain in the company's employ - was recognised as an addition to the acquisition cost of the investment. The earn-out of USD 1,200 thousand (EUR 872 thousand) to be paid to shareholders who remain in the company's employ was recognised as an expense.

Also, on 17 May 2013, the subsidiary Applus Servicios Tecnológicos, S.L.U. acquired all of the share capital of Ringal Invest, S.L. for EUR 3 thousand.

The most significant information on the main acquisitions in 2013 is as follows (in thousands of euros):

	Testex Inspection LLC	OMS Co Ltd.	Grup A-Inspektion A/S	Total
Fixed assets	26	95	352	**473**
Other non-current assets	—	—	292	**292**
Trade and other receivables	2,779	365	285	**3,429**
Short-term investments	—	9	—	**9**
Cash and cash equivalents	675	8	171	**854**
Current liabilities	—	357	1,160	**1,517**
Other non-current liabilities	121	—	—	**121**
Fair value of net assets acquired	**3,359**	**120**	**(60)**	**3,419**
Acquisition cost	**10,924**	**1,510**	**98**	**12,532**
Goodwill	**7,565**	**1,390**	**158**	**9,113**

e.1.2. Companies incorporated in 2013

On 14 January 2013, Applus Norcontrol, S.L.U. and Applus Servicios Tecnológicos, S.L.U. incorporated the Portuguese company Applus II Meio Ambiente Portugal, LDA. with a monetary contribution of EUR 1 thousand of share capital.

On 15 February 2013, Velosi Industries Sdn Bhd and Velosi Europe Limited (UK) incorporated Velosi Turkmenistan for TMT 142,500 (EUR 37 thousand).

e.2. Changes in the scope of consolidation in 2013

On 29 July 2013, Idiada Investimentos do Brasil, Ltda merged with Idiada Tecnologia Automotiva, Ltda.

On 8 July 2013, RTD Holding Deutschland GmbH sold all the shares of Applus RTD Personalservices GmbH to the Group company Röntgen Technische Dienst Holding, B.V. for EUR 27 thousand. Also, on 12 August 2013 Röntgen Technische Dienst Holding B.V. merged with Libertytown Germany GmbH and Applus RTD Personalservices GmbH.

On 17 July 2013, Libertytown Australia PTY LTD exercised the option to purchase 30% of the shares that had been owned by the non-controlling shareholders of John Davison and Associates PTY LTD and JDA Wokman Limited. AUD 1,815 thousand and AUD 1,184 thousand (EUR 1,181 thousand and EUR 770 thousand, respectively) were paid for the acquisitions. At 2013 year-end the Group wholly owned the JDA subgroup.

On 1 September 2013, Ringal Invest, S.L. acquired RTD Brasil Investimentos Ltda from Röntgen Technische Dienst Holding, B.V. (99.9%) for EUR 4,043 thousand. On 29 November 2013, Applus Servicios Tecnológicos, S.L.U. increased the share capital and share premium of Ringal Invest, S.L. by EUR 100 thousand and EUR 3,943 thousand, respectively.

e.3. Exclusions from the scope of consolidation in 2013

On 25 July 2013, the dormant company Applus Iteuve Andalucía, S.A. was liquidated.

On 19 December 2013, the dormant company Velosi (S) PTE LTD. was liquidated.

e.4. Inclusions in the scope of consolidation in 2012

- Companies acquired in 2012:
  - Azul Holding 2 S.à.r.l. and Subsidiaries (Velosi Group)
- Companies incorporated in 2012:
  - Applus Testing Norway, As.

e.4.1. Companies acquired in 2012

On 21 December 2012, the Velosi Group was acquired by the Applus Group. The Velosi Group engages in the provision of the following services (in relation to the oil and gas, power generation, chemicals, industrial processing and refrigeration industries):

- Asset integrity management

- Quality control, maintenance and inspection
- Training/hiring of specialised personnel
- Quality control management of engineering projects and services
- Assurance and contracting services

The Velosi Group operates in five large geographical markets (the Americas, Europe, the Middle East, Africa and Asia and Pacific) with 70 offices located in 40 countries.

The economic reasons for its acquisition by the Applus Group related mainly to the quest to optimise Velosi Group management by management of the Applus Group and the interest in generating synergies through the integration processes.

The transaction was carried out through the non-monetary contribution of the shares representing the entire share capital of Azul Holding 2 S.à.r.l., the sole shareholder of the Velosi Group, by Azul Holding S.C.A., shareholder of the Parent. The Parent's shareholders increased capital by EUR 238,765 thousand through the issuance of 238,764,894 shares of EUR 1 par value each with a share premium of EUR 7,235 thousand, i.e. EUR 0.0303033 per share. Both the shares and the share premium were fully subscribed and paid by Azul Holding S.C.A. through the non-monetary contribution of the shares representing all of the share capital of Azul Holding 2 S.à.r.l. valued at EUR 246,000 thousand (See Note 12.a).

The cost of this business combination amounted to EUR 102,213 thousand. It was recognised at cost at January 2011 since the Applus Group's shareholders already exercised control over the Velosi Group. The Parent generated negative reserves of EUR 143,787 thousand.

Therefore, the assets and liabilities of the Velosi Group acquired and assumed, respectively, were recognised at their acquisition-date fair value, the detail being as follows (in thousands of euros):

	Fair value
NON-CURRENT ASSETS:	
Intangible Assets	62,407
Property, plant and equipment	9,279
Non-current financial assets	3,638
Deferred tax assets	329
Total non-current assets	**75,653**
CURRENT ASSETS:	
Inventories	—
Trade and other receivables	91,968
Cash and cash equivalents	28,867
Total current assets	**120,835**
	196,488

	Fair value
Non-controlling interests	**14,472**
NON-CURRENT LIABILITIES:	
Long-term provisions	2,696
Non-current payables	12,347
Other financial liabilities	7,223
Deferred tax liabilities	7,071
Total non-current liabilities	**29,337**
CURRENT LIABILITIES:	
Current payables	14,309
Trade and other payables	52,320
Other financial liabilities	3,229
Total current liabilities	**69,858**
	113,667

Therefore, the goodwill that arose on the business combination is summarised as follows:

	€ thousands
Assets at fair value	196,488
Liabilities at fair value	(113,667)
Net assets acquired	**82,821**
Cost of the combination	102,213
Goodwill	**19,392**

The measurement of the assets acquired and liabilities assumed at fair value identified intangible assets with a fair value exceeding the carrying amount by EUR 54,352 thousand, relating mainly to the trademark, the trademark licence agreement and customer relationships, and, as a result, the intangible assets recognised in the consolidated balance sheet at 31 December 2012 amounted to EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect). In addition, the impact of this valuation on non-controlling interests and on deferred tax liabilities amounted to EUR 5,081 thousand and EUR 7,044 thousand, respectively. Note 5 provide an explanation of the principal assumptions applied in the calculation of the fair value of the assets and liabilities acquired.

The income attributable to the business combination from the acquisition date to 2012 year-end (ten days) amounted to EUR 8.8 million, while the net profit amounted to EUR 0.1 million. Had the aforementioned business combination occurred at the beginning of 2012, the consolidated income statement of the Velosi Group consolidated would have been as follows (in thousands of euros):

	2012
Revenue	287,251
Procurements	—
Gross profit	**287,251**
Staff costs	(102,772)
Other operating expenses	(158,006)
EBITDA	**26,473**
Depreciation and amortisation charge	(3,458)
Impairment and gains or losses on disposals of non-current assets	111
Other non-recurring losses	(8,035)
Profit from operations	**15,091**
Financial loss	(2,902)
Share of profit of companies accounted for using the equity method	1,626
Profit before tax	**13,815**
Income tax	(6,843)
Net profit	**6,972**
Profit attributable to non-controlling interests	(4,267)
Profit attributable to the Parent	**2,705**

Had the Velosi Group been included from the 1 January 2012, the consolidated income statement of the Applus Group would have been as follows (in thousands of euros):

	2012
Revenue	1,464,998
Procurements	(101,083)
Gross profit	**1,363,915**
Staff costs	(739,756)
Other operating expenses	(453,087)
EBITDA	**171,072**
Depreciation and amortisation charge	(82,524)
Impairment and gains or losses on disposals of non-current assets	(19,817)
Other non-recurring losses	(23,512)
Profit from operations	**45,219**
Financial loss	(117,448)
Share of profit of companies accounted for using the equity method	1,628
Loss before tax	**(70,601)**
Income tax	10,665
Net profit	**(59,936)**
Profit attributable to non-controlling interests	(7,033)
Loss attributable to the Parent	**(66,969)**

e.4.2. Companies incorporated in 2012

The most significant information on the only company incorporated in 2012, namely Applus Testing Norway, AS., is as follows:

The company was incorporated on 25 October 2012 with a share capital of 30 thousand shares with a par value of NOK 1 each (approximately EUR 4 thousand at the date of incorporation).

e.5. Changes in the scope of consolidation in 2012

On 24 April 2012, Applus Servicios Tecnológicos, S.L.U. sold its 100% ownership interests in Idiada CZ, AS. and Idiada Automotive Technology UK, Ltd. to Idiada Automotive Technology S.A for EUR 4,357 thousand and EUR 384 thousand, respectively.

On 8 November 2012, the subsidiary Contrôles Techniques Services, S.A.S. merged with Applus RTD France, S.A.S.

On 31 December 2012, Applus, Inc. and Applus Autologic, Inc. merged, leaving Applus Technologies, Inc. as the post-merger company.

e.6. Exclusions from the scope of consolidation in 2012

On 28 December 2012, Applus Iteuve Technology, S.L.U. sold Applus Bilprovning AB to a non-Group third party for SEK 11 million (EUR 1,254 thousand at the date of sale), giving rise to a gain of EUR 842 thousand.

3. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) Goodwill

Goodwill represents the excess of the cost of the combination over the fair value of the interest in the net identifiable assets of a subsidiary, jointly controlled entity or acquired associate at the acquisition date. Goodwill relating to the acquisition of subsidiaries or jointly controlled entities is included in intangible assets and goodwill relating to the acquisition of associates is included in investments accounted for using the equity method.

The cost of a business combination is the aggregate of:

- The acquisition-date fair value of the assets acquired, the liabilities assumed and the equity instruments issued.
- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain specified conditions.

The costs incurred to issue equity or debt securities given up in exchange for the items acquired are not included in the cost of a business combination.

Also, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination or, clearly, any costs incurred internally in this connection. Such amounts are charged directly to profit or loss.

If the business combination is achieved in stages and, therefore, the acquirer already held an equity interest in the acquiree immediately before the acquisition date (the date on which control is obtained), the goodwill or gain on a bargain purchase is the difference between:

- The cost of the business combination, plus the acquisition-date fair value of any equity interest previously held by the acquirer in the acquiree; and
- The fair value of the identifiable assets acquired less the fair value of the liabilities assumed, determined as indicated above.

Any gain or loss resulting from the remeasurement at fair value of the previously held equity interest in the acquiree at its acquisition-date fair value on the date control is obtained is recognised in profit or loss. If the investment in this investee had previously been measured at fair value, any valuation adjustments not yet recognised in profit or loss will be transferred to the consolidated income statement. Also, the cost of a business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held equity interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the balance sheet date.

If, exceptionally, a gain on a bargain purchase arises from the business combination, it is recognised as income in the consolidated income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete and the provisional amounts may be adjusted in the period required to obtain the necessary information. However, the measurement period shall not exceed one year from the acquisition date. The effects of the adjustments made in that period are recognised retrospectively and comparative information for prior periods must be revised as needed. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration has been classified as equity, in which case subsequent changes in its fair value are not recognised.

If, subsequent to obtaining control, there are transactions to sell or purchase the shares of a subsidiary without losing control thereover, the impacts of these transactions not leading to a change in control are recognised in equity and the amount of goodwill arising on consolidation is not adjusted.

In accordance with paragraph 81 of IAS 36, where goodwill cannot be allocated to an individual cash-generating unit it is allocated to uniform groups of cash-generating units that correspond to the minimum level at which the directors are able to manage and monitor the goodwill.

b) Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost, which includes the allocation of the value of goodwill as a result of the business combinations, where applicable, and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are measured and amortised as follows:

- Administrative concessions or similar items that have been acquired for consideration and are amortised on a straight-line basis over the concession term. The initial cost (fee) and, where applicable, the present value of the future payments which are deemed to be necessary when the assets are handed over to the grantor are included in this line item.
- Trademarks and trademark licence agreements are measured using the royalty relief valuation method, based on the future royalty income stream from their use. Trademarks and trademark licence agreements are considered to have a finite useful life and are amortised over 25 years, with the exception of the trademark and trademark licence agreement associated with the Velosi Group, which are being amortised over ten years.
- The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which the Group manages under this name. The administrative authorisations relate to Spain and Finland (see Note 5). In the case of Spain, considering the opinion of all the Group's advisers regarding the possible positioning of the Catalonia Autonomous Community Government as regards the renewal of the administrative authorisation of that Autonomous Community Government at the end of the currently established period, which concludes in 2035, in 2013 the directors took the decision to begin to amortise the cost of the authorisation over the 23 years that remained, at the beginning of the year, until 2035. (See Note 27.b). In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in ten years and, therefore, it is being amortised over this period.
- Customer portfolios are amortised based on the life of the agreements entered into with the customers.
- Rights of use on asset relate to machinery and fixtures used by the Group in the performance of its business activity and are subject to reversion. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.
- Computer software is amortised on a straight-line basis over five years. Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

c) ***Property, plant and equipment***

Property, plant and equipment are stated at acquisition or production cost, revalued in accordance with various legal provisions including Royal Decree Law 7/1996, of 7 June (see Note 7), including the allocation of any goodwill arising as a result of the business combinations that may be applicable, based on the related independent valuations.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

The companies depreciate their property, plant and equipment using the straight-line method on the basis of the remaining years of estimated useful life of the various items, the detail being as follows:

	Years of estimated useful life
Buildings	20 to 40
Plant	3 to 12
Machinery and tools	3 to 10
Furniture	2 to 10
Computer hardware	4
Transport equipment	3 to 10

The assets that have to be handed over will have been fully depreciated by the end of the concession term.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Assets held under finance leases (see Note 3.g) are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. At 31 December 2013, "Property, Plant and Equipment" in the consolidated balance sheet included EUR 17,202 thousand (31 December 2012: EUR 17,166 thousand) relating to assets held under finance leases (see Note 7).

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

d) Impairment of non-financial assets

Intangible assets with indefinite useful lives or intangible assets that are not ready for use are not subject to amortisation and are tested each year for impairment. Assets subject to amortisation are subject to reviews to ascertain whether they have suffered impairment losses if any event or change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

Recoverable amount is the higher of fair value of an asset less costs to sell and value in use. In order to assess the impairment losses, the assets are grouped together at the lowest level for which there are largely independent cash inflows (cash-generating units or "CGUs"). The cash-generating units defined by the Group are detailed in Notes 4 and 5.

In accordance with paragraph 81 of IAS 36, where goodwill cannot be allocated to an individual cash-generating unit it is allocated to uniform groups of cash-generating units that correspond to the minimum level at which the directors are able to manage and monitor the goodwill. In these cases, in accordance with paragraphs 88 and 89 of IAS 36 these separate cash-generating units are tested for impairment to assess the recoverability of the intangible assets specifically associated with them (see Note 6). In this situation impairment losses could arise on these intangible assets even where unimpaired associated goodwill existed.

The previous impairment losses on non-financial assets (other than goodwill) are reviewed for possible reversal on the date on which financial reporting is presented.

In order to estimate value in use, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discounted rate that reflects market conditions and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount existing prior to the recognition of the impairment loss, less any depreciation or amortisation that should have been recognised. The reversal of an impairment loss on an asset is credited to the consolidated income statement.

The method used by the Group to test impairment distinguishes between businesses with indefinite and finite lives. Five-year projections and a perpetuity rate of return from the sixth year are used for businesses with indefinite lives. In preparing the cash flow projections for assets with finite lives relating to the rendering of services or operation of concessions, it was considered that these concessions would not probably be renewed.

In both cases the projections were based on reasonable and well-founded assumptions and were prepared according to Group's Strategic Plan for the period between 2014-2018 based on past experience and the best estimates available at the date on which the impairment tests were carried out using the market information available. The projections envisage growth in volume and improvements to margins arising solely from the organic growth that the Parent's management expects for the coming years. Consequently, the possible acquisitions or mergers that might take place in the future were not taken into account in the projections and impairment tests.

Together with the impairment test on the various cash-generating units that the Group carries out at least at each year-end, it also performs a sensitivity analysis of the main assumptions affecting the calculation. The main assumptions used by the Group in testing for impairment and the results of the sensitivity analysis are described in Note 6.

In order to conduct the impairment tests, the goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units which are expected to benefit from the synergies arising from the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is controlled for internal management purposes.

e) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification of financial assets depends on their nature and purpose at the time of their initial recognition. All acquisitions and sales of financial assets are recognised and derecognised at the transaction date. At 2013 year-end the only financial assets the Group had were held-to-maturity investments (see Notes 8 and 11) and loans and receivables (see Note 10).

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of a financial instrument. However, given the nature of the assets classified under "Financial Assets", they are generally recognised at their original acquisition cost, since they mature within less than one year.

Upon completion of such impairment tests as might be required, any losses arising therefrom are recognised directly by reducing the amounts presented under "Non-Current Financial Assets" in the consolidated balance sheet.

f) Information on the environment

Environmental assets are considered to be assets used on a lasting basis in the operations of the Group companies whose main purpose is to minimise adverse environment effects and to protect and enhance the environment, including the reduction or elimination of the pollution caused in the future by the Applus Group's operations.

In view of the Group's business activity, at 31 December 2013 and 2012 it did not have any significant assets of this nature.

g) Operating and finance leases

The Group has been assigned the right to use certain assets under leases. Leases that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases; otherwise they are classified as operating leases.

Finance leases

At the commencement of the finance lease term, the Group recognises an asset and a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The initial direct costs are included as an increase in the value of the asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period in the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as an expense when it is probable that they will be incurred.

These assets are depreciated using similar criteria to those applied to the items of property, plant and equipment owned or, if shorter, over the lease term.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative of the time pattern of the benefits generated.

h) Inventories

Inventories are stated at weighted average cost, which comprises materials and, where applicable, direct labour costs and other costs that have been incurred in bringing the inventories to their present location and condition.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

i) Trade and other receivables

Trade and other receivables are recognised at their recoverable amount, i.e. reduced, as appropriate, by the adjustments required to cover balances of a certain age (generally more than one year old), in the event that they can reasonably be classified as doubtful receivables in the circumstances.

The heading also includes the balances of projects in progress yet to be billed in relation to the execution of work to order for which a firm agreement generally exists.

j) Current financial assets, cash and cash equivalents

Current financial assets relate mainly to cash surpluses invested in short-term fixed-income securities that are generally held to maturity and are recognised at acquisition cost. Interest income is calculated on a time proportion basis in the year in which it accrues.

The balance of cash and cash equivalents recognised in the consolidated balance sheets at 31 December 2013 and 2012 includes the bank balances, available cash and the current financial assets maturing within three months.

k) Government grants

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned. In addition, the Group accounts for other grants, donations and legacies received as follows:

a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

b) Refundable grants: while they are refundable, they are recognised as a non-current liability.

c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

l) Provisions and contingent liabilities

When preparing the consolidated financial statements the Parent's directors make a distinction between:

- Provisions:

  The Group recognises a provision where it has an obligation or liability to a third party arising from past events the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated. Provisions are quantified on the basis of the best information available on the event and the consequences of the event and are reviewed and adjusted at the end of each reporting period. The provisions made are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

- Contingent liabilities:

  Contingent liabilities are all the possible obligations that arise from past events and whose future existence and associated loss are estimated to be unlikely. In accordance with IFRSs, the Group does not recognise any provision in this connection. However, as required, the contingent liabilities are disclosed in Note 27.b.

The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the accompanying consolidated financial statements. Provisions are recognised when the Group has a present obligation, whether legal or constructive, as a result of past events with respect to which it is more likely than not to entail an outflow of resources to settle the obligation and when the amount thereof has been estimated reliably.

Provisions are recognised when the unavoidable costs of meeting the obligations under onerous contracts exceed the benefits expected to be received thereunder.

Provisions are measured at the present value of the amount necessary to settle the obligation at the balance sheet date based on the best estimate available.

When it is expected that a portion of the disbursement necessary to settle the provision will be reimbursed by a third party, the reimbursed amount is recognised as an independent asset, provided that receipt thereof is virtually assured.

m) Derivative financial instruments and hedge accounting

The Group uses financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. The Group does not use derivative financial instruments for speculative purposes.

The Group's use of financial derivatives is governed by and envisaged in its policies, which provide guidelines for their use (see Note 16).

The Group uses derivative financial instruments exclusively as hedging instruments as it considers that they meet the requirements of IAS 39. The accounting treatment of cash flow hedges is as follows:

- Changes in the market value of the ineffective portion of derivative financial instruments that are designated as hedges are recognised in the consolidated income statement.
- Changes in the effective portion of a hedge are recognised under "Valuation Adjustments" and "Translation Differences", respectively, in the accompanying consolidated balance sheet.
- The cumulative gain or loss in these reserves is transferred to the consolidated income statement under the same heading as that affected by the hedged item as the underlying affects net profit or loss or in the year in which the hedged item is disposed of.
- When hedge accounting is discontinued, any cumulative gain or loss recognised under "Valuation Adjustments" at that date is retained until the hedged transaction occurs, at which time they are added to the gain or loss on this transaction. If a hedged transaction is no longer expected to occur, the cumulative gain or loss recognised under this heading is transferred to profit or loss.

At 2013 year-end the Applus Group had not arranged any hedging instruments.

n) Pension obligations, post-employment benefits and other employee benefit obligations

The defined benefit liability recognised in the consolidated balance sheet relates to the present value of the defined benefit obligations existing at year-end, less the fair value at the aforementioned date of the plan assets.

The income or expense related to the defined benefit plans is recognised in the consolidated income statement and is obtained as a result of the addition of revenue from services in 2013 and the actuarial losses. The difference between the projected and actual performance of the plan assets forms part of the actuarial gains or losses.

Also, the Group recognises the past service costs as an expense in the current year, immediately registered in the profit and loss account.

The present value of the defined benefit obligations, the cost of services rendered and past service costs are calculated annually by independent actuaries in accordance with the projected unit credit method. The discounted interest rate is determined based on the market rates of high-quality company bonds and debentures denominated in the currency in which the benefits will be paid and with terms and maturities similar to those of the related benefits.

The amendments to IAS 19 were already considered in the preparation of the consolidated financial statements, although these amendments had practically no impact since the Group's pension obligations are not significant.

The asset or liability for defined benefits is recognised as current or non-current based on the realisation period or maturity of the related benefits.

Other obligations to staff

There are specific remuneration plans for certain executives of Applus Group with the following features:

a) Variable remuneration for certain Velosi senior executives dependent upon certain financial aggregates in 2011, 2012, 2013 (See Notes 19 and 29).

b) Variable remuneration for senior executives of the Group subject to the achievement of certain financial aggregates in 2011, 2012 and 2013 (see Notes 19 and 29).

c) Other specific remuneration plans for certain of the Group's senior executives: 10 senior executives of the Applus Group have a remuneration plan dependent upon the profit obtained by the majority shareholder in the event of divestment, including the admission to trading of the Parent's shares. The remuneration to which the executives are entitled under this plan consists of a fixed amount based on a minimum profit level, which increases according to the multiple obtained, and is zero if the established minimum profit level is not attained. In the event of a partial divestment, the remuneration would be calculated in proportion to the percentage disposed of. The right to receive the remuneration described above arises when the aforementioned divestment becomes effective, provided that the employee has not resigned within the 12-month period following the date on which the change of shareholder took place, when the plan would expire (see Note 29). Also, there 27 key executives of Applus (some of whom are already included in the aforementioned remuneration plan) who invested in the Group and have a cash-settled incentive plan tied to the attainment of a minimum internal rate of return with respect to the initial investment in the Group. If the required minimum return is not attained, they are guaranteed the reimbursement of their investment (see Note 29).

o) Debts and current/non-current classification

Debts are recognised at their present value and are classified on the basis of their maturity at the reporting date, i.e. debts due to be settled within twelve months are classified as current liabilities and those due to be settled within more than twelve months are classified as non-current liabilities.

p) Financial liabilities

Financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. At 2013 year-end the Group only had other financial liabilities.

Other financial liabilities (including loans and trade and other payables) are recognised at amortised cost using the effective interest method.

Effective interest method

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial instrument. The Group recognises trade payables at their nominal value, without any explicit interest accrual, since they mature within less than one year.

The Group derecognises financial liabilities only when the obligations are settled, cancelled or expire. The difference between the carrying amount of derecognised financial liabilities and the actual payment made is recognised in the consolidated income statement.

q) Transactions in currencies other than the euro

The Group's functional currency is the euro. Therefore, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions". At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on the balance sheet date. Any resulting gains or losses are recognised directly in the income statement. The balances in the financial statements of the consolidated companies with a functional currency other than the euro are translated to euros as follows:

- Assets and liabilities are translated by applying the exchange rates prevailing at the reporting date.
- Income, expenses and cash flows are translated at the average exchange rates for the year.
- Equity items are translated at the historical exchange rates.
- Translation differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying consolidated balance sheet.

The detail of the equivalent euro value of the main assets in foreign currency held by the Group at 31 December 2013 and 2012 is as follows (in thousands of euros):

Balances held in:	**31/12/2013**	**31/12/2012**
US dollar	387,530	375,238
Canadian dollar	69,674	67,430
Danish krone	56,936	58,840
Pound sterling	53,463	52,217
Australian dollar	44,137	58,968
Singapore dollar	22,294	20,386
Colombian peso	22,075	22,445
Chilean peso	16,617	15,292
Qatari riyal	15,100	19,055
United Arab Emirates dirham	14,775	15,732
Brazilian real	13,751	14,504
Chinese yuan	13,243	10,840
Czech koruna	12,467	12,232
Indonesian rupiah	11,962	9,726
Saudi riyal	10,830	9,283
Malaysian ringgit	10,682	8,795
Norwegian krone	8,795	8,358
Argentine peso	8,246	8,294
Mexican peso	6,752	8,563
Guatemalan quetzal	4,274	5,133
Panamanian balboa	3,886	3,912
South African rand	3,881	3,711
Papua New Guinean kina	3,806	4,704
Russian Ruble	3,689	—
Kuwaiti dinar	3,255	5,819
Indian rupee	2,962	1,858
Bahrain Dinar	2,636	—
Surcorean Wone	1,915	—
Nigerian naira	1,651	1,799
Others	4,597	2,268
Total	**835,881**	**825,402**

The detail of the main foreign currency balances is as follows:

2013

	€ thousands						
Nature of the balances	**US dollars**	**Danish krone**	**Canadian dollar**	**Pound sterling**	**Australian dollar**	**Chilean peso**	**Czech koruna**
Non-current assets	285,951	52,753	45,831	30,843	23,477	8,183	7,094
Current assets	101,579	4,183	23,843	22,620	20,660	8,434	5,373
Liabilities - Equity	308,680	5,367	8,135	10,269	13,072	2,356	3,290

Nature of Balances	Brazilian real	Chinese yuan	Colombian peso	Norwegian krone	Singapore dollar	Qatari riyal	Mexican peso
	€ thousands						
Non-current assets	5,467	5,531	4,534	4,553	2,909	1,524	1,531
Current assets	8,284	7,712	17,541	4,242	19,385	13,576	5,221
Liabilities - Equity	3,747	2,242	9,657	2,334	5,339	5,624	2,790

Nature of Balances	Malayan Ringgit	Guatemalan Quetzal	Argentine peso	Saudi riyal	Indonesian rupiah	United Arab Emirates dirham	Others
	€ thousands						
Non-current assets	841	268	1,232	1,114	1,005	941	6,140
Current assets	9,841	4,006	7,014	9,716	10,957	13,834	26,138
Liabilities - Equity	26,278	335	3,810	4,656	7,260	6,336	8,143

2012

Nature of the balances	US dollars	Danish krone	Canadian dollar	Pound sterling	Australian dollar	Chilean peso	Czech koruna
	€ thousands						
Non-current assets	275,702	52,928	50,508	31,858	28,022	9,674	7,416
Current assets	99,536	5,912	16,922	20,359	30,946	5,618	4,816
Liabilities - Equity	293,770	4,900	4,289	9,562	19,385	2,021	2,012

Nature of the balances	Brazilian real	Colombian peso	Norwegian krone	Qatari riyal	Singapore dollar	Chinese yuan	Argentine peso
	€ thousands						
Non-current assets	6,515	4,630	4,413	2,199	2,969	2,126	1,651
Current assets	7,989	17,815	3,945	16,856	17,417	8,714	6,643
Liabilities - Equity	4,828	11,188	1,875	6,650	7,243	1,515	3,759

Nature of the balances	South African rand	United Arab Emirates dirham	Mexican peso	Saudi riyal	Indian rupee	Malaysian ringgit	Others
	€ thousands						
Non-current assets	1,596	1,207	1,152	948	890	721	2,382
Current assets	2,115	14,525	7,411	8,335	968	8,074	30,979
Liabilities - Equity	410	6,940	2,258	5,361	49	20,493	11,791

The average and closing rates used in the translation to euros of the balances held in foreign currency were as follows:

EUR	2013 Average rate	2013 Closing rate	2012 Average rate	2012 Closing rate
Thai baht	40.76	44.13	40.11	40.33
Panamanian balboa	1.35	1.40	1.31	1.35
Ghanaian cedi	2.75	3.22	23,935.68	25,044.10
Costa Rican colon	678.28	697.19	657.86	670.41
Nicaraguan cordoba	33.17	34.56	30.70	32.46
Danish krone	7.46	7.46	7.44	7.46
Norwegian krone	7.79	8.48	7.49	7.39
Swedish krona	8.64	9.04	8.71	8.77
Bahreini dinar	0.50	0.53	0.49	0.50
Kuwaiti dinar	0.38	0.39	0.36	0.37
United Arab Emirates dirham	4.87	5.05	4.72	4.84
Moroccan dirham	11.27	11.39	11.20	11.29
Australian dollar	1.37	1.54	1.24	1.25
Canadian dollar	1.36	1.46	1.28	1.30
Brunei dollar	1.68	1.75	1.63	1.63
Hong Kong dollar	10.30	10.67	9.97	10.20

EUR	2013 Average rate	2013 Closing rate	2012 Average rate	2012 Closing rate
Singapore dollar	1.66	1.73	1.61	1.61
US dollar	1.33	1.38	1.28	1.32
New Zealand dollar	1.62	1.67	1.59	1.56
Vietnamese dong	28,065.75	29,289.00	27,039.26	27,631.40
Papua New Guinean kina	3.10	3.55	2.70	2.75
Czech koruna	25.92	27.57	25.16	25.25
Angolan kwanza	128.16	134.56	122.85	126.41
Egyptian pound	9.16	9.53	7.84	8.14
Pound sterling	0.85	0.84	0.81	0.81
Nigerian naira	213.37	221.24	205.68	209.64
Peruvian nuevo sol	3.64	3.86	3.44	3.43
Argentine peso	7.23	8.67	5.84	6.44
Chilean peso	656.23	726.40	627.06	625.99
Colombian peso	2,479.33	2,664.94	2,326.09	2,365.64
Mexican peso	16.92	17.78	16.92	16.80
Guatemalan quetzal	10.62	11.02	10.25	10.55
South African rand	12.78	14.19	10.54	11.32
Brazilian real	2.86	3.21	2.51	2.75
Omani rial	0.51	0.53	0.50	0.51
Qatari riyal	4.84	5.06	4.69	4.80
Yemeni rial	285.86	296.38	278.81	284.30
Malaysian ringgit	4.19	4.52	3.98	4.03
Saudi riyal	4.98	5.16	4.82	4.94
Russian rouble	42.26	45.27	40.03	40.60
Indian rupee	77.60	85.21	68.96	71.98
Pakistani rupee	135.60	148.49	120.61	129.69
Indonesian rupiah	13,814.44	16,498.20	12,061.64	12,704.70
South Korean won	1,459.40	1,450.05	1,454.37	1,422.16
Japanese yen	129.13	141.72	102.32	110.45
Chinese yuan	8.23	8.41	8.12	8.28
Polish zloty	4.20	4.18	4.19	4.09

r) Income tax, deferred tax assets and deferred tax liabilities

The income tax expense represents the sum of the current tax expense and the effect of the changes in deferred tax assets and liabilities and reported tax loss and tax credit carryforwards.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Certain Group companies domiciled in Spain file consolidated tax returns as part of tax group 238/08 of which Applus Services, S.A. is the Parent.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised. The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

s) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT (or equivalent tax) and other sales-related taxes.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. In particular, revenue from projects in progress related to the multi-industry certification or engineering business is recognised by the Group on the basis of the stage of completion of each individual project, giving rise to a balancing entry consisting of an asset for the difference between the amount billed and the amount yet to be billed for each project.

A part of the Group's activity consists of the execution of work to order for which a firm agreement generally exists.

As regards work units completed for production, each year the Group recognises as profit or loss the difference between period production and the costs incurred during the year. Production each year is measured at the selling price of the units completed in the year that, since they are covered by the contract entered into with the owners, do not give rise to any reasonable doubts regarding their final billing.

t) Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

u) Discontinued operations

A discontinued operation is a business segment that it has been decided to abandon and/or dispose of in full whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Pursuant to IFRS 5, the revenue and expenses of discontinued operations are presented separately in the consolidated income statement and the net assets and net liabilities are presented separately in consolidated current assets and consolidated current liabilities, respectively, for the current period only.

The Group did not discontinue any significant operation in 2013 or 2012.

v) Segment reporting

The business segments broken down in the notes to the consolidated financial statements are consistently included by the Parent's directors on the basis of the available internal information. The operating segments are the components of the Applus Group that involve business activities from which income is generated and expenses are incurred, including ordinary income and expenses arising from transactions with other Group components. Financial information on segments is regularly disclosed and operating results are reviewed by the Group's directors with a view to deciding on the resources that should be allocated to the segments and evaluating their performance.

The Parent's directors considered the following segments in these consolidated financial statements of the Applus Group: Applus+ RTD, Applus+ Velosi, Applus+ Norcontrol, Applus+ Laboratories, Applus+ Automotive, Applus+ IDIADA and Others.

w) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

4. Goodwill

The detail, by cash-generating unit, of the goodwill at the end of 2013 and 2012 is as follows:

	€ thousands					
	31/12/2013			31/12/2012		
Cash-generating Unit	**Gross Value**	**Accumulated Impairment**	**Net Value**	**Gross Value**	**Accumulated Impairment**	**Net Value**
Auto Spain (*)	170,972	—	170,972	170,972	—	170,972
RTD Europe	139,287	(36,101)	103,186	137,968	(36,101)	101,867
RTD US and Canada	63,058	—	63,058	65,059	—	65,059
IDIADA	56,555	—	56,555	56,827	—	56,827
Velosi	26,469	—	26,469	19,392	—	19,392
Norcontrol	21,708	(11,370)	10,338	21,708	—	21,708
LGAI	29,239		29,239	29,239	—	29,239
RTD Asia and Pacific	27,471	(15,674)	11,797	31,931	(15,674)	16,257
Auto Denmark	7,501	(642)	6,859	7,343	(642)	6,701
Auto US (*)	23,274	(17,133)	6,141	25,209	—	25,209
Norcontrol Latam	1,982	—	1,982	3,873	—	3,873
Auto Finland	52,782	(52,782)	—	52,782	—	52,782
Other	1,286	—	1,286	1,282	—	1,282
Total goodwill	**621,584**	**(133,702)**	**487,882**	**623,585**	**(52,417)**	**571,168**

(*) *Includes the aggregate business of various concessions and administrative authorisations (see Notes 3.d and 5).*

The changes in 2013 and 2012 were as follows:

	€ thousands
Balance at 31 December 2011	**571,923**
Changes in the scope of consolidation (Note 2.b.e.1)	19,392
Translation differences	388
Disposals	(2,434)
Impairments	(18,101)
Balance at 31 December 2012	**571,168**
Changes in the scope of consolidation (Note 2.b.e.1)	9,113
Translation differences	(8,413)
Disposals	(2,701)
Impairments	(81,285)
Balance at 31 December 2013	**487,882**

The negative translation differences for 2013 related basically to the following CGUs: US Automotive, RTD Asia-Pacific and RTD US and Canada.

The changes in the scope of consolidation in 2013 related mainly to the acquisition of Testex Inspection, LLC for EUR 7,565 thousand, which corresponds to the Velosi cash-generating unit.

The main assumptions used in the tests to determine the impairment recognised in 2013 are detailed in Note 6.

5. Other intangible assets

The changes in 2013 and 2012 in intangible asset accounts and in the related accumulated amortisation were as follows:

	2013 - € thousands						
Cost:	**Balance at 1 January 2013**	**Changes in the scope of consolidation (Note 2.b.e.4)**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers (Note 7)**	**Changes in exchange rates and other**	**Balance at 31 December 2013**
Administrative concessions	112,164	—	—	—	—	—	112,164
Patents, licences and trademarks	283,193	—	1,565	—	15	(90)	284,683
Administrative authorisations	259,910	—	—	—	—	—	259,910
Customer portfolio	139,501	—		—	—	—	139,501
Computer software	43,909	131	3,119	(156)	1,056	(1,091)	46,968
Goodwill acquired	9,334	—	3,211	—	9	(422)	12,132
Asset usage rights	72,960	—	—	—	—	—	72,960
Other	20,542	8	3,509	(13)	4,913	(789)	28,170
Total cost	**941,513**	**139**	**11,404**	**(169)**	**5,993**	**(2,392)**	**956,488**
Accumulated amortisation							
Administrative concessions	(41,855)	—	(7,835)	—	—	—	(49,690)
Patents, licences and trademarks	(53,450)	—	(14,550)	(69)	—	55	(68,014)
Administrative authorisations	(17,523)	—	(15,734)	—	—	—	(33,257)
Customer portfolio	(37,148)	—	(9,035)	—	—	(148)	(46,331)
Computer software	(34,388)	(132)	(7,124)	115	(75)	587	(41,017)
Goodwill acquired	(106)	—	—	—	—	1	(105)
Asset usage rights	(25,990)	—	(3,471)	—	(9)	—	(29,470)
Other	(14,665)	—	(2,678)	(7)	(1,377)	700	(18,027)
Total Accumulated amortisation	**(225,125)**	**(132)**	**(60,427)**	**39**	**(1,461)**	**1,195**	**(285,911)**
Total impairments (Note 6)	**—**	**—**	**(37,882)**	**—**	**—**	**—**	**(37,882)**
Total Net Value	**716,388**	**7**	**(86,905)**	**(130)**	**4,532**	**(1,197)**	**632,695**

Cost:	Balance at 1 January 2012	Changes in the scope of consolidation (Note 2.b.e.1)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2012
	2012 - € thousands						
Administrative concessions	112,164	—	—	—	—	—	112,164
Patents, licences and trademarks	238,579	43,122	1,492	—	—	—	283,193
Administrative authorisations	259,910	—	—	—	—	—	259,910
Customer portfolio	120,489	19,012	—	—	—	—	139,501
Computer software	42,466	273	2,315	(1,246)	81	20	43,909
Goodwill acquired	9,603	—	—	(488)	—	219	9,334
Asset usage rights	73,080	—	—	(120)	—	—	72,960
Other	18,819		1,951	(113)	36	(151)	20,542
Total cost	**875,110**	**62,407**	**5,758**	**(1,967)**	**117**	**88**	**941,513**
Accumulated amortisation							
Administrative concessions	(33,995)	—	(7,860)	—	—	—	(41,855)
Patents, licences and trademarks	(42,954)	—	(10,496)	—	—	—	(53,450)
Administrative authorisations	(6,262)	—	(11,261)	—	—	—	(17,523)
Customer portfolio	(32,955)	—	(4,193)	—	—	—	(37,148)
Computer software	(28,681)	—	(6,282)	—	329	246	(34,388)
Goodwill acquired	(106)	—	—	—	—	—	(106)
Asset usage rights	(22,445)	—	(4,305)	760	—	—	(25,990)
Other	(12,513)	—	(2,356)	36	66	102	(14,665)
Total Accumulated amortisation	**(179,911)**	**—**	**(46,753)**	**796**	**395**	**348**	**(225,125)**
Total Net Value	**695,199**	**62,407**	**(40,995)**	**(1,171)**	**512**	**436**	**716,388**

Identification and measurement of intangible assets in business combinations

In 2012 the Group's measurement at fair value of the assets and liabilities of Assinco - Assessoria, Inspeçao e Controle, Ltda., acquired on 9 June 2011, of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH., acquired on 27 July 2011, and of Kiefner & Associates, Inc., acquired on 16 November 2011, was completed and the fair value of the assets and liabilities acquired was definitively and retrospectively recognised. In the measurement of assets and liabilities intangible assets were identified amounting to EUR 5,577 thousand (EUR 3,796 thousand net of the related tax effect) relating to a customer portfolio, which are being amortised over 15 years.

In 2012, based on a valuation by an independent valuer, the Group carried out the assessment at fair value of the assets and liabilities of the Velosi Group acquired on 21 December 2012, recognising the provisional fair value of the assets and liabilities associated with the aforementioned business combination. Intangible assets of EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect) were identified when measuring the aforementioned assets and liabilities, the detail being as follows:

	€ thousands
Trademark	26,183
Customer portfolio	19,012
Trademark licence agreement	16,939
Databases	273
Total	**62,407**

The deferred tax of EUR 7,044 thousand arising from this combination amounts to 13% since the customer portfolio relates mainly to Middle Eastern countries with a non-existent or very low tax rate, the trademark license agreement relates mainly to the Malaysian company with a 25% tax rate and the future taxation of the trademark relating to the Luxembourg-based Parent will only amount to 6%.

In 2011 the Group's assessment of the assets and liabilities of Quality Inspection Services, Inc. acquired on 26 February 2010 and of Valley Industrial X-Ray and Inspection Services, Inc. acquired on 9 April 2010 was completed and the goodwill generated on these acquisitions was definitively and retrospectively recognised. In the measurement of assets and liabilities intangible assets were identified amounting to EUR 24,354 thousand (EUR 17,048 thousand net of the related tax effect) relating to a customer portfolio.

In 2008, based on a valuation by an independent valuer, the assessment of the assets and liabilities acquired by the Parent from the Applus Group on 29 November 2007 was completed and the fair value of the assets and liabilities arising from the acquisition was definitively and retrospectively recognised. Assets of EUR 734,957 thousand (EUR 514,470 thousand net of the related tax effect) were identified when measuring the assets and liabilities.

The assets and liabilities identified in the four combinations referred to above are as follows:

	€ thousands	
	31/12/2013	**31/12/2012**
Administrative authorisations	259,910	259,910
Applus and RTD trademarks	228,441	228,441
Administrative concessions	102,319	102,319
RTD customer portfolio	67,949	67,949
Rights of use	57,516	57,516
Quality and Valley customer portfolio	24,354	24,354
Velosi trademark	26,183	26,183
Velosi customer portfolio	19,012	19,012
Norcontrol contract	18,822	18,822
Velosi trademark licence agreement	16,939	16,939
Assinco, BKW and Kiefner customer portfolio	5,577	5,577
Velosi databases	273	273
Total allocation of goodwill to assets	**827,294**	**827,294**

The most significant assumptions used for the measurement at fair value of the assets identified in the business combinations were as follows:

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows from that asset, was used to calculate the fair value of administrative authorisations over the useful life of the allocated contract.
- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows over the useful life assigned to the related contract, was used to calculate the fair value of administrative concessions and rights of use. The possibility of contract renewals for cash-generating units with finite lives was not considered.
- The royalty relief method, whereby the value of the asset is the present value of future royalty income from the use of the trademarks by the licensees, was used to calculate the value of the trademarks and trademark licence agreements.
- The income approach and specifically the multi-period excess earnings method, taking into account the useful lives of the customers and the discounted revenue they account for, was used to calculated the value of the agreements with customers.

A description of the main assets included under this heading is as follows:

- Administrative authorisations and concessions

The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which the Group manages under this name. The main administrative authorisations relate to Spain and Finland. In the case of Spain, considering the opinion of all the Group's advisers regarding the possible positioning of the Catalonia Autonomous Community Government as regards the renewal of the administrative authorisation of that Autonomous Community at the end of the currently established period, which concludes in 2035, in 2013 the directors took the decision to begin to amortise the cost of the authorisation over the 23 years that remained, at the beginning of the year, until 2035. (See Note 27.b). In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in ten years and, therefore, it is being amortised over this period.

"Administrative concessions" includes mainly the operating rights for a fixed period of vehicle roadworthiness testing facilities. At 31 December 2013, the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, the Basque Country and Menorca), Ireland, Argentina and Chile. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates from 2014 to 2023.

In the specific case of the Automotive Spain and USA businesses, although intangible assets classified, on an individual basis, as concessions and administrative authorisations subject to impairment tests are measured individually, the business synergies relating to the various concessions and authorisations in both countries are also taken into account. In this regard, the goodwill is allocated to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets since, in the Automotive segment, geographical location is taken into account as the main factor for determining CGUs, since geographical areas involve the same applicable legislation and regulations in a regulated industry, a common currency and macroeconomic variables that are closely linked to the capacity to generate economic flows and, therefore, to growth capacity. In addition, all of the authorisations and concessions managed in the various countries are unified under one single management. The purpose of this unified management, inter alia, is to manage the various risks and relationships with regulators more efficiently and in a more coordinated manner.

With respect to the intangible assets, each of the concessions or authorisations is granted by means of a concession tender process or regulatory resolution, the existence of a tender process or resolution being habitual at Autonomous Community level in the case of Spain, or at a State level in the case of the United States.

- Patents, licences and trademarks:

  "Patents, licences and trademarks" includes the Applus, RTD and Velosi trademarks and the Velosi trademark licence agreement. The three trademarks are considered to have a finite useful life. The first two are being amortised over 25 years while the Velosi trademark is being amortised over ten years. The Velosi trademark licence agreement is also being amortised over ten years.

- Customer portfolio:

  The customer portfolio relates to the value of the various contracts entered into by the various Group companies. For the purposes of valuation, the probability of renewal and contract term was taken into account. The contracts are being amortised over the estimated useful life thereof, as follows:

	Expected Useful Life
RTD Europe and Asia Pacific customer Portfolio	25
RTD US and Canada customer Portfolio	15-25
Velosi Customer Portfolio	5
LGAI Customer Portfolio	15
Norcontrol customer portfolio	15

- Asset usage rights:

  These include mainly the carrying amounts of the usage rights transferred by Laboratori General d'Assaig i Investigació (now the Catalonia Autonomous Community Government) on the incorporation of LGAI Technological Center, S.A. and the carrying amount of the assets assigned by Institut d'Investigació Aplicada de l'Automòbil (now Empresa de Promoció i Localització Industrial de Catalunya (AVANÇSA)) to Idiada Automotive Technology, S.A., relating basically to machinery and other fixtures. These usage rights are amortised over the shorter of the useful life of the assets and the estimated useful life of the licensing agreements, which last until 2029 (Idiada) and 2033 (LGAI).

Allocation of intangible assets by cash-generating unit

The detail, by cash-generating unit, of the assets identified in the processes referred to above is as follows:

2013 - € thousands

Cost:	Auto Spain	RTD Europe	Auto Finland	Velosi	RTD US and Canada	IDIADA	Norcontrol	LGAI	RTD Asia and Pacific	Auto US	Norcontrol Latam	Total
Administrative concessions	94,101	—	—	—	—	—	182	—	—	17,881	—	**112,164**
Patents, licences and trademarks	18,740	92,273	10,140	43,122	28,210	22,109	40,096	8,772	15,440	5,781	—	**284,683**
Administrative authorisations	165,986	—	93,924	—	—	—	—	—	—	—	—	**259,910**
Customer portfolio	1,241	41,532	—	21,557	43,490	—	18,822	4,142	8,119	—	598	**139,501**
Computer software	15,434	3,433	—	173	—	3,847	6,364	3,161	—	12,939	1,617	**46,968**
Goodwill acquired	—	3,662	—	—	—	3,211	1,541	265	—	3,453	—	**12,132**
Asset usage rights	1,244	—	—	—	—	36,729	—	34,987	—	—	—	**72,960**
Other	700	7,065	—	273	—	375	3,228	2,004	—	14,525	—	**28,170**
Total cost	**297,446**	**147,965**	**104,064**	**65,125**	**71,700**	**66,271**	**70,233**	**53,331**	**23,559**	**54,579**	**2,215**	**956,488**
Accumulated amortisation												
Administrative concessions	(40,729)	—	—	—	—	—	(195)	—	—	(8,766)	—	**(49,690)**
Patents, licences and trademarks	(4,674)	(24,512)	(2,467)	(4,312)	(6,864)	(7,940)	(9,960)	(2,135)	(3,757)	(1,393)	—	**(68,014)**
Administrative authorisations	(6,184)	—	(27,073)	—	—	—	—	—	—	—	—	**(33,257)**
Customer portfolio	—	(10,106)	—	(3,802)	(10,705)	—	(18,969)	(675)	(1,976)	—	(98)	**(46,331)**
Computer software	(13,738)	(2,724)	—	(162)	—	(2,830)	(5,367)	(2,725)	—	(11,910)	(1,561)	**(41,017)**
Goodwill acquired	—	—	—	—	—	—	(98)	(7)	—	—	—	**(105)**
Asset usage rights	—	—	—	—	—	(10,156)	—	(19,314)	—	—	—	**(29,470)**
Other	(195)	(3,190)	—	(55)	—	(384)	(1,190)	(1,242)	—	(11,767)	(4)	**(18,027)**
Total Accumulated amortisation	**(65,520)**	**(40,532)**	**(29,540)**	**(8,331)**	**(17,569)**	**(21,310)**	**(35,779)**	**(26,098)**	**(5,733)**	**(33,836)**	**(1,663)**	**(285,911)**
Total impairment	**(7,051)**	**(16,744)**	**(8,115)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,972)**	**—**	**(37,882)**
Total Net value	**224,875**	**90,689**	**66,409**	**56,794**	**54,131**	**44,961**	**34,454**	**27,233**	**17,826**	**14,771**	**552**	**632,695**

2012 - € thousands

Cost:	Auto Spain	RTD Europe	Auto Finland	Velosi	RTD US and Canada	IDIADA	Norcontrol	LGAI	RTD Asia and Pacific	Auto US	Norcontrol Latam	Total
Administrative concessions	94,102	—	—	—	—	—	182	—	—	17,880	—	112,164
Patents, licences and trademarks	18,740	89,396	10,140	46,026	28,210	20,612	40,096	8,772	15,440	5,761	—	283,193
Administrative authorisations	165,986	—	93,924	—	—	—	—	—	—	—	—	259,910
Customer portfolio	1,241	41,532	—	21,557	43,490	—	18,822	4,142	8,119	—	598	139,501
Computer software	14,722	—	—	4,162	—	3,373	5,804	2,656	—	11,568	1,624	43,909
Goodwill acquired	—	—	—	3,917	—	—	1,541	265	—	3,611	—	9,334
Asset usage rights	—	—	—	1,241	—	36,729	3	34,987	—	—	—	72,960
Other	682	—	—	273	—	327	3,061	2,008	—	14,186	5	20,542
Total cost	**295,473**	**130,928**	**104,064**	**77,176**	**71,700**	**61,041**	**69,509**	**52,830**	**23,559**	**53,006**	**2,227**	**941,513**
Accumulated amortisation												
Administrative concessions	(34,363)	—	—	—	—	—	(182)	—	—	(7,310)	—	(41,855)
Patents, licences and trademarks	(3,789)	(18,177)	(2,062)	(2,689)	(5,736)	(6,572)	(8,318)	(1,784)	(3,139)	(1,184)	—	(53,450)
Administrative authorisations	—	—	(17,523)	—	—	—	—	—	—	—	—	(17,523)
Customer portfolio	—	(8,445)	—	—	(8,238)	—	(18,822)	—	(1,625)	—	(18)	(37,148)
Computer software	(11,178)	—	—	(2,773)	—	(2,496)	(4,901)	(2,168)	—	(9,754)	(1,118)	(34,388)
Goodwill acquired	—	—	—	—	—	—	(99)	(7)	—	—	—	(106)
Asset usage rights	—	—	—	(1,147)	—	(8,487)	(3)	(16,353)	—	—	—	(25,990)
Other	(141)	—	—	—	—	(104)	(1,561)	(841)	—	(12,014)	(4)	(14,665)
Total Accumulated amortisation	**(49,471)**	**(26,622)**	**(19,585)**	**(6,609)**	**(13,974)**	**(17,659)**	**(33,886)**	**(21,153)**	**(4,764)**	**(30,262)**	**(1,140)**	**(225,125)**
Total net value	**246,002**	**104,306**	**84,479**	**70,567**	**57,726**	**43,382**	**35,623**	**31,677**	**18,795**	**22,744**	**1,087**	**716,388**

During 2013, the amortisation expense associated with such revalued assets recognized in the consolidated income statement has been EUR 48,232 thousand (2012: EUR 34,855 thousand).

Impairment of intangible assets

The main assumptions used in the tests to determine the impairment recognised in 2013 are detailed in Note 6.

Other matters

No significant changes in the scope of consolidation took place in 2013.

At 31 December 2013, fully amortised intangible assets in use amounted to EUR 38,925 thousand (31 December 2012: EUR 33,106 thousand). The Group did not have any temporarily idle items at 31 December 2013 or 2012.

At 31 December 2013 and 2012, the Group had no material firm intangible asset purchase commitments.

Certain Group companies have intangible assets that must be handed over to the Government at the end of the related concession terms. The detail of the carrying amount of the assets subject to reversion at 31 December 2013 and 2012 is as follows:

	2013 - € thousands		
	Gross cost	**Accumulated amortisation/ Provisions**	**Net cost**
Applus Iteuve Euskadi, S.A.U.	996	(927)	69
LGAI Technological Center, S.A.	14,200	(13,275)	925
Total	**15,196**	**(14,202)**	**994**

	2012 - € thousands		
	Gross cost	**Accumulated amortisation/ Provisions**	**Net cost**
Applus Iteuve Euskadi, S.A.U.	996	(902)	94
LGAI Technological Center, S.A.	14,200	(12,289)	1,911
Total	**15,196**	**(13,191)**	**2,005**

6. Impairment of assets

The Parent's management reviews the business performance by business type and geographical area. As a result of these tests, impairment losses of EUR 119,167 thousand were recognised in 2013 (2012: EUR 18,101 thousand), which relate to the following line items:

	2013	**2012**
Goodwill	81,285	18,101
Intangible Assets	37,882	—
Impairment provision	**119,167**	**18,101**
Deferred Tax	(11,363)	—
Total	**107,804**	**18,101**

As a result of this impairment, EUR 11,363 thousand of deferred tax liabilities were reversed (2012: no amount reversed since all the impairment related to goodwill) (see Note 20.4).

The impairment of intangible assets in 2013, excluding the tax effect, relates to the following items:

	2013
Trademarks	18,025
Administrative concessions	13,022
Administrative authorisations	6,835
Total	**37,882**

The detail of the impairment recognised, by cash-generating unit and geographical area, is as follows:

Cash-generating unit-

	€ thousands	
	2013	**2012**
Norcontrol	11,370	—
Auto Finland	52,782	—
Auto US	17,133	—
RTD Europe	—	18,101
Total impairment losses on goodwill	**81,285**	**18,101**
Auto Finland	8,115	—
Auto US	5,972	—
RTD Europe	16,744	—
Auto Spain	7,051	—
Total impairment losses on intangible assets	**37,882**	**—**
Total impairment losses	**119,167**	**18,101**

Geographical area-

	2013	**2012**
Spain	18,421	—
Rest of Europe	77,641	18,101
US and Canada	23,105	—
Total	**119,167**	**18,101**

Impairment test assumptions

The main key assumptions to determining value in use that were used to test for impairment were as follows:

a) Perpetuity growth rate:

For the perpetuity growth rate it has been considered that the cash flows generated by each asset grow to an equivalent growth of each industry in the geographical area where established (see following table):

The growth forecast in each industry in the geographical area in which the Group operates is estimated to be very similar to the growth rate expected in that area as the industries in which the Group operates are the most representative core industries in each area and largely determine their performance; the data were obtained from the long-term inflation projections published by the Economist Intelligence Unit.

In the specific case of Norcontrol, a perpetuity growth rate of 1.8% for Spain and 5% for Latin America was estimated. In the latter case, the growth rate coincides with the long-term inflation projections published by the Economist Intelligence Unit for the countries in this geographical region where the Group operates.

As described in Note 3-d, five-year projections and a perpetuity rate of return from the sixth year are used for businesses with indefinite lives. Projections adjusted to the actual term of the related contract are used for assets related to the provision of services or concessions with definite lives and, in this case, neither the probability of their renewal or, therefore, a perpetuity return are taken into account in the preparation of the cash flows.

b) Discounted rate:

The discounted rates were calculated using the weighted average cost of capital (WACC) measured after tax based on the following assumptions:

- The detail of the time value of money or risk-free interest rate of each country or geographical area (weighted average of the main countries where the Group operates in these geographical areas), which relates to the return on ten-year sovereign bonds in the related country (or the average of the geographical area).

- The estimated risk premium based on the estimated betas for comparable companies in the industry and a market risk premium for each country, which are observable variables, after tax.
- The average financing structure and conditions for comparable companies in the industry.

The external information sources used to calculate the discount rates (WACC) were Capital IQ and Bloomberg.

The details of the discounted rate ("WACC") and the perpetuity growth rate by business and geographical area for 2013 are as follows:

- By business:

Business	After tax discounted rate ("WACC")	Before tax discounted rate ("WACC")	Growth rate considering in the calculation of the terminal value ("g")
Auto	6.9%-7.9%	9.8%-11.6%	1.8%-2.5%
RTD	8.0%-8.4%	10.9%-11.4%	2.0%-2.6%
Velosi	9.50%	11.1%	2.50%
Norcontrol	8.0%-13.7%	11.3%-18.3%	1.8%-5.0%
Laboratories	7.40%	9.6%	1.80%
Idiada	8.90%	11.90%	1.80%

- By region:

Region	After tax discounted rate ("WACC")	Before tax discounted rate ("WACC")	Growth rate considering in the calculation of the terminal value ("g")
Spain	7.6%-8%	10.5%-11.3%	1.80%
Rest of Europe	7.4%-8.4%	9.8%-11.0%	1.8%-2.1%
United States and Canada	6.9%-8.0%	11.4%-11.6%	2.50%
Latin America	13.70%	18.3%	5.00%
Asia Pacific	8.40%	10.9%	2.60%

c) EBITDA Five-year projections:

Applus Group management prepares and updates a business plan by geographical market and line of business. The main components of this plan are projections on operating income and expenses, investments and working capital. The business plan prepared by the management and approved by the Board of Directors of the Parent includes the budget for 2014 together with the projections for 2015-2018.

In order to calculate the recoverable amount of each asset the present value of its cash flows was determined using the business plan for 2014-2018 prepared by the management and approved by the Board of Directors of the Parent.

The business plan and, consequently, the projections were prepared on the basis of past experience and on the best estimates available. Consequently, the forecast increases in sales and margins reflect a continuity of the increases in activity seen in recent years at the various businesses while also considering the best estimates available on the developments expected in the industries in which the Applus Group is present. In 2013 the Group had more detailed information available for the coming years on each cash-generating unit, which enabled the impairment test to be performed with a five-year cash flow projection and a perpetuity rate of return, instead of considering the following year's budget and a 25-year projection. This change did not have a material effect on the fair value estimate.

d) Capex, working capital, corporate tax and other assumptions:

The only investments in assets taken into account in the projections were those involving maintenance of the present assets.

The working capital considered in the projections is a percentage of sales that is consistent with the historical figure for the last three years without, in any circumstances, taking into account any significant improvements therein.

The financial projections took into account the payment of corporation tax (or the equivalent tax in each country).

Any impact estimated by the directors arising from the outcome of litigation and the contingencies the Group is exposed to was taken into account in the cash flow projections used to calculate the recoverable value of each asset, including goodwill, especially in the case of Auto España (see below under "Sensitivity and Sufficiency Analysis").

Justification of key assumptions

As mentioned in Note 1, the Group's main activity is the provision of services by its professional staff. The Business Plan prepared by management and approved by the Board of Directors is based on a detailed sales plan broken down mainly by industry, geographical area and customer. Due to the specific nature of the Group, the existence of multiproducts and multiservices, multiple industries and geographical areas, as well as very diverse customers in certain cases EBITDA is considered to be the main key business assumption and management variable. As a result, this variable is the main aggregate used by the directors to monitor the business.

In the past three years, the global changes in the actual EBITDA figures compared to the budgeted figures were positive. The negative changes that arose per individual business did not exceed 5%. Therefore, a sensitivity analysis was performed, combining changes of +/- a 5% in EBITDA.

In addition, a sensitivity to changes in the perpetuity growth rate and changes in the discounted rate were taken into account. See below.

Significant considerations relating to impairment tests

The main issues that were considered by the directors of the Parent in determining cash flow projections and that were key to determining the recognition of impairment on the goodwill and intangible assets of certain cash-generating units were as follows:

- Auto Finland:

  Competition in this country behaved very differently from that envisaged in the Group's business plan and is causing significant reductions to the average price of inspections and, therefore, drops in margins. The plan prepared by the Group in 2012 to revitalise the business did not have the expected impact on profits in 2013 and, as a result, the directors decided to adjust their future business forecasts. The consideration in the impairment tests of the new business forecasts (estimated annual reductions to income of between -1% and -5% and the deterioration of operating margins, among other factors) led to impairment of EUR 60,897 thousand (excluding the tax effect) in 2013, of which EUR 52,782 thousand related to goodwill and EUR 8,115 thousand to intangible assets (administrative authorisations and trademarks).

- Auto Spain:

  In 2013 impairment losses of EUR 7,051 thousand were recognised on intangible assets relating to the Auto Euskadi administrative concession. The impairment arose from the partial loss, in October 2013, of the vehicle inspection business in the Basque Country due to the loss of a group of facilities as a result of the Basque Autonomous Community Government's enforcement of a decision handed down on the litigation involving the Group and the competitors in the initial tender for the service (see Note 27.b). This matter had no effect on goodwill, since the projected cash flows of the Automotive Spain business (level at which the directors manage goodwill, see Note 3.d) support the carrying amount of the related assets.

- Auto US:

  The average duration of the programmes in the US is five to seven years (plus the possible extensions, which are generally for two years). Given the new evidence seen in the renewal of certain of the programmes in the US and the evolution of the cash flows associated with certain programmes that were measured at fair value at the date of the business combination (administrative concession, see Note 3.d), the cash flows for future years were re-estimated, which gave rise to an impact on 2013 impairment of EUR 23,105 thousand (excluding the tax effect), of which EUR 17,133 thousand related to goodwill and EUR 5,972 thousand to intangible assets.

- Norcontrol:

  Due to the economic situation in Spain in recent years, Norcontrol's sales and business margins in Spain have not yet shown obvious signs of recovery, a fact that is shown in the new business plan prepared by management for 2014 and 2015. This factor has reduced and delayed the growth initially expected, which gave rise to impairment of EUR 11,370 thousand in 2013 that related solely to goodwill.

- RTD Europe:

  The cash flows estimated when the impairment test projections were prepared include the impact of a reduction in future income below the amount previously considered in previous years in the calculation of the fair value of the brand at the date of the business combination. This reduction in income arose from the re-estimation, performed by the Group in 2013, of the average life of business relationships with customers, one of the key assumptions considered in the calculation of the value of the brand. The impact on the impairment of the brand in this connection amounted to EUR 16,744 thousand in 2013 (excluding the tax effect). The new estimate made by the Group in 2013 of the average life of the business relationship of certain customers of the RTD Europe cash-generating unit (which gave rise to the impairment recognised in 2013) did not modify the useful life of the RTD trademark in Europe, which continues to be estimated at 25 years.

Sensitivity Analysis

For all goodwill, if the recoverable amount calculated based on value in use were subjected to an analysis of the sensitivity of the change in the discounted rate ("WACC"), of the perpetual growth rate ("g") or of the projections (EBITDA), the changes, by cash-generating unit, in the Group's earnings (excluding the tax effect) would be as follows:

a) Change in discounted rate ("WACC") after taxes by 0.5 and 1 points:

1 point WACC decrease	0.5 point WACC decrease	Sensitivity per Cash-Generating Units	0.5 point WACC increase	1 point WACC increase
—	—	AUTO Spain	—	—
—	—	AUTO Denmark	—	—
8,115	4,196	AUTO Finland	(3,509)	(6,488)
16,744	15,982	RTD Europe	(16,215)	(30,230)
—	—	Velosi	—	—
—	—	RTD US and Canada	—	—
—	—	Idiada	—	—
—	—	Norcontrol Spain	(7,347)	(13,651)
—	—	LGAI	—	—
—	—	RTD Asia Pacific	—	—
2,182	1,092	AUTO US	(2,755)	(5,219)
—	—	Norcontrol Latam	—	—
27,041	**21,270**	**TOTAL**	**(29,826)**	**(55,588)**

b) Change in the perpetuity growth rate ("g") by 0.2 and 0.8 points

0.8 point perpetuity growth rate increase	0.2 point perpetuity growth rate increase	Sensitivity per Cash-Generating Units	0.2 point perpetuity growth rate decrease	0.8 point perpetuity growth rate decrease
—	—	AUTO Spain	—	—
—	—	AUTO Denmark	—	—
6,184	1,374	AUTO Finland	(1,280)	(4,641)
16,744	5,045	RTD Europe	(4,737)	(17,345)
—	—	Velosi	—	—
—	—	RTD US and Canada	—	—
—	—	Idiada	—	—
—	—	Norcontrol Spain	(1,276)	(4,661)
—	—	LGAI	—	—
—	—	RTD Asia Pacific	—	—
2,765	730	AUTO US	(682)	(2,632)
—	—	Norcontrol Latam	—	—
25,693	**7,149**	**TOTAL**	**(7,975)**	**(29,279)**

c) Change of 5% and 10% in annual EBITDA projections

10% Ebitda increase	5% Ebitda increase	Sensitivity per Cash-Generating Units	5% Ebitda decrease	10% Ebitda decrease
—	—	AUTO Spain	—	—
—	—	AUTO Denmark	—	—
5,281	2,640	AUTO Finland	(2,641)	(5,282)
16,744	15,982	RTD Europe	(16,917)	(35,358)
—	—	Velosi	—	—
—	—	RTD US and Canada	—	—
—	—	Idiada	—	—
—	—	Norcontrol Spain	(8,881)	(17,762)
—	—	LGAI	—	—
—	—	RTD Asia Pacific	—	—
5,972	5,968	AUTO US	(6,847)	(12,900)
—	—	Norcontrol Latam	—	—
27,997	**24,590**	**TOTAL**	**(35,286)**	**(71,302)**

The combined effect of these sensitivities would be similar to the aggregation of the net individual effects, except for the positive effects of applying the intangible asset impairment charge, which would only be reversed up to the limit of the amount recognised.

The sufficiency of impairment at 31 December 2013 to reductions in the EBITDA percentage and WACC after tax and the perpetuity return which balances the carrying amount with the recoverable amount, with regard to the cash-generating units whose impairment is not affected by the sensitivity used above is as follows:

Cash Generating Unit	EBITDA percentage reduction that causes impairment	WACC after tax that causes impairment	Perpetuity return (g) that causes impairment
AUTO Spain	11%	8.9%	Negative
AUTO Denmark	22%	11.3%	Negative
Velosi	58%	26.6%	Negative
RTD US and Canada	33%	13.6%	Negative
Idiada	46%	18.6%	Negative
LGAI	12%	8.6%	0.2
RTD Asia Pacific	36%	14.0%	Negative
Norcontrol Latam	17%	16.2%	Negative

The Parent's directors consider that, given the existing sufficiency, any possible adverse impact of the outcome of the litigation related to Auto España (especially that related to authorisation in Catalonia, see Note 27-b) would not materially affect the impairment of the net assets allocated to this cash-generating unit.

7. Property, plant and equipment

The changes in 2013 and 2012 in the various property, plant and equipment accounts and in the related accumulated depreciation and impairment losses were as follows:

	2013 - € thousands						
Cost:	**Balance at 1 January 2013**	**Changes in the scope of consolidation (Note 2.b.e.1)**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers (Note 5)**	**Changes in exchange rates and other**	**Balance at 31 December 2013**
Land and buildings	136,183	932	1,454	(1,936)	534	(2,796)	134,371
Plant and machinery	215,612	865	24,397	(10,682)	2,783	(3,539)	229,436
Other fixtures, tools and furniture	73,759	43	5,273	(1,903)	216	(15,539)	61,849
Other items of property, plant and equipment	61,258	391	3,852	(3,062)	(483)	5,660	67,616
Advances and property, plant and equipment in the course of construction	7,601	—	5,802	(408)	(9,043)	(43)	3,909
Grants	(1,197)	—	114	437	—	—	(646)
Total cost	**493,216**	**2,231**	**40,892**	**(17,554)**	**(5,993)**	**(16,257)**	**496,535**
Accumulated depreciation							
Land and buildings	(42,253)	(743)	(4,789)	1,058	308	860	(45,559)
Plant and machinery	(151,904)	(699)	(20,583)	10,246	1,292	7,934	(153,714)
Other fixtures, tools and furniture	(44,120)	4	(3,596)	1,392	(71)	321	(46,070)
Other items of property, plant and equipment	(56,681)	(327)	(8,223)	2,889	(68)	2,365	(60,045)
Total Accumulated depreciation	**(294,958)**	**(1,765)**	**(37,191)**	**15,585**	**1,461**	**11,480**	**(305,388)**
Provision	**(1,692)**	**—**	**(5)**	**—**	**—**	**—**	**(1,697)**
Total net value	**196,566**	**466**	**3,696**	**(1,969)**	**(4,532)**	**(4,777)**	**189,450**

Cost:	Balance at 1 January 2012	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2012
	2012 - € thousands						
Land and buildings	133,805	(334)	4,247	(459)	(1,189)	113	136,183
Plant and machinery	186,607	3,475	24,089	(845)	2,049	237	215,612
Other fixtures, tools and furniture	57,561	16,340	2,855	(1,914)	(1,171)	88	73,759
Other items of property, plant and equipment	45,862	1,140	13,282	(1,909)	2,980	(97)	61,258
Advances and property, plant and equipment in the course of construction	6,349	—	4,811	(44)	(3,493)	(22)	7,601
Grants	(2,253)	—	138	94	824	—	(1,197)
Total cost	**427,931**	**20,621**	**49,422**	**(5,077)**	**—**	**319**	**493,216**
Accumulated depreciation							
Land and buildings	(47,723)	(87)	(3,732)	249	8,858	182	(42,253)
Plant and machinery	(133,526)	(2,951)	(16,563)	1,751	(998)	383	(151,904)
Other fixtures, tools and furniture	(42,447)	(6,218)	(3,809)	2,023	6,189	142	(44,120)
Other items of property, plant and equipment	(33,575)	(2,657)	(7,914)	1,480	(13,823)	(192)	(56,681)
Total Accumulated depreciation	**(257,271)**	**(11,913)**	**(32,018)**	**5,503**	**226**	**515**	**(294,958)**
Provision	**(270)**	**—**	**(405)**	**—**	**(405)**	**(612)**	**(1,692)**
Total net value	**170,390**	**8,708**	**16,999**	**426**	**(179)**	**222**	**196,566**

In 2013 the additions related basically to plant and machinery amounting to EUR 24,397 thousand, which were acquired in the course of the Group's normal operations.

In 2013 the subsidiary Applus Iteuve Euskadi, S.A.U. derecognised EUR 3,514 thousand as a result of the loss of the concession of certain testing centres operated by ITV Euskadi, S.A. in October 2013, thus generating a loss of EUR 167 thousand (see Note 27.b).

In 2013 Applus Technologies, Inc. disposed of fully depreciated items of property, plant and equipment for EUR 7,705 thousand.

The translation differences gave rise to an adverse impact on the cost of the assets, which was due mainly to changes in the exchange rates of the US dollar, the Canadian dollar and the Australian dollar.

In 2012 the additions related basically to plant and machinery amounting to EUR 24,089 thousand, which were acquired in the course of the Group's normal operations. Also, additions to land and buildings amounting to EUR 4,247 thousand were recognised, of which EUR 2,242 thousand related to land and buildings acquired in Spain by the Group company Applus ITV Technology, S.L.U. for vehicle roadworthiness testing in the autonomous community of Madrid.

In 2012 the additions to "Other Items of Property, Plant and Equipment" amounting to EUR 13,282 thousand related mainly to the acquisition of items of transport equipment totalling EUR 7,472 thousand.

The changes in the scope of consolidation in 2012 related mainly to the assets acquired in the integration of the Velosi Group into the Applus Group, amounting to EUR 9,279 thousand (see Note 2.b.e.1).

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2013 amounted to EUR 119,100 thousand (31 December 2012: EUR 113,777 thousand). The Group did not have any temporarily idle items at 31 December 2013 or 2012.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 31 December 2013 and 2012, the Group did not have any significant firm property, plant and equipment purchase commitments.

Certain Group companies have property, plant and equipment items that must be handed over to the Government at the end of the related concession terms. The detail of the carrying amount of the assets subject to reversion at 31 December 2013 and 2012 is as follows:

	2013 - € thousands		
	Gross cost	Accumulated depreciation/ Impairment losses	Carrying amount
Applus Iteuve Technology, S.L.U.	40,644	(35,025)	5,619
Idiada Automotive Technology, S.A.	30,905	(18,334)	12,571
Applus Iteuve Euskadi, S.A.U.	2,470	(1,676)	794
Total	**74,019**	**(55,035)**	**18,984**

	2012 - € thousands		
	Gross cost	Accumulated depreciation/ Impairment losses	Carrying amount
Applus Iteuve Technology, S.L.U.	39,776	(33,594)	6,182
Idiada Automotive Technology, S.A.	26,886	(14,843)	12,043
Applus Iteuve Euskadi, S.A.U.	5,704	(3,542)	2,162
Total	**72,366**	**(51,979)**	**20,387**

The detail of the most significant items of property, plant and equipment located outside Spain at 31 December 2013 and 2012 is as follows:

	€ thousands	
Cost:	**31/12/2013**	**31/12/2012**
Land and buildings	68,341	72,124
Plant and machinery	116,181	114,387
Other fixtures, tools and furniture	9,258	13,787
Other items of property, plant and equipment	53,664	44,206
Advances and property, plant and equipment in the course of construction	502	1,427
Total Cost	**247,946**	**245,931**
Accumulated depreciation	**(143,128)**	**(138,730)**
Total carrying amount	**104,818**	**107,201**

The detail of the main assets held by the Group under finance leases at 31 December 2013 and 2012 is as follows:

	2013 - € thousands											
	Average lease term (years)	Average number of years elapsed	Original cost including purchase option	Lease payments paid: Prior years	Lease payments paid: 2013	Lease payments Outstanding	2014	2015	2016	2017	Rest	Value of purchase option
Plant and machinery	4	2	1,370	847	245	251	186	77	15	—	—	27
Computer hardware	3	1	2,611	614	894	1,103	836	267	—	—	—	—
Transport equipment	4	2	13,206	3,817	3,006	6,383	2,843	2,145	1,277	109	9	—
Other	3	1	15	9	6	—	—	—	—	—	—	—
Total assets held under finance lease			**17,202**	**5,287**	**4,151**	**7,737**	**3,865**	**2,489**	**1,292**	**109**	**9**	**27**

	Average lease term (years)	Average number of years elapsed	2012 - € thousands Original cost including purchase option	Lease payments paid Prior years	Lease payments paid 2012	Lease payments outstanding	Value of purchase option
Plant and machinery	5	3	1,181	1,261	309	257	—
Computer hardware	3	2	2,769	17	22	2,097	—
Transport equipment	4	2	13,216	2,466	1,964	7,959	1,006
Total assets held under finance lease			**17,166**	**3,744**	**2,295**	**10,313**	**1,006**

8. Non-current financial assets

The changes in the various non-current financial asset accounts in 2013 and 2012 were as follows:

	2013 - € thousands Balance at 1 January 2013	Additions or charge for the year	Disposals	Translation differences	Balance at 31 December 2013
Investments in other companies	4,705	2,493	(1,143)	(158)	5,897
Fixed-income securities	10	—	—	—	10
Non-current receivables	1,248	253	(172)	(20)	1,309
Deposits and guarantees	7,868	2,067	(2,567)	(87)	7,281
Impairment losses	(668)	—	2	—	(666)
Total	**13,163**	**4,813**	**(3,880)**	**(265)**	**13,831**

	2012 - € thousands Balance at 1 January 2012	Changes in the scope of consolidation (Note 2.b.e.4)	Additions or charge for the year	Disposals	Balance at 31 December 2012
Investments in other companies	1,273	3,638	—	(206)	4,705
Fixed-income securities	1	—	9	—	10
Non-current receivables	196	—	1,052	—	1,248
Deposits and guarantees	7,858	—	1,503	(1,493)	7,868
Impairment losses	(668)	—	—	—	(668)
Total	**8,660**	**3,638**	**2,564**	**(1,699)**	**13,163**

Investments in other companies

In 2013 the Group recognised additions under "Investments in other companies" relating to the effect of associates accounted for using the equity method earning profits of EUR 2,493 thousand in 2013.

In 2012 the inclusions in the scope of consolidation under "Investments in Other Companies" related to the ownership interests of between 45% and 50% in Velosi (B) Sdn Bhd, Velosi LLC, Rina-V Ltd, Rina-V Projects Certification L.L.C, Kurtec Pipeline Services Ltd, and Kurtec Pipeline Services L.L.C. over which the Group does not exercise control.

The financial information on the "Investments in Other Companies" at the end of 2013 and 2012 is as follows:

	2013 - € thousands Velosi LLC	Velosi (B) Sdn Bhd	Kurtec Pipeline Services Ltd.	Kurtec Pipeline Services, LLC	Total
Participation percentage	50%	50%	45%	45%	
Fixed Assets	1,826	175	30	726	**2,757**
Current Assets	13,393	1,465	—	1,141	**15,999**
Liabilities	(6,168)	(1,065)	(49)	(4,196)	**(11,478)**
Net Assets	**9,051**	**575**	**(19)**	**(2,329)**	**7,278**
Turnover	**29,717**	**3,149**	**—**	**861**	**33,727**
Profit after Tax	**4,773**	**213**	**(7)**	**(764)**	**4,215**

	2012 - € thousands		
	Velosi LLC	**Velosi (B) Sdn Bhd, Kurtec Pipeline Services LLC and Kurtec Pipeline Services, Ltd.**	**Total**
Participation percentage	50%	45%-50%	
Fixed Assets	901	64	**965**
Current Assets	5,224	680	**5,904**
Liabilities	(2,630)	(548)	**(3,178)**
Net Assets	**3,495**	**196**	**3,691**
Turnover	**11,302**	**667**	**11,969**
Profit after Tax	**1,543**	**85**	**1,628**

Deposits and guarantees

At 31 December 2013, "Deposits and Guarantees" included EUR 3.4 million (31 December 2012: EUR 4.4 million) relating to restricted cash deposits to secure certain contracts entered into.

9. Inventories

The detail of the Group's inventories at 31 December 2013 and 2012 is as follows:

	€ thousands	
	31/12/13	**31/12/12**
Goods held for resale	6,631	7,081
Raw materials and other supplies	635	817
Total inventories	**7,266**	**7,898**

These inventories relate mainly to x-ray material used in non-destructive testing by the RTD subgroup: reagents, fungibles and chemical compounds used in laboratory or field tests by the LGAI subgroup and spare parts and items used at the inspection centres of the automotive division.

Obsolete, defective or slow-moving inventories were reduced to realisable value. The inventories will be realised in less than twelve months. The Group did not recognise any inventory write-downs since inventories are derecognised when they are found to be defective or obsolete.

10. Trade receivables for sales and services, related companies and other receivables

The detail of these current asset headings in the accompanying consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	€ thousands	
	31/12/2013	**31/12/2012**
Trade receivables for sales and services	319,762	315,410
Work in progress	55,958	42,797
Write-downs for traffic operations	(20,025)	(22,664)
Trade receivables for sales and services	**355,695**	**335,543**
Trade receivables from related companies (Note 28)	4,198	5,106
Other receivables	17,742	15,811
Other receivables from Public Administrations	10,203	10,959
Trade receivables and other receivables	**387,838**	**367,419**

The Group's average collection period for services rendered was approximately 54 days in 2013 (2012: 56 days). The Group does not charge interest on receivables with current maturity.

The detail of the age of the debt under “Trade Receivables for Sales and Services” is as follows:

	€ thousands	
	31/12/2013	**31/12/2012**
Not past- due	213,368	237,012
0-30 days	46,792	36,318
31-90 days	24,119	17,203
91-180 days	11,858	6,689
181-360 days	9,107	6,635
More than 360 days	14,518	11,553
Total clients for sales and services	**319,762**	**315,410**
Bad debt provisions	**(20,025)**	**(22,664)**
Customer receivables for sales and services	**299,737**	**292,746**

“Works in progress” relates to amounts, measured at sale price, to be billed for work units, for which Group management considers that there is reasonable assurance of their being ultimately certified (see Note 3.s).

The directors of the Parent consider that the carrying amount of trade and other receivables approximates their fair value.

The Group has established a customer acceptance policy based on the periodic evaluation of liquidity and solvency risks and the establishment of credit limits for its debtors.

Credit risk

The Group’s main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group’s maximum exposure to credit risk in relation to its financial assets.

Interest rate derivative transactions are only arranged with banks with high credit ratings.

The Group’s credit risk is principally attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on prior experience and its assessment of the current economic environment.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of customers, business lines, markets and geographical areas.

However, the Group’s financial management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts, particularly in the industries with a higher risk of insolvency. In 2013 and 2012 particular attention was paid to monitoring and recovering past-due receivables and a detailed analysis of customers with associated insolvency or default risks was performed.

The Group has established a customer acceptance policy based on the periodic evaluation of liquidity and solvency risks and the establishment of credit limits for its debtors. The Group also periodically analyses the age of its trade receivables in order to cover possible bad debts.

The changes in 2013 and 2012 in the allowance for doubtful debts were as follows:

	€ thousands
Balance at 1 January 2012	**13,900**
Additions	8,719
Amounts used	(4,462)
Disposals	(4,275)
Changes in the scope of consolidation (Note 2.b.e.4)	8,782
Balance at 31 December 2012	**22,664**
Additions	8,890
Amounts used	(7,284)
Disposals	(3,670)
Changes due to the exchange rate	(575)
Balance at 31 December 2013	**20,025**

In 2013 the Group derecognised EUR 3,670 thousand of provisioned accounts receivable (2012: EUR 4,275 thousand) since they were considered to be uncollectible.

11. Current financial assets and cash and cash equivalents

Current financial assets

At 31 December 2013, the amount included short-term deposits and guarantees amounting to EUR 2,444 thousand (31 December 2012: EUR 1,864 thousand) and other financial assets of EUR 404 thousand (31 December 2012: EUR 959 thousand).

Cash and cash equivalents

At 31 December 2013 and 2012, the amount classified as "Cash and Cash Equivalents" in the accompanying consolidated balance sheet related in full to cash, except for EUR 1,658 thousand (2012: EUR 5,665 thousand) that related to three deposits with a term of less than three months.

12. Equity

The changes in 2013 and 2012 in "Equity" in the accompanying consolidated balance sheet were as follows:

	€ thousands	
	2013	2012
Beginning balance	**390,399**	**(979)**
Capital increases and share premium		
Conversion of loans into capital (Note 15)	106,832	341,004
Business combinations (Note 2.b.e.4.1)	—	102,213
Changes in retained earnings and other reserves	214	(9,438)
Changes in foreign currency translation reserve	(8,912)	(301)
Adjustments due to the re-measurement of derivatives (Nota 16)	4,882	14,117
Consolidated net loss for the year	(170,079)	(69,157)
Changes in non-controlling interests	(87)	12,940
Balance at 31 December	**323,249**	**390,399**

a) Share capital and share premium

At 31 December 2013 and 2012, the shareholders of the Parent were as follows:

Company	**31/12/13**	**31/12/12**
Azul Finance S.à.r.l.	61.72%	58.30%
Azul Holding S.C.A.	38.28%	41.70%
Total	**100%**	**100%**

The Parent was incorporated on 5 July 2007 with a share capital of EUR 3,100, divided into 3,100 equal, cumulative and indivisible shares of EUR 1 par value each, fully subscribed and paid by Azul Holding S.C.A.

On 29 November 2007, the Parent increased share capital by EUR 12,312,500 through the issuance of 12,312,500 shares of EUR 1 par value each with a share premium of EUR 110,812,500, i.e. EUR 9 per share. The shares and the share premium were fully subscribed and paid by the sole shareholder at that date, Azul Holding S.C.A., through a monetary contribution. The transfer tax with regard to corporate transactions levied on the capital increase amounted to EUR 1,231,250 and was recognised as a deduction from share capital.

On 29 December 2011, the Parent increased its share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. This capital increase was carried out through the non-monetary contribution of a portion of the participating loan that Azul Finance S.à.r.l. had granted to the Parent (see Note 15). The value of the amount of the aforementioned loan converted into capital was its fair value on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the consolidated income statement.

On 21 December 2012, the shareholders increased the Parent's share capital by EUR 238,765 thousand through the issuance of 238,764,894 shares of EUR 1 par value each with a share premium of EUR 7,235 thousand, i.e. EUR 0.0303033 per share. Both the shares and the share premium were fully subscribed and paid by Azul Holding S.C.A. through the non-monetary contribution of the shares representing all of the share capital of Azul Holding 2 S.à.r.l. valued at EUR 246,000 thousand.

The aforementioned non-monetary contribution qualified for taxation under the special tax regime for mergers, spin-offs, asset contributions, security exchanges and changes of registered office of a European Company or a European Cooperative Society from one EU Member State to another provided for in Chapter VIII of Title VII of Legislative Royal-Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, as a security exchange defined in Articles 83.5 and 87. All of the information relating to this process is disclosed in the separate financial statement of the Parent for 2012.

Also, on 21 December 2012, the Parent increased share capital by EUR 330,975 thousand through the issuance of 330,975,863 new shares of EUR 1 par value each with a share premium of EUR 10,029 thousand, i.e. EUR 0.0303033 per share. This capital increase was carried out through the non-monetary contribution of a portion of the participating loan that Azul Finance S.à.r.l. had granted to the Parent (see Note 15). The value of the amount of the aforementioned loan converted into capital was its fair value on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the consolidated income statement.

On 20 December 2013, the Parent increased share capital by EUR 53,906 thousand through the issuance of 53,906,285 new shares of EUR 1 par value each with a share premium of EUR 52,926 thousand, i.e. EUR 0.9818 per share. This capital increase was carried out by converting into capital the full outstanding amount of EUR 106,832 thousand of the participating loan that Azul Finance S.à.r.l. had granted to the Company. The value of the amount of the aforementioned loan converted into capital was its fair value, on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the consolidated income statement.

At 31 December 2013, the share capital amounted to EUR 655,962,642 (31 December 2012: EUR 602,056,357) and was represented by 655,962,642 fully subscribed and paid indivisible and cumulative shares of EUR 1 par value each, numbered sequentially from 1 to 655,962,642, inclusive, less the associated expenses of EUR 1,231,250 mentioned above.

At 31 December 2013, a total of 602,056,357 of the Parent's shares (31 December 2012: 32,315,600 shares) had been pledged as security for the bank loan granted to the Group (see Note 14).

b) Valuation adjustments

In 2012 "Valuation adjustments" included EUR 4,882 thousand relating to the impact of the measurement at fair value, net of the related tax effect, of the derivative financial instruments arranged by the Group. On 1 October 2013, the interest rate hedging instruments that the Group had arranged with banks expired (see Note 16).

c) Profit / (Loss) per share

The loss per share is calculated on the basis of the loss attributable to the shareholders of the Parent divided by the average number of ordinary shares outstanding in the year. At 31 December 2013 and 2012 the loss per share was as follows:

	2013	2012
Number of shares	655,962,642	602,056,357
Average number of shares	603,828,618	47,924,936
Consolidated net loss attributable to the Parent (thousands of euros)	(170,079)	(69,157)
Number of treasury shares	—	—
Number of shares in circulation	655,962,642	602,056,357
Loss per share (in euros per share)		
- Basic	(0.282)	(1.443)
- Diluted	(0.282)	(1.443)

There are no financial instruments that could dilute the loss per share.

d) Foreign currency translation reserve

The detail of "Foreign currency translation reserve" in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	€ thousands	
	31/12/2013	**31/12/2012**
Libertytown USA 1, Inc. subgroup	(9,778)	(11,924)
Arctosa Holding, B.V. subgroup	(4,194)	(1,996)
Velosi S.à.r.l. subgroup	(2,511)	—
Applus Iteuve Technology, S.L.U. subgroup	(1,542)	2,183
Applus Argentina, S.A.	(458)	(320)
Idiada Automotive Technology, S.A. subgroup	125	657
LGAI Technological Center, S.A. subgroup	620	2,449
Other	(206)	(81)
Total	**(17,944)**	**(9,032)**

e) Capital risk management

The Group manages its capital to ensure that its subsidiaries can continue to operate in accordance with the going-concern principle of accounting. The Group is also committed to maintaining leverage levels that are consistent with its growth, solvency and profitability objectives.

The data relating to the financial leverage ratios at the end of 2013 and 2012 are as follows:

	€ thousands	
	31/12/2013	**31/12/2012**
Bank borrowings	1,108,347	1,114,509
Other financial liabilities	29,400	28,030
Current financial assets	(2,848)	(2,823)
Cash and cash equivalents	(180,877)	(141,426)
Net financial debt	**954,022**	**998,290**
Equity	323,249	390,399
Participating loan	—	92,448
Total equity and participating loan	**323,249**	**482,847**
Leverage (Net financial debt / Net debt + equity+ participating loan)	**75%**	**67%**

13. Non-controlling interests

"Non-controlling interests" in the accompanying consolidated balance sheet reflects the equity of the non-controlling shareholders in the consolidated companies. Also, the balance of "Profit Attributable to Non-Controlling Interests" in the accompanying consolidated income statement reflects the share of these non-controlling interests in the consolidated profit or loss for the year.

The detail of the non-controlling interests of the fully consolidated companies in which ownership is shared with third parties is as follows:

	2013 - € thousands		
	Share capital and reserves	**Profit (Loss)**	**Total**
LGAI Technological Center, S.A. subgroup	11,431	(147)	11,284
Idiada Automotive Technology, S.A. subgroup	5,456	2,710	8,166
RTD subgroup	35	(39)	(4)
Velosi subgroup	13,212	2,043	15,255
Total non-controlling interests	**30,134**	**4,567**	**34,701**

	2012 - € thousands		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	11,459	(36)	11,423
Applus Iteuve Technology, S.L.U. subgroup	144	(116)	28
Idiada Automotive Technology, S.A. subgroup	4,426	2,593	7,019
RTD subgroup	1,373	328	1,701
Velosi subgroup	14,472	145	14,617
Total non-controlling interests	**31,874**	**2,914**	**34,788**

The changes in "Non-controlling interests" in 2013 and 2012 are summarised as follows:

	€ thousands	
	2013	2012
Beginning balance	**34,788**	**21,848**
Changes in the scope of consolidation (Note 2.b.e.1)	(1,521)	14,472
Other changes	(70)	(436)
Dividends	(2,548)	(4,000)
Translation differences	(515)	(10)
Profit for the year	4,567	2,914
Ending balance	**34,701**	**34,788**

14. **Bank borrowings**

The detail, by maturity, of the bank borrowings in the accompanying consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	2013 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2015	2016	2017	Other	Total
Syndicated loan	1,058,550	7,976	—	763,215	303,539	—	1,066,754
Other loans		14,548	31	34	34	17	116
Credit facilities	33,005	11,188	—	—	—	—	—
Obligations under finance leases		3,959	2,398	1,291	109	8	3,806
Total	**1,091,555**	**37,671**	**2,429**	**764,540**	**303,682**	**25**	**1,070,676**

	2012 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2014	2015	2016	Other	Total
Syndicated loan	1,058,550	3,029	8,146	—	771,037	293,599	1,072,782
Other loans	—	7,134	24	24	24	496	568
Credit facilities	37,134	10,660	—	—	—	—	—
Obligations under finance leases	—	4,089	3,430	2,404	1,237	159	7,230
Other financial liabilities	—	2,267	—	—	—	—	—
Hedging instruments (Note 16)	—	6,750	—	—	—	—	—
Total	**1,095,684**	**33,929**	**11,600**	**2,428**	**772,298**	**294,254**	**1,080,580**

On 27 November 2007, the Group arranged a syndicated loan with Société Générale, London Branch, as the agent bank, and Barclays Capital; Bayerische Hypo-und Vereinsbank, AG, London Branch; Catalunya Caixa; Caixa Bank; Bankia; Calyon, Sucursal en España; Commerzbank Aktiengesellschaft; Landsbanki Islands h.f. and Mizuho Corporate Bank, Ltd. as the participating lenders for an initial total maximum amount of EUR 1,085,000 thousand, divided into various tranches of financing.

The tranches have a single maturity at the end of the related term and may be repaid early, except for the Capex Facility, the amount drawn down against which is being repaid in six equal half-yearly instalments from May 2012.

On 21 November 2012, the Group refinanced a portion of its bank borrowings, renegotiating the terms and conditions of 95% of the Capex Facility and 85% of the Revolving Facility, extending the term of both tranches by two years to 25 May 2016 and establishing a single maturity at the end of the term, which also applies to the Capex Facility.

As a result, two tranches were created in the Capex Facility and in the Revolving Facility: tranche 1 with the same terms and conditions as those established on 27 November 2007, while tranche 2 has the terms and conditions established in the refinancing agreement entered into on 21 November 2012.

The financial structure of the aforementioned syndicated loan is, therefore, as follows:

2013

	€ thousands		
Tranche	**Limit**	**Amount drawn down + interest added to principal**	**Maturity**
Facility B	610,000	610,000	29/05/2016
Second Lien Facility (Senior D)	100,000	100,000	29/05/2017
Revolving Facility 1	10,500	5,281	29/11/2014
Revolving Facility 2	64,500	32,441	25/05/2016
Capex Facility 1	5,800	2,900	29/05/2014 - 29/11/2014
Capex Facility 2	117,750	117,750	25/05/2016
Mezzanine Facility	150,000	150,000	29/11/2017
Interest added to principal - Mezzanine Facility	—	53,539	
Effect of exchange rate changes	—	8,665	
Debt arrangement expenses	—	(5,846)	
Total	**1,058,550**	**1,074,730**	

2012

	€ thousands		
Tranche	**Limit**	**Amount drawn down + interest added to principal**	**Maturity**
Facility B	610,000	610,000	29/05/2016
Second Lien Facility (Senior D)	100,000	100,000	29/05/2017
Revolving Facility 1	10,500	5,281	29/11/2014
Revolving Facility 2	64,500	32,441	25/05/2016
Capex Facility 1	5,800	5,800	29/05/2012 - 29/11/2014
Capex Facility 2	117,750	117,750	25/05/2016
Mezzanine Facility	150,000	150,000	29/11/2017
Interest added to principal - Mezzanine Facility	—	43,599	
Effect of exchange rate changes	—	19,598	
Debt arrangement expenses	—	(8,748)	
Total	**1,058,550**	**1,075,721**	

At 31 December 2013 and 2012, the Group had drawn down a portion – USD 215 million (31 December 2013: EUR 156 million and 31 December 2012: EUR 163 million, approximately) against the principal in USD of the Facility B tranche, which totals EUR 610 million.

At 31 December 2013 and 2012, the Group had drawn down a portion against the principal of the Capex Facility tranche in USD: USD 67.7 and USD 69.5 million, respectively (31 December 2013: EUR 49.2 million and 31 December 2012; EUR 52.8 million, approximately) and in GBP: GBP 20 million at 31 December 2013 and GBP 20.5 million at 31 December 2012 (approximately EUR 23.7 million at 31 December 2013 and EUR 25.3 million at 31 December 2012).

The syndicated loan agreement establishes certain covenants including most notably the obligation to achieve certain financial ratios based on the consolidated figures of certain companies, which were being achieved at 31 December 2013 and 2012.

The main financial ratios to be achieved by the Group are as follows:

- The Consolidated EBITDA/Finance costs ratio must exceed certain values set for each quarter throughout the term of the loan. The ratio set for each quarter is increasingly restrictive. At 31 December 2013, the aforementioned ratio had to exceed 2.42. The actual ratio stood at 4.51 at 31 December 2013.

- The Net consolidated debt/Consolidated EBITDA ratio must not exceed certain values set for each quarter throughout the term of the loan. The ratio set for each quarter is increasingly restrictive. At 31 December 2013, the aforementioned ratio had to be lower than 6.23. The actual ratio stood at 3.67 at 31 December 2013.

The agreement also establishes restrictions on the payment of dividends, the incorporation or acquisition of companies, the arrangement of additional borrowings, transactions with financial derivatives and the disposal or acquisition of assets.

In prior years, the Parent arranged certain interest rate hedges for the aforementioned loan. On 1 October 2013, these interest rate hedges expired and the Parent's directors decided not to renew them. The information on the Group's hedging financial instruments is disclosed in Note 16.

To secure compliance with the obligations associated with the aforementioned loan, a share pledge was granted over 602,056,357 shares (31 December 2012: 32,315,600 shares) of the Parent and over the shares of certain subsidiaries of the Group (see Note 12).

The interest rates on the credit facilities and loans are tied to Euribor and Libor.

The detail of the main current and non-current bank borrowings at 31 December 2013 and 2012, by currency and excluding hedging instruments, is as follows:

	2013 - € thousands						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	831,779	219,188	23,763	—	—	—	**1,074,730**
Other loans	6	31	—	14,438	—	189	**14,664**
Credit facilities	2,882	32	31	5,091	2,293	859	**11,188**
Obligations under finance leases	208	7,066	25	227	—	239	**7,765**
Total	**834,875**	**226,317**	**23,819**	**19,756**	**2,293**	**1,287**	**1,108,347**

	2012 - € thousands						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	820,428	230,026	25,267	—	—	—	**1,075,721**
Other loans	181	231	—	7,044	—	336	**7,792**
Credit facilities	505	—	—	7,104	2,796	254	**10,659**
Obligations under finance leases	35	10,351	—	608	54	271	**11,319**
Other financial liabilities	2,267	—	—	—	—	—	**2,267**
Total	**823,416**	**240,608**	**25,267**	**14,756**	**2,850**	**861**	**1,107,758**

15. Participating loan and other non-current financial liabilities

The detail of the related headings in the accompanying consolidated balance sheet at 31 December 2013 and 2012 is as follows:

	€ thousands	
	31/12/2013	31/12/2012
Participating loan	—	92,172
Interest on participating loan	—	276
Total participating loan	**—**	**92,448**
Payable due to reversion (Note 27.a)	16,025	16,025
Other non-current financial liabilities	13,375	12,005
Total other non-current financial liabilities	**29,400**	**28,030**
Total	**29,400**	**120,478**

At 31 December 2012, "Participating loan" related to a participating loan for an initial amount of EUR 369,375 thousand granted to the Parent on 29 November 2007 by Azul Finance S.à r.l. and maturing on 27 November 2019.

On 21 December 2012, the Parent increased share capital by EUR 330,975 thousand through the issuance of 330,975 thousand new shares of EUR 1 par value each with a share premium of EUR 10,029 thousand, i.e. EUR 0.03 per share. The aforementioned capital increase was carried out through the non-monetary contribution of the participating loan granted by Azul Finance S.à.r.l. to the Parent and accrued interest amounting to EUR 77,196 thousand and EUR 263,808 thousand, respectively. The value of the amount of the aforementioned loan converted into capital was its fair value, on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the consolidated income statement.

On 20 December 2013, the Parent increased capital by EUR 53,906 thousand with a share premium of EUR 52,926 thousand. The aforementioned capital increase was carried out by converting into capital the entire participating loan granted by Azul Finance S.à.r.l. to the Parent and the accrued interest amounting to EUR 92,178 thousand and EUR 14,351 thousand, respectively. The nominal value of the amount of the aforementioned loan converted into capital was its market value, on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the consolidated income statement.

The effective interest rate on the loan in 2013 was 16% (2012: 10.89%).

"Payable due to reversion" for 2013 and 2012 includes the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres are located, amounting to EUR 16,025 thousand (see Note 27.a).

"Other financial liabilities" includes mainly various loans with favourable terms and conditions that the subsidiaries have been granted by various public bodies, mainly the Centro para el Desarrollo Tecnológico e Industrial (CDTI) and Institut Català de Finances (ICF).

16. Financial risks and Derivative financial instruments

Financial risk management policy

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management is based on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

The Group's policy hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable.

The Group's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangement of hedges in markets. All external hedges, including those relating to subsidiaries and those arranged on their behalf, must be authorised and arranged on a centralised basis at Group level.

Following is a description of the main financial risks to which the Group is exposed and the practices established:

a) Foreign currency risk

The increased volatility of currency markets with respect to other markets (such as the interest rate market) and the significant international activity of the Group as a long-term investor in countries outside of the eurozone make foreign currency risk (loss of value in euros of long-term investments in countries whose currency is not the euro) the most significant financial risk for the Group.

To manage foreign currency risk, the Group takes the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

b) Interest rate risk

Interest rate risk relates to the effect on profit or loss of rises in interest rates that increase borrowing costs. Exposure to this risk is significantly mitigated by the natural hedging offered by businesses in which inflation and/or interest rates are factors which are part of the periodical tariff and price revision process. The other exposure is assessed periodically and, taking into consideration the projected interest rate fluctuations in the main borrowing currencies, the desirable fixed-rate protection levels and periods are determined.

The structure thus established is achieved by means of new financing and/or the use of interest rate derivatives.

Net debt at floating rates is generally tied to Euribor for the debt in euros and to Libor for debts in dollars.

The detail of the average interest rate and of the average financial debt drawn down is as follows:

	2013	2012
Average interest rate	4.56%	6.13%
Average disposal of financial liabilities (thousands of euros)	1,083,942	1,078,871

On the basis of the financial debt drawn down, the impact on borrowing costs of a change of half a point in the average interest rate would be as follows:

	2013		2012	
Change in interest rate	0.50%	-0.50%	0.50%	-0.50%
Change in financial cost (thousands of euros)	4,373	(4,373)	3,994	(3,994)

c) Liquidity risk

Liquidity risk relates to the possibility of adverse situations in the capital markets preventing the Group from financing, at reasonable market prices, its obligations relating to both non-current financial assets and working capital requirements, or of the Group being unable to implement its business plans using stable financing sources.

The Group takes various preventative measures to manage liquidity risk:

- The capital structure of each company is established taking into account the degree of volatility of the cash generated by it.
- Debt repayment periods and schedules are established on the basis of the nature of the needs being financed.
- The Group diversifies its sources of financing through continued access to financing and capital markets.
- The Group secures committed credit facilities for sufficient amounts and with sufficient flexibility.

Hedging instruments arranged

The Group arranged over-the-counter derivative financial instruments with Spanish and international banks with high credit ratings.

In 2013 and 2012 the only derivatives held by the Applus Group were interest rate derivatives.

The objective of these interest rate hedges was to mitigate, by arranging fixed-for-floating interest rate swaps, the fluctuations in cash outflows in respect of payments tied to floating interest rates (Euribor and USD Libor) on the Group's borrowings. The Group opted to account for hedges as permitted under IFRSs, designating in the appropriate manner the hedging relationships in which the derivatives are hedges of net investments in foreign operations that neutralise changes in value due to the spot rate of the foreign currency.

On 1 October 2013, the last two derivatives arranged by the Group with banks expired and the Parent's directors decided not to renew these interest rate hedges. Therefore, the Group did not have any derivative financial instruments at 31 December 2013.

The financial instruments arranged by the Group (all of which relate to the Parent) and in force at 31 December 2012 were as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in thousands of euros)	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	01/10/10	01/10/13	180,000	EUR	(4,287)	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(2,463)	100,000	3.43%	90-day Euribor
Total					**(6,750)**			

The cash flow hedging relationships designated with these foreign currency hedges were considered to be highly effective and, accordingly, the Group recognised the fair value thereof in equity. Since the effectiveness of all the hedges has been verified, no amounts were recognised in relation to ineffective hedges in profit or loss for 2012.

The objective of these interest rate hedges is to mitigate, by arranging fixed-for-floating interest rate swaps, the fluctuations in cash outflows in respect of payments tied to floating interest rates (Euribor and USD Libor) on the Group's borrowings.

17. Long-term provisions

The detail of "Long-Term Provisions" in 2013 and 2012 was as follows:

	31/12/2013	31/12/2012
Long-term personnel liabilities	5,260	5,681
Other concepts	7,501	3,284
Long-Term provisions	**12,761**	**8,965**

The changes in "Long-Term Provisions" in 2013 and 2012 were as follows:

	€ thousands
Balance at 1 January 2012	**4,665**
Changes in the scope of consolidation (Note 2.b.e.4)	2,696
Charge for the year	1,604
Balance at 31 December 2012	**8,965**
Charge for the year	4,902
Amounts used	(912)
Changes by exchange rate	(194)
Balance at 31 December 2013	**12,761**

The provisions recognised constitute a fair and reasonable estimate of the effect on the Group's equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by management of the Parent and of the subsidiaries, with the assistance of their advisers, considering the circumstances specific to each case.

a) Liabilities to staff

Pension plans and other employee obligations to Velosi staff amounting EUR 2,949 thousand and to RTD staff amounting EUR 2,311 thousand.

Pension plans in RTD correspond to premiums for active employees in recognition of their attachment to the company mainly in the subsidiaries located in Holland, Germany and Belgium. These plans involve the provision of a salary to pay to employees when they turn 25 years actively working in the company and two at age 40. Pension plans in Velosi also correspond to attachment rewards of active employees. The agreements are with employees from companies located mainly in Middle East and Italy.

b) Other liabilities

- Litigation in progress due to alleged breach by one of the subsidiaries of an agreement with a third party. A provision of EUR 1,500 thousand was recognised relating to the risk estimated by the directors and their legal advisers arising from the outcome of this litigation.

- An arbitral award ordering a Group subsidiary to pay USD 3,347 thousand to a third party and ordering a third party to pay USD 2,220 thousand to a Group subsidiary due to discrepancies in the final outcome of work performed in a project. The Group has recognised a provision of EUR 1,429 thousand in this connection.
- A total of approximately EUR 3,600 thousand has also been set aside to cater for any claims that might be made by former employees of the Group.

See Note 20.6 for the main tax litigation and Note 27.b for the other more significant contingencies, which the Group is exposed.

18. Other non-current and current liabilities

The detail of "Other Non-Current Liabilities" and "Other Current Liabilities" in 2013 and 2012 is as follows:

	31/12/2013	31/12/2012
Unpaid Long-term variable price of shares	8,186	9,538
Other non-current liabilities	1,253	4,278
Other non-current liabilities	**9,439**	**13,816**
Unpaid Short-term variable price of shares	6,386	9,783
Other current liabilities	4,218	1,340
Other current liabilities	**10,604**	**11,123**
Total Other liabilities	**20,043**	**24,939**

In 2013 the Group recognised at long term the provisions relating to the variable portion of the price of the new acquisitions of Testex Inspection LLC and OMS Co Ltd made. In 2013 the Group recognised under "Long-Term Provisions" those relating to the earn-outs of the new acquisitions made, namely Testex Inspection LLC and OMS Co Ltd, for USD 6,000 thousand (EUR 4,360 thousand) and USD 2,000 thousand (EUR 1,453 thousand), respectively (see Note 2.b.e.1.1). In both cases payment is scheduled for 2015.

At 2013 year-end the Group classified at short-term the provisions for the earn-out relating to the acquisition of the subsidiaries QA Management Services PTY Ltd and K2 Specialist Services Pte, Ltd. amounting to EUR 6,073 thousand as they are expected to be paid in 2014.

In addition, in 2013 the Group paid the earn-outs totalling EUR 8,157 thousand of the JDA subgroup (John Davidson & Associates PTY, Ltd., JDA Wokman Limited and PT JDA Indonesia) and the subsidiaries Kiefner & Associates, Inc. and Velosi Corporate Services SDN BHD, companies acquired in prior years.

19. Trade and other payables

The detail of trade and other payables in 2013 and 2012 is as follows:

	€ thousands	
	31/12/2013	31/12/2012
Trade payables	171,529	150,423
Remuneration payable	63,005	45,196
Other payables	55,007	51,899
Total	**289,541**	**247,518**

The Group's average payment period in 2013 was 43 days (2012: 46 days).

"Remuneration payable" includes:

a) USD 13,000 thousand (31 December 2013: EUR 9,448 thousand, approximately) relating to the maximum amount of the incentive receivable by certain Velosi Group executives if the Group achieves certain financial aggregates in 2011, 2012 and 2013 (see Note 29). At 31 December 2012, "Remuneration payable" included USD 10,000 thousand (31 December 2012: EUR 7,784 thousand, approximately) for the same incentive.

b) EUR 9,400 thousand relating to the amount of the incentive which certain Group executive have based on the multiple of the return obtained by the current shareholders in the event of divestment, including any admission to listing process (see Note 29).

c) EUR 3,093 thousand (31 December 2012: EUR 2,154 thousand) relating to the incentives receivable by other senior executives of the Group if the Group achieves certain financial aggregates in 2011, 2012 and 2013 (see Note 29).

d) EUR 1,250 thousand relating to the amount of the incentive that other Group executives have based on the divestment by the current shareholders of the Group (see Note 29).

In "Other Accounts Payable to Public Authorities" the Group recognised the amounts payable of VAT, social security taxes and personal income tax withholdings.

Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.

The disclosures required by Additional Provision Three of Law 15/2010, of 5 July, in thousands of euros, relating only to the Group's Spanish companies are as follows:

	Amounts paid and payable at year-end			
	2013		2012	
	€ thousands	%	€ thousands	%
Paid in the maximum payment period	58,623	46%	58,771	46%
Remainder	67,636	54%	67,932	54%
Total payments made in the year	**126,259**	**100%**	**126,703**	**100%**
Weighted average period of late payment (days)	108		111	
Weighted average period of payment (days)	48		36	
Payments at the end of the period not made in the maximum payment period	4,369		7,467	

The figures shown in the foregoing table relate only to the Spanish companies, whose payment period is significantly higher than the Group average of 43 days.

The data shown in the foregoing table on payments to suppliers relate to the suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to "Trade Payables" under "Current Liabilities" in the consolidated balance sheet. However, most of the aforementioned balance payable was paid within the first 30 days of 2014.

Weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers outside the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period. The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December, on combating late payment in commercial transactions, is 60 days. The maximum payment period applicable in 2012 was 75 days.

20. Tax matters

20.1 Income tax expense / (benefit) recognised in the consolidated income statement

The detail of the income tax expense / (benefit) recognised in 2013 and 2012 is as follows (in thousands of euros):

	2013	2012
Current Tax		
Current year	**28,032**	**4,855**
Prior years	—	—
Deferred Tax		
Current year	(41,364)	(22,264)
Prior years	(2,627)	(860)
Writte-downs (reversals of previous writte-downs) of deferred tax assets (Note 20.3)	54,791	757
	10,800	**(22,367)**
Total income tax expense / (benefit)	**38,832**	**(17,512)**

The detail of the changes in deferred taxes, recognised as income tax expense/(benefit) in the consolidated income statement, is as follows:

	2013	2012
Tax credits	40,286	401
Deductions	(5,912)	316
Temporary differences		
Intangible assets amortisation	(24,496)	(10,407)
Provision for deterioration of the Spanish client portfolio	8,711	—
Other provisions for Spanish companies	(4,009)	—
Financial expenses Spanish companies	(2,626)	(15,855)
Measurement and depreciation of the foreign companies' fixed assets.	2,600	762
Provisions - foreign companies	(2,320)	—
Amortisation	967	—
Others	(2,390)	2,416
Deferred income tax expense / (benefit)	**10,800**	**(22,367)**

The income tax expense / (benefit) is calculated as follows (in thousands of euros):

	2013	2012
Profit before income tax	**(126,680)**	**(83,755)**
Income tax expense at 30%	**(38,004)**	**(25,127)**
Effect of:		
Different tax rates of subsidiaries operating in other jurisdictions	1,253	99
Non-deductible impairment of goodwill	24,386	5,430
Expenses not deductible	6,632	3,930
Income exempt from taxation	(885)	(2,580)
Unused tax losses and tax offsets not recognised as deferred tax assets	(7,268)	(4,959)
Adjustments recognised in the current year in relation to the current tax of prior years	(2,073)	4,794
Writte-downs and disposals	54,791	901
Total income tax expense / (benefit)	**38,832**	**(17,512)**

20.2 Current income tax receivables and payables

The detail of the current income tax receivables and payables is as follows (in thousands of euros):

	31/12/13	31/12/12
Current income tax receivables	**12,013**	**14,004**
Income tax prepayments	10,279	6,993
Accounts receivable relating to tax losses	1,734	7,011
Current income tax payable	**18,787**	**19,573**
Income tax payables	18,787	19,573

20.3 Deferred tax assets

The detail of "Deferred tax assets" at the end of 2013 and 2012 is as follows:

	€ thousands	
	31/12/13	31/12/12
Tax loss carryforwards of the Spanish companies	51,557	89,309
Tax loss carryforwards of the US companies	7,319	10,243
Tax loss carryforwards of other foreign companies	1,602	1,212
Tax loss carryforwards	**60,478**	**100,764**
Tax credits of the Spanish companies	—	463
Tax credits of foreign companies	10,771	4,396
Unused tax credits	**10,771**	**4,859**
Temporary differences due to the non-deductibility of finance costs exceeding 30% from profit from operations pursuant to Royal Decree-Law 12/2012	18,481	15,855
Temporary differences due to finance costs of derivatives (Note 16)	—	1,868
Other temporary differences - Spanish companies	6,775	8,981
Other temporary differences - foreign companies	5,222	5,220
Temporary differences	**30,478**	**31,924**
Total deferred tax assets	**101,727**	**137,547**

The deferred tax assets indicated above were recognised because the Parent's directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

At the end of each year the Parent's directors analyse the recoverability of the deferred tax assets and only recognise those that they consider will probably be recovered, assessing all the circumstances and in accordance with the best possible estimate of the Parent's future results, including certain tax planning initiatives. In 2013 certain tax assets recognised in prior years amounting to EUR 54,791 thousand were regularised, the detail being as follows

- Deferred tax assets of EUR 8,606 thousand relating to investment valuation allowances of Spanish companies in application of the new Law 16/2013.
- Tax assets of EUR 46.185 thousand the recovery of which is not considered probable due to their age or to possible discrepancies in the interpretation of the legislation by the tax authorities that might give rise to changes in the tax losses that gave rise to such tax assets (see Note 20.6).

The Spanish companies have 18 tax periods in which to offset the aforementioned tax losses. However, the recognition of the tax assets for accounting purposes took into consideration a shorter time horizon, as established in current accounting legislation. In this respect, the tax assets recognised at 31 December 2013 were recognised because the Parent's directors considered it probable that future profits would be obtained to enable them to be offset in under ten years.

The factors taken into consideration for not derecognising the deferred tax assets, including tax loss carryforwards, tax credits and temporary differences at 31 December 2013, which support their future recoverability, were as follows:

- The Group's business plan approved by the Parent's Board of Directors for 2014-2018 envisages the same trend as hitherto regarding profit growth for 2014 and subsequent years (see the main assumptions of the business plan in Note 31), and such profits will be sufficient to offset all the tax losses over the next five years, including the assumption that all of the tax losses will be able to be offset from 2016 onwards. If it is taken into account that the restrictions on the use of tax assets of only 25% continue indefinitely, it is estimated that all of the tax assets will be recovered within ten years.
- Although the Group has incurred significant losses in recent years, these losses have arisen mainly as a result of the finance cost of the borrowings and the amortisation and impairment of the goodwill and intangible assets identified upon the acquisition of the Group by its shareholder (see Notes 4 and 5). In this regard, it should be borne in mind that:
    - In 2013 all of the participating loan held by the Group, which resulted in finance costs of EUR 14,351 thousand in 2013 (2012: EUR 41,740 thousand), was converted into capital. Consequently, the tax base will see a significant reduction in finance costs.

- The amortisation expenses and impairment losses on goodwill and intangible assets identified in the various business combinations has no impact on the calculation of the tax base or, therefore, on the recoverability of the tax assets. The expense relating to the amortisation and impairment of these assets totalled EUR 167,399 thousand in 2013 (2012: EUR 52,855 thousand).
- In 2013 the consolidated Group in Spain obtained taxable income of EUR 23,064 thousand (2012: EUR 6,951 thousand) which enabled it to use unrecognised tax assets from prior years amounting to EUR 5,765 thousand in 2013 (2012: EUR 1,737 thousand).
- A mandate was issued by the Board of Directors to the Parent's management to execute all of the initiatives envisaged in the business plan and it is considered highly probable that it will be met in light of the experience of prior years and the events of the first two months of 2014.

The prior years' tax loss carryforwards of the Spanish companies are as follows:

	2013 - € thousands		
Year incurred	**Recognised**	**Not recognised**	**Last year for offset**
2005	—	15,950	2023
2006	—	260	2024
2007	—	40,810	2025
2008	—	25,955	2026
2009	61,138	33,301	2027
2010	65,297	13,079	2028
2011	42,937	—	2029
2012	1,621	—	2030
2013	1,380	—	2031
Total	**172,373**	**129,355**	

	2012 - € thousands		
Year incurred	**Recognised**	**Not recognised**	**Last year for offset**
1998	—	43	2016
1999	—	354	2017
2000	—	441	2018
2001	—	51	2019
2002	—	133	2020
2003	—	1,576	2021
2004	375	—	2022
2005	14,793	—	2023
2006	—	261	2024
2007	40,769	285	2025
2008	25,955	—	2026
2009	94,619	—	2027
2010	78,324	—	2028
2011	42,861	—	2029
Total	**297,696**	**3,144**	

The tax loss carryforwards relating to the US companies, all of which have been recognised, are as follows:

	€ thousands		
	2013	**2012**	**Last year for offset**
2005	—	266	2020
2007	—	766	2022
2008	—	5,497	2023
2009	—	1,908	2024
2010	963	3,849	2025
2011	16,006	13,325	2026
2012	3,935	—	2027
Total	**20,904**	**25,611**	

The tax loss carryforwards not recognised in the accompanying consolidated balance sheet at 31 December 2013 relating to the foreign companies are as follows:

Year	€ thousands
2005	265
2007	2,266
2006	7,702
2008	943
2009	1,617
2010	2,678
2011	3,458
2012	7,128
2013	7,544
Total	**33,601**

The detail of the unused tax credits of the Spanish companies is as follows:

	€ thousands			
	2013		2012	
Period	Recognised	Not recognised	Recognised	Not recognised
1999	—	82	—	82
2000	—	187	—	187
2002	—	613	87	555
2003	—	77	50	71
2004	—	314	39	251
2005	—	448	60	423
2006	—	531	85	688
2007	—	683	60	1,062
2008	—	4,510	—	5,330
2009	—	2,248	82	2,277
2010	—	2,226	—	2,180
2011	—	2,239	—	2,177
2012	—	2,650	—	1,300
2013	—	1,300	—	—
Total	**—**	**18,108**	**463**	**16,583**

Of the total recognised and unrecognised tax credits, EUR 10,126 thousand relate to investment in R&D&i expenditure, EUR 4,988 thousand relate to double taxation credits and EUR 2,114 thousand to the reinvestment of gains at 31 December 2013 (31 December 2012: EUR 8,137 thousand related to investment in R&D&i expenditure, EUR 6,371 thousand to double taxation credits and EUR 2,116 thousand to the reinvestment of gains).

The foreign companies' unused tax credits not recognised in the accompanying consolidated balance sheet are not material.

20.4 Deferred tax liabilities

"Deferred Tax Liabilities" on the liability side of the accompanying consolidated balance sheet at 31 December 2013 and 2012 includes mainly the following:

- A deferred tax liability associated with the recognition at fair value of the assets identified upon the acquisition of the Applus Servicios Tecnológicos, S.L.U. subgroup, amounting to EUR 153,709 thousand (31 December 2012: EUR 176,334 thousand) (see Note 5).
- A deferred tax liability associated with the recognition at fair value of the assets identified when the other three business combinations of other Group companies, amounting to EUR 12,756 thousand, took place (31 December 2012: EUR 14,626 thousand) (see Note 5).
- The tax effect of the amortisation of goodwill paid on the acquisition of foreign companies amounting to EUR 17,001 thousand (31 December 2012: EUR 16,358 thousand).
- Deferred tax liabilities of EUR 9,054 thousand (31 December 2012: EUR 10,506 thousand) arising as a result of differences in the amortisation/depreciation of assets for tax and accounting purposes.

- Other deferred tax liabilities amounting to EUR 27,944 thousand at 31 December 2013 (31 December 2012: EUR 23,510 thousand).

20.5 Tax rates applicable to the Group

The various companies calculate their income tax expense in accordance with their respective legislation.

The main tax rates applicable to the Group are as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Spain	30%	UK	23%	Angola	35%
US	40%	Germany	30%	United Arab Emirates	—
Finland	24.5%	Australia	30%	Luxembourg	29.2%
Ireland	12%	Italy	31.4%	Kuwait	15%
Canada	27%-32%	Brazil	34%	Malaysia	25%
Norway	28%	Argentina	35%	Singapore	17%
Denmark	25%	Chile	20%	Qatar	10%
Netherlands	25%	Colombia	25%	Saudi Arabia	20%

20.6 Years open for review and tax audits

The Spanish companies have open for review by the tax authorities the last five years for income tax and the last four years for all the other taxes applicable to them. The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries. The Parent's directors do not expect any additional material liabilities to arise in the event of a tax audit.

Following is a detail of the main tax audits that are ongoing and the main tax contingencies to which the Group is exposed:

In August 2010 the Canadian tax authorities ordered a Group company to provide them with information in relation to the tax benefits arising from the financial reorganisation of the Group. On 21 February 2013, the tax authorities notified the company of the commencement of a tax audit in relation to the tax treatment of the borrowing costs on a loan of CAD 27 million received by the company. The tax authorities are claiming the application of a 5% tax withholding from the nominal value of the loan received (CAD 1.9 million, EUR 1.4 million at 31 December 2013). The Group paid the amount claimed and recognised a provision for the corresponding expense in 2013. The tax authorities are also questioning the deductibility of the interest of CAD 3.3 million (EUR 2.3 million at 31 December 2013) accrued on the aforementioned loan. The Parent's directors and their external legal advisers consider it improbable that this amount will have to be paid and, accordingly, no provision was recognised in this regard.

In October 2010 and December 2011, the Finnish tax authorities filed a challenge before the Tax Correction Board relating to the tax returns for 2008 and 2009 filed by the branch that the Group has in Finland, in which it questioned the deductibility for tax purposes of interest arising from the transfer of costs for accounting purposes. In 2013 the Finnish tax authorities extended the challenge to the taxes for 2010, 2011 and 2012. The possible economic consequences amount to EUR 10.3 million (taking into account 2013 and a potential penalty but not late-payment interest). The Parent's directors and their external legal advisers consider it improbable that this amount will have to be paid and, accordingly, no provision was recognised in this regard.

On 30 August 2011, Chile's Internal Revenue Service notified the Group of its disagreement with the tax returns filed in 2008 by a Group company due to alleged breaches of the Chilean Income Tax Law, totalling CLP 1,172 million (31 December 2013: approximately EUR 1,613 thousand), including penalties and late-payment interest. The Group initiated a claim process in which it has contested these amounts. In 2013 Chile's Internal Revenue Service reduced the amount claimed to CLP 488 million (EUR 671 thousand), including penalties and late-payment interest, but ratified its disagreement with the tax returns filed in 2010 for a total of CLP 933 million (31 December 2013: EUR 1,284 thousand), including penalties and late-payment interest. The Parent's directors and their external legal advisers consider it improbable that this amount will have to be paid and, accordingly, no provision was recognised in this regard.

On 16 July 2009, the tax authorities notified Idiada Automotive Technology, S.A. of the commencement of a tax audit of the income tax returns for 2006 - 2007 and 2008 - 2009 in relation to the deduction of withholdings from amounts withheld abroad and unused tax credits. The total amount claimed by the tax authorities is EUR 897 thousand, in relation to which the directors and their external advisers consider that there is a probable risk amounting to EUR 280 thousand (the amount of the provision recognised in this connection under "Long-Term Provisions").

On 1 September 2009, the Indian tax authorities gave notification of the commencement of a tax audit in relation to Idiada Automotive Technology, S.A.'s office in India, since it should have filed income tax returns as a permanent establishment in India for 2006 and 2007. The total amount claimed by the tax authorities is EUR 633 thousand, in relation to which the directors and their external advisers consider that there is a possible risk amounting to EUR 200 thousand (the amount of the provision recognised in this connection under "Long-Term Provisions").

In March 2013 the Spanish tax authorities notified the Spanish Group companies Applus Services, S.A., Applus Servicios Tecnológicos, S.L.U., Idiada Automotive Technology, S.A., LGAI Technological Center, S.A. and Applus Iteuve Technology, S.L.U. of the commencement of a tax audit in relation to the following:

- Income tax for 2008, 2009 2010 and 2011.
- VAT for 2009, 2010 and 2011.
- Personal income tax withholdings and prepayments for 2009, 2010 and 2011.
- Tax withholdings and prepayments relating to income from movable capital for 2009, 2010 and 2011.
- Tax withholdings and prepayments relating to property income for 2009, 2010 and 2011.
- Non-resident income tax withholdings and prepayments for 2009, 2010 and 2011.

As regards the above-mentioned contingencies, the Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation for the tax treatment of the transactions, such contingent liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

These notes to the financial statements do not include the information referred to in Article 42 bis of Royal Decree 1065/2007 in relation to persons resident in Spain, whether legal entities that are beneficiaries or holders of accounts abroad or individuals from the Group who are authorised representatives for accounts abroad held by a Group subsidiary non-resident in Spain, since such information is duly recorded and detailed in the Group's accounting records pursuant to Article 42 bis 4.b of Royal Decree 1065/2007.

21. Operating income and expenses

a) *Revenue*

The distribution of revenue, by geographical market, is as follows:

	€ thousands	
	2013	**2012**
Spain	275,665	282,568
Rest of Europe	422,530	341,144
United States and Canada	362,401	279,886
Asia Pacific	250,390	154,985
Middle East and Africa	160,486	34,793
Latin America	109,029	99,271
Total	**1,580,501**	**1,192,647**

The distribution of revenue, by business line, is as follows:

	€ thousands	
	2013	2012
RTD - Non-destructive testing	558,574	561,365
VELOSI - Asset management and certification	372,576	8,837
AUTO - Vehicle roadworthiness testing	273,599	266,397
NORCONTROL - Inspection services and technical assistance	186,158	182,097
IDIADA - Engineering and vehicle testing	132,513	116,505
Laboratories - Certification services	56,637	55,852
Corporate services	443	1,594
Total	**1,580,501**	**1,192,647**

The distribution of results for 2012 by business line does not coincide with the allocation of business by segment.

b) Staff costs

The detail of "Staff Costs" in the accompanying consolidated income statements is as follows:

	€ thousands	
	2013	2012
Wages, salaries and similar expenses	624,250	515,927
Termination benefits	5,511	6,680
Employee benefit costs	87,894	80,112
Other staff costs	66,706	37,358
Total	**784,361**	**640,077**

The average number of employees at the Group, by professional category and gender, was as follows:

	Average number of employees		
	2013		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	2,843	767	3,610
Further education college graduates	2,080	450	2,530
Middle management	1,160	194	1,354
Skilled employees	5,556	1,161	6,717
Assistants, manual workers and service personnel	2,236	716	2,952
Total	**13,875**	**3,288**	**17,163**

	Average number of employees		
	2012		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	1,667	596	2,263
Further education college graduates	1,541	355	1,896
Middle management	1,065	201	1,266
Skilled employees	3,081	605	3,686
Assistants, manual workers and service personnel	2,428	795	3,223
Total	**9,782**	**2,552**	**12,334**

Also, the distribution of the workforce, by gender and category, at the end of 2013 and 2012 was as follows:

	No. of employees		
	2013		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	2,779	756	3,535
Further education college graduates	2,121	490	2,611
Middle management	1,202	219	1,421
Skilled employees	5,577	1,154	6,731
Assistants, manual workers and service personnel	2,442	716	3,158
Total	**14,121**	**3,335**	**17,456**

	No. of employees		
	2012		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	2,477	710	3,187
Further education college graduates	1,831	398	2,229
Middle management	1,169	258	1,427
Skilled employees	5,378	768	6,146
Assistants, manual workers and service personnel	3,233	888	4,121
Total	**14,088**	**3,022**	**17,110**

c) Other losses

The detail of other losses at the end of 2013 and 2012 relates mainly to extraordinary termination benefits amounting to EUR 4,849 thousand and EUR 8,108 thousand, respectively, and to other expenses relating to start-up and restructuring costs.

d) Fees paid to auditors

The fees for financial audit services provided to the various companies composing the Group by the principal auditor in 2013 amounted to EUR 1,799 thousand (2012: EUR 1,545 thousand).

The fees in this connection paid to other auditors amounted to EUR 124 thousand in 2013 (2012: EUR 99 thousand).

Also, the fees relating to other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor in 2013 amounted to EUR 186 thousand (2012: EUR 69 thousand), of which EUR 29 thousand (2012: EUR 12 thousand) related to other attest services, EUR 61 thousand to tax services (2012: EUR 60 thousand) and the remainder to other services.

22. Net financial expense

The detail, by nature, of the net financial expense in 2013 and 2012 is as follows:

	€ thousands	
	2013	**2012**
Finance income:		
Other finance income from third parties	1,032	2,072
Income from disposals of financial instruments	—	
Income from long-term loans to associates	460	—
Total finance income	**1,492**	**2,072**
Finance costs:		
Finance costs arising from derivatives transactions (Note 16 and 20)	(6,688)	(20,585)
Borrowing costs relating to syndicated loan (Note 14)	(43,129)	(45,863)
Borrowing costs relating to participating loan (Notes 15, 20 and 28)	(14,351)	(41,740)
Other finance costs paid to third parties	(9,360)	(7,812)
Exchange differences	(14,371)	(755)
Total finance costs	**(87,899)**	**(116,755)**
Net financial expense	**(86,407)**	**(114,683)**

23. Impairment and gains or losses on disposal of non-current assets

The detail of the impairment losses and the gains and losses on asset disposals is as follows:

	€ thousands	
	2013	**2012**
Impairment losses on intangible assets (Note 6)	(37,882)	—
Impairment losses on goodwill (Note 6)	(81,285)	(18,101)
Total impairment losses	**(119,167)**	**(18,101)**
Disposal or derecognition of intangible assets	2	(839)
Disposal or derecognition of property, plant and equipment	(20)	(76)
Other gains or losses on disposals	1,614	(916)
Total disposals or derecognitions	**1,596**	**(1,831)**
Total net loss	**(117,571)**	**(19,932)**

24. Allocation of loss

The proposed distribution of the Parent's net profit for 2013 and allocation of its net loss for 2012 is as follows:

	€ thousands	
	2013	**2012**
Basis of allocation:		
Loss for the year	113,315	(59,421)
	113,315	**(59,421)**
Allocation:		
Legal reserve	11,331	—
To prior years' losses	101,984	(59,421)
	113,315	**(59,421)**

25. Segment information

The Group operates through six operating divisions and a holding division, each of which is considered to be a segment for financial reporting purposes. All the divisions operate under the Applus brand. The six operating segments are as follows:

- Applus+ RTD: global provider of non-destructive testing services to clients in the upstream, midstream and downstream oil and gas industry. It also provides services to the power utilities, aerospace and civil infrastructure industries. Applus RTD's services provide the Group's clients with tools and solutions to inspect and test the mechanical, structural and materials integrity of critical assets without causing damage to those assets, either at the time of installation or during the assets' working lives.
- Applus+ Velosi: global provider of inspection, quality control, certification and recruitment of technical staff mainly for the oil industry. Applus Velosi services enable its customers to ensure compliance with the specifications defined during provisioning processes, construction and operation of infrastructure.
- Applus+ Norcontrol: provides comprehensive solutions for technical assistance, supervision, and inspection, quality control, testing and consulting mainly concerning industrial, power, oil and telecommunications.
- Applus+ Laboratories: offers a wide range of laboratory testing services, system certification and product development services, operating in various sectors, including aerospace, industrial and consumer goods sectors.
- Applus+ Automotive: provides statutory vehicle inspection, checking compliance of vehicles with safety regulations and current issues in the various countries in which it operates.
- Applus+ IDIADA: provides design, engineering, testing and homologation.

The Parent's directors have identified the above segments taking into account the following criteria:

- It carries on business activities whereby it can obtain ordinary revenue and incur expenses (including ordinary expenses and expenses arising from transactions with other components of the same entity),
- Its operating results are reviewed regularly by management who take operating and management decisions at the entity in order to decide on the resources to be allocated to the segment and evaluate its performance, and
- Separate financial information is available.

These criteria used to identify the business segments comply with IFRS 8 (formerly IAS 14).

a) ***Presentation of financial information by business segment:***

The financial information by segment of the accompanying consolidated income statement is as follows:

2013

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenues	558,574	372,576	186,158	56,637	273,599	132,513	444	1,580,501
Operating expenses	(490,539)	(336,802)	(165,651)	(49,396)	(202,352)	(110,521)	(35,788)	(1,391,049)
Operating Result before amortisation, impairment and other results	**68,035**	**35,774**	**20,507**	**7,241**	**71,247**	**21,992**	**(35,344)**	**189,452**
Asset amortisation	(27,781)	(11,930)	(6,712)	(6,542)	(35,562)	(6,596)	(2,500)	(97,623)
Impairment and results from disposal of fixed assets	(16,585)	1,614	(11,334)	(89)	(91,201)	22	2	(117,571)
Other results	(1,687)	(3,391)	(2,662)	(1,061)	(1,324)	(525)	(6,374)	(17,024)
Operating Result	**21,982**	**22,067**	**(201)**	**(451)**	**(56,840)**	**14,893**	**(44,216)**	**(42,766)**

2012

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenues	495,251	66,352	190,695	55,852	266,391	116,505	1,601	1,192,647
Operating expenses	(444,199)	(62,981)	(172,828)	(48,851)	(197,423)	(97,671)	(23,159)	(1,047,112)
Operating Result before amortisation, impairment and other results	**51,052**	**3,371**	**17,867**	**7,001**	**68,968**	**18,834**	**(21,558)**	**145,535**
Asset amortisation	(25,682)	(370)	(6,529)	(5,605)	(32,612)	(5,862)	(2,513)	(79,173)
Impairment and results from disposal of fixed assets	(18,620)	4	(938)	(84)	412	817	(1,523)	(19,932)
Other results	(1,551)	(112)	(6,029)	(611)	(2,155)	(670)	(4,374)	(15,502)
Operating Result	**5,199**	**2,893**	**4,371**	**701**	**34,613**	**13,119**	**(29,968)**	**30,928**

The "Others" segment includes the financial information corresponding to the Applus Group's holding activity.

The non-current assets and liabilities, by business segment, at the end of 2013 and 2012 are as follows:

2013

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Goodwill	178,041	26,469	12,320	29,239	183,972	56,555	1,286	**487,882**
Other intangible assets	166,741	53,754	35,349	28,646	301,786	44,961	1,458	**632,695**
Tangible assets	55,746	7,434	21,138	9,135	80,108	15,472	417	**189,450**
Non-current financial assets	43	5,747	1,320	50	4,753	434	1,484	**13,831**
Deferred tax assets	7,290	3,297	15,597	1,407	10,648	808	62,680	**101,727**
Total non-current assets	**407,861**	**96,701**	**85,724**	**68,477**	**581,267**	**118,230**	**67,325**	**1,425,585**
Total liabilities	**147,111**	**111,664**	**62,757**	**26,994**	**160,164**	**56,850**	**1,124,441**	**1,689,981**

2012

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Goodwill	183,183	19,392	25,581	29,239	255,664	56,827	1,282	**571,168**
Other intangible assets	189,431	62,396	37,522	31,155	348,617	43,383	3,884	**716,388**
Tangible assets	56,428	9,874	20,593	9,483	86,530	13,099	559	**196,566**
Non-current financial assets	84	5,211	4,922	38	1,760	487	661	**13,163**
Deferred tax assets	2,224	472	22,595	11,760	21,087	612	78,797	**137,547**
Total non-current assets	**431,350**	**97,345**	**111,213**	**81,675**	**713,658**	**114,408**	**85,183**	**1,634,832**
Total liabilities	**150,128**	**105,902**	**66,499**	**31,089**	**173,519**	**46,309**	**1,205,610**	**1,779,456**

The bank borrowings were allocated to "Other" since it is actually the "Holding" divisions which have the bank borrowings (see Note 14).

The additions to intangible assets and property, plant and equipment, by business segment, in 2013 and 2012 are as follows:

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Capex 2013	23,369	2,398	4,930	3,503	6,870	10,208	1,018	**52,296**
Capex 2012	23,864	519	5,250	5,295	12,540	6,996	716	**55,180**

b) Presentation of financial information by geographical segment:

Since the Group is present in several countries, the information has been grouped geographically.

The sales, by geographical area, in 2013 and 2012, were as follows:

	€ thousands	
	2013	**2012**
Spain	275,665	282,568
Rest of Europe	422,530	341,144
United States and Canada	362,401	279,886
Asia Pacific	250,390	154,985
Middle East and Africa	160,486	34,793
Latin America	109,029	99,271
Total	**1,580,501**	**1,192,647**

The non-current assets, by geographical area, in 2013 and 2012, were as follows:

Total non-current assets	Spain	Rest of Europe	United States and Canada	Middle East and Africa	Asia Pacific	Latin America	Total
31 December 2013	731,953	457,688	107,466	7,529	99,914	21,035	**1,425,585**
31 December 2012	796,751	586,634	119,824	10,475	93,909	27,239	**1,634,832**

26. Operating leases

The Group has obtained the use of certain assets through finance leases (see Note 7) and operating leases. The most significant operating leases held by the Group relate to the lease of premises and vehicles and to royalties payable for the different concessions possessed.

The expenses incurred by the Group in 2013 in relation to operating leases and royalties amounted to EUR 98,242 thousand (2012: EUR 78,560 thousand).

At the end of 2013 and 2012 the Group had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions (in thousands of euros), not including the expenses for royalties available to the Group:

Operating leases	2013	2012
Less than 12 months	44,710	50,027
1 - 5 years	116,592	137,423
More than 5 years	15,197	39,076
Total	**176,499**	**226,526**

The accompanying table does not include the amounts of the royalties committed for the next few years since these are generally subject to a percentage of the revenue or the investments made. In 2013 the expense relating to royalties totalled EUR 31,288 thousand (2012: EUR 22,780 thousand).

27. Obligations acquired and contingencies

a) *Guarantees and obligations acquired*

The Group has provided guarantees totalling EUR 7.7 million (2012: EUR 7.7 million) to the Catalonia Autonomous Community Government in connection with the incorporation of the subsidiaries Idiada Automotive Technology, S.A. and LGAI Technological Center, S.A.

The Group has also provided other guarantees to the Catalonia Autonomous Community Government for the management of the vehicle roadworthiness testing services, amounting to EUR 10.3 million, primarily to secure payment of the royalty and to guarantee the reversion value of the leased premises in which the companies provide vehicle roadworthiness testing services. The companies for which these guarantees were provided are Applus Servicios Tecnológicos, S.L.U. and Applus Iteuve Technology, S.L.U. for EUR 2.9 million and EUR 7.4 million (EUR 2.6 million and EUR 7.4 million in 2012), respectively. In addition, other guarantees have been provided to the Catalonia Autonomous Community Government amounting to EUR 323 thousand (31 December 2012: EUR 715 thousand) to guarantee a portion of the administrative authorisation obligations and commitments.

The total amount provisioned for the reversion of the vehicle roadworthiness testing centres in Catalonia was EUR 16,025 thousand (see Note 15).

Various banks have provided guarantees to third parties for the subsidiaries Applus Norcontrol, S.L.U., LGAI Technological Center, S.A. and IDIADA Automotive Technology, S.A. amounting to EUR 14,126 thousand, EUR 2,438 thousand and EUR 2,096 thousand, respectively (31 December 2012: EUR 11,821 thousand, EUR 2,115 thousand and EUR 5,153 thousand, respectively). These guarantees were given to companies or public agencies as a provisional or definitive guarantee for the tendering of bids or to secure contracts awarded.

In addition, the Group has arranged other guarantees required for the operating activities of various Group companies totalling EUR 9.9 million (31 December 2012: EUR 13.5 million).

The agreement entered into between the Irish government and Applus Car Testing Services Limited for the provision of vehicle roadworthiness testing services in Ireland provides for variable remuneration to the Irish government in the event that the expected returns envisaged in the agreed-upon business plan, which is reviewed every three years, are exceeded. Also, in 2013 the Company cancelled the guarantee for the vehicle roadworthiness testing concession in Ireland for EUR 4 million.

The Group also has certain obligations under the financing agreement (see Note 14). These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, compliance with current legislation, etc.; the obligation to refrain from performing certain transactions without the consent of the lender, such as mergers, changes of business activity, assignments, payment of dividends, share redemptions, etc.; and the obligation to achieve certain financial ratios.

The Parent's directors do not expect any material liabilities additional to those recognised in the accompanying consolidated balance sheet to arise as a result of the transactions described in this Note.

b) Contingencies

b.1. Auto Catalonia

Two third parties filed an appeal for judicial review against certain Articles of Decree 30/2010, of 2 March, implementing Catalan Industrial Safety Law 12/2008, of 31 July, and against the whole of Decree 45/2010, of 30 March, approving the territorial plan for new vehicle roadworthiness testing centres in Catalonia for 2010-2014. The subject-matter of the appeal is the regime under which roadworthiness testing centres should operate in Catalonia: the two third parties are claiming a free market regime. Current legislation establishes an administrative authorisation regime until 2035.

In relation to the preceding point, the Applus Group is also involved in another appeal for judicial review filed by a third party against the decisions of 22 June 2010 granting administrative authorisations to Applus Iteuve Technology, S.L.U. and Applus ECA-ITV, S.A. and of 21 July 2010 granting an administrative authorisation to Revisions de Vehicles, S.A. as vehicle roadworthiness testing centre concession operators.

Another third party filed an appeal for judicial review at the Judicial Review Chamber of the High Court of Catalonia challenging the call for tenders to become vehicle roadworthiness testing centre concession operators under the territorial plan and challenging the resolution of 4 November 2010 which resolved the call for tender awarding the concession of contracts 1 and 2.

The Judicial Review Chamber of the Catalonia High Court in the first instance handed down a unanimous decision on these lawsuits in a series of decisions containing the grounds put forward by the appellants and declaring null and void the resolutions and decisions challenged. Accordingly, judgments were handed down by the Catalonia High Court on 25 April 2012 (on the appeal against Decree 30/2010 and Decree 45/2010, in which Applus is a party), on 13 July 2012 (on the appeal challenging the tender for the award of two contracts under the territorial plan), on 13 September 2012 (on the appeal relating to authorisations awarded to Applus) and the decision handed down on 21 March 2013 (on the appeal challenging the resolution awarding the tenders).

The judgments declared null and void the regulatory framework and authorisations granted (which include those of Applus) considering that Decree 30/2010, of 2 March, implementing Catalan Industrial Safety Law 12/2008, of 31 July, and Decree 45/2010, of 30 March, approving the territorial plan for new vehicle technical inspection centres in Catalonia for 2010-2014 and the decisions implementing them infringed Directive 2006/123/ EC of the European Parliament and of the Council of 12 December 2006, on services in the internal market.

A cassation appeal was filed against the decisions handed down on the appeals in which Applus is party (25 April and 13 September 2012). The first effect of giving leave to proceed to the cassation appeals is that the judgments of the Catalonia High Court are not final and, therefore, may not be enforced at the date of preparation of the notes to the consolidated financial statements. It should be noted that the aforementioned cassation appeals hold that the judgments of the Catalonia High Court do not give adequate consideration to the fact that the vehicle roadworthiness business is not subject to the regime established by Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006, on services in the internal market. The criteria adopted by the Group and its advisers is that the vehicle roadworthiness testing activity is a service included in the area of transport since it is directly related to the regulation of road traffic where, in addition, general interest and road safety considerations also come into play.

On 11 and 18 February 2014, the Supreme Court issued interlocutory orders in which it resolved to suspend the date for deliberation on the lawsuits filed in relation to the vehicle roadworthiness testing regime in Catalonia and, rather than hand down a judgment, has deemed it necessary to hear all parties with regard to the appropriateness of submitting an application for a preliminary ruling to the Court of Justice of the European Union (CJEU) asking if the authorisation regime for vehicle roadworthiness testing centres in Catalonia is compatible with EU law. The Supreme Court recently submitted the application for a preliminary ruling to the Court of Justice of the European Union.

It should be noted in this connection that there is a proposal to repeal the current Directive 2009/40 on roadworthiness tests for motor vehicles and their trailers and a review of the draft proposal reveals that the vehicle roadworthiness testing activity is expressly excluded from the scope of application of Directive 2006/123/EC.

Also, it should be noted that the European Commission's Directorate General for the Internal Market has sent Asociación de Entidades Colaboradoras de la Administración en Inspección Técnica de Vehículos (AECA ITV) its reply to the request for a ruling, indicating that, as it informed the Spanish authorities in the past, the criteria of the Commission is that vehicle roadworthiness testing falls outside the scope of Directive 2006/123/EC on services in the internal market. This document has been submitted to the Supreme Court.

Lastly, it is important to underline that:

a) the documents authorising Applus to perform the vehicle roadworthiness testing activity in Catalonia are based directly on Law 12/2008, of 31 July, the content and effectiveness of which remain fully in force since it is the Decrees implementing them that have been appealed against; and

b) the decisions to be handed down on the lawsuits described above are not expected to give rise to any fines or penalties for the Group.

Accordingly, the directors welcome the recent decisions which will maintain the status quo in Catalonia with regard to Applus' authorisations during the proceedings which they consider will take around two years.

b.2. Other contingencies

Also, Applus Iteuve Euskadi, S.A.U. filed cassation appeal no. 634/2002 at the Supreme Court against the judgment of the Basque Country High Court of 20 July 2001, requesting a new assessment of the roadworthiness tender process in the Basque Country and asking the Basque authorities to review the valuation and scoring of all the lots and all the items, not only those covered by the Supreme Court's decision. On 26 December 2007, the Supreme Court handed down a decision partially rendering void the judgment of the Basque Country High Court, which took all the administrative actions back to the time prior to the award of the tender, and asking the Basque Autonomous Community Government to review the valuation again. On 31 May 2010, the Basque Country High Court issued its first assessment, in which it considered that the Supreme Court's decision had not been correctly enforced. A second assessment was issued on 8 July 2011. The Basque Country High Court considered that the Supreme Court's decision had been correctly enforced by means of the Basque Autonomous Community Government's second assessment (order dated 24 April 2012).In October 2013 the Basque Autonomous Community Government enforced the judgment provisionally in a decision issued on 30 September 2013, awarding the Luybas concession (which consists of the Vitoria and Bergara centres) to the competitor in the tender and reverting the concession assets. Therefore, although the Applus Group has appealed the decision, from that date it ceased to operate the concession. The income generated by that concession in the nine months of 2013 totalled EUR 4,214 thousand.

Applus Iteuve Technology, S.L.U. filed an appeal against Royal Decree 93/2007 establishing the administrative authorisation concession regime in the Autonomous Community of the Canary Islands (previously the concession regime was an administrative concession regime). On 29 January 2013, the Canary Islands High Court dismissed the claim filed by the Group. A cassation appeal was filed against this decision on 7 March 2013 at the Supreme Court. AECA ITV (Spanish Association of Entities working with the Government on Vehicle Roadworthiness Testing) also filed an appeal against Royal Decree 93/2007 and obtained a precautionary measure suspending execution of the Royal Decree. An appeal was filed against this precautionary measure by the Canary Islands Autonomous Community Government when the Canary Islands High Court handed down a judgment thereon. The Canary Islands Autonomous Community Government has begun processing authorisation application dossiers (in accordance with Royal Decree 93/2007, which has been appealed) which have been submitted to it in relation to the opening of vehicle roadworthiness testing centres in the Canary Islands. Applus has filed an appeal against all the applications for new centres. Applus has filed an appeal against all the applications for new centres. On 11 February 2014, the Supreme Court dismissed the appeal for judicial review filed by AECA against Decree 93/2007 of the Canary Islands Autonomous Community Government, thus confirming that the regime of administrative authorisation for the provision of the vehicle roadworthiness testing in the Canary Islands Autonomous Community is lawful. Thus, the status quo of the transitional regime was maintained: the concessions and authorisations granted previously will continue to make holders competent without the need for prior authorisation, although holders will be obliged to comply with the related technical requirements.

It should be noted that there is a draft law to amend Royal Decree 224/2008, of 15 February, on general rules on the installation and functioning of roadworthiness testing centres which, inter alia, regulates the regime for situations of incompatibility of the shareholders, senior executives and employees of such centres, with respect to other activities associated with the vehicles subject to roadworthiness testing. However, it is uncertain whether such a draft law will be approved or, if it is approved, on what terms. Even if the aforementioned Royal Decree were amended, the autonomous communities would still have the power to approve or reject it.

The Parent's directors consider that the outcome of all aforementioned proceedings will not give rise to liabilities additional to those already recognised in the consolidated financial statements at 31 December 2013. At 2013 year-end, the Parent's directors were not aware of any significant claims by third parties or any ongoing legal proceedings against the Group, other than those described above, that, in their opinion, could have a material impact on these consolidated financial statements.

28. Transactions and balances with related parties

The transactions between the Parent and its investees were eliminated on consolidation and are not disclosed in this Note.

The transactions between the Group and its associates and related companies are disclosed below.

Transactions with associates and related companies

In 2013 and 2012 the Group companies performed the following transactions with associates and related parties that did not form part of the Group:

	€ thousands								
	2013				2012				
	Operating revenue	Procurements	Royalties expenses	Financial expenses (Note 22)	Operating revenue	Procurements	Royalties expenses	Synergy fee	Financial expenses (Note 22)
Azul Finance S.à.r.l.	—	—	—	14,351	—	—	—	—	41,740
Velosi LLC	3,302	—	—	—	1,815	—	—	—	—
Kurtec Pipeline Services LLC	60	—	—	—	—	—	—	—	—
Kurtec Pipeline Services Ltd.	—	—	—	—	430	—	—	—	—
Velosi (B) Sdn Bhd	233	—	—	—	—	—	—	—	—
Velosi (M) Sdn Bhd	9,815	1,373	2,240	—	11,598	2,679	1,948	1,211	—

The transactions with associates and related parties related to commercial transactions. The Group also has an agreement with Velosi (M) Sdn Bhd for the use of the Velosi brand.

The transactions and balances with the Group and other associates and related parties (Board of Directors and Management) are disclosed in the Note 29.

Balances with associates and related companies

a) Payables to associates and related parties

The detail of payables to associates and related parties at 31 December 2013 and 2012 is as follows:

	€ thousands	
	Long-term loan and interest (Note 15)	
	31/12/13	31/12/12
Azul Finance S.à.r.l.	—	92,448

At 2012 year-end this balance related to the participating loan from Azul Finance S.à.r.l. which was converted into capital in 2013 (see Notes15).

b) Receivables from associates and related parties

	€ thousands	
	Trade receivables from related companies and associates	
	31/12/13	31/12/12
Velosi LLC	727	453
Velosi (B) Sdn Bhd	457	355
Kurtec Pipeline Services Ltd.	49	45
Kurtec Pipeline Services LLC	62	2,569
Velosi (M) Sdn Bhd.	2,903	1,684
Total	4,198	5,106

"Trade Receivables from Related Companies and Associates" relates mainly to commercial transactions.

29. Disclosures on the Board of Directors and Senior Executives

Remuneration of and obligations to Directors

In 2013 the remuneration and other benefits earned by the members of the Board of Directors of the Parent amounted to EUR 280 thousand (2012: EUR 311 thousand).

At 31 December 2013 and 2012, one Board member has been granted a loan of EUR 1,100 thousand secured by a mortgage which matures in 2015.

The Group does not have any significant pension or life insurance obligations to the Parent's directors.

At 31 December 2013 and 2012, the Parent's Board of Directors was made up of eight men and four legal entities represented by men.

Remuneration of and obligations to senior executives

The remuneration paid to the Group's senior executives in 2013 amounted to EUR 4,411 thousand (2012: EUR 3,777 thousand), the detail of which is as follows:

2013

	€ thousands				
	Fixed remuneration	Variable remuneration	Other	Termination benefits	Pension plans
Senior executives	2,771	1,423	165	—	52

2012

	€ thousands				
	Fixed remuneration	Variable remuneration	Other	Termination benefits	Pension plans
Senior executives	2,697	863	217	—	57

Certain Velosi Group executives earn variable remuneration based on the achievement by this Group of certain financial aggregates in 2013 and 2012. The amount provisioned for the aforementioned variable remuneration at 31 December 2013 was USD 13 million (approximately EUR 9,448 thousand), which was the maximum amount payable if the targets were achieved in 2013 and 2012 (see Note 19).

Also, other senior executives of the Group earn variable remuneration subject to the achievement by the Group of certain financial aggregates in 2011, 2012 and 2013. The amount provisioned for the aforementioned variable remuneration at 31 December 2013 was EUR 3,093 thousand, relating to achievement of all of the assets in 2011, 2012 and 2013 (see Note 19).

In July 2012 the Group established a remuneration plan for ten executives which provides for remuneration based on a multiple of the return obtained by the current shareholders in the event of divestment, including any admission to listing process. The remuneration provided for in this plan consists of a fixed amount based on a minimum return which increases in stages according to the multiple obtained (zero if the established minimum return is not achieved). These amounts are reduced by approximately 50% if the divestment is made after 31 December 2016. In the event of partial divestment, the remuneration will be calculated in proportion to the percentage sold. The entitlement to receive the aforementioned remuneration arises when the divestment is made provide that the employee remains in the employee of the Applus Group for one year or leaves the Group during that period as a result of a dismissal not considered to be a dismissal on disciplinary grounds.

At the date of these consolidated financial statements the directors of the Parent, taking into account the context of the potential admission to listing of the Group, revalued the provision for the aforementioned incentive taking into account more up-to-date information on the various market situations and, therefore, they recognised a provision of EUR 9.4 million under Remuneration Payable" in the accompanying consolidated balance sheet (see Note 19). The estimate relating to the incentive was made on the basis of a probabilistic model using various scenarios corresponding to returns and divestment dates and percentages at any given time.

The estimate made is based on a divestment percentage of between 30% and 40% in 2014 and the remainder at 31 December 2016, with the total amount of the incentive payable being EUR 29.8 million, of which at 31 December 2013 the aforementioned EUR 9.4 million had accrued and been provisioned (no tax effect was considered in relation to the recording of this provision as it was treated as a permanent difference).

For the purpose of analysing the sensitivity of the aforementioned calculations, if the limit of the expected maximum return is reached (without taking into account remotely probable scenarios at 31 December 2013), assuming a divestment percentage of between 30% and 40% in 2014 and the remainder at 31 December, the maximum incentive payable would amount to EUR 49.1 million, of which EUR 22.7 million had vested at 31 December 2013.

However, it should be noted in connection with the aforementioned estimates that the current high volatility of the markets could give rise to rapid upward or downward changes with respect to the aforementioned calculations.

In October 2008 Azul Holding, S.C.A. (Lux) a shareholder of the Company, signed with 27 key executives of Applus who invested in the Group a cash-settled incentive plan tied to the achievement of a minimum internal rate of return with respect to the initial investment in the Group. If the required minimum return was not achieved the return of the investment was guaranteed for the executives. Most of this plan was cancelled as a result of the new remuneration policy (see Note 32), except for 19 Group managers. The directors of the Parent consider that the probability of the minimum rate of return established being achieved was remote at 31 December 2013 and, therefore, the estimated value of the plan is EUR 1,250 thousand (the amount relating to the initial investment made), a provision for which has been recognised under "Remuneration Payable" in the accompanying consolidated balance sheet (see Note 19) (no tax effect was considered in relation to the recording of this provision as it was treated as a permanent difference). The maximum amount of this incentive plan, the probability of which was considered to be remote at both 31 December 2013 and the date of these consolidated financial statements, would amount to EUR 10.5 million.

Lastly, it should be indicated that on 25 March 2014 the Group modified the aforementioned incentives through the establishment of a new remuneration policy (see Note 32).

Life insurance policies have been taken out for certain senior executives, although the amount thereof is not material.

In 2013 and 2012 no advances or loans were granted to any senior executives.

At 31 December 2013, the Group's senior management was made up of 12 men (31 December 2012: 12 men). In 2013 and 2012 one of the senior executives was also a member of the Board of Directors although his remuneration was included within that of senior executives.

Information relating to conflicts of interest on the part of the directors

It is hereby stated that the directors, their individual representatives and the persons related thereto do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Group or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Limited Liability Companies Law.

30. Information on the environment

In view of the Group's business activities, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. The Parent's directors consider that the environmental risks that might arise from its activities are minimal and, in any case, are adequately covered, and they do not expect any additional liabilities to arise from the aforementioned risks. The Group did not incur any expenses or receive any grants related to environmental matters in 2013 or 2012.

31. The Group as a going concern

Although the Group has incurred significant losses in recent years, various mitigating factors should be taken into account in assessing the going concern principle of accounting. These are mainly as follows:

1. Business plan

The Group's business plan for 2014-2018, approved by the Parent's Board of Directors, envisages the same trend towards growth in operating profits for 2014 and subsequent years as hitherto, which will enable the Group to go into profit in 2014. A mandate was issued by the Board of Directors to the Parent's management to execute all of the initiatives envisaged in the business plan and it is considered highly probable that it will be met in light of the experience of prior years and the events of the first two months of 2014.

This trend towards growth in earnings derives from both the expected growth in revenue and from the optimisation of costs and investments made for the future.

Matters with an impact on revenue growth-

- Development and investments in infrastructure in new markets (mainly the Middle East and Latin America).
- Proliferation of increasingly regulated environments.
- Development of vehicle inspection programmes in emerging countries.
- Increase in investment in technology applied to vehicles.
- Focus on the most profitable businesses and services with higher value added for customers.
- Continue with the policy of identifying and analysing the less profitable businesses in order to focus on the most profitable ones.
- Continue with the excellence in terms of operational management which is being developed across all the divisions.

Matters with an impact on costs-

- Optimisation of the integration of the various businesses acquired and more transversal management of resources.
- Standardisation and optimisation of the processes of the new management systems implemented.

2. Capacity to repay debt

The Group had positive working capital at 31 December 2013 of EUR 240,404 thousand (31 December 2012: EUR 220,741 thousand). Also, the Group's cash flow was positive in 2013 and it expects to see an important improvement in cash flow in 2014 and subsequent years.

Also, it must be borne in mind that the losses incurred in prior years arose mainly from the amortisation and impairment of certain intangible assets and goodwill disclosed in the business combinations detailed in Note 5 (EUR 167,399 thousand and EUR 52,855 thousand in 2013 and 2012, respectively) and the finance costs associated with the debt. In this regard, the following should be borne in mind:

- The amortisation and impairment expense does not entail a cash outflow and, therefore, has no impact on the Group's cash flow or, consequently, on the Group's ability to fulfil its financial obligations.
- In 2013 all of the participating loan, which resulted in finance costs of EUR 14,351 thousand in 2013 (2012: EUR 41,740 thousand), was converted into capital and, accordingly, this expense will not exist in the future.

3. Access to sources of financing

Due to its geographical diversity, the Group has access to multiple sources of financing.

Also, the additional available funding, which the Group could tap if necessary, is detailed in Note 14.

Lastly, it must be borne in mind that the individual equity of the Parent at 31 December 2013 amounted to EUR 688,572 thousand, which exceeds its share capital of EUR 655,963 thousand.

After considering all of the above, the Parent's directors prepared these consolidated financial statements in accordance with the going-concern principle of accounting, taking into consideration the financial resources available to the Group and the operating, commercial and, particularly, financial actions that might be undertaken in the future.

32. Events after the reporting period

On 25 March 2014 the Parent's Board of Directors approved the following proposed modification to the incentive policy for the key executives. We hope that on 22 April this resolution will be ratified by the shareholders at the Annual General Meeting.

On 2 April 2014, the Group agreed on and signed with the ten executives with whom it had the remuneration plan associated with the divestment of the current shareholders (see Note 29) a proposed novation of all the incentive plans in which the Group stated its firm commitment to modify its remuneration policy in order to simplify its structure. They are expected to be formalised in the coming weeks. The main changes introduced by the new remuneration structure are based principally on the following:

- Establishment of a new incentive plan to replace the previous incentive plan, so that a portion thereof may be collected in cash when the shares of Applus are admitted to listing, with the remainder being deferred through the delivery of a quantity of "Restricted Stock Units" convertible into shares of Applus which, based on a linear schedule, are basically subject to the continuity of the employment relationship (subject to Good leaver/Bad leaver exceptions) for three years. The amount payable in cash on admission to listing of the Group totals EUR 20 million and the fair value of the shares deliverable subject to the continuity of the employment relationship for three years is estimated at an additional EUR 36 million.
- Grant of a new cash-settled multi-year inventive for 2014 to 2016, similar to that existing for 2008-2010 and 2011-2013.
- Establishment of a new incentive plan, to be implemented in the coming months following the admission to listing of the Group, consisting of the delivery of shares of the Group to executives for an amount equivalent and additional to the amount of such annual bonus as might be granted, with an established vesting schedule also subject to the executives remaining in the Group's employee. The first delivery would be made in 2015.
- Cancellation of any other right that might be considered in force in relation to remuneration plans (including the cancelation of that formalised in October 2008, as detailed in Note 29).

On 4 April 2014, the Parent's Board of Directors:

a) approved the early repayment of the financing existing at 31 December 2013 (see Note 14), approved the future formalisation of new financing for the Group amounting to EUR 850,000 thousand, and authorised the future arrangement of derivative financial instruments, all subject to the success of the placement of the shares of the Parent on the Spanish primary market.

b) accepted the resignation of seven directors and appointed four new directors.

c) proposed the reduction of the Parent's share capital, through the redemption and retirement of 645,029,932 shares of EUR 1 par value each, leaving, therefore, the share capital at EUR 10,932,710. In addition, it was proposed to reduce the par value of the shares from EUR 1 par value each to EUR 0.1 par value each. This capital reduction was instrumented through an increase in voluntary reserves. It was also proposed to transfer the excess balance of the legal reserve to voluntary reserves. Therefore, at 4 April 2014 the share capital amounted to EUR 10,932,710, represented by 109,327,100 shares of EUR 0.1 par value each.

The shareholders at the General Meeting held on that same date approved the three aforementioned proposals.

There are no other events after the reporting date that are worthy of mention or that might have an impact on the accompanying consolidated financial statements.

33. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Barcelona, 22 April 2014

D. Joaquín Coello Brufau
Chairman

D. Ernesto Gerardo Mata López
Director

D. Pedro de Esteban Ferrer
Director

D. Alex Wagenberg Bondarovschi
Director

D. Josep María Panicello Primé
Director

D. Mario Pardo Rojo
Director

D. Richard Campbell Nelson
Director

D. John Daniel Hofmeister
Director

D. Fernando Basabe Armijo
Director

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Applus Services, S.A.
(formerly Applus Technologies Holding, S.L.)
and Subsidiaries

Consolidated Directors' Report
for the year ended
31 December 2013

Business performance and situation of the Applus Group

Performance in 2013:

Overview:

The Applus Group's overall performance in 2013 was highly satisfactory, fulfilling the objectives established for the year ended 31 December 2013 for the main management indicators:

- Sales amounted to EUR 1,581 million, up 33% on 2012 (up 8% on 2012 considering the business of the Velosi division for the whole of 2012). Velosi was acquired by the Group on 20 December 2012 and, accordingly, only ten days' operations were included in the 2012 consolidated financial statements.
- Adjusted operating profit before amortisation, depreciation and other results (Ebitda) amounted to EUR 200 million, up 38% on 2012 (up 17% on 2012 considering the contribution of Velosi for the whole year).

These earnings were achieved due to an intense management effort. The divisions with an international presence offset a certain decline in activity in domestic markets. The Spanish macroeconomic environment adversely affected the sales volume of certain Spanish operations which had to adjust recruiting levels to market requirements.

RTD

The RTD division performed excellently in 2013, posting earnings that were better than 2012 and the projections for 2013.

US and Canada

Sales in the US and Canada grew by 21% as a result of the favourable market conditions in the US, the introduction of new technologies (such as "Rotoscan" and "Rayscan") and the achievement of new non-destructive testing contracts for oil and gas pipeline construction projects. The significant increase in sales in Canada was due to the rise in new pipeline construction project activity at Fort McMurray.

Europe

Business performance in Europe was also positive, the highest level of growth in activities was contributed by the Netherlands and the UK, growth being based on optimal operational management in both countries and the expansion of activities in nuclear plants in the UK.

Asia-Pacific

Asia-Pacific sales fell by 11% as a result of the discontinuation of scantly profitable contracts and operations incurring operating losses in Japan.

Rest of the world

Sales growth of 8%, mainly in the Middle East and Africa.

Velosi

2013 was another year of excellent growth in terms of sales and Ebitda. All regions contributed to the excellent growth of the division, mainly North America, Middle East, Africa and Asia-Pacific. Margins have performed positively in recent years, following a trend towards growth since acquisition by the Applus Group.

The oil and gas sector continued the upward trend maintained in recent years. Once again the division increased market share in inspection, certification and technical personnel recruitment services for this sector.

Norcontrol

This division's results were satisfactory, with significant growth in Ebitda despite a 2% fall in sales.

Spain

Sales in domestic markets continue to be affected by the adverse macroeconomic climate in the Spanish market, which led to a 10% decline in sales in 2013. Despite this fall in sales, the company managed to maintain the Ebitda, which enabled it to improve its operating margin.

Latin America

Sales in Latin America increased by 9%, mainly due to the good performance in Colombia and Chile. The operating margin in the region continued the improvement initiated in previous years.

Laboratories

The business performance of the Laboratories division in 2013 was highly satisfactory, achieving the objectives established for the year despite the difficulties in the environment in its main market, Spain, where it makes 64% of its sales.

Sales fell in the domestic market, but that was offset by significant growth in international markets, mainly in Germany.

Automotive (vehicle roadworthiness testing)

The division continued to growth both in sales, 3%, and in Ebidta, 3%.

Spain

The performance of the Spanish market was very positive, with growth in sales and Ebitda, mainly due to the opening of new centres in Madrid and Aragon regions and the good performance of Catalonia.

Latin America

Growth in the Latin America region was fully satisfactory, with a double-digit growth rate mainly generated by the activities carried on in Argentina.

Rest of Europe

Mention must be made of significant growth in Ireland, which offset the fall in Finland due to the deregulation of the market.

US

Sales in the US decreased by 6% as a result of the reduction in sales of emissions testing equipment of the Ontario business. The other concessions performed well.

IDIADA

The division experienced strong growth in both sales, 14%, and Ebitda, 17%. All the regions contributed to this growth.

Outlook for 2014 and following years

The good results obtained historically by the Applus Group set a very positive trend for growth in coming years. There are still investment needs in the energy industry which are supported by the increase in demand for gas and oil and the development to be undergone by emerging economies; a market niche considered to be key, and in which the Applus Group has been consolidating its presence in recent years. All these factors contribute a highly positive view of the expected development of the business in the coming years.

The expectations for the coming years are that the upward trend in the main business indicators will continue to be positive, based on:

- The consolidation and integration of the latest acquisitions made and new laboratories opened in recent years by the Group in the various divisions.
- Focus on the most profitable businesses and services with higher value added for customers.
- Continue with the policy of identifying and analysing the less profitable businesses in order to focus on the most profitable ones.
- Continue with the excellence in terms of the operational management which is being developed in all the divisions.
- Continue with the strategy of increasing growth and market share in order to consolidate its position as an international benchmark in both roadworthiness testing and in the inspection, certification and non-destructive testing industries.

Main risks facing the Group

The main business risks facing the Group are those typical of the businesses in which it operates and of the current macroeconomic environment. The Group actively manages the main risks and considers that the controls designed and implemented to that effect are effective in mitigating the impact of these risks when they materialise.

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management is based on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

The Group's policy hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable. The main financial risks to which the Group is exposed and the practices established are as follows:

a) Foreign currency and interest rate and risks

b) Liquidity risk

c) Credit risk

All the policies and actions aimed at mitigating these risks are detailed in the corresponding notes to the consolidated financial statements.

Quality and the Environment

Quality, the environment, prevention and safety are elements that form an integral part of the Applus Group's activities and culture.

In the performance of our services, we make an effort to improve our management systems in aspects related to quality and safety, protecting the environment and relationships with our customers, employees and suppliers.

The operational implementation of this commitment is integrated into all levels of divisional, regional and country management with the active support of our entire team.

We achieved these changes by establishing good practices which promote and encourage numerous initiatives implemented at local level. In this connection, responsible behaviour and practice is encouraged throughout the business.

The principles governing these activities are included in our quality, prevention and environment policy and in our environmental management policy, all of which are in line with the guidelines of the ISO 9001, ISO 14001 and ISO 18001 standards.

Research and development expenditure

The Applus Group maintains a constant interest in research and development activities, which are mainly carried on through the IDIADA and RTD divisions.

Our IDIADA division, which offers design, testing, engineering and certification services in the automotive industry, continues to be at the forefront of the development of the most innovative techniques in order to offer our customers the services they require to meet their high technology needs.

Continuing with the strategic line of consolidating itself as a reference in the innovation of high technology services for customers, IDIADA has developed important projects structured into five lines of activity:

- KID-SHELL, a project developing a new concept for the protection of child occupants of two-wheel motor vehicles.
- Through various projects, IDIADA has developed a new integrated concept based on a controlled environment, which is managed intelligently using ITS technologies to detect and monitor vehicles and create a universal platform for the development of innovative new products and competitive companies involved in ICT technologies as a key step in the scalability of these technologies and their future mass use/implementation in towns and cities and motorways.
- IDIADA is working on various projects focusing on research into the application of advanced communications systems, new materials and new profiles to maximise the performance and protection offered by road infrastructure in the event of an accident.
- In the integrated safety services field, Applus IDIADA is developing various harmonized and standardized assessment procedures and related tools for selected integrated safety systems in the following areas: autonomous driving; ADAS; PNCAP; testing and development of chassis control systems; pre-crash systems; crash compatibility; child safety; whiplash and HMI.
- Electric vehicles. Development of numerous hybrid vehicle (HEV) and electric vehicle (EV) projects, and for the fields of passive safety, active safety, high voltage safety, powertrain, durability and homologation.

Our RTD division is a leading global energy service provider, delivering technical assurance through non-destructive testing, inspection, and certification to the energy, public service and infrastructure industries.

Applus RTD is a worldwide leader in the creation of new technologies working in the vanguard of R&D for the industry. With its technological epicentre in Rotterdam, it has developed an important range of ultrasound probes, designed and produced in accordance with current legal standards and guidelines, using the latest design, modelling, engineering and production tools.

The objectives driving the teams of specialists in research and development are to optimise existing techniques and to create new, highly efficient and reliable technologies which meet the many and varied challenges set by the industry. The R&D team is continuously involved in intensive projects to develop new solutions to emerging issues, while improving existing technologies to set new standards. We work alongside our clients and other specialists on industrial projects, while collaborating with universities and other research institutions nationally and internationally.

Treasury share transactions

No transactions involving treasury shares were performed in 2013. The Applus Group did not hold any treasury shares at 2013 year-end.

Events after the reporting period

No significant events have occurred since 2013 year-end other than those described in the notes to the accompanying consolidated financial statements.

Use of financial instruments

At 31 December 2013, the Group had no hedging instruments, since they expired in 2013. The notes to the consolidated financial statements disclose all the hedging instruments arranged by the Group.

Barcelona, 22 April 2014.

D. Joaquín Coello Brufau
Chairman

D. Ernesto Gerardo Mata López
Director

D. Pedro de Esteban Ferrer
Director

D. Alex Wagenberg Bondarovschi
Director

D. Josep María Panicello Primé
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D. Richard Campbell Nelson
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D. John Daniel Hofmeister
Director

D. Fernando Basabe Armijo
Director

Joaquin Coello Brufau
for Azul Management S.à.r.l.
Chairman

Joan Manuel Soler Pujol
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

Alex Wagenberg Bondarovschi
for CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Director

Pedro Esteban Ferrer
for CEP II Participacions S.à.r.l. SICAR (Luxembourg)
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Mario Pardo Rojo
for the Carlyle Group S.à.r.l. (Luxembourg)
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Richard Campbell Nelson
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Director

Josep Maria Panicello Primé
Director

John Daniel Hofmeister
Director

Applus Technologies Holding, S.L. and Subsidiaries and Velosi S.à r.l. and Subsidiaries

Combined Special Purpose Financial Statements for the years ended 31 December 2012 and 2011 (“Combined Special Purpose Financial Statements”)

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APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES AND VELOSI S.À.R.L. AND SUBSIDIARIES

COMBINED SPECIAL PURPOSE BALANCE SHEET AT 31 DECEMBER 2012 AND 2011

(Thousands of Euros)

	Notes	31/12/12	31/12/11
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	*5*	571,168	579,474
Other intangible assets	*6*	716,388	695,545
Property, plant and equipment	*7*	196,566	179,241
Non-current financial assets	*8*	13,163	15,252
Deferred tax assets	*19.3*	137,547	113,354
Total non-current assets		**1,634,832**	**1,582,866**
CURRENT ASSETS:			
Inventories	*9*	7,898	5,405
Trade and other receivables			
Trade and other receivables	*10*	335,543	314,423
Trade receivables from related companies	*10 & 26*	5,106	5,081
Other receivables	*10*	26,174	20,181
Income tax assets	*19.1*	14,600	13,834
Other current assets		1,453	4,114
Current financial assets	*11*	**2,823**	**2,880**
Cash and cash equivalents	*11*	**141,426**	**120,737**
Total current assets		**535,023**	**486,655**
TOTAL ASSETS		**2,169,855**	**2,069,521**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital and reserves			
Share capital		600,825	31,807
Share premium		308,076	317,640
Retained earnings and other reserves		(472,407)	(194,228)
Foreign currency translation reserve		(9,032)	(10,219)
Loss for the year		(66,969)	(91,829)
Valuation adjustments			
Hedges		(4,882)	(18,999)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENTS		**355,611**	**34,172**
NON-CONTROLLING INTERESTS	*13*	**34,788**	**33,360**
Total equity	*12*	**390,399**	**67,532**
PARTICIPATING LOAN:	*15 & 26*	**92,448**	**391,715**
NON-CURRENT LIABILITIES:			
Long-term provisions	*17 & 25*	8,965	6,389
Bank borrowings	*14*	1,080,580	1,024,778
Other financial liabilities	*15*	28,030	26,600
Long-term trade payables from related companies		—	2,329
Deferred tax liabilities	*19.4*	241,335	235,071
Other non-current liabilities		13,816	20,291
Total non-current liabilities		**1,372,726**	**1,315,458**
CURRENT LIABILITIES:			
Short-term provisions		2,139	1,770
Bank borrowings	*14*	33,929	70,752
Trade and other payables	*18*	241,780	201,787
Income tax liabilities	*19.1*	25,311	12,191
Other current liabilities		11,123	8,316
Total current liabilities		**314,282**	**294,816**
TOTAL EQUITY AND LIABILITIES		**2,169,855**	**2,069,521**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the combined special purpose balance sheet at 31 December 2012 and 2011

Barcelona, 25 March 2014

Joaquin Coello Brufau
for Azul Management, S.à.r.l.
Chairman

Joan Manuel Soler Pujol
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

Alex Wagenberg Bondarovschi
for CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Director

Pedro Esteban Ferrer
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Director

John Daniel Hofmeister
Director

APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES AND VELOSI S.À.R.L. AND SUBSIDIARIES

COMBINED SPECIAL PURPOSE INCOME STATEMENT FOR 2012 AND 2011

(Thousands of Euros)

	Notes	2012	2011
CONTINUING OPERATIONS:			
Revenues	*20.a*	1,464,998	1,179,585
Procurements		(216,626)	(153,879)
Gross profit		**1,248,372**	**1,025,706**
Staff costs	*20.b*	(739,756)	(603,373)
Other operating expenses		(337,544)	(280,282)
Operating Profit Before Depreciation, Amortization and Others		**171,072**	**142,051**
Depreciation and amortisation charge	*6 & 7*	(82,524)	(73,438)
Impairment and gains or losses on disposal of non-current assets	*22*	(19,817)	(22,754)
Other losses	*20*	(23,512)	(23,578)
OPERATING PROFIT:		**45,219**	**22,281**
Net financial expense	*21*	(117,448)	(113,644)
Share of profit of companies accounted for using the equity method		1,628	894
Loss before tax		**(70,601)**	**(90,469)**
Income tax	*19*	10,665	7,027
Net loss from continuing operations		**(59,936)**	**(83,442)**
LOSS FROM DISCONTINUED OPERATIONS NET OF TAX:	*28*	**—**	**(2,464)**
NET COMBINED LOSS:		**(59,936)**	**(85,906)**
Profit attributable to non-controlling interests	*13*	7,033	5,923
NET LOSS ATTRIBUTABLE TO THE PARENTS:		**(66,969)**	**(91,829)**
Applus Subgroup's Profit / (Loss) per share	*12*		
- Basic		(1,443)	(7,292)
- Diluted		(1,443)	(7,292)
Velosi Subgroup's Profit / (Loss) per share	*12*		
- Basic		0,0438	(0,0171)
- Diluted		0,0438	(0,0171)

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the combined special purpose income statement for 2012 and 2011

Barcelona, 25 March 2014

Joaquin Coello Brufau for Azul Management, S.à.r.l. Chairman	Joan Manuel Soler Pujol Director
Ernesto Gerardo Mata López Deputy Chairman	Carlos Kinder Espinosa Director
Alex Wagenberg Bondarovschi for CEP III Participacions S.à.r.l. SICAR (Luxembourg) Director	Pedro Esteban Ferrer for CEP II Participacions S.à.r.l. SICAR (Luxembourg) Director
Mario Pardo Rojo for the Carlyle Group S.à.r.l. (Luxembourg) Director	Christopher Finn Director
Richard Campbell Nelson Director	Fernando Basabe Armijo Director
Josep Maria Panicello Primé Director	John Daniel Hofmeister Director

APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES AND VELOSI S.À.R.L. AND SUBSIDIARIES

COMBINED SPECIAL PURPOSE STATEMENT OF COMPREHENSIVE INCOME FOR 2012 AND 2011

(Thousands of Euros)

	Notes	**2012**	**2011**
Combined loss per income statement (I)		**(59,936)**	**(85,906)**
Total items that may be reclassified subsequently to profit and loss			
Exchange differences on translation foreign operations		1,051	(1,449)
Net fair value gain on hedging instruments entered into for cash flow hedges	*16*	20,167	14,983
Income tax effect of other comprehensive income/loss		(6,050)	(4,495)
Other comprehensive income for the year, net of income tax (II)		**15,168**	**9,039**
Total comprehensive income / (loss) (I+II)		**(44,768)**	**(76,867)**
Combined profit / (loss) for the year attributable to:			
Owners of the parents		(51,830)	(83,306)
Non-controlling interests		7,062	6,439
Total comprehensive income / (loss) (I+II)		**(44,768)**	**(76,867)**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the combined special purpose statement of comprehensive income for 2012 and 2011.

Barcelona, XXX March 2014

Joaquin Coello Brufau
for Azul Management, S.à.r.l.
Chairman

Joan Manuel Soler Pujol
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

Alex Wagenberg Bondarovschi
for CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Director

Pedro Esteban Ferrer
for CEP II Participacions S.à.r.l. SICAR (Luxembourg)
Director

Mario Pardo Rojo
for the Carlyle Group S.à.r.l. (Luxembourg)
Director

Christopher Finn
Director

Richard Campbell Nelson
Director

Fernando Basabe Armijo
Director

Josep Maria Panicello Primé
Director

John Daniel Hofmeister
Director

APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES AND VELOSI S.À.R.L. AND SUBSIDIARIES

COMBINED SPECIAL PURPOSE STATEMENT OF CHANGES IN EQUITY FOR 2012 AND 2011

(Thousands of Euros)

(Notes 12 & 13)	Share capital	Share premium	Retained earnings and other reserves	Valuation adjustments	Foreign currency translation reserve	Loss for the year	Non-controlling interests	Total equity
Balance at 1/1/2011	**11,807**	**137,588**	**(125,162)**	**(29,487)**	**(8,254)**	**(70,188)**	**27,823**	**(55,873)**
Changes in the scope of consolidation (Subgroup)	—	—	1,174	—	—	—	562	1,736
Allocation of 2010 loss	—	—	(70,188)	—	—	70,188	—	—
Dividends paid	—	—	—	—	—	—	(1,464)	(1,464)
Capital increase	20,000	180,000	—	—	—	—	—	200,000
Other changes	—	52	(52)	—	—	—	—	—
2011 comprehensive income / (loss)	—	—	—	10,488	(1,965)	(91,829)	6,439	(76,867)
Balance at 31/12/11	**31,807**	**317,640**	**(194,228)**	**(18,999)**	**(10,219)**	**(91,829)**	**33,360**	**67,532**
Restatement	—	—	—	—	—	(3,508)	—	(3,508)
Balance at 1/1/2012	**31,807**	**317,640**	**(194,228)**	**(18,999)**	**(10,219)**	**(95,337)**	**33,360**	**64,024**
Changes in the scope of consolidation (Subgroup)	238,765	7,235	(143,787)	—	—	—	14,472	116,685
Elimination of Velosi Equity	(722)	(26,828)	(20,812)	—	165	—	(9,390)	(57,587)
Allocation of 2011 loss	—	—	(95,337)	—	—	95,337	—	—
Dividends paid	—	—	—	—	—	—	(5,166)	(5,166)
Capital increase	330,975	10,029	—	—	—	—	—	341,004
Other changes	—	—	(18,243)	—	—	—	(5,550)	(23,793)
2012 comprehensive income / (loss)	—	—	—	14,117	1,022	(66,969)	7,062	(44,768)
Balance at 31/12/12	**600,825**	**308,076**	**(472,407)**	**(4,882)**	**(9,032)**	**(66,969)**	**34,788**	**390,399**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the combined statement of changes in equity for 2012 and 2011

Barcelona, 25 March 2014

Joaquin Coello Brufau for Azul Management, S.à.r.l. Chairman	Joan Manuel Soler Pujol Director
Ernesto Gerardo Mata López Deputy Chairman	Carlos Kinder Espinosa Director
Alex Wagenberg Bondarovschi for CEP III Participacions S.à.r.l. SICAR (Luxembourg) Director	Pedro Esteban Ferrer for CEP II Participacions S.à.r.l. SICAR (Luxembourg) Director
Mario Pardo Rojo for the Carlyle Group S.à.r.l. (Luxembourg) Director	Christopher Finn Director
Richard Campbell Nelson Director	Fernando Basabe Armijo Director
Josep Maria Panicello Primé Director	John Daniel Hofmeister Director

APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES AND VELOSI S.À.R.L. AND SUBSIDIARIES

COMBINED SPECIAL PURPOSE STATEMENT OF CASH FLOWS FOR 2012 AND 2011

(Thousands of Euros)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from operating activities before tax		**(70,601)**	**(90,469)**
Adjustments of items that do not give rise to operating cash flows-			
Depreciation and amortisation charge	*6 & 7*	82,524	73,438
Writedown of goodwill	*22*	18,101	18,000
Changes in provisions and allowances	*22*	916	4,136
Financial loss	*21*	117,448	113,644
Share of profit in associated companies		(1,628)	(894)
Gains or losses on disposals of property, plant and equipment	*22*	(39)	536
Gains or losses on disposals of intangible assets	*22*	839	22
Profit from operations before changes in working capital (I)		**147,560**	**118,413**
Changes in working capital-			
Changes in trade and other receivables		(24,419)	(36,715)
Changes in inventories		(2,493)	(1,045)
Changes in trade and other payables		43,302	39,156
Cash generated by changes in working capital (II)		**16,390**	**1,396**
Income tax		**(10,670)**	**(6,318)**
Cash flows from income tax (III)		**(10,670)**	**(6,318)**
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)		**153,280**	**113,491**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Business combinations	*3.e.4.1*	—	2,893
Payments due to acquisition of subsidiaries and other non-current financial assets		(23,000)	(24,552)
Payments due to acquisition of one-time fixed assets		(10,350)	(10,508)
Payments due to acquisition of fixed assets		(48,611)	(37,257)
Net cash flows used in investing activities (B)		**(81,961)**	**(69,424)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received	*21*	2,175	1,027
Interest paid		(65,534)	(64,774)
Changes in non-current financing (payments and proceeds)		40,426	21,809
Changes in current financing (payment and proceeds)		(22,531)	48,022
Dividends paid by Subgroup companies to non-controlling interests	*13*	(5,166)	(1,464)
Net cash flows used in financing activities (C)		(50,630)	4,620
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C)		20,689	48,687
Cash and cash equivalents at beginning of year		**120,737**	**72,050**
+ Cash and cash equivalents at end of year		**141,426**	**120,737**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the combined special purpose statement of cash flows for 2012 and 2011

Barcelona, 25 March 2014

Joaquin Coello Brufau for Azul Management, S.à.r.l. Chairman	Joan Manuel Soler Pujol Director
Ernesto Gerardo Mata López Deputy Chairman	Carlos Kinder Espinosa Director
Alex Wagenberg Bondarovschi for CEP III Participacions S.à.r.l. SICAR (Luxembourg) Director	Pedro Esteban Ferrer for CEP II Participacions S.à.r.l. SICAR (Luxembourg) Director
Mario Pardo Rojo for the Carlyle Group S.à.r.l. (Luxembourg) Director	Christopher Finn Director
Richard Campbell Nelson Director	Fernando Basabe Armijo Director
Josep Maria Panicello Primé Director	John Daniel Hofmeister Director

**Applus Technologies Holding, S.L.
and Subsidiaries and
Velosi S.àr.l. and Subsidiaries**

Notes to the combined special purpose
financial statements for the years ended
31 December 2012 and 2011

1. Subgroup's activities

The combination scope as defined during the preparation of these special purpose combined financial statements consists of:

- Applus Technologies Holding, S.L. and subisidiaries ("Applus Subgroup") consolidated financial statements.
- Velosi S.à r.l. and Subisidiaries ("Velosi Subgroup") consolidated financial statements.

Applus Subgroup

Applus Technologies Holding, S.L. ("Parent of Applus") has been the Parent of the Applus Subgroup since 29 November 2007 and was incorporated on 5 July 2007 as a private limited liability company for an indefinite period of time under the name of Libertytown, S.L., which was changed to the present name on 10 July 2008.

On 29 November 2007 the registered office was moved to its current location at Campus de la UAB, carretera de acceso a la facultad de medicina s/n, Bellaterra, Cerdanyola del Vallès (Barcelona).

On 29 November 2007, Applus Technologies Holding, S.L. acquired all the shares of Applus Servicios Tecnológicos, S.L.U., at that date the holding company of Applus Subgroup. From that date, the aforementioned subgroup became part of Azul Holding S.C.A., a company, directly or indirectly owned by CEP II Participations S.à r.l. SICAR and CEP III Participations S.à r.l. SICAR, investment companies advised by The Carlyle Group LP, and other investors.

On 20 December 2012, Azul Holding S.C.A. (Lux), a shareholder of the Parent of Applus, contributed the issued share capital of Azul Holding 2 S.à r.l. (99.9%), and Azul Holding S.C.A. (0.1%) as a shareholders of Velosi Subgroup, to the Parent of Applus by means of a contribution in kind (see Notes 3.e.1 and 12).

The Applus Subgroup's activities are as follows:

- The provision of services related to the automotive industry and vehicle and road safety (engineering processes, design, testing, standardisation and certification of second-hand vehicles) and technical inspections for other non-automotive industries except for reserved activities subject to special legislation.
- The performance of technical audits of all manner of facilities used for vehicle roadworthiness or monitoring tests throughout Spain and abroad and any other type of non-vehicle inspections.
- The preparation and performance of all manner of studies and projects relating to the foregoing activities, whether of an economic, industrial or technical nature or relating to real estate, computing or market research, and the supervision, management and rendering of services and provision of counselling on the performance thereof.
- The provision of advisory, administration and management services of a technical, tax, legal or commercial nature.
- The provision of commercial intermediation services in Spain and abroad.
- The provision of all manner of quality and quantity inspection and control services, statutory inspections, cooperation with the public authorities, consulting, audit, certification and standardisation services, personnel training and skill-building and technical assistance in general aimed at enhancing quality, safety and environmental organisation and management.
- The performance of laboratory or in situ studies, work, measurements, trials, analyses and controls using the professional methods and means deemed necessary or appropriate and, particularly, relating to materials, equipment, products and industrial facilities in the mechanical, electrical, electronic and IT fields and the areas of transport, communications, administrative organisation,

office computerisation, mining, foodstuffs, environment, construction and civil engineering at the design, project, manufacturing, construction, assembly and start-up phases and subsequent maintenance and production for all manner of companies and public and private entities including central government, autonomous community, provincial and municipal authorities and for all manner of bodies, institutions and users in Spain and abroad.

- The acquisition, holding and direct or indirect management of shares or other equity investments or ownership interests in share capital and/or securities entitling the holder to obtain shares, equity investments or ownership interests in companies of any kind and entities with or without legal personality incorporated under Spanish law or any other applicable legislation in accordance with Article 116 of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, or any legal provisions that may replace such legislation, and the direct or indirect management of any such company or entity through the membership, attendance at or holding of positions on any governing or managing body of the aforementioned companies or entities, performing such advisory or management services through the related organisation of material and human resources. The activities expressly reserved by the Collective Investment Undertakings Law and by the Securities Market Law for securities brokers and dealers are excluded. These activities may be wholly or partially carried on by the Company indirectly through the ownership of shares or other equity interests in companies with an identical or similar company object.

Velosi Subgroup

Velosi S.à r.l. ("Parent of Velosi") is the Parent of the Velosi Subgroup and is a private limited company, incorporated previously in Jersey. On 18 December 2012, the Company changed its registered office from Jersey to Luxembourg and its legal form to a private limited company (S.à r.l) as defined by Luxembourg Company law. At the same time, the Parent changes its name from Velosi Limited to Velosi S.à r.l.

The Velosi Subgroup's activities are as follows:

- Provision of quality assurance and control, general inspection, corrosion monitoring and manpower supply services to the oil and gas industry.
- Provision of industrial consultation services.
- Provision of management, marketing support, advisory and business development services to Subgroup Velosi companies.
- Provision of certification, technical, engineering and industrial services, onshore and offshore.
- Provision of specialised non destructive test inspection services and tube pipe and tank cleaning services.
- Vendor inspection services, testing, servicing, repairing and maintenance of control system, equipment, machinery, accessories and materials.

The subsidiaries and associates directly or indirectly owned by the Applus Subgroup and Velosi Subgroup as of 31 December 2012 and 2011 are shown in Appendix I (companies included in the scope of consolidation) and Appendix II (companies excluded from the scope of consolidation).

2. Basis of presentation of the combined special purpose financial statements

a) Basis of presentation

a.1) Basis of presentation of the combined special purpose financial statements

Azul Holding, S.C.A., that owns, directly or indirectly, the Applus Subgroup, purchased in January 2011 the 100% of Velosi Subgroup from a third party through its investee Azul Holding 2 S.à r.l. Applus Subgroup and Velosi Subgroup were under common control as of that date.

On 20 December 2012 Applus Technologies Holding, S.L. became the Parent company of Velosi Subgroup. As a consequence, the historical financial information of the current legal structure of Applus Tecnhologies Holding, S.L. and its subsidiaries (the current Applus Group) is comprised of the consolidated financial statements for the year ended 31 December 2011, in which Velosi Subgroup is not integrated. However, consolidated financial statements for the year ended 31 December 2012 in which the consolidated balance sheet includes the integration of Velosi Subgroup but in which the income statement only includes 11 days of activity (from 20 December 2012).

On the other hand, the Applus consolidated financial statements for the year ended 31 December 2013, already include the complete effects of the Velosi Subgroup integration. In this context and considering the relevance of the contribution of Velosi Subgroup to Applus Group, it is suitable to include in a prospectus for a potential Initial Public Offering "IPO" of Applus Technologies Holding, S.L. (that was renamed on 4 March 2014 to Applus Services, S.A. for the purpose of the Initial Public Offering "IPO") in the Spanish Stock Market, combined special purpose financial statements from both Applus Subgroup and Velosi Subgroup for the years ended 31 December 2012 and 31 December 2011, with the aim to present homogeneous and comparable historical financial information to investors.

The accompanying combined special purpose financial statements have been prepared in order to show the combined activity of the Applus Subgroup and Velosi Subgroup in 2012 and 2011, during which time, even though both subgroups were under common control of their majority shareholder, they were not a consolidated Group for the purpose of consolidation. In this regard and in the context of the potential Initial Public Offering "IPO" of Applus Technologies Holding, S.L., the Applus Technologies Holding, S.L.'s Board of Directors have prepared these special purpose combined financial statements.

These combined special purpose financial statements do not include the financial statements of Azul Holding 2 S.à r.l. (the last Parent company of Velosi Subgroup) due to the fact that this company has no activity apart from being the holding company of Velosi Subgroup. Consequently, its balance sheet contains only the investment in Velosi Subgroup.

In 2012 and 2011 Applus Subgroup and Velosi Subgroup did not operate under the current legal structure, as the in kind contribution of Velosi Subgroup did not take place until 20 December 2012. These combined special purpose financial statements are therefore, not necessarily indicative of results that would have occurred if Applus Subgroup and Velosi Subgroup had operated under the same legal structure during the years presented, or of future results of the business. Accordingly, the combined special purpose financial statements may not be suitable for other purposes than the aforementioned.

This basis of presentation describes how the combined special purpose financial information has been prepared from the audited consolidated annual accounts of Applus Subgroup and Velosi Subgroup in accordance with International Financial Reporting Standad as adopted by de European Union (IFRS-EU). As of December 2012, the restructuration of Applus Group had already been finalized and the current Applus Group complies with the consolidation requirements according to IFRS-EU. So, the consolidated balance sheet has been included in the combined special purpose financial statements. On the other side, the allocation of goodwill done at 31 December 2012 and recognized on the consolidated balance sheet at that date, has not been reflected neither in the combined special purpose income statements for the periods ended 2012 and 2011, nor in the combined special purpose balance sheet as of 31 December 2011.

These combined special purpose financial statements for 2012 and 2011 were formally prepared considering the following financial information:

i) Audited Applus Technologies Holding, S.L. and subsidiaries consolidated financial statements for the year ended 31 December 2011 prepared in accordance with IFRS-EU.

ii) Audited Velosi S.à r.l. and subsidiaries consolidated financial statements for the year ended 31 December 2011 prepared in accordance with IFRS-IASB.

iii) Audited Applus Technologies Holding, S.L. and subsidiaries consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS-EU.

iv) Audited Velosi S.à r.l. and subsidiaries consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS-EU.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, except for those related to Velosi Subgroup for the year ended 31 December 2011 which were prepared under IFRS as adobted by the IASB.

Separate auditors' reports were issued to the shareholders of Applus Technologies Holding, S.L. dated 31 May 2013 and 1 May 2012, respectively and separate auditors' report were issued to the shareholders of Velosi S.à r.l., dated 20 August 2013 and 5 November 2012, respectively. All of these four auditor's reports were issued with an unqualified audit opinion.

The combined special purpose financial statements were prepared with the following criteria:

- Aggregation of the two consolidated financial statements for the year ended 31 December 2011 mentioned above of each statement (balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow), considering the proper elimination of the transactions and balances between Applus Subgroup and Velosi Subgroup.
- Aggregation of the two consolidated financial statements for the year ended 31 December 2012 mentioned above for the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow, considering the proper elimination of the transactions and balances between Applus Subgroup and Velosi Subgroup. As mentioned before, the balance sheet for the year ended 31 December 2012 is not combined and consist of the consolidated balance sheet included in the Applus Technologies Holding, S.L. and subisidiaries consolidated financial statements for the year ended 31 December 2012 which included the Velosi S.à r.l. and subisidiaries.
- In 2012, Applus Subgroup assessed and recognised the provisional fair value of the assets and liabilities of the Velosi Subgroup acquired on 20 December 2012, recognising the provisional fair value of the assets and liabilities amounting to EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect). This valuation has been prospectively accounted for rather than retrospectively as of 1 January 2011. The total amount for the year of the depreciation of these assets is EUR 5,941 thousand net of the tax effect.

Aditionally, in preparing the attached combined special purpose financial information, the Board of Directors of Applus Technologies Holding, S.L. have considered the Accounting Conventions Commonly Used in the Preparation of Historical Financial Information in Investment Circulars compiled by the Auditing Practice Board (APB) from a number of sources to describe conventions commonly used for the preparation of historical financial information intended to show a true and fair view for the purposes of an investment circular. These Conventions are presented as an Annexure to the Standard Investment Reporting (SIR) 2000 issued by the APB, which is part of the Financial Reporting Council (FCRC).

Specifically in relation to the treatment of subsequent events to the reference date of these combined special purpose financial statements, it is normal practice to consider events only up to the date on which the audit report on the relevant underlying financial statements was originally signed by the auditors, except in relation to the final period presented. Accordingly, it has been considered that the fiscal year ended 31 December 2013 is the end of the presented period, since the combined special purpose financial statements for the years ended 31 December 2011 and 31 December 2012 are complementary to the information included in the consolidated financial statements of the aforementioned year (see Note 31). In respect of this final presented period, it will be necessary for post financial statements events to be reflected up to the date on which the historical financial information to be presented in the investment circular is approved by the responsible party.

The balance sheet included in the combined special purpose financial statements for the year ended 31 December 2011 was prepared as follows (in thousand of euros):

	CC.FF.SS. Applus	CC.FF.SS. Velosi	Elimination of intragroup balances	Combined 31.12.11
ASSETS				
NON-CURRENT ASSETS:				
Goodwill	573,210	6,264	—	579,474
Other intangible assets	689,770	5,775	—	695,545
Property, plant and equipment	170,390	8,851	—	179,241
Non-current financial assets	12,330	2,922	—	15,252
Deferred tax assets	113,130	224	—	113,354
Total non-current assets	**1,558,830**	**24,036**	**—**	**1,582,866**
CURRENT ASSETS:				
Inventories	5,405			5,405
Trade and other receivables				
Trade and other receivables	241,585	73,161	(323)	314,423
Trade receivables from related companies	3,710	5,676	(4,305)	5,081
Other receivables	20,181	—	—	20,181
Income tax assets	13,175	659	—	13,834
Other current assets	4,114	—	—	4,114
Current financial assets	**4,762**	**—**	**(1,882)**	**2,880**
Cash and cash equivalents	**101,247**	**19,490**	**—**	**120,737**
Total current assets	**394,179**	**98,986**	**(6,510)**	**486,655**
TOTAL ASSETS	**1,953,009**	**123,022**	**(6,510)**	**2,069,521**

	CC.FF.SS. Applus	CC.FF.SS. Velosi	Elimination of intragroup balances	Combined 31.12.11
LIABILITIES				
EQUITY:				
Share capital and reserves-				
Share capital	31,085	722	—	31,807
Share premium	290,812	26,828	—	317,640
Reserves	(222,484)	28,256	—	(194,228)
Translation differences	(8,731)	(1,488)	—	(10,219)
Loss for the year	(91,002)	(827)	—	(91,829)
Valuation adjustments-				
Hedges	(18,999)	—	—	(18,999)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENTS	**(19,319)**	**53,491**	**—**	**34,172**
NON-CONTROLLING INTERESTS	**21,848**	**11,512**	**—**	**33,360**
Total equity	**2,529**	**65,003**	**—**	**67,532**
PARTICIPATING LOAN:	**391,716**	**—**	**—**	**391,716**
NON-CURRENT LIABILITIES:				
Long-term provisions	4,665	1,724	—	6,389
Bank borrowings	1,023,344	1,434	—	1,024,778
Other financial liabilities	25,112	1,488	—	26,600
Long-term trade payables from related companies		2,329	—	2,329
Deferred tax liabilities	235,008	63	—	235,071
Other non-current liabilities	20,280	2,216	(2,205)	20,291
Total non-current liabilities	**1,308,409**	**9,254**	**(2,205)**	**1,315,458**
CURRENT LIABILITIES:				
Short-term provisions	1,770	—	—	1,770
Bank borrowings	67,585	3,167	—	70,752
Trade and other payables	167,314	38,778	(4,305)	201,787
Income tax liabilities	9,012	3,179	—	12,191
Other current liabilities	4,675	3,641	—	8,316
Total current liabilities	**250,356**	**48,765**	**(4,305)**	**294,816**
TOTAL EQUITY AND LIABILITIES	**1,953,009**	**123,022**	**(6,510)**	**2,069,521**

As mentioned before, the balance sheet included in the combined special purpose financial statements for the year ended 31 December 2012 is the consolidated balance sheet included in the Applus Technologies Holding, S.L. and subisidiaries consolidated financial statements for the year ended 31 December 2012.

The income statements included in the combined special purpose financial statements for the years ended 31 December 2012 and 2011 were prepared as follows:

	APPLUS CC.FF.SS 2011	**VELOSI CC.FF.SS 2011**	**Elimination of intragroup transactions**	**Combined 2011**
CONTINUING OPERATIONS:				
Revenues	980,919	201,340	(2,674)	1,179,585
Procurements	(71,911)	(81,968)	—	(153,879)
Gross profit	**909,008**	**119,372**	**(2,674)**	**1,025,706**
Staff costs	(529,219)	(74,155)	—	(603,374)
Other operating expenses	(255,890)	(27,065)	2,674	(280,281)
Operating Profit Before Depreciation, Amortization and Others	**123,899**	**18,152**	**—**	**142,051**
Depreciation and amortisation charge	(70,117)	(3,321)	—	(73,438)
Impairment and gains or losses on disposal of non-current assets	(22,744)	(10)	—	(22,754)
Other losses	(17,602)	(5,976)	—	(23,578)
OPERATING PROFIT:	**13,436**	**8,845**	**—**	**22,281**
Financial loss	(112,413)	(1,231)	—	(113,644)
Share of profit of companies accounted for using the equity method	—	894	—	894
Loss before tax	**(98,977)**	**8,508**	**—**	**(90,469)**
Income tax	11,268	(4,241)	—	7,027
Net loss from continuing operations	**(87,709)**	**4,267**	**—**	**(83,442)**
LOSS FROM DISCONTINUED OPERATIONS NET OF TAX:	**(1,682)**	**(782)**	**—**	**(2,464)**
NET COMBINED LOSS:	**(89,391)**	**3,485**	**—**	**(85,906)**
Profit attributable to non-controlling interests	(1,611)	(4,312)	—	(5,923)
NET LOSS ATTRIBUTABLE TO THE PARENTS:	**(91,002)**	**(827)**	**—**	**(91,829)**

	APPLUS CC.FF.SS 2012	VELOSI CC.FF.SS 2012 (*)	Elimination of intragroup transactions	Combined 2012
CONTINUING OPERATIONS:				
Revenues	1,192,647	278,414	(6,063)	1,464,998
Procurements	(101,083)	(115,543)	—	(216,626)
Gross profit	**1,091,564**	**162,871**	**(6,063)**	**1,248,372**
Staff costs	(640,077)	(99,679)	—	(739,756)
Other operating expenses	(305,952)	(37,655)	6,063	(337,544)
Operating Profit Before Depreciation, Amortization and Others	**145,535**	**25,537**	**—**	**171,072**
Depreciation and amortisation charge	(79,173)	(3,351)	—	(82,524)
Impairment and gains or losses on disposal of non-current assets	(19,932)	115	—	(19,817)
Other losses	(15,502)	(8,010)	—	(23,512)
OPERATING PROFIT:	**30,928**	**14,291**	**—**	**45,219**
Financial loss	(114,683)	(2,765)	—	(117,448)
Share of profit of companies accounted for using the equity method	—	1,628	—	1,628
Loss before tax	**(83,755)**	**13,154**	**—**	**(70,601)**
Income tax	17,512	(6,847)	—	10,665
Net loss from continuing operations	**(66,243)**	**6,307**	**—**	**(59,936)**
LOSS FROM DISCONTINUED OPERATIONS NET OF TAX:	**—**	**—**	**—**	**—**
NET COMBINED LOSS:	**(66,243)**	**6,307**	**—**	**(59,936)**
Profit attributable to non-controlling interests	2,914	4,119	—	7,033
NET LOSS ATTRIBUTABLE TO THE PARENTS:	**(69,157)**	**2,188**	**—**	**(66,969)**

(*) *Net profit from 1 January 2012 to 20 December 2012. The total net profit of Velosi Subgroup for the year ended 31 December 2012 was EUR 2,064 thousand. The net profit from 22 December 2012 to 31 December 2012 was already included in Applus Technologies Holding, S.L. and subsidiaries consolidated financial statements for the year ended 31 December 2012.*

a.2) Basis of general presentation of Applus Subgroup consolidated financial statements and Velosi Subgroup consolidated financial statements

These combined special purpose financial statements 2012 and 2011 have been aproved by the Board of Directors of Applus Technologies Holding, S.L. at the meeting of its Board of Directors held on 25 March 2014.

The accounting policies used to prepare these combined special purpose financial statements comply with all the IFRSs in force at the date of their preparation. The EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by Applus Subgroup and Velosi Subgroup are described in Notes 3 and 4.

The Applus Subgroup and Velosi Subgroup consolidated financial statements for 2012 and 2011 were formally prepared:

- By the Parent's Board of Directors of Applus Subgroup at their Board of Directors Meeting held on 29 March 2013 and 31 March 2012, respectively. The Applus Subgroup's consolidated financial statements for 2012 and 2011 were approved by the shareholders at the Annual General Meeting of their own on 30 June 2013 and 30 June 2012, respectively.
- By the Parent's Board of Directors of Velosi Subgroup at their Board of Directors Meeting held on 25 July 2013 and 30 September 2012, respectively. The Velosi Subgroup's consolidated financial statements for 2012 and 2011 were approved by the sole shareholder at the Annual General Meeting of their own Parent on 7 November 2013 and 30 September 2012, respectively.
- On the basis of the accounting records kept by Applus Technologies Holding, S.L. and by the other subgroup companies, so that they present fairly the Subgroup's consolidated equity and financial position at 31 December 2012 and 2011, and the results of its operations, the changes in combined special purpose equity and the combined special purpose cash flows in 2012 and 2011.
- On the basis of the accounting records kept by Velosi S.à r.l. and by their subsidiaries, so that they present fairly the Subgroup's consolidated equity and financial position at 31 December 2012 and

2011, and the results of its operations, the changes in combined special purpose equity and the combined special purpose cash flows in 2012 and 2011.

However, since the accounting policies and measurement bases used in preparing both Subgroup's consolidated financial statements for 2012 and 2011 (IFRS - EU, except for the Velosi Subgroup's consolidated financial statements for the year ended 31 December 2011, that were prepared under IFRS issued by the IASB) differ from those used by both Subgroup companies (local standards), all the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

In the elaboration of these combined special purpose financial statements, all accounting principles and mandatory valuation criteria that have a significant effect on the combined special purpose financial statements have been considered, as well as the alternatives of the policies in this regard, and are described in Note 3. In particular, regarding the evaluation of the application of the principle of going concern, financial resources available to the Subgroups, as well as the operational, commercial and financial actions started or planned for the future have been considered (See Note 30).

b) Responsibility for the information and use of estimates

The information contained in these combined special purpose financial statements for the years ended 31 December 2012 and 31 December 2011 is the responsibility of the Applus Technologies Holding, S.L.'s Board of Directors in accordance with elaboration criteria of the combined special purpose financial statements mentioned on the same note. Furthermore, the Applus technologies Holding, S.L.'s Board of Directors is responsible for the elaboration and content of the consolidated financial statements for the years ended 31 December 2012 and 31 December 2011 of Applus Technologies Holding, S.L. and subsidiaries which have been the basis for the special purpose combined financial statements, such as the internal control considered necessary to permit preparation of financial statements free of material misstatement.

In the combined special purpose financial statements for the years ended 31 December 2012 and 31 December 2011, estimates were occasionally made by management of Applus Subgroup and Velosi Subgroup and of the consolidated companies, later ratified by the Applus Technologies, S.L.'s Board of Directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate, basically, to the following:

- The impairment losses on certain assets (see Notes 4.d and 22)
- The useful life of the property, plant and equipment and intangible assets (see Notes 4.b and 4.c)
- The measurement of goodwill (see Notes 4.a and 5)
- The assumptions used in measuring the fair value of the financial instruments (see Note 4.m)
- Income from unbilled services (see Note 4.t)
- Provisions and contingent liabilities (see Notes 4.l, 17 and 25)

Although these estimates were made on the basis of the best information available at 31 December 2012 and 2011 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8.

c) Applus Subgroup and Velosi Subgroup currency

These combined special purpose financial statements are presented in thousand of euros, since this is the currency of the main economic area in which Applus Subgroup and Velosi Subgroup operate. Foreign operations are recognised in accordance with the policies described in Note 4.

3. Basis of consolidation and changes in the scope of consolidation for Applus Subgroup and Velosi Subgroup

a) Subsidiaries

"Subsidiaries" are defined as companies over which the two Parents have the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parents own directly or indirectly half or more of the voting power of the subsidiary or, even if this percentage is lower or zero, when there are agreements with other shareholders of the subsidiary that give the Parents control. Under IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Appendix I and Appendix II to these notes to the combined special purpose financial statements contains the most significant information on these companies as of 31 December 2012 and 31 December 2011.

The financial statements of the subsidiaries are fully consolidated with those of Applus Technologies Holding, S.L. and Velosi S.à r.l. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by Applus Subgroup and Velosi Subgroup.

The businesses acquired are recognised using the acquisition method so that the assets, liabilities and contingent liabilities of a subsidiary are measured at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (see Notes 4.a and 5). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a bargain purchase) is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

Also, with respect to the share of third parties, the following must be taken into account:

- The equity of their subsidiaries is presented within each subgroup's equity under "Non-Controlling Interests" in the combined special purpose balance sheet (see Note 13).
- The profit for the year is presented under "Profit Attributable to Non-Controlling Interests" in the combined special purpose income statement.

The results of subsidiaries acquired during the year are included in the combined special purpose income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the combined special purpose income statement from the beginning of the year to the date of disposal only.

The foreign companies' financial statements were translated to euros by applying the year-end exchange rate method, whereby the companies' equity is measured at the historical exchange rates, the income statement items at the average exchange rates for the year and the assets, rights and obligations at the year-end exchange rates. Translation differences are charged or credited, as appropriate, to "Equity - Translation Differences" in the combined special purpose balance sheet.

Also, in accordance with standard practice, the accompanying combined special purpose financial statements do not include the tax effects that might arise as a result of the inclusion of the results and reserves of the consolidated companies in those of the Parents, since it is considered that no transfers of reserves will be made that are not taxed at source and that such reserves will be used as means of financing at each company.

b) Associates

Associates are companies over which Velosi S.à r.l. is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Velosi Subgroup holds - directly or indirectly- 20% or more of the voting power of the subsidiary.

In the combined special purpose financial statements, investments in associates are accounted for using the equity method, i.e. at the Velosi Subgroup's share of net assets of the subsidiary, after taking into account the dividends received there from and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Velosi Subgroup's interest in the associate.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the combined special purpose balance sheet with a zero value, unless Velosi Subgroup is obliged to give it financial support.

There are no joint-ventures in Applus Subgroup and Velosi Subgroup that should be accounted using the proportional consolidation method.

c) Changes in accounting policies and in disclosures of information effective in 2012 and 2011

In 2012 new accounting standards came into force and were therefore taken into account when preparing the accompanying combined special purpose financial statements.

The following standards have been applied in these combined special purpose financial statements but did not have a significant impact on the presentation hereof and disclosures herein:

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Amendments to IAS 1, Presentation of Items of Other Comprehensive Income (issued in June 2011)	Minor amendments relating to the presentation of items of other comprehensive income	Annual reporting periods beginning on or after 1 July 2012
Amendments to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (issued in October 2010)	Extends and reinforces the disclosures on transfers of financial assets.	Annual reporting periods beginning on or after 1 July 2011

In 2011 new accounting standards came into force and were therefore taken into account when preparing the accompanying combined special purpose financial statements.

The following standards have been applied in these combined special purpose financial statements but did not have a significant impact on the presentation hereof and disclosures herein:

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Amendment to IAS 32, Financial Instruments: Presentation - Classification of Rights Issues	Amends the accounting treatment of rights, options and warrants denominated in a currency other than the functional currency.	Annual reporting periods beginning on or after 1 February 2010
Revision of IAS 24, Related Party Disclosures	Amends the definition of "related party" and provides a partial exemption from the disclosure requirements for entities that are related parties only because they are under the control, joint control or significant influence of the same government	Annual reporting periods beginning on or after 1 January 2011
Improvements to IFRSs (published in May 2010)	Amendments to a series of standards.	Mostly obligatory for reporting periods beginning on or after 1 January 2011; some are obligatory for reporting periods beginning on or after 1 July 2010.
Amendment of IFRIC 14, Prepayments of a Minimum Funding Requirement	The prepayment of minimum funding requirement contributions may give rise to an asset.	Annual reporting periods beginning on or after 1 January 2011
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	Treatment of the extinguishment of financial liabilities through the issue of equity instruments.	Annual reporting periods beginning on or after 1 July 2010

d) Accounting policies issued but not yet in force in 2012 and 2011

At the date of these combined special purpose financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of the combined special purpose financial statements or because they had not yet been adopted by the European Union (IFRS-EU):

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Approved for use in the European Union		
IFRS 9, Financial Instruments: Classification and Measurement (issued in November 2009 and October 2010)	Replaces the IAS 39 classification, measurement and derecognition requirements for financial assets and liabilities	Annual reporting periods beginning on or after 1 January 2015
Amendments to IAS 12, Income Taxes - Deferred Taxes Arising From Investment Property (issued in December 2010)	On the measurement of deferred taxes arising from investment property using the fair value model in IAS 40	Annual reporting periods beginning on or after 1 January 2013
IFRS 10, Consolidated financial statements (issued in May 2011)	Supersedes the requirements relating to consolidated financial statements in IAS 27	Annual reporting periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements (issued in May 2011)	Supersedes the current IAS 31, Joint Ventures.	Annual reporting periods beginning on or after 1 January 2014
IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011)	Single IFRS presenting the disclosure requirements for interests in subsidiaries, associates, joint arrangements and unconsolidated entities	Annual reporting periods beginning on or after 1 January 2014
IFRS 13, Fair Value Measurement (issued in May 2011)	Sets out a framework for measuring fair value	Annual reporting periods beginning on or after 1 January 2013
IAS 27 (Revised) Separate Financial Statements (issued in May 2011)	The IAS is revised, since as a result of the issue of IFRS 10 it applies only to the separate financial statements of an entity	Annual reporting periods beginning on or after 1 January 2014
IAS 28 (Revised), Investments in Associates and Joint Ventures (issued in May 2011)	Revision in conjunction with the issue of IFRS 11, Joint Arrangements	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 19, Employee Benefits (issued in June 2011)	The amendments affect mainly defined benefit plans since one of the major changes is the elimination of the "corridor"	Annual reporting periods beginning on or after 1 January 2013
Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures (issued in December 2011)	Deferral of the effective date of IFRS 9 and amendments to transition requirements and disclosures	Annual reporting periods beginning on or after 1 January 2015
Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	Additional clarifications to the rules for offsetting financial assets and financial liabilities under IAS 32 and introduction of the related new disclosures IFRS 7.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities (issued in December 2011)		Annual reporting periods beginning on or after 1 January 2013
Improvements to IFRSs, 2009-2011 cycle (issued in May 2012)	Minor amendments to a series of standards.	Annual reporting periods beginning on or after 1 January 2013
Transition rules: Amendments to IFRS 10, 11 and 12 (issued in June 2012)	Clarification of the rules for transition to these standards	Annual reporting periods beginning on or after 1 January 2013

New standards, amendments and interpretations:	Content	Obligatory application in annual reporting periods beginning on or after:
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011)	The International Financial Reporting Interpretations Committee addresses the accounting treatment of the stripping costs in surface mines.	Annual reporting periods beginning on or after 1 January 2013

Applus Technologies Holding, S.L. has not applied the new and revised IFRS's that have been issued but are not yet effective. The Board of Directors of Applus Technologies Holding, S.L. will consider them once adopted by the European Union (IFRS - EU).

Applus Technologies S.L.'s Board of Directors has assessed the potential impact of the future application of the aforementioned standards, amendments and interpretations and concluded that their entry into force will not have a material effect on Applus Subgroup and Velosi Subgroup combined special purpose financial statements.

e) Changes in the scope of consolidation of Subgrups

e.1. Inclusions in the scope of consolidation in 2012:

In 2012 the following companies were included in the scope of consolidation:

- Companies acquired in 2012:
  - Azul Holding 2 S.à r.l. and subsidiaries (Velosi Subgroup).
  - Dijla & Furat Quality Assurance LLC
  - Velosi Certification Services LLC
  - Velosi Philipinnes Inc.
  - Steel Test Secunda (Proprietary) Ltd.
  - Velosi LLC
  - Velosi Ukraine LLC
  - Velosi Malta I Ltd.
  - Velosi Malta II Ltd.
- Companies incorporated in 2012:
  - Applus Testing Norway, AS

e.1.1. Companies acquired in 2012

Acquisition of Azul Holding 2 S.à r.l. and subsidiaries (Velosi Subgroup)

The transaction was carried out through the in kind contribution of the shares representing the entire share capital of Azul Holding 2 S.à r.l., the sole shareholder of Velosi Subgroup, by Azul Holding, S.C.A., shareholder of Applus Technologies, S.L.

Velosi Subgroup engages in the provision of the following services (in relation to the oil and gas, power generation, chemicals, industrial processing and refrigeration industries):

- Asset integrity management
- Quality control, maintenance and inspection
- Training/hiring of specialised personnel
- Quality control management of engineering projects and services
- Underwater services
- Assurance and contracting services

Velosi Subgroup operates in five large geographical markets (the Americas, Europe, the Middle East, Africa and Australasia) with 70 offices located in 40 countries.

The economic reasons for its acquisition by Applus Subgroup relate mainly to the quest to optimise Velosi Subgroup's management by Applus Subgroup's management and the interest in generating synergies through the integration processes.

On 20 December 2012, Applus Technologies Holding, S.L.'s shareholders increased capital by EUR 238,764,894 thousand through the issuance of 238,764,894 shares of EUR 1 per value each with a share premium of EUR 7,235 thousand, i.e. EUR 0.0303033 per share. Both the shares and the share premium were fully subscribed and paid by Azul Holding, S.C.A. through contribution in kind of the shares representing all of the share capital of Azul Holding 2 S.à r.l. valued at EUR 246,000 thousand.

The cost of this business combination amounted to EUR 102,213 thousand, giving rise to negative reserves of EUR 143,787 thousand for Applus Technologies Holding, S.L. (see Note 12).

Therefore, the assets and liabilities of the Velosi Subgroup acquired and assumed, respectively, were recognised at their acquisition-date fair value, the detail being as follows (in thousands of euros):

	Fair value
NON-CURRENT ASSETS:	
Intangible Assets	62,407
Property, plant and equipment	9,279
Non-current financial assets	3,638
Deferred tax assets	329
Total non-current assets	**75,653**
CURRENT ASSETS:	
Inventories	—
Trade and other receivables	91,968
Cash and cash equivalents	28,867
Total current assets	**120,835**
	196,488

	Fair value
Non-controlling interests	**14,472**
NON-CURRENT LIABILITIES:	
Long-term provisions	2,696
Non-current payables	12,347
Other financial liabilities	7,223
Deferred tax liabilities	7,071
Total non-current liabilities	**29,337**
CURRENT LIABILITIES:	
Current payables	14,309
Trade and other payables	52,320
Other financial liabilities	3,229
Total current liabilities	**69,858**
	113,667

Therefore, the goodwill that arose on the business combination made by Applus Technologies Holding, S.L. is summarised as follows:

	€ thousands
Assets at fair value	196,488
Liabilities at fair value	(113,667)
Net assets acquired	**82,821**
Cost of the combination	102,213
Goodwill	**19,392**

Based on the measurement of the assets acquired and liabilities assumed at fair value, intangible assets were identified whose fair value exceeded by EUR 54,352 thousand from its book value, mainly in relation to the trademark, the trademark licence agreement and the customer relationships, and, as a result, the intangible assets recognised in the Applus Subgroup and Velosi Subgroup consolidated balance sheet amount to EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect). Also, the impact of this measurement in the non-controlling interests was an increase by EUR 5,081 thousand and in the deferred tax liabilities as an increase by EUR 6,819 thousand. Note 6 provides an explanation of the principal assumptions applied in the calculation of the purchase price allocation. The accounting for the business combination effected in 2012 was provisional.

Other companies incorporated in 2012

The most significant information on the companies incorporated in 2012 was as follows:

- Dijla & Furat Quality Assurance LLC

Dijla & Furat Quality Assurance LLC is a company located in Iraq whose principal activity is the provision of quality assurance and training to related industries.

- Velosi Certification Services LLC

Velosi Certification Services LLC is a company located in Uzbekistan whose principal activity is the provision of inspection, certification, monitoring and other type of entrepreneurial activity.

- Velosi Philipinnes Inc.

Velosi Philipinnes Inc. is a company located in Philipinnes whose principal activity is the provision of business process outsourcing.

- Steel Test Secunda (Proprietary) Ltd.

Steel Test Secunda (Proprietary) Ltd. is a company located in South Africa whose principal activity is the provision of testing of pipes and steel thickness.

- Velosi LLC

Velosi LLC is a company located in Azerbaijan whose principal activity is the provision of ancillary services in the oil and natural gas sector.

- Velosi Ukraine LLC

Velosi Ukraine LLC is a company located in Ukraine whose principal activity is the provision of ancillary services in the oil and natural gas sector.

- Velosi Malta I Ltd & Velosi Malta II Ltd

Velosi Malta I Ltd & Velosi Malta II Ltd are two holding companies located in Malta.

e.1.2. Companies incorporated in 2012

The most significant information on the only company incorporated in 2012, namely Applus Testing Norway, AS, was as follows:

The company was incorporated on 25 October 2012 with a share capital of 30 thousand shares with a par value of NOK 1 each (approximately, EUR 4 thousand at the date of incorporation).

e.2. Changes in the scope of consolidation in 2012

On 24 April 2012, Applus Servicios Tecnológicos, S.L.U. sold its 100% ownership interests in Idiada CZ, AS. and Idiada Automotive Technology UK, Ltd. to Idiada Automotive Technology S.A for EUR 4,357 thousand and EUR 384 thousand, respectively.

On 8 November 2012, Contrôles Techniques Services, S.A.S. was merged with Applus RTD France, S.A.S.

On 31 December 2012, Applus Technologies, Inc. was merged with Applus Inc. and Applus Autologic Inc.

e.3. Exclusions from the scope of consolidation in 2012

On 28 December 2012, Applus Iteuve Technology, S.L.U. sold Applus Bilprovning AB to a non-Group third party for SEK 11 million (EUR 1,254 thousand at the date of sale), giving rise to a gain of EUR 842 thousand.

e.4. Inclusions in the scope of consolidation in 2011:

In 2011 the following companies were included in the scope of consolidation:

- Companies acquired in 2011
  - RTD Brazil subgroup:
    - RTD Brasil Investimentos, Ltda.
    - Qualitec Engenharia da Qualidade, Ltda.
  - Kiefner & Associates, Inc.
  - Applus Norcontrol Perú, S.A.C.
  - JDA subgroup:
    - John Davidson & Associates PTY, Ltd.
    - JDA Wokman Limited.
    - PT JDA Indonesia.
  - Assinco - Assessoria, Inspeçao e Controle, Ltda.
  - LGAI Germany subgroup:
    - Applus LGAI Germany, GmbH.
    - BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH.
    - Burek und Partner GbR.
  - Velosi Uruk FZC
  - PDE Inovasi Sdn Bhd
  - Velosi Gabon Private Limited
- Companies incorporated in 2011
  - Applus LGAI Maroc S.à r.l., A.U.
  - Idiada Automotive Technology UK, Ltd.
  - Applus RTD GULF DMCC.
  - Idiada Investimentos Do Brasil, Ltda.
  - Applus Norcontrol Consultorías e Ingenierías, S.A.S.

e.4.1. Companies acquired in 2011

The most significant information on the main other acquisitions in 2011 was as follows (in thousands of euros):

	RTD Brazil subgroup	Kiefner & Associates, Inc.	JDA subgroup	Assinco - Assessoria, Inspeçao e Controle, Ltda.	LGAI Germany subgroup
Non-current assets	988	55	234	—	898
Other non-current assets	790	—	142	—	—
Receivables and other	1,383	945	2,024	41	554
Cash and cash equivalents	869	274	1,102	26	622
Other non-current liabilities	—	—	(453)	—	(382)
Fair value of net assets acquired	4,030	1,274	3,049	67	1,692
Acquisition cost	**10,656**	**3,615**	**3,058**	**793**	**5,350**
Goodwill (Note 5)	**6,626**	**2,341**	**9**	**726**	**3,658**

Acquisition of RTD Brazil subgroup

On 24 March 2011, Applus Subgroup acquired the Brazilian company RTD Brasil Investimentos, Ltda. for BRL 742 thousand (approximately EUR 307 thousand at the acquisition date).

On 9 June 2011, RTD Brasil Investimentos, Ltda. acquired Qualitec Engenharia da Qualidade, Ltda. for BRL 18,400 thousand (approximately EUR 8,104 thousand at the acquisition date), plus a variable amount (earn-out). The purchase and sale agreement established a maximum purchase price of BRL 52,400 thousand (approximately EUR 21,672 thousand at the reporting date). In 2011 Applus Subgroup recognised an earn-out of BRL 10,795 thousand (approximately EUR 4,754 thousand at the reporting date) based on the best possible estimate, which was recognised as an addition to the cost of acquisition.

Acquisition of Kiefner & Associates, Inc.

On 16 November 2011, Applus Subgroup acquired the US company Kiefner & Associates, Inc. for USD 2,208 thousand (approximately EUR 1,653 thousand at the acquisition date), of which USD 222 thousand (approximately EUR 166 thousand at the acquisition date) had to be deposited in an escrow account. The amount deposited will not be released until certain contingencies occur. The purchase and sale agreement established an estimated earn-out of USD 2,400 thousand (approximately EUR 1,796 thousand at the reporting date) based on EBITDA for 2011 and 2012. The earn-out was recognised as an addition to the acquisition cost.

Acquisition of the JDA subgroup

On 30 November 2011, Applus Subgroup acquired 70% of the Australian company John Davidson & Associates Pty, Ltd., and 70% of the Papua New Guinea company JDA Wokman Limited, operating in the same specialised recruitment sector as RTD subgroup, for an initial amount of AUD 2,000 thousand (approximately EUR 1,456 thousand at the acquisition date). The purchase and sale agreement established a maximum earn-out of AUD 4,000 thousand (approximately EUR 2,919 thousand at the reporting date) based on EBITDA for 2011 and 2012. Applus Subgroup decided to recognise a provision of AUD 2,200 thousand (EUR 1,602 thousand at the acquisition date) for the aforementioned earn-out at 31 December 2011, which was recognised as an addition to the acquisition cost.

Acquisition of Assinco - Assessoria, Inspeçao e Controle, Ltda.

On 9 June 2011, Applus Subgroup acquired Assinco - Assessoria, Inspeçao e Controle, Ltda. for BRL 1,800 thousand (approximately EUR 793 thousand at the acquisition date).

Acquisition of the LGAI Germany subgroup

On 21 July 2011, Applus Subgroup acquired 100% of the German holding company Applus LGAI Germany, GmbH for an initial amount of EUR 25 thousand.

On 27 July 2011, Applus LGAI Germany, GmbH acquired all the shares of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH and 99% of the shares of Burek und Partner GbR. LGAI Technological Center, S.A. acquired the remaining 1% for an initial amount of EUR 3,528 thousand.

Acquisition of Applus Norcontrol Perú, S.A.C.

On 28 November 2011, Applus Subgroup acquired Applus Norcontrol Perú, S.A.C. for PEN 1,000 (approximately EUR 279 at the acquisition date).

e.4.2. Companies on which a call option was exercised in 2011

On 1 January 2010, Applus Subgroup arranged a call option on the Brazilian company Idiada Technologia Automotiva Ltda. (formerly High End CAD/CAE/CAM, S.A.), which engages in the vehicle standardisation and certification industry, for BRL 2,500 thousand (approximately EUR 1,007 thousand at the acquisition date).

On 28 December 2011, Applus Subgroup exercised the call option that it had acquired in 2010, renegotiating the terms and conditions agreed upon in the prior agreement and finally paying a total amount of BRL 4,887 thousand (EUR 2,009 thousand at the acquisition date).

This transaction gave rise to the derecognition of a portion of the goodwill associated with High End CAD/CAE/CAM, S.A., amounting to EUR 4,565 thousand at 31 December 2010, and the definitive goodwill recognised at 31 December 2011 amounted to EUR 2,189 thousand.

e.4.3. Companies incorporated in 2011

The most significant information on the companies incorporated in 2011 is as follows:

- Applus LGAI Maroc S.à r.l., AU.

This company was incorporated on 4 February 2011 with a share capital of 100 shares with a par value of MAD 100 each (approximately EUR 887 at the date of incorporation). The company increased capital on 4 August 2011 by 33,681 shares with a par value of MAD 100 each (approximately, EUR 297 thousand at the date of the capital increase).

- Applus RTD GULF DMCC.

This company was incorporated on 16 January 2011 with a share capital of 300 shares with a par value of MAD 1,000 each (approximately EUR 60 thousand).

- Idiada Automotive Technology UK, Ltd.

This company was incorporated on 22 February 2011 with a share capital of GBP 1. On 31 March 2011, capital was increased by GBP 335 thousand.

- Idiada Investimentos Do Brasil, Ltda.

Idiada Tecnologia Automotiva, Ltda. was incorporated on 28 November 2011 with a share capital of 1,000 shares with a par value of BRL 1 each (approximately EUR 363 at the date of incorporation). On 9 March 2012, the company's name was changed to Idiada Investimentos do Brasil, Ltda.

- Applus Norcontrol Consultorías e Ingenierías, S.A.S.

This company was incorporated on 30 November 2011 with a share capital of COP 262 thousand (approximately EUR 98).

e.5. Changes in the scope of consolidation in 2011

On 28 October 2011, Applus Norcontrol, S.L.U. absorbed its subsidiary Ambitec, Laboratorio Medioambiental, S.A.U.

On 30 November 2011, LGAI Technological Center, S.A. absorbed its subsidiary Abac Enginyeria, S.L.U.

e.6. Exclusions from the scope of consolidation in 2011

There were no exclusions from the scope of consolidation in 2011.

4. Accounting policies

The principal accounting policies used to prepare Applus Subgroup and Velosi Subgroup combined special purpose financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) Goodwill

Goodwill arising on business combinations represents the excess of the cost of acquisition over the Applus and Velosi Subgroup's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of the combination. The goodwill related to the acquisitions of subsidiaries or joint ventures is included under intangible assets caption and the goodwill related to acquisitions of associates is included under non-current financial assets caption as investments in other companies accounted for using the equity method.

The cost of the combination is determined by the aggregation of:

- The fair value of the transferred assets on the acquisition date, the liabilities incurred or assumed and the equity instruments emitted.
- The fair value of any of the contingent considerations depends on the future events or the compliance with the predetermined conditions.

Costs related with the emission of equity instruments or financial liabilities exchanged for the acquired assets are not part of the combination costs.

Additionally, fees paid to legal advisors or other professionals that have intervened in the combination, and of course those costs generated internally with the same nature, are not considered part of the combination costs. Instead, these costs are directly attributed to the combined special purpose income statement.

If the business combination is done in different stages, in such a way that before the acquisition date (obtaining the effective control) it already existed an investment, goodwill or the negative difference will be obtained by computing the difference between:

- The cost of the business combination, plus the fair value on the acquisition date of any previous share of the acquiring company in the acquired company, and,
- The value of the identifiable acquired assets minus the liabilities assumed, determined according to what was indicated previously.

Any profit or loss incurred as a consequence of the valuation at fair value on the date in which effective control is obtained over the shares of the acquired company, is recognized in the combined special purpose income statement. If the investment has been valued previously according to its fair value, the valuation adjustments pending to be included in the year's result is transferred into the combined special purpose income statement. On the other hand, it is presumed that the cost of the business combination is the best reference point to estimate the fair value on the acquisition date of any previously issued share.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the balance sheet date.

In the exceptional event that a badwill difference arises in this business it is recognized in the combined special purpose income statement.

If, at the close of the period in which the business combination occurs, the assessment processes required of the acquisition method described above have not been completed, then the company has up to one year to adjust its preliminary figures. If any such adjustments are made, they have to be posted retroactively.

Subsequent changes in the fair value of the contingent consideration are recognised in the combined special purpose income statment, unless such consideration has been classified as equity, in which case subsequent changes in fair value are not recognized.

If, subsequent to obtaining control, additional sales or purchase transactions are made with no subsequent control's change, then the impact of these transactions is recognized in equity and without variation in the goodwill amount.

According to the provisions of paragraph 81 of IAS 36 when the goodwill can not be allocated to a generating unit individually effective, it is assigned to homogeneous groups of cash generating units that correspond to the minimum level at which the Directors may manage and monitor goodwill.

b) Other intangible assets

Other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by Applus Subgroup and Velosi Subgroup consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which Applus Subgroup and Velosi Subgroup consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost, which includes the allocation of the value of goodwill as a result of the business combinations, where applicable, and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are measured and amortised as follows (see Note 6):

- Administrative concessions or similar items that have been acquired for consideration and are recognised for the amount of the expenses paid to the concession grantor to obtain the concession are amortised on a straight-line basis over the concession term. The initial cost (fee) and, where applicable, the present value of the future payments which are deemed to be necessary when the assets are handed over to the grantor are included in this line item.

- Trademarks and trademark licence agreements are measured using the royalty relief valuation method, based on the future royalty income stream from their use. Trademarks and trademark licence agreements are considered to have a finite useful life and are amortised over 25 years, with the exception of the trademark and trademark licence agreement associated with Velosi Subgroup, which are being amortised over 10 years.
- The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which Applus Subgroup manages under this name. The main administrative authorisations are located in Spain and Finland (see Note 6). The administrative authorisations for the inspections of Spanish vehicles are not amortised. The administrative authorisations for the inspections of Finnish vehicles were being amortised over 15 years. The related useful lives of these authorisations were re-estimated on 1 January 2012 and the carrying amount at that date are now being amortised over 10 years.
- Customer portfolios are amortised based on the life of the agreements entered into with the customers.
- Rights of use on asset relate to machinery and fixtures used by Applus Subgroup in the performance of its business activity and are subject to reversion. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.
- Computer software is amortised on a straight-line basis over 5 years. Computer system maintenance costs are recognised with a charge to the combined special purpose income statement for the year in which they are incurred.

*c) **Property, plant and equipment***

Property, plant and equipment are stated at acquisition or production cost, revalued in accordance with various legal provisions including Royal Decree Law 7/1996, of 7 June (see Note 7), including the allocation of any goodwill arising as a result of the business combinations that may be applicable, based on the related independent valuations.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised. Periodic maintenance, upkeep and repair expenses are recognised in the combined special purpose income statement on an accrual basis as incurred.

The companies depreciate their property, plant and equipment using the straight-line method on the basis of the remaining years of estimated useful life of the various items, the detail being as follows:

	Years of estimated useful life
Buildings	20 to 40
Plant	3 to 12
Machinery and tools	3 to 10
Furniture	2 to 10
Computer hardware	4
Transport equipment	3 to 10

The assets that have to be handed over will have been fully depreciated by the end of the concession term.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Assets held under finance leases (see Note 4.g) are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. At 31 December 2012, “Property, Plant and Equipment” in the combined special purpose balance sheet included EUR 17,166 thousand (31 December 2011: EUR 12,219 thousand) relating to assets held under finance leases (see Note 7).

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the combined special purpose income statement.

d) Non-financial asset impairment

The carrying amounts of the property, plant and equipment, intangible assets and goodwill are analysed at the reporting date to determine if there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the impairment loss suffered. For assets included in the analysis that do not generate cashflow, but are independent from those other assets, Applus Subgroup and Velosi Subgroup estimate the fair value of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are not systematically amortised, but rather are tested for impairment annually or whenever there is an indication that the asset has suffered an impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In order to estimate value in use, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discounted rate that reflects market conditions and the risk specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the combined special purpose income statement.

According to the paragraph 81 of IAS 36 when the goodwill can not be allocated to a generating unit individually effective, it is assigned to homogeneous groups of cash generating units, which correspond to the minimum level at which the Board of Directors can manage and monitor goodwill. In these cases, as it is described in the paragraphs 88 and 89 of IAS 36, these individualized cash-generating units are subject to impairment tests to evaluate the recoverability of intangible assets that are specifically associated (see Note 5). In this circumstance impairments could be demonstrated on intangible assets even if their associated goodwill is not impaired.

For the purpose of carrying out tests for impairment, goodwill acquired in a business combination is allocated to each cash-generating unit, or groups of cash generating units, that are expected to benefit from synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill for internal management controls.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount existing prior to the recognition of the impairment loss, less any depreciation or amortisation that should have been recognised. The reversal of an impairment loss on an asset is credited to the combined special purpose income statement. Goodwill impairment cannot be reverted.

The method used by Applus Subgroup and Velosi Subgroup to test impairment distinguishes between businesses with indefinite and definite lives. 25-year projections are used for businesses with indefinite lives (similar to using four-year time frames and a perpetuity return).

Projections in accordance with the actual term of the related contract are used for businesses with finite lives. In both cases the projections are based on reasonable and well-founded assumptions.

The main assumptions used in the impairment test are described in Note 5.

e) Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss (FVTPL), held to maturity investments, available for sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade basis.

Applus Subgroup and Velosi Subgroup only have financial assets of the following categories: held to maturity investments (see Notes 8 and 11) and loans and receivables (see Note 10). Income is recognised on an effective interest basis.

The effective interest method is a method of calculating the amortized cost of a debt instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, a shorter period, to the net carrying amount on initial recognition. However, given the nature of the financial assets, whose terms are usually less than a year, Applus Subgroup and Velosi Subgroup generally recognise them at their original acquisition cost.

Financial assets are addressed for indicators of impairment at the end of each reporting period. Upon completion of such impairment tests as might be required, any losses arising therefrom are recognised directly by reducing the amounts presented under "Non-Current Financial Assets" in the combined special purpose balance sheet.

f) Information on the environment

Environmental assets are considered assets used on a lasting basis in the operations of Applus Subgroup and Velosi Subgroup companies whose main purpose is to minimise adverse environmental effects and to protect and enhance the environment, including the reduction or elimination of the pollution caused in the future by Applus Subgroup and Velosi Subgroup operations.

The Applus Subgroup and Velosi Subgroup's business activities, at 31 December 2012 and 2011 did not have any significant assets of this nature.

g) Operating and finance leases

Applus Subgroup and Velosi Subgroup have been assigned the right to use certain assets under leases. Leases that transfer substantially all the risks and rewards of ownership to Applus Subgroup and Velosi Subgroup are classified as finance leases; otherwise they are classified as operating leases.

Finance leases

At the commencement of the finance lease term, Applus Subgroup and Velosi Subgroup recognise an asset and a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The initial direct costs are included as an increase in the value of the asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period in the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as an expense when it is probable that they will be incurred.

These assets are depreciated using similar criteria to those applied to the items of property, plant and equipment owned or, if shorter, over the lease term.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative of the time pattern of the benefits generated.

h) Inventories

Inventories are stated at weighted average cost, which comprises materials and, where applicable, direct labour costs and other costs that have been incurred in bringing the inventories to their present location and condition.

Applus Subgroup and Velosi Subgroup assess the net realisable value of the inventories at the end of each year, and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

i) Trade and other receivables

Trade and other receivables are recognised at their recoverable amount, i.e. reduced, as appropriate, by the adjustments required to cover balances of a certain age (generally more than one year old), in the event that they can reasonably be classified as doubtful receivables in the circumstances.

The heading also includes the balances of projects in progress yet to be billed in relation to the execution of work to order for which a firm agreement generally exists.

j) Current financial assets, cash and cash equivalents

Current financial assets relate mainly to cash surpluses invested in short-term fixed-income securities that are generally held to maturity and are recognised at acquisition cost. Interest income is calculated on a time proportion basis in the year in which it accrues.

The cash balance and the cash equivalents recognised in the combined special purpose balance sheets at 31 December 2012 and 2011 includes the bank balances, available cash and the current financial assets maturing within three months.

k) *Government grants*

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned. In addition, Applus Subgroup and Velosi Subgroup account for other grants, donations and legacies received as follows:

a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

b) Refundable grants: while they are refundable, they are recognised as a non-current liability.

c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

l) *Provisions and contingent liabilities*

When preparing the combined special purpose financial statements the Applus Technologies Holding, S.L.'s Board of Directors makes a distinction between:

- Provisions:

  Applus Subgroup and Velosi Subgroup recognise a provision where it has an obligation or liability to a third party arising from past events the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated. Provisions are quantified on the basis of the best information available on the event and the consequences of the event and are reviewed and adjusted at the end of each reporting period. The provisions made are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

- Contingent liabilities:

  Contingent liabilities are all the possible obligations that arise from past events and whose future existence and associated loss are estimated to be unlikely. In accordance with IFRS, Applus Subgroup and Velosi Subgroup do not recognise any provision in this connection. However, as required, the contingent liabilities are disclosed in Note 25.

  Provisions are recognised when Applus Subgroup or Velosi Subgroup has a present legal or implicit obligation as a result of past events, which will likely lead to an outflow of funds in order to meet the obligation, and when the amount can be reliably estimated.

  Provisions are recorded when the unavoidable costs of meeting the liabilities in an onerous contract for valuable consideration exceed the profits expected to be obtained from them.

  Provisions are stated at current value of the amount necessary to settle the liability at the balance sheet date, according to the best estimation available.

  When it is expected that part of the disbursement necessary to settle the provision is refundable by a third party, the reimbursement is recognised as a separate asset, provided that its receipt is practically assured.

m) *Derivative financial instruments and hedge accounting*

Applus Subgroup uses financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. Applus Subgroup does not use derivative financial instruments for speculative purposes.

The Applus Subgroup's use of financial derivatives is governed and included by its policies, which provide guidelines for their use (see Note 16).

Applus Subgroup uses derivative financial instruments exclusively as hedging instruments as it considers that they meet the requirements of IAS 39. The accounting treatment of cash flow hedges is as follows:

- Changes in the market value of the ineffective portion of derivative financial instruments that are designated as hedges are recognised in the combined special purpose income statement.
- Changes in the effective portion of a hedge are recognised under "Valuation Adjustments" and "Translation Differences", respectively, in the accompanying combined special purpose balance sheet.
- The cumulative gain or loss in these reserves is transferred to the combined special purpose income statement under the same heading as that affected by the hedged item as the underlying affects net profit or loss or in the year in which the hedged item is disposed of.
- When hedge accounting is discontinued, any cumulative gain or loss recognised under "Valuation Adjustments" at that date is retained until the hedged transaction occurs, at which time they are added to the gain or loss on this transaction. If a hedged transaction is no longer expected to occur, the cumulative gain or loss recognised under this heading is transferred to profit or loss.

The market value of the various financial instruments relates to their market price at the end of the reporting period.

Velosi Subgroup does not use derivative instruments.

n) Pension, post-employment benefit and other personnel obligations

The defined benefit post-employee plan recognized in the combined special purpose balance sheet is the present value of the defined benefit obligations at the balance sheet date less the fair value at that date of plan assets.

The revenue or the expense registered for defined benefit plan is recordered in the combined special pourpose income statement and is obtained as a result of the addition of the net amount of current cost services and actuarial losses. The difference between the expected return on plan and the real return is the part of actuarial gains or losses.

Applus Subgroup and Velosi Subgroup also recognize past service cost as an expense of the year in the combined special purpose income statement.

The present value of the defined benefit plans, the cost for services rendered and the past service cost is calculated annually by independent actuaries using the projected unit credit method. The discounted rate is determined based on market rates for bonds and high quality corporate bonds in the currency in which the benefits plan will be paid.

For the combined special purpose statements it was considered the amendment to IAS 19, although the amendment had no important impact as Applus Subgroup and Velosi Subgroup defined benefit plans are not significant.

The asset or the liability for defined benefit plans is recognized as current or noncurrent based on the term of realization or maturity of the corresponding benefits.

Other personnel obligations

There are specific remuneration plans for certain executives of Applus Subgroup and Velosi Subgroup with the following features:

i. Variable remuneration to certain Velosi Subgroup senior executives based on the achievement of certain financial aggregates by this subgroup in 2011, 2012 and 2013 (see Notes 18 and 27).

ii. Variable remuneration to other senior executives of Applus Subgroup based on the achievement of certain financial aggregates in 2011, 2012 and 2013 (see Notes 18 and 27).

iii. Other specific remuneration plans for certain executives of Applus Subgroup and Velosi Subgroup: 11 executives of the Subgroup Applus and Subgroup Velosi have a specific remuneration plan based on the profitability that the shareholder will obtain in case of disvestment, including any process of admission to trading shares of the Parents Company. The remuneration consists of a fixed amount from the minimum level of profitability and increases in stages depending on the multiple. In case of partial disvestment, remuneration shall be calculated in proportion of the percentage alienated. The compensation arises at the moment of the disvestment and in the case that the executive has not voluntarily withdrawn within one year of the change of the shareholder (See Note 27).

o) *Debts and classification between current and non-current*

Debts are recognised at their present value and are classified on the basis of their maturity at the reporting date, i.e. debts due to be settled within twelve months are classified as current liabilities and those due to be settled within more than twelve months are classified as non-current liabilities.

p) *Financial liabilities*

Financial liabilities are classified either financial liabilities at fair value through profit and loss (FVTPL) or other financial liabilities.

Applus Subgroup and Velosi Subgroup only have other financial liabilities (including bank borrowings, trade payable and other payables). Other financial liabilities are recognized with the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Applus Subgroup and Velosi Subgroup usually use the net carrying amount on initial recognition, because its term is less than a year.

Due to the nature and term (less than one year) of Applus Subgroup and Velosi Subgroup trade payables and other payables, they are generally recognised at their original acquisition cost.

Applus Subgroup and Velosi subgroup derecognise financial liabilities when, and only when, the obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payables is recognized in the combined special purpose income statement.

q) *Transactions in currencies other than the euro*

The combined special purpose financial statements's functional currency is the euro. Therefore, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions". At each closing date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on the balance sheet date. Any resulting gains or losses are recognised directly in the income statement. The balances in the financial statements of Applus Subgroup and Velosi Subgroup consolidated companies with a functional currency other than the euro are translated to euros as follows:

- Assets and liabilities are translated by applying the exchange rates prevailing at the reporting date.
- Income, expenses and cash flows are translated at the average exchange rates for the year.
- Equity items are translated at the historical exchange rates.
- Translation differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying combined special purpose balance sheet.

The detail of the equivalent euro value of the main assets in foreign currency held by Applus Subgroup and Velosi Subgroup at 31 December 2012 and 2011 was as follows (in thousands of euros):

Balances held in:	€ thousands 31/12/12	31/12/11
US dollar	375,238	345,839
Canadian dollar	67,430	59,979
Australian dollar	58,968	51,364
Danish krone	58,840	57,264
Pound sterling	52,217	47,429
Colombian peso	22,445	21,285
Singapore dollar	20,386	12,996
Qatari riyal	19,055	16,867
United Arab Emirates dirham	15,732	12,669
Chilean peso	15,292	14,610
Brazilian real	14,504	22,637
Czech koruna	12,232	11,049
Chinese yuan	10,840	3,141
Indonesian rupiah	9,726	5,414
Saudi riyal	9,283	5,518
Malaysian ringgit	8,795	7,870
Mexican peso	8,563	4,916
Norwegian krone	8,358	9,009
Argentine peso	8,294	5,911
Kuwaiti dinar	5,819	3,829
Guatemalan quetzal	5,133	6,014
Papua New Guinean kina	4,704	4,199
Panamanian balboa	3,912	3,432
South African rand	3,711	3,510
Indian rupee	1,858	958
Nigerian naira	1,799	1,576
Others	2,268	5,640
Total	**825,402**	**741,100**

The detail of the main foreign currency balances was as follows:

2012

Nature of the balances	€ thousands US dollars	Danish krone	Canadian dollar	Pound sterling	Australian dollar	Chilean peso	Czech koruna
Non-current assets	275,702	52,928	50,508	31,858	28,022	9,674	7,416
Current assets	99,536	5,912	16,922	20,359	30,946	5,618	4,816
Liabilities excluding Equity	293,770	4,900	4,289	9,562	19,385	2,021	2,012

Nature of the balances	€ thousands Brazilian real	Colombian peso	Norwegian krone	Qatari riyal	Singapore dollar	Chinese yuan	Argentine peso
Non-current assets	6,515	4,630	4,413	2,199	2,969	2,126	1,651
Current assets	7,989	17,815	3,945	16,856	17,417	8,714	6,643
Liabilities excluding Equity	4,828	11,188	1,875	6,650	7,243	1,515	3,759

Nature of the balances	€ thousands South African rand	United Arab Emirates dirham	Mexican peso	Saudi riyal	Indian rupee	Malaysian ringgit	Others
Non-current assets	1,596	1,207	1,152	948	890	721	2,382
Current assets	2,115	14,525	7,411	8,335	968	8,074	30,979
Liabilities excluding Equity	410	6,940	2,258	5,361	49	20,493	11,791

2011

Nature of the balances	€ thousands US dollar	Danish krone	Canadian dollar	Pound sterling	Australian dollar	Brazilian real	Chilean peso
Non-current assets	271,427	54,061	47,756	30,179	26,406	11,595	9,645
Current assets	74,412	3,203	12,223	17,250	24,958	11,042	4,965
Liabilities excluding Equity	292,628	4,472	3,846	9,379	13,545	7,043	2,088

Nature of the balances	€ thousands Czech koruna	Colombian peso	Norwegian krone	Singapore dollar	Malaysian ringgit	Qatari riyal	Argentine peso
Non-current assets	5,677	4,347	3,353	2,682	2,285	2,076	1,947
Current assets	5,372	16,938	5,656	10,314	5,585	14,791	3,964
Liabilities excluding Equity	2,075	12,764	2,325	4,490	2,366	3,984	3,156

Nature of the balances	€ thousands South African rand	United Arab Emirates dirham	Mexican peso	Chinese yuan	Saudi riyal	Polish zloty	Others
Non-current assets	1,928	1,291	1,237	1,090	1,088	606	2,035
Current assets	1,582	11,378	3,679	2,051	4,430	176	24,420
Liabilities excluding Equity	592	5,586	1,629	656	2,036	78	9,398

The average and closing rates used in the translation to euros of the balances held in foreign currency were as follows:

	2012		2011	
EUR	Average rate	Closing rate	Average rate	Closing rate
Thai baht	40.11	40.33	42.75	41.49
Panamanian balboa	1.31	1.35	1.42	1.33
Ghanaian cedi	23,935.68	25,044.10	21,726.92	21,635.40
Costa Rican colon	657.86	670.41	707.46	651.17
Nicaraguan cordoba	30.70	32.46	31.76	30.41
Danish krone	7.44	7.46	7.45	7.43
Norwegian krone	7.49	7.39	7.80	7.78
Swedish krona	8.71	8.77	9.04	9.04
Bahreini dinar	0.49	0.50	0.53	0.49
Kuwaiti dinar	0.36	0.37	0.39	0.36
United Arab Emirates dirham	4.72	4.84	5.13	4.79
Moroccan dirham	11.20	11.29	11.35	11.30
Australian dollar	1.24	1.25	1.35	1.31
Canadian dollar	1.28	1.30	1.38	1.36
Brunei dollar	1.63	1.63	1.78	1.72
Hong Kong dollar	9.97	10.20	10.87	10.16
Singapore dollar	1.61	1.61	1.75	1.70
US dollar	1.28	1.32	1.40	1.30
New Zealand dollar	1.59	1.56	1.76	1.71
Vietnamese dong	27,039.26	27,631.40	29,000.96	27,667.50
Papua New Guinean kina	2.70	2.75	3.34	2.86
Czech koruna	25.16	25.25	24.57	25.40

	2012		2011	
EUR	Average rate	Closing rate	Average rate	Closing rate
Angolan kwanza	122.85	126.41	131.13	124.47
Egyptian pound	7.84	8.14	8.33	7.87
Pound sterling	0.81	0.81	0.87	0.84
Nigerian naira	205.68	209.64	219.27	213.62
Peruvian nuevo sol	3.44	3.43	3.89	3.56
Argentine peso	5.84	6.44	5.76	5.59
Chilean peso	627.06	625.99	674.97	677.13
Colombian peso	2,326.09	2,365.64	2,600.68	2,555.02
Mexican peso	16.92	16.80	17.28	18.12
Guatemalan quetzal	10.25	10.55	11.06	10.34
South African rand	10.54	11.32	10.08	10.97
Brazilian real	2.51	2.75	2.33	2.42
Omani rial	0.50	0.51	0.54	0.50
Qatari riyal	4.69	4.80	5.09	4.75
Yemeni rial	278.81	284.30	304.46	288.99
Malaysian ringgit	3.98	4.03	4.27	4.14
Saudi riyal	4.82	4.94	5.24	4.89
Russian rouble	40.03	40.60	40.95	41.98
Indian rupee	68.96	71.98	65.52	70.69
Pakistani rupee	120.61	129.69	121.25	117.89
Indonesian rupiah	12,061.64	12,704.70	12,276.93	11,839.30
South Korean won	1,454.37	1,422.16	1,545.14	1,510.76
Japanese yen	102.32	110.45	111.39	101.50
Chinese yuan	8.12	8.28	9.04	8.35
Polish zloty	4.19	4.09	4.12	4.52

r) Income tax, deferred tax assets and deferred tax liabilities

The income tax expense represents the sum of the current tax expense and the effect of the changes in deferred tax assets and liabilities and reported tax loss and tax credit carryforwards.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Certain Applus Subgroup's companies domiciled in Spain file consolidated tax returns as part of tax group 238/08 of which Applus Technologies Holding, S.L. is the Parent.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that Applus Subgroup and Velosi Subgroup consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised. The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that Applus Subgroup and Velosi Subgroup consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

s) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT (or equivalent tax) and other sales-related taxes.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

A great part of the Applus Subgroup and Velosi Subgroup activities are revenues from projects in progress related to the multi-industry certification or engineering business with a signed contract.

A part of the Applus Subgroup and Velosi Subgroup activity consists of the execution of work to order for which a firm agreement generally exists.

As regards work units completed for production, each year the Applus Subgroup and Velosi Subgroup recognises as profit or loss the difference between period production and the costs incurred during the year. Production each year is measured at the selling price of the units completed in the year that, since they are covered by the contract entered into with the owners, do not give rise to any reasonable doubts regarding their final billing.

t) Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefit related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met. Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

u) Discontinued operations

A discontinued operation is a business segment that has been decided to abandon and/or dispose of in full whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Pursuant to IFRS 5, the revenue and expenses of discontinued operations are presented separately in the combined special purpose income statement and the net assets and net liabilities are presented separately in combined special purpose current assets and combined special purpose current liabilities, respectively, for the current period only.

The combined special purpose statement of cash flows does not include the cash flows from discontinued operations in 2012 or 2011. In 2011 Applus Subgroup decided to discontinue the "Tracker" and "Security" programmes of the subsidiary Applus Autologic Inc., which had incurred losses of EUR 1,682 thousand during that year (see Note 28). Applus Subgroup and Velosi Subgroup did not decide to discontinue any significant operation in 2012.

v) Segment reporting

Operating segments are reported in a manner consistent with the internal information reported to Applus Subgroup Management. The operating segments are the components of Applus Technologies, S.L. that involve business activities from which revenues are obtained and expenses are incurred, including ordinary incomes and expenses from transactions with other components of the same subgroup. With regards to these segments, the financial information is separated and operating results are reviewed regularly by Applus Management in order to decide what resources have to be assigned to the segment and to evaluate its performance.

Velosi Subgroup has only one segment of components.

So these combined special purpose financial statements have been prepared considering the following segments: Applus+ RTD, Applus+ Velosi, Applus+ Norcontrol, Applus+ Laboratories, Applus+ Automotive, Applus+ IDIADA and Others (see Note 23).

w) Combined special purpose statement of cash flows

The following terms are used in the combined special purpose statement of cash flows:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the Applus Subgroup and Velosi Subgroup's principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of Applus Subgroup and Velosi Subgroup companies that are not operating activities.

5. Goodwill

The detail of the goodwill, by cash-generating unit (CGU), at the end of 2012 and 2011 was as follows:

	€ thousands	
Cash-generating unit	**31/12/12**	**31/12/11**
AUTO Spain	170,972	170,972
Idiada	54,900	54,900
AUTO Finland	52,782	52,782
RTD US and Canada	47,874	47,702
RTD Netherlands	34,164	34,164
RTD Germany	29,364	47,465
RTD UK	28,453	27,599
LGAI	27,996	27,996
AUTO US	25,209	25,602
Norcontrol	21,708	21,708
Velosi (Note 3.e.1)	19,392	6,264
RTD Australia	16,257	15,854
RTD other	9,886	9,886
AUTO Denmark	6,701	6,849
Valley Industrial X-Ray and Inspection Services, Inc.	5,551	4,142
JAN-X	5,298	5,345
Technico Inc.	4,161	4,161
RTD Brazil	3,873	2,768
Idiada Technologia Automotiva (formerly High End CAD/CAE/CAM, S.A.)	1,927	2,189
Quality Inspection Services, Inc.	1,840	3,164
LGAI Germany (BKW)	1,243	3,662
Kiefner & Associates, Inc.	335	2,397
Other	1,282	1,903
Total goodwill on consolidation	**571,168**	**579,474**

The changes in 2012 and 2011 were as follows:

	€ thousands
Balance at 1 January 2011	**585,893**
Additions	11,751
Translation differences	2,161
Disposals	(2,331)
Write-downs (Note 22)	(18,000)
Balance at 31 December 2011	**579,474**
Restatement	(1,287)
Balance at 1 January 2012	**578,187**
Changes in the scope of consolidation (Note 3.e.1)	13,128
Translation differences	388
Disposals	(2,434)
Write-downs (Note 22)	(18,101)
Balance at 31 December 2012	**571,168**

The additions in 2011 related, basically, to the business combinations described in Note 3.e for the following amounts (in thousands of euros):

Company	2011
BK Werkstofftechnik - Prüfstelle Für Werkstoffe (Lgai Germany)	3,658
Qualitec Engenharia da Qualidade, Ltda. (RTD Brazil)	2,956
Kiefner & Associates, Inc.	2,341
Applus Norcontrol, S.L.U.	820
Assinco - Assessoria, Inspeçao e Controle, Ltda.	725
Velosi Subgroup acquisitions	1,305
Change in exchange rates	(54)
Total	**11,751**

The assets and liabilities acquired on 9 June 2011 of Assinco - Assessoria, Inspeçao e Controle, Ltda., on 27 July 2011 of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. and on 16 November 2011 of Kiefner & Associates, Inc. were temporarily measured at the end of 2011 at the date upon the control of the companies was acquired. The resulting fair values have been revised in 2012 pursuant to IFRS 3, Business Combinations. At 31 December 2012, the assets and liabilities acquired on 9 June 2011 of Assinco - Assessoria, Inspeçao e Controle, Ltda. on 27 July 2011 of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. and on 16 November 2011 of Kiefner & Associates, Inc. have been definitively measured, and the goodwill generated on the acquisitions was recognised retrospectively (see Note 6).

Impairment test (write-down)

In 2012 and 2011 Applus Subgroup and Velosi Subgroup tested goodwill for impairment by calculating the present value of the expected future cash flows of each cash-generating unit. The main assumptions used in the impairment test were as follows:

- Time horizon of 25 years (very similar to using four-year time frames and a perpetuity return) or duration of the contract for cash generating units with a finite life.
- Exclusion from the calculation of perpetual returns at the end of the 25 years.
- The figures included in the budget approved by Applus Subgroup and Velosi Subgroup management were taken into account in the cash flows projected for 2013.
- Increases in revenue of between 0% and 5% for 24 years from 2013 onwards.
- Constant EBITDA margins (except for certain cash generating units where margins were increased as the amounts were not considered recurrent in 2012).
- Constant Capex and working capital over the 25 projected years.
- The main discounted rates, before taxes, used in each of the geographical areas were as follows:

Country	2012 (%)	2011 (%)
Spain	9.9	10.4
Ireland	12.1	15.1
US and Canada	8.1	6.8
Finland	8.1	7.5
Denmark	8.6	7.1
Netherlands	8.2	7.4
Germany	8.1	7.1
Australia	7.9	8.6
UK	8.5	8.1
Malaysia	8.0	8.0

Writedown of EUR 18,101 thousand in 2012 (EUR 18,000 thousand in 2011) related in full to a portion of the goodwill of the RTD Germany cash-generating unit.

At 31 December 2012 the accumulated goodwill write-down is EUR 52,417 thousand (31 December 2011: EUR 34,316 thousand).

According to the estimates and projections available, forecasts of profit attributable to the investments with associated goodwill individually exceed their combined special purposes carrying amount; therefore no write-downs additional to those already made in the year are required.

Sensitivity analysis

The main variables with the greatest impact on the impairment test performed by Applus Subgroup and Velosi Subgroup management are as follows:

- Discounted rate (WACC) before taxes.
- EBITDA
- Revenue growth

A 1% increases in the discounted rate, a 1% reduction in the EBITDA, or a 1% reduction in expected revenue growth would have a significant negative impact for Applus Subgroup and Velosi Subgroup in the impairment test to be performed.

However, a 1% reductions in the discounted rate, a 1% increases in the EBITDA or a 1% increases in the expected revenue growth would not have a positive significant impact since there are no significant impairment losses on property, plant and equipment and intangible assets and the impairment loss on goodwill may not be reversed.

The Applus Technologies Holding, S.L.'s Board of Directors consider that the assumptions used in the impairment test at 31 December 2012 and 2011 are reasonable and do not expect any significant negative changes thereto.

6. Other intangible assets

The changes in 2012 and 2011 in intangible asset accounts and in the related accumulated amortisation were as follows:

	2012 - € thousands								
Cost:	**Balance at 31 December 2011**	**Restatement**	**Balance at 1 January 2012**	**Changes in the scope of consolidation in Applus Subgroup and Velosi Subgroup**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2012**
Administrative concessions	135,919	—	135,919	—	—	—	—	—	135,919
Patents, licences and trademarks	243,911	—	243,911	35,124	4,192	—	—	(34)	283,193
Administrative authorisations	236,155	—	236,155	—	—	—	—	—	236,155
Customer portfolio	116,585	5,577	122,162	17,308	—	—	—	31	139,501
Computer software	42,530	—	42,530	196	2,329	(1,246)	81	19	43,909
Goodwill acquired	9,603	—	9,603	—	—	(488)	—	219	9,334
Asset usage rights	73,080	—	73,080	—	—	(120)	—	—	72,960
Other	18,819	—	18,819		1,951	(113)	36	(151)	20,542
Total cost	876,602	5,577	882,179	52,628	8,472	(1,967)	117	84	941,513
Accumulated amortisation	(181,057)	(148)	(181,205)	1,724	(47,107)	796	395	272	(225,125)
Total net	**695,545**	**5,429**	**700,974**	**54,352**	**(38,635)**	**(1,171)**	**512**	**356**	**716,388**

Cost:	Balance at 1 January 2011	Changes in the scope of consolidation in Applus Subgroup and Velosi Subgroup	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2011
	2011 - € thousands						
Administrative concessions	135,919	—	—	—	—	—	135,919
Patents, licences and trademarks	239,519	—	1,600	—	2,646	146	243,911
Administrative authorisations	236,155	—	—	—	—	—	236,155
Customer portfolio	116,623	—	—	—	(30)	(8)	116,585
Computer software	43,331	54	2,741	(2,765)	(932)	101	42,530
Goodwill acquired	9,740	—	—	(68)	2	(71)	9,603
Asset usage rights	73,080	—	—	—	—	—	73,080
Other	15,911	6	2,525	—	(123)	500	18,819
Total cost	870,278	60	6,866	(2,833)	1,563	668	876,602
Accumulated amortisation	(141,093)	(10)	(40,680)	2,043	(649)	(668)	(181,057)
Total net	**729,185**	**50**	**(33,814)**	**(790)**	**914**	**—**	**695,545**

Identification and valuation of intangible assets in business combinations

In 2012 the Applus Subgroup's assessment at fair value of the assets and liabilities of Assinco - Assessoria, Inspeçao e Controle, Ltda. acquired on 9 June 2011, of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. acquired on 27 July 2011 and of Kiefner & Associates, Inc. acquired on 16 November 2011 were completed and the fair value of the assets and liabilities acquired was definitively and retrospectively recognised. In the measurement of assets and liabilities intangible assets were identified amounting to EUR 5,577 thousand (EUR 3,796 thousand net of the related tax effect) relating to a customer portfolio, which are being amortised over 15 years.

In 2012, based on an independent valuation, Applus Subgroup carried out the assessment at fair value of the assets and liabilities of Velosi Subgroup contributed in Applus Subgroup on 20 December 2012, recognising the temporary fair value of the assets and liabilities associated with the aforementioned business combination. Intangible assets amounting to EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect) were identified as of 20 December 2012 when measuring the aforementioned assets and liabilities, and the detail was as follows:

	Amount € thousands
Trademark	26,183
Customer portfolio	19,012
Trademark licence agreement	16,939
Databases	273
Total	**62,407**

Based on the measurement of the assets acquired and liabilities assumed at fair value, intangible assets were revalued in EUR 54,352 thousand, mainly in relation to the trademark, the trademark licence agreement and the customer relationships. The deferred tax liability of this process was EUR 7,044 thousand, with a tax rate of 13%, due to the fact that the customer portfolio is mainly from Middle Eastern countries with very low or non existent tax rate, the trademark licence agreement is mainly from a Malaysian company with a tax rate of 25% and the trademark is from Velosi S.à r.l. whose registered office is located in Luxembourg where the tax rate for this intangible asset is only a 6%.

In 2011 the Applus Subgroup's assessment of the assets and liabilities of Quality Inspection Services, Inc. acquired on 26 February 2010 and of Valley Industrial X-Ray and Inspection Services, Inc. acquired on 9 April 2010 was completed and the goodwill generated on these acquisitions was definitively and retrospectively recognised. In the measurement of assets and liabilities, intangible assets were identified amounting to EUR 24,354 thousand (EUR 17,048 thousand net of the related tax effect) relating to a customer portfolio.

In 2008, based on an independent valuation, the assessment of the Applus Subgroup assets and liabilities acquired by Applus Technologies Holding, S.L. on 29 November 2007 was completed and the fair value of the assets and liabilities arising from the acquisition was definitively and retrospectively recognised. Assets of EUR 734,957 thousand (EUR 514,470 thousand net of the related tax effect) were identified when measuring the assets and liabilities.

The assets and liabilities identified in the above referred processes are as follows:

	€ thousands	
	31/12/12	31/12/11
Administrative authorisations	259,910	259,910
Applus and RTD trademarks	228,441	228,441
Administrative concessions	102,319	102,319
RTD customer portfolio	67,949	67,949
Rights of use	57,516	57,516
Quality and Valley customer portfolio	24,354	24,354
Velosi trademark	26,183	—
Velosi customer portfolio	19,012	—
Norcontrol customer portfolio	18,822	18,822
Velosi trademark licence agreement	16,939	—
Assinco, BKW and Kiefner customer portfolio	5,577	—
Velosi databases	273	—
Total identification of assets	**827,295**	**759,311**

The most significant assumptions used to allocate the aforementioned valuations on assets were as follows:

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows from that asset, was used to calculate the fair value of administrative authorisations.
- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows over the useful life assigned to the related contract, was used to calculate the fair value of administrative concessions and rights of use. The possibility of contract renewals for cash-generating units with finite lives was not considered.
- The royalty relief method, whereby the value of the asset is the present value of future royalty income from the use of the trademarks by the licensees, was used to calculate the value of the trademarks and trademark licence agreements.
- The income approach and specifically the multi-period excess earnings method, taking into account the useful lives of the customer portfolios and its discounted revenue was used to calculate the value of the customer's portfolios.

The description of the main assets included under this heading is as follows:

- Administrative authorisations and administrative concessions:

The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which Applus Subgroup manages under this name. Administrative authorisations are mainly located in Spain and Finland. The administrative authorisations for the inspections of Catalan vehicles are not amortised. The administrative authorisations for the inspections of Finnish vehicles had been amortised over 15 years. The related useful lives of this authorisations ware re-estimated on 1 January 2012 and the carrying amount at that date is now being amortised over 10 years.

An administrative concession mainly includes the operating rights for vehicle roadworthiness testing facilities. On 31 December 2012 and 2011, Applus Subgroup is managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, the Basque Country and Menorca), Ireland, Argentina and Chile. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates from 2014 to 2023 and are depreciated during its useful live.

- Patents, licences and trademarks:

  "Patents, licences and trademarks" includes the Applus, RTD and Velosi trademarks and Velosi trademark licence agreement. The three trademarks are considered to have a finite useful life. The first two are being amortised over 25 years while the Velosi trademark and the trademark licence's agreement are being amortised over 10 years.

- Customer portfolios:

  Customer portfolios relates to the carrying amount of certain contracts of several subsidiaries of Applus Subgroup and Velosi Subgroup. The contract term and its probability of renewal have been considered to conclude about its fair value. Customer portfolios amortization is calculated according to the contract term as follows:

	Useful live years
RTD Europe and Asia Pacific	25
RTD United States and Canada	15
Velosi	5
Lgai	15
Norcontrol	15

- Asset usage rights:

  These mainly include the carrying amounts of the usage rights transferred by Laboratori General d'Assaig i Investigació (now Catalonia Autonomous Community Government) on the incorporation of the Applus Subgroup company LGAI Technological Center, S.A. and the carrying amount of the assets assigned by Institut d'Investigació Aplicada de l'Automòbil (now Empresa de Promoció i Localització Industrial de Catalunya (AVANÇSA)) to Idiada Automotive Technology, S.A., relating, basically, to machinery and other fixtures. These rights of use are amortised over the useful life of the contract granting use of these assets (Idiada with term in 2029 and LGAI with term in 2033) or the useful life of the assets, the minor.

  In 2012 the amortisation charge associated with the aforementioned revalued assets recognised in the accompanying combined special purpose income statement amounted to EUR 34,855 thousand (2011: EUR 29,842 thousand).

Impairment test (write-down)

The main assumptions used in the impairment test are described in Note 5.

At 31 December 2012, fully amortised intangible assets in use amounted to EUR 33,106 thousand (31 December 2011: EUR 29,850 thousand). Applus Subgroup and Velosi Subgroup did not have any temporarily idle items at 31 December 2012 or 2011.

At 31 December 2012 and 2011, Applus Subgroup and Velosi Subgroup had no material firm intangible asset purchase commitments.

7. Property, plant and equipment

The changes in 2012 and 2011 in the various property, plant and equipment accounts and in the related accumulated depreciation and impairment losses were as follows:

	2012 - € thousands						
Cost:	**Balance at 1 January 2012**	**Changes in the scope of consolidation in Applus Subgroup and Velosi Subgroup**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2012**
Land and buildings	133,805	(334)	4,247	(459)	(1,189)	113	136,183
Plant and machinery	190,189	(346)	24,344	(862)	2,041	246	215,612
Other fixtures, tools and furniture	71,190	(65)	6,225	(2,613)	(1,163)	185	73,759
Other items of property, plant and equipment	46,988	(6)	13,282	(1,909)	2,980	(77)	61,258
Advances and property, plant and equipment in the course of construction	6,349	—	4,811	(44)	(3,493)	(22)	7,601
Grants	(2,253)	—	138	94	824	—	(1,197)
Total cost	**446,268**	**(751)**	**53,047**	**(5,793)**	**—**	**445**	**493,216**
Impairment losses	**(270)**	**—**	**(405)**	**—**	**(405)**	**(612)**	**(1,692)**
Accumulated depreciation	**(266,757)**	**181**	**(35,013)**	**6,096**	**226**	**309**	**(294,958)**
Total	**179,241**	**(570)**	**17,629**	**303**	**(179)**	**142**	**196,566**

	2011 - € thousands						
Cost:	**Balance at 1 January 2011**	**Changes in the scope of consolidation in Applus Subgroup and Velosi Subgroup**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2011**
Land and buildings	127,854	7	6,552	(3,180)	1,831	741	133,805
Plant and machinery	169,471	1,537	18,239	(2,541)	1,834	1,649	190,189
Other fixtures, tools and furniture	65,163	973	7,443	(2,186)	(423)	220	71,190
Other items of property, plant and equipment	41,072	2,112	6,504	(2,003)	(1,181)	484	46,988
Advances and property, plant and equipment in the course of construction	7,748	2,174	—	(12)	(3,702)	141	6,349
Grants	(2,332)	—	(328)	407	—	—	(2,253)
Total cost	**408,976**	**6,803**	**38,410**	**(9,515)**	**(1,641)**	**3,235**	**446,268**
Impairment losses	**(247)**	**—**	**(23)**	**—**	**—**	**—**	**(270)**
Accumulated depreciation	**(239,235)**	**(1,620)**	**(32,736)**	**7,351**	**1,545**	**(2,062)**	**(266,757)**
Total	**169,494**	**5,183**	**5,651**	**(2,164)**	**(96)**	**1,173**	**179,241**

In 2012 the additions related, basically, to plant and machinery amounting to EUR 24,344 thousand, which were acquired in the course of Applus Subgroup's and Velosi Subgroup's normal operations. Also, additions to land and buildings amounting to EUR 4,247 thousand were recognised, of which EUR 2,242 thousand relate to land and buildings acquired in Spain by the Applus Subgroup company Applus ITV Technology, S.L.U. in the autonomous community of Madrid for vehicle roadworthiness testing.

Additions to "Other Items of Property, Plant and Equipment" amounting to EUR 13,282 thousand related, mainly, to the acquisition of items of transport equipment totalling EUR 7,472 thousand.

In 2011, the additions related, basically, to plant and machinery amounting to EUR 18,239 thousand, which were acquired in the course of the Applus Subgroup and Velosi Subgroup's normal operations. Also, additions to land and buildings amounting to EUR 6,552 thousand were recognised, of which EUR 5,714 thousand were related to land acquired in Spain by the Applus Subgroup company, Applus ITV Technology, S.L.U., for vehicle roadworthiness testing.

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2012 amounted to EUR 118,939 thousand (31 December 2011: EUR 96,949 thousand). Applus Subgroup and Velosi Subgroup did not have any temporarily idle items at 31 December 2012 or 2011.

Applus Subgroup and Velosi Subgroup have taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 31 December 2012 and 2011, Applus Subgroup and Velosi Subgroup did not have any significant firm property, plant and equipment purchase commitments.

Certain Applus Subgroup's companies have property, plant and equipment items that have to be handed over to the Government at the end of the related concession terms. The detail of the carrying amount of the assets subject to reversion at 31 December 2012 and 2011 was as follows:

	2012 - € thousands		
	Gross cost	**Accumulated depreciation/ Impairment losses**	**Carrying amount**
Applus Iteuve Technology, S.L.U.	40,882	(35,608)	5,274
Idiada Automotive Technology, S.A.	26,886	(14,843)	12,043
Applus Iteuve Euskadi, S.A.U.	5,703	(4,208)	1,495
LGAI Technological Center, S.A.	14,200	(12,289)	1,911
Total	**87,671**	**(66,948)**	**20,723**

	2011 - € thousands		
	Gross cost	**Accumulated depreciation/ Impairment losses**	**Carrying amount**
Applus Iteuve Technology, S.L.U.	38,344	(34,261)	4,083
Idiada Automotive Technology, S.A.	22,865	(13,391)	9,474
Applus Iteuve Euskadi, S.A.U.	6,930	(4,251)	2,679
LGAI Technological Center, S.A.	14,200	(11,295)	2,905
Total	**82,339**	**(63,198)**	**19,141**

The detail of the most significant items of property, plant and equipment located outside Spain at 31 December 2012 and 2011 was as follows:

2012

Cost:	US dollar	Danish krone	Chilean peso	Australian dollar	Pound sterling	Qatari rial
	Amounts at closing exchange rate (in € thousands) in:					
Land and buildings	44,512	13,443	9,330	773	1,706	—
Plant and machinery	73,028	4,296	2,911	6,501	3,496	—
Other fixtures, tools and furniture	4,055	297	192	707	394	2,368
Other items of property, plant and equipment	28,582	1,285	862	2,436	128	2,014
Advances and property, plant and equipment in the course of construction	881	56	—	—	—	—
Total cost	**151,058**	**19,377**	**13,295**	**10,417**	**5,724**	**4,382**
Accumulated depreciation	**(88,482)**	**(7,170)**	**(4,570)**	**(7,575)**	**(3,306)**	**(2,190)**
Total carrying amount	**62,576**	**12,207**	**8,725**	**2,842**	**2,418**	**2,192**

Cost:	Chinese yuan	Canadian dollar	Czech koruna	Colombian peso	Brazilian real	Singapore dollar
	Amounts at closing exchange rate (in € thousands) in:					
Land and buildings	—	395	236	—	—	—
Plant and machinery	1,149	6,862	3,447	2,344	1,263	2,170
Other fixtures, tools and furniture	488	538	43	521	198	1,133
Other items of property, plant and equipment	479	862	1,540	1,477	1,117	461
Advances and property, plant and equipment in the course of construction	490	—	—	—	—	—
Total cost	**2,606**	**8,657**	**5,266**	**4,342**	**2,578**	**3,764**
Accumulated depreciation	**(478)**	**(6,700)**	**(3,349)**	**(2,675)**	**(1,162)**	**(2,457)**
Total carrying amount	**2,128**	**1,957**	**1,917**	**1,667**	**1,416**	**1,307**

Cost:	United Arab Emirates dirham	Argentine peso	Saudi riyal	Norwegian krone	South African rand	Malaysian ringgit
	Amounts at closing exchange rate (in € thousands) in:					
Land and buildings	—	1,465	—	—	264	—
Plant and machinery	929	624	29	1,088	2,574	1,676
Other fixtures, tools and furniture	853	73	659	47	93	1,128
Other items of property, plant and equipment	558	739	968	85	248	365
Advances and property, plant and equipment in the course of construction	—	—	—	—	—	—
Total cost	**2,340**	**2,901**	**1,656**	**1,220**	**3,179**	**3,169**
Accumulated depreciation	**(1,137)**	**(1,743)**	**(712)**	**(301)**	**(2,272)**	**(2,451)**
Total carrying amount	**1,203**	**1,158**	**944**	**919**	**907**	**718**

2011

Cost:	US dollar	Danish krone	Chilean peso	Australian dollar	Pound sterling	Qatari rial
	Amounts at closing exchange rate (in € thousands) in:					
Land and buildings	44,933	13,461	8,625	738	1,627	—
Plant and machinery	66,741	4,164	2,667	5,617	3,196	—
Other fixtures, tools and furniture	3,977	255	104	1,406	269	1,772
Other items of property, plant and equipment	19,137	1,274	286	1,554	—	2,142
Advances and property, plant and equipment in the course of construction	2,358	6	—	—	—	—
Total cost	**137,146**	**19,160**	**11,682**	**9,315**	**5,092**	**3,914**
Accumulated depreciation	**(80,884)**	**(6,442)**	**(3,191)**	**(6,575)**	**(2,633)**	**(1,839)**
Total carrying amount	**56,262**	**12,718**	**8,491**	**2,740**	**2,459**	**2,075**

Cost:	Czech koruna	Canadian dollar	Brazilian real	Colombian peso	Argentine peso	United Arab Emirates dirham
	Amounts at closing exchange rate (in € thousands) in:					
Land and buildings	235	104	—	1,893	1,679	—
Plant and machinery	3,235	5,893	1,082	477	688	665
Other fixtures, tools and furniture	43	480	199		82	624
Other items of property, plant and equipment	1,415	1,009	1,382	1,205	796	549
Advances and property, plant and equipment in the course of construction	—	—	—	—	10	—
Total cost	**4,928**	**7,486**	**2,663**	**3,575**	**3,255**	**1,838**
Accumulated depreciation	**(2,892)**	**(5,861)**	**(1,123)**	**(2,083)**	**(1,825)**	**(695)**
Total carrying amount	**2,036**	**1,625**	**1,540**	**1,492**	**1,430**	**1,143**

Cost:	South African rand	Chinese yuan	Singapore dollar	Saudi riyal	Malaysian ringgit
	Amounts at closing exchange rate (in € thousands) in:				
Land and buildings	267	687	—	—	—
Plant and machinery	2,499	224	1,651	29	1,590
Other fixtures, tools and furniture	84		872	411	925
Other items of property, plant and equipment	214	328	447	980	355
Advances and property, plant and equipment in the course of construction	—	—	—	—	—
Total cost	**3,064**	**1,239**	**2,970**	**1,420**	**2,870**
Accumulated depreciation	**(1,966)**	**(160)**	**(1,898)**	**(412)**	**(2,021)**
Total carrying amount	**1,098**	**1,079**	**1,072**	**1,008**	**849**

The detail of the main assets held by Applus Subgroup and Velosi Subgroup under finance leases at 31 December 2012 and 2011 was as follows:

	€ thousands			
	31/12/12		31/12/11	
	Original cost including purchase option	Lease payments paid	Original cost including purchase option	Lease payments paid
Plant and machinery	1,181	309	744	142
Computer hardware	2,769	22	2,704	234
Transport equipment	13,216	1,964	8,771	1,211
Total	**17,166**	**2,295**	**12,219**	**1,587**

The amounts payable under finance lease liabilities as of 31 December 2012 amounted to EUR 11,319 thousand (31 December 2011: EUR 6,799 thousand) (see Note 14).

8. Non-current financial assets

The changes in the various non-current financial asset accounts in 2012 and 2011 were as follows:

	2012 - € thousands						
	Balance at 31 December 2011	Restatement	Balance at 1 January 2012	Additions or charge for the year	Disposals	Translation differences	Balance at 31 December 2012
Investments in other companies	4,196	—	4,196	1,583	(991)	(83)	4,705
Fixed-income securities	1	—	1	9	—	—	10
Non-current receivables	195	—	195	1,053	—	—	1,248
Deposits and guarantees	11,528	(3,670)	7,858	1,503	(1,493)	—	7,868
Impairment losses	(668)	—	(668)	—	—	—	(668)
Total	**15,252**	**(3,670)**	**11,582**	**4,148**	**(2,484)**	**(83)**	**13,163**

	2011 - € thousands				
	Balance at 1 January 2011	Additions or charge for the year	Disposals	Translation differences	Balance at 31 December 2011
Investments in other companies	3,709	1,206	(794)	75	4,196
Fixed-income securities	3	—	(2)	—	1
Non-current receivables	304	7	(108)	(8)	195
Deposits and guarantees	8,497	3,031	—	—	11,528
Impairment losses	(668)	—	—	—	(668)
Total	**11,845**	**4,244**	**(904)**	**67**	**15,252**

Investments in other companies

The "Investments in other companies" relates, basically, to the ownership interest of between 45% and 50% in Velosi (B) Sdn Bhd, Velosi LLC, Rina-V Ltd, Rina-V Projects Certification L.L.C, Kurtec Pipeline Services Ltd, and Kurtec Pipeline Services L.L.C. over which the Velosi Subgroup does not exercise control.

Deposits and guarantees

At 31 December 2012, "Deposits and Guarantees" included EUR 4.4 million (31 December 2011: EUR 3.6 million) relating to restricted cash deposits to secure certain contracts entered into.

9. Inventories

The detail of Applus Subgroup's inventories at 31 December 2012 and 2011 was as follows:

	€ thousands	
	31/12/12	31/12/11
Laboratories and other materials	7,081	4,713
Raw materials and other supplies	817	692
Total inventories	**7,898**	**5,405**

These inventories related, mainly, to X-ray material used in non-destructive testing by the RTD subgroup; reagents, fungibles and chemical compounds used in laboratory or field tests by Lgai subgroup and parts and elements used in vehicle roadworthiness testing facilities.

Obsolete, defective or slow-moving inventories were reduced to realisable value. The inventories will be realised in less than twelve months.

10. Trade receivables for sales and services, related companies and other receivables

The detail of these current asset headings in the accompanying combined special purpose balance sheets at 31 December 2012 and 2011 was as follows:

	€ thousands	
	31/12/12	**31/12/11**
Trade receivables for sales and services	358,207	333,508
Work in progress	(22,664)	(19,085)
Trade receivables for sales and services	**335,543**	**314,423**
Trade receivables from related companies (Note 26)	5,106	5,081
Current tax assets	10,363	7,676
Other receivables	15,811	12,505
Total trade and other receivables	**366,823**	**339,685**

Under "Work in Progress" caption, are included all units of work that have not yet been billed to the final client valued at the sale price by Applus Subgroup and Velosi Subgroup. Applus Subgroup and Velosi Subgroup management considers there is certainty about its final billing (see Note 3.s).

Applus Technologies Holding, S.L.'s, Board of Directors considers that the carrying amount of trade and other receivables approximates their fair value.

The Applus Subgroup and Velosi Subgroup's average credit period for services rendered was approximately 56 days in 2012 (2011: 65 days). Subgroups do not charge interest on receivables with current maturity.

The accounts receivable that were past-due by more than twelve months amounted to EUR 16,762 thousand (31 December 2011: EUR 20,740 thousand). Write-downs have been recognised for most of these amounts.

The Applus Technologies Holding, S.L.'s Board of Directors considers that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Applus Subgroup and Velosi Subgroup's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Applus Subgroup and Velosi Subgroup's maximum exposure to credit risk in relation to financial assets.

The Applus Subgroup and Velosi Subgroup's credit risk is principally attributable to trade receivables. The amounts presented in the combined special purpose balance sheet are net of allowances for doubtful debts, estimated by Applus Subgroup and Velosi Subgroup management based on prior experience and its assessment of the current economic environment.

The Applus Subgroup and Velosi Subgroup does not have a significant concentration of credit risk, with exposure spread over a large number customers, business lines, markets and geographical areas.

However, the Applus Subgroup and Velosi Subgroup's financial management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts, particularly in the industries with a higher risk of insolvency. In 2012 and 2011 particular attention was paid to monitoring and recovering past-due receivables and a detailed analysis of customers with associated insolvency or default risks was performed.

Before accepting any new customer, Applus Subgroup and Velosi Subgroup use an external credit scoring system to assess the potential customer's credit quality and define credit limits by customer. Besides, Applus Subgroup and Velosi Subgroup review the recoverability of the accounts receivable periodically.

Applus Subgroup entered into a non-recourse factoring agreement on 9 November 2007, which expired on 31 December 2012 and was not renewed. The maximum amount of the financing was EUR 10,000 thousand. At 31 December 2012, the Applus Subgroup had not derecognised any factored collection rights from the combined special purpose balance sheet (31 December 2011: EUR 7,960 thousand).

Included in the Velosi Subgroup's trade and other receivables is an amount of EUR 1,498 thousand (31 December 2011: EUR 2,244 thousand) pledged as security for bank overdraft facilities for a subsidiary company.

The changes in 2012 and 2011 in the allowance for doubtful debts were as follows:

	€ thousands
Balance at 1 January 2011	**15,446**
Additions	8,852
Amounts used	(2,573)
Disposals	(2,640)
Balance at 31 December 2011	**19,085**
Additions	12,751
Amounts used	(4,607)
Disposals	(4,565)
Balance at 31 December 2012	**22,664**

In 2012 Applus Subgroup and Velosi Subgroup derecognised EUR 4,565 thousand of provisioned accounts receivable (2011: EUR 2,640 thousand) since they were considered to be uncollectible.

11. Current financial assets and cash and cash equivalents

Current financial assets

The changes in "Current financial assets" in 2012 and 2011 were as follows:

	€ thousands				
	Balance at 1 January	Additions or charge for the year, net	Disposals	Exchange differences	Balance at 31 December
2012	2,880	—	(87)	30	2,823
2011	2,885	1,014	(1,019)	—	2,880

At 31 December 2012, the amount included in short-term deposits and guarantees amounted to EUR 1,864 thousand (31 December 2011: EUR 801 thousand) and other assets of EUR 959 thousand (31 December 2011: EUR 2,079 thousand).

Cash and cash equivalents

At 31 December 2012 and 2011, the amount classified as "Cash and Cash Equivalents" in the accompanying combined special purpose balance sheet related in full to cash, except for EUR 5,665 thousand (at 31 December 2011 EUR 34,806 thousand) that related to three deposits with a term of less than three months.

12. Equity

The changes in 2012 and 2011 in "Equity" in the accompanying combined special purpose balance sheet were as follows:

	€ thousands	
	31/12/12	31/12/11
Beginning balance	**67,532**	**(55,873)**
Restatement	(3,508)	—
Restated beginning balance	**64,024**	**(55,873)**
Capital increases and share premium		
Conversion of loans into capital	341,004	200,000
Net impact of business combinations - contribution of Velosi Subgroup (Note 3.e.1.)	102,213	52
Elimination of Velosi Subgroup Equity for combined special purposes	(48,362)	—
Changes in retained earnings and other reserves	(18,243)	1,122
Changes in foreign currency translation reserve	1,187	(1,965)
Adjustments due to the re-measurement of derivatives (Applus Subgroup)	14,117	10,488
Combined special purpose net loss for the year (Applus Subgroup and Velosi Subgroup)	(59,936)	(85,906)
Changes in non-controlling interests (Applus Subgroup and Velosi Subgroup)	(5,605)	(386)
Balance at 31 December	**390,399**	**67,532**

a) Share capital and share premium

The share capital and share premium of Applus Subgroup and Velosi Subgroup combined special purpose financial statements were as follows (in thousands of euros).

	Applus Subgroup		Velosi Subgroup		Total Combined	
	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11
Share capital	600,825	31,085	—	722	600,825	31,807
Share premium	308,076	290,812	—	26,828	308,076	317,640
Total	**908,901**	**321,897**	**—**	**27,550**	**908,901**	**349,447**

a.1) Applus Subgroup

At 31 December 2012 and 2011, the shareholders of Applus Technologies Holding, S.L. were as follows:

Company	31/12/12	31/12/11
Azul Finance S.à r.l.	58.30%	61.89%
Azul Holding S.C.A.	41.70%	38.11%
Total	**100%**	**100%**

Applus Technologies Holding, S.L. was incorporated on 5 July 2007 with a share capital of EUR 3,100, divided into 3,100 equal, cumulative and indivisible shares of EUR 1 par value each, fully subscribed and paid.

On 29 November 2007, Applus Technologies Holding, S.L. increased share capital by EUR 12,312,500 through the issuance of 12,312,500 shares of EUR 1 par value each with a share premium of EUR 110,812,500, i.e. EUR 9 per share. The shares and the share premium were fully subscribed and paid by the sole shareholder at that date, Azul Holding S.C.A., through a monetary contribution. Stamp duty on the capital increase amounted to EUR 1,231,250 and was recognised as a deduction from share capital.

On 29 December 2011, Applus Technologies Holding, S.L. increased its share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. This capital increase was carried out by in kind contribution of a portion of the principal and interests of the participating loan that Azul Finance S.à r.l. had granted to Applus Technologies Holding, S.L. (see Note 15). The value of the amount of the aforementioned loan converted into capital corresponds to its fair value, on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the combined special purpose income statement.

On 20 December 2012, the shareholders increased the Applus Technologies Holding, S.L.'s share capital by EUR 238,764,894 through the issuance of 238,764,894 shares of EUR 1 par value each with a share premium of EUR 7,235 thousand, i.e. EUR 0.0303033 per share. Both the shares and the share premium were fully subscribed and paid by Azul Holding S.C.A. through the in kind contribution of the shares representing all of the share capital of Azul Holding 2 S.à r.l. valued at EUR 246,000 thousand.

The cost of this business combination amounted to EUR 102,213 thousand, giving rise to negative reserves of EUR 143,787 thousand for Applus Technologies Holding, S.L.

The aforementioned in kind contribution qualified for taxation under the special tax regime for mergers, spin-offs, asset contributions, security exchanges and changes of registered office of a European Company or a European Cooperative Society from one EU member state to another provided for in Chapter VIII of Title VII of Legislative Royal-Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, as a security exchange defined in Articles 83.5 and 87.

All of the information relating to this process is disclosed in the separate financial statement of Applus Technologies Holding, S.L. for 2012.

Also on 20 December 2012, Applus Technologies Holding, S.L. increased share capital by EUR 330,975 thousand through the issuance of 330,975 thousand new shares of EUR 1 par value each with a share premium of EUR 10,029 thousand, i.e. EUR 0.0303033 per share. This capital increase was carried out by means of in a kind contribution of a portion of the principal and interests of the participating loan that Azul Finance S.à r.l. had granted to the Applus Technologies Holding, S.L. (see Note 15). The value of the amount of the loan converted into capital relates to is fair value, based on the reports by independent valuers and, therefore, the aforementioned transaction did not have any impact on the combined special purpose income statement.

After these transactions, the share capital of Applus Technologies Holding, S.L. at 31 December 2012 amounted to EUR 602,056,357, represented by 602,056,357 fully subscribed and paid indivisible and cumulative shares of EUR 1 par value each, numbered sequentially from 1 to 602,056,357, inclusive, less the associated expenses of EUR 1,231,250.

At 31 December 2012, a total of 32,315,600 of the Applus Technologies Holding, S.L.'s shares (31 December 2011: 12,315,600 shares) had been pledged as security for the bank loan granted to the Applus Subgroup (see Note 14).

a.2) Velosi Subgroup

At 31 December 2011, the shareholders of the Velosi S.à r.l. were Azul Holding 2 S.à r.l. (99.9%) and Azul Holding S.C.A. (0.1%).

The issued share capital at 31 December 2011 was USD 968 thousand (EUR 722 thousand) divided into 48,384,548 equal, cumulative and indivisible shares of USD 0.02 par value each, fully subscribed and paid.

The share premium of USD 35,977 thousand (EUR 26,828 thousand) arose from the premium on the issuance of new ordinary shares in prior financial years and also share-based payment transactions for options already exercised by employees being reclassified from the equity compensation reserve.

b) Valuation adjustments

At 31 December 2012, "Valuation Adjustments" included EUR 4,882 thousand (31 December 2011: EUR 18,999 thousand) relating to the impact of the measurement at fair value, net of the related tax effect, of the derivative financial instruments arranged by the Applus Subgroup (see Note 16).

c) Profit / (Loss) per share

Profit / (Loss) per share is calculated by dividing the profit / loss attributable to the net equity holders of each Parent Company by the average number of ordinary shares circulating during the period:

c.1) Applus Subgroup

	2012	2011
Number of shares	602,056,357	32,315,600
Average number of shares	47,924,936	12,479,984
Profit / (loss) attributable to the parent company (thousand of euros)	(69,157)	(91,002)
Number of treasury shares	—	—
Number of shares in circulation	602,056,357	32,315,600
Profit per share (Euros per share)		
- Basic	(1.443)	(7.292)
- Diluted	(1.443)	(7.292)

c.2) Velosi subgroup

	2012	2011
Number of shares	48,384,548	48,384,548
Average number of shares	48,384,548	48,384,548
Profit (loss) attributable to the parent company (thousand Euros)	2,188	(827)
Number of treasury shares	—	—
Number of shares in circulation	48,384,548	48,384,548
Profit per share (Euros per share)		
- Basic	0.0438	(0.0171)
- Diluted	0.0438	(0.0171)

There are no financial instruments that could dilute the profit per share.

d) Capital risk management

Applus Subgroup and Velosi Subgroup manage its capital to ensure that their subsidiaries can continue to operate in accordance with the going-concern principle of accounting. Applus Subgroup and Velosi Subgroup are also committed to maintaining leverage levels that are consistent with its growth, solvency and profitability objectives.

The data relating to the financial leverage ratios at the end of 2012 and 2011 were as follows:

	€ thousands	
	31/12/12	**31/12/11**
Bank borrowings (long and short term)	1,114,509	1,095,530
Other financial liabilities	28,030	26,600
Current financial assets	(2,823)	(2,880)
Cash and cash equivalents	(141,426)	(120,737)
Net financial debt	**998,290**	**998,513**
Equity	390,399	64,024
Participating loan	92,448	391,715
Total equity and participating loan	**482,847**	**455,739**
Leverage (Net financial debt / Net financial debt + equity+ participating loan)	**67%**	**69%**

13. Non-controlling interests

"Non-controlling interests" in the accompanying combined special purpose balance sheet reflects the equity of the non-controlling shareholders in the Applus Subgroup and Velosi Subgroup's consolidated companies. Also, the balance of "Profit attributable to non-controlling interests" in the accompanying combined special purpose income statement reflects the share of these non-controlling interests in the combined special purpose profit or loss for the year.

The detail of the non-controlling interests of Applus Subgroup and Velosi Subgroup fully consolidated companies in which ownership is shared with third parties was as follows:

	2012 - € thousands		
	Share capital and reserves	**Profit (Loss)**	**Total**
LGAI Technological Center, S.A. and subsidiaries	11,459	(36)	11,423
Applus Iteuve Technology, S.L.U. and subsidiaries	144	(116)	28
Idiada Automotive Technology, S.A. and subsidiaries	4,426	2,593	7,019
RTD, B.V. and subsidiaries	1,373	328	1,701
Velosi, S.à r.l. and subsidiaries	14,472	145	14,617
Total non-controlling interests Applus Subgroup	**31,874**	**2,914**	**34,788**
Total non-controlling interests Velosi Subgroup	**(4,119)**	**4,119**	**—**
Total non-controlling interests	**27,755**	**7,033**	**34,788**

	2011 - € thousands		
	Share capital and reserves	**Profit (Loss)**	**Total**
LGAI Technological Center, S.A. and subsidiaries	11,728	(189)	11,539
Applus Iteuve Technology, S.L.U. and subsidiaries	145	—	145
Idiada Automotive Technology, S.A. and subsidiaries	6,988	1,895	8,883
RTD, B.V. and subsidiaries	1,376	(95)	1,281
Total non-controlling interests Applus Subgroup	**20,237**	**1,611**	**21,848**
Total non-controlling interests Velosi Subgroup	**7,200**	**4,312**	**11,512**
Total non-controlling interests	**27,437**	**5,923**	**33,360**

The changes in "Non-Controlling Interests" in 2012 and 2011 were summarised as follows:

	€ thousands			
	2012		2011	
	Applus	Velosi	Applus	Velosi
Beginning balance	**21,848**	**11,512**	**18,642**	**9,181**
Changes in the scope of consolidation	14,472	(9,390)	1,296	(734)
Other changes	(436)	(5,114)	—	—
Dividends	(4,000)	(1,166)	—	(1,464)
Foreign currency translation	(10)	39	299	217
Profit for the year	2,914	4,119	1,611	4,312
Ending balance	**34,788**	**—**	**21,848**	**11,512**

14. Bank borrowings

The detail, by maturity, of the bank borrowings in the accompanying combined special purpose balance sheets at 31 December 2012 and 2011 was as follows:

	2012 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2014	2015	2016	Other	Total
Syndicated loan	1,058,550	3,029	8,146	—	771,037	293,509	1,072,692
Other loans	—	7,134	24	24	24	586	658
Credit facilities	37,134	10,660	—	—	—	—	—
Obligations under finance leases	—	4,089	3,430	2,404	1,237	159	7,230
Other financial liabilities	—	2,267	—	—	—	—	—
Hedging instruments (Note 16)	—	6,750	—	—	—	—	—
Total	**1,095,684**	**33,929**	**11,600**	**2,428**	**772,298**	**294,254**	**1,080,580**

	2011 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2013	2014	2015	Other	Total
Syndicated loan	1,085,000	48,298	48,298	48,298	—	909,139	1,005,735
Other loans	—	2,043	249	249	249	641	1,388
Credit facilities	13,000	5,343	—	—	—	—	—
Obligations under finance leases	—	599	314	314	314	5,258	6,200
Other financial liabilities	—	2,349	—	—	—	—	—
Hedging instruments (Note 16)	—	12,120	11,455	—	—	—	11,455
Total	**1,098,000**	**70,752**	**60,316**	**48,861**	**563**	**915,038**	**1,024,778**

On 27 November 2007, Applus Subgroup arranged a syndicated loan with Société Générale, London Branch, as the agent bank, and Barclays Capital; Bayerische Hypo-und Vereinsbank, AG, London Branch; Catalunya Caixa; Caixa Bank; Bankia; Calyon, Sucursal en España; Commerzbank Aktiengesellschaft; Landsbanki Islands h.f. and Mizuho Corporate Bank, Ltd. as the participating lenders for an initial total maximum amount of EUR 1,085,000 thousand, divided into various tranches of financing.

The tranches have a single maturity at the end of the related term and may be repaid early, except for the Capex Facility, the amount drawn down against which is being repaid in six equal half-yearly instalments from May 2012.

On 21 November 2012, Applus Subgroup refinanced a portion of its bank borrowings, renegotiating the terms and conditions of 95% of the Capex Facility and 85% of the Revolving Facility, extending the term of both tranches by two years to 25 May 2016 and establishing a single maturity at the end of the related term, which also applies to the Capex Facility.

As a result, two tranches were created in the Capex Facility and in the Revolving Facility: tranche 1 with the same terms and conditions as those established on 27 November 2007, while tranche 2 has the terms and conditions established in the refinancing agreement entered into on 21 November 2012.

The financial structure of the aforementioned syndicated loan was, therefore, as follows:

	2012 - € thousands			
Tranche	**Limit**	**Amount drawn down + interest added to principal**	**Interest rate**	**Maturity**
Facility B	610,000	610,000	Euribor + spread	29/05/16
Second Lien Facility (Senior D)	100,000	100,000	Euribor + spread	29/05/17
Revolving Facility 1	10,500	5,281	Euribor + spread	29/11/14
Revolving Facility 2	64,500	32,441	Euribor + spread	25/05/16
Capex Facility 1	5,800	5,800	Euribor + spread	29/05/12 - 29/11/14
Capex Facility 2	117,750	117,750	Euribor + spread	25/05/16
Mezzanine Facility	150,000	150,000	Euribor + spread	29/11/17
Interest added to principal - Mezzanine Facility	—	43,599		
Effect of exchange rate changes	—	19,598		
Debt arrangement expenses	—	(8,748)		
Total	**1,058,550**	**1,075,721**		

	2011 - € thousands			
Tranche	**Limit**	**Amount drawn down + interest added to principal**	**Interest rate**	**Maturity**
Facility B	610,000	610,000	Euribor + spread	29/05/16
Second Lien Facility (Senior D)	100,000	100,000	Euribor + spread	29/05/17
Revolving Facility	75,000	—	Euribor + spread	29/11/14
Capex Facility	150,000	150,000	Euribor + spread	29/05/12 - 29/11/14
Mezzanine Facility	150,000	150,000	Euribor + spread	29/11/17
Interest added to principal - Mezzanine Facility	—	34,157		
Effect of exchange rate changes	—	21,512		
Debt arrangement fees	—	(11,636)		
Total	**1,085,000**	**1,054,033**		

At 31 December 2012 and 2011, Applus Subgroup had drawn down a portion - USD 215 million (approximately 31 December 2012: EUR 163 million and 31 December 2011: EUR 165 million) against the principal in USD of the Facility B tranche, which totals EUR 610 million.

At 31 December 2012 and 2011, Applus Subgroup had drawn down a portion against the principal of the Capex Facility tranche in USD: USD 69.5 million and USD 84.2 million, respectively (approximately, 31 December 2012: EUR 52.8 million and 31 December 2011: EUR 64.5 million) and in GBP: GBP 20.5 million at 31 December 2012 and GBP 24.9 million at 31 December 2011 (approximately, 31 December 2012: EUR 25.3 million and 31 December 2011: EUR 29.8 million).

The syndicated loan agreement establishes certain covenants including most notably the obligation to achieve certain financial ratios based on the consolidated figures of certain companies, which were being achieved at 31 December 2012 and 2011.

The main financial ratios to be achieved by Applus Group are as follows:

- The consolidated EBITDA/consolidated net financial expenses ratio must exceed certain values set for each quarter throughout the term of the loan. The ratio set for each quarter is increasingly restrictive. At 31 December 2012, the aforementioned ratio had to exceed 1.88.
- The net consolidated debt/consolidated EBITDA ratio must not exceed certain values set for each quarter throughout the term of the loan. The ratio set for each quarter is increasingly restrictive. At 31 December 2012, the aforementioned ratio had to be lower than 6.79.

The agreement also established restrictions on the payment of dividends, the incorporation or acquisition of companies, the arrangement of additional borrowings, transactions with financial derivatives and the disposal or acquisition of assets. Applus Technologies Holding, S.L. arranged certain interest rate hedges for the aforementioned loan. The information on Applus Subgroup's financial hedging instruments is disclosed in Note 16.

To secure compliance with the obligations associated with the aforementioned loan, a share pledge was granted (i) over 32,315,600 shares of Applus Technologies Holding, S.L., representing 5.37% of its share capital; and (ii) over the shares of certain subsidiaries of Applus Subgroup (see Note 12).

Included in other loans and credit facilities were EUR 7,222 thousand secured by a floating and fixed charge over all assets of a subsidiary, Velosi Corporate Services Sdn Bhd. Office buildings, trade and other receivables being pledged as security for banking facilities. Office buildings, trade and other receivables being pledged as security for banking facilities are disclosed in Note 7 and 10 respectively.

The interest rates on the credit facilities and loans were mainly tied to Euribor and Libor.

The detail of the main current and non-current bank borrowings at 31 December 2012 and 2011, by currency and excluding hedging instruments, was as follows:

	2012 - € thousands						
	Euros	**United States Dollar**	**British Pound**	**Malaysian Ringgit**	**Colombian Peso**	**Others**	**Total**
Syndicated loan	820,428	230,026	25,267	—	—	—	1,075,721
Other loans	181	231	—	7,044	—	336	7,792
Credit facilities	505	—	—	7,104	2,796	255	10,660
Obligations under finance leases	35	10,351	—	608	54	271	11,319
Other financial liabilities	2,267	—	—	—	—	—	2,267
Total	**823,416**	**240,608**	**25,267**	**14,756**	**2,850**	**862**	**1,107,759**

	2011 - € thousands						
	Euros	**United States Dollar**	**British Pound**	**Malaysian Ringgit**	**Colombian Peso**	**Others**	**Total**
Syndicated loan	794,851	229,401	29,781	—	—	—	1,054,033
Other loans	1,200	—	—	—	—	2,231	3,431
Credit facilities	191	—	—	—	3,402	1,750	5,343
Obligations under finance leases	847	5,297	—	—	44	611	6,799
Other financial liabilities	2,349	—	—	—	—	—	2,349
Total	**799,438**	**234,698**	**29,781**	**—**	**3,446**	**4,592**	**1,071,955**

15. Participating loan and other non-current financial liabilities

The detail of the related headings in the accompanying combined special purpose balance sheets at 31 December 2012 and 2011 was as follows:

	€ thousands	
	31/12/12	**31/12/11**
Participating loan	92,172	169,375
Interest on participating loan	276	222,340
Total participating loan	**92,448**	**391,715**
Payable due to reversion (Note 25.a)	16,025	16,025
Other non-current financial liabilities	12,005	10,575
Total other non-current financial liabilities	**28,030**	**26,600**
Total	**120,478**	**418,315**

"Participating loan" relates to a participating loan for an initial amount of EUR 369,375 thousand granted to Applus Technologies Holding, S.L. on 29 November 2007 by Azul Finance S.à r.l. and maturing on 27 November 2019.

As indicated in Note 12, on 29 December 2011, Applus Technologies Holding, S.L. increased share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. The aforementioned capital increase was carried out by converting into capital a portion of the principal and the interests of the participating loan granted by Azul Finance S.à r.l. to the Applus Technologies Holding, S.L. amounting to EUR 200,000 thousand.

As indicated in Note 12, on 20 December 2012, Applus Technologies Holding, S.L. increased share capital by EUR 330,975 thousand through the issuance of 330,975 thousand new shares of EUR 1 par value each with a share premium of EUR 10,029 thousand, i.e. EUR 0.0303033 per share. The aforementioned capital increase was carried out by an in kind contribution of a portion of the principal and interests of the participating loan granted by Azul Finance S.à r.l. to Applus Technologies Holding, S.L. and accrued interest amounting to EUR 77,196 thousand and EUR 263,808 thousand, respectively. The value of the amount of the aforementioned loan converted into capital corresponds to its fair value, on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the combined special purpose income statement.

Therefore, the nominal amount of the loan at 31 December 2012 was EUR 92,172 thousand plus the accrued interest payable arising therefrom up to 31 December 2012, which amounts to EUR 276 thousand.

This loan bears interest at a fixed rate of 5% of the nominal value plus the accrued interest payable and interest at a floating rate tied to the individual or consolidated EBIT of the Applus Technologies Holding, S.L. or of Applus Subgroup, respectively. The interest payable may never exceed the maximum percentage of 16% of the amount outstanding.

This loan matures on 27 November 2019 and the interest is paid on maturity.

The effective interest rate in 2012 was 10.89% (2011: 6.51%).

"Payable due to reversion" included the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres were located, amounting to EUR 16,025 thousand (see Note 25.a).

"Other non-current financial liabilities" relates mainly to various loans that the subsidiaries have been granted by various public-sector entities.

16. Financial risks and derivative financial instruments

Financial risk management policy

The main purpose of Applus Subgroup and Velosi Subgroups financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of Applus Subgroup and Velosi Subgroup's economic flows and assets and liabilities.

This management is based on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

Applus Subgroup's policy hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable.

The Applus Subgroup and Velosi Subgroup's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangement of hedges in markets. All external hedges, including those relating to subsidiaries and those arranged on their behalf, must be authorised and arranged on a centralised basis at Applus Subgroup and Velosi Subgroup level.

Following is a description of the main financial risks to which Applus Subgroup and Velosi Subgroup are exposed and the practices established:

a) Foreign currency risk

The increased volatility of currency markets with respect to other markets (such as the interest rate market) and the significant international activity of Applus Subgroup and Velosi Subgroup as a long-term investor in countries outside of the eurozone make foreign currency risk (loss of value in euros of long-term investments in countries whose currency is not the euro) the most significant financial risk for Applus Subgroup and Velosi Subgroup.

To manage foreign currency risk, Applus Subgroup and Velosi Subgroup take the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, Applus Subgroup and Velosi Subgroup determine asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

b) Interest rate risk

Interest rate risk relates to the effect on profit or loss of rises in interest rates that increase borrowing costs. Exposure to this risk is significantly mitigated by the natural hedging offered by businesses in which inflation and/or interest rates are factors which are part of the periodical tariff and price revision process. The other exposure is assessed periodically and, taking into consideration the projected interest rate fluctuations in the main borrowing currencies, the desirable fixed-rate protection levels and periods are determined.

The structure thus established is achieved by means of new financing and/or the use of interest rate derivatives.

Net debt in euros at floating rates is tied to Euribor and net debt in pounds sterling at floating rates is tied to Libor. See sensitivity analysis in the section on “Hedging Instruments Arranged”.

c) Liquidity risk

Liquidity risk relates to the possibility of adverse situations in the capital markets preventing Applus Subgroup and Velosi Subgroup from financing, at reasonable market prices, its obligations relating to both non-current financial assets and working capital requirements, or of Applus Subgroup or Velosi Subgroup being unable to implement its business plans using stable financing sources.

Applus Subgroup and Velosi Subgroup take various preventative measures to manage liquidity risk:

- The capital structure of each company is established taking into account the degree of volatility of the cash generated by it.
- Debt repayment periods and schedules are established on the basis of the nature of the needs being financed.
- Applus Subgroup and Velosi Subgroup diversify its sources of financing through continued access to financing and capital markets.
- Applus Subgroup and Velosi Subgroup secure committed credit facilities for sufficient amounts and with sufficient flexibility.

Hedging instruments arranged

Applus Subgroup arranges over-the-counter derivative financial instruments with Spanish and international banks with high credit ratings. Velosi Subgroup has no derivative financial instruments as of 31 December 2012 and 2011.

In 2012 the only derivatives arranged by Applus Subgroup were interest rate derivatives.

The detail of the balances at 31 December 2012 and 2011 reflecting the valuation of the derivative financial instruments at those dates was as follows:

	€ thousands			
	31/12/12		31/12/11	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Cash flow hedges (Note 14)	6,750	—	12,120	11,455
Total	**6,750**	**—**	**12,120**	**11,455**

2012

The detail of hedges summary that Applus Subgroup had arranged at 31 December 2012 was as follows:

	€ thousands		Thousands of units		€ thousands	
	Fair value		Notional amounts		Notional maturity	
	Current liabilities	Non-current liabilities	Currency hedged	Equivalent euro value	2013	2014 and subsequent years
Interest rate hedges:						
Cash flow hedges-						
Euro IRSs	6,750	—	280,000	280,000	280,000	—
Derivative financial hedging instruments	**6,750**	**—**	**280,000**	**280,000**	**280,000**	**—**

The financial instruments arranged by Applus Subgroup (all of which relate to the Applus Technologies Holding, S.L.) and in force at 31 December 2012 were as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	01/10/10	01/10/13	180,000	EUR	(4,287)	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(2,463)	100,000	3.43%	90-day Euribor
Total					**(6,750)**			

2011

The detail of hedges summary that Applus Subgroup had arranged at 31 December 2011 was as follows:

	€ thousands		Thousands of units		€ thousands	
	Fair value		Notional amounts		Notional maturity	
	Current liabilities	Non-current liabilities	Currency hedged	Equivalent euro value	2012	2013
Interest rate hedges:						
Cash flow hedges-						
US dollar IRSs	3,976	—	180,000	137,963	137,963	
Pound sterling IRSs	258	—	20,000	23,824	23,824	—
Euro IRSs	7,886	11,455	700,000	700,000	420,000	280,000
Derivative financial hedging instruments	**12,120**	**11,455**	**900,000**	**861,787**	**581,787**	**280,000**

The financial instruments arranged by Applus Technologies Holding, S.L. and in force at 31 December 2011 were as follows:

Financial instrument	Start date	Maturity date	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2012	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	31/12/07	28/09/12	150,000	EUR	(3,938)	150,000	—	4.61%	90-day Euribor
IRS	01/10/10	01/10/13	180,000	EUR	(7,246)	180,000	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/12	170,000	EUR	(2,563)	170,000	—	3.13%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(4,208)	100,000	100,000	3.43%	90-day Euribor
IRS	01/10/10	01/10/12	100,000	EUR	(1,385)	100,000	—	2.97%	90-day Euribor
IRS	30/06/09	30/06/12	20,000	GBP	(258)	20,000	—	3.25%	90-day Euribor
Total					**(19,598)**				

The detail of the hedges arranged by other Applus Subgroup companies and in force at 31 December 2011 was as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2012	Fixed rate	Floating rate
IRS	31/12/07	31/12/12	40,000	USD	(1,314)	40,000	4.89%	90-day Libor
IRS	31/12/10	31/12/12	140,000	USD	(2,662)	140,000	3.11%	90-day Libor
Total					**(3,976)**			

The objective of these interest rate hedges was to mitigate, by arranging swaps in which a fixed rate was paid and a floating rate was received, the fluctuations in cash outflows in respect of payments tied to floating interest rates (Euribor and USD Libor) on the Applus Subgroup's borrowings. Financial instruments opted to account for hedges as permitted under IFRSs, designating in the appropriate manner the hedging relationships in which the derivatives were hedges of net investments in foreign operations that neutralise changes in value due to the spot rate of the foreign currency.

The cash flow hedging relationships designated with these foreign currency hedges were estimated to be highly effective and, accordingly, Applus Subgroup recognised the fair value thereof in equity. Since the effectiveness of all the hedges has been verified, no amounts were recognised in relation to ineffective hedges in profit or loss for either 2012 or 2011.

The estimate of the sensitivity of financial profit or loss to interest rate fluctuations over a full year, with the net borrowings structure at each year-end, in thousands of euros, was as follows:

		Yearly impact (€ thousands)	
	Increase in interest rate	**2012**	**2011**
Euribor	+ 10 b.p.	805	174

17. Long-term provisions

The changes in "Long-term provisions" in 2012 and 2011 were as follows:

	€ thousands
Balance at 1 January 2011	**5,984**
Foreign exchange translation difference	51
Provision for retirement benefit	796
Disposal of subsidiary	(24)
Retirement benefit paid	(418)
Balance at 31 December 2011	**6,389**
Foreign exchange translation difference	(268)
Provision for retirement benefit	1,606
Retirement benefit paid	1,238
Balance at 31 December 2012	**8,965**

Recognised provisions constitute a fair and reasonable estimate of the effect on the combined special purpose equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by the management of Applus Subgroup and Velosi Subgroup, with the assistance of their advisers, considering the circumstances specific to each case.

The main items recognised in this caption, arising in both 2012 and prior years, at 31 December 2012 were as follows:

a) Personnel obligations

- Pension plans and other commitments with of Velosi Subgroup's employees amounting to EUR 2,696 thousand (31 December 2011: EUR 1,724 thousand) and with of RTD Subgroup employees amounting to EUR 1,556 thousand (31 December 2011: EUR 1,268 thousand), respectively (see Note 4.n).

b) Other long term provisions

- Guarantee of EUR 1,500 thousand provided for a subsidiary for the risk estimated by subsidiary's management and their external legal counsel in relation to the outcome of a litigation in respect of a purported breach of contract entered into with a third party.
- Additionally, there was an arbitral award ordering a subsidiary to pay USD 3,347 thousand to a third party and ordering a third party to pay USD 2,220 thousand to the same subsidiary, due to discrepancies in the final outcome of work performed in a project. In 2012 Applus Subgroup recognised a provision of EUR 1,000 thousand in addition to the EUR 429 thousand provisioned at 31 December 2011.

See Note 19 for the main tax litigation and Note 25.b for other more significant contingencies to which Applus Subgroup and Velosi Subgroup are exposed.

18. Trade and other payables

The detail of trade and other payables in 2012 and 2011 was as follows:

	€ thousands	
	31/12/12	31/12/11
Trade payables and other payables	150,423	134,127
Remuneration payable	45,196	29,731
Current tax payables	46,161	37,929
Total	**241,780**	**201,787**

The Applus Subgroup and Velosi Subgroup's average payment period in 2012 for the services received was 48 days (2011: 50 days).

"Remuneration payable" included USD 10 million (31 December 2012: approximately EUR 7,784 thousand) relating to the maximum amount of the incentive that certain Velosi Subgroup's senior executives earn based on the achievement of certain financial aggregates by this subgroup in 2012 and 2013. In addition, "Remuneration payable" included EUR 2,154 thousand relating to the incentives that other senior executives of the Applus Subgroup earn based on the achievement of certain financial aggregates in 2011, 2012 and 2013 (see Note 27).

"Current tax payables" included the Applus Subgroup current tax payables.

19. Tax matters

19.1 Current tax receivables and payables

The detail of current tax receivables and payables at 31 December 2012 and 2011 was as follows:

2012

	Balances receivable	Balances payable
Current balances:		
Income tax refundable/payable	14,600	25,311
Total current balances	**14,600**	**25,311**

2011

	Balances receivable	Balances payable
Current balances:		
Income tax refundable/payable	13,834	12,191
Total current balances	**13,834**	**12,191**

19.2 Reconciliation of the accounting loss to the income tax benefit

The reconciliation of the accounting loss to the income tax benefit in 2012 and 2011 was as follows:

	2012	2011
Accounting loss before tax	(70,601)	(90,469)
Permanent differences	37,950	39,205
Taxable accounting loss	**(32,651)**	**(51,264)**
Tax charge	**(6,500)**	**(13,568)**
Consolidation adjustments	(4,165)	6,541
Total income tax benefit recognised in the combined special purpose income statement	**(10,665)**	**(7,027)**

19.3 Deferred tax assets

The detail of "Deferred tax assets" at the end of 2012 and 2011 was as follows:

	€ thousands	
	31/12/12	31/12/11
Tax loss carryforwards of the Spanish companies	89,309	90,920
Tax loss carryforwards of the US companies	10,243	—
Tax loss carryforwards of other foreign companies	1,212	96
Tax loss carryforwards	**100,764**	**91,016**
Tax credits of the Spanish companies	463	639
Tax credits of foreign companies	4,396	4,666
Unused tax credits	**4,859**	**5,305**
Temporary difference for financial costs	15,855	—
Temporary difference for financial costs derivatives	1,868	7,470
Others tax assets	14,201	9,563
Temporary differences	**31,924**	**17,033**
Total deferred tax assets	**137,547**	**113,354**

The deferred tax assets indicated above were recognised because Applus Technologies Holding, S.L.'s Board of Directors considered that, based on their best estimate of the Applus Subgroup and Velosi Subgroup's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

At the end of each reporting period, deferred tax assets are reviewed for impairment (i.e. reduction in its recoverable amount to below its carrying amount) considering all the circumstances and the best possible estimation for future results and, if there is any impairment, the deferred tax assets were written down with an impact to the combined special purpose income statement.

The prior years' tax loss carryforwards of the Spanish companies were as follows:

	2012 - € thousands		
Year incurred	**Recognised**	**Not recognised**	**Last year for offset**
1998	—	43	2016
1999	—	354	2017
2000	—	441	2018
2001	—	51	2019
2002	—	133	2020
2003	—	1,576	2021
2004	375	—	2022
2005	14,793	—	2023
2006	—	261	2024
2007	40,769	285	2025
2008	25,955	—	2026
2009	94,619	—	2027
2010	78,324	—	2028
2011	42,861	—	2029
Total	**297,696**	**3,144**	

	2011 - € thousands		
Year incurred	Recognised	Not recognised	Last year for offset
1998	43	—	2016
1999	354	—	2017
2000	441	—	2018
2001	51	—	2019
2002	2,313	—	2020
2003	1,633	—	2021
2004	375	—	2022
2005	18,065	—	2023
2006	—	261	2024
2007	40,769	228	2025
2008	25,955	—	2026
2009	94,619	—	2027
2010	78,455	—	2028
2011	39,994	—	2029
Total	**303,067**	**489**	

As regards foreign companies, the tax assets recognised at 31 December 2012 amounted to EUR 11,455 thousand. These tax assets corresponded to tax loss carryforwards related mainly to the Libertytown USA 1, Inc. and subsidiary, amounting to EUR 25,611 thousand, the detail were as follows:

	€ thousands	Last year for offset
2005	266	2020
2007	766	2022
2008	5,497	2023
2009	1,908	2024
2010	3,849	2025
2011	13,325	2026
Total	**25,611**	

The detail, by year, of the unused tax credits of the Spanish companies were as follows:

	€ thousands			
	2012		2011	
	Recognised	Not recognised	Recognised	Not recognised
1999	—	82	—	82
2000	—	187	—	187
2001	—	—	—	422
2002	87	555	87	560
2003	50	71	50	91
2004	39	251	39	636
2005	60	423	60	1,051
2006	85	688	85	4,369
2007	60	1,062	60	1,692
2008	—	5,330	—	5,231
2009	82	2,277	258	2,271
2010	—	2,180	—	2,186
2011	—	2,177	—	1,266
2012	—	1,300	—	—
Total	**463**	**16,583**	**639**	**20,044**

EUR 8,137 thousand related to tax credits for investment in R&D+i, EUR 6,371 thousand to double taxation tax credits and EUR 2,116 thousand to tax credits for the reinvestment of profits out of the total recognised and unrecognised tax credits.

In relation to foreign companies, tax credits amounting to EUR 4,396 thousand were recognised at 31 December 2012 (31 December 2011: EUR 4,666 thousand).

The detail, by year, of the prior years' tax loss carryforwards and the unused tax credits of Velosi Subgroup was as follows:

	€ thousands			
	2012		2011	
	Recognised	Not recognised	Recognised	Not recognised
1996 . . .	—	—	—	33
1997 . . .	—	—	—	39
1998 . . .	—	—	—	37
1999 . . .	—	—	—	84
2000 . . .	—	—	—	149
2001 . . .	—	—	—	135
2002 . . .	—	—	—	31
2003 . . .	—	—	—	25
2004 . . .	—	—	—	—
2005 . . .	—	—	—	—
2006 . . .	—	—	—	—
2007 . . .	—	182	—	182
2008 . . .	—	—	—	—
2009 . . .	—	2,505	—	2,505
2010 . . .	—	1,270	—	1,222
2011 . . .	—	1,125	—	1,223
2012 . . .	—	392	—	—
Total . .	**—**	**5,474**	**—**	**5,665**

The temporary differences amounting to EUR 31,924 thousand (31 December 2011: EUR 17,033 thousand) were related, basically, to the following:

- Deferred tax assets amounting to EUR 15,855 thousand (31 December 2011: EUR 0) relating to finance costs that were not tax-deductible in 2012 because the net financial expense exceeded 30% of the profit from operations of the consolidated Spanish tax Applus group, as provided for in Royal Decree-Law 12/2012, of March 30.
- Deferred tax assets relating to the recognition in equity of derivative financial instruments amounting to EUR 1,868 thousand (31 December 2011: EUR 7,470 thousand) (see Note 16).
- Other temporary differences amounting to EUR 14,201 thousand (31 December 2011: EUR 9,563 thousand), relating mainly to deferred taxes arising from impairment losses recognised on financial assets.

19.4 Deferred tax liabilities

"Deferred tax liabilities" on the liability side of the accompanying combined special purpose balance sheets at 31 December 2012 and 2011 included the following:

- A deferred tax liability associated with the recognition at fair value of the assets identified upon the acquisition of the Applus Servicios Tecnológicos, S.L.U. and subsidiary, amounting to EUR 176,334 thousand (31 December 2011: EUR 188,876 thousand) (see Note 5).
- A deferred tax liability associated with the recognition at fair value of the assets identified upon the acquisition of other Group companies, amounting to EUR 14,626 thousand (31 December 2011: EUR 6,441 thousand) (see Note 5).
- The tax effect of the amortisation of goodwill paid on the acquisition of foreign companies amounting to EUR 18,709 thousand (31 December 2011: EUR 18,067 thousand).
- Deferred tax liabilities of EUR 10,506 thousand (31 December 2011: EUR 9,744 thousand) arising at the subsidiary Applus, Inc. basically as a result of differences in the amortisation/depreciation of assets for tax and accounting purposes.
- Other deferred tax liabilities amounting to EUR 21,160 thousand at 31 December 2012 (31 December 2011: EUR 11,943 thousand).

19.5 Tax rates applicable to Applus Subgroup and Velosi Subgroup

Various companies calculated their income tax expense in accordance with their respective legislation. The main tax rates applicable to Applus Subgroup and Velosi Subgroup were as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Spain	30%	UK	26%	Angola	35%
US	40%	Germany	30%	United Arab Emirates	—
Finland	28%	Australia	30%	Luxembourg	21%
Ireland	12%	Italy	27.5%	Kuwait	15%
Canada	27%-32%	Brazil	34%	Malaysia	25%
Norway	28%	Argentina	35%	Singapore	17%
Denmark	25%	Chile	17%	Qatar	10%
Netherlands	25%	Colombia	33%	Saudi Arabia	20%

19.6 Years open for review and tax inspections

The Spanish companies have opened for review by tax authorities the last five years for income tax and the last four years for all the other taxes applicable to them. The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries. The Applus Technologies, S.L.'s Board of Directors do not expect any additional material liabilities to arise in the event of a tax audit.

Following there is a detail of the main ongoing tax audits and the main tax contingencies to which Applus Subroup was exposed:

In August 2010 the Canadian tax authorities ordered a subsidiary to provide them with information in relation to the structure reorganisation of the Canadian entities in 2007. On 21 February 2013, the tax authorities notified on their decision, which claimed the application of a 5% withholding tax on the nominal value of the sale price of the Canadian entity in 2007and challenging the deductibility of interest arising from the loan granted for structure reorganization, amounting to EUR 2,3 million. Applus presented their appeal on this decision. The Applus Technologies, S.L.'s Board of Directors relied on their external tax advisors opinion which classified the risk loss as not probable, accordingly, no provision was recognised in this regard.

In October 2010 and December 2011 the Finnish tax authorities filed a claim with the Tax Correction Board relating to the tax returns for 2008 and 2009 filed by the branch that a subsidiary has in Finland, in which they challenged the deductibility for tax purposes of interest arising from the transfer of costs for accounting purposes. The total amount claimed by the tax authorities was EUR 4.7 million (including the penalty and late-payment interest. The Applus Technologies, S.L.'s Board of Directors and their external tax advisors classified the risk loss as not probable and, accordingly, no provision was recognised in this regard.

On 30 August 2011, Chile's Internal Revenue Service notified the Applus Subgroup subsidiary of their disconformity with the Income Tax Returns filed in 2008 due to alleged breaches of the Chilean Income Tax Law, in total of CLP 1,172,354 thousand (31 December 2012: approximately EUR 1,732 thousand), including penalties and late-payment interest. The Applus Technologies, S.L.'s Board of Directors and their external legal advisors considered there was no probable risk in this connection and, accordingly, no provision was recognised in this regard.

In 2012, the Dutch tax authorities requested to review the transfer pricing documentation related to the operations of Arctosa Holding B.V. and its subsidiaries relating to Financial Years of 2010 up to2012. Tax Authorities agreed upon the Corporate Tax Returns filed and no adjustment in taxable income was required. The Applus Technologies, S.L.'s Board of Directors and their external tax advisors considered considered there was remote risk in this connection and, accordingly, no provision was recognised in this regard.

In 2012, the German tax authorities notified the commencement of a tax audit in relation to Corporate Income Tax and VAT of Financial Years of 2008 up to 2011, also, required to verify Libertytown Germany GmbH's wage tax payements of Financial Years 2010 and 2011. The Applus Technologies, S.L.'s Board of Directors and their external advisors considered that the risk of this tax audit giving rise to liabilities for the Applus Subgroup was remote and, accordingly, no provision was recognised in this connection.

As regards the above-mentioned tax audits, Applus Technologies, S.L.'s Board of Directors consider that the tax returns presented were prepared correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation, such liabilities that might arise from such audits would not have a material effect on the accompanying combined special purpose financial statements.

Velosi Subgroup did not have significant ongoing tax audits or tax contingencies derived from tax audits to which the exposure was material.

In these notes, as per the Annual Accounts Reports, there is no mention to the information referred to in Article 42 bis of Royal Decree 1065/2007, referred to tax residents in Spain, which are legal entities whether beneficiaries or holders of bank accounts abroad, also, individuals who are duly authorized as representatives of bank accounts abroad related to a non-resident entity in Spain. This information is duly posted and detailed in the Applus Subgroup's accounting records pursuant to Article 42 bis 4.b of Royal Decree 1065/2007.

20. Operating income and expenses

a) *Revenue*

The distribution of revenue, by geographical market, was as follows:

	€ thousands	
	2012	**2011**
Spain	282,568	292,854
Rest of Europe	389,339	361,859
United States and Canada	297,706	206,307
Asia Pacific	236,859	126,155
Middle East and Africa	159,256	111,043
Latin America	99,270	81,367
Total	**1,464,998**	**1,179,585**

The distribution of revenue, by business line, was as follows:

	€ thousands	
	2012	**2011**
RTD - Non-destructive testing	499,644	402,615
VELOSI - Asset management and certification	340,661	200,304
AUTO - Vehicle roadworthiness testing	266,391	245,025
NORCONTROL- Inspection services and technical assistance	190,695	187,686
IDIADA - Engineering and vehicle testing	116,505	94,211
Laboratories - Certification services	55,852	52,090
Others	(4,750)	(2,346)
Total	**1,464,998**	**1,179,585**

The "others" caption includes the revenues of Applus Technologies Holding, S.L. and the intercompanies' eliminations between Applus Subgroup and Velosi Subgroup (2012: EUR 6,063 thousand and 2011: EUR 2,674 thousand).

b) *Staff costs*

The detail of "Staff costs" in the accompanying combined special purpose income statements was as follows:

	€ thousands	
	2012	**2011**
Wages, salaries and similar expenses	609,347	490,809
Employee benefit costs	84,155	72,536
Other staff costs	46,254	40,028
Total	**739,756**	**603,373**

The average number of employees at Applus Subgroup and Velosi Subgroup, by professional category and gender, was as follows:

	Average number of employees		
	2012		
Professional category	Men	Women	Total
Management and university graduates	2,471	720	3,191
Further education college graduates	1,809	399	2,208
Middle management	1,146	232	1,378
Skilled employees	4,272	704	4,976
Assistants, manual workers and service personnel	2,972	862	3,834
Total	**12,670**	**2,917**	**15,587**

	Average number of employees		
	2011		
Professional category	Men	Women	Total
Management and university graduates	2,181	586	2,767
Further education college graduates	1,709	551	2,260
Middle management	1,315	222	1,537
Skilled employees	3,570	701	4,271
Assistants, manual workers and service personnel	2,396	856	3,252
Total	**11,171**	**2,916**	**14,087**

c) Other losses

The detail of other losses in the accompanying combined special purpose income statements was as follows:

	€ thousands	
	2012	2011
Termination benefits	8,108	11,710
Incentives to employees (Note 27)	8,010	—
Other non-recurring losses	7,394	11,868
Total	**23,512**	**23,578**

This caption includes mainly non-recurring loses.

d) Fees paid to auditors

The fees for financial audit services provided to the various companies composing Applus Subgroup and Velosi Subgroup by the principal auditor in 2012 amounted to EUR 1,545 thousand (2011: EUR 1,470 thousand). The fees in this connection paid to other auditors amounted to EUR 99 thousand in 2012 (2011: EUR 70 thousand).

Also, the fees relating to other professional services provided to the various Applus Subgroup and Velosi Subgroup companies by the principal auditor and by other entities related to the auditor in 2012 amounted to EUR 173 thousand (2011: EUR 106 thousand), of which EUR 12 thousand related to other attest services (2011: EUR 9 thousand) and the remainder to other services.

21. Net financial expense

The detail of the net financial expense in 2012 and 2011 was as follows:

	€ thousands	
	2012	2011
Financial income:		
Other financial income from third parties	2,175	950
Income from long-term loans to associates	—	77
Total financial income	**2,175**	**1,027**
Financial expense:		
Financial expenses arising from derivatives transactions (Note 16)	(20,585)	(20,690)
Borrowing expenses relating to syndicated loan (Note 14)	(45,863)	(50,451)
Borrowing expenses relating to participating loan (Notes 15 and 26)	(41,740)	(36,166)
Other financial expenses paid to third parties	(8,528)	(5,950)
Exchange differences	(2,907)	(1,414)
Total financial expense	**(119,623)**	**(114,671)**
Net financial expense	**(117,448)**	**(113,644)**

22. Impairment and gains or losses on disposal of non-current assets

The detail of the impairment losses and the gains and losses on asset disposals was as follows:

	€ thousands	
	2012	2011
Impairment losses on property, plant and equipment	—	(60)
Impairment losses on goodwill (Note 5)	(18,101)	(18,000)
Total impairment losses	**(18,101)**	**(18,060)**
Disposal or derecognition of intangible assets	(839)	(22)
Disposal or derecognition of property, plant and equipment	39	(536)
Other gains or losses on disposals	(916)	—
Total disposals or derecognitions	**(1,716)**	**(558)**
Provision for amounts payable due to reversion	**—**	**(4,136)**
Total net loss	**(19,817)**	**(22,754)**

23. Segment information

Applus Subgroup and Velosi Subgroup operates through six global divisions plus the holding division, each of which is also reported as a segment for financial reporting purposes, but all operate under the Applus+ umbrella brand name. The six segments are the following:

- Applus+ RTD: global provider of non-destructive testing services to clients in the upstream, midstream and downstream oil and gas industry. It also provides services to the power utilities, aerospace and civil infrastructure industries. Applus RTD's services provide the Group's clients with tools and solutions to inspect and test the mechanical, structural and materials integrity of critical assets without causing damage to those assets, either at the time of installation or during the assets' working lives.
- Applus+ Velosi: global provider of inspection, quality control, certification and recruitment of technical staff mainly for the oil industry. Applus Velosi services enable its customers to ensure compliance with the specifications defined during provisioning processes, construction and operation of infrastructure.
- Applus+ Norcontrol: provides comprehensive solutions for technical assistance, supervision, and inspection, quality control, testing and consulting mainly concerning industrial, power, oil and telecommunications.
- Applus+ Laboratories: offers a wide range of laboratory testing services, system certification and product development services, operating in various sectors, including aerospace, industrial and consumer goods sectors.

- Applus+ Automotive: provides statutory vehicle inspection, checking compliance of vehicles with safety regulations and current issues in the various countries in which it operates.
- Applus+ IDIADA: provides design, engineering, testing and homologation.

Applus Technologies, S.L.'s Board of Directors has identified the segments above considering that an operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which financial information is available.

These considerations used to identify these business segments comply with IFRS 8 (former IAS 14).

a) Format for presentation of business segment reporting:

The financial information by segment of the accompanying consolidated income statement is as follows (in thousand of euros):

2012

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenues	499,644	340,661	190,695	55,852	266,391	116,505	(4,750)	1,464,998
Operating expenses	(447,369)	(311,729)	(172,828)	(48,851)	(197,424)	(97,672)	(18,053)	(1,293,926)
Operating Profit Before Depreciation, Amortization and Others	**52,275**	**28,932**	**17,867**	**7,001**	**68,967**	**18,833**	**(22,803)**	**171,072**
Depreciation and amortisation charge	(25,987)	(3,417)	(6,529)	(5,605)	(32,611)	(5,862)	(2,513)	(82,524)
Impairment and gains or losses on disposal of non-current assets	(18,620)	115	(938)	(84)	412	817	(1,519)	(19,817)
Other losses	(1,551)	(8,119)	(6,029)	(611)	(2,155)	(670)	(4,377)	(23,512)
OPERATING PROFIT	**6,117**	**17,511**	**4,371**	**701**	**34,613**	**13,118**	**(31,212)**	**45,219**

2011

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenues	402,615	200,304	187,686	52,090	245,025	94,211	(2,346)	1,179,585
Operating expenses	(363,321)	(183,426)	(170,630)	(46,360)	(177,971)	(79,063)	(16,763)	(1,037,534)
Operating Profit Before Depreciation, Amortization and Others	**39,294**	**16,878**	**17,056**	**5,730**	**67,054**	**15,148**	**(19,109)**	**142,051**
Depreciation and amortisation charge	(24,851)	(3,328)	(6,589)	(5,080)	(25,724)	(5,527)	(2,339)	(73,438)
Impairment and gains or losses on disposal of non-current assets	(18,079)	(4)	(23)	14	(4,592)	(5)	(65)	(22,754)
Other losses	(3,734)	(5,976)	(8,061)	(1,917)	(1,855)	(447)	(1,588)	(23,578)
OPERATING PROFIT:	**(7,370)**	**7,570**	**2,383**	**(1,253)**	**34,883**	**9,169**	**(23,101)**	**22,281**

The others caption includes, basically, the Holding division.

The Net financial expense was allocated, basically, to the Holding division due to the fact that the Holding divisions were the ones with borrowings from banks (see Note 15) and from one of its shareholders (see Note 26).

The assets and liabilities by business segment were as follows (in thousand of euros):

2012

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Goodwill	183,183	19,392	25,581	29,239	255,664	56,827	1,282	**571,168**
Other intangible assets	189,431	62,396	37,522	31,155	348,617	43,383	3,884	**716,388**
Property, plant and equipment	56,428	9,874	20,593	9,483	86,530	13,099	559	**196,566**
Non-current financial assets	84	5,211	4,922	38	1,760	487	661	**13,163**
Deferred tax assets	2,224	472	22,595	11,760	21,087	612	78,797	**137,547**
Total non- current assets	431,350	97,345	111,213	81,675	713,658	114,408	85,183	**1,634,832**
Total liabilities	150,528	105,902	66,499	31,089	173,519	46,309	1,205,610	**1,779,456**

2011

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Goodwill	201,879	6,264	24,476	31,658	256,205	57,089	1,903	**579,474**
Other intangible assets	199,428	5,775	38,857	29,925	371,536	44,991	5,033	**695,545**
Property, plant and equipment	46,773	9,194	19,884	7,339	84,468	11,145	438	**179,241**
Non-current financial assets	64	3,135	5,858	58	1,918	322	3,897	**15,252**
Deferred tax assets	1,772	224	23,515	11,974	9,628	1,040	65,201	**113,354**
Total non-current assets	449,916	24,592	112,590	80,954	723,755	114,587	76,472	**1,582,866**
Total liabilities	152,139	57,028	76,173	29,085	169,923	37,510	1,480,131	**2,001,989**

The additions for intangible assets and tangible assets during 2012 and 2011 by business segment were the following (in thousand of euros):

	Applus+ RTD	Applus+ Velosi	Applus+ Norcontrol	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Capex FY 2012	23,864	6,858	5,250	5,295	12,540	6,996	716	**61,519**
Capex FY 2011	17,309	3,691	4,065	3,886	14,867	3,241	(1,783)	**45,276**

b) Format for presentation of financial information according to geographic segments

Due to the Applus and Velosi Subgroup's presence in various countries, information is grouped by continental geographic actions. The Applus and Velosi Subgroup´s registered office, where its main operations are carried-out, is currently in Spain and Malaysia, respectively.

Net turnover by geographic area is set out below:

	€ thousands	
	2012	**2011**
Spain	282,568	292,854
Rest of Europe	389,339	361,859
United States and Canada	297,706	206,307
Asia Pacific	236,859	126,155
Middle East and Africa	159,256	111,043
Latin America	99,270	81,367
Total	**1,464,998**	**1,179,585**

The non current assets by geographic segment were as follows (in thousand of euros):

Total non current assets	Spain	Rest of Europe	United States and Canada	Middle East and Africa	Asia Pacific	Latin America	Total
31 December 2012	796,751	586,634	119,824	10,475	93,909	27,239	**1,634,832**
31 December 2011	806,986	613,830	107,159	6,441	22,588	25,862	**1,582,866**

24. Operating Leases

Applus Subgroup and Velosi Subgroup have obtained the use of certain assets through finance leases (see Note 7) and operating leases. The most significant operating leases held by Applus Subgroup and Velosi Subgroup related to the lease of premises and vehicles and to royalties payable.

The expenses incurred by Applus Subgroup and Velosi Subgroup in 2012 in relation to operating leases and royalties amounted to EUR 89,886 thousand (2011: EUR 86,561 thousand).

A similar amount is expected to be incurred in future years in relation to operating leases and royalties, increasing mainly in line with the rise in the inflation rate (leases) and by changes in billings by various Applus Subgroup and Velosi Subgroup's subsidiaries (royalties).

25. Obligations acquired and contingencies

a) Guarantees and obligations acquired

Applus Subgroup has arranged the following guarantees:

- Guarantees totalling EUR 7.7 million (2011: EUR 7.7 million) to the Catalonia Autonomous Community Government in connection with the incorporation of the subsidiaries Idiada Automotive Technology, S.A. and LGAI Technological Center, S.A.
- Guarantees to the Catalonia Autonomous Community Government for the management of the vehicle roadworthiness testing services, amounting to EUR 10 million, primarily to secure payment of the royalty and to guarantee the reversion value of the leased premises in which the companies provide vehicle roadworthiness testing services. The companies for which these guarantees were provided are Applus Servicios Tecnológicos, S.L.U. and Applus Iteuve Technology, S.L.U. for EUR 2.6 million and EUR 7.4 million (same amounts in 2011), respectively. In addition, other guarantees have been provided to the Catalonia Autonomous Community Government amounting to EUR 715 thousand (31 December 2011: EUR 890 thousand) to guarantee a portion of the administrative authorisation system concession obligations and commitments. The total amount provisioned for the reversion of the vehicle roadworthiness testing centres in Catalonia was EUR 16,025 thousand (see Note 15).
- Guarantees for the vehicle roadworthiness testing concession in Ireland amounting to EUR 4 million (31 December 2011: EUR 9.4 million);
- Guarantees required for the business activities of the Velosi Subgroup company: Velosi Certificacion Llc. amounting to EUR 3.5 million (31 December 2011: EUR 3.3 million);
- Guarantees required for the business activities of the Mexican subsidiary amounting to EUR 3 million (31 December 2011: EUR 2.5 million);

Other guarantees required for the operating activities of various Applus Subgroup companies amounting to EUR 3 million (31 December 2011: EUR 3.4 million). Various banks provided guarantees to third parties for the subsidiaries Applus Norcontrol, S.L.U., LGAI Technological Center, S.A. and IDIADA Automotive Technology, S.A. amounting to EUR 11,821 thousand, EUR 2,115 thousand and EUR 5,153 thousand, respectively (31 December 2011: EUR 14,913 thousand, EUR 3,093 thousand and EUR 5,599 thousand, respectively). These guarantees were given to companies or public agencies as a provisional or definitive guarantee for the tendering of bids or to secure contracts awarded.

At 31 December 2012, Applus Subgroup and Velosi Subgroup had restricted cash deposits amounting to EUR 4.4 million, of which EUR 1.5 million related to Velosi Subgroup companies.

At 31 December 2012, Velosi Subgroup had guarantees amounting to EUR 5.7 million (31 December 2011: EUR 4.7 million).

The agreement entered into between the Irish government and Applus Car Testing Services Limited for the provision of vehicle roadworthiness testing services in Ireland provides for variable remuneration to the Irish government in the event that the expected returns envisaged in the agreed-upon business plan, which is reviewed every three years, are exceeded.

Applus Subgroup also has certain obligations under the financing agreement (see Note 15). These obligations include reporting obligations relating to the Subgroup's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, compliance with current legislation, etc.; the obligation to refrain from performing certain transactions without the consent of the lender, such as mergers, changes of business activity, assignments, payment of dividends, share redemptions, etc.; and the obligation to achieve certain financial ratios.

Applus Technologies, S.L.'s Board of Directors do not expect any material liabilities additional to those recognised in the accompanying combined special purpose balance sheet to arise as a result of the transactions described in this Note.

b) Contingencies

Two third parties filed an appeal for judicial review requesting to render null and void (i) certain provisions of Decree 30/2010, of 2 March, which approve the implementation of Catalan Industrial Safety Law 12/2008, of 31 July, and (ii) all of Decree 45/2010, of 30 March, approving the territorial plan for new vehicle roadworthiness testing centres in Catalonia for 2010-2014. The aim of the appeal was to challenge the framework for the regulation of vehicle roadworthiness testing services in Catalonia: the two third parties claiming that no administrative authorization was needed in a market that should, according to them, be liberalized. On 25 April 2012, the Catalan High Court handed down a judgment against Applus Subgroup interests, amongst others. Applus Subgroup filed a cassation appeal (Supreme Court) against that judgment on July 2012. Although the two third parties requested for provisional enforcement to the Catalan High Court, the latter rejected the request, subject to the Supreme Court's decision.

In relation to the previous issue, the Applus Subgroup is also involved in another appeal for judicial review filed by a third party against (i) the decision handed down on 22 June 2010 granting administrative authorisations to Applus Iteuve Technology, S.L.U. and Applus ECA-ITV, S.A. as vehicle roadworthiness testing centre concession operators, and (ii) against the decision handed down on 21 July 2010 granting an authorisation to Revisions de Vehicles, S.A. as a vehicle roadworthiness testing centre concession operator. The Catalan High Court handed down a judgment against Applus Subgroup interests against which a cassation appeal was filed by Applus Subgroup before the Supreme Court.

Also, a subsidiary of Applus filed cassation appeal no. 634/2002 before the Supreme Court against the judgment of the Basque Country High Court of 20 July 2001 in relation to the award of the contract for the management of vehicle roadworthiness inspection services in the Basque Country. The Basque Country High Court performed a new assessment of the case and requested the authorities to review the valuation and scoring of all the lots and all the items, not only those covered by the Supreme Court's decision. Applus Subgroup and the Basque Autonomous Community Government, considering that the Basque Country High Court's decision was beyond aspects the Supreme Court dealt with, filed another cassation appeal against the order of the Basque Country High Court. Decision is pending by the Supreme Court.

Additionally, A a subsidiary filed an appeal against Decree 93/2007 establishing the administrative authorisation regime in the Autonomous Community of the Canary Islands (previously the regime was an administrative concession). On 29 January 2013, the Canary Islands High Court dismissed the claim filed by the Applus Subgroup. A cassation appeal (Supreme Court) was filed against this decision on 7 March 2013 at the Supreme Court. AECA ITV (Spanish Association of Entities working with the Government on Vehicle Roadworthiness Testing) also filed an appeal against Decree 93/2007 and obtained a precautionary measure suspending execution of the Decree. An appeal was filed against this precautionary measure by the Canary Islands Autonomous Community Government. However, the Canary Islands Autonomous Community Government (in accordance with Decree 93/2007) has begun to process certain authorisations in relation to the opening of vehicle roadworthiness testing centres. Applus Subgroup has filed several appeals against all said individual applications for new centres.

Applus Technologies, S.L.'s Board of Directors considers that the outcome of all aforementioned proceedings will not give rise to liabilities in addition to those already recognised in the combined special purpose financial statements at 31 December 2012. At 2012 year-end, the Applus Technologies, S.L.'s Board of Directors was not aware of any significant claims by third parties or any ongoing legal proceedings against the Group, other than those described above or otherwise recognised in the combined special purpose financial statements that, in its opinion, could have a material impact on the same.

26. Transactions and balances with related parties

The transactions between the Parents and its investees were eliminated on consolidation and are not disclosed in this Note.

The transactions between Applus Subgroup or Velosi Subgroup and its associates and related companies are disclosed below.

Transactions with associates and related companies

In 2012 and 2011 Applus Subgroup and Velosi Subgroup companies performed the following transactions with associates and related parties that did not form part of the subroups:

	€ thousands	
	Financial expenses (Note 21)	
	2012	2011
Azul Finance S.à r.l.	41,740	36,166

	€ thousands	
	Operating expenses and income	
	2012	2011
Velosi LLC	1,815	1,579
Kurtec Pipeline Services LLC	430	—
Velosi (M) Sdn Bhd	5,738	2,252

These transactions are operating transactions, except for the financial expenses for the Azul Finance S.à r.l. participating loan and the synergy fees that Velosi (M) Sdn Bhd invoices to Velosi Subgroup in relation to the Velosi trademark agreement.

All these transactions have been performed considering normal market conditions.

Balances with associates and related companies

a) Payables to associates and related companies

The detail of payables to associates and related parties at 31 December 2012 and 2011 were as follows:

	€ thousands	
	Long-term loan and interest (Note 15)	
	31 December 2012	31 December 2011
Azul Finance S.à r.l.	92,448	391,715
Azul Holding 2 S.à r.l.	—	2,329

This balance corresponds to the participating loan with Azul Finance S.à r.l.

b) Receivables from associates and related companies

	€ thousands	
	Trade receivables from related companies and associates	
	31 December 2012	31 December 2011
Velosi (M) Sdn Bhd	1,684	2,644
Kurtec Pipeline Services LLC	2,569	1,787
Velosi LLC	453	102
Velosi (B) Sdn Bhd	355	374
Kurtec Pipeline Services Ltd	45	39
Rina-V Ltd	—	135
Total	**5,106**	**5,081**

These balances are mainly related to commercial transactions.

27. Disclosures on the Board of Directors and senior executives

Remuneration of and obligations to the Board of Directors

In 2012 the remuneration and other benefits earned by the members of the Board of Directors of Applus Technologies Holding, S.L. and Velosi S.à r.l amounted to EUR 1,018 thousand (2011: EUR 1,520 thousand).

One Board member had been granted loans amounting to EUR 1,100 thousand (31 December 2011: EUR 1,100 thousand).

Applus Technologies Holding, S.L. and Velosi S.à r.l. did not have any significant life insurance or other obligations to any member of its Board of Directors in 2012 or 2011.

At 31 December 2012, Applus Technologies Holding, S.L.'s Board of Directors was made up of eight men and four legal entities represented by men (31 December 2011: eight men and four legal entities represented by men).

At 31 December 2012, Velosi, S.à r.l.'s Board of Directors was made up of three men (31 December 2011: six men).

Remuneration of and obligations to senior executives

The remuneration paid to the Applus Subgroup and Velosi Subgroup's senior executives in 2012 amounted to EUR 4,562 thousand (2011: EUR 4,467 thousand), the detail of which is as follows:

2012

	€ thousands		
	Fixed remuneration	**Variable remuneration**	**Other**
Senior executives	3,254	1,000	307

2011

	€ thousands		
	Fixed remuneration	**Variable remuneration**	**Other**
Senior executives	2,962	366	1,139

Certain Velosi Subgroup's senior executives earn variable remuneration based on the achievement by this subgroup of certain financial aggregates in 2012 and 2013. The amount provisioned for the aforementioned variable remuneration at 31 December 2012 was USD 10 million (approximately EUR 7,784 thousand) (2011: EUR 0), relating to the maximum amount payable if all the targets were achieved in 2012 (see Note 18).

Other senior executives of the Applus Subgroup earn variable remuneration subject to the achievement by the Group of certain financial aggregates in 2011, 2012 and 2013. The amount provisioned for the aforementioned variable remuneration at 31 December 2012 was EUR 2,154 thousand, including the amounts accrued in 2011 and 2012 (see Note 18), relating to the maximum amount payable if the 100% of the targets were achieved in 2011 and 2012

Additionally, as indicated in Note 4.n, the Company established a remuneration plan for eleven Applus Technologies, S.L.'s Board of Directors, based on the proceeds that the majority shareholder would obtain in the event of a divestment, including any Initial Public Offering process. The remuneration provided for under the aforementioned plan consists of a fixed amount subject to the obtainment of a minimum level of proceeds and increases on a scaled basis depending on the multiple achieved, being zero if the minimum level of proceeds is not achieved. In the event of a partial divestment, the remuneration would be calculated in proportion to the percentage disposed of. The right to receive the remuneration described above arises when the aforementioned divestment becomes effective, provided that the employee has not resigned within the 12-month period following the date on which the change of shareholder took place, when the plan would expire.

In accordance with IAS 19, the Applus Technologies, S.L.'s Board of Directors did not recognise any provisions in the accompanying special purpose financial statements since they considered that they were not legally obliged to meet these obligations and, at this date, no reasonable estimate of the proceeds that the shareholder would obtain in the case of a divestment can be made and, accordingly, nor can the total cost relating to these obligations be estimated. However, the Board of Directors of Applus Technologies Holding, S.L. consider that the potential commitment for the year 2014 would be between 10 to 20 million EUR, considering the available information regarding the expected return for shareholders and the percentage of share placement.

Life insurance policies have also been taken out for certain senior executives, although the amount thereof is not material.

In 2012 and 2011 no advances or loans were granted to any senior executives.

At 31 December 2012, Applus Subgroup and Velosi Subgroup's senior management was made up of fourteen men (31 December 2011: thirteen men). In 2012 and 2011 one of the senior executives was also a member of the Applus Technologies, S.L.'s Board of Directors although his remuneration was included within that of senior executives.

Information relating to conflicts of interest on the part of the Board of Directors

It is hereby stated that the Applus Technologies, S.L.'s Board of Directors, their individual representatives and the persons related thereto do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Group or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Limited Liability Companies Law.

28. Discontinued operations

In 2012 Applus Subgroup and Velosi Subgroup did not discontinue any of its operations.

In 2011 Applus Subgroup decided to discontinue the activities carried on by the "Tracker" and "Security" business lines that formed part of the vehicle roadworthiness testing division in the US. As a result, these activities were classified as a discontinued operation. This was the main discontinued operation in 2011.

The income, expenses and results of these activities recognised in the 2011 combined special purpose income statement were as follows:

Detail of income and expenses from discontinued operations
€ thousands

	2011
Revenue	9
Staff costs	(1,469)
Other operating expenses	(1,343)
Loss from operations	**(2,803)**
Financial profit	**—**
Loss before tax from discontinued operations	**(2,803)**
Income tax	1,121
Loss for the year from discontinued operations	**(1,682)**

29. Information on the environment

Applus Subgroup and Velosi Subgroup did not have any environmental liability, expense, asset, provisions or contingencies, due to the nature of its business activities that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues were included in these notes to the combined special purpose financial statements.

The Applus Technologies Holding, S.L.'s Board of Directors considered that the environmental risks that might arise from its activities were minimal and, in any case, were adequately covered, and they did not expect any additional liabilities to arise from the aforementioned risks.

Applus Subgroup and Velosi Subgroup did not incur any expenses or received any grants related to environmental matters in 2012 and 2011.

30. The Group as a going concern

Applus Subgroup has incurred significant losses in recent years. These losses were incurred mainly as a result of the Applus Subgroup's borrowings from banks (see Note 15) and from one of its shareholders (see Note 26), which gave rise to a net financial expense of EUR 117,448 thousand in 2012 (2011: EUR 113,644 thousand).

These losses were also highly motivated by the amortization charge and impairment of the goodwill and intangible assets identified in the acquisition of the Applus Subgroup by Carlyle Group (see Note 5). The amortization charge and impairment of these assets amounted to EUR 52,855 thousand in 2012 (2011: EUR 47,943 thousand).

Certain of the financial expenses in 2012, amounting to EUR 41,740 thousand (2011: EUR 36,166 thousand), related mainly to interest on the loan which was being added to the principal loan and will be paid on maturity and therefore had not entailed any cash outflow for the Applus Subgroup.

In addition, in 2012 significant capital increases were carried out (see Note 12), which gave rise to a total equity of EUR 390,399 thousand at 31 December 2012, which contributes, very significantly, to the improvement of the Applus Subgroup and Velosi Subgroup ratios and earnings in the coming years.

Furthermore, at 31 December 2012 Applus Subgroup and Velosi Subgroup combined special purpose financial statements had positive working capital of EUR 220,741 thousand (31 December 2011: EUR 191,839 thousand).

Besides, the cash flows were positive in 2012 and 2011 and the cash flows expected for 2013 are even more positive.

In this respect, Applus Technologies, S.L.'s Board of Directors prepared these combined special purpose financial statements in accordance with the going-concern principle of accounting, taking into consideration the financial resources available to the Group and the operating, commercial and, particularly, financial actions that might be undertaken in the future.

31. Events after the reporting period

The most significant events occurred after the reporting period are detailed below:

Changes in accounting estimates-

During the year 2013 new events have taken place which brought changes in some accounting estimates performed by Applus Technologies Holding, S.L.'s Board of Directors. These changes have been applied prospectively in accordance with the requirements of IAS 8, affecting the 2013 consolidated income statement. The most significant changes in accounting estimates and the events that precipitated them are as follows:

a) Reassessment of the recoverable amount of the goodwill and the intangible assets, that results in a write-down of EUR 81.3 and 37.8 million, respectively. The Group Management has reassessed the recoverable of these assets as a consequence of the expected performance and future cash-flows of the businesses in AUTO division (Finland, Spain and US), Norcontrol and RTD Europe.

b) Reassessment of the recoverable value of the deferred tax assets, recognising them for an amount of EUR 54.8 million. This amount relates to the best estimate of the tax assets which the Applus Technologies Holding, S.L.'s Board of Directors considers are likely to be recovered, considering the circumstances and based on the best estimate of the Group's future earnings.

c) Reassessment of the useful life of the administrative authorisation of the Catalonia vehicle inspection. At the beginning of 2013, the Applus Technologies Holding, S.L.'s Board of Directors decided to amortize the cost of the authorization over the remaining 23 years until 2035, on the basis of the opinion of certain Group's advisers on the possible outcome of the renewal of the administrative authorization of the Catalan Government at the end of the currently established period, which concludes in 2035.

Other events-

In March 2013 the tax authorities notified to the Group companies Applus Technologies Holding, S.L., Applus Servicios Tecnológicos, S.L.U., Idiada Automotive Technology, S.A., LGAI Technological Center, S.A. and Applus Iteuve Technology, S.L.U. of the commencement of a tax audit in relation to the following:

- Income tax for 2008, 2009 2010 and 2011.
- VAT for 2009, 2010 and 2011.
- Personal income tax withholdings and prepayments for 2009, 2010 and 2011.
- Tax withholdings and prepayments relating to income from movable capital for 2009, 2010 and 2011.
- Tax withholdings and prepayments relating to property income for 2009, 2010 and 2011.
- Non-resident income tax withholdings and prepayments for 2009, 2010 and 2011.

On 31 December 2013 the security interest over the shares of Applus Technologies Holding, S.L. to secure compliance with the obligation associated with the syndicated loan (See Note 14), was extended from 32,315,600 shares to 602,056,357 shares, and currently represents 91.78% of the share capital.

In relation to the litigation referred to Catalonia's roadworthiness testing regime, on 11 and 18 February 2014 the Supreme Court issued interlocutory orders to postpone the deliberation date. The Court postponed its decision in favor of, first, determining the adequacy to address a preliminary ruling to the EU First Instance Court on the compatibility of Catalan roadworthiness testing regime with European Union law. Company does not foresee that the Supreme Court will submit the application for preliminary ruling before the end of March or middle of April 2014. Due to the described status, the Applus Technologies Holding, S.L.'s Board of Directors, remain positive that the statu quo, regarding Applus's authorizations in Catalonia, will remain in place throughout the litigation period, of approximately two years.

In October 2013 the Basque Autonomous Community Government enforced the judgment provisionally in a decision issued on 30 September 2013, awarding the Luybas concession (which consists of the Vitoria and Bergara centres) to the competitor in the tender and reverting the concession assets. Therefore, although the Applus Group has appealed the decision, from that date it ceased to operate the concession. The income generated by that concession in the nine months of 2013 totalled EUR 4,214 thousand.

On 4 March 2014 the Board of Directors of Applus Technologies Holding, S.L. decide to rename the Parent company of Applus Subgroup, Applus Technologies Holding, S.L. to Applus Services, S.A. for the purpose of the Initial Public Offering "IPO".

As stated in the Note 2 a.1) the effects of these subsequent events at 31 December 2011 and 2012 have been considered, if applicable, in the Applus Technologies Holding, S.L. and subsidiaries consolidated financial statements for the year ended 31 December 2013, last jointly presented period with these special purpose combined financial statements which are complementary to the consolidated information of Applus Group.

Barcelona, 25 March 2014

Joaquin Coello Brufau
for Azul Management, S.à r.l.
Chairman

Joan Manuel Soler Pujol
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

Alex Wagenberg Bondarovschi
for CEP III Participacions S.à r.l. SICAR (Luxembourg)
Director

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Director

Christopher Finn
Director

Richard Campbell Nelson
Director

Fernando Basabe Armijo
Director

Josep Maria Panicello Primé
Director

John Daniel Hofmeister
Director

Applus Technologies Holding, S.L. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Consolidated Directors' Report, together with Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Applus Technologies Holding, S.L.:

1. We have audited the consolidated financial statements of Applus Technologies Holding, S.L. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2-a to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Applus Technologies Holding, S.L. and Subsidiaries at 31 December 2012, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

3. The accompanying consolidated directors' report for 2012 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2012. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Applus Technologies Holding, S.L. and Subsidiaries.

DELOITTE, S.L.

Registered in the Official Register of
Account Auditors (ROAC) No. S0692

Ana Maria Gibert
May 31, 2013

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33), In the event of a discrepancy, the Spanish-language version prevails,

**APPLUS TECHNOLOGIES HOLDING, S,L,
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012
(Thousands of Euros)

	Notes	**31/12/12**	**31/12/11**
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	*5*	571.168	571.923
Other intangible assets	*6*	716.388	695.199
Property, plant and equipment	*7*	196.566	170.390
Non-current financial assets	*8*	13.163	8.660
Deferred tax assets	*19.3*	137.547	113.130
Total non-current assets		**1,634,832**	**1,559,302**
CURRENT ASSETS:			
Inventories	*9*	7.898	5.405
Trade and other receivables-			
Trade receivables for sales and services	*10*	335.543	241.585
Trade receivables from related companies	*10 & 27*	5.106	3.710
Other receivables	*10*	15.811	12.505
Current tax assets	*19.1*	14.004	13.175
Other accounts receivable from public authorities	*19.1*	10.959	7.676
Other current assets		1.453	4.115
Current financial assets	*11*	**2.823**	**4.762**
Cash and cash equivalents	*11*	**141.426**	**101.247**
Total current assets		**535.023**	**394.180**
TOTAL ASSETS		**2,169,855**	**1,953,482**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital and reserves-			
Share capital		600.825	31.085
Share premium		308.076	290.812
Prior years' losses		(547.908)	(288.599)
Consolidated reserves		77.689	66.115
Translation differences		(9.032)	(8.731)
Loss for the year		(69.157)	(94.510)
Valuation adjustments-			
Hedges		(4.882)	(18.999)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**355.611**	**(22.827)**
NON-CONTROLLING INTERESTS	*13*	**34.788**	**21.848**
Total equity	*12*	**390.399**	**(979)**
PARTICIPATING LOAN:	*15 & 27*	**92.448**	**391.715**
NON-CURRENT LIABILITIES:			
Long-term provisions	*17 & 26*	8.965	4.665
Bank borrowings	*14*	1,080,580	1,023,344
Other financial liabilities	*15*	28.030	25.112
Deferred tax liabilities	*19.5*	241.335	236.743
Other non-current liabilities		13.816	22.526
Total non-current liabilities		**1,372,726**	**1,312,390**
CURRENT LIABILITIES:			
Short-term provisions		2.139	1.770
Bank borrowings	*14*	33.929	67.585
Trade and other payables	*18*	195.619	129.385
Current tax liabilities	*19.1*	19.573	9.012
Other accounts payable to public authorities	*19.1*	51.899	37.929
Other current liabilities		11.123	4.675
Total current liabilities		**314.282**	**250.356**
TOTAL EQUITY AND LIABILITIES		**2,169,855**	**1,953,482**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated balance sheet at 31 December 2012,

Joaquín Coello Brufau
For Azul Management S,à,r,l,
Chairman

Jaume Masana Ribalta
Director

Ernesto Gerardo Mata López
Deputy Chairman

Joan Manuel Soler Pujol
Director

Alex Wagenberg Bondarovschy
For CEP III Participations, S,à,r,l, SICAR (Luxembourg)
Director

Carlos Kinder Espinosa
Director

Mario Pardo Rojo
For The Carlyle Group S,à,r,l, (Luxembourg)
Director

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Director

Josep Piqué Camps
Director

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR 2012

(Thousands of Euros)

	Notes	2012	2011
CONTINUING OPERATIONS:			
Revenue	*20*	1,192,647	980.919
Procurements		(101.083)	(71.911)
Gross profit		**1,091,564**	**909.008**
Staff costs	*20*	(640.077)	(529.219)
Other operating expenses		(307.522)	(257.818)
In-house work on non-current assets		1.570	1.928
EBITDA		**145.535**	**123.899**
Depreciation and amortisation charge	*6 & 7*	(79.173)	(70.265)
Impairment and gains or losses on disposal of non-current assets	*22*	(19.932)	(22.744)
Other non-recurring losses	*20*	(15.502)	(21.008)
PROFIT FROM OPERATIONS:		**30.928**	**9.882**
Financial loss	*21*	(114.683)	(112.413)
Loss before tax		**(83.755)**	**(102.531)**
Income tax	*19*	17.512	11.314
Net loss from continuing operations		**(66.243)**	**(91.217)**
LOSS FROM DISCONTINUED OPERATIONS NET OF TAX:	*29*	**—**	**(1.682)**
NET CONSOLIDATED LOSS:		**(66.243)**	**(92.899)**
Profit attributable to non-controlling interests	*13*	(2.914)	(1.611)
NET LOSS ATTRIBUTABLE TO THE PARENT:		**(69.157)**	**(94.510)**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated income statement for 2012.

Joaquín Coello Brufau
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Chairman

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APPLUS TECHNOLOGIES HOLDING, S.L.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2012

(Thousands of Euros)

	2012	2011
CONSOLIDATED LOSS PER INCOME STATEMENT (I)	**(69.157)**	**(94.510)**
Income and expense recognised directly in equity:		
Arising from cash flow hedges	40.751	35.673
Tax effect	(12.225)	(10.702)
Total income and expense recognised directly in equity (II)	**28.526**	**24.971**
Transfers to profit or loss	(20.585)	(20.690)
Tax effect	6.176	6.207
Total transfers to profit or loss (III)	**(14.409)**	**(14.483)**
Total comprehensive income (I+II+III)	**(55.040)**	**(84.022)**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated statement of comprehensive income for 2012.

Joaquín Coello Brufau
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APPLUS TECHNOLOGIES HOLDING, S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2012

(Thousands of Euros)

(Notes 12 & 13)	Share capital	Share premium	Prior years' losses	Consolidated reserves	Valuation adjustments	Translation differences	Loss for the year attributable to the Parent	Non-controlling interests	Total equity
Balance at 31/12/10	**11.085**	**110.812**	**(182.651)**	**30.585**	**(29.487)**	**(5.909)**	**(72.685)**	**18.642**	**(119.608)**
Translation differences	—	—	—	—	—	(2.822)	—	299	(2.523)
Changes in the scope of consolidation	—	—	—	2.267	—	—	—	1.296	3.563
Allocation of 2010 loss	—	—	(105.948)	33.263	—	—	72.685	—	—
Capital increase (Note 12)	20.000	180.000	—	—	—	—	—	—	200.000
Valuation adjustments relating to derivatives	—	—	—	—	10.488	—	—	—	10.488
Loss for 2011	—	—	—	—	—	—	(94.510)	1.611	(92.899)
Balance at 31/12/11	**31.085**	**290.812**	**(288.599)**	**66.115**	**(18.999)**	**(8.731)**	**(94.510)**	**21.848**	**(979)**
Translation differences	—	—	—	—	—	(301)	—	(10)	(311)
Changes in the scope of consolidation (Note 3 &12)	238.765	7.235	(143.787)	—	—	—	—	14.472	116.685
Allocation of 2011 loss	—	—	(106.084)	11.574	—	—	94.510	—	—
Dividends paid	—	—	—	—	—	—	—	(4.000)	(4.000)
Capital increase (Note 12)	330.975	10.029	—	—	—	—	—	—	341.004
Valuation adjustments relating to derivatives	—	—	—	—	14.117	—	—	—	14.117
Other changes	—	—	(9.438)	—	—	—	—	(436)	(9.874)
2012 loss	—	—	—	—	—	—	(69.157)	2.914	(66.243)
Balance at 31/12/12	**600.825**	**308.076**	**(547.908)**	**77.689**	**(4.882)**	**(9.032)**	**(69.157)**	**34.788**	**390.399**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated statement of changes in equity for 2012.

Joaquín Coello Brufau
For Azul Management S.à.r.l.
Chairman

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**APPLUS TECHNOLOGIES HOLDING, S.L.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2012 (indirect method)
(Thousands of Euros)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from operating activities before tax		**(83.755)**	**(102.531)**
Adjustments of items that do not give rise to operating cash flows-			
Depreciation and amortisation charge	*6 & 7*	79.173	70.265
Writedown of goodwill and impairment losses	*22*	18.101	21.406
Changes in provisions and allowances	*22*	916	4.136
Financial loss	*21*	114.683	112.413
Gains or losses on disposals of property, plant and equipment	*22*	76	586
Gains or losses on disposals of intangible assets	*22*	839	22
Profit from operations before changes in working capital (I)		**130.033**	**106.297**
Changes in working capital-			
Changes in trade and other receivables		(10.056)	(19.793)
Changes in inventories		(2.493)	(1.045)
Changes in trade and other payables		21.748	25.731
Cash generated by changes in working capital (II)		**9.199**	**4.893**
Income tax		(6.465)	(2.415)
Cash flows from income tax (III)		**(6.465)**	**(2.415)**
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)		**132.767**	**108.775**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Business combinations	*3-e.1*	28.867	—
Payments due to acquisition of subsidiaries and other non-current financial assets		(13.723)	(21.974)
Payments due to acquisition of intangible assets		(10.350)	(10.508)
Payments due to acquisition of property, plant and equipment		(44.967)	(33.776)
Changes in working capital relating to financial assets		—	—
Proceeds from disposal of intangible assets		—	—
Proceeds from disposals of property, plant and equipment		—	—
Net cash flows used in investing activities (B)		**(40.173)**	**(66.258)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received	*21*	2.072	900
Interest paid		(61.209)	(64.250)
Changes in non-current financing		43.246	19.481
Changes in current financing		(32.524)	47.998
Dividends paid by Group companies to non-controlling interests	*13*	(4.000)	(125)
Net cash flows used in financing activities (C)		**(52.415)**	**4.004**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C)		**40.179**	**46.521**
Cash and cash equivalents at beginning of year		**101.247**	**54.726**
+ Cash and cash equivalents at end of year		**141.426**	**101.247**

The accompanying Notes 1 to 33 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2012.

Joaquín Coello Brufau
For Azul Management S.à.r.l.
Chairman

Jaume Masana Ribalta
Director

Ernesto Gerardo Mata López
Deputy Chairman

Joan Manuel Soler Pujol
Director

Alex Wagenberg Bondarovschy
For CEP III Participations, S.à.r.l. SICAR (Luxembourg)
Director

Carlos Kinder Espinosa
Director

Mario Pardo Rojo
For The Carlyle Group S.à.r.l. (Luxembourg)
Director

Pedro de Esteban Ferrer
For CEP II Participations, S.à.r.l. SICAR
Director

Richard Campbell Nelson
Director

Christopher Finn
Director

Fernando Basabe Armijo
Director

Josep Piqué Camps
Director

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

**Applus Technologies Holding, S.L.
and Subsidiaries**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2012

1. Group activities

Applus Technologies Holding, S.L. ("the Parent") has been the Parent of the Applus Group ("the Applus Group" or "the Group") since 29 November 2007 and was incorporated on 5 July 2007 as a private limited liability company for an indefinite period of time under the name of Libertytown, S.L., which was changed to the present name on 10 July 2008.

When the Company was incorporated its registered office was established at calle Aribau no. 171, Barcelona. On 29 November 2007, the registered office was moved to its current location at Campus de la UAB, carretera de acceso a la facultad de medicina s/n, Bellaterra, Cerdanyola del Vallès (Barcelona).

On 10 July 2008, the Parent's sole shareholder at that date amended its company object. The Parent's company object is as follows:

- The provision of services related to the automotive industry and vehicle and road safety (engineering processes, design, testing, standardisation and certification of second-hand vehicles) and technical inspections for other non-automotive industries except for reserved activities subject to special legislation.
- The performance of technical audits of all manner of facilities used for vehicle roadworthiness or monitoring tests throughout Spain and abroad and any other type of non-vehicle inspections.
- The preparation and performance of all manner of studies and projects relating to the foregoing activities, whether of an economic, industrial or technical nature or relating to real estate, computing or market research, and the supervision, management and rendering of services and provision of counselling on the performance thereof.
- The provision of advisory, administration and management services of a technical, tax, legal or commercial nature.
- The provision of commercial intermediation services in Spain and abroad. The provision of all manner of quality and quantity inspection and control services, statutory inspections, cooperation with the public authorities, consulting, audit, certification and standardisation services, personnel training and skill-building and technical assistance in general aimed at enhancing quality, safety and environmental organisation and management.
- The performance of laboratory or in situ studies, work, measurements, trials, analyses and controls using the professional methods and means deemed necessary or appropriate and, particularly, relating to materials, equipment, products and industrial facilities in the mechanical, electrical, electronic and IT fields and the areas of transport, communications, administrative organisation, office computerisation, mining, foodstuffs, environment, construction and civil engineering at the design, project, manufacturing, construction, assembly and start-up phases and subsequent maintenance and production for all manner of companies and public and private entities including central government, autonomous community, provincial and municipal authorities and for all manner of bodies, institutions and users in Spain and abroad.
- The acquisition, holding and direct or indirect management of shares or other equity investments or ownership interests in share capital and/or securities entitling the holder to obtain shares, equity investments or ownership interests in companies of any kind and entities with or without legal personality incorporated under Spanish law or any other applicable legislation in accordance with Article 116 of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, or any legal provisions that may replace such legislation, and the direct or indirect management of any such company or entity through the membership, attendance at or holding of positions on any governing or managing body of the aforementioned companies or entities, performing such advisory or management services through the related organisation of

material and human resources. The activities expressly reserved by the Collective Investment Undertakings Law and by the Securities Market Law for securities brokers and dealers are excluded. These activities may be wholly or partially carried on by the Company indirectly through the ownership of shares or other equity interests in companies with an identical or similar company object.

On 29 November 2007, Applus Technologies Holding, S.L. acquired all of the shares of Applus Servicios Tecnológicos, S.L.U., at that date the holding company of the Applus Group. From that date, the aforementioned Group became part of the Carlyle Group.

On 21 December 2012, the Velosi Group was acquired by the Applus Group. The transaction was carried out through the non-monetary contribution of the shares representing the entire share capital of Azul Holding 2, S.a.r.l., sole shareholder of the Velosi Group, by Azul Holding, S.C.A., shareholder of the Parent (see Notes 3 and 12).

The subsidiaries and associates directly or indirectly owned by the Parent and included in the scope of consolidation are shown in Appendix I.

The subsidiaries and associates directly or indirectly owned by the Parent and excluded from the scope of consolidation either because they are dormant companies or because effective control over them is not exercised by the shareholders of the Applus Group are shown in Appendix II.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

Since 2005 the Parent's directors have prepared the Applus Group's consolidated financial statements in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and taking into account all the mandatory accounting principles and rules and measurement bases and the Spanish Commercial Code, the Spanish Limited Liability Companies Law and other Spanish corporate law applicable to the Group. They were prepared from the separate accounting records of the Parent and of each of the consolidated companies (detailed in Appendix I) and, accordingly, they present fairly the Group's equity, financial position, results of operations, changes in consolidated equity and consolidated cash flows under EU-IFRSs.

The accounting policies used to prepare these consolidated financial statements comply with all the IFRSs in force at the date of their preparation. The EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group are described in Notes 3 and 4.

These consolidated financial statements for 2012 were formally prepared:

- By the Parent's directors at their Board of Directors Meeting held on 29 March 2013. The 2012 consolidated financial statements of the Group and the 2012 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Parent's Board of Directors considers that the aforementioned consolidated financial statements will be approved without any changes. The Group's consolidated financial statements for 2011 were approved by the shareholders at the Annual General Meeting of the Parent on 30 June 2012.
- In accordance with the going-concern principle of accounting, taking into consideration the financial resources available to the Group and the actions initiated or envisaged of an operating, commercial or particularly, of a financial nature which the Group's shareholders may carry out in the future (see Note 31).
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council. The basis of consolidation and the principal accounting policies applied in preparing the Group's consolidated financial statements for 2012 are summarised in Notes 3 and 4.
- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 4.

- On the basis of the accounting records kept by the Parent and by the other Group companies, so that they present fairly the Group's consolidated equity and financial position at 31 December 2012, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in 2012.
- However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2012 (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

b) *Comparative information*

The information relating to 2011 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2012. The comparative information for 2011 differs from the consolidated financial statements prepared for 2011 due to the following:

a) On 31 January 2013, the IFRIC published its conclusion on the request for guidance in relation to IFRS 3 for contingent consideration paid to selling shareholders in circumstances in which those selling shareholders become, or continue as, employees. In accordance with the aforementioned interpretation, insofar as there is a situation of continuing employment for the purpose of collection of the contingent consideration, these amounts should automatically be considered as remuneration for post-combination services and not part of the cost of the acquisition. Therefore, adjustments were made to the consolidated balance sheet at 31 December 2011 and the consolidated income statement for the year then ended, and to the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended 31 December 2011 (see Notes 2-e, 5 and 6). The main changes in 2011 made as a result of the retrospective interpretation of the aforementioned request for guidance were as follows:

    - Reduction of goodwill by EUR 3,406 thousand.
    - Increase in the 2011 loss and decrease in equity of EUR 3,406 thousand.

b) In 2012 the Group completed the measurement at fair value of the assets acquired and liabilities assumed on 9 June 2011 in relation to Assinco - Assessoria, Inspeçao e Controle, Ltda., on 27 July 2011 in relation to BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. and on 16 November 2011 in relation to Kiefner & Associates, Inc. within the one-year deadline stipulated in IFRS 3, Business Combinations, and definitively recognised the goodwill arising from these business combinations. Therefore, adjustments were made to the consolidated balance sheet at 31 December 2011 and the consolidated income statement for the year then ended, and to the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended 31 December 2011 (see Notes 4-a, 5 and 6). The main changes in 2011 made as a result of the retrospective purchase price allocation were as follows:

    - Increase of EUR 5,577 thousand in the other intangible assets associated with the customer portfolio and increase of EUR 2,119 thousand in goodwill.
    - Decrease of EUR 3,670 thousand in non-current financial assets, an increase of EUR 2,245 thousand in other financial liabilities and an increase of EUR 1,781 thousand in deferred taxes.
    - Increase in the loss for 2011 (due to the amortisation of the intangible assets to which the purchase price was was allocated) and decrease in equity of EUR 102 thousand.

In 2012 the Group also provisionally completed the measurement at fair value of the assets acquired and liabilities assumed on 21 December 2012 in relation to Azul Holding 2, S.a.r.l. and Subsidiaries (the Velosi Group) and recognised the provisional goodwill arising from these business combinations (see notes 5 and 6).

c) *Responsibility for the information and use of estimates*

The information in these consolidated financial statements is the responsibility of the Parent's directors, who have exercised due diligence in verifying that the controls established by the Parent and the Group companies guarantee the quality of the financial and accounting information prepared by them have worked effectively.

In the Group's consolidated financial statements for 2012, estimates were occasionally made by management of the Parent and of the consolidated companies, later ratified by their directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Notes 4-d and 22)
- The useful life of the property, plant and equipment and intangible assets (see Notes 4-b and 4-c)
- The measurement of goodwill (see Notes 4-a and 5)
- The assumptions used in measuring the fair value of the financial instruments (see Note 4-m)
- Income from unbilled services (see Note 4-t)
- Provisions and contingent liabilities (see Notes 4-l, 17 and 26)

Although these estimates were made on the basis of the best information available at 31 December 2012 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements or consolidated statements of equity, as appropriate.

d) Functional currency

These consolidated financial statements are presented in euros, since this is the currency of the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies described in Note 4.

e) Changes in accounting policies

On 31 January 2013, the IFRIC published its conclusion on the request for guidance in relation to IFRS 3 for contingent payments to selling shareholders in circumstances in which those selling shareholders become, or continue as, employees. In accordance with the aforementioned interpretation, insofar as there is a situation of continuing employment for the purpose of the collection of the contingent consideration, these amounts should automatically be considered as remuneration for post-combination services and not part of the cost of the acquisition.

In compliance with the aforementioned request for guidance to the IFRIC, the Group derecognised the entire amount recognised under goodwill and restated the comparative figures for 2011 (see Note 2-b).

3. Basis of consolidation and changes in the scope of consolidation

a) Subsidiaries

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the subsidiary or, even if this percentage is lower or zero, when there are agreements with other shareholders of the subsidiary that give the Parent control. Under IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Appendix I to these notes to the consolidated financial statements contains the most significant information on these companies.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The businesses acquired are recognised using the acquisition method so that the assets, liabilities and contingent liabilities of a subsidiary are measured at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (see Notes 4-a and 5). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a bargain purchase) is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

Also, with respect to the share of third parties, the following must be taken into account:

- The equity of their subsidiaries is presented within the Group's equity under "Non-Controlling Interests" in the consolidated balance sheet (see Note 13).
- The profit for the year is presented under "Profit Attributable to Non-Controlling Interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal only.

The foreign companies' financial statements were translated to euros by applying the year-end exchange rate method, whereby the companies' equity is measured at the historical exchange rates, the income statement items at the average exchange rates for the year and the assets, rights and obligations at the year-end exchange rates. Translation differences are charged or credited, as appropriate, to "Equity - Translation Differences" in the consolidated balance sheet.

Also, in accordance with standard practice, the accompanying consolidated financial statements do not include the tax effects that might arise as a result of the inclusion of the results and reserves of the consolidated companies in those of the Parent, since it is considered that no transfers of reserves will be made that are not taxed at source and that such reserves will be used as means of financing at each company.

b) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Group holds -directly or indirectly- 20% or more of the voting power of the subsidiary.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the subsidiary, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

c) Changes in accounting policies and in disclosures of information effective in 2012

In 2012 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

The following standards have been applied in these consolidated financial statements but did not have a significant impact on the presentation hereof and disclosures herein:

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Amendments to IAS 1, Presentation of Items of Other Comprehensive Income (issued in June 2011)	Minor amendments relating to the presentation of items of other comprehensive income	Annual reporting periods beginning on or after 1 July 2012
Amendments to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (issued in October 2010)	Extends and reinforces the disclosures on transfers of financial assets.	Annual reporting periods beginning on or after 1 July 2011

d) Accounting policies issued but not yet in force in 2012

At the date of formal preparation of these consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Approved for use in the European Union		
IFRS 9, Financial Instruments: Classification and Measurement (issued in November 2009 and October 2010)	Replaces the IAS 39 classification, measurement and derecognition requirements for financial assets and liabilities	Annual reporting periods beginning on or after 1 January 2015
Amendments to IAS 12, Income Taxes - Deferred Taxes Arising From Investment Property (issued in December 2010)	On the measurement of deferred taxes arising from investment property using the fair value model in IAS 40	Annual reporting periods beginning on or after 1 January 2013
IFRS 10, Consolidated Financial Statements (issued in May 2011)	Supersedes the requirements relating to consolidated financial statements in IAS 27	Annual reporting periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements (issued in May 2011)	Supersedes the current IAS 31, Joint Ventures.	Annual reporting periods beginning on or after 1 January 2014
IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011)	Single IFRS presenting the disclosure requirements for interests in subsidiaries, associates, joint arrangements and unconsolidated entities	Annual reporting periods beginning on or after 1 January 2014
IFRS 13, Fair Value Measurement (issued in May 2011)	Sets out a framework for measuring fair value	Annual reporting periods beginning on or after 1 January 2013
IAS 27 (Revised) Separate Financial Statements (issued in May 2011)	The IAS is revised, since as a result of the issue of IFRS 10 it applies only to the separate financial statements of an entity	Annual reporting periods beginning on or after 1 January 2014
IAS 28 (Revised), Investments in Associates and Joint Ventures (issued in May 2011)	Revision in conjunction with the issue of IFRS 11, Joint Arrangements	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 19, Employee Benefits (issued in June 2011)	The amendments affect mainly defined benefit plans since one of the major changes is the elimination of the "corridor"	Annual reporting periods beginning on or after 1 January 2013
Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures (issued in December 2011)	Deferral of the effective date of IFRS 9 and amendments to transition requirements and disclosures	Annual reporting periods beginning on or after 1 January 2015
Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	Additional clarifications to the rules for offsetting financial assets and financial liabilities under IAS 32 and introduction of the related new disclosures IFRS 7.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities (issued in December 2011)		Annual reporting periods beginning on or after 1 January 2013
Improvements to IFRSs, 2009-2011 cycle (issued in May 2012)	Minor amendments to a series of standards.	Annual reporting periods beginning on or after 1 January 2013
Transition rules: Amendments to IFRS 10, 11 and 12 (issued in June 2012)	Clarification of the rules for transition to these standards	Annual reporting periods beginning on or after 1 January 2013
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011)	The International Financial Reporting Interpretations Committee addresses the accounting treatment of the stripping costs in surface mines.	Annual reporting periods beginning on or after 1 January 2013

The Parent's directors have assessed the potential impact of the future application of the aforementioned standards, amendments and interpretations and concluded that their entry into force will not have a material effect on the Group's consolidated financial statements, with the following exception:

IFRS 13, Fair Value Measurement

The application of IFRS 13 will result in the re-estimation of the fair value of the Group's derivative financial instruments (see Note 16). At the date of preparation of these consolidated financial statements, the Group was assessing the impact that the application of this standard might have on its consolidated financial statements.

e) ***Changes in the scope of consolidation***

e.1. Inclusions in the scope of consolidation in 2012:

In 2012 the following companies were included in the scope of consolidation:

- Companies acquired in 2012:
    - Azul Holding 2, S.a.r.l. and Subsidiaries (Velosi Group)
- Companies incorporated in 2012:
    - Applus RTD Norway, AS

e.1.1. Companies acquired in 2012

On 21 December 2012, the Velosi Group was acquired by the Applus Group. The transaction was carried out through the non-monetary contribution of the shares representing the entire share capital of Azul Holding 2, S.a.r.l., the sole shareholder of the Velosi Group, by Azul Holding, S.C.A., shareholder of the Parent.

The Velosi Group engages in the provision of the following services (in relation to the oil and gas, power generation, chemicals, industrial processing and refrigeration industries):

- Asset integrity management
- Quality control, maintenance and inspection
- Training/hiring of specialised personnel
- Quality control management of engineering projects and services
- Underwater services
- Assurance and contracting services

The Velosi Group operates in five large geographical markets (the Americas, Europe, the Middle East, Africa and Australasia) with 70 offices located in 40 countries.

The economic reasons for its acquisition by the Applus Group relate mainly to the quest to optimise Velosi Group management by management of the Applus Group and the interest in generating synergies through the integration processes.

On 21 December 2012, the Parent's shareholders increased capital by EUR 238,765 thousand through the issuance of 238,764,894 shares of EUR 1 par value each with a share premium of EUR 7,235 thousand, i.e. EUR 0.03 per share. Both the shares and the share premium were fully subscribed and paid by Azul Holding, S.C.A. through the non-monetary contribution of the shares representing all of the share capital of Azul Holding 2, S.a.r.l. valued at EUR 246,000 thousand.

This cost of this business combination amounted to EUR 102,213 thousand, giving rise to negative reserves of EUR 143,787 thousand for the Parent.

Therefore, the assets and liabilities of the Velosi Group acquired and assumed, respectively, were recognised at their acquisition-date fair value, the detail being as follows (in thousands of euros):

	Fair value
NON-CURRENT ASSETS:	
Intangible Assets	62,407
Property, plant and equipment	9,279
Non-current financial assets	3,638
Deferred tax assets	329
Total non-current assets	**75,653**
CURRENT ASSETS:	
Inventories	—
Trade and other receivables	91,968
Cash and cash equivalents	28,867
Total current assets	**120,835**
	196,488
Non-controlling interests	**14,472**
NON-CURRENT LIABILITIES:	
Long-term provisions	2,696
Non-current payables	12,347
Other financial liabilities	7,223
Deferred tax liabilities	7,071
Total non-current liabilities	**29,337**
CURRENT LIABILITIES:	
Current payables	14,309
Trade and other payables	52,320
Other financial liabilities	3,229
Total current liabilities	**69,858**
	113,667

Therefore, the goodwill that arose on the business combination is summarised as follows:

	€ thousands
Assets at fair value	196,488
Liabilities at fair value	(113,667)
Net assets acquired	**82,821**
Cost of the combination	102,213
Goodwill	**19,392**

Based on the measurement of the assets acquired and liabilities assumed at fair value, intangible assets were revalued by EUR 54,352 thousand, mainly in relation to the trademark, the trademark licence agreement and the customer relationships, and, as a result, the intangible assets recognised in the consolidated balance sheet amount to EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect). Also, the non-controlling interests were revalued by EUR 5,081 thousand and deferred tax liabilities were revalued by EUR 6,819 thousand. Note 6 provides an explanation of the principal assumptions applied in the purchase price allocation. The accounting for the business combination effected in 2012 is provisional.

The income attributable to the business combination from the acquisition date to 2012 year-end (ten days) amounts to EUR 8.8 million, while the net profit amounted to EUR 0.1 million. Had the aforementioned business combination occurred at the beginning of 2012, the consolidated income statement of the Velosi Group consolidated would have been as follows (in thousands of euros):

	2012
Revenue	287,251
Procurements	—
Gross profit	**287,251**
Staff costs	(102,772)
Other operating expenses	(158,006)
EBITDA	**26,473**
Depreciation and amortisation charge	(3,458)
Impairment and gains or losses on disposals of non-current assets	111
Other non-recurring losses	(8,035)
Profit from operations	**15,091**
Financial loss	(2,902)
Share of profit of companies accounted for using the equity method	1,626
Profit before tax	**13,815**
Income tax	(6,843)
Net profit	**6,072**
Profit attributable to non-controlling interests	(4,267)
Profit attributable to the Parent	**2,705**

Had the Velosi Group been included from the 1 January 2012, the consolidated income statement of the Applus Group would have been as follows (in thousands of euros):

	2012
Revenue	1,464,998
Procurements	(101,083)
Gross profit	**1,363,915**
Staff costs	(739,756)
Other operating expenses	(453,087)
EBITDA	**171,072**
Depreciation and amortisation charge	(82,524)
Impairment and gains or losses on disposals of non-current assets	(19,817)
Other non-recurring losses	(23,512)
Profit from operations	**45,219**
Financial loss	(117,448)
Share of profit of companies accounted for using the equity method	1,628
Loss before tax	**(70,601)**
Income tax	10,665
Net profit	**(59,936)**
Profit attributable to non-controlling interests	(7,033)
Loss attributable to the Parent	**(66,969)**

The depreciation and amortisation charge includes the amortisation of intangible assets amounting to EUR 47 million and the depreciation of property, plant and equipment amounting to EUR 35 million.

"Other Non-Recurring Losses" includes USD 10 million (31 December 2012: approximately EUR 7,784 thousand) relating to the maximum amount of the incentive receivable by certain executives of the Velosi Group if certain financial aggregates in relation to that Group are achieved in 2012 and 2013

A detail is included in Appendix I of all the subsidiaries that make up the Velosi Group, together with the related principal financial aggregates at 31 December 2012.

e.1.2. Companies incorporated in 2012

The most significant information on the company incorporated in 2012, namely Applus Testing Norway, As., is as follows:

The company was incorporated on 25 October 2012 with a share capital of 30 thousand shares with a par value of NOK 1 each (approximately EUR 4 thousand at the date of incorporation).

e.2. Changes in the scope of consolidation in 2012

On 24 April 2012, Applus Servicios Tecnológicos, S.L.U. sold its 100% ownership interests in Idiada CZ, AS. and Idiada Automotive Technology UK, Ltd. to Idiada Automotive Technology S.A for EUR 4,357 thousand and EUR 384 thousand, respectively.

e.3. Exclusions from the scope of consolidation in 2012

On 28 December 2012, Applus Iteuve Technology, S.L.U. sold Applus Bilprovning AB to a non-Group third party for SEK 11 million (EUR 1,254 thousand at the date of sale), giving rise to a gain of EUR 842 thousand (see Note 21).

e.4. Inclusions in the scope of consolidation in 2011:

In 2011 the following companies were included in the scope of consolidation:

- Companies acquired in 2011
  - RTD Brazil subgroup:
    - RTD Brasil Investimentos, Ltda.
    - Qualitec Engenharia da Qualidade, Ltda.
  - Kiefner & Associates, Inc.
  - Applus Norcontrol Perú, S.A.C.
  - JDA subgroup:
    - John Davidson & Associates PTY, Ltd.
    - JDA Wokman Limited.
    - PT JDA Indonesia.
  - Assinco - Assessoria, Inspeçao e Controle, Ltda.
  - LGAI Germany subgroup:
    - Applus LGAI Germany, GmbH.
    - BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH
    - Burek und Partner GbR
- Companies incorporated in 2011
  - Applus LGAI Maroc, Sarl, A.U.
  - Idiada Automotive Technology UK, Ltd.
  - Applus RTD GULF DMCC.
  - Idiada Investimentos Do Brasil, Ltda.
  - Applus Norcontrol Consultorías e Ingenierías, S.A.S.

The accounting for the business combinations effected by the Group in 2011 is definitive.

e.4.1. Acquired in 2011

The most significant information on the main acquisitions in 2011 is as follows (in thousands of euros):

	RTD Brazil subgroup	Kiefner & Associates, Inc.	JDA subgroup	Assinco - Assessoria, Inspeçao e Controle, Ltda.	LGAI Germany subgroup
Non-current assets	988	55	234	—	898
Other non-current assets	790	—	142	—	—
Receivables and other	1,383	945	2,024	41	554
Cash and cash equivalents	869	274	1,102	26	622
Other non-current liabilities	—	—	(453)	—	(382)
Fair value of net assets acquired	4,030	1,274	3,049	67	1,692
Acquisition cost	**10,656**	**3,615**	**3,058**	**793**	**5,350**
Goodwill (Note 5)	**6,626**	**2,341**	**9**	**726**	**3,658**

Acquisition of RTD Brazil subgroup

On 24 March 2011, the Group acquired the Brazilian company RTD Brasil Investimentos, Ltda. for BRL 742 thousand (approximately EUR 307 thousand at the acquisition date).

On 9 June 2011, RTD Brasil Investimentos, Ltda. acquired Qualitec Engenharia de Qualidade, Ltda. for BRL 18,400 thousand (approximately EUR 8,104 thousand at the acquisition date), plus a variable amount (earn-out). The purchase and sale agreement established a maximum purchase price of BRL 52,400 thousand (approximately EUR 21,672 thousand at the reporting date). In 2011 the Group recognised an earn-out of BRL 10,795 thousand (approximately EUR 4,754 thousand at the reporting date) based on the best possible estimate, which was recognised as an addition to the cost of acquisition.

In 2012 the earn-out payable was re-estimated and reduced by BRL 6,664 thousand (approximately EUR 2,423 thousand at the reporting date), thereby reducing the related account payable and the cost of acquisition by the same amount.

Acquisition of Kiefner & Associates, Inc.

On 16 November 2011, the Group acquired the US company Kiefner & Associates, Inc. for USD 2,208 thousand (approximately EUR 1,653 thousand at the acquisition date), of which USD 222 thousand (approximately EUR 166 thousand at the acquisition date) had to be deposited in an escrow account. The amount deposited will not be released until certain contingencies occur. The purchase and sale agreement established an estimated earn-out of USD 2,400 thousand (approximately EUR 1,796 thousand at the reporting date) based on EBITDA for 2011 and 2012. The earn-out was recognised as an addition to the acquisition cost.

In 2012, as indicated in Note 2-e to the consolidated financial statements, there was a change in criterion in relation to the recognition of the contingent payments to selling shareholders and the Group derecognised with retrospective effect the entire amount payable of EUR 1,823 thousand subject to the former shareholders remaining as employees.

Acquisition of the JDA subgroup

On 30 November 2011, the Group acquired 70% of the Australian company John Davidson & Associates Pty, Ltd., and 70% of the Papua New Guinea company JDA Wokman Limited, operating in the same specialised recruitment sector as the RTD subgroup, for an initial amount of AUD 2,000 thousand (approximately EUR 1,456 thousand at the acquisition date). The purchase and sale agreement established a maximum earn-out of AUD 4,000 thousand (approximately EUR 2,919 thousand at the reporting date) based on EBITDA for 2011 and 2012. The Group decided to recognise a provision of AUD 2,200 thousand (EUR 1,602 thousand at the acquisition date) for the aforementioned earn-out at 31 December 2011, which was recognised as an addition to the acquisition cost.

In 2012 the earn-out payable was re-estimated and increased to AUD 4,000 thousand (approximately EUR 3,226 thousand at the reporting date), increasing the related account payable and the acquisition cost by the same amount. Therefore, the goodwill which arose on acquisition amounted to AUD 1,955 thousand (approximately EUR 1,566 thousand at the reporting date). Additionally, in 2012, as indicated in Note 2-e, there was a change in criterion in relation to the recognition of the contingent payments to selling shareholders and the Group derecognised retrospectively the entire amount of the earn-out of AUD 1,995 thousand (approximately EUR 1,566 thousand at the reporting date) subject to the former shareholders remaining as employees.

Acquisition of Assinco - Assessoria, Inspeçao e Controle, Ltda.

On 9 June 2011, the Group acquired Assinco - Assessoria, Inspeçao e Controle, Ltda for BRL 1,800 thousand (approximately EUR 793 thousand at the acquisition date).

Acquisition of the LGAI Germany subgroup

On 21 July 2011, the Group acquired 100% of the German holding company Applus LGAI Germany, GmbH for an initial amount of EUR 25 thousand.

On 27 July 2011, Applus LGAI Germany, GmbH acquired al the shares of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH and 99% of the shares of Burek und Partner GbR. LGAI Technological Center, S.A. acquired the remaining 1% for an initial amount of EUR 3,528 thousand.

Acquisition of Applus Norcontrol Perú, S.A.C.

On 28 November 2011, the Group acquired Applus Norcontrol Perú, S.A.C. for PEN 1,000 (approximately EUR 279 at the acquisition date).

e.4.2. Companies on which a call option was exercised in 2011

On 1 January 2010, the Group arranged a call option on the Brazilian company Idiada Technologia Automotiva Ltda. (formerly High End CAD/CAE/CAM, S.A.), which engages in the vehicle standardisation and certification industry, for BRL 2,500 thousand (approximately EUR 1,007 thousand at the acquisition date).

On 28 December 2011, the Group exercised the call option that it had acquired in 2010, renegotiating the terms and conditions agreed upon in the prior agreement and finally paying a total amount of BRL 4,887 thousand (EUR 2,009 thousand at the acquisition date).

This transaction gave rise to the derecognition of a portion of the goodwill associated with High End CAD/CAE/CAM, S.A., amounting to EUR 4,565 thousand at 31 December 2010, and the definitive goodwill recognised at 31 December 2011 amounted to EUR 2,189 thousand.

e.4.3. Companies incorporated in 2011

The most significant information on the companies incorporated in 2011 is as follows:

- Applus LGAI Maroc, Sarl, AU.

This company was incorporated on 4 February 2011 with a share capital of 100 shares with a par value of MAD 100 each (approximately EUR 887 at the date of incorporation). The company increased capital on 4 August 2011 by 33,681 shares with a par value of MAD 100 each (approximately EUR 297 thousand at the date of the capital increase).

- Applus RTD GULF DMCC.

This company was incorporated on 16 January 2011 with a share capital of 300 shares with a par value of MAD 1,000 each (approximately EUR 60 thousand).

- Idiada Automotive Technology UK, Ltd.

This company was incorporated on 22 February 2011 with a share capital of GBP 1. On 31 March 2011, capital was increased by GBP 335 thousand.

- Idiada Investimentos Do Brasil, Ltda.

Idiada Tecnologia Automotiva, Ltda. was incorporated on 28 November 2011 with a share capital of 1,000 shares with a par value of BRL 1 each (approximately EUR 363 at the date of incorporation). On 9 March 2012, the company's name was changed to Idiada Investimentos do Brasil, Ltda.

- Applus Norcontrol Consultorías e Ingenierías, S.A.S.

This company was incorporated on 30 November 2011 with a share capital of COP 262 thousand (approximately EUR 98).

e.5. Changes in the scope of consolidation in 2011

On 28 October 2011, Applus Norcontrol, S.L.U. absorbed its subsidiary Ambitec, Laboratorio Medioambiental, S.A.U.

On 30 November 2011, LGAI Technological Center, S.A. absorbed its subsidiary Abac Enginyeria, S.L.U.

e.6. Exclusions from the scope of consolidation in 2011

There were no exclusions from the scope of consolidation in 2011.

4. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) *Goodwill*

Goodwill arising on business combinations represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of the combination.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

At the end of each reporting period goodwill is reviewed for impairment (i.e. reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to the consolidated income statement.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

As indicated in Note 4-q, goodwill arising on the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the reporting date.

On the sale of a subsidiary or associate, the goodwill attributable to the subsidiary or associate is taken into account in the determination of the gain or loss on the sale.

The Parent's directors consider that the carrying amount of these assets does not exceed their recoverable amount, which is calculated on the basis of the future discounted cash flows that the assets will generate.

The assets and liabilities acquired on 9 June 2011 of Assinco - Assessoria, Inspeçao e Controle, Ltda., on 27 July 2011 of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. and on 16 November 2011 of Kiefner & Associates, Inc. were measured provisionally at the end of 2011 at the date upon which control of the companies was acquired. The resulting fair values were revised in 2012 pursuant to IFRS 3, Business Combinations. At 31 December 2012, the assets and liabilities acquired on 9 June 2011 of Assinco - Assessoria, Inspeçao e Controle, Ltda., on 27 July 2011 of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. and on 16 November 2011 of Kiefner & Associates, Inc. were measured definitively, and the goodwill generated on the acquisitions was recognised retrospectively (see Notes 2-b and 6).

b) *Other intangible assets*

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost, which includes the allocation of the value of goodwill as a result of the business combinations, where applicable, and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are measured and amortised as follows (see Note 6):

- Administrative concessions or similar items that have been acquired for consideration and are recognised for the amount of the expenses paid to the concession grantor to obtain the concession are amortised on a straight-line basis over the concession term. The initial cost (fee) and, where applicable, the present value of the future payments which are deemed to be necessary when the assets are handed over to the grantor are included in this line item.
- Trademarks and trademark licence agreements are measured using the royalty relief valuation method, based on the future royalty income stream from their use. Trademarks and trademark licence agreements are considered to have a finite useful life and are amortised over 25 years, with the exception of the trademark and trademark licence agreement associated with the Velosi Group, which are being amortised over ten years.
- The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which the Group manages under this name. These administrative authorisations are not amortised since they do not have a finite term, except for the administrative authorisation for the inspection of Finnish vehicles, which were being amortised over 15 years, The related useful life of this authorisation was re-estimated on 1 January 2012 and the carrying amount at that date is now being amortised over ten years.
- Customer portfolios are amortised based on the life of the agreements entered into with the customers.
- Rights of use on asset relate to machinery and fixtures used by the Group in the performance of its business activity and are subject to reversion. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.
- Computer software is amortised on a straight-line basis over five years. Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

c) Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, revalued in accordance with various legal provisions including Royal Decree Law 7/1996, of 7 June (see Note 7), including the allocation of any goodwill arising as a result of the business combinations that may be applicable, based on the related independent valuations.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

The companies depreciate their property, plant and equipment using the straight-line method on the basis of the remaining years of estimated useful life of the various items, the detail being as follows:

	Years of estimated useful life
Buildings	20 to 40
Plant	3 to 12
Machinery and tools	3 to 10
Furniture	2 to 10
Computer hardware	4
Transport equipment	3 to 10

The assets that have to be handed over will have been fully depreciated by the end of the concession term.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Assets held under finance leases (see Note 4-g) are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. At 31 December 2012, "Property, Plant and Equipment" in the consolidated balance sheet included EUR 17,166 thousand (31 December 2011: EUR 11,444 thousand) relating to assets held under finance leases (see Note 7).

The Parent's directors consider that the carrying amount of these assets does not exceed their recoverable amount, which is calculated on the basis of the future discounted cash flows that the assets will generate.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

d) Asset impairment

The carrying amounts of the property, plant and equipment and intangible assets are analysed at the reporting date to determine if there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the impairment loss suffered. Where the asset analysed does not generate cash flows that are independent from those of other assets, the Group estimates the fair value of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are not systematically amortised, but rather are tested for impairment annually or whenever there is an indication that the asset has suffered an impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In order to estimate value in use, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discount rate that reflects market conditions and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount existing prior to the recognition of the impairment loss, less any depreciation or amortisation that should have been recognised. The reversal of an impairment loss on an asset is credited to the consolidated income statement.

The method used by the Group to test impairment distinguishes between businesses with indefinite and definite lives. 25-year projections are used for businesses with indefinite lives (very similar to using four-year time frames and a perpetuity return).

Projections in accordance with the actual term of the related contract are used for businesses with finite lives. In both cases the projections are based on reasonable and well-founded assumptions.

The main assumptions used by the Group in testing for impairment are described in Note 5.

e) Non-current financial assets

Given the nature of the assets classified under "Non-Current Financial Assets", they are generally recognised at their original acquisition cost. Upon completion of such impairment tests as might be required, any losses arising therefrom are recognised directly by reducing the amounts presented under "Non-Current Financial Assets" in the consolidated balance sheet.

f) Information on the environment

Environmental assets are considered to be assets used on a lasting basis in the operations of the Group companies whose main purpose is to minimise adverse environment effects and to protect and enhance the environment, including the reduction or elimination of the pollution caused in the future by the Applus Group's operations.

In view of the Group's business activity, at 31 December 2012 and 2011 it did not have any significant assets of this nature.

g) Operating and finance leases

The Group has been assigned the right to use certain assets under leases. Leases that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases; otherwise they are classified as operating leases.

Finance leases

At the commencement of the finance lease term, the Group recognises an asset and a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The initial direct costs are included as an increase in the value of the asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period in the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as an expense when it is probable that they will be incurred.

These assets are depreciated using similar criteria to those applied to the items of property, plant and equipment owned or, if shorter, over the lease term.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative of the time pattern of the benefits generated.

h) Inventories

Inventories are stated at weighted average cost, which comprises materials and, where applicable, direct labour costs and other costs that have been incurred in bringing the inventories to their present location and condition.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

i) Trade and other receivables

Trade and other receivables are recognised at their recoverable amount, i.e. reduced, as appropriate, by the adjustments required to cover balances of a certain age (generally more than one year old), in the event that they can reasonably be classified as doubtful receivables in the circumstances.

The heading also includes the balances of projects in progress yet to be billed in relation to the execution of work to order for which a firm agreement generally exists.

j) Current financial assets, cash and cash equivalents

Current financial assets relate mainly to cash surpluses invested in short-term fixed-income securities that are generally held to maturity and are recognised at acquisition cost. Interest income is calculated on a time proportion basis in the year in which it accrues.

The balance of cash and cash equivalents recognised in the consolidated balance sheets at 31 December 2012 and 2011 includes the bank balances, available cash and the current financial assets maturing within three months.

k) Government grants

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned. In addition, the Group accounts for other grants, donations and legacies received as follows:

a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

b) Refundable grants: while they are refundable, they are recognised as a non-current liability.

c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

l) Provisions and contingent liabilities

When preparing the consolidated financial statements the Parent's directors make a distinction between:

- Provisions:

  The Group recognises a provision where it has an obligation or liability to a third party arising from past events the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated. Provisions are quantified on the basis of the best information available on the event and the consequences of the event and are reviewed and adjusted at the end of each reporting period. The provisions made are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

- Contingent liabilities:

  Contingent liabilities are all the possible obligations that arise from past events and whose future existence and associated loss are estimated to be unlikely. In accordance with IFRSs, the Group does not recognise any provision in this connection. However, as required, the contingent liabilities are disclosed in Note 26.

  The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the accompanying consolidated financial statements.

m) Derivative financial instruments and hedge accounting

The Group uses financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. The Group does not use derivative financial instruments for speculative purposes.

The Group's use of financial derivatives is governed by its policies, which provide guidelines for their use (see Note 16).

The Group uses derivative financial instruments exclusively as hedging instruments as it considers that they meet the requirements of IAS 39. The accounting treatment of cash flow hedges is as follows:

- Changes in the market value of the ineffective portion of derivative financial instruments that are designated as hedges are recognised in the consolidated income statement.
- Changes in the effective portion of a hedge are recognised under "Valuation Adjustments" and "Translation Differences", respectively, in the accompanying consolidated balance sheet.
- The cumulative gain or loss in these reserves is transferred to the consolidated income statement under the same heading as that affected by the hedged item as the underlying affects net profit or loss or in the year in which the hedged item is disposed of.
- When hedge accounting is discontinued, any cumulative gain or loss recognised under "Valuation Adjustments" at that date is retained until the hedged transaction occurs, at which time they are added to the gain or loss on this transaction. If a hedged transaction is no longer expected to occur, the cumulative gain or loss recognised under this heading is transferred to profit or loss.

The market value of the various financial instruments relates to their market price at the end of the reporting period.

n) Pension and post-employment benefit obligations

Certain Group companies have pension obligations, the most significant of which relate to the Röntgen Technische Dienst Holding, B.V. subgroup in the Netherlands and the Velosi Group, particularly in the Middle East, which relate to defined benefit plans and defined contribution plans, respectively.

Defined benefit plans of the Röntgen Technische Dienst Holding, B.V. subgroup

The defined benefit liability recognised in the consolidated balance sheet relates to the present value of the defined benefit obligations existing at year-end, less the fair value at the aforementioned date of the plan assets, less (plus) the actuarial losses (gains) and less the unrecognised past service costs.

The income or expense related to the defined benefit plans is recognised in the consolidated income statement and is obtained as a result of the addition of revenue from services in 2012, borrowing costs, the projected performance of any plan assets, plus the effect of any curtailment or settlement of the plan and, where appropriate, the actuarial losses or gains and the past service costs. The difference between the projected and actual performance of the plan assets forms part of the actuarial gains or losses.

Also, the Group recognises the past service costs as an expense in the year for the total amount divided between the average period remaining until the participants' rights are fully vested. However, past service costs are recognised immediately in profit or loss if the benefits are immediately irrevocable after introducing or changing the plan.

The present value of the defined benefit obligations, the cost of services rendered and past service costs are calculated annually by independent actuaries in accordance with the projected unit credit method. The discount interest rate is determined based on the market rates of high-quality company bonds and debentures denominated in the currency in which the benefits will be paid and with terms and maturities similar to those of the related benefits.

The Group chose to recognise as income or expense the actuarial gains or losses for each of the existing defined benefit plans which at the beginning of the year exceeded 10% of the present value of the defined benefit obligations or 10% of the fair value of the plan assets. The income or expense recognised in the year is equivalent to the amount of the excess divided between the average remaining number of years of service of the employees participating in the plan (corridor method).

The asset or liability for defined benefits is recognised as current or non-current based on the realisation period or maturity of the related benefits.

Defined contribution plans of the Velosi Group

Pursuant to the legislation in the respective countries, certain subsidiaries of the Velosi Group are required to make contributions for their employees which are considered as long-term employee benefits. The Group recognises a provision for the expected costs of these benefits throughout the term of employment using the methodology provided for the in the labour legislation in force in each country.

In addition, certain subsidiaries of the Velosi Group also make contributions for their respective employees when the post-employment benefits end. The provision is calculated in accordance with the labour legislation in force in each location on the basis of employees' salaries and is accumulated over the years of service.

o) Debts and other

Debts are recognised at their present value and are classified on the basis of their maturity at the reporting date, i.e. debts due to be settled within twelve months are classified as current liabilities and those due to be settled within more than twelve months are classified as non-current liabilities.

p) Trade and other payables

Trade payables are not explicitly interest bearing and are stated at their nominal value.

q) Transactions in currencies other than the euro

The Group's functional currency is the euro. Therefore, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions". At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on the balance sheet date. Any resulting gains or losses are recognised directly in the income statement. The balances in the financial statements of the consolidated companies with a functional currency other than the euro are translated to euros as follows:

- Assets and liabilities are translated by applying the exchange rates prevailing at the reporting date.
- Income, expenses and cash flows are translated at the average exchange rates for the year.
- Equity items are translated at the historical exchange rates.
- Translation differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying consolidated balance sheet.

The detail of the equivalent euro value of the main assets in foreign currency held by the Group at 31 December 2012 and 2011 is as follows (in thousands of euros):

Balances held in:	**31/12/12**	**31/12/11**
US dollar	375,238	317,859
Canadian dollar	67,430	59,894
Australian dollar	58,969	44,598
Danish krone	58,840	57,264
Pound sterling	52,218	37,581
Colombian peso	22,445	21,285
Singapore dollar	20,386	2,675
Qatari riyal	19,055	—
United Arab Emirates dirham	15,732	—
Chilean peso	15,292	14,610
Brazilian real	14,504	21,511
Czech koruna	12,232	11,049
Chinese yuan	10,840	3,141
Indonesian rupiah	9,726	2,852
Saudi riyal	9,283	—
Malaysian ringgit	8,795	—
Mexican peso	8,563	4,916
Norwegian krone	8,358	8,121
Argentine peso	8,294	5,911
Kuwaiti dinar	5,819	—
Guatemalan quetzal	5,133	6,014
Papua New Guinean kina	4,704	4,164
Panamanian balboa	3,912	3,432
South African rand	3,711	—
Indian rupee	1,858	958
Nigerian naira	1,799	1,576
Japanese yen	684	1,034
Nicaraguan cordoba oro	646	657
Peruvian nuevo sol	320	—
Moroccan dirham	278	387
Turkish lira	115	122
Costa Rican colon	109	155
Polish zloty	108	782
Swiss franc	8	52
Swedish krona	—	541
Total	**825,403**	**633,141**

The detail of the main foreign currency balances is as follows:

Nature of the balances	US dollars	Danish krone	Canadian dollar	Pound sterling	Australian dollar	Chilean peso	Czech koruna
	€ thousands						
Non-current assets	275,702	52,928	50,508	31,858	28,022	9,674	7,416
Current assets	99,536	5,912	16,922	20,359	30,946	5,618	4,816
Liabilities - Equity	293,770	4,900	4,289	9,562	19,385	2,021	2,012

Nature of the balances	Brazilian real	Colombian peso	Norwegian krone	Qatari riyal	Singapore dollar	Chinese yuan	Argentine peso
	€ thousands						
Non-current assets	6,515	4,630	4,413	2,199	2,969	2,126	1,651
Current assets	7,989	17,815	3,945	16,856	17,417	8,714	6,643
Liabilities - Equity	4,828	11,188	1,875	6,650	7,243	1,515	3,759

Nature of the balances	South African rand	United Arab Emirates dirham	Mexican peso	Saudi riyal	Indian rupee	Malaysian ringgit	Panamanian balboa
	€ thousands						
Non-current assets	1,596	1,207	1,152	948	890	721	630
Current assets	2,115	14,525	7,411	8,335	968	8,074	3,282
Liabilities - Equity	410	6,940	2,258	5,361	49	20,493	1,027

Nature of the balances	Papua New Guinean kina	Kuwaiti dinar	Nigerian naira	Moroccan dirham	Japanese yen	Guatemalan quetzal	Indonesian rupiah
	€ thousands						
Non-current assets	403	347	270	225	186	167	154
Current assets	4,301	5,472	1,529	53	498	4,966	9,572
Liabilities - Equity	1,526	1,968	684	25	580	1,639	4,342

2011

Nature of the balances	US dollar	Danish krone	Canadian dollar	Pound sterling	Australian dollar	Brazilian real	Chilean peso
	€ thousands						
Non-current assets	266,146	54,061	47,756	28,081	25,706	11,391	9,645
Current assets	51,713	3,203	12,138	9,500	18,892	10,120	4,965
Liabilities - Equity	267,880	4,472	3,819	4,860	11,473	6,836	2,088

Nature of the balances	Czech koruna	Colombian peso	Norwegian krone	Argentine peso	Mexican peso	Chinese yuan	Polish zloty
	€ thousands						
Non-current assets	5,677	4,347	3,359	1,947	1,237	1,090	606
Current assets	5,372	16,938	4,762	3,964	3,679	2,051	176
Liabilities - Equity	2,075	12,764	1,637	3,156	1,629	656	78

Nature of the balances	Indian rupee	Singapore dollar	Swedish krona	Nigerian naira	Panamanian balboa	Moroccan dirham	Japanese yen
	€ thousands						
Non-current assets	542	471	443	330	322	274	267
Current assets	416	2,204	98	1,246	3,110	113	767
Liabilities - Equity	—	573	182	411	778	19	910

Nature of the balances	Guatemalan quetzal	Papua New Guinean kina	Indonesian rupiah	Swiss franc	Nicaraguan cordoba	Costa Rican colon	Turkish lire
	€ thousands						
Non-current assets	204	134	39	29	26	15	4
Current assets	5,810	4,030	2,813	23	631	140	118
Liabilities - Equity	2,139	1,708	1,953	—	123	73	62

The average and closing rates used in the translation to euros of the balances held in foreign currency were as follows:

	2012		2011	
EUR 1	Average rate	Closing rate	Average rate	Closing rate
Thai baht	40.11	40.33	42.75	41.49
Panamanian balboa	1.31	1.35	1.42	1.33
Ghanaian cedi	23,935.68	25,044.10	21,726.92	21,635.40
Costa Rican colon	657.86	670.41	707.46	651.17
Nicaraguan cordoba	30.70	32.46	31.76	30.41
Danish krone	7.44	7.46	7.45	7.43
Norwegian krone	7.49	7.39	7.80	7.78
Swedish krona	8.71	8.77	9.04	9.04
Bahreini dinar	0.49	0.50	0.53	0.49
Kuwaiti dinar	0.36	0.37	0.39	0.36
United Arab Emirates dirham	4.72	4.84	5.13	4.79
Moroccan dirham	11.20	11.29	11.35	11.30
Australian dollar	1.24	1.25	1.35	1.31
Canadian dollar	1.28	1.30	1.38	1.36
Brunei dollar	1.63	1.63	1.78	1.72
Hong Kong dollar	9.97	10.20	10.87	10.16
Singapore dollar	1.61	1.61	1.75	1.70
US dollar	1.28	1.32	1.40	1.30
New Zealand dollar	1.59	1.56	1.76	1.71
Vietnamese dong	27,039.26	27,631.40	29,000.96	27,667.50
Papua New Guinean kina	2.70	2.75	3.34	2.86
Czech koruna	25.16	25.25	24.57	25.40
Angolan kwanza	122.85	126.41	131.13	124.47
Egyptian pound	7.84	8.14	8.33	7.87
Pound sterling	0.81	0.81	0.87	0.84
Nigerian naira	205.68	209.64	219.27	213.62
Peruvian nuevo sol	3.44	3.43	3.89	3.56
Argentine peso	5.84	6.44	5.76	5.59
Chilean peso	627.06	625.99	674.97	677.13
Colombian peso	2,326.09	2,365.64	2,600.68	2,555.02
Mexican peso	16.92	16.80	17.28	18.12
Guatemalan quetzal	10.25	10.55	11.06	10.34
South African rand	10.54	11.32	10.08	10.97
Brazilian real	2.51	2.75	2.33	2.42
Omani rial	0.50	0.51	0.54	0.50
Qatari riyal	4.69	4.80	5.09	4.75
Yemeni rial	278.81	284.30	304.46	288.99
Malaysian ringgit	3.98	4.03	4.27	4.14
Saudi riyal	4.82	4.94	5.24	4.89
Russian rouble	40.03	40.60	40.95	41.98
Indian rupee	68.96	71.98	65.52	70.69
Pakistani rupee	120.61	129.69	121.25	117.89
Indonesian rupiah	12,061.64	12,704.70	12,276.93	11,839.30
South Korean won	1,454.37	1,422.16	1,545.14	1,510.76
Japanese yen	102.32	110.45	111.39	101.50
Chinese yuan	8.12	8.28	9.04	8.35
Polish zloty	4.19	4.09	4.12	4.52

The translation differences in euros generated by financial instruments in currencies other than the euro that finance investments in foreign companies that have the same functional currency, and which give rise to a foreign currency hedge of the financial instrument are recognised under "Translation Differences" in the accompanying consolidated balance sheet.

Any goodwill and fair value adjustments arising on the acquisition of foreign companies are treated as assets and liabilities of the foreign company and are translated at the exchange rate prevailing at the balance sheet date.

r) Offsetting

Asset and liability balances must be offset and, therefore, the net amount is presented in the consolidated balance sheet when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

s) Income tax, deferred tax assets and deferred tax liabilities

The income tax expense represents the sum of the current tax expense and the effect of the changes in deferred tax assets and liabilities and reported tax loss and tax credit carryforwards.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Certain Group companies domiciled in Spain file consolidated tax returns as part of tax group 238/08 of which Applus Technologies Holding, S.L. is the Parent.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised. The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT (or equivalent tax) and other sales-related taxes.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. In particular, revenue from projects in progress related to the multi-industry certification or engineering business is recognised by the Group on the basis of the stage of completion of each individual project, giving rise to a balancing entry consisting of an asset for the difference between the amount billed and the amount yet to be billed for each project.

u) Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

v) Discontinued operations

A discontinued operation is a business segment that it has been decided to abandon and/or dispose of in full whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Pursuant to IFRS 5, the revenue and expenses of discontinued operations are presented separately in the income statement and the net assets and net liabilities are presented separately in consolidated current assets and consolidated current liabilities, respectively, for the current period only.

The consolidated statement of cash flows does not include the cash flows from discontinued operations in 2012 or 2011.

In 2011 the Group decided to discontinue the "Tracker" and "Security" programmes of the subsidiary Applus Autologic Inc., which had incurred losses of EUR 1,682 thousand during that year (see Note 29).

The Group did not decide to discontinue any significant operation in 2012.

w) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5. Goodwill

The detail, by cash-generating unit (CGU), of the goodwill at the end of 2012 and 2011 is as follows (in thousands of euros):

Cash-generating unit	31/12/12	31/12/11
Vehicle roadworthiness testing facilities, Spain	170,972	170,972
Idiada Spain	54,900	54,900
Vehicle roadworthiness testing facilities, Finland	52,782	52,782
RTD US and Canada	47,874	47,702
RTD Netherlands	34,164	34,164
RTD Germany	29,364	47,465
RTD UK	28,453	27,599
LGAI Spain	27,996	27,996
Vehicle roadworthiness testing facilities, US	25,209	25,602
Norcontrol Spain	21,708	21,708
Velosi subgroup (Note 3-e.1)	19,392	—
RTD Australia	16,257	15,854
RTD other countries	9,886	9,886
Vehicle roadworthiness testing facilities, Denmark	6,701	6,849
Valley Industrial X-Ray and Inspection Services, Inc.	5,551	4,142
JAN-X	5,298	5,345
Technico Inc.	4,161	4,161
Idiada Technologia Automotiva (formerly High End CAD/CAE/CAM, S.A.)	1,927	2,189
Quality Inspection Services, Inc.	1,840	3,164
LGAI Germany (BKW)	1,243	1,243
Kiefner & Associates, Inc.	335	335
RTD Brazil	3,873	6,438
Other	1,282	1,427
Total goodwill on consolidation	**571,168**	**571,923**

The changes in 2012 and 2011 were as follows:

	€ thousands
Balance at 31 December 2010	**580,557**
Additions	12,691
Translation differences	293
Disposals	(2,331)
Change in accounting policy (Notes 2-b and 12)	(3,406)
Definitive accounting for 2011 business combinations (Note 2-b)	2,119
Write-downs	(18,000)
Balance at 31 December 2011	**571,923**
Changes in the scope of consolidation (Note 3-e.1)	19,392
Translation differences	388
Disposals	(2,434)
Write-downs	(18,101)
Balance at 31 December 2012	**571,168**

The additions in 2011 related basically to the operations described in Note 3-e for the following amounts (in thousands of euros):

Company	2011
BK Werkstofftechnik - Prüfstelle Für Wrkstoffe (Lgai Germany)	4,138
Qualitec Engenharia de Qualidade, Ltda. (RTD Brazil)	2,956
Kiefner	2,604
Applus Norcontrol, S.L.U.	820
Assinco - Assessoria, Inspeçao e Controle, Ltda.	644
John Davidson & Associates PTY, Ltd., Inc.	1,583
Change in exchange rates	(54)
Total	**12,691**

Impairment test (write-down)

In 2012 the Group tested goodwill for impairment by calculating the present value of the expected future cash flows of each cash-generating unit. The main assumptions used by the Group in testing for impairment were as follows:

- Time horizon of 25 years (very similar to using four-year time frames and a perpetuity return) or duration of the contract for CGUs with a finite life.
- Exclusion from the calculation of perpetual returns at the end of the 25 years.
- The figures included in the budget approved by Group management were taken into account in the cash flows projected for 2013.
- Increases in revenue of between 0% and 5% for 24 years from 2013 onwards.
- Constant EBITDA margins (except at certain CGUs where margins were increased as the amounts were not considered recurrent in 2012).
- Constant Capex and working capital over the 25 projected years.
- The main discount rates used in each of the Group's geographical areas were as follows:

Country	2012 (%)	2011 (%)
Spain	9.9	10.4
Ireland	12.1	15.1
US and Canada	8.1	6.8
Finland	8.1	7.5
Denmark	8.6	7.1
Netherlands	8.2	7.4
Germany	8.1	7.1
Australia	7.9	8.6
UK	8.5	8.1
Malaysia	8.0	N/A

The write-down of EUR 18,101 thousand in 2012 related in full to a portion of the goodwill of the RTD Germany cash-generating unit.

The write-down of EUR 18,000 thousand in 2011 also related in full to a portion of the goodwill of the RTD Germany cash-generating unit.

According to the estimates and projections available to the Group, the forecasts of profit attributable to the investments with associated goodwill individually exceed their consolidated carrying amount; therefore no write-downs additional to those already made in the year are required.

Sensitivity analysis

The main variables with the greatest impact on the impairment test performed by the Group management are as follows:

- Discount rate (WACC)
- EBITDA/Revenue margin
- Revenue growth

1% increases in the discount rate, a 1% reduction in the EBITDA/Revenue margin, or a 1% reduction in expected revenue growth would have a significant negative impact for the Group in the impairment test to be performed.

However, 1% reductions in the discount rate, 1% increases in the EBITDA/Revenue margin or 1% increases in the expected revenue growth would not have a positive significant impact for the Group since there are no significant impairment losses on property, plant and equipment and intangible assets and the impairment loss on goodwill may not be reversed.

The Parent's directors consider that the assumptions used in the impairment test at 31 December 2012 are reasonable and do not expect any significant negative changes thereto.

6. Other intangible assets

The changes in 2012 and 2011 in intangible asset accounts and in the related accumulated amortisation were as follows:

	2012 - € thousands						
	Balance at 1 January 2012	**Changes in the scope of consolidation (Note 3-e.1)**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2012**
Cost:							
Administrative concessions	135,919	—	—	—	—	—	135,919
Patents, licences and trademarks	238,579	43,122	1,492	—	—	—	283,193
Administrative authorisations	236,155	—	—	—	—	—	236,155
Customer portfolio	120,489	19,012	—	—	—	—	139,501
Computer software	42,466	273	2,315	(1,246)	81	20	43,909
Goodwill acquired	9,603	—	—	(488)	—	219	9,334
Asset usage rights	73,080	—	—	(120)	—	—	72,960
Other	18,819		1,951	(113)	36	(151)	20,542
Total cost	**875,110**	**62,407**	**5,758**	**(1,967)**	**117**	**88**	**941,513**
Accumulated amortisation	**(179,911)**	**—**	**(46,753)**	**796**	**395**	**348**	**(225,125)**
Total, net	**695,199**	**62,407**	**(40,995)**	**(1,171)**	**512**	**436**	**716,388**

	2011 - € thousands						
	Balance at 1 January 2011	**Changes in the scope of consolidation**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2011**
Cost:							
Administrative concessions	135,919	—	—	—	—	—	135,919
Patents, licences and trademarks	234,331	—	1,600	—	2,646	2	238,579
Administrative authorisations	236,155	—	—	—	—	—	236,155
Customer portfolio	114,912	5,577	—	—	—	—	120,489
Computer software	43,331	54	2,707	(2,765)	(962)	101	42,466
Goodwill acquired	9,740	—	—	(68)	2	(71)	9,603
Asset usage rights	73,080	—	—	—	—	—	73,080
Other	15,911	6	2,525	—	(123)	500	18,819
Total cost	**863,379**	**5,637**	**6,832**	**(2,833)**	**1,563**	**532**	**875,110**
Accumulated amortisation	**(140,283)**	**(10)**	**(40,544)**	**2,043**	**(649)**	**(468)**	**(179,911)**
Total, net	**723,096**	**5,627**	**(33,712)**	**(790)**	**914**	**64**	**695,199**

In 2012 the Group's assessment at fair value of the assets and liabilities of Assinco - Assessoria, Inspeçao e Controle, Ltda. acquired on 9 June 2011, of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH. acquired on 27 July 2011 and of Kiefner & Associates, Inc. acquired on 16 November 2011 was completed and the fair value of the assets and liabilities acquired was definitively and retrospectively recognised. In the measurement of assets and liabilities intangible assets were identified amounting to EUR 5,577 thousand (EUR 3,796 thousand net of the related tax effect) relating to a customer portfolio, which are being amortised over 15 years.

In 2012, based on a valuation by an independent valuer, the Group carried out the assessment at fair value of the assets and liabilities of the Velosi Group acquired on 21 November 2012, recognising the provisional fair value of the assets and liabilities associated with the aforementioned business combination. Intangible assets of EUR 62,407 thousand (EUR 55,363 thousand net of the related tax effect) were identified when measuring the aforementioned assets and liabilities, the detail being as follows:

	(€ thousands)
Trademark	26,183
Customer portfolio	19,012
Trademark licence agreement	16,939
Databases	273
Total	**62,407**

In 2011 the Group's assessment of the assets and liabilities of Quality Inspection Services, Inc. acquired on 26 February 2010 and of Valley Industrial X-Ray and Inspection Services, Inc. acquired on 9 April 2010 was completed and the goodwill generated on these acquisitions was definitively and retrospectively recognised. In the measurement of assets and liabilities intangible assets were identified amounting to EUR 24,354 thousand (EUR 17,048 thousand net of the related tax effect) relating to a customer portfolio.

In 2008, based on a valuation by an independent valuer, the assessment of the assets and liabilities acquired by the Parent from the Applus Group on 29 November 2007 was completed and the fair value of the assets and liabilities arising from the acquisition was definitively and retrospectively recognised. Assets of EUR 734,957 thousand (EUR 514,470 thousand net of the related tax effect) were identified when measuring the assets and liabilities.

The assets and liabilities identified in the four processes referred to above are as follows:

	€ thousands	
	31/12/12	31/12/11
Administrative authorisations	259,910	259,910
Applus and RTD trademarks	228,441	228,441
Administrative concessions	102,319	102,319
RTD customer portfolio	67,949	67,949
Rights of use	57,516	57,516
Quality and Valley customer portfolio	24,354	24,354
Velosi trademark	26,183	—
Velosi customer portfolio	19,012	—
Norcontrol customer portfolio	18,822	18,822
Velosi trademark licence agreement	16,939	—
Assinco, BKW and Kiefner customer portfolio	5,577	—
Velosi databases	273	—
Total allocation of goodwill to assets	**827,295**	**759,311**

The most significant assumptions used to allocate the aforementioned gains on assets at fair value were as follows:

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows from that asset for a period of 25 years, was used to calculate the fair value of administrative authorisations.
- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows over the useful life assigned to the related contract, was used to calculate the fair value of administrative concessions and rights of use. The possibility of contract renewals for cash-generating units with finite lives was not considered.
- The royalty relief method, whereby the value of the asset is the present value of future royalty income from the use of the trademarks by the licensees, was used to calculate the value of the trademarks and trademark licence agreements.
- The income approach and specifically the multi-period excess earnings method, taking into account the useful lives of the customers and the discounted revenue they account for, was used to calculated the value of the agreements with customers.

All the assets adjusted to fair value are being amortised over the useful life of the related contract or over a maximum of 25 years, except for the administrative authorisations, which are not amortised, except for the administrative authorisation for vehicle roadworthiness testing in Finland, which from 1 January 2012 is being amortised over ten years following the re-estimation of the 15-year useful life initially considered.

In 2012 the amortisation charge associated with the aforementioned revalued assets recognised in the accompanying consolidated income statement amounted to EUR 34,689 thousand (2011: EUR 29,689 thousand).

Therefore, a summary of the main items included under this heading is as follows:

- Administrative authorisations:

  "Administrative Authorisations" includes the operating rights for vehicle roadworthiness testing facilities. At 31 December 2012, the Applus Group was managing administrative authorisations for vehicle roadworthiness testing services in Spain and abroad. The contracts are for administrative authorisations mainly in Catalonia, Castilla La Mancha, the Canary Islands, Finland, Denmark and the US. Unlike administrative concessions, administrative authorisations do not have a finite term, can be operated on an indefinite basis and, therefore, the Group does not amortise the authorisations, except for those assigned to vehicle roadworthiness testing in Finland, which the Group is amortising over ten years.

- Patents, licences and trademarks:

  "Patents, Licences and Trademarks" includes the Applus, RTD and Velosi trademarks and the Velosi trademark licence agreement. The three trademarks are considered to have a finite useful life. The first two are being amortised over 25 years while the Velosi trademark and the trademark licence agreement are being amortised over ten years.

- Administrative concessions:

  "Administrative Concessions" includes mainly the operating rights for vehicle roadworthiness testing facilities. At 31 December 2012, the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, the Basque Country, the Canary Islands and Menorca), Ireland, Argentina and Chile. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates from 2014 to 2023.

- RTD customer portfolio:

  This relates to the carrying amounts of the contracts between the RTD subgroup and several customers, mainly in the Netherlands, Germany, the US, Canada and Australia. For the purposes of valuation, the probability of renewal and a term of 25 years were taken into account. The contracts are therefore being amortised over their estimated useful life, i.e. 25 years.

- Asset usage rights:

  These include mainly the carrying amounts of the usage rights transferred by Laboratori General d'Assaig i Investigació (now Catalonia Autonomous Community Government) on the incorporation of the Group company LGAI Technological Center, S.A. and the carrying amount of the assets assigned by Institut d'Investigació Aplicada de l'Automòbil (now Empresa de Promoció i Localització Industrial de Catalunya (AVANÇSA)) to Idiada Automotive Technology, S.A., relating basically to machinery and other fixtures. These rights of use are amortised over the useful life of the contract granting use of these assets.

- Customer portfolios of Quality Inspection Services, Inc. and Valley Industrial X-Ray and Inspection Services, Inc.

  These relate to the carrying amounts of the contracts between Quality Inspection Services, Inc. and Valley Industrial X-Ray and Inspection Services, Inc. and several customers. The contract term varies but, for the purposes of valuation, the probability of renewal and a term of 15 years were taken into account. The contracts are therefore being amortised over their estimated useful life, i.e. 15 years.

- Velosi customer portfolio:

  This relates to the carrying amounts of various contracts entered into between the Velosi subgroup and several customers, mainly in the Middle East, Europe, Australia and Asia. The contract terms vary but, for the purposes of valuation, the probability of renewal and a term of five years were taken into account. The contracts are therefore being amortised over their estimated useful life, i.e. five years.

- Norcontrol customer portfolio:

  This relates to the carrying amounts of the contract between Applus Norcontrol, S.L.U. and a customer until 31 December 2010. The contract was being amortised over its useful life, i.e. three years. At 31 December 2012, this asset had been fully amortised. However, the Company renewed this contract and continues to work with this client.

- Assinco, BKW and Kiefner customer portfolios:

  These relate to the carrying amounts of various contracts between Kiefner & Associates, Inc., BK Werkstofftechnik - Prüfstelle für Werkstoffe, GmbH and Assinco - Assesoria Inspeçao e Control, Ltda and several customers, mainly in the US, Germany and Brazil. The contract terms vary but, for the purposes of valuation, the probability of renewal and a term of 15 years were taken into account. The contracts are therefore being amortised over their estimated useful life, i.e. 15 years.

  At 31 December 2012, fully amortised intangible assets in use amounted to EUR 33,106 thousand (31 December 2011: EUR 29,850 thousand). The Group did not have any temporarily idle items at 31 December 2012 or 2011.

  At 31 December 2012 and 2011, the Group had no material firm intangible asset purchase commitments.

7. Property, plant and equipment

The changes in 2012 and 2011 in the various property, plant and equipment accounts and in the related accumulated depreciation and impairment losses were as follows:

	2012 - € thousands						
	Balance at 1 January 2012	**Changes in the scope of consolidation**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2012**
Cost:							
Land and buildings	133,805	(334)	4,247	(459)	(1,189)	113	136,183
Plant and machinery	186,607	3,475	24,089	(845)	2,049	237	215,612
Other fixtures, tools and furniture	57,561	16,340	2,855	(1,914)	(1,171)	88	73,759
Other items of property, plant and equipment	45,862	1,140	13,282	(1,909)	2,980	(97)	61,258
Advances and property, plant and equipment in the course of construction	6,349	—	4,811	(44)	(3,493)	(22)	7,601
Grants	(2,253)	—	138	94	824	—	(1,197)
Total cost	**427,931**	**20,621**	**49,422**	**(5,077)**	**—**	**319**	**493,216**
Impairment losses	**(270)**	**—**	**(405)**	**—**	**(405)**	**(612)**	**(1,692)**
Accumulated depreciation	**(257,271)**	**(11,913)**	**(32,018)**	**5,503**	**226**	**515**	**(294,958)**
Total	**170,390**	**8,708**	**16,999**	**426**	**(179)**	**222**	**196,566**

	2011 - € thousands						
	Balance at 1 January 2011	**Changes in the scope of consolidation**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2011**
Cost:							
Land and buildings	127,854	7	6,552	(3,180)	1,831	741	133,805
Plant and machinery	165,839	1,537	17,795	(2,512)	1,834	2,114	186,607
Other fixtures, tools and furniture	53,575	1,090	4,230	(1,010)	(423)	99	57,561
Other items of property, plant and equipment	39,909	2,112	6,504	(2,003)	(1,181)	521	45,862
Advances and property, plant and equipment in the course of construction	7,747	2,174	—	(12)	(3,702)	142	6,349
Grants	(2,332)	—	(328)	407	—	—	(2,253)
Total cost	**392,592**	**6,920**	**34,753**	**(8,310)**	**(1,641)**	**3,617**	**427,931**
Impairment losses	**(247)**	**—**	**(23)**	**—**	**—**	**—**	**(270)**
Accumulated depreciation	**(231,832)**	**(1,675)**	**(29,721)**	**6,834**	**1,545**	**(2,422)**	**(257,271)**
Total	**160,513**	**5,245**	**5,009**	**(1,476)**	**(96)**	**1,195**	**170,390**

In 2012 the additions related basically to plant and machinery amounting to EUR 24,089 thousand, which were acquired in the course of the Group's normal operations. Also, additions to land and buildings amounting to EUR 4,230 thousand were recognised, of which EUR 2,242 thousand relate to land and buildings acquired in Spain by the Group company Applus ITV Technology, S.L.U. in the autonomous community of Madrid for vehicle roadworthiness testing.

The additions to "Other Items of Property, Plant and Equipment" amounting to EUR 13,282 thousand related mainly to the acquisition of items of transport equipment totalling EUR 7,472 thousand.

The changes in the scope of consolidation in 2012 related mainly to the assets acquired in the integration of the Velosi Group into the Applus Group, amounting to EUR 9,279 thousand (see Note 3-e.1).

In 2011 the additions related basically to plant and machinery amounting to EUR 17,795 thousand, which were acquired in the course of the Group's normal operations. Also, additions to land and buildings amounting to EUR 6,552 thousand were recognised, of which EUR 5,714 thousand relate to land acquired in Spain by the Group company Applus ITV Technology, S.L.U. for vehicle roadworthiness testing.

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2012 amounted to EUR 113,777 thousand (31 December 2011: EUR 93,388 thousand). The Group did not have any temporarily idle items at 31 December 2012 or 2011.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 31 December 2012 and 2011, the Group did not have any significant firm property, plant and equipment purchase commitments.

Certain Group companies have property, plant and equipment items that must be handed over to the Government at the end of the related concession terms. The detail of the carrying amount of the assets subject to reversion at 31 December 2012 and 2011 is as follows:

	2012 - € thousands		
	Gross cost	**Accumulated depreciation/ Impairment losses**	**Carrying amount**
Applus Iteuve Technology, S.L.U.	40,882	(35,608)	5,274
Idiada Automotive Technology, S.A.	26,886	(14,843)	12,043
Applus Iteuve Euskadi, S.A.U.	5,703	(4,208)	1,495
LGAI Technological Center, S.A.	14,200	(12,289)	1,911
Total	**87,671**	**(66,948)**	**20,723**

	2011 - € thousands		
	Gross cost	**Accumulated depreciation/ Impairment losses**	**Carrying amount**
Applus Iteuve Technology, S.L.U.	38,344	(34,261)	4,083
Idiada Automotive Technology, S.A.	22,865	(13,391)	9,474
Applus Iteuve Euskadi, S.A.U.	6,930	(4,251)	2,679
LGAI Technological Center, S.A.	14,200	(11,295)	2,905
Total	**82,339**	**(63,198)**	**19,141**

The detail of the most significant items of property, plant and equipment located outside Spain at 31 December 2012 and 2011 is as follows:

2012

	Amounts at closing exchange rate (in € thousands) in:					
	US dollar	**Danish krone**	**Chilean peso**	**Australian dollar**	**Pound sterling**	**Qatari rial**
Cost:						
Land and buildings	44,512	13,443	9,330	773	1,706	—
Plant and machinery	73,028	4,296	2,911	6,501	3,496	—
Other fixtures, tools and furniture	4,055	297	192	707	394	2,368
Other items of property, plant and equipment	28,582	1,285	862	2,436	128	2,014
Advances and property, plant and equipment in the course of construction	881	56	—	—	—	—
Total cost	**151,058**	**19,377**	**13,295**	**10,417**	**5,724**	**4,382**
Accumulated depreciation	**(88,482)**	**(7,170)**	**(4,570)**	**(7,575)**	**(3,306)**	**(2,190)**
Total carrying amount	**62,576**	**12,207**	**8,725**	**2,842**	**2,418**	**2,192**

	Amounts at closing exchange rate (in € thousands) in:					
	Chinese yuan	**Canadian dollar**	**Czech koruna**	**Colombian peso**	**Brazilian real**	**Singapore dollar**
Cost:						
Land and buildings	—	395	236	—	—	—
Plant and machinery	1,149	6,862	3,447	2,344	1,263	2,170
Other fixtures, tools and furniture	488	538	43	521	198	1,133
Other items of property, plant and equipment	479	862	1,540	1,477	1,117	461
Advances and property, plant and equipment in the course of construction	490	—	—	—	—	—
Total cost	**2,606**	**8,657**	**5,266**	**4,342**	**2,578**	**3,764**
Accumulated depreciation	**(478)**	**(6,700)**	**(3,349)**	**(2,675)**	**(1,162)**	**(2,457)**
Total carrying amount	**2,128**	**1,957**	**1,917**	**1,667**	**1,416**	**1,307**

	Amounts at closing exchange rate (in € thousands) in:					
	United Arab Emirates dirham	**Argentine peso**	**Saudi riyal**	**Norwegian krone**	**South African rand**	**Malaysian ringgit**
Cost:						
Land and buildings	—	1,465	—	—	264	—
Plant and machinery	929	624	29	1,088	2,574	1,676
Other fixtures, tools and furniture	853	73	659	47	93	1,128
Other items of property, plant and equipment	558	739	968	85	248	365
Advances and property, plant and equipment in the course of construction	—	—	—	—	—	—
Total cost	**2,340**	**2,901**	**1,656**	**1,220**	**3,179**	**3,169**
Accumulated depreciation	**(1,137)**	**(1,743)**	**(712)**	**(301)**	**(2,272)**	**(2,451)**
Total carrying amount	**1,203**	**1,158**	**944**	**919**	**907**	**718**

2011

	Amounts at closing exchange rate (in € thousands) in:					
	US dollar	**Danish krone**	**Chilean peso**	**Australian dollar**	**Czech koruna**	**Pound sterling**
Cost:						
Land and buildings	44,933	13,461	8,625	738	235	982
Plant and machinery	66,741	4,164	2,667	5,547	3,235	2,950
Other fixtures, tools and furniture	3,762	255	104	1,246	43	175
Other items of property, plant and equipment	18,994	1,274	286	1,309	1,415	—
Advances and property, plant and equipment in the course of construction	2,358	6	—	—	—	—
Total cost	**136,788**	**19,160**	**11,682**	**8,840**	**4,928**	**4,107**
Accumulated depreciation	**(80,682)**	**(6,442)**	**(3,191)**	**(6,484)**	**(2,892)**	**(2,327)**
Total carrying amount	**56,106**	**12,718**	**8,491**	**2,356**	**2,036**	**1,780**

	Amounts at closing exchange rate (in € thousands) in:					
	Canadian dollar	**Colombian peso**	**Argentine peso**	**Brazilian real**	**Chinese yuan**	**Singapore dollar**
Cost:						
Land and buildings	104	1,893	1,679	—	687	—
Plant and machinery	5,893	477	688	930	224	814
Other fixtures, tools and furniture	480		82	142		56
Other items of property, plant and equipment	1,009	1,205	796	1,365	328	195
Advances and property, plant and equipment in the course of construction	—	—	10	—	—	—
Total cost	**7,486**	**3,575**	**3,255**	**2,437**	**1,239**	**1,065**
Accumulated depreciation	**(5,861)**	**(2,083)**	**(1,825)**	**(1,101)**	**(155)**	**(594)**
Total carrying amount	**1,625**	**1,492**	**1,430**	**1,336**	**1,084**	**471**

	Amounts at closing exchange rate (in € thousands) in:					
	Singapore dollar	**Mexican peso**	**Panamanian balboa**	**Japanese yen**	**Guatemalan quetzal**	**Norwegian krone**
Cost:						
Land and buildings	—	—	—	—	138	—
Plant and machinery	814	269	—	986	238	187
Other fixtures, tools and furniture	56	111	83	78	70	22
Other items of property, plant and equipment	195	566	604	16	139	50
Advances and property, plant and equipment in the course of construction	—	—	—	—	—	—
Total cost	**1,065**	**946**	**687**	**1,080**	**585**	**259**
Accumulated depreciation	**(594)**	**(598)**	**(375)**	**(813)**	**(389)**	**(191)**
Total carrying amount	**471**	**348**	**312**	**267**	**196**	**68**

The detail of the main assets held by the Group under finance leases at 31 December 2012 and 2011 is as follows:

	2012 - € thousands						
	Average lease term (years)	Average number of years elapsed	Original cost including purchase option	Lease payments paid: Prior years	Lease payments paid: 2012	Lease payments outstanding	Value of purchase option
Plant and machinery	5	3	1,181	1,261	309	257	—
Computer hardware	3	2	2,769	17	22	2,097	—
Transport equipment	4	2	13,216	2,466	1,964	7,959	1,006
Total assets held under finance lease			**17,166**	**3,744**	**2,295**	**10,313**	**1,006**

	2011 - € thousands						
	Average lease term (years)	Average number of years elapsed	Original cost including purchase option	Lease payments paid: Prior years	Lease payments paid: 2011	Lease payments outstanding	Value of purchase option
Plant and machinery	5	3	744	565	142	268	30
Computer hardware	3	2	2,704	338	234	1,937	—
Transport equipment	4	1	7,995	1,635	1,211	3,616	—
Total assets held under finance lease			**11,443**	**2,538**	**1,587**	**5,821**	**30**

8. Non-current financial assets

The changes in the various non-current financial asset accounts in 2012 and 2011 were as follows:

	2012 - € thousands				
	Balance at 1 January 2012	Changes in the scope of consolidation (Note 3-e.1)	Additions or charge for the year	Disposals	Balance at 31 December 2012
Investments in other companies	1,273	3,638	—	(206)	4,705
Fixed-income securities	1	—	9	—	10
Non-current receivables	196	—	1,052	—	1,248
Deposits and guarantees	7,858	—	1,503	(1,493)	7,868
Impairment losses	(668)	—	—	—	(668)
Total	**8,660**	**3,638**	**2,564**	**(1,699)**	**13,163**

	2011 - € thousands				
	Balance at 1 January 2011	Additions or charge for the year	Disposals	Translation differences	Balance at 31 December 2011
Investments in other companies	1,024	249	—	—	1,273
Fixed-income securities	3	—	(2)	—	1
Non-current receivables	304	8	(108)	(8)	196
Deposits and guarantees	8,497	—	(639)	—	7,858
Impairment losses	(668)	—	—	—	(668)
Total	**9,160**	**257**	**(749)**	**(8)**	**8,660**

Investments in other companies

The inclusions in the scope of consolidation under "Investments in Other Companies" relate to the ownership interests of between 45% and 50% in Velosi (B) Sdn Bhd, Velosi LLC, Rina-V Ltd, Rina-V Projects Certification L.L.C, Kurtec Pipeline Services Ltd, and Kurtec Pipeline Services L.L.C. over which the Group does not exercise control.

Deposits and guarantees

At 31 December 2012, "Deposits and Guarantees" included EUR 4.4 million (2011: EUR 3.6 million) relating to restricted cash deposits to secure certain contracts entered into.

9. Inventories

The detail of the Group's inventories at 31 December 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	**31/12/11**
Goods held for resale	7,081	4,713
Raw materials and other supplies	817	692
Total inventories	**7,898**	**5,405**

These inventories relate mainly to x-ray material used in non-destructive testing by the RTD subgroup and reagents, fungibles and chemical compounds used in laboratory or field tests by other Group companies.

Obsolete, defective or slow-moving inventories were reduced to realisable value. The inventories will be realised in less than twelve months.

10. Trade receivables for sales and services and other receivables

Trade receivables for sales and services, trade receivables from related companies and other receivables

The detail of these current asset headings in the accompanying consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	**31/12/11**
Trade receivables for sales and services	358,207	255,485
Write-downs	(22,664)	(13,900)
Trade receivables for sales and services	**335,543**	**241,585**
Trade receivables from related companies (Note 27)	5,106	3,710
Other receivables	15,811	12,505
Total trade and other receivables	**356,460**	**257,800**

The Group's average credit period for services rendered was approximately 56 days in 2012 (2011: 62 days). The Group does not charge interest on receivables with current maturity.

The accounts receivable that were past-due by more than twelve months amounted to EUR 16,762 thousand (31 December 2011: EUR 15,501 thousand). Write-downs have been recognised for most of these amounts.

The directors of the Parent consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is principally attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on prior experience and its assessment of the current economic environment.

The Group entered into a non-recourse factoring agreement on 9 November 2007, which expired on 31 December 2012 and was not renewed. The maximum amount of the financing was EUR 10,000 thousand. At 31 December 2012, the Group had not derecognised any factored collection rights from the consolidated balance sheet (2011: EUR 7,960 thousand).

The Group does not have a significant concentration of credit risk, with exposure spread over a large number customers, business lines, markets and geographical areas.

However, the Group's financial management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts, particularly in the industries with a higher risk of insolvency. In 2012 and 2011 particular attention was paid to monitoring and recovering past-due receivables and a detailed analysis of customers with associated insolvency or default risks was performed.

The changes in 2012 and 2011 in the allowance for doubtful debts were as follows:

	€ thousands
Balance at 1 January 2011	**10,206**
Additions	7,189
Amounts used	(2,594)
Disposals	(901)
Balance at 31 December 2011	**13,900**
Additions	8,719
Amounts used	(4,462)
Disposals	(4,275)
Changes in the scope of consolidation (Note 3-e.1)	8,782
Balance at 31 December 2012	**22,664**

In 2011 the Group derecognised EUR 4,275 thousand of provisioned accounts receivable (2011: EUR 901 thousand) since they were considered to be uncollectible.

11. Current financial assets and cash and cash equivalents

Current financial assets

The changes in "Current Financial Assets" 2012 and 2011 were as follows:

	€ thousands				
	Balance at 1 January	Additions or charge for the year, net	Disposals	Exchange differences	Balance at 31 December
2012	4,762	—	(1,969)	30	2,823
2011	2,885	2,896	(1,019)	—	4,762

At 31 December 2012, the amount included short-term deposits and guarantees amounting to EUR 1,864 thousand (31 December 2011: EUR 801 thousand) and other assets of EUR 959 thousand (31 December 2011: EUR 3,961 thousand).

Cash and cash equivalents

At 31 December 2012 and 2011, the amount classified as "Cash and Cash Equivalents" in the accompanying consolidated balance sheet related in full to cash, except for EUR 5,665 thousand (2011: EUR 34,806 thousand) that related to three deposits with a term of less than three months.

12. Equity

The changes in 2012 and 2011 in "Equity" in the accompanying consolidated balance sheets were as follows:

	€ thousands	
	31/12/12	31/12/11
Beginning balance	**(979)**	**(119,608)**
Capital increases and share premium		
Conversion of loans into capital	341,004	200,000
Business combinations	102,213	—
Changes in consolidated reserves	(9,438)	2,267
Changes in translation differences	(301)	(2,822)
Adjustments due to the re-measurement of derivatives	14,117	10,488
Consolidated net loss for the year	(69,157)	(94,510)
Changes in non-controlling interests	12,940	3,206
Balance at 31 December	**390,399**	**(979)**

a) Share capital and share premium

At 31 December 2012 and 2011, the shareholders of the Parent were as follows:

Company	31/12/12	31/12/11
Azul Finance, S.à.r.l.	58.30%	61.89%
Azul Holding, S.C.A.	41.70%	38.11%
Total	**100%**	**100%**

The Parent was incorporated on 5 July 2007 with a share capital of EUR 3,100, divided into 3,100 equal, cumulative and indivisible shares of EUR 1 par value each, fully subscribed and paid.

On 29 November 2007, the Parent increased share capital by EUR 12,312,500 through the issuance of 12,312,500 shares of EUR 1 par value each with a share premium of EUR 110,812,500, i.e. EUR 9 per share. The shares and the share premium were fully subscribed and paid by the sole shareholder at that date, Azul Holding, S.C.A., through a monetary contribution. Stamp duty on the capital increase amounted to EUR 1,231,250 and was recognised as a deduction from share capital.

On 29 December 2011, the Parent increased its share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. This capital increase was carried out by converting into capital a portion of the participating loan that Azul Finance, S.à.r.l. had granted to the Parent (see Note 15).

On 21 December 2012, the shareholders increased the Parent's share capital by EUR 238,765 through the issuance of 238,764,894 shares of EUR 1 par value each with a share premium of EUR 7,235 thousand, i.e. EUR 0.03 per share. Both the shares and the share premium were fully subscribed and paid by Azul Holding, S.C.A. through the non-monetary contribution of the shares representing all of the share capital of Azul Holding 2, S.a.r.l. valued at EUR 246,000 thousand.

The aforementioned non-monetary contribution qualified for taxation under the special tax regime for mergers, spin-offs, asset contributions, security exchanges and changes of registered office of a European Company or a European Cooperative Society from one EU member state to another provided for in Chapter VIII of Title VII of Legislative Royal-Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law, as a security exchange defined in Articles 83.5 and 87.

All of the information relating to this process is disclosed in the separate financial statement of the Parent for 2012.

Also on 21 December 2012, the Parent increased share capital by EUR 330,975 thousand through the issuance of 330,975 thousand new shares of EUR 1 par value each with a share premium of EUR 10,029 thousand, i.e. EUR 0.03 per share. This capital increase was carried out by converting into capital a portion of the participating loan that Azul Finance, S.à.r.l. had granted to the Parent (see Note 15). The value of the amount of the loan converted into capital relates to is fair value, based on the reports by independent valuers and, therefore, the aforementioned transaction did not have any impact on the consolidated income statement.

After these transactions, the share capital of the Parent at 31 December 2012 amounted to EUR 602,056,357, represented by 602,056,357 fully subscribed and paid indivisible and cumulative shares of EUR 1 par value each, numbered sequentially from 1 to 602,056,357, inclusive, less the associated expenses of EUR 1,231,250 mentioned above.

At 31 December 2012, a total of 32,315,600 of the Parent's shares (31 December 2011: 12,315,600 shares) had been pledged as security for the bank loan granted to the Group (see Note 14).

b) *Reserves of consolidated companies*

The detail of consolidated reserves at the end of 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	**31/12/11**
Applus Iteuve Technology, S.L.U. subgroup	59,733	41,308
Applus Servicios Tecnológicos, S.L.U.	24,592	17,780
Idiada Automotive Technology, S.A.	23,105	15,036
Applus Car Testing Services, Ltd.	1,307	(1,017)
Libertytown USA FINCO, Inc. subgroup	272	317
Applus RTD Norway, A.S.	233	(194)
Applus Argentina, S.A.	165	123
Applus Automotive Services, S.L.U.	148	148
IDIADA Tecnologia Automotiva, Ltda.	—	(295)
Idiada CZ	—	769
Applus Deutschland	(8)	(8)
Applus (Shanghai) Quality Inspection Co., Ltd.	(63)	(63)
Applus RTD Certification, B.V.	(80)	(80)
Applus Energy, S.L.U.	(822)	(234)
Libertytown USA 1, Inc. subgroup	(6,532)	(1,716)
Arctosa Holding, B.V.	(6,865)	8,164
LGAI Technological Center, S.A. subgroup	(17,638)	(13,923)
Total consolidated reserves	**77,689**	**66,115**

c) *Valuation adjustments*

In 2012 “Valuation Adjustments” included EUR 4,882 thousand (2011: EUR 18,999 thousand) relating to the impact of the measurement at fair value, net of the related tax effect, of the derivative financial instruments arranged by the Group (see Note 16).

d) *Translation differences*

The detail of “Translation Differences” in the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	**31/12/11**
Libertytown USA 1, Inc. subgroup	(11,924)	(12,411)
Arctosa Holding, B.V. subgroup	(1,996)	(461)
Applus Argentina, S.A.	(320)	(233)
Libertytown Australia PTY, Ltd.	(103)	(103)
Libertytown USA FINCO, Inc. subgroup	(59)	(64)
Idiada Automotive Technology UK, Ltd	—	(2)
Applus RTD Norway, A.S.	81	24
Idiada CZ	—	311
LGAI Technological Center, S.A. subgroup	2,449	1,287
Applus Iteuve Technology, S.L.U. subgroup	2,183	2,921
Idiada Automotive Technology, S.A. subgroup	657	—
Total	**(9,032)**	**(8,731)**

e) *Capital risk management*

The Group manages its capital to ensure that its subsidiaries can continue to operate in accordance with the going-concern principle of accounting. The Group is also committed to maintaining leverage levels that are consistent with its growth, solvency and profitability objectives.

The data relating to the financial leverage ratios at the end of 2012 and 2011 are as follows:

	€ thousands	
	31/12/12	31/12/11
Bank borrowings	1,115,098	1,090,929
Other financial liabilities	28,009	25,112
Current financial assets	(3,412)	(4,762)
Cash and cash equivalents	(141,426)	(101,247)
Net financial debt	**998,269**	**1,010,032**
Equity	390,399	(979)
Participating loan	92,448	391,715
Total equity and participating loan	**482,847**	**390,737**
Leverage (Net financial debt / Net debt + equity+ participating loan)	**67.4%**	**72.1%**

13. Non-controlling interests

"Non-Controlling Interests" in the accompanying consolidated balance sheet reflects the equity of the non-controlling shareholders in the consolidated companies. Also, the balance of "Profit Attributable to Non-Controlling Interests" in the accompanying consolidated income statement reflects the share of these non-controlling interests in the consolidated profit or loss for the year.

The detail of the non-controlling interests of the fully consolidated companies in which ownership is shared with third parties is as follows:

	2012 - € thousands		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	11,459	(36)	11,423
Applus Iteuve Technology, S.L.U. subgroup	144	(116)	28
Idiada Automotive Technology, S.A. subgroup	4,426	2,593	7,019
RTD subgroup	1,373	328	1,701
Velosi subgroup	14,472	145	14,617
Total non-controlling interests	**31,874**	**2,914**	**34,788**

	2011 - € thousands		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	11,728	(189)	11,539
Applus Iteuve Technology, S.L.U. subgroup	145	—	145
Idiada Automotive Technology, S.A. subgroup	6,988	1,895	8,883
RTD subgroup	1,376	(95)	1,281
Total non-controlling interests	**20,237**	**1,611**	**21,848**

The changes in "Non-Controlling Interests" in 2012 and 2011 are summarised as follows:

	€ thousands	
	2012	2011
Beginning balance	**21,848**	**18,642**
Changes in the scope of consolidation (Note 3-e.1)	14,472	1,296
Other changes	(436)	—
Dividends	(4,000)	—
Translation differences	(10)	299
Profit for the year	2,914	1,611
Ending balance	**34,788**	**21,848**

14. Bank borrowings

The detail, by maturity, of the bank borrowings in the accompanying consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	2012 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2014	2015	2016	Other	Total
Syndicated loan	1,058,550	3,029	8,146	—	771,037	293,599	1,072,782
Other loans	—	7,134	24	24	24	496	568
Credit facilities	37,134	10,660	—	—	—	—	—
Obligations under finance leases	—	4,089	3,430	2,404	1,237	159	7,230
Other financial liabilities	—	2,267	—	—	—	—	—
Hedging instruments (Note 16)	—	6,750	—	—	—	—	—
Total	**1,095,684**	**33,929**	**11,600**	**2,428**	**772,298**	**294,254**	**1,080,580**

	2011 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2013	2014	2015	Other	Total
Syndicated loan	1,085,000	48,298	48,298	48,298	—	909,139	1,005,735
Other loans	—	1,232	24	24	24	415	487
Credit facilities	13,000	3,402	—	—	—	—	—
Obligations under finance leases	—	184	184	184	184	5,115	5,667
Other financial liabilities	—	2,349	—	—	—	—	—
Hedging instruments (Note 16)	—	12,120	11,455	—	—	—	11,455
Total	**1,098,000**	**67,585**	**59,961**	**48,506**	**208**	**914,669**	**1,023,344**

On 27 November 2007, the Group arranged a syndicated loan with Société Générale, London Branch, as the agent bank, and Barclays Capital; Bayerische Hypo-und Vereinsbank, AG, London Branch; Catalunya Caixa; Caixa Bank; Bankia; Calyon, Sucursal en España; Commerzbank Aktiengesellschaft; Landsbanki Islands h.f. and Mizuho Corporate Bank, Ltd. as the participating lenders for an initial total maximum amount of EUR 1,085,000 thousand, divided into various tranches of financing.

The tranches have a single maturity at the end of the related term and may be repaid early, except for the Capex Facility, the amount drawn down against which is being repaid in six equal half-yearly instalments from May 2012.

On 21 November 2012, the Group refinanced a portion of its bank borrowings, renegotiating the terms and conditions of 95% of the Capex Facility and 85% of the Revolving Facility, extending the term of both tranches by two years to 25 May 2016 and establishing a single maturity at the end of the related term, which also applies to the Capex Facility.

As a result, two tranches were created in the Capex Facility and in the Revolving Facility: tranche 1 with the same terms and conditions as those established on 27 November 2007, while tranche 2 has the terms and conditions established in the refinancing agreement entered into on 21 November 2012.

The financial structure of the aforementioned syndicated loan is, therefore, as follows:

2012

	€ thousands			
Tranche	**Limit**	**Amount drawn down + interest added to principal**	**Interest rate**	**Maturity**
Facility B	610,000	610,000	Euribor + spread	29/05/16
Second Lien Facility (Senior D)	100,000	100,000	Euribor + spread	29/05/17
Revolving Facility 1	10,500	5,281	Euribor + spread	29/11/14
Revolving Facility 2	64,500	32,441	Euribor + spread	25/05/16
Capex Facility 1	5,800	5,800	Euribor + spread	29/05/12 - 29/11/14
Capex Facility 2	117,750	117,750	Euribor + spread	25/05/16
Mezzanine Facility	150,000	150,000	Euribor + spread	29/11/17
Interest added to principal - Mezzanine Facility	—	43,599		
Effect of exchange rate changes	—	19,598		
Debt arrangement expenses	—	(8,748)		
Total	**1,058,550**	**1,075,721**		

2011

	€ thousands			
Tranche	**Limit**	**Amount drawn down + interest added to principal**	**Interest rate**	**Maturity**
Facility B	610,000	610,000	Euribor + spread	29/05/16
Second Lien Facility (Senior D)	100,000	100,000	Euribor + spread	29/05/17
Revolving Facility	75,000	—	Euribor + spread	29/11/14
Capex Facility	150,000	150,000	Euribor + spread	29/05/12 - 29/11/14
Mezzanine Facility	150,000	150,000	Euribor + spread	29/11/17
Interest added to principal - Mezzanine Facility	—	34,157		
Effect of exchange rate changes	—	21,512		
Debt arrangement fees	—	(11,636)		
Total	**1,085,000**	**1,054,033**		

At 31 December 2012 and 2011, the Group had drawn down a portion - USD 215 million (approximately EUR 163 million at 31 December 2012 and EUR 165 million at 31 December 2011) against the principal in USD of the Facility B tranche, which totals EUR 610 million.

At 31 December 2012 and 2011, the Group had drawn down a portion against the principal of the Capex Facility tranche in USD: USD 69.5 million and USD 84.2 million, respectively (approximately EUR 52.8 million at 31 December 2012 and EUR 64.5 million at 31 December 2011) and in GBP: GBP 20.5 million at 31 December 2012 and GBP 24.9 million at 31 December 2011 (approximately EUR 25.3 million at 31 December 2012 and EUR 29.8 million at 31 December 2011).

The syndicated loan agreement establishes certain covenants including most notably the obligation to achieve certain financial ratios based on the consolidated figures of certain companies, which were being achieved at 31 December 2012 and 2011.

The main financial ratios to be achieved by the Group are as follows:

- The Consolidated EBITDA/Finance costs ratio must exceed certain values set for each quarter throughout the term of the loan, which range from 1.88 to 3.16. The ratio set for each quarter is increasingly restrictive. At 31 December 2012, the aforementioned ratio had to exceed 1.88.
- The Net consolidated debt/Consolidated EBITDA ratio must not exceed certain values set for each quarter throughout the term of the loan, which range from 6.79 to 4.30. The ratio set for each quarter is increasingly restrictive. At 31 December 2012, the aforementioned ratio had to be lower than 6.79.

The agreement also establishes restrictions on the payment of dividends, the incorporation or acquisition of companies, the arrangement of additional borrowings, transactions with financial derivatives and the disposal or acquisition of assets. The Parent has arranged certain interest rate hedges for the aforementioned loan. The information on the Group's financial hedging instruments is disclosed in Note 16.

To secure compliance with the obligations associated with the aforementioned loan, a security interest was given in 32,315,600 shares representing 5% of the share capital of the Parent and of certain subsidiaries of the Group (see Note 12).

As a result of the acquisition of Velosi (see Note 3-e.1), the Group has assumed bank loans amounting to EUR 7,004 thousand and credit facilities amounting to EUR 7,104 thousand, as well as obligations under finance leases amounting to EUR 608 thousand.

The interest rates on the credit facilities and loans are tied to Euribor and Libor.

The detail of the main current and non-current bank borrowings at 31 December 2012 and 2011, by currency and excluding hedging instruments, is as follows:

	2012 - € thousands												
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Australian dollar	Danish krone	Brazilian real	Czech koruna	Guatemalan quetzal	Chilean peso	Papua New Guinean kina	Total
Syndicated loan	820,428	230,026	25,267	—	—	—	—	—	—	—	—	—	1,075,721
Other loans	181	231	—	7,044	—	292	—	—	—	—	44	—	7,792
Credit facilities	505	—	—	7,104	2,796	—	—	—	—	254	—	—	10,659
Obligations under finance leases	35	10,351	—	608	54	135	87	27	11	1	1	9	11,319
Other financial liabilities	2,267	—	—	—	—	—	—	—	—	—	—	—	2,267
Total	**823,416**	**240,608**	**25,267**	**14,756**	**2,850**	**427**	**87**	**27**	**11**	**255**	**45**	**9**	**1,107,758**

	2011 - € thousands								
	Euro	US dollar	Pound sterling	Colombian peso	Australian dollar	Danish krone	Brazilian real	Chilean peso	Total
Syndicated loan	794,851	229,401	29,781	—	—	—	—	—	1,054,033
Other loans	1,181	—	—	—	456	—	82	—	1,719
Credit facilities	—	—	—	3,402	—	—	—	—	3,402
Obligations under finance leases	76	5,297	—	44	148	226	45	14	5,850
Other financial liabilities	2,349	—	—	—	—	—	—	—	2,349
Total	**798,457**	**234,698**	**29,781**	**3,446**	**604**	**226**	**127**	**14**	**1,067,353**

15. Participating loan and other non-current financial liabilities

The detail of the related headings in the accompanying consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	31/12/11
Participating loan	92,172	169,375
Interest on participating loan	276	222,340
Total participating loan	**92,448**	**391,715**
Payable due to reversion (Note 26-a)	16,025	16,025
Other non-current financial liabilities	12,005	9,087
Total other non-current financial liabilities	**28,030**	**25,112**
Total	**120,478**	**416,827**

"Participating Loan" relates to a participating loan for an initial amount of EUR 369,375 thousand granted to the Parent on 29 November 2007 by Azul Finance, S.à r.l. and maturing on 27 November 2019.

As indicated in Note 12, on 29 December 2011, the Parent increased share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. The aforementioned capital increase was carried out by converting into capital a portion of the participating loan granted by Azul Finance, S.à r.l. to the Parent amounting to EUR 200,000 thousand.

As indicated in Note 12, on 21 December 2012, the Parent increased share capital by EUR 330,975 thousand through the issuance of 330,975 thousand new shares of EUR 1 par value each with a share premium of EUR 10,029 thousand, i.e. EUR 0.03 per share. The aforementioned capital increase was carried out by converting into capital a portion of the participating loan granted by Azul Finance, S.à.r.l. to the Parent and accrued interest amounting to EUR 77,196 thousand and EUR 263,808 thousand, respectively. The value of the amount of the aforementioned loan converted into capital corresponds to its fair value, on the basis of reports prepared by independent valuers and, therefore, this transaction did not have any impact on the consolidated income statement.

Therefore, the nominal amount of the loan at 31 December 2012 was EUR 92,172 thousand plus the accrued interest payable arising therefrom up to 31 December 2012, which amounts to EUR 276 thousand.

This loan bears interest at a fixed rate of 5% of the nominal value plus the accrued interest payable and interest at a floating rate tied to the individual or consolidated EBIT of the Parent or of the Group, respectively. The interest payable may never exceed the maximum percentage of 16% of the amount outstanding.

This loan matures on 27 November 2019 and the interest is paid on maturity.

The effective interest rate in 2012 was 10.89% (2011: 6.51%).

"Payable Due to Reversion" includes the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres are located, amounting to EUR 16,025 thousand (see Note 26-a).

"Other Non-Current Financial Liabilities" relates mainly to various loans that the subsidiaries have been granted by various public-sector entities.

16. Derivative financial instruments

Financial risk management policy

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management is based on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

The Group hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable.

The Group's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangement of hedges in markets. All external hedges, including those relating to subsidiaries and those arranged on their behalf, must be authorised and arranged on a centralised basis at Group level.

Following is a description of the main financial risks to which the Group is exposed and the practices established:

a) Foreign currency risk

The increased volatility of currency markets with respect to other markets (such as the interest rate market) and the significant international activity of the Group as a long-term investor in countries outside of the eurozone make foreign currency risk (loss of value in euros of long-term investments in countries whose currency is not the euro) the most significant financial risk for the Group.

To manage foreign currency risk, the Group takes the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

See sensitivity analysis in the section on "Hedging Instruments Arranged".

b) Interest rate risk

Interest rate risk relates to the effect on profit or loss of rises in interest rates that increase borrowing costs. Exposure to this risk is significantly mitigated by the natural hedging offered by businesses in which inflation and/or interest rates are factors which are part of the periodical tariff and price revision process. The other exposure is assessed periodically and, taking into consideration the projected interest rate fluctuations in the main borrowing currencies, the desirable fixed-rate protection levels and periods are determined.

The structure thus established is achieved by means of new financing and/or the use of interest rate derivatives.

Net debt at floating rates is generally tied to Euribor (debt in euros). See sensitivity analysis in the section on "Hedging Instruments Arranged".

c) Liquidity risk

Liquidity risk relates to the possibility of adverse situations in the capital markets preventing the Group from financing, at reasonable market prices, its obligations relating to both non-current financial assets and working capital requirements, or of the Group being unable to implement its business plans using stable financing sources.

The Group takes various preventative measures to manage liquidity risk:

- The capital structure of each company is established taking into account the degree of volatility of the cash generated by it.
- Debt repayment periods and schedules are established on the basis of the nature of the needs being financed.
- The Group diversifies its sources of financing through continued access to financing and capital markets.
- The Group secures committed credit facilities for sufficient amounts and with sufficient flexibility.

d) Financial counterparty risk

The credit risk arising from the possibility of the financial counterparty failing to meet its obligations is managed by means of the following measures:

- Establishment of maximum credit risk exposure limits for each bank counterparty with which the Group operates.
- Requirement that the counterparty maintain a sufficient credit rating.

Hedging instruments arranged

The Group arranges over-the-counter derivative financial instruments with Spanish and international banks with high credit ratings.

In 2012 the only derivatives arranged by the Group were interest rate derivatives.

The detail of the balances at 31 December 2012 and 2011 reflecting the valuation of the derivative financial instruments at those dates is as follows:

	€ thousands			
	31/12/12		31/12/11	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Cash flow hedges	6,750	—	12,120	11,455
	6,750	**—**	**12,120**	**11,455**

Following is a summary of the hedges that the Group had arranged at 31 December 2012:

2012	€ thousands		Thousands of units		€ thousands	
	Fair value		Notional amounts		Notional maturity	
	Current liabilities	Non-current liabilities	Currency hedged	Equivalent euro value	2013	2014 and subsequent years
Interest rate hedges:						
Cash flow hedges-						
Euro IRSs	6,750	—	280,000	280,000	280,000	—
Derivative financial hedging instruments	**6,750**	**—**	**280,000**	**280,000**	**280,000**	**—**

The financial instruments arranged by the Group (all of which relate to the Parent) and in force at 31 December 2012 are as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	01/10/10	01/10/13	180,000	EUR	(4,287)	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(2,463)	100,000	3.43%	90-day Euribor
Total					**(6,750)**			

Following is a summary of the hedges that the Group had arranged at 31 December 2011:

2011	€ thousands		Thousands of units		€ thousands	
	Fair value		Notional amounts		Notional maturity	
	Current liabilities	Non-current liabilities	Currency hedged	Equivalent euro value	2012	2013
Interest rate hedges:						
Cash flow hedges-						
US dollar IRSs	3,976	—	180,000	137,963	137,963	
Pound sterling IRSs	258	—	20,000	23,824	23,824	—
Euro IRSs	7,886	11,455	700,000	700,000	420,000	280,000
Derivative financial hedging instruments	**12,120**	**11,455**		**861,787**	**581,787**	**280,000**

The financial instruments arranged by the Parent and in force at 31 December 2011 were as follows:

Financial instrument	Start date	Maturity date	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2012	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	31/12/07	28/09/12	150,000	EUR	(3,938)	150,000	—	4.61%	90-day Euribor
IRS	01/10/10	01/10/13	180,000	EUR	(7,246)	180,000	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/12	170,000	EUR	(2,563)	170,000	—	3.13%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(4,208)	100,000	100,000	3.43%	90-day Euribor
IRS	01/10/10	01/10/12	100,000	EUR	(1,385)	100,000	—	2.97%	90-day Euribor
IRS	30/06/09	30/06/12	20,000	GBP	(258)	20,000	—	3.25%	90-day Euribor
Total					**(19,598)**				

The detail of the hedges arranged by other Group companies and in force at 31 December 2011 is as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2012	Fixed rate	Floating rate
IRS	31/12/07	31/12/12	40,000	USD	(1,314)	40,000	4.89%	90-day Libor
IRS	31/12/10	31/12/12	140,000	USD	(2,662)	140,000	3.11%	90-day Libor
Total					**(3,976)**			

The objective of these interest rate hedges is to mitigate, by arranging swaps in which a fixed rate is paid and a floating rate is received, the fluctuations in cash outflows in respect of payments tied to floating interest rates (Euribor and USD Libor) on the Group's borrowings. The Group opted to account for hedges as permitted under IFRSs, designating in the appropriate manner the hedging relationships in which the derivatives are hedges of net investments in foreign operations that neutralise changes in value due to the spot rate of the foreign currency.

The cash flow hedging relationships designated with these foreign currency hedges are estimated to be highly effective and, accordingly, the Group recognised the fair value thereof in equity. Since the effectiveness of all the hedges has been verified, no amounts were recognised in relation to ineffective hedges in profit or loss for either 2012 or 2011.

The estimate of the sensitivity of financial profit or loss to interest rate fluctuations over a full year, with the net borrowings structure at each year-end, in thousands of euros, is as follows:

		Yearly impact (€ thousands)	
	Increase in interest rate	**2012**	**2011**
Euribor	+ 10 b.p.	805	174

17. Long-term provisions

The changes in "Long-Term Provisions" in 2012 and 2011 were as follows:

	€ thousands
Balance at 1 January 2011	**4,759**
Charge for the year	77
Amounts used	(171)
Balance at 31 December 2011	**4,665**
Changes in the scope of consolidation (Note 3-e.1)	2,696
Charge for the year	1,604
Balance at 31 December 2012	**8,965**

The provisions recognised constitute a fair and reasonable estimate of the effect on the Group's equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by management of the Parent and of the subsidiaries, with the assistance of their advisers, considering the circumstances specific to each case.

The main lawsuits, claims or obligations acquired, arising in both 2012 and prior years, at 31 December 2012 were as follows:

- Pension plans and other obligations to employees of the Velosi Group amounting to EUR 2,696 thousand and to employees of the RTD Group amounting to EUR 1,556 thousand (31 December 2011: EUR 1,268 thousand) (see Note 4-n).
- Litigation is currently in process in respect of a purported breach of a contract entered into with a third party by the subsidiary Norcontrol Guatemala, S.A. Its Parent, Applus Norcontrol, S.L.U., has provided a guarantee for the Guatemalan subsidiary and recognised a provision of EUR 1,500 thousand for the risk estimated by the directors of the aforementioned company and their legal advisers in relation to the outcome of this lawsuit.
- Additionally, there is an arbitral award ordering Norcontrol Guatemala, S.A. to pay USD 3,347 thousand to a third party and ordering a third party to pay USD 2,220 thousand to Norcontrol Guatemala, S.A., due to discrepancies in the final outcome of work performed in a project. On 23 September 2010, Norcontrol Guatemala, S.A. filed an appeal against the decision handed down by the San Pedro Sula Civil Appellate Court rendering null and void the arbitral award issued on 30 August 2010 by the Arbitration Court of the Reconciliation and Arbitration Centre of the Chamber of Commerce and Industry. On 21 February 2012, the Judicial Review Chamber of the Supreme Court issued an order dismissing the appeal filed by the Group. In 2012 the Group recognised a provision of EUR 1,000 thousand in addition to the EUR 429 thousand provisioned at 31 December 2011.

See Note 19 for the main tax litigation and Note 26 for the other more significant contingencies to which the Group is exposed.

18. Trade and other payables

The detail of trade and other payables in 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	31/12/11
Trade payables	125,223	78,060
Remuneration payable	45,196	29,731
Other payables	25,200	21,594
Total	**195,619**	**129,385**

The Group's average payment period in 2012 for the services received was 46 days (2011: 50 days).

"Remuneration Payable" includes USD 10 million (31 December 2012: approximately EUR 7,784 thousand) relating to the maximum amount of the incentive that certain Velosi Group senior executives earn based on the achievement of certain financial aggregates by this Group in 2012 and 2013. In addition, "Remuneration Payable" includes EUR 2,154 thousand relating to the incentives that other senior executives of the Group earn based on the achievement of certain financial aggregates in 2011, 2012 and 2013 (see Note 28).

18.1. Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.

The disclosures required by Additional Provision Three of Law 15/2010, of 5 July, in thousands of euros, relating only to the Group's Spanish companies are as follows:

	Amounts paid and payable at year-end			
	2012		2011	
	Amount	%	Amount	%
Paid in the maximum payment period	58,771	46%	53,862	42%
Remainder	67,932	54%	73,123	58%
Total payments made in the year	**126,703**	**100%**	**126,985**	**100%**
Weighted average period of late payment (days)	111		122	
Weighted average period of late payment (days)	36		37	
Payments at the end of the period not made in the maximum payment period	7,467		6,526	

The data shown in the foregoing table on payments to suppliers relate to the suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to "Trade Payables" under "Current Liabilities" in the consolidated balance sheet. However, the vast majority of the aforementioned payables was paid within the first 30 days of 2013.

Weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers outside the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period.

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December, on combating late payment in commercial transactions, is 75 days. The maximum payment period applicable in 2011 was 85 days.

19. Tax matters

19.1 Current tax receivables and payables

The detail of the current tax receivables and payables at the end of 2012 and 2011 is as follows (in thousands of euros):

2012

	Balances receivable	Balances payable
Current balances:		
Income tax refundable/payable	14,004	19,573
VAT refundable/payable	9,753	20,943
Other tax receivables and payables	962	19,076
Accrued social security taxes refundable/payable	244	11,880
Total current balances	**24,963**	**71,472**

2011

	Balances receivable	Balances payable
Current balances:		
Income tax refundable/payable	13,175	9,012
VAT refundable/payable	4,685	17,043
Other tax receivables and payables	2,308	11,807
Accrued social security taxes refundable/payable	683	9,079
Total current balances	**20,851**	**46,941**

19.2 Reconciliation of the accounting loss to the taxable profit/tax loss

The reconciliation of the consolidated accounting loss for 2012 and 2011 to the aggregate income tax base is as follows:

	2012 - € thousands		
	Increase	Decrease	Amount
Consolidated accounting loss for the year (before tax and non-controlling interests)			(83,755)
Permanent differences:			
Profit before tax contributed by foreign companies	38,211	—	38,211
Of the individual companies-			
Exempt income	—	(8,243)	(8,243)
Other non-deductible expenses	1,792	(297)	1,495
Consolidation and other adjustments	26,878	(20,189)	6,689
Temporary differences:			
Finance costs	53,213	—	53,213
Impairment losses on investments	12,073	—	12,073
Goodwill	—	(2,381)	(2,381)
Taxable profit	**132,137**	**(31,110)**	**17,308**

	2011 - € thousands		
	Increase	Decrease	Amount
Consolidated accounting loss for the year (before tax and non-controlling interests)			(102,531)
Permanent differences:			
Profit before tax contributed by foreign companies	30,822	—	30,822
Of the individual companies-			
Exempt income	—	(1,109)	(1,109)
Other non-deductible expenses	—	(1,800)	(1,800)
Provisions	255	—	255
Consolidation and other adjustments	7,747	—	7,747
Temporary differences:			
Impairment losses on investments	5,301	—	5,301
Goodwill	—	(3,338)	(3,338)
Tax loss	**44,125**	**(6,247)**	**(57,545)**

19.3 Reconciliation of the accounting loss to the income tax benefit

The reconciliation of the accounting loss to the income tax benefit in 2012 and 2011 is as follows:

	31/12/12	31/12/11
Accounting loss before tax	(83,755)	(102,531)
Permanent differences	38,152	39,469
Taxable accounting loss	**(45,603)**	**(63,062)**
Tax charge	**(13,347)**	**(17,763)**
Consolidation adjustments	(4,165)	6,541
Total income tax benefit recognised in the consolidated income statement	**(17,512)**	**(11,314)**

19.4 Deferred tax assets

The detail of "Deferred Tax Assets" at the end of 2012 and 2011 is as follows:

	€ thousands	
	31/12/12	31/12/11
Tax assets	100,764	90,922
Unused tax credits	4,859	5,175
Temporary differences	31,924	17,033
Total deferred tax assets	**137,547**	**113,130**

The deferred tax assets indicated above were recognised because the Parent's directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

Of the tax assets, EUR 89,309 thousand relate to Spanish companies and EUR 11,455 thousand relate to foreign companies.

The prior years' tax loss carryforwards of the Spanish companies are as follows:

	2012 - € thousands		
Year incurred	**Recognised**	**Not recognised**	**Last year for offset**
1998	—	43	2016
1999	—	354	2017
2000	—	441	2018
2001	—	51	2019
2002	—	133	2020
2003	—	1,576	2021
2004	375	—	2022
2005	14,793	—	2023
2006	—	261	2024
2007	40,769	285	2025
2008	25,955	—	2026
2009	94,619	—	2027
2010	78,324	—	2028
2011	42,861	—	2029
Total	**297,696**	**3,144**	

Year incurred	2011 - € thousands Recognised	Not recognised	Last year for offset
1998	43	—	2016
1999	354	—	2017
2000	441	—	2018
2001	51	—	2019
2002	2,313	—	2020
2003	1,633	—	2021
2004	375	—	2022
2005	18,065	—	2023
2006	—	261	2024
2007	40,769	228	2025
2008	25,955	—	2026
2009	94,619	—	2027
2010	78,455	—	2028
2011	39,994	—	2029
Total	**303,067**	**489**	

As regards foreign companies, the prior years' tax loss carryforwards recognised amount to EUR 11,455 thousand. These tax loss carryforwards relate mainly to the Libertytown USA 1, Inc. subgroup, amounting to EUR 25,611 thousand, the detail being as follows:

2012

	€ thousands	Last year for offset
2005	266	2020
2007	766	2022
2008	5,497	2023
2009	1,908	2024
2010	3,849	2025
2011	13,325	2026
Total	**25,611**	

The detail, by year, of the unused tax credits of the Spanish companies is as follows:

	€ thousands			
	2012		2011	
	Recognised	Not recognised	Recognised	Not recognised
1999	—	82	—	82
2000	—	187	—	187
2001	—	—	—	422
2002	87	555	87	560
2003	50	71	50	91
2004	39	251	39	636
2005	60	423	60	1051
2006	85	688	85	4369
2007	60	1062	60	1692
2008	—	5330	—	5231
2009	82	2277	258	2271
2010	—	2180	—	2186
2011	—	2177	—	1266
2012	—	1300	—	—
TOTAL	**463**	**16,583**	**639**	**20,044**

Of the total recognised and unrecognised tax credits, EUR 8,137 thousand relate to tax credits for investment in R&D+i, EUR 6,371 thousand to double taxation tax credits and EUR 2,116 thousand to tax credits for the reinvestment of profits.

In relation to foreign companies, tax credits amounting to EUR 4,396 thousand were recognised at 31 December 2012 (31 December 2011: EUR 4,746 thousand).

The temporary differences amounting to EUR 31,924 thousand (31 December 2011: EUR 17,033 thousand) relate basically to the following:

- Deferred tax assets amounting to EUR 15,855 thousand (31 December 2011: EUR 0) relating to finance costs that were not tax-deductible in 2012 because the financial loss exceeded 30% of the profit from operations of the consolidated tax group, as provided for in Royal Decree-Law 12/2012, of March 30.
- Deferred tax assets relating to the recognition in equity of derivative financial instruments amounting to EUR 1,868 thousand (31 December 2011: EUR 7,470 thousand) (see Note 16).
- The other temporary differences amounting to EUR 14,201 thousand (31 December 2011: EUR 9,563 thousand), relating mainly to deferred taxes arising from impairment losses recognised on financial assets.

19.5 Deferred tax liabilities

"Deferred Tax Liabilities" on the liability side of the accompanying consolidated balance sheets at 31 December 2012 and 2011 includes mainly the following:

- A deferred tax liability associated with the recognition at fair value of the assets identified upon the acquisition of the Applus Servicios Tecnológicos, S.L.U. subgroup, amounting to EUR 176,334 thousand (31 December 2011: EUR 188,876 thousand) (see Note 5).
- A deferred tax liability associated with the recognition at fair value of the assets identified upon the acquisition of other Group companies, amounting to EUR 7,734 thousand (31 December 2011: EUR 6,440 thousand) (see Note 5).
- The tax effect of the amortisation of goodwill paid on the acquisition of foreign companies amounting to EUR 18,709 thousand (31 December 2011: EUR 18,067 thousand).
- Deferred tax liabilities of EUR 10,506 thousand (31 December 2011: EUR 9,744 thousand) arising at the subsidiary Applus, Inc. basically as a result of differences in the amortisation/depreciation of assets for tax and accounting purposes.
- Other deferred tax liabilities amounting to EUR 28,052 thousand at 31 December 2012 (31 December 2011: EUR 13,616 thousand).

19.6 Tax rates applicable to the Group

The various companies calculate their income tax expense in accordance with their respective legislation. The main tax rates applicable to the Group are as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Spain	30%	UK	26%	Angola	35%
US	40%	Germany	30%	United Arab Emirates	—
Finland	28%	Australia	30%	Luxembourg	21%
Ireland	12%	Italy	27.5%	Kuwait	15%
Canada	27%-32%	Brazil	34%	Malaysia	25%
Norway	28%	Argentina	35%	Singapore	17%
Denmark	25%	Chile	17%	Qatar	10%
Netherlands	25%	Colombia	33%	Saudi Arabia	20%

19.7 Years open for review and tax audits

The Spanish companies have open for review by the tax authorities the last five years for income tax and the last four years for all the other taxes applicable to them. The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries. The Parent's directors do not expect any additional material liabilities to arise in the event of a tax audit.

Following is a detail of the main tax audits that are ongoing and the main tax contingencies to which the Group is exposed:

On 16 July 2009, the tax authorities notified Idiada Automotive Technology, S.A. of the commencement of a tax audit of the income tax returns for 2006 - 2007 and 2008 - 2009 in relation to the deduction of withholdings from amounts withheld abroad and unused tax credits. The total amount claimed by the tax authorities is EUR 897 thousand, in relation to which the directors and their external advisers consider that there is a probable risk amounting to EUR 280 thousand (the amount of the provision recognised in this connection under "Long-Term Provisions").

On 1 September 2009, the Indian tax authorities gave notification of the commencement of a tax audit in relation to Idiada Automotive Technology, S.A.'s office in India, since it should have filed income tax returns as a permanent establishment in India for 2006 and 2007. The total amount claimed by the tax authorities is EUR 633 thousand, in relation to which the directors and their external advisers consider that there is a possible risk amounting to EUR 200 thousand (the amount of the provision recognised in this connection under "Long-Term Provisions").

In August 2010 the Canadian tax authorities ordered RTD Quality Service, Inc. to provide them with information in relation to the tax benefits arising from the financial reorganisation of the Group. On 21 February 2013, the tax authorities notified the company of the commencement of a tax audit in relation to the tax treatment of the borrowing costs on a loan of CAD 27 million received by the Company. The tax authorities are claiming the application of a 5% tax withholding from the nominal value of the loan received (CAD 1.4 million, EUR 1.1 million at 31 December 2012). The directors and their external legal advisers consider that there is no possible risk in this connection and, accordingly, no provision was recognised in this regard.

In October 2010 and December 2011 the Finnish tax authorities filed a claim with the Tax Correction Board relating to the tax returns for 2008 and 2009 filed by the branch that Applus Iteuve Technology, S.L.U. has in Finland, in which they challenged the deductibility for tax purposes of interest arising from the transfer of costs for accounting purposes amounting to EUR 5,104 thousand and EUR 5,333 thousand, respectively. The total amount claimed by the tax authorities is EUR 4.7 million (including the penalty and late-payment interest). The directors and their external legal advisers consider the risk to be improbable and, accordingly, no provision was recognised in this connection.

On 30 August 2011, Chile's Internal Revenue Service notified Norcontrol Chile, S.A. of its disconformity with the tax returns filed in 2008 due to alleged breaches of the Chilean Income Tax Law, totalling CLP 1,172,354 thousand (31 December 2012: approximately EUR 1,732 thousand), including penalties and late-payment interest. The Group initiated a claim process in which it has contested these amounts. The directors and their external advisers consider that the claim that has been filed by the Chilean company should be upheld on all counts and that the aforementioned contested amounts will be declared null and void. Accordingly, no provision was recognised in this connection in the accompanying consolidated financial statements.

In 2012 the Dutch tax authorities ordered information to be furnished to them in relation to the transfer pricing documentation of Arctosa Holding B.V. and its subsidiaries relating to 2010 - 2012. The directors and their external advisers consider that the risk of this order giving rise to liabilities for the Group is remote and, accordingly, no provision was recognised in this connection.

In 2012 the German tax authorities gave notification of the commencement of a tax audit in relation to income tax and VAT for 2008, 2009, 2010 and 2011, and Libertytown Germany GmbH's wage tax for 2010 and 2011. The directors and their external advisers consider that the risk of this tax audit giving rise to liabilities for the Group is remote and, accordingly, no provision was recognised in this connection.

As regards the above-mentioned contingencies, the Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation for the tax treatment of the transactions, such contingent liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

These notes to the financial statements do not include the information referred to in Article 42 bis of Royal Decree 1065/2007 in relation to persons resident in Spain, whether legal entities that are beneficiaries or holders of accounts abroad or individuals from the Group who are authorised representatives for accounts abroad held by a Group subsidiary non-resident in Spain, since such information is duly recorded and detailed in the Group's accounting records pursuant to Article 42 bis 4.b of Royal Decree 1065/2007.

20. Operating income and expenses

a) Revenue

The distribution of revenue, by geographical market, is as follows:

	€ thousands	
	2012	**2011**
Spain	282,568	292,858
Other EU countries	339,548	321,224
US and Canada	279,324	196,460
Other countries	291,207	170,377
Total	**1,192,647**	**980,919**

The distribution of revenue, by business line, is as follows:

	€ thousands	
	2012	**2011**
Non-destructive testing (RTD)	561,365	404,101
Vehicle roadworthiness testing (AUTO)	266,397	245,326
Inspection services and technical assistance (NORCONTROL)	182,097	187,634
Engineering and vehicle testing (IDIADA)	116,505	94,211
Certification services (LGAI)	55,852	49,155
Asset management and certification (VELOSI)	8,837	—
Corporate services	1,594	492
Total	**1,192,647**	**980,919**

b) Staff costs

The detail of “Staff Costs” in the accompanying consolidated income statements is as follows:

	€ thousands	
	2012	**2011**
Wages, salaries and similar expenses	522,607	426,611
Employee benefit costs	80,112	70,425
Other staff costs	37,358	32,183
Total	**640,077**	**529,219**

The average number of employees at the Group, by professional category and gender, was as follows:

	Average number of employees		
	2012		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	1,667	596	2,263
Further education college graduates	1,541	355	1,896
Middle management	1,065	201	1,266
Skilled employees	3,081	605	3,686
Assistants, manual workers and service personnel	2,428	795	3,223
Total	**9,782**	**2,552**	**12,334**

	Average number of employees		
	2011		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	1,340	500	1,840
Further education college graduates	1,421	488	1,909
Middle management	1,251	211	1,462
Skilled employees	2,662	612	3,274
Assistants, manual workers and service personnel	2,007	795	2,802
Total	**8,681**	**2,606**	**11,287**

Also, the distribution of the workforce, by gender and category, at the end of 2012 and 2011 was as follows:

	No. of employees		
	2012		
Professional category	Men	Women	Total
Management and university graduates	2,477	710	3,187
Further education college graduates	1,831	398	2,229
Middle management	1,169	258	1,427
Skilled employees	5,378	768	6,146
Assistants, manual workers and service personnel	3,233	888	4,121
Total	**14,088**	**3,022**	**17,110**

	No. of employees		
	2011		
Professional category	Men	Women	Total
Management and university graduates	1,326	522	1,848
Further education college graduates	1,367	428	1,795
Middle management	1,250	206	1,456
Skilled employees	2,645	580	3,225
Assistants, manual workers and service personnel	1,982	743	2,725
Total	**8,570**	**2,479**	**11,049**

c) Other non-recurring losses

The detail of non-recurring losses at the end of 2012 and 2011 relates mainly to termination benefits amounting to EUR 8,108 thousand and EUR 11,710 thousand, respectively, and to other expenses relating to start-up and restructuring costs.

d) Fees paid to auditors

The fees for financial audit services provided to the various companies composing the Group by the principal auditor in 2012 amounted to EUR 1,545 thousand (2011: EUR 914 thousand), of which EUR 514 thousand related to the Velosi Group.

The fees in this connection paid to other auditors amounted to EUR 99 thousand in 2012 (2011: EUR 70 thousand).

Also, the fees relating to other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor in 2012 amounted to EUR 69 thousand (2011: EUR 59 thousand), of which EUR 12 thousand related to other attest services (2011: EUR 9 thousand) and the remainder to other services.

21. Financial loss

The detail of the financial loss in 2012 and 2011 is as follows:

	€ thousands	
	2012	2011
Finance income:		
Other finance income from third parties	2,072	876
Income from share of profits of companies accounted for using the equity method	72	—
Income from long-term loans to associates	—	77
Total finance income	**2,144**	**953**
Finance costs:		
Finance costs arising from derivatives transactions (Note 16)	(20,585)	(20,690)
Borrowing costs relating to syndicated loan (Note 14)	(45,863)	(50,451)
Borrowing costs relating to participating loan (Notes 15 and 27)	(41,740)	(36,166)
Other finance costs paid to third parties	(7,884)	(5,460)
Exchange differences	(755)	(599)
Total finance costs	**(116,827)**	**(113,366)**
Total financial loss	**(114,683)**	**(112,413)**

22. Impairment and gains or losses on disposal of non-current assets

The detail of the impairment losses and the gains and losses on asset disposals is as follows:

	€ thousands	
	2012	**2011**
Impairment losses on property, plant and equipment	—	(60)
Impairment losses on goodwill (Note 5)	(18,101)	(18,000)
Total impairment losses	**(18,101)**	**(18,060)**
Disposal or derecognition of intangible assets	(839)	(22)
Disposal or derecognition of property, plant and equipment	(76)	(526)
Other gains or losses on disposals	(916)	—
Total disposals or derecognitions	**(1,831)**	**(548)**
Provision for amounts payable due to reversion	**—**	**(4,136)**
Total net loss	**(19,932)**	**(22,744)**

23. Contribution to consolidated loss

The detail of the contribution to the net consolidated loss by the consolidated companies in 2012 and 2011 is as follows:

	2012 - € thousands		
Company	**Consolidated profit (loss)**	**Profit (Loss) attributable to non-controlling interests (Note 13)**	**Total**
Applus Technologies Holding, S.L.	(59,931)	—	(59,421)
Impact of consolidation adjustments	(48,875)	—	(48,875)
Applus Servicios Tecnológicos, S.L.U.	(11,048)	—	(11,558)
Libertytown USA 1, Inc. subgroup	(1,435)	—	(1,435)
Applus Energy, S.L.U.	(265)	—	(265)
Libertytown USA FINCO, Inc.	(110)	—	(110)
LGAI Technological Center, S.A. subgroup	(22)	36	14
Applus Argentina, S.A.	129	—	129
Velosi subgroup	665	(145)	520
Applus RTD Norway, AS	670	—	670
Arctosa Holding, B.V. subgroup	3,019	(328)	2,691
Applus Car Testing Service, Ltd.	3,210	—	3,210
Idiada Automotive Technology, S.A. subgroup	12,445	(2,593)	9,852
Applus Iteuve Technology, S.L.U. subgroup	35,305	116	35,421
Total	**(66,243)**	**(2,914)**	**(69,157)**

Company	Consolidated profit (loss)	Profit (Loss) attributable to non-controlling interests (Note 13)	Total
	2011 - € thousands		
Applus Technologies Holding, S.L.	(57,356)	—	(57,356)
Impact of consolidation adjustments	(48,728)	—	(48,728)
Arctosa Holding, B.V. subgroup	(13,000)	95	(12,905)
Libertytown USA 1, Inc. subgroup	(4,816)	—	(4,816)
LGAI Technological Center, S.A. subgroup	(3,934)	189	(3,745)
Applus Energy, S.L.U.	(588)	—	(588)
Libertytown USA FINCO, Inc.	(45)	—	(45)
Idiada Automotive Technology UK, Ltd	(41)	—	(41)
Applus Argentina, S.A.	42	—	42
Applus RTD Norway, AS	427	—	427
Idiada, CZ	820	—	820
Applus Car Testing Service, Ltd.	2,324	—	2,324
Applus Servicios Tecnológicos, S.L.U.	2,688	—	2,688
Idiada Automotive Technology, S.A. subgroup	8,950	(1,895)	7,055
Applus Iteuve Technology, S.L.U. subgroup	20,358	—	20,358
Total	**(92,899)**	**(1,611)**	**(94,510)**

24. Allocation of loss

The proposed allocation of the Parent's net loss for 2012 and 2011 is as follows:

	€ thousands 2012	€ thousands 2011
Basis of allocation:		
Loss for the year	(59,421)	(57,356)
	(59,421)	**(57,356)**
Allocation:		
To prior years' losses	(59,421)	(57,356)
	(59,421)	**(57,356)**

25. Leases

The Group has obtained the use of certain assets through finance leases (see Note 7) and operating leases. The most significant operating leases held by the Group relate to the lease of premises and vehicles and to royalties payable.

The expenses incurred by the Group in 2012 in relation to operating leases and royalties amounted to EUR 78,560 thousand (2011: EUR 77,822 thousand).

A similar amount is expected to be incurred in future years in relation to operating leases and royalties, increasing mainly in line with the rise in the CPI (leases) and by changes in billings by various Group subsidiaries (royalties).

26. Obligations acquired and contingencies

a) Guarantees and obligations acquired

Applus Servicios Tecnológicos, S.L.U. has provided guarantees totalling EUR 7.7 million (2011: EUR 7.7 million) to the Catalonia Autonomous Community Government in connection with the incorporation of the subsidiaries Idiada Automotive Technology, S.A. and LGAI Technological Center, S.A.

In addition, this Group company has arranged the following guarantees:

- guarantees for the vehicle roadworthiness testing concession in Ireland amounting to EUR 4 million (31 December 2011: EUR 9.4 million);

- guarantees required for the business activities of the Group company Velosi Certificacion Llc. amounting to EUR 3.5 million (31 December 2011: EUR 3.3 million);
- guarantees required for the business activities of the Mexican subsidiary amounting to EUR 3 million (31 December 2011: EUR 2.5 million);
- other guarantees required for the operating activities of various Group companies amounting to EUR 3 million (31 December 2011: EUR 3.4 million).

The Group has also provided other guarantees to the Catalonia Autonomous Community Government for the management of the vehicle roadworthiness testing services, amounting to EUR 10 million, primarily to secure payment of the royalty and to guarantee the reversion value of the leased premises in which the companies provide vehicle roadworthiness testing services. The companies for which these guarantees were provided are Applus Servicios Tecnológicos, S.L.U. and Applus Iteuve Technology, S.L.U. for EUR 2.6 million and EUR 7.4 million (same amounts in 2011), respectively. In addition, other guarantees have been provided to the Catalonia Autonomous Community Government amounting to EUR 715 thousand (31 December 2011: EUR 890 thousand) to guarantee a portion of the administrative authorisation system concession obligations and commitments.

The total amount provisioned for the reversion of the vehicle roadworthiness testing centres in Catalonia was EUR 16,025 thousand (see Note 15).

Various banks have provided guarantees to third parties for the subsidiaries Applus Norcontrol, S.L.U., LGAI Technological Center, S.A. and IDIADA Automotive Technology, S.A. amounting to EUR 11,821 thousand, EUR 2,115 thousand and EUR 5,153 thousand, respectively (31 December 2011: EUR 14,913 thousand, EUR 3,093 thousand and EUR 5,599 thousand, respectively). These guarantees were given to companies or public agencies as a provisional or definitive guarantee for the tendering of bids or to secure contracts awarded.

At 31 December 2012, the Group had restricted cash deposits amounting to EUR 4.4 million, of which EUR 1.5 million related to Velosi Group companies.

The agreement entered into between the Irish government and Applus Car Testing Services Limited for the provision of vehicle roadworthiness testing services in Ireland provides for variable remuneration to the Irish government in the event that the expected returns envisaged in the agreed-upon business plan, which is reviewed every three years, are exceeded.

The Group also has certain obligations under the financing agreement (see Note 15). These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, compliance with current legislation, etc.; the obligation to refrain from performing certain transactions without the consent of the lender, such as mergers, changes of business activity, assignments, payment of dividends, share redemptions, etc.; and the obligation to achieve certain financial ratios.

The Parent's directors do not expect any material liabilities additional to those recognised in the accompanying consolidated balance sheet to arise as a result of the transactions described in this Note.

b) Contingencies

OCA Inspecció Tècnica de Vehicles, S.A. and OCA Inspecció Tècnica de Vehicles de Catalunya, S.A. filed an appeal for judicial review against requesting that certain provisions of Decree 30/2010, of 2 March, approving the implementation of Catalan Industrial Safety Law 12/2008, of 31 July, be rendered null and void, and against all of Decree 45/2010, of 30 March, approving the territorial plan for new vehicle roadworthiness testing centres in Catalonia for 2010-2014. On 25 April 2012, the Catalan High Court handed down a judgment against which a cassation appeal has been filed by Applus. Although OCA requested that the Catalan High Court provisionally enforce the judgment, the latter rejected the request pending the resolution of the cassation appeal by the Supreme Court.

The Applus Group is also involved in another appeal for judicial review filed by OCA Inspecció Tècnica de Vehicles de Catalunya, S.A. against the decision handed down on 22 June 2010 granting administrative authorisations to Applus Iteuve Technology, S.L.U. and Applus ECA-ITV, S.A. as vehicle roadworthiness testing centre concession operators, and against the decision handed down on 21 July granting an authorisation to Revisions de Vehicles, S.A. as a vehicle roadworthiness testing centre concession operator. The Catalan High Court handed down a judgment against which a cassation appeal has been filed by Applus at the Supreme Court.

Also, Applus Iteuve Euskadi, S.A.U. filed cassation appeal no. 634/2002 at the Supreme Court against the judgment of the Basque Country High Court of 20 July 2001 in relation to the award of the contract for the management of vehicle roadworthiness inspection services in the Basque Country. The Supreme Court ruled in favour of the Group company, rendering void the judgment of the Basque Country High Court. In relation to the Supreme Court judgment, two motions for annulment were filed, which were challenged by the Group. In enforcing the decision to partially render null and void the proceedings, the Basque Country High Court performed a new assessment of the case and requested the authorities to review the valuation and scoring of all the lots and all the items, not only those covered by the Supreme Court's decision. Applus and the Basque Autonomous Community Government, considering that the High Court exceeded its remit by requesting a new assessment of the case in respect of aspects which the Supreme Court had not dealt with, filed another cassation appeal against the order of the High Court. Pending decision by the Supreme Court.

Applus Iteuve Technology, S.L.U. filed an appeal against Royal Decree 93/2007 establishing the administrative authorisation concession regime in the Autonomous Community of the Canary Islands (previously the concession regime was an administrative concession regime). On 29 January 2013, the Canary Islands High Court dismissed the claim filed by the Group. A cassation appeal was filed against this decision on 7 March 2013 at the Supreme Court. AECA ITV (Spanish Association of Entities working with the Government on Vehicle Roadworthiness Testing) also filed an appeal against Royal Decree 93/2007 and obtained a precautionary measure suspending execution of the Royal Decree. An appeal was filed against this precautionary measure by the Canary Islands Autonomous Community Government when the Canary Islands High Court handed down a judgment thereon. The Canary Islands Autonomous Community Government has begun processing authorisation application dossiers (in accordance with Royal Decree 93/2007, which has been appealed) which have been submitted to it in relation to the opening of vehicle roadworthiness testing centres in the Canary islands. Applus has filed an appeal against all the applications for new centres.

A claim was filed against Applus Norcontrol Colombia, Ltda. by the Colombian Ministry of Transport for breach of contract. The directors and their external advisers estimated the risk to be EUR 712 thousand and consider the risk to be possible but not probable and, accordingly, no provision was recognised in this connection.

The Parent's directors consider that the outcome of all aforementioned proceedings will not give rise to liabilities additional to those already recognised in the consolidated financial statements at 31 December 2012. At 2012 year-end, the Parent's directors were not aware of any significant claims by third parties or any ongoing legal proceedings against the Group, other than those described above, that, in their opinion, could have a material impact on these consolidated financial statements.

27. Transactions and balances with related parties

The transactions between the Parent and its investees were eliminated on consolidation and are not disclosed in this Note.

The transactions between the Group and its associates and related companies are disclosed below.

Transactions with associates and related companies

In 2012 and 2011 the Group companies performed the following transactions with associates and related parties that did not form part of the Group:

	€ thousands	
	Finance costs (Note 21)	
	2012	2011
Azul Finance, S.à.r.l.	41,740	36,166

	€ thousands	
	Operating expenses and income	
	2012	2011
Velosi LLC	1,815	—
Kurtec Pipeline Services LLC	430	—
Velosi S.à.r.l.	—	3,710

Balances with associates and related companies

The detail of receivables from and payables to associates and related parties at 31 December 2012 and 2011 is as follows:

	€ thousands	
	Long-term loan and interest (Note 15)	
	31/12/12	31/12/11
Azul Finance, S.à.r.l.	92,448	391,715

	€ thousands	
	Trade receivables from related companies and associates	
	31/12/12	31/12/11
Velosi LLC	453	—
Velosi (B) Sdn Bhd	355	—
Kurtec Pipeline Services Ltd.	45	—
Kurtec Pipeline Services LLC	2,569	—
Velosi (M) Sdn Bhd.	1,684	—
Velosi S.à.r.l.	—	3,710
Total	**5,106**	**3,710**

	€ thousands	
	Short-term loans	
	31/12/12	31/12/11
Velosi S.à.r.l.	—	1,882

28. Disclosures on the Board of Directors and senior executives

Remuneration of and obligations to directors

In 2012 the remuneration and other benefits earned by the members of the Board of Directors of the Parent amounted to EUR 311 thousand (2011: EUR 420 thousand).

One Board member has been granted loans amounting to EUR 1,100 thousand (2011 year-end: EUR 1,100 thousand).

The Parent does not have any life insurance or other obligations to its directors.

At 31 December 2012, the Parent's Board of Directors was made up of eight men and four legal entities represented by men (31 December 2011: eight men and four legal entities represented by men).

Remuneration of and obligations to senior executives

The remuneration paid to the Group's senior executives in 2012 amounted to EUR 3,777 thousand (2011: EUR 3,446 thousand), the detail of which is as follows:

2012

	€ thousands				
	Fixed remuneration	Variable remuneration	Other	Termination benefits	Pension plans
Senior executives	2,697	863	217	—	57

2011

	€ thousands			
	Fixed remuneration	Variable remuneration	Other	Termination benefits
Senior executives	2,431	366	649	—

In addition, certain Velosi Group senior executives earn variable remuneration based on the achievement by this Group of certain financial aggregates in 2012 and 2013. The amount provisioned for the aforementioned variable remuneration at 31 December 2012 was USD 10 million (approximately EUR 7,784 thousand), relating to the maximum amount payable if all the targets were achieved in 2012.

Also, other senior executives of the Group earn variable remuneration subject to the achievement by the Group of certain financial aggregates in 2011, 2012 and 2013. The amount provisioned for the aforementioned variable remuneration at 31 December 2012 was EUR 2,154 thousand, relating to the amounts accrued in 2011 and 2012.

Life insurance policies have also been taken out for certain senior executives, although the amount thereof is not material.

In 2012 and 2011 no advances or loans were granted to any senior executives.

At 31 December 2012, the Group's senior management was made up of of twelve men (31 December 2011: eleven men). In 2012 and 2011 one of the senior executives was also a member of the Board of Directors although his remuneration was included within that of senior executives.

Information relating to conflicts of interest on the part of the directors

It is hereby stated that the directors, their individual representatives and the persons related thereto do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Group or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Limited Liability Companies Law.

29. Discontinued operations

In 2012 the Group did not discontinue any of its operations.

In 2011 the Group decided to discontinue the activities carried on by the "Tracker" and "Security" business lines that formed part of the vehicle roadworthiness testing division in the US. As a result, these activities were classified as a discontinued operation.

The income, expenses and results of these activities recognised in the 2011 consolidated income statement were as follows:

Detail of income and expenses from discontinued operations
(Thousands of euros)

	2011
Revenue	9
Staff costs	(1,469)
Other operating expenses	(1,343)
Loss from operations	**(2,803)**
Financial profit	**—**
Loss before tax from discontinued operations	**(2,803)**
Income tax	1,121
Loss for the year from discontinued operations	**(1,682)**

A detail was not provided of the net cash flows for 2011 attributable to discontinued operations since they were scantly representative for the consolidated data as a whole to which these consolidated financial statements refer.

30. Information on the environment

In view of the Group's business activities, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Parent's directors consider that the environmental risks that might arise from its activities are minimal and, in any case, are adequately covered, and they do not expect any additional liabilities to arise from the aforementioned risks.

The Group did not incur any expenses or receive any grants related to environmental matters in 2012 and 2011.

31. The Group as a going concern

The Group has incurred significant losses in recent years. These losses were incurred mainly as a result of the Group's borrowings from banks (see Note 15) and from one of its shareholders (see Note 27), which gave rise to a financial loss of EUR 114,683 thousand in 2012 (2011: EUR 112,413 thousand).

Certain of the finance costs in 2012, amounting to EUR 41,740 thousand (2011: EUR 36,166 thousand), relate mainly to interest on the loan which is being added to the loan principal and will be paid on maturity and therefore has not entailed any cash outflow for the Group.

In addition, in 2012 significant capital increases were carried out (see Note 12), which will contribute very significantly to the improvement of the Group's ratios and earnings in the coming years.

It is also worthy of note that at 31 December 2012 the Group had positive working capital of EUR 220,741 thousand (31 December 2011: EUR 143,824 thousand).

In this respect, the Parent's directors prepared these consolidated financial statements in accordance with the going-concern principle of accounting, taking into consideration the financial resources available to the Group and the operating, commercial and, particularly, financial actions that might be undertaken in the future.

32. Events after the reporting period

On 8 February 2013, the Group, through its subsidiary Idiada Automotive Technology, S.A., acquired the assets and projects of the Chinese company EDI Automotive Technology, which specialises in the design and engineering of automobiles, for CNY 31.5 million (approximately EUR 3.8 million at the date of the transaction).

On 26 February 2013, the Group sold the 10% ownership interest that it held in Velosi Certification Services India Private Limited for INR 106,380 thousand (EUR 1,478 thousand).

In March 2013 the tax authorities notified the Group companies Applus Technologies Holding, S.L., Applus Servicios Tecnológicos, S.L.U., Idiada Automotive Technology, S.A., LGAI Technological Center, S.A. and Applus Iteuve Technology, S.L.U. of the commencement of a tax audit in relation to the following:

- Income tax for 2008, 2009 2010 and 2011.
- VAT for 2009 2010 and 2011.
- Personal income tax withholdings and prepayments for 2009, 2010 and 2011.
- Tax withholdings and prepayments relating to income from movable capital for 2009, 2010 and 2011.
- Tax withholdings and prepayments relating to property income for 2009, 2010 and 2011.
- Non-resident income tax withholdings and prepayments for 2009, 2010 and 2011.

There were no other significant events after the reporting period.

33. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Certificate issued to place on record that the accompanying consolidated financial statements and consolidated directors' report for 2012 of the Parent and Subsidiaries were authorised for issue by the Board of Directors on 28 March 2013.

Joaquin Coello Brufau
for Azul Management, S.à.r.l.
Chairman

Joan Manuel Soler Pujol
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

Alex Wagenberg Bondarovschi
for CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Director

Pedro Esteban Ferrer
for CEP II Participacions S.à.r.l. SICAR
Director

Mario Pardo Rojo
for the Carlyle Group S.à.r.l. (Luxembourg)
Director

Christopher Finn
Director

Richard Campbell Nelson
Director

Fernando Basabe Armijo
Director

Jaume Masana Ribalta
Director

Josep Piqué Camps
Director

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Applus Technologies Holding, S.L.
and Subsidiaries

Consolidated Directors' Report
for the year ended 31 December 2012

Prepared by the Parent's directors for the year ended 31 December 2012.

Dear Shareholders,

We are pleased to submit this directors' report on the Group's performance in 2012 and its progress to date for your consideration.

Main risks facing the Group

The main risks facing the Group are those typical of the industries in which it operates and of the current global economic situation.

The policy of the Parent's directors is to approve all decisions deemed appropriate to mitigate all types of risk associated with the business activities of the Applus Group.

Group performance and earnings in 2012

The Parent was incorporated for an indefinite period of time on 5 July 2007. Since 29 November 2007, Applus Technologies Holding, S.L.U. has been the Parent of the Applus Group.

The Group continued to implement the same growth strategy as in recent years and, consequently, the Velosi Group was acquired in order to optimise the management of this Group by management of the Applus Group and achieve the synergies inherent to the consolidation process.

Future performance and results of the Group

In view of the growth experienced by the Group in recent years due to the inclusion of new companies in the scope of consolidation and the organic growth of the existing companies, this growth trend is expected to continue in the future, both in terms of revenue and net profit from operations.

The Group continues to analyse possible future acquisitions of companies engaging in activities related to its own operations and is fully committed to achieving a future increase in income and earnings.

The capital increases performed in 2012 and the improvement of the Group's cash flow and consolidated EBITDA and of its financial position through the refinancing performed in 2012, will give rise to a considerable improvement in the Group's future results, particularly its financial results.

Environment

In view of the Group's business activities, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in the notes to the consolidated financial statements.

Employees

No significant events have occurred in this connection since 2012 year-end other than those described in the notes to the accompanying consolidated financial statements.

Events after the reporting period

No significant events have occurred since 2012 year-end other than those described in the notes to the accompanying consolidated financial statements.

Outlook for the Group

In 2012 the Applus Group will continue to embark on new investments in order to consolidate its position as an international benchmark in both roadworthiness testing and in the inspection, certification and non-destructive testing industries.

Research and development activities

The Applus Group maintains a constant interest in research and development activities, which are mainly carried on through its subsidiary Idiada Automotive Technology, S.A.

Treasury share transactions

No transactions involving treasury shares were performed in 2012. The Group did not hold any treasury shares at 2012 year-end.

Use of financial instruments

The Group arranges derivative interest rate cash flow hedges.

At 31 December 2012, interest rate hedges had been arranged for a significant portion of the Group's loans.

The notes to the consolidated financial statements disclose all the hedging instruments arranged by the Group.

Barcelona, 28 March 2013.

Joaquin Coello Brufau
for Azul Management, S.à.r.l.
Chairman

Joan Manuel Soler Pujol
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

Alex Wagenberg Bondarovschi
for CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Director

Pedro Esteban Ferrer
for CEP II Participacions S.à.r.l. SICAR
Director

Mario Pardo Rojo
for the Carlyle Group S.à.r.l. (Luxembourg)
Director

Christopher Finn
Director

Richard Campbell Nelson
Director

Fernando Basabe Armijo
Director

Jaume Masana Ribalta
Director

Josep Piqué Camps
Director

Applus Technologies Holding, S.L. and Investees

Consolidated Financial Statements for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Consolidated Directors' Report, together with Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte, S.L.
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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Applus Technologies Holding, S.L.:

1. We have audited the consolidated financial statements of Applus Technologies Holding, S.L. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2-a to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Applus Technologies Holding, S.L. and Subsidiaries at 31 December 2011, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

3. The accompanying consolidated directors' report for 2011 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2011. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Applus Technologies Holding, S.L. and Subsidiaries.

DELOITTE, S.L.

Registered in the Official Register of
Account Auditors (ROAC) No. S0692

Ana Maria Gibert
May 1, 2012

CONTENTS **Page**

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS TECHNOLOGIES HOLDING, S.L. AND INVESTEES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

(Thousands of Euros)

	Notes	31/12/11	31/12/10
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	*5*	573,210	580,557
Other intangible assets	*6*	689,770	723,096
Property, plant and equipment	*7*	170,390	160,513
Non-current financial assets	*8*	12,330	9,160
Deferred tax assets	*19*	113,130	105,047
Total non-current assets		**1,558,830**	**1,578,373**
CURRENT ASSETS:			
Inventories	*9*	5,405	4,360
Trade and other receivables-			
Trade receivables for sales and services	*10*	241,585	224,676
Receivable from Group companies and associates	*27*	3,710	—
Other receivables	*10*	12,505	10,712
Current tax assets	*19*	13,175	18,458
Other accounts receivable from public authorities	*19*	7,676	6,910
Other current assets		4,115	2,019
Current financial assets	*11*	4,762	2,885
Cash and cash equivalents	*11*	**101,247**	**54,726**
Total current assets		**394,180**	**324,746**
TOTAL ASSETS		**1,953,010**	**1,903,119**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital and reserves-			
Share capital		31,085	11,085
Share premium		290,812	110,812
Prior years' losses		(288,599)	(182,651)
Consolidated reserves		66,115	30,585
Translation differences		(8,731)	(5,909)
Loss for the year		(91,002)	(72,685)
Valuation adjustments-			
Hedges		(18,999)	(29,487)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**(19,319)**	**(138,250)**
NON-CONTROLLING INTERESTS	*13*	**21,848**	**18,642**
Total equity	*12*	**2,529**	**(119,608)**
PARTICIPATING LOAN:	*15*	**391,715**	**555,549**
NON-CURRENT LIABILITIES:			
Long-term provisions	*17 & 26*	4,665	4,759
Bank borrowings	*14*	1,023,344	1,016,708
Other financial liabilities	*15*	25,112	17,970
Deferred tax liabilities	*19*	235,008	236,076
Other non-current liabilities		20,281	17,037
Total non-current liabilities		**1,308,410**	**1,292,550**
CURRENT LIABILITIES:			
Current provisions		1,770	2,224
Bank borrowings	*14*	67,585	10,541
Trade and other payables	*18*	129,385	106,428
Current tax liabilities	*19*	9,012	18,239
Other accounts payable to public authorities	*19*	37,929	35,155
Other current liabilities		4,675	2,041
Total current liabilities		**250,356**	**174,628**
TOTAL EQUITY AND LIABILITIES		**1,953,010**	**1,903,119**

The accompanying Notes 1 to 33 and Appendices I, II and III are an integral part of the consolidated balance sheet at 31 December 2011.

Azul Management S.à.r.l.
Represented by
Joaquín Coello Brufau
(Chairman)

Jaume Masana Ribalta
Director

Ernesto Gerardo Mata López
Deputy Chairman

Pere Gil Sanchis
Director

CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Represented by
Alex Wagenberg Bondarovschy
Director

Carlos Kinder Espinosa
Director

The Carlyle Group S.à.r.l. (Luxembourg)
Represented by
Mario Pardo Rojo
Director

CEP II Participacions S.à.r.l. SICAR
Represented by
Pedro de Esteban Ferrer
Director

Richard Campbell Nelson
Director

Christopher Finn
Director

Fernando Basabe Armijo
Director

Josep Piqué Camps
Director

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

**APPLUS TECHNOLOGIES HOLDING, S.L.
AND INVESTEES**

CONSOLIDATED INCOME STATEMENT FOR 2011
(Thousands of Euros)

	Notes	2011	2010
CONTINUING OPERATIONS:			
Revenue	20	980,919	896,068
Procurements		(71,911)	(64,114)
Gross profit		**909,008**	**831,954**
Staff costs	20	(529,219)	(475,118)
Other operating expenses		(257,818)	(237,893)
In-house work on non-current assets		1,928	2,739
Cash flows from operating activities		**123,899**	**121,682**
Depreciation and amortisation charge	6 & 7	(70,117)	(63,162)
Impairment and gains or losses on disposals of non-current assets	22	(22,744)	(12,800)
Other non-recurring losses	20	(17,602)	(16,389)
PROFIT FROM OPERATIONS:		**13,436**	**29,331**
Financial loss	21	(112,413)	(119,790)
Loss before tax		**(98,977)**	**(90,459)**
Income tax	19	11,268	22,164
Net loss from continuing operations		**(87,709)**	**(68,295)**
PROFIT FROM DISCONTINUED OPERATIONS NET OF TAX:	29	**(1,682)**	**—**
NET CONSOLIDATED LOSS:		**(89,391)**	**(68,295)**
Profit attributable to non-controlling interests	13	(1,611)	(4,390)
NET LOSS ATTRIBUTABLE TO THE PARENT:		**(91,002)**	**(72,685)**

The accompanying Notes 1 to 33 and Appendices I, II and III are an integral part of the consolidated income statement for 2011.

Azul Management S.à.r.l.
Represented by
Joaquín Coello Brufau
Chairman

Jaume Masana Ribalta
Director

Ernesto Gerardo Mata López
Deputy Chairman

Pere Gil Sanchis
Director

CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Represented by
Alex Wagenberg Bondarovschy
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**APPLUS TECHNOLOGIES HOLDING, S.L.
AND INVESTEES**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2011
(Thousands of Euros)

	2011	2010
CONSOLIDATED LOSS PER INCOME STATEMENT (I)	**(91,002)**	**(72,685)**
Income and expense recognised directly in equity:		
Arising from cash flow hedges	35,673	24,740
Tax effect	(10,702)	(7,508)
Total income and expense recognised directly in equity (II)	**24,971**	**17,232**
Transfers to profit or loss:	(20,690)	(25,531)
Tax effect	6,207	7,659
Total transfers to profit or loss (III)	**(14,483)**	**(17,872)**
Total comprehensive income (I+II+III)	**(80,514)**	**(73,325)**

The accompanying Notes 1 to 33 and Appendices I, II and III are an integral part of the consolidated statement of comprehensive income for 2011.

Azul Management S.à.r.l.
Represented by
Joaquín Coello Brufau
Chairman

Jaume Masana Ribalta
Director

Ernesto Gerardo Mata López
Deputy Chairman

Pere Gil Sanchis
Director

CEP III Participacions S.à.r.l. SICAR (Luxembourg)
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In the event of a discrepancy, the Spanish-language version prevails.

APPLUS TECHNOLOGIES HOLDING, S.L. AND INVESTEES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2011

(Thousands of Euros)

(Notes 12 & 13)	Share capital	Share premium	Prior years' losses	Consolidated reserves	Valuation adjustments	Translation differences	Loss for the year attributable to the parent	Non-controlling interests	Total equity
Balance at 31/12/09	**11,085**	**110,812**	**(83,567)**	**(6,679)**	**(28,847)**	**(4,559)**	**(60,634)**	**28,143**	**(34,246)**
Translation differences	—	—	—	—	—	(1,350)	—	—	(1,350)
Changes in the scope of consolidation	—	—	—	(1,186)	—	—	—	(13,758)	(14,944)
Distribution of profit for 2009	—	—	(99,084)	38,450	—	—	60,634	—	—
Valuation adjustments	—	—	—	—	(640)	—	—	(133)	(773)
Loss for 2010	—	—	—	—	—	—	(72,685)	4,390	(68,295)
Balance at 31/12/10	**11,085**	**110,812**	**(182,651)**	**30,585**	**(29,487)**	**(5,909)**	**(72,685)**	**18,642**	**(119,608)**
Translation differences	—	—	—	—	—	(2,822)	—	299	(2,523)
Changes in the scope of consolidation	—	—	—	2,267	—	—	—	1,296	3,563
Allocation of loss for 2010	—	—	(105,948)	33,263	—	—	72,685	—	—
Capital increase (Note 12)	20,000	180,000		—	—	—	—	—	200,000
Valuation adjustments	—	—	—	—	10,488	—	—	—	10,488
Loss for 2011	—	—	—	—	—	—	(91,002)	1,611	(89,391)
Balance at 31/12/11	**31,085**	**290,812**	**(288,599)**	**66,115**	**(18,999)**	**(8,731)**	**(91,002)**	**21,848**	**2,529**

The accompanying Notes 1 to 33 and Appendices I, II and III are an integral part of the consolidated statement of changes in equity for 2011.

Azul Management S.à.r.l. Represented by Joaquín Coello Brufau Chairman	Jaume Masana Ribalta Director
Ernesto Gerardo Mata López Deputy Chairman	Pere Gil Sanchis Director
CEP III Participacions S.à.r.l. SICAR (Luxembourg) Represented by Alex Wagenberg Bondarovschy Director	Carlos Kinder Espinosa Director
The Carlyle Group S.à.r.l. (Luxembourg) Represented by Mario Pardo Rojo Director	CEP II Participacions S.à.r.l. SICAR Represented by Pedro de Esteban Ferrer Director
Richard Campbell Nelson Director	Christopher Finn Director
Fernando Basabe Armijo Director	Josep Piqué Camps Director

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

**APPLUS TECHNOLOGIES HOLDING, S.L.
AND INVESTEES**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2011 (indirect method)
(Thousands of Euros)

	Notes	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from operating activities before tax		**(98,977)**	**(90,459)**
Adjustments of items that do not involve operating cash flows-			
Depreciation and amortisation charge	*6 & 7*	70,117	63,162
Writedown of goodwill and impairment losses	*22*	18,000	13,584
Changes in provisions	*22*	4,136	—
Financial loss	*21*	112,413	119,790
Gains or losses on sale of items of property, plant and equipment	*22*	586	(262)
Gains or losses on sale of intangible assets	*22*	22	(32)
Profit from operations before changes in working capital (I)		**106,297**	**105,783**
Changes in working capital-			
Changes in trade and other receivables		(19,793)	(33,578)
Changes in inventories		(1,045)	(46)
Changes in trade and other payables		25,731	38,073
Cash generated by changes in working capital (II)		**4,893**	**4,449**
Income tax	*19*	(2,415)	(5,794)
Cash flows from income tax (III)		**(2,415)**	**(5,794)**
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)		**108,775**	**104,438**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment due to acquisition of subsidiaries and other non-current financial assets		(21,974)	(30,096)
Payment due to acquisition of intangible assets		(10,508)	(10,795)
Payment due to acquisition of property, plant and equipment		(33,776)	(28,227)
Changes in working capital relating to financial assets		—	9,989
Net cash flows used in investing activities (B)		**(66,258)**	**(59,129)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received	*21*	900	420
Interest paid	*21*	(64,250)	(58,523)
Changes in non-current financing		19,481	19,836
Changes in current financing	*14*	47,998	4,310
Dividends paid by Group companies to non-controlling interests	*13*	(125)	(13,483)
Net cash flows used in financing activities (C)		**4,004**	**(47,440)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C)		**46,521**	**(2,131)**
Cash and cash equivalents at beginning of period		**54,726**	**56,857**
+ Cash and cash equivalents at end of period		**101,247**	**54,726**

The accompanying Notes 1 to 33 and Appendices I, II and III are an integral part of the consolidated statement of cash flows for 2011.

Azul Management S.à.r.l.
Represented by
Joaquín Coello Brufau
Chairman

Jaume Masana Ribalta
Director

Ernesto Gerardo Mata López
Deputy Chairman

Pere Gil Sanchis
Director

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

Applus Technologies Holding, S.L.
and Investees

Notes to the Consolidated Financial Statements
for the year ended 31 December 2011

1. Group activities

Applus Technologies Holding, S.L. ("the Parent") has been the Parent of the Applus Technologies Group ("the Applus Group" or "the Group") since 29 November 2007 and was incorporated on 5 July 2007 as a limited liability company for an indefinite period of time under the name Libertytown, S.L., which was changed to the present name on 10 July 2008.

When the Company was incorporated its registered office was established at calle Aribau no. 171, Barcelona. On 29 November 2007, the registered office was moved to its current location at Campus de la UAB, carretera de acceso a la facultad de medicina s/n, Bellaterra, Cerdanyola del Vallès (Barcelona).

On 10 July 2008, the Parent's sole shareholder at that date amended its company object, which is now as follows:

- The provision of services related to the automotive industry and vehicle and road safety (engineering processes, design, testing, standardisation and certification of second-hand vehicles) and technical inspections for other non-automotive industries except for reserved activities subject to special legislation.
- The performance of technical audits of all manner of facilities used for vehicle roadworthiness or monitoring tests throughout Spain and abroad and any other type of non-vehicle inspections.
- The preparation and performance of all manner of studies and projects relating to the foregoing activities, whether of an economic, industrial or technical nature or relating to real estate, computing or market research, and the supervision, management and rendering of services and provision of counselling on the performance thereof.
- The provision of advisory, administration and management services of a technical, tax, legal or commercial nature.
- The provision of commercial intermediation services in Spain and abroad. The provision of all manner of quality and quantity inspection and control services, statutory inspections, cooperation with the public authorities, consulting, audit, certification and standardisation services, personnel training and skill-building and technical assistance in general aimed at enhancing quality, safety and environmental organisation and management.
- The performance of laboratory or in situ studies, work, measurements, trials, analyses and controls using the professional methods and means deemed necessary or appropriate and, particularly, relating to materials, equipment, products and industrial facilities in the mechanical, electrical, electronic and IT fields and the areas of transport, communications, administrative organisation, office computerisation, mining, foodstuffs, environment, construction and civil engineering at the design, project, manufacturing, construction, assembly and start-up phases and subsequent maintenance and production for all manner of companies and public and private entities including central government, autonomous community, provincial and municipal authorities and for all manner of bodies, institutions and users in Spain and abroad.
- The acquisition, holding and direct or indirect management of shares or other equity investments or ownership interests in share capital and/or securities entitling the holder to obtain shares, equity investments or ownership interests in companies of any kind and entities with or without legal personality incorporated under Spanish law or any other applicable legislation in accordance with Article 116 of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, or any legal provisions that may replace such legislation, and the direct or indirect management of any such company or entity through the membership, attendance at or holding of positions on any governing or managing body of the aforementioned companies or entities, performing such advisory or management services through the related organisation of

material and human resources. The activities expressly reserved by the Collective Investment Undertakings Law and by the Securities Market Law for securities brokers and dealers are excluded. These activities may be wholly or partially carried on by the Company indirectly through the ownership of shares or other equity interests in companies with an identical or similar company object.

On 29 November 2007, Applus Technologies Holding, S.L. acquired all of the shares of Applus Servicios Tecnológicos, S.L.U., at that date a holding company of the Applus Group. From that date, the aforementioned Group became part of the Carlyle Group.

The subsidiaries and associates directly or indirectly owned by the Parent and included in the scope of consolidation are shown in Appendix I.

No companies have been excluded from the consolidated group either because they are dormant companies or because effective control over them is not exercised by the shareholders of the Applus Group.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

Since 2005 the Parent's directors have prepared the Applus Group's consolidated financial statements in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and taking into account all the mandatory accounting principles and rules and measurement bases and the Spanish Commercial Code, the Spanish Limited Liability Companies Law and other Spanish corporate law applicable to the Group. They were prepared from the individual accounting records of the Parent and of each of the consolidated companies (detailed in Appendix I) and, accordingly, they present fairly the Group's equity, financial position and results of operations, changes in consolidated equity and consolidated cash flows under EU-IFRSs.

The accounting policies used to prepare these consolidated financial statements comply with all IFRSs in force at the date of their presentation. The EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group are described in Notes 3 and 4.

The 2011 consolidated financial statements of the Parent and investees were prepared:

- By the directors, at the Board of Directors Meeting held on 31 March 2012. The 2011 consolidated financial statements of the Group and the 2011 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Parent's Board of Directors considers that the aforementioned consolidated financial statements will be approved without any changes.

- The Group's consolidated financial statements for 2010 were approved by the Parent's sole shareholder in the minutes of resolutions on 30 June 2011.

- The Parent's directors prepared these consolidated financial statements in accordance with the going concern principle of accounting, taking into consideration the financial resources available to the Group and the actions initiated or envisaged of an operating, commercial or particularly, of a financial nature which the Group's shareholders may carry out in the future (see Note 31).

- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council. The basis of consolidation and the principal measurement bases applied in preparing the Group's consolidated financial statements for 2011 are summarised in Notes 3 and 4.

- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 4.

- On the basis of the accounting records kept by the Parent and by the other Group companies, so that they present fairly the Group's consolidated equity and financial position at 31 December 2011, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in 2011.

- However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2011 (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

b) Comparative information

The information relating to 2010 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2011.

In 2011 the Group completed the measurement process of the assets and liabilities acquired on 26 February 2010 from Quality Inspection Services, Inc. and on 26 April 2010 from Valley Industrial X-Ray and Inspection Services, Inc. at market value within the one-year deadline stipulated in IFRS 3, Business Combinations, and definitively and retrospectively recognised the goodwill arising from these business combinations. Therefore, adjustments were made to the consolidated balance sheet at 31 December 2010 and the related consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity at 31 December 2010 (see Notes 4-a and 6).

The main amendments in 2010, arising as a result of the retrospective allocation of goodwill, were as follows:

- Increase in total assets of EUR 10,141 thousand.
- Increase in the loss for the year (due to the amortisation of the intangible assets to which the goodwill was allocated) and reduction in equity of EUR 885 thousand.

c) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors, who have exercised due diligence in verifying that the controls established by the Parent and the Group companies guarantee the quality of the financial and accounting information prepared by them have worked efficiently.

In the Group's consolidated financial statements for 2011, estimates were occasionally made by the senior executives of the Parent and of the consolidated companies, later ratified by their directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Notes 4-d and 22),
- The useful life of the property, plant and equipment and intangible assets (see Notes 4-b and 4-c),
- The measurement of goodwill arising on consolidation (see Notes 4-a and 5),
- The assumptions used in measuring the fair value of the financial instruments (see Note 4-m),
- Income from unbilled services (see Note 4-t),
- Provisions and contingent liabilities (see Notes 17 and 26),

Although these estimates were made on the basis of the best information available at 31 December 2011 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements or consolidated statements of equity, as appropriate.

d) Functional currency

These consolidated financial statements are presented in euros, since this is the currency of the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies described in Note 4.

3. Basis of consolidation and changes in the scope of consolidation

a) Investees

"Investees" are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when there are agreements with other shareholders of the investee that give the Parent control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Appendix I to these notes to the consolidated financial statements contains the most significant information on these companies.

The financial statements of the investees are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the investees to adapt the accounting policies used to those applied by the Group.

The businesses acquired are recognised using the acquisition method so that the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the acquisition date. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (see Notes 4-a and 5). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

Also, with respect to the share of third parties, the following must be taken into account:

- The equity of their investees is presented within the Group's equity under "Non-Controlling Interests" in the consolidated balance sheet (see Note 13);
- The profit or loss for the period is presented under "Profit Attributable to Non-Controlling Interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal only.

The foreign companies' financial statements were translated to euros by applying the year-end exchange rate method, whereby the companies' equity is measured at the historical exchange rates, the income statement items at the average exchange rates for the year and the assets, rights and obligations at the year-end exchange rates. Translation differences are charged or credited, as appropriate, to "Equity—Translation Differences" in the consolidated balance sheet.

Also, in accordance with standard practice, the accompanying consolidated financial statements do not include the tax effects that might arise as a result of the inclusion of the results and reserves of the consolidated companies in those of the Parent, since it is considered that no transfers of reserves will be made that are not taxed at source and that such reserves will be used as means of financing at each company.

b) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Group holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

c) Changes in accounting policies and in disclosures of information effective in 2011

In 2011 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements.

The following standards have been applied to these consolidated financial statements but did not have a significant impact on the presentation and disclosure thereof:

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Amendment to IAS 32, Financial Instruments: Presentation - Classification of Rights Issues	Amends the accounting treatment of rights, options and warrants denominated in a currency other than the functional currency.	Annual reporting periods beginning on or after 1 February 2010
Revision of IAS 24, Related Party Disclosures	Amends the definition of "related party" and provides a partial exemption from the disclosure requirements for entities that are related parties only because they are under the control, joint control or significant influence of the same government	Annual reporting periods beginning on or after 1 January 2011
Improvements to IFRSs (published in May 2010)	Amendments to a series of standards.	Mostly obligatory for reporting periods beginning on or after 1 January 2011; some are obligatory for reporting periods beginning on or after 1 July 2010.
Amendment of IFRIC 14, Prepayments of a Minimum Funding Requirement	The prepayment of minimum funding requirement contributions may give rise to an asset.	Annual reporting periods beginning on or after 1 January 2011
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	Treatment of the extinguishment of financial liabilities through the issue of equity instruments.	Annual reporting periods beginning on or after 1 July 2010

d) Accounting policies issued but not yet in force in 2011

At the date of formal preparation of these consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):

New standards, amendments and interpretations:	Content:	Obligatory application in annual reporting periods beginning on or after:
Approved for use by the European Union		
Amendment of IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (issued in October 2010)	Extends and reinforces the disclosures on transfers of financial assets	Annual reporting periods beginning on or after 1 July 2011
IFRS 9, Financial Instruments (issued in November 2009 and October 2010)	Replaces the IAS 39 classification, measurement and derecognition requirements for financial assets and liabilities	Annual reporting periods beginning on or after 1 January 2015*
Amendments to IAS 12, Income Taxes - Deferred Taxes Arising from Investment Property (issued in December 2010)	On the measurement of deferred taxes arising from investment property using the fair value model in IAS 40	Annual reporting periods beginning on or after 1 January 2012
IFRS 10, Consolidated Financial Statements (issued in May 2011)	Supersedes the requirements relating to consolidated financial statements in IAS 27	Annual reporting periods beginning on or after 1 January 2013
IFRS 11, Joint Arrangements (issued in May 2011)	Supersedes IAS 31 on joint ventures	Annual reporting periods beginning on or after 1 January 2013

New standards, amendments and interpretations	Content:	Obligatory application in annual reporting periods beginning on or after:
IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011)	Single IFRS presenting the disclosure requirements for interests in subsidiaries, associates, joint arrangements and unconsolidated entities	Annual reporting periods beginning on or after 1 January 2013
IFRS 13, Fair Value Measurement (issued in May 2011)	Sets out a framework for measuring fair value	Annual reporting periods beginning on or after 1 January 2013
IAS 27 (Revised) Separate Financial Statements (issued in May 2011)	The IAS is revised, since as a result of the issue of IFRS 10 it applies only to the separate financial statements of an entity	Annual reporting periods beginning on or after 1 January 2013
IAS 28 (Revised), Investments in Associates and Joint Ventures (issued in May 2011)	Revision in conjunction with the issue of IFRS 11, Joint Arrangements	Annual reporting periods beginning on or after 1 January 2013
Amendments to IAS 1, Presentation of Other Items of Comprehensive Income (issued in June 2011)	Minor amendments relating to the presentation of items of other comprehensive income	Annual reporting periods beginning on or after 1 July 2012
Amendments to IAS 19, Employee Benefits (issued in June 2011)	The amendments affect mainly defined benefit plans since one of the major changes is the elimination of the "corridor"	Annual reporting periods beginning on or after 1 January 2013
Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures (issued in December 2011)	Deferral of the effective date of IFRS 9 and amendments to transition requirements and disclosures	N/A
Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	Additional clarifications to the rules for offsetting financial assets and financial liabilities under IAS 32 and introduction of the related new disclosures IFRS 7.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities (issued in December 2011)		Annual reporting periods beginning on or after 1 January 2013
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011)	The International Financial Reporting Interpretations Committee addresses the accounting treatment of the stripping costs in surface mines.	Annual reporting periods beginning on or after 1 January 2013

The explanation of the most significant standards and interpretations issued but not yet in force for the purposes of the preparation of the Applus Group's consolidated financial statements is as follows:

IAS 24 (Revised), Related Party Disclosures.-

The revision of IAS 24 addresses related party disclosures in financial statements. There are two new basic features. The first provides a partial exemption from certain disclosure requirements when the transactions are between state-controlled entities or government-related entities (or an equivalent government institution) and the second simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.-

This interpretation addresses the accounting by a debtor when all or part of a financial liability is extinguished through the issue of equity instruments to the creditor. The interpretation does not apply to transactions in situations where the counterparties in question are shareholders or related parties, acting in their capacity as such, or where extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability. In all other cases, the equity instruments issued are measured at fair value at the date the liability is extinguished and any difference between this value and the carrying amount of the liability is recognised in profit or loss.

IFRS 9, Financial Instruments: Classification and Measurement.-

IFRS 9 will in the future replace the current part of IAS 39 relating to classification and measurement. There are very significant differences with respect to the current standard, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current "held-to-maturity investments" and "available-for-sale financial assets" categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial contracts.

e) Changes in the scope of consolidation

e.1. Inclusions in the scope of consolidation in 2011:

In 2011 the following companies were included in the scope of consolidation:

- Acquired in 2011
    - RTD Brazil subgroup:
        - RTD Brasil Investimentos, Ltda.
        - Qualitec Engenharia da Qualidade, Ltda.
    - Kiefner & Associates, Inc.
    - Applus Norcontrol Perú, S.A.C.
    - JDA subgroup:
        - John Davidson & Associates PTY, Ltd.
        - JDA Wokman Limited.
        - PT JDA Indonesia.
    - Assinco - Assessoria, Inspeçao e Controle, Ltda.
    - LGAI Germany subgroup:
        - Applus LGAI Germany, GmbH.
        - BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH.
        - Burek und Partner GbR.
- Incorporated in 2011
    - Applus LGAI Maroc, S.A.R.L.
    - Idiada Automotive Technology UK, Ltd.
    - Applus RTD GULF DMCC.
    - Applus Norcontrol Consultorías e Ingenierías, S.A.S.

The recognition of the business combinations effected by the Group in 2011 is provisional.

e.1.1. Acquired in 2011

The most significant information on the main acquisitions in 2011 is as follows (in thousands of euros):

	RTD Brazil subgroup	**Kiefner & Associates, Inc.**	**JDA subgroup**	**Assinco - Assessoria, Inspeçao e Controle, Ltda.**	**LGAI Germany subgroup**
Non-current assets	987	55	234	—	898
Other non-current assets	4,460	—	142	—	—
Receivables and other	1,383	945	2,024	41	554
Cash and cash equivalents	869	274	1,102	26	622
Other non-current liabilities	—	—	(453)	—	(382)
Fair value of net assets acquired	7,699	1,274	3,049	68	1,692
Acquisition cost	**10,656**	**3,615**	**3,058**	**793**	**5,350**
Goodwill (Note 5)	**2,957**	**2,341**	**9**	**725**	**3,658**

Acquisition of RTD Brazil subgroup

On 24 March 2011, the Group acquired the Brazilian company RTD Brasil Investimentos, Ltda. for BRL 742 thousand (approximately EUR 307 thousand at the acquisition date).

On 9 June 2011, RTD Brasil Investimentos, Ltda. acquired Qualitec Engenharia de Qualidade, Ltda. for BRL 18,400 thousand (approximately EUR 8,104 thousand at the acquisition date), of which BRL 7,000 thousand (approximately EUR 3,083 thousand) had to be deposited in an escrow account. The sale and purchase agreement established a maximum purchase price of BRL 52,400 thousand (approximately EUR 21,672 thousand at the reporting date). The Group recognised an earn-out of BRL 10,795 thousand (approximately EUR 4,754 thousand at the reporting date) based on the best possible estimate, which was recognised as an addition to the cost of acquisition. Of the acquisition cost of BRL 18,400 thousand, BRL 5,000 thousand (approximately EUR 2,202 thousand at the reporting date) were recovered. The amount receivable of BRL 3,000 thousand (approximately EUR 1,321 thousand at the reporting date) will be deducted from the earn-out payable at the payment date.

Acquisition of Kiefner & Associates, Inc.

On 16 November 2011 the Group acquired the US company Kiefner & Associates, Inc. for USD 2,208 thousand (approximately EUR 1,653 thousand at the acquisition date), of which USD 222 thousand (approximately EUR 166 thousand at the acquisition date) had to be deposited in an escrow account. The amount deposited will be restricted until certain contingencies occur. The purchase and sale agreement established an estimated earn-out of USD 2,400 thousand (approximately EUR 1,796 thousand at the reporting date) based on EBITDA for 2011 and 2012. The earn-out was recognised as an addition to the acquisition cost.

Acquisition of Applus Norcontrol Perú, S.A.C.

On 28 November 2011, the Group acquired Applus Norcontrol Perú, S.A.C. for PEN 1,000 (approximately EUR 279 at the acquisition date).

Acquisition of the JDA subgroup

On 30 November 2011, the Group acquired 70% of the Australian company John Davidson & Associates Pty, Ltd., and 70% of the Papua Nueva Guinea company JDA Wokman Limited, operating in the same specialised recruitment sector as the RTD subgroup, for an initial amount of AUD 2,000 thousand (approximately EUR 1,456 thousand at the acquisition date). The purchase and sale agreement established a maximum earn-out of AUD 4,000 thousand (approximately EUR 2,919 thousand at the reporting date) based on EBITDA for 2011 and 2012. The Group decided to recognise a provision of AUD 2,200 thousand (EUR 1,602 thousand at the acquisition date) for the aforementioned earn-out, which was recognised as an addition to the acquisition cost.

Acquisition of Assinco - Assessoria, Inspeçao e Controle, Ltda.

On 9 June 2011, the Group acquired Assinco - Assessoria, Inspeçao e Controle, Ltda. for BRL 1,800 thousand (approximately EUR 793 thousand at the acquisition date), of which BRL 1,700 thousand (approximately EUR 749 thousand at the acquisition date) had to be deposited in an escrow account.

Acquisition of the LGAI Germany subgroup

On 21 July 2011, the Group acquired 100% of the German holding company Applus LGAI Germany, GmbH for an initial amount of EUR 25 thousand.

On 27 July 2011, Applus LGAI Germany, GmbH acquired 100% of the shares of BK Werkstofftechnik - Prüfstelle Für Werkstoffe, GmbH and 99% of the shares of Burek und Partner GbR. LGAI Technological Center, S.A. acquired the remaining 1% for an initial total amount of EUR 3,528 thousand, of which EUR 305 thousand had to be deposited in an escrow account. The purchase and sales agreement established an earn-out based on EBITDA for 2011 and 2012 and an estimated maximum price of EUR 5,350 thousand. The earn-out was recognised as an addition to the acquisition cost.

e.1.2. Company on which a purchase option was exercised in 2011

On 1 January 2010, the Group arranged a purchase option on the Brazilian company High End CAD/CAE/CAM, S.A., which engages in the vehicle standardisation and certification industry, for BRL 2,500 thousand (approximately EUR 1,007 thousand at the acquisition date). The purchase and sale agreement established an estimated earn-out of BRL 3,645 thousand (approximately EUR 1,468 thousand at the reporting date) based on the EBITDA for 2010 and 2011. It also included remuneration for interest on the price held in an escrow account, amounting to an estimated EUR 998 thousand. This earn-out and the interest envisaged in the escrow account were recognised as an addition to the acquisition cost.

The main aggregates in the balance sheet upon inclusion at 1 January 2010 were as follows:

	€ thousands
Non-current assets	554
Receivables and other	1,207
Cash and cash equivalents	175
Other non-current liabilities	(1,333)
Other current liabilities	(1,288)
Fair value of net assets acquired	(685)
Acquisition cost	**3,880**
Goodwill (Note 5)	**4,565**

On 28 December 2011, the Group exercised a purchase option that it had acquired in 2010, renegotiating the terms and conditions agreed upon in the prior agreement and finally paying a total amount of BRL 4,887 thousand (EUR 2,009 thousand at the acquisition date), of which BRL 500 thousand are held in an escrow account (EUR 207 thousand at the reporting date).

This transaction gave rise to the derecognition of a portion of the goodwill associated with High End CAD/CAE/CAM, S.A., amounting to EUR 4,565 thousand at 31 December 2010, and the generation of final goodwill of EUR 2,189 thousand at 31 December 2011.

e.1.3. Incorporated in 2011

The most significant information on the companies incorporated in 2011 is as follows:

- Applus LGAI Maroc, S.A.R.L.

The company was incorporated on 4 February 2011 with a share capital of 100 shares with a par value of MAD 100 each (approximately EUR 887 at the incorporation date). The company increased capital on 4 August 2011 by 33,681 shares with a par value of MAD 100 each (approximately EUR 297 thousand at the date of the capital increase).

- Applus RTD GULF DMCC.

The company was incorporated on 16 January 2011 with a share capital of 300 shares with a par value of MAD 1,000 each (approximately EUR 60 thousand).

- Idiada Automotive Technology UK, Ltd.

On 22 February 2011, the company was incorporated with a share capital of GBP 1. On 31 March 2011, capital was increased by GBP 335 thousand.

- Applus Norcontrol Consultorías e Ingenierías, S.A.S.

On 30 November 2011, the company was incorporated with a share capital of COP 262 thousand (approximately EUR 98).

e.2.1. Changes in the scope of consolidation in 2011

On 28 October 2011, Applus Norcontrol, S.L.U. performed a merger by absorption of its subsidiary Ambitec, Laboratorio Medioambiental, S.A.U.

On 30 November 2011, LGAI Technological Center, S.A. performed a merger by absorption of its subsidiary Abac Enginyeria, S.L.U.

e.2.2. Exclusions from the scope of consolidation in 2011

There were no exclusions from the scope of consolidation in 2011.

e.3. Inclusions in the scope of consolidation in 2010:

e.1.1.Acquired in 2010

The most significant information on the main acquisitions in 2010 is as follows:

Acquisition of Quality Inspection Services, Inc.

On 26 February 2010, the Group acquired the US group Quality Inspection Services, Inc., which operates in the non-destructive testing industry, for an initial amount of USD 5,799 thousand (approximately EUR 4,324 thousand at the acquisition date). The purchase and sale agreement established a maximum estimated earn-out of USD 5,581 thousand (approximately EUR 4,162 thousand at year-end) based on the EBITDA for 2010 and 2011. The earn-out was recognised as an addition to the acquisition cost. The fair value of the main aggregates in the balance sheet upon inclusion at 26 February 2010 were as follows:

	€ thousands
Non-current assets	2,341
Other non-current assets	26
Receivables and other	5,084
Cash and cash equivalents	219
Non-current liabilities	(5,215)
Other current liabilities	(2,594)
Fair value of net assets acquired	(139)
Acquisition cost	9,800
Goodwill (Note 5)	**9,939**

Acquisition of Valley Industrial X-Ray and Inspection Services, Inc.

On 26 April 2010, the Group acquired the US company Valley Industrial X-Ray and Inspection Services, Inc., which operates in the non-destructive testing industry, for an initial amount of USD 13,372 thousand (approximately EUR 9,972 thousand at the acquisition date). The purchase and sale agreement established an earn-out of EUR 2,500 thousand based on the EBITDA for 2010 and 2011. The earn-out was recognised as an addition to the acquisition cost.

The main aggregates in the balance sheet upon inclusion at 9 April 2010 were as follows:

	€ thousands
Non-current assets	1,742
Other non-current assets	207
Receivables and other	3,755
Cash and cash equivalents	586
Other non-current liabilities	(461)
Other current liabilities	(1,892)
Fair value of net assets acquired	3,937
Acquisition cost	**16,265**
Goodwill (Note 5)	**12,328**

Other acquisitions

In addition, on 5 May 2010, the Group company Grupo Applus Servicios Tecnológicos, S.L.U. acquired 25% of its subsidiary Applus Energy, S.L.U., thereby increasing its ownership interest to 100%. The acquisition cost totalled EUR 85 thousand.

The acquired assets and liabilities of these companies were not revalued.

Also, on 15 January 2010, the Group company Idiada Automotive Technology, S.A. set up a joint venture with an Indian company through a capital increase of INR 180 million subscribed by SolutionEyes Consultancy Services Private Limited, which contributed the line of business, assets and a lease agreement. The Group made a disbursement amounting to EUR 290 thousand.

e.3.2. Incorporated in 2010

The most significant information on the companies incorporated in 2010 is as follows:

- Applus RTD Canadá, L.P.

The company was incorporated on 29 January 2010 with a share capital of 5,752,000 shares of CAD 1 par value each (approximately EUR 4 thousand).

- Applus Bilprovning, A.B.

The company was incorporated on 6 May 2010 with a share capital of 1,000 shares of SEK 100 par value each (approximately EUR 10 thousand).

- Applus LGAI Belgelendirme ve Muayene, Hizmetteri Limited Sirketi

The company was incorporated on 8 February 2010 with a share capital of 200 shares of TRL 25 par value each (approximately EUR 3 thousand).

- Applus RTD Personal Service, GmbH.

The company was incorporated on 3 February 2010 with a share capital of one share with a par value of EUR 25 thousand.

- Applus RTD Denmark, AS.

The company was incorporated on 13 April 2010 with a share capital of 1,000 shares of DKK 500 par value each (approximately EUR 68 thousand).

- App Management S. de R.L. de C.V.

The company was incorporated on 1 December 2010 with a share capital of MXN 3 million (approximately EUR 4 million at the incorporation date).

e.3.3. Acquired in prior years and included in the scope of consolidation in 2010

The most significant information regarding companies acquired in prior years and included in the scope of consolidation in 2010 is as follows:

- IHA Autokatsastus, Oy.

On 16 November 2009, the Group acquired the Finnish company IHA Autokaktsastus, Oy., which operates in the vehicle inspection industry, for EUR 1,755 thousand. The purchase and sale agreement established a requirement to create an escrow account of EUR 195 thousand. The interest on the price deposited in the escrow account was recognised as an addition to the acquisition cost. The acquisition involved associated costs of EUR 144 thousand.

The main aggregates in the balance sheet upon inclusion at 16 November 2009 were as follows:

	€ thousands
Non-current assets	1,260
Other current assets	450
Receivables and other	2,296
Cash and cash equivalents	396
Other non-current liabilities	(3,005)
Other current liabilities	(1,777)
Fair value of net assets acquired	101
Acquisition cost	**2,094**
Goodwill (Note 5)	**1,993**

e.4. Exclusions from the scope of consolidation in 2010:

- Liquidated in 2010

In 2010 the Group liquidated A.A.T. Luxembourg, S.A.R.L., Applus Deutschland, GmbH and Consorcio Inspección Técnica Hospital de Vallenar Norcontrol, S.A., obtaining returns on investment of EUR 92 thousand, EUR 141 thousand and EUR 8 thousand, respectively.

e.5. Changes in the scope of consolidation in 2010

On 10 March 2010, the directors of Applus ECA ITV, S.A. drew up the draft terms of the total spin-off of the company, which was approved by the shareholders on 11 May 2010 and executed in a public deed in the presence of the Barcelona notary Mª Isabel Gabarró Miquel on 17 July 2010, under number 1.665 of her protocol. In accordance with the total planned spin-off, all of the assets and liabilities directly allocable to the facilities were split among the beneficiaries, Applus Iteuve Technology, S.L.U. and Menta ITV, S.L. on the basis of the agreed-upon distribution of facilities. All assets and liabilities not directly allocable to the facilities were also distributed among the beneficiaries and, therefore, Applus Iteuve Technology, S.L.U. and Menta ITV, S.L. assets and liabilities equivalent to a total of 51% and 49%, respectively, based on the percentages of ownership in the company held by each of them.

On 31 May 2010, the Finnish companies IHA Autokatsastus, Oy and K1 Katsastajat, Oy merged.

On 8 October 2010, Applus Norcontrol, S.L.U. performed a merger by absorption of its subsidiary Indulab 2000, S.L.U., which in turn merged with its subsidiary Laboratoris i Serveis Agroalimentaris, S.L.U. As a result of the aforementioned merger, a portion of the existing goodwill was written off for EUR 820 thousand (see Note 5).

In addition, on 2 November 2010, all of the shares of Vantage, NDT B.V. were sold to Röntgen Technische Dienst Holding B.V. for EUR 1.

4. Accounting policies

The principal accounting policies used in preparing the Group’s consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) Goodwill

Goodwill arising on business combinations represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of combination.

Goodwill would only be recognised when it had been acquired for consideration and represented, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that were not capable of being individually identified and separately recognised.

At the end of each reporting period goodwill would be reviewed for impairment (i.e. reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill would be written down with a charge to the consolidated income statement.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

As indicated in Note 4-q, goodwill arising on the acquisition of companies with a functional currency other than the euro would be translated to euros at the exchange rates prevailing at the reporting date.

On the sale of a subsidiary or associate, the goodwill attributable to the subsidiary or associate would be taken into account in the determination of the gain or loss on the sale.

The Parent’s directors consider that the carrying amount of these assets does not exceed their recoverable amount, which is calculated on the basis of the future discounted cash flows that the assets will generate.

The assets and liabilities acquired on 26 February 2010 by Quality Inspection Services, Inc. and on 26 April 2010 by Valley Industrial X-Ray and Inspection Services, Inc. were measured provisionally at the end of 2010 at the date upon which control of the company was acquired. The measurement carried out in 2008 was reviewed pursuant to IFRS 3, Business Combinations. At 31 December 2011, the assets and liabilities acquired on 26 February 2010 by Quality Inspection Services, Inc. and on 26 April 2010 by Valley Industrial X-Ray and Inspection Services, Inc. were measured definitively, and the goodwill generated on this acquisition was recognised retrospectively (see Notes 2-b and 6).

b) Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost, which includes the allocation of the value of goodwill as a result of the business combinations, where applicable, and are subsequently measured at cost less any accumulated amortisation and any applicable accumulated impairment losses.

Intangible assets are measured and amortised as follows (see Note 6):

- Administrative concessions or similar items that have been acquired for consideration and are recognised for the amount of the expenses paid to the concession grantor to obtain the concession are amortised on a straight-line basis over the concession term. The initial cost (fee) and, where applicable, the present value of the future payments which are deemed to be necessary upon reversion of the assets are capitalised to this line item.
- Trademarks are measured using the royalty relief valuation method, based on the future royalty income stream from their use. Trademarks are considered to have a finite useful life and are amortised over 25 years.
- The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which the Group manages under this name. These administrative authorisations are not amortised since they do not have a finite term, except for the authoritative administration of AUTO Finland, which is being amortised over 15 years.
- Customer portfolios are amortised based on the useful life of the agreements acquired therewith.
- Asset usage rights relate to machinery and fixtures used by the Group in the performance of its business activity and are subject to reversal. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.
- Computer software is amortised on a straight-line basis over five years. Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

c) ***Property, plant and equipment***

Property, plant and equipment are stated at acquisition or production cost, revalued in accordance with various legal provisions including Royal Decree Law 7/1996, of 7 June (see Note 7), including the allocation of any goodwill arising as a result of the business combinations that may be applicable, based on the related independent valuations.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

The companies depreciate their property, plant and equipment using the straight-line method on the basis of the remaining years of estimated useful life of the various items, the detail being as follows:

	Years of estimated useful life
Buildings	20-40
Plant	5 to 12.5
Machinery and tools	5 to 10
Furniture	10
Computer hardware	4
Transport equipment	6 to 8

The reversible assets will be fully depreciated by the end of the concession term.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets held under finance leases (see Note 4-g) are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. At 31 December 2011, "Property, Plant and Equipment" in the consolidated balance sheet included EUR 11,444 thousand (31 December 2010: EUR 8,590 thousand) relating to assets held under finance leases (see Note 7).

The Parent's directors consider that the carrying amount of these assets does not exceed their recoverable amount, which is calculated on the basis of the future discounted cash flows that the assets will generate.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

d) Asset impairment

The carrying amounts of the property, plant and equipment and intangible assets are analysed at the balance sheet date to determine if there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the impairment loss suffered. Where the asset analysed does not generate cash flows that are independent from those of other assets, the Group estimates the fair value of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are not systematically amortised, but rather are tested for impairment annually or whenever there is an indication that the asset has suffered an impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In order to estimate value in use, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discount rate that reflects market conditions and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount existing prior to the recognition of the impairment loss, less any depreciation or amortisation that should have been recognised. The reversal of an impairment loss on an asset is credited to the consolidated income statement.

The method used by the Group to test impairment distinguishes between businesses with indefinite and definite lives. 25-year projections are used for businesses with indefinite lives. Projections in accordance with the actual term of the related contract are used for businesses with definite lives. In both cases the projections are based on reasonable and well-founded assumptions. The main assumptions used by the Group in testing for impairment are described in Note 5.

e) Non-current financial assets

Given the nature of the assets classified under "Non-Current Financial Assets", they are generally recognised at their original acquisition cost. Upon completion of such impairment tests as might be required, any losses arising therefrom are recognised directly by reducing the amounts presented under "Non-Current Financial Assets" in the consolidated balance sheet.

f) Information on the environment

Environmental assets are considered to be assets used on a lasting basis in the operations of the Group companies whose main purpose is to minimise adverse environment effects and to protect and enhance the environment, including the reduction or elimination of the pollution caused in the future by the Applus Group's operations.

In view of the Group's business activity, at 31 December 2011 and 2010 it did not have any significant assets of this nature.

g) Operating and finance leases

The Group has been assigned the right to use certain assets under leases. Leases that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases; otherwise they are classified as operating leases.

Finance leases

At the beginning of the finance lease term, the Group recognises an asset or a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The initial direct costs are included as an increase in the value of the asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period in the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as an expense when it is probable that they will be incurred.

These assets are depreciated using similar criteria to those applied to the items of property, plant and equipment for own use or, if shorter, over the lease term.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative of the time pattern of the benefits generated.

h) Inventories

Inventories are stated at weighted average cost, which comprises materials and, where applicable, direct labour costs and other costs that have been incurred in bringing the inventories to their present location and condition.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

i) Trade and other receivables

Trade and other receivables are recognised at their recoverable amount, i.e. reduced, as appropriate, by the adjustments required to cover balances of a certain age (generally more than one year old), in the event that they can reasonably be classified as doubtful receivables in the circumstances.

j) Current financial assets, cash and cash equivalents

Current financial assets relate mainly to cash surpluses invested in short-term fixed-income securities that are generally held to maturity and are recognised at acquisition cost. Interest income is calculated on a time proportion basis in the year in which it accrues.

The balance of cash and cash equivalents recognised in the consolidated balance sheet at 31 December 2011 and 2010 includes the bank balances, available cash and the current financial assets maturing within 3 months.

k) Government grants

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned.

In addition, the Group accounts for other grants, donations and legacies received as follows:

a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

b) Refundable grants: while they are refundable, they are recognised as a non-current liability.

c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

l) Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, the Parent's directors made a distinction between:

- Provisions:

  The Group recognises a provision where it has an obligation or liability to a third party arising from past events the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated.

  Provisions are quantified on the basis of the best information available on the event and the consequences of the event and are reviewed and adjusted at the end of each reporting period. The provisions made are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

- Contingent liabilities:

  Contingent liabilities are all the possible obligations that arise from past events and whose future existence and associated loss are estimated to be unlikely. In accordance with IFRSs, the Group does not recognise any provision in this connection. However, as required, the contingent liabilities are disclosed in Note 26.

  The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the accompanying consolidated financial statements.

m) Derivative financial instruments and hedge accounting

The Applus Group uses financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. The Group does not use derivative financial instruments for speculative purposes.

The Group's use of financial derivatives is governed by its policies, which provide guidelines for their use (see Note 16).

The Applus Group uses derivative financial instruments exclusively as hedging instruments as it considers that they meet the requirements of IAS 39. The accounting treatment of cash flow hedges is as follows:

- Changes in the market value of the ineffective portion of derivative financial instruments that are designated as hedges are recognised in the consolidated income statement.
- Changes in the effective portion of a hedge are recognised under "Unrealised Asset and Liability Revaluation Reserve" and "Translation Differences", respectively, in the accompanying consolidated balance sheet.
- The cumulative gain or loss in these reserves is transferred to the consolidated income statement under the same heading as that affected by the hedged item as the underlying affects net profit or loss or in the year in which the hedged item is disposed of.
- When hedge accounting is discontinued, any cumulative gain or loss recognised under "Unrealised Asset and Liability Revaluation Reserve" at that date is retained until the hedged transaction occurs, at which time they are added to the gain or loss on this transaction. If a hedged transaction is no longer expected to occur, the cumulative gain or loss recognised under this heading is transferred to profit or loss.

The market value of the various financial instruments relates to their market price at the end of the reporting period.

n) Pension obligations

Certain companies in the Applus Group have pension obligations, the most significant of which relate to defined benefit plans of the Röntgen Technische Dienst Holding, B.V. subgroup in the Netherlands.

Defined benefit plans

The defined benefit liability recognised in the consolidated balance sheet relates to the present value of the defined benefit obligations existing at year-end, less the fair value at the aforementioned date of the assets included in the plan, less (plus) the actuarial losses (gains) and less the unrecognised past service costs.

The income or expense related to the defined benefit plans is recognised in the consolidated income statement and is obtained as a result of the addition of revenue from services in 2011, borrowing costs, the projected performance of any plan assets, plus the effect of any reduction or settlement of the plan and, where appropriate, the actuarial losses or gains and the past service costs. The difference between the projected and actual performance of the plan assets forms part of the actuarial gains or losses.

Also, the Group recognises the past service costs as an expense in the year for the total amount divided between the average period remaining until the participants' rights are fully vested. However, past service costs are recognised immediately in profit or loss if the benefits are immediately irrevocable after introducing or changing the plan.

The present value of the defined benefit obligations, the cost of services rendered and past service costs are calculated annually by independent actuaries in accordance with the projected unit credit method. The discount interest rate is determined based on the market rates of debentures and high-quality company bonds denominated in the currency in which the benefits will be paid and with terms and maturities similar to those of the related benefits.

The Group chose to recognise as income or expense the actuarial gains or losses for each of the existing defined benefit plans which at the beginning of the year exceeded 10% of the present value of the defined benefit obligations or 10% of the fair value of the plan assets. The income or expense recognised in the year is equivalent to the amount of the excess divided between the average remaining number of years of service by the employees participating in the plan (corridor method).

The asset or liability for defined benefits is recognised as current or non-current based on the realisation period or maturity of the related benefits.

o) Debts and other

Debts are recognised at their present value and are classified on the basis of their maturity at the reporting date, i.e. debts due to be settled within twelve months are classified as current liabilities and those due to be settled within more than twelve months are classified as non-current liabilities.

p) Trade and other payables

Trade payables are not explicitly interest bearing and are stated at their nominal value.

q) Transactions in currencies other than the euro

The Group's functional currency is the euro. Therefore, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions".

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on the balance sheet date. Any resulting gains or losses are recognised directly in the income statement. Foreign currency balances in the financial statements of the consolidated entities are translated to euros as follows:

- Assets and liabilities are translated by applying the exchange rates prevailing at the reporting date.
- Income, expenses and cash flows are translated at the average exchange rates for the year.
- Equity items are translated at the historical exchange rates.
- Translation differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying consolidated balance sheet.

The detail of the equivalent euro value of the main assets in foreign currency held by the Group at 31 December 2011 and 2010 is as follows (in thousands of euros):

Balances held in:	**31/12/11**	**31/12/10**
US dollars	317,859	285,573
Canadian dollars	59,894	58,653
Danish kroner	57,264	57,938
Australian dollars	44,598	38,748
Pounds sterling	37,581	36,036
Brazilian reais	21,511	4,521
Colombian pesos	21,285	15,621
Chilean pesos	14,610	15,373
Czech koruny	11,049	10,758
Norwegian kroner	8,121	4,894
Guatemalan quetzals	6,014	5,681
Argentine pesos	5,911	4,942
Mexican pesos	4,916	4,735
Papua New Guinean kinas	4,164	—
Panamanian balboas	3,432	2,784
Chinese yuan	3,141	1,004
Indonesian rupiahs	2,852	1,045
Singapore dollars	2,675	2,305
Nigerian nairas	1,576	1,476
Japanese yen	1,034	1,540
Indian rupees	958	—
Polish zloty	782	1,006
Nicaraguan cordobas	657	543
Swedish kronor	541	33
Moroccan dirhams	387	—
Costa Rican colons	155	50
Turkish lire	122	109
Swiss francs	52	135
Total assets	**633,141**	**555,503**

The detail of the main foreign currency balances is as follows:

2011

	€ thousands					
Nature of the balances	**US dollars**	**Argentine pesos**	**Danish kroner**	**Brazilian reais**	**Mexican pesos**	**Norwegian kroner**
Non-current assets	266,146	1,947	54,061	11,391	1,237	3,359
Current assets	51,713	3,964	3,203	10,120	3,679	4,762
Liabilities - equity	267,880	3,156	4,472	6,836	1,629	1,637

	€ thousands					
Nature of the balances	**Nicaraguan cordobas**	**Japanese yen**	**Chilean pesos**	**Panamanian balboas**	**Swiss francs**	**Guatemalan quetzals**
Non-current assets	26	267	9,645	322	29	204
Current assets	631	767	4,965	3,110	23	5,810
Liabilities - equity	123	910	2,088	778	—	2,139

	€ thousands					
Nature of the balances	**Colombian pesos**	**Chinese yuan**	**Indonesian rupiahs**	**Singapore dollars**	**Canadian dollars**	**Australian dollars**
Non-current assets	4,347	1,090	39	471	47,756	25,706
Current assets	16,938	2,051	2,813	2,204	12,138	18,892
Liabilities - equity	12,764	656	1,953	573	3,819	11,473

	€ thousands						
Nature of the balances	**Costa Rican colons**	**Czech koruny**	**Nigerian nairas**	**Polish zloty**	**Pounds sterling**	**Swedish kroner**	**Turkish lire**
Non-current assets	15	5,677	330	606	28,081	443	4
Current assets	140	5,372	1,246	176	9,500	98	118
Liabilities - equity	73	2,075	411	78	4,860	182	62

	€ thousands		
Nature of the balances	Indian rupees	Moroccan dirhams	Papua New Guinean kinas
Non-current assets	542	274	134
Current assets	416	113	4,030
Liabilities - equity	—	19	1,708

2010

	€ thousands					
Nature of the balances	US dollars	Argentine pesos	Danish kroner	Brazilian reais	Mexican pesos	Norwegian kroner
Non-current assets	248,419	1,980	55,536	1,124	1,469	3,376
Current assets	37,156	2,962	2,403	3,396	3,267	1,517
Liabilities - equity	239,754	2,334	5,261	1,335	1,069	819

	€ thousands					
Nature of the balances	Nicaraguan cordobas	Japanese yen	Chilean pesos	Panamanian balboas	Swiss francs	Guatemalan quetzals
Non-current assets	—	98	10,646	159	46	71
Current assets	543	1,442	4,727	2,625	88	5,610
Liabilities - equity	184	195	1,884	473	(107)	1,878

	€ thousands					
Nature of the balances	Colombian pesos	Chinese yuan	Indonesian rupiahs	Singapore dollars	Canadian dollars	Australian dollars
Non-current assets	4,690	88	686	670	48,122	25,036
Current assets	10,930	916	359	1,635	10,530	13,712
Liabilities - equity	8,341	119	161	483	3,780	8,756

	€ thousands						
Nature of the balances	Costa Rican colons	Czech koruny	Nigerian nairas	Polish zloty	Pounds sterling	Swedish kroner	Turkish lire
Non-current assets	12	5,765	263	746	27,777	—	4
Current assets	37	4,993	1,213	260	8,259	33	104
Liabilities - equity	28	1,915	342	239	3,520	75	68

The average and closing rates used in the translation to euros of the balances held in foreign currency were as follows:

	2011		2010	
EUR 1	Average Rate	Closing Rate	Average Rate	Closing Rate
Argentine pesos	5.76	5.59	5.20	5.33
Australian dollars	1.35	1.31	1.45	1.34
Brazilian reais	2.33	2.42	2.35	2.27
Canadian dollars	1.38	1.36	1.37	1.35
Swiss francs	1.23	1.22	1.39	1.29
Chilean pesos	674.97	677.13	691.58	642.24
Colombian pesos	2,600.68	2,555.02	2,549.98	2,570.64
Costa Rican colons	707.46	651.17	708.73	684.85
Czech koruny	24.57	25.40	25.32	25.17
Danish kroner	7.45	7.43	7.45	7.45
Pounds sterling	0.87	0.84	0.86	0.85
Guatemalan quetzals	11.06	10.34	10.91	10.92
Mexican pesos	17.28	18.12	16.80	16.63
Nigerian nairas	219.27	213.62	202.79	207.00
Nicaraguan cordobas	31.76	30.41	28.82	29.77
Panamanian balboas	1.42	1.33	1.33	1.34
Slovak koruny	1.00	1.00	1.00	1.00
Uruguayan pesos	27.39	26.54	27.14	27.28
Chinese yuan	9.04	8.35	9.01	8.94
Hong Kong dollars	10.87	10.16	10.33	10.43
Indian rupees	65.52	70.69	60.99	61.29
Japanese yen	111.39	101.50	116.89	111.83
Singapore dollars	1.75	1.70	1.81	1.75
Norwegian kroner	7.80	7.78	8.03	7.92
US dollars	1.40	1.30	1.33	1.34
Polish zloty	4.12	4.52	4.00	3.99
Turkish lire	2.33	2.46	—	—
Moroccan dirhams	11.35	11.30	—	—
Peruvian nuevos soles	3.89	3.56	—	—
Papua New Guinean kinas	3.34	2.86	—	—
Indonesian rupiahs	12,276.93	11,839.30	—	—
Swedish kronor	9.04	9.04	—	—

The translation differences in euros generated by financial instruments in currencies other than the euro that finance investments in foreign companies that have the same functional currency, and which give rise to a foreign currency hedge of the financial instrument are recognised under "Translation Differences" in the accompanying consolidated balance sheet.

The Group has arranged certain financial instruments to hedge its exposure to foreign currency risk (see Note 16).

Any goodwill and fair value adjustments arising on the acquisition of foreign companies are treated as assets and liabilities of the foreign company and are translated at the exchange rate prevailing at the balance sheet date.

r) Offsetting

Asset and liability balances must be offset and, therefore, the net amount is presented in the consolidated balance sheet when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

s) Income tax, deferred tax assets and liabilities

The income tax expense represents the sum of the current tax expense and the effect of the changes in deferred tax assets and liabilities and reported tax loss and tax credit carryforwards.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carryforwards.

Certain Group companies domiciled in Spain file consolidated tax returns as part of the tax group 238/08 of which Applus Technologies Holding, S.L. is the Parent.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised. The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. In particular, revenue from projects in progress related to the multi-industry certification business is recognised by the Group on the basis of the stage of completion of each individual project, giving rise to a balancing entry consisting of an asset for the difference between the amount billed and the amount yet to be billed for each project.

u) Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

v) Discontinued operations

A discontinued operation is a business segment that it has been decided to abandon and/or dispose of in full whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Pursuant to IFRS 5, the revenue and expenses of discontinued operations are presented separately in the income statement and the net assets and net liabilities are presented separately in consolidated current assets and consolidated current liabilities, respectively, for the current period only.

The consolidated statement of cash flows does not include the cash flows from discontinued operations in 2011 or 2010.

The Group did not decide to discontinue any significant operation in 2011 or 2010.

w) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

5. Goodwill on consolidation

The detail, by cash-generating unit (CGU), of the goodwill arising on consolidation at the end of 2011 and 2010 is as follows (in thousands of euros):

Cash-generating unit	31/12/11	31/12/10
Vehicle roadworthiness testing facilities, Spain	170,972	170,972
RTD Germany	47,465	65,465
Idiada Spain	54,900	54,900
Vehicle roadworthiness testing facilities, Finland	52,782	52,782
RTD US and Canada	47,702	47,702
RTD Netherlands	34,164	34,164
LGAI Spain	27,996	27,996
RTD UK (MBI Industries, Ltd.)	27,599	27,526
ITV USA	25,602	24,384
Norcontrol Spain	21,708	20,888
RTD Australia	15,854	15,613
RTD other countries	9,886	10,030
Vehicle roadworthiness testing facilities, Denmark	6,849	6,738
JAN-X	5,345	5,200
Technico Inc.	4,161	4,113
Valley Industrial X-Ray and Inspection Services, Inc.	4,142	3,508
Quality Inspection Services, Inc.	3,164	3,104
LGAI Germany (BKW)	3,662	—
High End CAD/CAE/CAM, S.A.	2,189	4,358
RTD Brazil	2,768	—
Kiefner	2,397	—
Other	1,903	1,114
Total goodwill on consolidation	**573,210**	**580,557**

The differences between the goodwill arising from the acquisitions in the year recognised here and the goodwill recognised in Note 3-e relate to the differences in the exchange rates of the net assets acquired between the date of acquisition (see Note 3-e) and 31 December 2011.

The changes in 2011 and 2010 were as follows:

	€ thousands
Balance at 1 January 2010	**574,472**
Additions	28,971
Translation differences	9,422
Disposals	(1,326)
Write-downs	(13,934)
Allocation of assets and liabilities of CGUs	(17,048)
Balance at 31 December 2010	**580,557**
Additions	10,446
Translation differences	2,538
Disposals	(2,331)
Write-downs	(18,000)
Balance at 31 December 2011	**573,210**

The additions in 2011 and 2010 relate basically to the operations described in Note 3-e for the following amounts (in thousands of euros):

Company	2011
BKW, GmbH. LGAI Germany	3,658
Qualitec Engenharia de Qualidade, Ltda. (RTD Brazil)	2,956
Kiefner	2,341
Applus Norcontrol, S.L.U.	820
Assinco – Assessoria, Inspeçao e Controle, Ltda.	725
Other	9
Effect of exchange rates	(63)
Total	**10,446**

Company	2010
Quality Inspection Services, Inc.	9,939
Valley Industrial X-Ray and Inspection Services, Inc.	12,328
High End CAD/CAE/CAM, S.A. (Idiada Brazil)	4,565
IHA Autokatsastus Oy (Vehicle roadworthiness testing facilities, Finland)	1,993
Earn-outs and other	146
Total	**28,971**

Impairment test (write-off)

In 2011 the Group tested goodwill for impairment by calculating the present value of the expected future cash flows of each cash-generating unit. The main assumptions used by the Group in testing for impairment were as follows:

- Time horizon of 25 years or duration of the contract for CGUs with a finite life.
- Exclusion from the calculation of perpetual returns at the end of the 25 years.
- The figures included in the business plan approved by Group management were taken into account in the cash flows projected for 2012.
- Increases in revenue of between 3% and 5% for 24 years from 2012 onwards.
- Constant EBITDA margins (except at certain CGUs where margins were increased since the amounts are not considered recurrent in 2011).
- Capex and constant working capital over the 25 projected years.
- The main discount rates used, by the Group's geographical areas, were as follows:

Country	2011 (%)	2010 (%)
Spain	10.4	9.2
Ireland	15.1	13.9
US	6.8	6.9
Finland	7.5	6.9
Norway	7.5	7.4
Denmark	7.1	6.9
Netherlands	7.4	7.0
Germany	7.1	6.7
Australia	8.6	9.0

The write-down of EUR 18 million in 2011 related in full to a portion of the goodwill of the RTD Germany cash-generating unit.

The write-down in 2010 related to a portion of the goodwill of the RTD Australia and Norcontrol subgroup CGUs, amounting to EUR 13,114 thousand and EUR 820 thousand, respectively (see Notes 22 and 3.e.5).

According to the estimates and projections available to the Group, the forecasts of profit attributable to the investments with associated goodwill individually exceed their consolidated carrying amount; therefore no write-downs additional to those already made in the year are required.

6. Other intangible assets

The changes in 2011 and 2010 in intangible asset accounts and in the related accumulated amortisation were as follows:

	2011 - € thousands						
	Balance at 1 January 2011	**Changes in the scope of consolidation**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2011**
Cost:							
Administrative concessions	135,919	—	—	—	—	—	135,919
Patents, licences and trademarks	234,331	—	1,600	—	2,646	2	238,579
Administrative authorisations	236,155	—	—	—	—	—	236,155
Norcontrol customer portfolio	18,822	—	—	—	—	—	18,822
RTD customer portfolio	96,090	—	—	—	—	—	96,090
Computer software	43,331	54	2,707	(2,765)	(962)	101	42,466
Goodwill acquired	9,740	—	—	(68)	2	(71)	9,603
Asset usage rights	73,080	—	—	—	—	—	73,080
Other	15,911	6	2,525	—	(123)	500	18,819
Total cost	**863,379**	**60**	**6,832**	**(2,833)**	**1,563**	**532**	**869,533**
Accumulated amortisation	**(140,283)**	**(10)**	**(40,396)**	**2,043**	**(649)**	**(468)**	**(179,763)**
Total, net	**723,096**	**50**	**(33,564)**	**(790)**	**914**	**64**	**689,770**

	2010 - € thousands						
	Balance at 1 January 2010	**Changes in the scope of consolidation**	**Additions or charge for the year**	**Disposals or reductions**	**Transfers**	**Changes in exchange rates and other**	**Balance at 31 December 2010**
Cost:							
Administrative concessions	135,919	—	—	—	—	—	135,919
Patents, licences and trademarks	232,056	—	2,284	(12)	—	3	234,331
Administrative authorisations	259,910	—	—	(23,755)	—	—	236,155
Norcontrol customer portfolio	18,822	—	—	—	—	—	18,822
RTD customer portfolio	71,736	24,354	—	—	—	—	96,090
Computer software	25,742	35	9,730	(418)	7,706	536	43,331
Goodwill acquired	5,735	3,985	—	—	—	20	9,740
Asset usage rights	73,453	—	—	—	(383)	10	73,080
Other	19,226	—	3,000	(286)	(7,274)	1,245	15,911
Total cost	**842,599**	**28,374**	**15,014**	**(24,471)**	**49**	**1,814**	**863,379**
Accumulated amortisation	**(123,301)**	**—**	**(37,854)**	**21,690**	**510**	**(1,328)**	**(140,283)**
Total, net	**719,298**	**28,374**	**(22,840)**	**(2,781)**	**559**	**486**	**723,096**

In 2008, based on a valuation by an independent valuer, the assessment of the assets and liabilities acquired by the Group on 29 November 2007 was completed and the goodwill arising from the acquisition was definitively and retrospectively recognised. Assets of EUR 734,957 thousand (EUR 514,470 thousand net of the related tax effect) were identified when measuring assets and liabilities.

In 2011 the assets and liabilities of Quality Inspection Services, Inc. acquired on 26 February 2010 and of Valley Industrial X-Ray and Inspection Services, Inc. acquired on 9 April 2010 were measured definitively, and the goodwill generated on this acquisition was recognised retrospectively. A customer portfolio of EUR 24,354 thousand (EUR 17,048 thousand net of the related tax effect) was identified when measuring assets and liabilities.

The assets and liabilities identified in both processes at that date are as follows:

	€ thousands	
	31/12/11	**31/12/10**
Administrative authorisations	259,910	259,910
Administrative concessions	102,319	102,319
Rights of use	57,516	57,516
Applus and RTD trademarks	228,441	228,441
Norcontrol customer portfolio	18,822	18,822
RTD customer portfolio	67,949	67,949
Quality and Valley customer portfolio	24,354	—
Total allocation of gains relating to assets	**759,311**	**734,957**

The most significant assumptions used to allocate the gains on assets at fair value were as follows:

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows from that asset for a period of 25 years, was used to calculate the fair value of administrative authorisations.
- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows over the useful life assigned to the related contract, was used to calculate the fair value of administrative concessions and rights of use. The possibility of contract renewals for cash-generating units with finite lives was not considered.
- The royalty relief method, whereby the value of the asset is the present value of future royalty income from the use of the trademarks by the licensees, was used to calculate the value of the Applus and RTD trademarks.
- The income approach and specifically the multi-period excess earnings method was used to calculate the value of the agreements of Applus Norcontrol, S.L.U., the RTD subgroup, Quality Inspection Services, Inc. and Valley Industrial X-Ray and Inspection Services, Inc. with their customers taking into account the useful lives of the customers (established at 3, 25 and 15 years, respectively, i.e. the amortisation period) and the discounted revenue they account for.

All the assets adjusted to fair value are being amortised over the useful life of the related contract or over a maximum of 25 years, except for the administrative authorisations, which are not amortised, except for the administrative authorisation of Auto Finlandia, which is being amortised over 15 years.

In 2011, the amortisation charge associated with the aforementioned revalued assets recognised in the accompanying consolidated income statement amounted to EUR 29,689 thousand (2010: EUR 28,818 thousand).

Therefore, the main items included under this heading are as follows:

- Administrative concessions:

  "Administrative Concessions" includes mainly the operating rights for vehicle roadworthiness testing facilities. At 31 December 2011, the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the United States, Spain (Alicante, Aragon, the Basque Country, the Canary Islands and Menorca), Ireland, Argentina and Chile. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates from 2014 to 2023.

- Patents, licences and trademarks:

  The patents, licences and trademarks include "Applus" and "RTD". Both trademarks are considered to have a finite useful life and are being amortised over 25 years.

- Administrative authorisations:

  "Administrative Authorisations" includes the operating rights for vehicle roadworthiness testing facilities. At 31 December 2011, the Applus Group was managing administrative authorisations for vehicle roadworthiness testing services in Spain and abroad. The contracts are for administrative authorisations mainly in Catalonia, Castilla La Mancha, the Canary Islands, Finland, Denmark and the United States. Unlike the concessions, the administrative authorisations do not have a finite term and, therefore, the Group did not amortise the authorisations, except for those assigned to Auto Finlandia.

- Norcontrol customer portfolio:

  This relates to the carrying amounts of the contracts between Applus Norcontrol, S.L.U. and a customer until 31 December 2010. The contract was being amortised over its useful life, i.e. three years. At 31 December 2011, this asset had been fully amortised. However, the Company renewed this contract and continues to work with this client.

- RTD customer portfolio:

  This relates to the carrying amounts of the contracts between the RTD subgroup and several customers, mainly in the Netherlands, Germany, the US, Canada and Australia. The contract term varies but, for the purposes of valuation, the probability of renewal and a term of 25 years were taken into account. The contracts are therefore being amortised over their estimated useful life, i.e. 25 years.

- Customer portfolios of Quality Inspection Services, Inc. and Valley Industrial X-Ray and Inspection Services, Inc.

  This relates to the carrying amounts of the contracts between Quality Inspection Services, Inc. and Valley Industrial X-Ray and Inspection Services, Inc. and several customers. The contract term varies but, for the purposes of valuation, the probability of renewal and a term of 15 years were taken into account. The contracts are therefore being amortised over their estimated useful life, i.e. 15 years.

- Asset usage rights:

  These include mainly the carrying amounts of the usage rights transferred by Laboratori General d'Assaig i Investigació on the incorporation of the Group company LGAI Technological Center, S.A. and the carrying amount of the assets assigned by Institut d'Investigació Aplicada de l'Automòbil to Idiada Automotive Technology, S.A., relating basically to machinery and other fixtures. These rights of use are amortised over the useful life of the contract granting use of these assets.

  In 2011 disposals under "Computer Software" related mainly to items of software owned by Applus Danmark, A/S, which were derecognised because they had become obsolete.

  In 2010 disposals under "Administrative Authorisations" related mainly to 49% of the carrying amount of the administrative authorisation of the Grupo company Applus ECA-ITV, S.A. following its spin-off in 2010.

  At 31 December 2011, fully amortised intangible assets in use amounted to EUR 45,810 thousand (31 December 2010: EUR 39,709 thousand). The Group did not have any temporarily idle items at 31 December 2011 or 2010.

  At 31 December 2011 and 2010, the Group had no material firm intangible asset purchase commitments.

7. Property, plant and equipment

The changes in 2011 and 2010 in the various property, plant and equipment accounts and in the related accumulated depreciation and impairment losses were as follows:

	2011 - € thousands						
	Balance at 1 January 2011	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2011
Cost:							
Land and buildings	127,854	7	6,552	(3,180)	1,831	741	133,805
Plant and machinery	165,839	1,537	17,795	(2,512)	1,834	2,114	186,607
Other fixtures, tools and furniture	53,575	1,090	4,230	(1,010)	(423)	99	57,561
Other items of property, plant and equipment	39,909	2,112	6,504	(2,003)	(1,181)	521	45,862
Advances and property, plant and equipment in the course of construction	7,747	2,174	—	(12)	(3,702)	142	6,349
Grants	(2,332)	—	(328)	407	—	—	(2,253)
Total cost	**392,592**	**6,920**	**34,753**	**(8,310)**	**(1,641)**	**3,617**	**427,931**
Impairment losses	**(247)**	**—**	**(23)**	**—**	**—**	**—**	**(270)**
Accumulated depreciation	**(231,832)**	**(1,675)**	**(29,721)**	**6,834**	**1,545**	**(2,422)**	**(257,271)**
Total	**160,513**	**5,245**	**5,009**	**(1,476)**	**(96)**	**1,195**	**170,390**

	2010 - € thousands						
	Balance at 1 January 2010	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2010
Cost:							
Land and buildings	131,767	387	950	(11,197)	851	5,096	127,854
Plant and machinery	160,477	4,706	14,120	(20,454)	(14)	7,004	165,839
Other fixtures, tools and furniture	52,957	481	2,557	(3,283)	416	447	53,575
Other items of property, plant and equipment	33,671	4,277	4,151	(2,719)	(1,186)	1,715	39,909
Advances and property, plant and equipment in the course of construction	7,335	—	2,141	(9)	(1,796)	76	7,747
Grants	(2,408)	—	(156)	232	—	—	(2,332)
Total cost	**383,799**	**9,851**	**23,763**	**(37,430)**	**(1,729)**	**14,338**	**392,592**
Impairment losses	**(332)**	**—**	**—**	**85**	**—**	**—**	**(247)**
Accumulated depreciation	**(230,538)**	**(6,082)**	**(25,555)**	**36,642**	**1,168**	**(7,467)**	**(231,832)**
Total	**152,929**	**3,769**	**(1,792)**	**(703)**	**(561)**	**6,871**	**160,513**

In 2011 additions related basically to plant and machinery amounting to EUR 17,795 thousand, which were acquired on the basis of the Group's normal operations. Also, additions to land and buildings amounting to EUR 6,552 thousand were recognised, of which EUR 5,714 thousand relate to land acquired in Spain by the group company ITV Technology, S.L.U. for vehicle roadworthiness testing.

In 2010 disposals related to the disposals for a gross amount of EUR 12,593 thousand arising on the spin-off of the Group company Applus ECA-ITV, S.A. The disposals of these assets did not have any effect on the accompanying consolidated income statement since they were fully depreciated. Disposals for a gross amount of EUR 21,367 thousand were made at the Group company RTD, BV. as a result of the completion of the study of old non-current assets recognised as idle. The impact on the accompanying consolidated income statement was a loss of EUR 34 thousand since most of the assets were fully depreciated.

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2011 amounted to EUR 106,936 thousand (31 December 2010: EUR 83,689 thousand). The Group does not have any temporarily idle items.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 31 December 2011 and 2010, the Group had no firm property, plant and equipment purchase commitments.

Certain Group companies have property, plant and equipment items that revert to government ownership at the end of the related concession terms. The detail of the carrying amount of the assets subject to reversion at 31 December 2011 and 2010 is as follows:

	2011 - € thousands		
	Gross cost	Accumulated depreciation/ Impairment losses	Carrying amount
Applus Iteuve Technology, S.L.U.	38,344	(34,261)	4,083
Idiada Automotive Technology, S.A.	22,865	(13,391)	9,474
Applus Iteuve Euskadi, S.A.U.	6,930	(4,251)	2,679
LGAI Technological Center, S.A.	14,200	(11,295)	2,905
Total	**82,339**	**(63,198)**	**19,141**

	2010 - € thousands		
	Gross Cost	Accumulated depreciation/ Impairment losses	Carrying amount
Applus Iteuve Technology, S.L.U.	38,787	(33,934)	4,853
Idiada Automotive Technology, S.A.	22,203	(12,597)	9,606
Applus Iteuve Euskadi, S.A.U.	6,935	(4,027)	2,908
LGAI Technological Center, S.A.	14,200	(10,135)	4,065
Total	**82,125**	**(60,693)**	**21,432**

The detail of the most significant property, plant and equipment located outside Spain at 31 December 2011 and 2010 is as follows:

2011

	Amounts at closing exchange rate (in € thousands) in:					
	US dollars	Argentine pesos	Danish kroner	Mexican pesos	Norwegian kroner	Japanese yen
Cost:						
Land and buildings	44,933	1,679	13,461	—	—	—
Plant and machinery	66,741	688	4,164	269	187	986
Other fixtures, tools and furniture	3,762	82	255	111	22	78
Other items of property, plant and equipment	18,994	796	1,274	566	50	16
Advances and property, plant and equipment in the course of construction	2,358	10	6	—	—	—
Total cost	**136,788**	**3,255**	**19,160**	**946**	**259**	**1,080**
Accumulated depreciation	**(80,682)**	**(1,825)**	**(6,442)**	**(598)**	**(191)**	**(813)**
Total	**56,106**	**1,430**	**12,718**	**348**	**68**	**267**

	Amounts at closing exchange rate (in € thousands) in:						
	Chilean pesos	Panamanian balboas	Guatemalan quetzals	Colombian pesos	Chinese yuan	Indonesian rupiahs	Singapore dollars
Cost:							
Land and buildings	8,625	—	138	—	—	—	—
Plant and machinery	2,667	—	238	1,893	687	—	814
Other fixtures, tools and furniture	104	83	70	477	224	—	56
Other items of property, plant and equipment	286	604	139	1,205	328	181	195
Advances and property, plant and equipment in the course of construction	—	—	—	—	—	—	—
Total cost	**11,682**	**687**	**585**	**3,575**	**1,239**	**181**	**1,065**
Accumulated depreciation	**(3,191)**	**(375)**	**(389)**	**(2,083)**	**(155)**	**(142)**	**(594)**
Total	**8,489**	**312**	**196**	**1,492**	**1,084**	**39**	**471**

	€ thousands, instrumented in:						
	Canadian dollars	Australian dollars	Czech koruny	Nigerian nairas	Brazilian reais	Pounds sterling	Polish zloty
Cost:							
Land and buildings	104	738	235	—	—	982	—
Plant and machinery	5,893	5,547	3,235	69	930	2,950	159
Other fixtures, tools and furniture	480	1,246	43	26	142	175	16
Other items of property, plant and equipment	1,009	1,309	1,415	132	1,365	—	174
Advances and property, plant and equipment in the course of construction	—	—	—	—	—	—	—
Total cost	**7,486**	**8,840**	**4,928**	**227**	**2,437**	**4,107**	**349**
Accumulated depreciation	**(5,861)**	**(6,484)**	**(2,892)**	**(114)**	**(1,101)**	**(2,327)**	**(183)**
Total	**1,625**	**2,356**	**2,036**	**113**	**1,336**	**1,780**	**166**

	€ thousands, instrumented in:							
	Swiss francs	Nicaraguan cordobas	Costa Rican colons	Turkish lire	Moroccan dirhams	Swedish kronor	Papua New Guinean kinas	Indian rupees
Cost:								
Land and buildings	—	—	—	—	—	147	—	—
Plant and machinery	40	—	—	—	32	260	—	—
Other fixtures, tools and furniture	—	4	16	2	—	64	—	167
Other items of property, plant and equipment	—	56	14	3	209	3	243	144
Total cost	**40**	**60**	**30**	**5**	**241**	**474**	**243**	**311**
Accumulated depreciation	**(12)**	**(34)**	**(20)**	**(1)**	**—**	**(36)**	**(109)**	**(79)**
Total	**28**	**26**	**10**	**4**	**241**	**438**	**134**	**232**

2010

	€ thousands, instrumented in:					
	US dollars	Argentine pesos	Danish kroner	Mexican pesos	Norwegian kroner	Japanese yen
Cost:						
Land and buildings	43,468	1,733	15,775	—	—	—
Plant and machinery	59,867	649	3,995	257	120	48
Other fixtures, tools and furniture	3,081	85	236	104	18	71
Other items of property, plant and equipment	14,902	771	1,498	553	42	15
Advances and property, plant and equipment in the course of construction	347	—	—	—	—	—
Total cost	**121,665**	**3,238**	**21,504**	**914**	**180**	**134**
Accumulated depreciation	**(70,937)**	**(1,725)**	**(8,449)**	**(555)**	**(94)**	**(36)**
Total	**50,728**	**1,513**	**13,055**	**359**	**85**	**98**

	€ thousands, instrumented in:						
	Chilean pesos	Panamanian balboas	Guatemalan quetzals	Colombian pesos	Chinese yuan	Indonesian rupiahs	Singapore dollars
Cost:							
Land and buildings	9,094	—	—	—	—	—	—
Plant and machinery	2,812	—	203	1,813	34	—	774
Other fixtures, tools and furniture	176	82	65	466	39	203	90
Other items of property, plant and equipment	928	391	122	1,095	97	156	352
Advances and property, plant and equipment in the course of construction	—	—	—	—	—	—	—
Total cost	**13,010**	**473**	**390**	**3,374**	**170**	**359**	**1,216**
Accumulated depreciation	**(3,190)**	**(322)**	**(330)**	**(1,705)**	**(86)**	**(56)**	**(546)**
Total	**9,820**	**151**	**60**	**1,669**	**84**	**303**	**670**

	€ thousands, instrumented in:						
	Canadian dollars	Australian dollars	Czech koruny	Nigerian nairas	Brazilian reais	Pounds sterling	Polish zloty
Cost:							
Land and buildings	107	718	237	—	—	973	—
Plant and machinery	5,456	5,040	3,293	29	47	2,242	174
Other fixtures, tools and furniture	469	401	42	14	79	162	18
Other items of property, plant and equipment	1,270	1,391	1,365	104	438	—	194
Advances and property, plant and equipment in the course of construction	—	—	5	—	—	—	—
Total cost	**7,302**	**7,550**	**4,942**	**147**	**564**	**3,377**	**386**
Accumulated depreciation	**(5,422)**	**(4,936)**	**(2,776)**	**(75)**	**(304)**	**(1,829)**	**(140)**
Total	**1,880**	**2,614**	**2,166**	**72**	**260**	**1,548**	**246**

	€ thousands, instrumented in:			
	Swiss francs	Nicaraguan cordobas	Costa Rican colons	Turkish lire
Cost:				
Land and buildings	—	—	—	—
Plant and machinery	60	—	—	—
Other fixtures, tools and furniture	—	—	14	2
Other items of property, plant and equipment	2	21	13	1
Advances and property, plant and equipment in the course of construction	—	—	—	—
Total cost	**62**	**21**	**27**	**3**
Accumulated depreciation	**(18)**	**(21)**	**(17)**	**(1)**
Total	**44**	**—**	**10**	**2**

The detail of the main assets held by the Group under finance leases at 31 December 2011 and 2010 is as follows:

			2011 - € thousands				
				Lease payments paid			
	Average lease term (years)	Average number of years elapsed	Original cost with purchase option	Prior years	2011	Lease payments outstanding	Value of purchase option
Plant and machinery	5	3	744	565	142	268	30
Computer hardware	3	2	2,704	1,728	634	1,937	—
Transport equipment	3	1	7,995	1,635	1,211	3,616	—
Total assets held under finance lease			**11,443**	**3,928**	**1,987**	**5,821**	**30**

			2010 - € thousands				
				Lease payments paid			
	Average lease term (years)	Average number of years elapsed	Original cost with purchase option	Prior years	2010	Lease payments outstanding	Value of purchase option
Plant and machinery	5	3	2,644	2,090	461	739	30
Computer hardware	3	2	906	314	286	267	2
Transport equipment	4	2	1,767	666	347	645	4
Other items of property, plant and equipment	4	4	3,273	514	537	—	2,222
Total assets held under finance lease			**8,590**	**3,584**	**1,631**	**1,651**	**2,258**

8. Non-current financial assets

The changes in the various non-current financial asset accounts in 2011 and 2010 were as follows:

	2011 - € thousands				
	Balance at 1 January 2011	Additions or charge for the year	Disposals	Translation differences	Balance at 31 December 2011
Investments in other companies	1,024	249	—	—	1,273
Fixed-income securities	3	—	(2)	—	1
Non-current receivables	304	8	(108)	(8)	196
Deposits and guarantees	8,497	3,031	—	—	11,528
Provisions	(668)	—	—	—	(668)
Total	**9,160**	**3,288**	**(110)**	**(8)**	**12,330**

	2010 - € thousands				
	Balance at 1 January 2010	Additions or charge for the year	Disposals	Translation differences	Balance at 31 December 2010
Investments in other companies	4,050	—	(3,026)	—	1,024
Fixed-income securities	11	—	(9)	1	3
Non-current receivables	144	193	(39)	6	304
Deposits and guarantees	4,762	3,738	(22)	19	8,497
Provisions	(1,284)	—	616	—	(668)
Total	**7,683**	**3,931**	**(2,480)**	**26**	**9,160**

Investments in other companies

In 2010 the derecognition of EUR 1,982 thousand under "Investments in Other Companies" related to the incorporation of the Finnish company Finlandesa IHA Autokatsastus OY in 2009, which was included in the scope of consolidation for the first time in 2010 (see Note 3-e). In addition, in December 2010 the Group sold 60% of its shares in Agbar Automotive Nanjing, S.L., which was excluded from the scope of consolidation because it did not have a material impact on the accompanying consolidated financial statements. The aforementioned sale amounted to EUR 506 thousand and the Group derecognised the ownership interest for its carrying amount of EUR 426 thousand.

Deposits and guarantees

At 31 December 2011, "Deposits and Guarantees" included EUR 3.6 million (2010: EUR 4.3 million) relating to restricted cash deposits to secure certain contracts.

9. Inventories

The detail of the Group's inventories at 31 December 2011 and 2010 is as follows:

	€ thousands	
	31/12/11	**31/12/10**
Merchandise	4,713	3,728
Raw materials and other supplies	692	632
Total inventories	**5,405**	**4,360**

These inventories relate mainly to x-ray material used in non-destructive testing by the RTD subgroup and reagents, fungibles and chemical compounds used in laboratory or field tests.

Obsolete, defective or slow-moving inventories were reduced to realisable value. Inventories will be realised in less than twelve months.

10. Trade receivables for sales and services and other receivables

Trade receivables for sales and services

The detail of these current asset headings in the accompanying consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	€ thousands	
	31/12/11	**31/12/10**
Trade receivables for sales and services	255,485	234,882
Write-downs	(13,900)	(10,206)
	241,585	**224,676**
Other receivables	12,505	10,712
Total trade and other receivables	**254,090**	**235,388**

The Group's average credit period for services rendered was approximately 62 days in 2011 and 2010. The Group does not charge interest on receivables with current maturity.

The accounts receivable that were past-due by more than twelve months amounted to EUR 15,501 thousand (31 December 2010: EUR 13,602 thousand). Provisions were recognised for most of these amounts.

The directors of the Parent consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is principally attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on prior experience and its assessment of the current economic environment.

The Group entered into a non-recourse factoring agreement on 9 November 2007, which expires on 31 December 2012 and is renewable on a yearly basis. The maximum amount of the financing amounts to EUR 10,000 thousand (2010: EUR 10,000 thousand). At 31 December 2011, the Group had derecognised factored collection rights totalling EUR 7,960 thousand (2010: EUR 8,033 thousand).

The Group does not have a significant concentration of credit risk, with exposure spread over a large number customers, business lines, markets and geographical areas.

However, the Group's financial management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts, particularly in the industries with a higher risk of insolvency. In 2011 and 2010 particular attention was paid to monitoring and recovering past-due receivables and a detailed analysis of customers with associated insolvency risks was performed.

The changes in 2011 and 2010 in the allowance for doubtful debts were as follows:

	€ thousands
Balance at 1 January 2010	12,685
Period provisions	5,353
Amounts used	(5,223)
Disposals	(2,609)
Balance at 31 December 2010	**10,206**
Period provisions	7,189
Amounts used	(2,594)
Disposals	(901)
Balance at 31 December 2011	**13,900**

In 2011 the Group derecognised EUR 901 thousand of provisioned accounts receivable (EUR 2,609 thousand in 2010) since they were considered to be uncollectible.

11. Current financial assets and cash and cash equivalents

Current financial assets

The changes in "Current Financial Assets" 2011 and 2010 were as follows:

	€ thousands				
	Balance at 1 January	**Additions or charge for the year, net**	**Disposals**	**Transfers to/from long term**	**Balance at 31 December**
2011	2,885	2,896	(1,019)	—	4,762
2010	14,116	1,482	(11,259)	(1,454)	2,885

The balance at 31 December 2011 comprises short-term deposits and guarantees amounting to EUR 801 thousand (31 December 2010: EUR 1,115 thousand) and other assets amounting to EUR 3,961 thousand (31 December 2010: EUR 1,770 thousand) relating mainly to a credit facility granted to the related company Velosi Limited with a limit of EUR 5 million, of which EUR 1,882 thousand had been drawn down at 31 December 2011. The interest rate is 12-month Euribor plus a market spread and the maturity date is 20 December 2020. However, since the Group reserves the right to require repayment of the amount drawn down whenever it decides to do so, this amount is classified as short-term.

Cash and cash equivalents

At 31 December 2011 and 2010, the amount classified as "Cash and Cash Equivalents" in the accompanying consolidated balance sheet related in full to cash, except EUR 34,806 thousand in 2011 that related to three deposits with a term of less than one month.

12. Equity

The changes in 2011 and 2010 in "Equity" in the accompanying consolidated balance sheets were as follows:

	€ thousands	
	31/12/11	**31/12/10**
Beginning balance	**(119,608)**	**(34,246)**
Capital increase	200,000	—
Change in translation differences	(2,822)	(1,350)
Valuation adjustments	10,488	(640)
Changes in consolidated reserves	2,267	(1,186)
Consolidated net loss for the year	(91,002)	(72,685)
Changes in non-controlling interests	3,206	(9,501)
Balance at 31 December	**2,529**	**(119,608)**

a) Share capital and share premium

At 31 December 2011 and 2010, the shareholders of the Parent were as follows:

Company	% of share capital
Azul Finance, S.à.r.l.	61.89%
Azul Holding, S.C.A.	38.11%
Total	**100%**

The Parent was incorporated on 5 July 2007 with a share capital of EUR 3,100, divided into 3,100 equal, cumulative and indivisible shares of EUR 1 par value each, fully subscribed and paid.

On 29 November 2007, the Parent increased share capital by EUR 12,312,500 through the issuance of 12,312,500 shares of EUR 1 par value each with a share premium of EUR 110,812,500, i.e. EUR 9 per share. The shares and the share premium were fully subscribed and paid by the sole shareholder at that date, Azul Holding, S.C.A., through a monetary contribution. Stamp duty on the capital increase amounted to EUR 1,231,250 and was recognised as a deduction from share capital.

On 29 December 2011, the Parent increased share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. This capital increase was carried out by converting into capital a portion of the participating loan that Azul Finance, S.à.r.l. had granted to the Parent (see Note 15).

After these transactions, the share capital of the Parent at 31 December 2011 amounted to EUR 32,315,600, represented by 32,315,600 fully subscribed and paid indivisible and cumulative shares of EUR 1 par value each, numbered sequentially from 1 to 32,315,600, inclusive, less the associated expenses of EUR 1,231,250 mentioned above.

At 31 December 2011 and 2010, only EUR 12,315,600 of the Parent's shares had been pledged as security for the loan granted to the Parent (see Note 14). The remaining 20,000,000 shares following the capital increase through the conversion of loans into capital were pledged in 2012, before the date of authorisation for issue of these consolidated financial statements.

b) Reserves of consolidated companies

The detail of consolidated reserves at the end of 2011 and 2010 is as follows:

	€ thousands	
	2011	**2010**
Applus Iteuve Technology, S.L.U. subgroup	41,308	15,410
Applus Servicios Tecnológicos, S.L.U.	17,780	14,952
Idiada Automotive Technology, S.A.	15,036	10,317
Arctosa Holding, B.V.	8,164	3,570
Idiada CZ	769	120
Libertytown USA FINCO subgroup	317	(124)
Applus Automotive Services, S.L.U.	148	148
Applus Argentina, S.A.	123	74
Applus Deutschland	(8)	(8)
Applus (Shanghai) Quality Inspection Co., Ltd.	(63)	(63)
Applus RTD Certification, B.V.	(80)	(80)
Applus RTD Norway, A.S.	(194)	482
Applus Energy, S.L.U.	(234)	(40)
High End CAD/CAE/CAM, S.A.	(295)	—
Applus Car Testing Services, Ltd.	(1,017)	(1,878)
Libertytown USA 1 subgroup	(1,716)	1,152
LGAI Technological Center, S.A. subgroup	(13,923)	(13,447)
Total consolidated reserves	**66,115**	**30,585**

c) Valuation adjustments

In 2011 "Valuation Adjustments" mainly included EUR 16,444 thousand (2010: EUR 26,931 thousand) relating to the impact of the measurement at fair value, net of the tax effect, of the financial instruments entered into by the Group (see Note 16).

d) Translation differences

The detail of "Translation Differences" in the consolidated balance sheet at 31 December 2011 and 2010 is as follows:

	€ thousands	
	31/12/11	**31/12/10**
Libertytown USA 1 subgroup	(12,411)	(10,989)
Arctosa subgroup	(461)	(245)
Applus Argentina, S.A.	(233)	(1)
Libertytown Australia PTY, Ltd.	(103)	(103)
Libertytown USA FINCO subgroup	(64)	(4)
Idiada Automotive Technology UK, Ltd	(2)	—
Applus RTD Norway, A.S.	24	(9)
Idiada CZ	311	4
LGAI Technological Center, S.A. subgroup	1,287	1,231
Applus Iteuve Technology, S.L.U. subgroup	2,921	3,991
Idiada Automotive Technology, S.L.U. subgroup	—	229
High End CAD/CAE/CAM, S.A.	—	(10)
Applus RTD Certification, B.V. subgroup	—	(3)
Total	**(8,731)**	**(5,909)**

e) Capital risk management

The Group manages its capital to ensure that its investees can continue to operate under the going concern principle. The Group is also committed to maintaining gearing levels in line with its growth, solvency and profitability objectives.

The data relating to the leverage ratio at 2011 and 2010 year-end are as follows:

	€ thousands	
	31/12/11	**31/12/10**
Bank borrowings	1,090,929	1,027,249
Current financial assets	(4,762)	(2,885)
Cash and cash equivalents	(101,247)	(54,726)
Net financial debt	**984,920**	**969,638**
Equity	2,529	(119,608)
Participating loan (loans from Group companies)	391,715	555,549
Total equity and participating loan	**394,244**	**435,941**

13. Non-controlling interests

"Non-Controlling Interests" in the accompanying consolidated balance sheet reflects the equity of the non-controlling shareholders in the consolidated companies. Also, the balance of "Profit Attributable to Non-Controlling Interests" in the accompanying consolidated income statement reflects the share of these non-controlling interests in the consolidated loss for the year.

The detail of the non-controlling interests of the fully consolidated companies in which ownership is shared with third parties is as follows:

	2011 - € thousands		
	Share capital and reserves	Profit (loss)	Total
LGAI Technological Center, S.A. subgroup	11,728	(189)	11,539
Applus Iteuve Technology, S.L.U. subgroup	145	—	145
Idiada Automotive Technology, S.A. subgroup	6,988	1,895	8,883
RTD subgroup	1,376	(95)	1,281
Total non-controlling interests	**20,237**	**1,611**	**21,848**

	2010 - € thousands		
	Share capital and reserves	Profit (loss)	Total
LGAI Technological Center, S.A. subgroup	11,816	(118)	11,698
Applus Iteuve Technology, S.L.U. subgroup	(3,188)	3,333	145
Idiada Automotive Technology, S.A. subgroup	5,630	1,115	6,745
RTD subgroup	(6)	60	54
Total non-controlling interests	**14,252**	**4,390**	**18,642**

The changes in "Non-Controlling Interests" in 2011 and 2010 are summarised as follows:

	€ thousands	
	2011	2010
Beginning balance	18,642	28,143
Changes in the scope of consolidation	1,296	(13,758)
Translation differences	299	(133)
Profit for the year	1,611	4,390
Ending balance	**21,848**	**18,642**

14. Bank borrowings

The detail, by maturity, of the bank borrowings in the accompanying consolidated balance sheets at 31 December 2011 and 2010, is as follows:

	2011 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2013	2014	2015	Other	Total
Syndicated loan	1,085,000	48,298	48,298	48,298	—	909,139	1,005,735
Other loans	—	1,232	24	24	24	415	487
Credit facilities	13,000	3,402	—	—	—	—	—
Finance leases	—	184	184	184	184	5,115	5,667
Other financial liabilities	—	2,349	—	—	—	—	—
Hedging instruments (Note 16)	—	12,120	11,455	—	—	—	11,455
Total	**1,098,000**	**67,585**	**59,961**	**48,506**	**208**	**914,669**	**1,023,344**

	2010 - € thousands						
			Non-current maturities				
	Limit	Current maturity	2012	2013	2014	Other	Total
Syndicated loan	1,085,000	—	29,438	29,438	29,438	886,174	974,488
Other loans	—	1,633	42	42	42	164	290
Credit facilities	17,500	4,071	—	—	—	—	—
Finance leases	—	1,150	140	140	140	2,356	2,776
Other financial liabilities	—	3,247	—	—	—	—	—
Hedging instruments (Note 16)	—	440	25,530	13,624	—	—	39,154
Total	**1,102,500**	**10,541**	**55,150**	**43,244**	**29,620**	**888,694**	**1,016,708**

The interest rates on the credit facilities and loans are tied to Euribor and Libor.

In 2011 "Other Financial Liabilities" relates mainly to the interest payable on repayments of derivatives.

On 29 November 2007, the Parent arranged a syndicated loan with Société Générale, London branch, as the agent, and Barclays Capital; Bayerische Hypo-und Vereinsbank, AG, London Branch; Catalunya Caixa; Caixa Bank; Bankia; Calyon, Sucursal en España; Commerzbank Aktiengesellschaft; Landsbanki Islands h.f.; Mizuho Corporate Bank, Ltd. and Société Générale, London Branch as the underwriters for a total maximum amount of EUR 1,085,000 thousand, divided into various tranches. Each tranche has a specific repayment schedule.

The structure of the loan is as follows:

	2011 - € thousands			
Tranche	**Limit**	**Amount drawn down**	**Interest rate**	**Maturity**
Facility B	610,000	610,000	Euribor + spread	29/05/16
Second lien facility	100,000	100,000	Euribor + spread	29/05/17
Revolving facility	75,000	—	Euribor + spread	29/11/14
Capex facility	150,000	150,000	Euribor + spread	29/05/12 - 29/11/14
Mezzanine facility	150,000	150,000	Euribor + spread	29/11/17
Interest added to principal– mezzanine facility	—	34,157		
Effect of exchange rate changes	—	21,512		
Arrangement fees	—	(11,636)		
Total	**1,085,000**	**1,054,033**		

	2010 - € thousands			
Tranche	**Limit**	**Amount drawn down**	**Interest rate**	**Maturity**
Facility B	610,000	610,000	Euribor + spread	29/05/16
Second lien facility	100,000	100,000	Euribor + spread	29/05/17
Revolving facility	75,000	—	Euribor + spread	29/11/14
Capex facility	150,000	88,315	Euribor + spread	29/05/12 - 29/11/14
Mezzanine facility	150,000	150,000	Euribor + spread	29/11/17
Interest added to principal– mezzanine facility	—	25,130		
Effect of exchange rate changes	—	15,490		
Arrangement fees	—	(14,447)		
Total	**1,085,000**	**974,488**		

The tranches have single maturity at the end of the related term and may be repaid early, except for the capex facility the amount drawn down of which from 29 May 2012 will be repaid in six equal half-yearly instalments of EUR 24,149 thousand (EUR 48,298 thousand classified as short term).

At 31 December 2011 and 2010, the Group had drawn down a portion – USD 215 million (approximately EUR 165 million at 31 December 2011 and EUR 160 million at 31 December 2010) against the principal of Facility B, which totals EUR 610 million.

At 31 December 2011 and 2010, it had also drawn down a portion of the principal of the capex facility in USD: USD 84.2 million and USD 58.8 million, respectively (approximately EUR 64.5 million at 31 December 2011 and EUR 44 million at 31 December 2010) and in GBP: GBP 24.9 million at 31 December 2011 and 2010 (approximately EUR 29.8 million at 31 December 2011 and EUR 29.1 million at 31 December 2010).

The syndicated loan agreement establishes certain covenants including most notably the achievement of certain financial ratios based on the consolidated figures of the Parent and its investees, which were being achieved at 31 December 2011 and 2010.

To secure compliance with the obligations associated with the aforementioned loan a security interest in 38.49% of the Group's shares was given (see Note 12) and the remainder were pledged after year-end.

The agreement also establishes restrictions on the payment of dividends, the incorporation or acquisition of companies, the arrangement of additional borrowings, transactions with financial derivatives and the disposal or acquisition of assets. The Parent entered into interest rate hedges for the aforementioned loan. The information on the Group's financial hedging instruments is detailed in Note 16.

The detail of the current and non-current bank borrowings at 31 December 2011 and 2010, by currency, excluding the hedging instruments, is as follows:

	2011 - € thousands								
	Euros	Danish kroner	US dollars	Colombian pesos	Brazilian reais	Chilean pesos	Australian dollars	Pounds sterling	Total
Syndicated loan	794,851	—	229,401	—	—	—	—	29,781	1,054,033
Other loans	1,181	—	—	—	82	—	456	—	1,719
Credit facilities	—	—	—	3,402	—	—	—	—	3,402
Finance leases	76	226	5,297	44	45	14	148	—	5,850
Other financial liabilities	2,349	—	—	—	—	—	—	—	2,349
Total	**798,457**	**226**	**234,698**	**3,446**	**127**	**14**	**604**	**29,781**	**1,067,353**

	2010 - € thousands								
	Euros	Danish kroner	US dollars	Colombian pesos	Brazilian reais	Slovak Koruny	Australian dollars	Pounds sterling	Total
Syndicated loan	743,356	—	202,003	—	—	—	—	29,129	974,488
Other loans	324	—	1,488	37	—	—	74	—	1,923
Credit facilities	135	—	—	3,936	—	—	—	—	4,071
Finance leases	165	584	2,571	129	93	37	347	—	3,926
Other financial liabilities	3,247	—	—	—	—	—	—	—	3,247
Total	**747,227**	**584**	**206,062**	**4,102**	**93**	**37**	**421**	**29,129**	**987,655**

15. Participating loan and other non-current financial liabilities

The detail of the related headings in the accompanying consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	€ thousands	
	31/12/11	31/12/10
Participating loan	169,375	369,375
Interest on participating loan	222,340	186,174
Total participating loan	**391,715**	**555,549**
Payable due to reversion (Note 26-a)	16,025	11,889
Other non-current financial liabilities	9,087	6,081
Total other non-current financial liabilities	**25,112**	**17,970**
Total	**416,827**	**573,519**

"Participating Loan" relates to the participating loan for an initial amount of EUR 369,375 thousand granted to the Parent on 29 November 2007 by Azul Finance, S.à r.l. and maturing on 27 November 2019.

At 31 December 2011, the accrued interest payable on the loan amounted to EUR 222,340 thousand (2010: EUR 186,174 thousand), which is added to the principal each year and will be paid on maturity of the loan in 2019.

A portion of the loan bears interest at a fixed rate of 5% of the principal plus the interest payable and another portion bears interest at a floating rate tied to the individual or consolidated pre-interest and pre-tax profit/loss of the Parent or the Group. The interest payable may not exceed 16% of the amount outstanding.

As mentioned in Note 12, on 29 December 2011, the Parent increased share capital by EUR 20,000 thousand through the issuance of 20 million new shares of EUR 1 par value each with a share premium of EUR 180,000 thousand, i.e. EUR 9 per share. The aforementioned share capital increase was carried out by converting into capital a portion of the participating loan granted by Azul Finance, S.à r.l. to the Parent amounting to EUR 200,000 thousand.

"Payable Due to Reversion" includes the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres are located, amounting to EUR 16,025 thousand. The increase in 2011 relates to the provision for additional guarantees amounting to EUR 4,136 thousand (see Notes 26 and 22).

16. Derivative financial instruments

Financial risk management policy

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management is based on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

The Group hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable.

The Group's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangement of hedges in markets. All external hedges, including those relating to subsidiaries and those entered into on their behalf, must be authorised and entered into on a centralised basis at Group level.

Following are the main financial risks to which the Group is exposed and the practices established:

a) Foreign currency risk

The increased volatility of currency markets with respect to other markets (such as the interest rate market) and the significant international activity of the Group as a long-term investor in countries outside of the eurozone make foreign currency risk (loss of value in euros of long-term investments in countries whose currency is not the euro) the most significant financial risk for the Group.

To manage foreign currency risk, the Group takes the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

See sensitivity analysis in the section on "Hedging instruments entered into".

b) Interest rate risk

Interest rate risk relates to the effect on profit or loss of rises in interest rates which increase borrowing costs. Exposure to this risk is significantly mitigated by the natural hedging offered by businesses in which inflation and/or interest rates are factors which are part of the periodical tariff and price revision process. The other exposure is assessed periodically and, taking into consideration the projected interest rate fluctuations in the main borrowing currencies, the desirable fixed-rate protection levels and periods are determined.

The structure thus established is achieved by means of new financing and/or the use of interest rate derivatives.

Net debt at floating rates is generally tied to Euribor (debt in euros). See sensitivity analysis in the section on "Hedging instruments entered into".

c) Liquidity risk

Liquidity risk relates to the possibility of adverse situations in the capital markets preventing the Group from financing, at reasonable market prices, its obligations relating to both non-current financial assets and working capital requirements, or of the Group being unable to carry out its business plans using stable financing sources.

The Group takes various preventative measures to manage liquidity risk:

- The capital structure of each company is established taking into account the degree of volatility of the cash generated by it.
- Debt repayment periods and schedules are established on the basis of the nature of the needs being financed.

- The Group diversifies its sources of financing through continued access to financing and capital markets.
- The Group secures committed credit facilities for sufficient amounts and with sufficient flexibility.

d) Financial counterparty risk

The credit risk arising from the possibility of the financing counterparty failing to meet its obligations is managed by means of the following measures:

- Establishment of maximum credit risk exposure limits for each bank counterparty with which the Group operates.
- Requiring the counterparty to maintain a sufficient credit rating.

Hedging instruments entered into

The Group enters into over-the-counter derivative financial instruments with Spanish and international banks with high credit ratings.

In 2011 the only derivatives entered into by the Group were interest rate derivatives.

The detail of the balances at 31 December 2011 and 2010 reflecting the valuation of the derivative financial instruments at those dates is as follows:

	€ thousands			
	2011		2010	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Cash flow hedges	12,120	11,455	440	39,154
	12,120	**11,455**	**440**	**39,154**

2011

Following is a summary of the hedges held by the Group at 31 December 2011:

	€ thousands		Thousands of units		€ thousands	
	Fair value		Notional amounts		Notional maturity	
2011	Current liabilities	Non-current liabilities	Currency hedged	Equivalent euro value	2012	2013
Interest rate hedges:						
Cash flow hedges-						
US dollar IRSs	3,976	—	180,000	137,963	137,963	
Pound sterling IRSs	258	—	20,000	23,824	23,824	—
Euro IRSs	7,886	11,455	700,000	700,000	420,000	280,000
Derivative financial hedging instruments	**12,120**	**11,455**		**861,787**	**581,787**	**280,000**

The financial instruments entered into by the Parent and in force at 31 December 2011 are as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2012	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	31/12/07	28/09/12	150,000	EUR	(3,938)	150,000	—	4.61%	90-day Euribor
IRS	01/10/10	01/10/13	180,000	EUR	(7,246)	180,000	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/12	170,000	EUR	(2,563)	170,000	—	3.13%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(4,208)	100,000	100,000	3.43%	90-day Euribor
IRS	01/10/10	01/10/12	100,000	EUR	(1,385)	100,000	—	2.97%	90-day Euribor
IRS	30/06/09	30/06/12	20,000	GBP	(258)	20,000	—	3.25%	90-day Euribor
Total					**(19,598)**				

The detail of the hedges entered into by other Group companies and in force at 31 December 2010 is as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2012	Nominal outstanding 2013	Nominal outstanding 2014	Fixed rate	Floating rate
IRS	31/12/07	31/12/12	40,000	USD	(1,314)	40,000	—	4.89%	90-day Libor	IRS
IRS	31/12/10	31/12/12	140,000	USD	(2,662)	140,000	—	3.11%	90-day Libor	IRS
Total					**(3,976)**					

2010

Following is a summary of the hedges held by the Group at 31 December 2010:

	€ thousands		Thousands of units		€ thousands			
	Fair value		Notional amounts		Notional maturity			
2010	Current liabilities	Non-current liabilities	Currency hedged	Equivalent euro value	2011	2012	2013	2014
Interest rate hedges:								
Cash flow hedges-								
US dollar IRSs	440	7,399	209,000	155,854	21,626	134,228	—	—
Pound sterling IRSs	—	755	20,000	23,621	—	23,621	—	—
Euro IRSs	—	31,000	700,000	700,000	—	420,000	280,000	—
Derivative financial hedging instruments	**440**	**39,154**		**879,475**	**21,626**	**577,849**	**280,000**	**—**

The financial instruments entered into by the Parent and in force at 31 December 2010 were as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2011	Nominal outstanding 2012	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	31/12/07	28/09/12	150,000	EUR	(8,823)	150,000	150,000	—	4.61%	90-day Euribor
IRS	01/10/10	01/10/13	180,000	EUR	(8,602)	180,000	180,000	180,000	3.33%	90-day Euribor
IRS	01/10/10	01/10/12	170,000	EUR	(5,561)	170,000	170,000	—	3.13%	90-day Euribor
IRS	01/10/10	01/10/13	100,000	EUR	(5,021)	100,000	100,000	100,000	3.43%	90-day Euribor
IRS	01/10/10	01/10/12	100,000	EUR	(2,993)	100,000	100,000	—	2.97%	90-day Euribor
IRS	30/06/09	30/06/12	20,000	GBP	(755)	20,000	20,000	—	3.25%	90-day Euribor
Total					**(31,755)**					

The detail of the hedges entered into by other Group companies and in force at 31 December 2010 is as follows:

Financial instrument	Start date	Maturity	Notional amount	Currency hedged	Fair value (in € thousands)	Nominal outstanding 2011	Nominal outstanding 2012	Nominal outstanding 2013	Fixed rate	Floating rate
IRS	31/12/07	31/12/12	40,000	USD	(2,476)	40,000	40,000	—	4.89%	90-day Libor
IRS	31/12/10	31/12/12	140,000	USD	(4,923)	140,000	140,000	—	3.11%	90-day Libor
IRS	11/05/06	11/05/11	29,000	USD	(440)	29,000	—	—	4.52%	90-day Libor
Total					**(7,839)**					

The objective of these interest rate hedges is to mitigate, by entering into swaps in which a fixed rate is paid and a floating rate is received, the fluctuations in cash outflows in respect of payments tied to floating interest rates (Euribor and USD Libor) on the Group's borrowings.

The Group opted to account for hedges as permitted under international legislation, designating in the appropriate manner the hedging relationships in which the derivatives are hedges of net investments in foreign operations that neutralise changes in value due to the spot rate of the foreign currency.

The cash flow hedging relationships designated with these foreign currency hedges are estimated to be highly effective and, accordingly, the Group recognised the fair value thereof in equity.

Since the effectiveness of all the hedges has been verified, no amounts were recognised in relation to ineffective hedges in profit or loss for either 2011 or 2010.

Following is a detail of the sensitivity analysis (changes in fair value at 31 December 2011 and 2010) of the fair values of the interest rate derivatives recognised under "Equity" (hedging instruments) to changes in the euro exchange rate:

	Yearly impact (€ thousands)	
Appreciation of the euro	**2011**	**2010**
+10%	423	859

The estimate of the sensitivity of financial profit or loss to interest rate fluctuations over a full year, with the net borrowings structure at each year-end, in thousands of euros, is as follows:

		Yearly impact (€ thousands)	
	Increase in interest rate	**2011**	**2010**
Euribor	+ 10 b.p.	174	134

17. Long-term provisions

The changes in "Long-Term Provisions" in 2011 and 2010 were as follows:

	€ thousands
Balance at 1 January 2010	**4,918**
Charge for the year	575
Amounts used	(734)
Balance at 31 December 2010	**4,759**
Charge for the year	77
Amounts used	(171)
Balance at 31 December 2011	**4,665**

The provisions made constitute a fair and reasonable estimate of the effect on the Group's equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by management of the Parent and of the subsidiaries, with the assistance of their advisers, considering the circumstances specific to each case. The main lawsuits, claims or obligations acquired, arising in both 2011 and prior years, are as follows:

- Litigation is currently in process in respect of a purported breach of a contract by the investee Norcontrol Guatemala, S.A. Its Parent, Applus Norcontrol, S.L.U., has provided a guarantee for the Guatemalan subsidiary and recognised a provision of EUR 1.5 million for the risk estimated by the directors of the aforementioned company in relation to the outcome of this lawsuit.
- Additionally, there is an arbitral award ordering Norcontrol Guatemala, S.A. to pay USD 3,347 thousand to a third party and ordering a third party to pay USD 2,220 thousand to Norcontrol Guatemala, S.A., due to discrepancies in the final outcome of work performed in a project. On 23 September 2010, Norcontrol Guatemala, S.A. filed an appeal against the decision handed down by the San Pedro Sula Civil Appellate Court rejecting Norcontrol Guatemala, S.A.'s appeal to render null and void the arbitral award issued on 30 August 2010 by the Arbitration Court of the Reconciliation and Arbitration Centre of the Chamber of Commerce and Industry. On 21 February 2012, the Judicial Review Chamber of the Supreme Court issued an order dismissing the appeal.

See Note 19 for the main tax litigation and Note 26 for the other more significant contingencies to which the Group is exposed.

18. Trade and other payables

The detail of trade and other payables in 2011 and 2010 is as follows:

	€ thousands	
	31/12/11	**31/12/10**
Trade payables	78,060	74,706
Remuneration payable	29,731	21,069
Other payables	21,594	10,653
Total	**129,385**	**106,428**

The average payment period for the services received in 2011 and 2010 is approximately 50 days.

18.1. Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

The disclosures required by Additional Provision Three of Law 15/2010, of 5 July, in thousands of euros, relating only to the Group's Spanish companies are as follows:

	Amounts paid and payable at year-end		
	2011		2010
	Amount	%	Amount
Paid in the maximum payment period	87,979	54%	—
Remainder	73,561	46%	—
Total payments made in the year	**161,540**	**100%**	**—**
Weighted average period of late payment (days)	122	—	—
Weighted average period of late payment (days)	37	—	—
Payments at year-end not made in the maximum payment period	9,273	—	3,450

However, most of the aforementioned balance payable was paid within the first days of 2012.

The data shown in the foregoing table on payments to suppliers relate to the suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to "Trade Payables" under "Current Liabilities" in the consolidated balance sheet.

Weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers outside the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period.

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December, on combating late payment in commercial transactions, is 85 days.

19. Tax matters

19.1 Current tax receivables and payables

The detail of the current tax receivables and payables at the end of 2011 and 2010 is as follows (in thousands of euros):

2011

	Balances receivable	Balances payable
Current balances:		
Income tax refundable/payable	13,175	9,012
VAT receivable/payable	4,685	17,043
Tax - other items	2,308	11,807
Accrued social security taxes payable	683	9,079
Total current balances	**20,851**	**46,941**

2010

	Balances receivable	Balances payable
Current balances:		
Income tax refundable/payable	18,458	18,239
VAT receivable/payable	5,042	16,284
Tax - other items	1,868	11,077
Accrued social security taxes payable	—	7,794
Total current balances	**25,368**	**53,394**

19.2 Reconciliation of the accounting loss to the tax loss

The reconciliation of the consolidated accounting loss for 2011 and 2010 to the aggregate income tax base is as follows:

	2011 - € thousands		
	Increase	Decrease	Amount
Consolidated accounting loss for the year (before tax and non-controlling interests)			(98,977)
Permanent differences:			
Profit before tax contributed by foreign companies	30,822	—	30,822
Of the individual companies-			
Exempt income	—	(1,109)	(1,109)
Other non-deductible expenses	—	(1,800)	(1,800)
Provisions	255	—	255
Consolidation and other adjustments	11,301	—	11,301
Temporary differences:			
Investment valuation allowances	5,301	—	5,301
Goodwill	—	(3,338)	(3,338)
Tax loss	**47,679**	**(6,247)**	**(57,545)**

	2010 - € thousands		
	Increase	Decrease	Amount
Consolidated accounting loss for the year (before tax and non-controlling interests)			(90,459)
Permanent differences:			
Profit before tax contributed by foreign companies	18,244	—	18,244
Of the individual companies-			
Exempt income	—	(3,293)	(3,293)
Other non-deductible expenses	338	—	338
Provisions	—	(19)	(19)
Adjustments	—	(64)	(64)
Temporary differences:			
Investment valuation allowances	—	(839)	(839)
Goodwill	—	(11,935)	(11,935)
Tax loss	**18,582**	**(16,150)**	**(88,027)**

19.3 Reconciliation of the accounting loss to the income tax expense

The reconciliation of the accounting loss to the income tax expense in 2011 and 2010 is as follows:

	31/12/11	31/12/10
Accounting loss before tax	(98,977)	(90,459)
Permanent differences	39,469	15,206
Tax loss	**(59,508)**	**(75,253)**
Tax payable	**(17,763)**	**(21,785)**
Consolidation adjustments	6,495	(379)
Total income tax income recognised in the consolidated income statement	**(11,268)**	**(22,164)**

19.4 Deferred tax assets

The detail of "Deferred Tax Assets" at the end of 2011 and 2010 is as follows:

	€ thousands	
	31/12/11	31/12/10
Tax assets	90,922	82,872
Unused tax credits	5,175	5,364
Temporary differences	17,033	16,811
Total deferred tax assets	**113,130**	**105,047**

The deferred tax assets indicated above were recognised because the Parent's directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

The prior years' tax loss carryforwards of the Spanish companies are as follows:

	2011 - € thousands		
Year incurred	Recognised	Not recognised	Last year for offset
1998	43	—	2016
1999	354	—	2017
2000	441	—	2018
2001	51	—	2019
2002	2,313	—	2020
2003	1,633	—	2021
2004	375	—	2022
2005	18,065	—	2023
2006	—	261	2024
2007	40,769	228	2025
2008	25,955	—	2026
2009	94,619	—	2027
2010	78,455	—	2028
2011	39,994	—	2029
Total	**303,067**	**489**	

	2010 - € thousands		
Year incurred	Recognised	Not recognised	Last year for offset
1998	43	—	2013
1999	354	—	2014
2000	441	—	2015
2001	51	—	2016
2002	2,313	—	2017
2003	1,633	—	2018
2004	375	—	2019
2005	18,065	—	2020
2006	—	261	2021
2007	41,103	228	2022
2008	34,475	—	2023
2009	91,941	—	2024
2010	83,580	—	2025
Total	**274,374**	**489**	

The detail of the unused tax credits of the Spanish companies is as follows:

		€ thousands			
		2011		2010	
		Recognised	Not recognised	Recognised	Not recognised
1999	Investment in R&D+i	—	82	—	82
2000	Investment in R&D+i	—	187	—	187
2000	Investment in training	—	—	78	1
2001	Export activity investment	—	417	—	417
2001	Investment in training	—	5	20	5
2002	Reinvestment pursuant to Article 36	—	511	—	511
2002	Investment in R&D+i	87	—	87	—
2002	Investment in training	—	10	10	5
2003	Investment in R&D+i	50	—	50	—
2003	Investment in training	—	25	20	5
2003	Reinvestment pursuant to Article 36	—	2	—	2
2004	Investment in R&D+i	39	0	39	—
2004	Investment in training	—	46	24	24
2005	Investment in R&D+i	53	212	53	213
2005	Donations	—	75	—	75
2005	Export activity investment	—	2	—	2
2005	Investment in training	2	12	2	11
2006	Investment in R&D+i	—	281	—	281
2006	Investment in training	—	43	—	51
2006	Donations	—	11	—	3
2007	Investment in R&D+i	—	299	—	323
2007	Investment in training	—	47	—	38
2007	Donations	—	11	—	11
2008	Investment in R&D+i	—	530	—	524
2008	Reinvestment pursuant to Article 42	—	623	—	542
2008	Donations	—	46	—	45
2009	Investment in R&D+i	198	1,639	1,265	1,639
2009	Reinvestment pursuant to Article 42	—	350	—	350
2009	Donations	—	40	—	40
2010	Investment in R&D	—	1,615	460	—
2010	Reinvestment pursuant to Article 42	—	285	—	—
2010	Donations	—	39	—	—
2011	Investment in R&D	—	1,141	—	—
	Total	**429**	**8,586**	**2,108**	**5,387**

The detail of the domestic and international double taxation tax credits of the Spanish companies is as follows:

	2011 - € thousands			
	Domestic double taxation tax credits (recognised)	Domestic double taxation tax credits (not recognised)	International double taxation tax credits (recognised)	International double taxation tax credits (not recognised)
2002	—	—	—	39
2003	—	—	—	64
2004	—	382	—	208
2005	—	642	5	108
2006	—	3,872	85	162
2007	—	1,247	60	88
2008	—	4,025	—	7
2009	—	—	60	242
2010	—	97	—	150
2011	—	—	—	125
Total	**—**	**10,265**	**210**	**1,193**

	2010 - € thousands			
	Domestic double taxation tax credits (recognised)	Domestic double taxation tax credits (not recognised)	International double taxation tax credits (recognised)	International double taxation tax credits (not recognised)
2002	—	—	—	39
2003	—	534	—	64
2004	—	383	208	—
2005	—	643	5	107
2006	646	3,226	85	161
2007	631	616	60	88
2008	—	4,026	—	—
2009	—	—	264	53
2010	—	—	172	27
Total	**1,277**	**9,428**	**821**	**548**

In relation to foreign companies, tax credits amounting to EUR 4,746 thousand were recognised at 31 December 2011 (31 December 2010: EUR 2,886 thousand).

The temporary differences amounting to EUR 17,033 thousand (EUR 16,811 thousand at 31 December 2010) include, basically, the following:

- Deferred tax assets relating to the recognition in equity of derivative financial instruments amounting to EUR 7,470 thousand (31 December 2010: EUR 11,965 thousand) (see Note 16).
- The remaining temporary differences amounting to EUR 9,563 thousand (31 December 2010: EUR 4,846 thousand) relate mainly to deferred taxes arising from investment valuation allowances.

19.5 Deferred tax liabilities

"Deferred Tax Liabilities" on the liability side of the accompanying consolidated balance sheets at 31 December 2011 and 2010 includes mainly the following:

- A deferred tax liability associated with the allocation at fair value of the assets identified upon the acquisition of the Applus Servicios Tecnológicos subgroup, amounting to EUR 188,876 thousand (31 December 2010: EUR 201,600 thousand) (see Note 5).
- The tax effect of the amortisation of goodwill paid on the acquisition of foreign companies amounting to EUR 15,840 thousand (31 December 2010: EUR 15,152 thousand).
- Deferred tax liabilities of EUR 9,744 thousand (31 December 2010: EUR 8,819 thousand) arising at the subsidiary Applus, Inc. basically as a result of differences in the amortisation/depreciation of assets for tax and accounting purposes.
- Other deferred taxes amounting to EUR 20,548 thousand at 31 December 2011 (31 December 2010: EUR 10,505 thousand).

19.6 Tax rates applicable to the Group

The various companies calculate their income tax expense in accordance with the respective legislation. The main applicable tax rates are as follows:

Country	Tax rate
Spain	30%
USA	40%
Finland	28%
Ireland	12%
Canada	27%-32%
Norway	28%
Denmark	25%
Netherlands	25%
Germany	30%
Australia	30%
Brazil	34%
Argentina	35%
Chile	17%
Colombia	33%

19.7 Years open for review and tax audits

The Spanish companies have open for review the last five years for income tax and the last four years for all other taxes applicable to them. The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries. The Parent's directors do not expect any additional material liabilities to arise in the event of a tax audit.

Applus Servicios Tecnológicos, S.L.U. currently has an appeal in progress filed before the Central Economic-Administrative Tribunal against the tax offence penalty imposed as a result of the tax audits performed on its income tax returns for 1999, amounting to EUR 180 thousand. On 14 March 2008, the appeal was dismissed and the Group filed an application for judicial review at the National Appellate Court, which was also dismissed on 2 February 2011. On 21 March 2011, the Group contested the aforementioned decision, and filed a cassation appeal for a definitive ruling on an issue of interpretation and it is awaiting leave to proceed.

On 3 March 2005, Applus Norcontrol, S.L.U. was notified of the commencement of a tax audit. On 22 February 2007, the field tax inspectors issued assessments. The following assessments issued totalling EUR 731 thousand were signed on a contested basis:

- VAT for 2001 and 2002.
- Tax withholdings and prepayments relating to salary income and income from professional activities for 2001 and 2002.

On 24 March 2011, a judgement was handed down in relation to the Group's personal income tax withholdings for 2001 and 2002. All the pleadings filed in this connection were dismissed and, accordingly, Applus Norcontrol, S.L.U. paid approximately EUR 500 thousand. The Group is awaiting judgment on the VAT proceedings. The directors consider the risk to be remote and, accordingly, no provision was recognised in this connection.

On 16 July 2009, the tax authorities notified Idiada Automotive Technology, S.A. of the commencement of verification proceedings due to its purported commission of a tax offence classified as minor in the income tax self-assessments for 2006—2007 and 2008—2009 relating to tax credits on withholdings from amounts withheld abroad and unused tax credits. The total amount claimed by the tax authorities is EUR 897 thousand, in relation to which the directors and their external advisers consider that there is a possible risk amounting to EUR 292 thousand (the amount of the provision recognised in this connection).

On 1 September 2009, the Indian tax authorities gave notification of the commencement of verification proceedings due to the purported commission of a tax offence by Idiada Automotive Technology, S.A.'s office in India, since it should have filed income tax returns as a permanent establishment in India for 2006 and 2007. The total amount claimed by the tax authorities is EUR 633 thousand, in relation to which the directors and their external advisers consider that there is a possible risk amounting to EUR 150 thousand (the amount of the provision recognised in this connection).

In August 2010 the Canadian tax authorities issued an information injunction in relation to the tax credits arising from the shareholder reorganisation of RTD Quality Service, Inc. The tax authorities are claiming tax on a dividend amounting to EUR 57 million that was not distributed. The directors and their external advisers consider the risk to be remote and, accordingly, no provision was recognised in this connection.

In October 2010 and December 2011, the Finnish tax authorities filed a challenge before the Tax Correction Board relating to the tax returns for 2008 and 2009 filed by the branch that the Group company ITV Technology, S.L.U. has in Finland, in which it questioned the deductibility for tax purposes of interest arising from the transfer of costs for accounting purposes, amounting to EUR 5,104 thousand and EUR 5,333 thousand, respectively. The amount claimed by the tax authorities is EUR 3,557 thousand. The directors and their external advisers consider the risk to be remote and, accordingly, no provision was recognised in this connection.

On 25 March 2011, Norcontrol Guatemala, S.A. was notified of the Guatemalan tax authorities' disagreement with the adjustment made to 2008 income tax with regard to the undeclared income generated in Guatemala amounting to GTQ 9,874 thousand (2011 year-end: EUR 911 thousand). The amount claimed by the tax authorities is GTQ 6,122 thousand (2011 year-end: EUR 595 thousand). The directors and their external advisers consider the risk to be remote and, accordingly, no provision was recognised in this connection.

On 30 August 2011, Chile's Internal Revenue Service notified Norcontrol Chile, S.A. of its disagreement with the tax returns filed in 2008 due to alleged breaches of the income tax law, totalling CLP 1,172,354 thousand (31 December 2011: approximately EUR 1,732 thousand), including penalties and late-payment interest. The company initiated a claim process in which it contested these amounts. The directors and their external advisers consider that the claim that has been filed should be upheld on all counts and that the aforementioned contested amounts will be overruled. Accordingly, no provision was recognised in this connection in the accompanying consolidated financial statements.

The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation for the tax treatment of the transactions, such contingent liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

20. Operating income and expenses

a) Revenue

The distribution of revenue, by geographical market, is as follows:

	€ thousands	
	2011	**2010**
Spain	292,858	300,666
Other EU countries	321,224	295,305
US and Canada	196,460	165,006
Other countries	170,377	135,091
Total	**980,919**	**896,068**

The distribution of revenue, by business line, is as follows:

	€ thousands	
	2011	**2010**
Non-destructive testing (RTD)	404,101	340,332
Vehicle roadworthiness testing (AUTO)	245,326	244,070
Inspection services and technical assistance (Norcontrol)	187,634	188,596
Engineering and vehicle testing (IDIADA)	94,211	74,906
Certification services (LGAI)	49,155	47,403
Corporate services	492	761
Total	**980,919**	**896,068**

b) Staff costs

The detail of "Staff Costs" in the accompanying consolidated income statement is as follows:

	€ thousands 2011	€ thousands 2010
Wages, salaries and similar expenses	426,611	376,192
Employee benefit costs	86,884	83,146
Other staff costs	15,724	15,780
Total	**529,219**	**475,118**

The average number of employees at the Group, by category and gender, was as follows:

	Average number of employees		
	2011		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	1,340	500	1,840
Further education college graduates	1,421	488	1,909
Middle management	1,251	211	1,462
Skilled employees	2,662	612	3,274
Assistants, manual workers and service personnel	2,007	795	2,802
Total	**8,681**	**2,606**	**11,287**

	Average number of employees		
	2010		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	893	471	1,364
Further education college graduates	1,406	481	1,887
Middle management	1,433	216	1,649
Skilled employees	2,677	558	3,235
Assistants, manual workers and service personnel	2,391	950	3,341
Total	**8,800**	**2,676**	**11,476**

Also, the distribution of the workforce, by gender and category, at the end of 2011 and 2010 was as follows:

	No. of employees		
	2011		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	1,326	522	1,848
Further education college graduates	1,367	428	1,795
Middle management	1,250	206	1,456
Skilled employees	2,645	580	3,225
Assistants, manual workers and service personnel	1,982	743	2,725
Total	**8,570**	**2,479**	**11,049**

	No. of employees		
	2010		
Professional category	**Men**	**Women**	**Total**
Management and university graduates	865	442	1,307
Further education college graduates	1,414	490	1,904
Middle management	1,305	210	1,515
Skilled employees	2,685	572	3,257
Assistants, manual workers and service personnel	2,560	977	3,537
Total	**8,829**	**2,691**	**11,520**

c) Other non-recurring losses

The detail of non-recurring losses at 2011 and 2010 year-end relates mainly to termination benefits amounting to EUR 11,710 thousand and EUR 9,893 thousand, respectively, and to other expenses relating to start-up and restructuring costs.

d) Fees paid to auditors

The fees for financial audit services provided to the various companies composing the Group by the principal auditor in 2011 amounted to EUR 914 thousand (2010: EUR 826 thousand).

The fees in this connection of other auditors amounted to EUR 70 thousand in 2011 (2010: EUR 68 thousand).

Also, the fees relating to other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor in 2011 amounted to EUR 59 thousand (2010: EUR 122 thousand), of which EUR 9 thousand related to other attest services (2010: EUR 18 thousand) and the remainder to other services.

21. Financial loss

The detail, by nature, of the financial loss in 2011 and 2010 is as follows:

	€ thousands	
	2011	**2010**
Finance income:		
Income from long-term loans to associates	77	36
Other finance income from third parties	876	433
Exchange gains	—	5,004
Total finance income	**953**	**5,473**
Finance costs:		
Finance costs arising from derivatives transactions (Note 16)	(20,690)	(25,531)
Borrowing costs: syndicated loan (Note 14)	(50,451)	(43,026)
Borrowing costs: participating loan (Notes 15 and 27)	(36,166)	(51,355)
Other finance costs paid to third parties	(5,460)	(5,351)
Exchange differences	(599)	—
Total finance costs	**(113,366)**	**(125,263)**
Total financial loss	**(112,413)**	**(119,790)**

22. Impairment and gains or losses on disposal of non-current assets

The detail of the impairment losses and the gains and losses on asset disposals is as follows:

	€ thousands	
	2011	**2010**
Impairment losses on property, plant and equipment	(60)	20
Impairment losses on goodwill (Note 5)	(18,000)	(13,114)
Total impairment losses	**(18,060)**	**(13,094)**
Disposal or derecognition of intangible assets	(22)	32
Disposal or derecognition of property, plant and equipment	(526)	262
Total disposals	**(548)**	**294**
Provision for amounts payable due to reversion (Notes 15 and 26)	**(4,136)**	**—**
Total, net	**(22,744)**	**(12,800)**

23. Contribution to consolidated loss

The detail of the contribution to the net consolidated loss by the consolidated companies in 2011 and 2010 is as follows:

	2011 - € thousands		
Company	Consolidated profit (loss)	Profit (loss) attributable to non-controlling interests (Note 13)	Total
Applus Technologies Holding, S.L.	(106,084)	—	(106,084)
Applus Servicios Tecnológicos, S.L.U.	2,688	—	2,688
Libertytown USA 1, Inc. subgroup	(4,816)	—	(4,816)
Libertytown USA FINCO, Inc.	(45)	—	(45)
Idiada, CZ	820	—	820
Applus Iteuve Technology, S.L.U. subgroup	20,370	—	20,370
Idiada Automotive Technology, S.A. subgroup	8,950	(1,895)	7,055
Arctosa Holding, B.V. subgroup	(9,590)	95	(9,495)
LGAI Technological Center, S.A. subgroup	(3,848)	189	(3,659)
Applus RTD Norway, AS	427	—	427
Applus Argentina, S.A.	42	—	42
Applus Energy, S.L.U.	(588)	—	(588)
Applus Car Testing Service, Ltd.	2,324	—	2,324
Idiada Automotive Technology UK, Ltd	(41)	—	(41)
Total	**(89,391)**	**(1,611)**	**(91,002)**

	2010 - € thousands		
Company	Consolidated profit (loss)	Profit (loss) attributable to non-controlling interests (Note 13)	Total
Applus Technologies Holding, S.L.	(105,948)	—	(105,948)
Applus Servicios Tecnológicos, S.L.U.	2,828	—	2,828
Libertytown USA 1, Inc. subgroup	(2,868)	—	(2,868)
Libertytown USA FINCO, Inc.	441	—	441
Idiada, CZ	649	—	649
Applus Iteuve Technology, S.L.U. subgroup	29,867	(3,333)	26,534
Idiada Automotive Technology, S.A. subgroup	5,834	(1,115)	4,719
Arctosa Holding, B.V. subgroup	2,530	(60)	2,470
LGAI Technological Center, S.A. subgroup	(1,373)	118	(1,255)
Applus RTD Norway, AS	(676)	—	(676)
Applus Argentina, S.A.	49	—	49
High End CAD/CAE/CAM, S.A	(295)	—	(295)
Applus Energy, S.L.U.	(194)	—	(194)
Applus Car Testing Service, Ltd.	861	—	861
Total	**(68,295)**	**(4,390)**	**(72,685)**

24. Allocation of loss

The proposed allocation of the Parent's net loss for 2011 and 2010 is as follows:

	€ thousands	
	2011	2010
Basis of allocation:		
Loss for the year	(57,356)	(72,661)
	(57,356)	**(72,661)**
Allocation to:		
Prior years' losses	(57,356)	(72,661)
	(57,356)	**(72,661)**

25. Leases

The Group obtained the use of certain assets through finance leases (see Note 7) and operating leases. The most significant operating leases held by the Group relate to the lease of premises and vehicles and to royalties payable.

The expenses incurred by the Group in 2011 in relation to operating leases and royalties amounted to EUR 61,176 thousand (2010: EUR 53,641 thousand).

A similar amount is expected to be incurred in future years in relation to operating leases and royalties, increased mainly in line with the rise in the CPI (leases) and by changes in billings by various Group subsidiaries (royalties).

26. Obligations acquired and other

a) Guarantees and obligations acquired

Applus Servicios Tecnológicos, S.L.U. has provided guarantees totalling EUR 7.7 million to the Catalonia Autonomous Community Government in connection with the incorporation of the investees Idiada Automotive Technology, S.A. and LGAI Technological Center, S.A. (same amount as in 2010).

The aforementioned Group company has also provided guarantees relating to the concession of the vehicle roadworthiness testing service in Ireland amounting to EUR 9.4 million, a guarantee relating to its Mexican subsidiary amounting to EUR 2.5 million and other guarantees amounting to EUR 6.7 million (the same amounts in 2010).

The Group has also provided other guarantees to the Catalonia Autonomous Community Government for the management of the vehicle roadworthiness testing services, amounting to EUR 10 million, primarily to secure payment of the royalty and to guarantee the reversion value of the leased premises in which the companies provide vehicle roadworthiness testing services. The companies that have been granted these guarantees are Applus Servicios Tecnológicos, S.L.U. and Applus Iteuve Technology, S.L.U. for EUR 2.6 million and EUR 7.4 million, respectively. In addition, other guarantees have been provided to the Catalonia Autonomous Community Government amounting to EUR 890 thousand to guarantee a portion of the administrative authorisation system concession obligations and commitments.

On 8 June 2006, the Catalonia Autonomous Community Government requested payment of an additional guarantee, amounting to EUR 3,107 thousand, to secure the reversion of the land on which certain vehicle roadworthiness testing centres are located and on which the companies hold surface rights. The Group recognised a provision for the remaining EUR 2,125 thousand in 2011, together with EUR 2,011 thousand in late-payment interest, in accordance with the best possible estimate of the amount that it will finally have to pay. However, to date it has not yet provided the related guarantees. The Group is currently involved in negotiations with the Catalonia Autonomous Community Government in order to reach an agreement on the proposed timetable for executing the aforementioned guarantees. The total amount recognised in the provision for the reversion of the vehicle roadworthiness testing centres in Catalonia was EUR 16,025 thousand (see Notes 15 and 22).

Various banks have provided guarantees to third parties for the subsidiaries Applus Norcontrol, S.L.U., LGAI Technological Center, S.A. and IDIADA Automotive Technology, S.A. amounting to EUR 14,913 thousand, EUR 3,093 thousand and EUR 5,599 thousand, respectively (2010: EUR 11,624 thousand, EUR 3,656 thousand and EUR 6,364 thousand, respectively). These guarantees were given to companies or public agencies as a provisional or definitive guarantee for the tendering of bids or to secure contracts awarded.

At 31 December 2011, the Group's US subsidiaries had restricted cash deposits amounting to EUR 0.6 million (31 December 2010: EUR 1.1 million) to secure certain contracts executed with the US public authorities.

The subsidiary LGAI Technological Center, S.A. has a contractual agreement with the public LGAI organisation to make a series of investments during the term of the management agreement (until 2023).

The Group also has certain obligations under the financing agreement (see Note 15). These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, compliance with current legislation, etc.; the obligation to refrain from performing certain transactions without the consent of the lender, such as mergers, changes of business activity, assignments, payment of dividends, share redemptions, etc.; and the obligation to achieve certain financial ratios.

The Parent's directors do not expect any material liabilities additional to those recognised in the accompanying consolidated balance sheet to arise as a result of the transactions described in this Note.

b) Contingencies

On 7 July 2010, OCA Inspecció Tècnica de Vehicles, S.A. and OCA Inspecció Tècnica de Vehicles de Catalunya, S.A. filed an appeal for judicial review against Decree 30/2010, of 2 March, approving the development of Catalan Industrial Safety Law 12/2008, of 31 July, and all of Decree 45/2010, of 30 March, approving the territorial plan for new vehicle roadworthiness testing centres in Catalonia for 2010-2014, requesting that certain of the provisions of Decree 30/2010, of 2 March, be rendered null and void.

The Applus Group is also involved in another appeal for judicial review filed by OCA Inspecció Tècnica de Vehicles de Catalunya, S.A. against the decision handed down on 22 June 2010 granting authorisations to Applus Iteuve Technology, S.L.U. and Applus ECA-ITV, S.A. as vehicle roadworthiness testing centre concession holders, and against the decision handed down on 21 July granting an authorisation to Revisions de Vehicles, S.A. as the vehicle roadworthiness testing centre concession holder.

Applus Iteuve Euskadi, S.A.U. filed cassation appeal no. 634/2002 at the Supreme Court against the judgment of the Basque Country High Court of 20 July 2001 in relation to the award of the contract for the management of vehicle roadworthiness inspection services in the Basque Country. The Supreme Court ruled in favour of the company, rendering void the judgment of the Basque Country High Court. In relation to the Supreme Court judgment, two motions seeking a declaration of nullity of proceedings were contested by the company. The first motion was dismissed and the second was upheld. In executing the decision to partially render null and void the proceedings, the Basque Country High Court performed a new assessment of the case and requested the authorities to review the valuation and scoring of all the lots and all the items, not only those covered by the Supreme Court's decision. The authorities issued a new valuation in accordance with the aforementioned ruling of the Basque Country High Court. Applus filed an appeal against the order issued by the Basque Country High Court which was dismissed. Applus has filed a cassation appeal at the Supreme Court.

Applus ITV Technology, S.L.U. has filed an appeal against Royal Decree 93/2007 that establishes a concession authorisation system in the Autonomous Community of the Canary Islands. A decision has yet to be handed down. AECA ITV (SPANISH ASSOCIATION OF ENTITIES WORKING WITH THE GOVERNMENT ON VEHICLE ROAD WORTHINESS TESTING) had also filed an appeal against Royal Decree 93/2007 and obtained a precautionary measure suspending execution of the Royal Decree. The Association has filed a cassation appeal against the Supreme Court's decision in the AECA case. The concession operators' argument is that, in observance of the law, the precautionary measure should remain in place until a final judgment is handed down.

On 21 February 2012, the Supreme Court handed down a decision partially upholding the appeal filed by the General Council of Official Spanish Associations of Technical Industrial Engineers and Specialists against Royal Decree 338/2010, of 19 March, amending the infrastructure regulations for quality and industrial safety approved by Royal Decree 2200/1995, of 28 December, requesting that any individual could obtain the status of inspection body in the area of industrial safety.

A claim was filed against Applus Norcontrol, S.L.U., in relation to a fire at certain facilities certified by the company, and is at the investigative phase. The total amount claimed from the company and other co-defendant companies was EUR 4,649 thousand.

A third party also filed a court claim against Applus Norcontrol, S.L.U. for breach of contract in respect of the contractually stipulated payment of an earn-out based on the profit of one of the company's business lines which was discontinued in 2008. In turn, Applus Norcontrol, S.L.U. filed a claim against the aforementioned third party seeking reimbursement of the payment of the aforementioned earn-out relating to previous years. On 7 December 2010, the Barcelona Court of First Instance handed down a decision dismissing the third party's claims. At the date of these consolidated financial statements, an appeal had been filed by the third party. On 10 January 2011, a judgment was handed down by the Barcelona Court of First Instance dismissing the claim filed by Applus Norcontrol, S.L.U., against which an appeal was filed by the Group.

The Group has also recognised various provisions and tax contingencies, as detailed in Notes 17 and 19.7, respectively.

The Parent's directors consider that the outcome of all above proceedings will not entail additional liabilities in the consolidated financial statements at 31 December 2011. At 2011 year-end, the Parent's directors were unaware of any claims by third parties or any ongoing legal proceedings against the Group, other than those described above, that, in their opinion, could have a material impact on these consolidated financial statements.

27. Related party transactions

Transactions between the Parent and its investees were eliminated on consolidation and are not disclosed in this Note.

Transactions between the Group and its associates and related companies are disclosed below.

Transactions with associates and related companies

In 2011 and 2010 the Group companies performed the following transactions with associates and related parties that do not form part of the Group:

	€ thousands	
	Finance costs (Note 21)	
	2011	2010
Azul Finance, S.à.r.l.	36,166	51,355

	€ thousands	
	Operating expenses and income	
	2011	2010
Velosi Limited, Ltd	3,710	—

Balances with associates and other related parties

The detail of receivables from and payables to associates and other related parties at 31 December 2011 and 2010 is as follows:

	€ thousands	
	Long-term loan and interest (Note 15)	
	2011	2010
Azul Finance, S.à.r.l.	391,715	555,549

	€ thousands	
	Trade receivables, associates	
	2011	2010
Velosi Limited, Ltd	3,710	—

	€ thousands	
	Short-term loans (Note 11)	
	2011	2010
Velosi Limited, Ltd	1,882	—

The balance held with Velosi Limited in 2011, amounting to EUR 3,170 thousand, relates to an account receivable by the Group from the related company through its shareholder Velosi Limited for expenses incurred on its behalf that were rebilled and have not been collected.

28. Disclosures on the Board of Directors and senior executives

Remuneration of and obligations to directors

In 2011 the remuneration and other benefits earned by the members of the Board of Directors of the Parent amounted to EUR 420 thousand (2010: EUR 597 thousand) exclusively in relation to wages and salaries.

One board member has been granted loans amounting to EUR 1,100 thousand (2010 year-end: EUR 1,100 thousand).

The Parent does not have any life insurance or other obligations to its directors.

At 31 December 2011, the Board was composed of eight men and four legal entities represented by men (31 December 2010: eight men and four legal entities represented by men).

Remuneration of and obligations to senior executives

The remuneration paid to the Group's senior executives in 2010 amounted to EUR 3,446 thousand (2010: EUR 2,048 thousand), the detail of which is as follows:

2011

	€ thousands			
	Fixed remuneration	Variable remuneration	Other	Termination benefits
Senior executives	2,431	366	649	—

2010

	€ thousands			
	Fixed remuneration	Variable remuneration	Other	Termination benefits
Senior executives	1,455	426	167	800

No advances or loans have been granted to the members of management team and the Parent does not have any pension or life insurance obligations to them.

At 31 December 2011, the Parent's senior management was composed of eleven men (31 December 2010: 11 men).

In 2011 and 2010 one of the senior executives was also a member of the Board of Directors although his remuneration was included within that of senior executives.

Information relating to conflicts of interest on the part of the directors

It is hereby stated that the directors, their individual representatives and the persons related thereto do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Group or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, except those indicated in Appendix II, that could give rise to a conflict of interest as established in Article 229 of the Spanish Limited Liability Companies Law.

29. Discontinued operations

At 2011 year-end, the Group decided to discontinue the activities carried on by the "Tracker" and Safety business lines that formed part of the vehicle roadworthiness testing division in the USA. The abandonment of these activities was classified as a discontinued operation.

The income, expenses and results of these activities recognised in the income statement were as follows:

Detail of income and expenses from discontinued operations
(Thousands of euros)

	2011
Revenue	9
Staff costs	(1,469)
Other operating expenses	(1,343)
Loss from operations	**(2,803)**
Financial loss	**—**
Loss before tax from discontinued operations	**(2,803)**
Income tax	1,121
Loss for the year from discontinued operations	**(1,682)**

A detail was not provided of the net cash flows for 2011 attributable to discontinued operations since they were scantly representative for the consolidated data as a whole to which these consolidated financial statements refer.

30. Information on the environment

In view of the Group's business activity, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Parent's directors consider that the environmental risks that might arise from its activities are minimal and, in any case, adequately covered, and they do not expect any additional liabilities to arise from the aforementioned risks.

The Group did not incur any expenses or receive any grants related to these risks in 2011 or 2010.

31. The Group as a going concern

The Group has incurred significant losses in recent years. These losses were incurred mainly as a result of the Group's borrowings from banks (see Note 15) and from one of its shareholders (see Note 27), which gave rise to a financial loss of EUR 112,413 thousand in 2011 (2010: EUR 119,790 thousand).

A portion of finance costs in 2011, amounting to EUR 36,166 thousand (2010: EUR 51,355 thousand), related mainly to interest on the loan which is being added to the loan principal and will be paid on maturity and therefore has not entailed any cash outflow for the Group.

In this respect, the Parent's directors prepared these consolidated financial statements in accordance with the going concern principle of accounting, taking into consideration the financial resources available to the Group and the operating, commercial and, particularly, financial actions that might be undertaken in the future.

32. Events after the reporting period

No other significant events took place subsequent to 31 December 2011 which might have a material effect on the accompanying consolidated financial statements.

33. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

This certificate was issued to place on record that the accompanying consolidated financial statements and directors' report for 2011 of the Parent and Investees were authorised for issue by the Board of Directors on 31 March 2012.

Azul Management, S.à.r.l. Represented by Joaquin Coello Brufau Chairman	Pere Gil Sanchis Director
Ernesto Gerardo Mata López Deputy Chairman	Carlos Kinder Espinosa Director
CEP III Participacions S.à.r.l. SICAR (Luxembourg) Represented by Alex Wagenberg Bondarovschi Director	CEP II Participacions S.à.r.l. SICAR Represented by Pedro Esteban Ferrer Director
The Carlyle Group S.à.r.l. (Luxembourg) Represented by Mario Pardo Rojo Director	Christopher Finn Director
Richard Campbell Nelson Director	Fernando Basabe Armijo Director
Jaume Masana Ribalta Director	Josep Piqué Camps Director

Applus Technologies Holding, S.L. and Investees

Consolidated Directors' Report for the year ended 31 December 2011

Prepared by the Parent's directors for the year ended 31 December 2011.

Dear Shareholder,

We are pleased to submit this directors' report on the Group's performance in 2011 and its progress to date for your consideration.

Main risks facing the Group

The main risks facing the Group are those typical of the industries in which it operates.

The policy of the Parent's directors is to approve all decisions deemed appropriate to mitigate all types of risk associated to the business activity of the Applus Group.

Group performance and earnings in 2011

On 5 July 2007, the Parent was incorporated for an indefinite period of time. Since 29 November 2007, Applus Technologies Holding, S.L.U. has been the Parent of the Applus Group.

The Group continued to implement the growth strategy as in recent years and, consequently, various companies engaging in non-destructive testing were acquired in several countries such as the US, Brazil, Australia and certain European countries. Engineering companies were also acquired in Germany.

Future performance and results of the Group

In view of the growth experienced by the Group in recent years due to the inclusion of new companies in consolidation and the organic growth of the existing companies, this growth trend is expected to continue in the future.

The Group continues to analyse possible future acquisitions of companies related to its own activities and is committed to a future increase in income and profit.

Environment

In view of the Group's business activity, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in the notes to the consolidated financial statements.

Employees

No significant events have occurred in this connection since 2011 year-end other than those described in the notes to the accompanying consolidated financial statements.

Events after the reporting period

No events have occurred since 2011 year-end other than those described in the notes to the accompanying consolidated financial statements.

Outlook for the Group

In 2012 the Applus Group will continue to embark on new investments in order to consolidate its position as an international benchmark in both roadworthiness testing and in the inspection, certification and non-destructive testing industries.

Research and development activities

The Applus Group maintains a constant interest in research and development activities, which are carried on through its subsidiary Idiada Automotive Technology, S.A.

Treasury share transactions

No transactions involving treasury shares were performed in 2011. The Group did not hold any treasury shares at 2011 year-end.

Use of financial instruments

The Group enters into derivative financial instruments, mainly interest rate hedges to hedge its cash flows.

At 31 December 2011, interest rate hedges had been entered into for a significant portion of the Group's loans.

The notes to the consolidated financial statements disclose all the hedging instruments entered into by the Group.

Barcelona, 31 March 2012

Azul Management, S.à.r.l.
Represented by
Joaquin Coello Brufau
Chairman

Pere Gil Sanchis
Director

Ernesto Gerardo Mata López
Deputy Chairman

Carlos Kinder Espinosa
Director

CEP III Participacions S.à.r.l. SICAR (Luxembourg)
Represented by
Alex Wagenberg Bondarovschi
Director

CEP II Participacions S.à.r.l. SICAR
Represented by Pedro Esteban Ferrer
Director

The Carlyle Group S.à.r.l. (Luxembourg) Represented by Mario Pardo Rojo
Director

Christopher Finn
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Richard Campbell Nelson
Director

Fernando Basabe Armijo
Director

Jaume Masana Ribalta
Director

Josep Piqué Camps
Director

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