



## 2015 First Half Results Announcement 28 July 2015

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading companies in Testing, Inspection and Certification, today announces the results for the first half year ended 30 June 2015 ("the period").

### Highlights

- Resilient results
- Revenue of €860.4 million up 10.2%
  - +1.5% at constant rates
  - -0.3% organic constant rates
- Adjusted<sup>1</sup> operating profit of €83.1 million up 6.8%
- Adjusted<sup>1</sup> operating margin of 9.7%, down 30 bps
- Adjusted<sup>1</sup> operating cash flow of €24.2 million
- Net Profit €25.9 million up from €5.9 million
- Adjusted<sup>1</sup> earnings per share €0.38 up 34%
- Recent acquisitions performing in line with expectations
- Amendment and Extension of bank debt completed with improved terms

1. Adjusted operating profit, margin, cash flow and earnings per share are stated before amortisation of acquisition intangibles, IPO related costs, restructuring and impairment.

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

*"I am pleased to present results for the first half today that demonstrate the resilience of our business model in the face of a challenging oil and gas market environment. We delivered total revenue growth of over 10% for the half year including flat organic, positive inorganic and a significant currency benefit.*

*The adjusted operating profit margin was down 30 bps in the period resulting in adjusted operating profit growth of nearly 7%. The increase of 34% in the adjusted earnings per share was due to the increase in the adjusted operating profit and the reduced finance costs in the period.*

*We are pleased to report the recent acquisitions are performing well and we remain on the look-out for further opportunities. In the period we also amended and extended our banking facility resulting in improved terms and an extension of the debt maturity.*

*We remain committed to actively managing our position in the current challenging oil and gas environment, with our expectation being that these conditions will persist for the remainder of the year. Outside of oil and gas, we are confident that our businesses will continue to perform well due to favourable end markets and our strong market positions.*



*Overall, and in line with the Board's previous expectations, we expect to deliver revenue this year approximately in-line with last year, on an organic constant currency basis, whilst the Group margin will continue to be under pressure. With the benefit of acquisitions made and current foreign exchange rates, we expect reported revenue to be higher than last year."*

## **Webcast**

There will be an analyst presentation on these results in London today at 9.30 am UK Time (10.30 am CEST). To access the webcast, use the link: <http://edge.media-server.com/m/p/oh427dfn> or via the company website at [www.applus.com](http://www.applus.com) under Investor Relations/Financial Reports. To listen by telephone dial one of the numbers below quoting the access code **6993617**.

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## ***About Applus+ Group***

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

Headquartered in Barcelona, Spain, Applus+ operates in more than 70 countries and employs 20,000 people. Applus+ operates through five global divisions, all of which operate under the Applus+ brand name. For the full year of 2014,



Applus+ recorded revenue of €1,619 million and adjusted operating profit of €158.8 million.

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

**ISIN: ES0105022000**

**Symbol: APPS-MC**

For more information go to [www.applus.com/en](http://www.applus.com/en)

## HALF YEAR REPORT 2015

### Overview of Performance

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

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve month period and is stated at constant exchange rates.

This announcement should be read alongside the Interim Condensed Consolidated Financial Statements at 30 June 2015.

In the table below the adjusted results are presented alongside the statutory results.

EUR Million	H1 2015			H1 2014			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
<b>Revenue</b>	<b>860.4</b>	<b>0.0</b>	<b>860.4</b>	<b>780.8</b>	<b>0.0</b>	<b>780.8</b>	<b>10.2%</b>
<b>EBITDA</b>	<b>108.0</b>	<b>(6.2)</b>	<b>101.8</b>	<b>100.0</b>	<b>(9.3)</b>	<b>90.8</b>	<b>7.9%</b>
<b>Operating Profit</b>	<b>83.1</b>	<b>(31.3)</b>	<b>51.8</b>	<b>77.8</b>	<b>(40.8)</b>	<b>37.0</b>	<b>6.8%</b>
Net financial expenses	(11.0)	0.0	(11.0)	(21.7)	(4.0)	(25.7)	
Share of profit of associates	1.0	0.0	1.0	1.4	0.0	1.4	
<b>Profit Before Taxes</b>	<b>73.1</b>	<b>(31.3)</b>	<b>41.8</b>	<b>57.5</b>	<b>(44.8)</b>	<b>12.7</b>	<b>27.1%</b>
Income tax	(18.2)	7.2	(11.0)	(17.3)	13.4	(3.9)	
Non controlling interests	(4.9)	0.0	(4.9)	(2.9)	0.0	(2.9)	
<b>Net Profit</b>	<b>50.0</b>	<b>(24.1)</b>	<b>25.9</b>	<b>37.3</b>	<b>(31.4)</b>	<b>5.9</b>	<b>34.1%</b>
<b>Earnings per Share in €</b>	<b>0.38</b>		<b>0.20</b>	<b>0.29</b>		<b>0.05</b>	<b>34.1%</b>

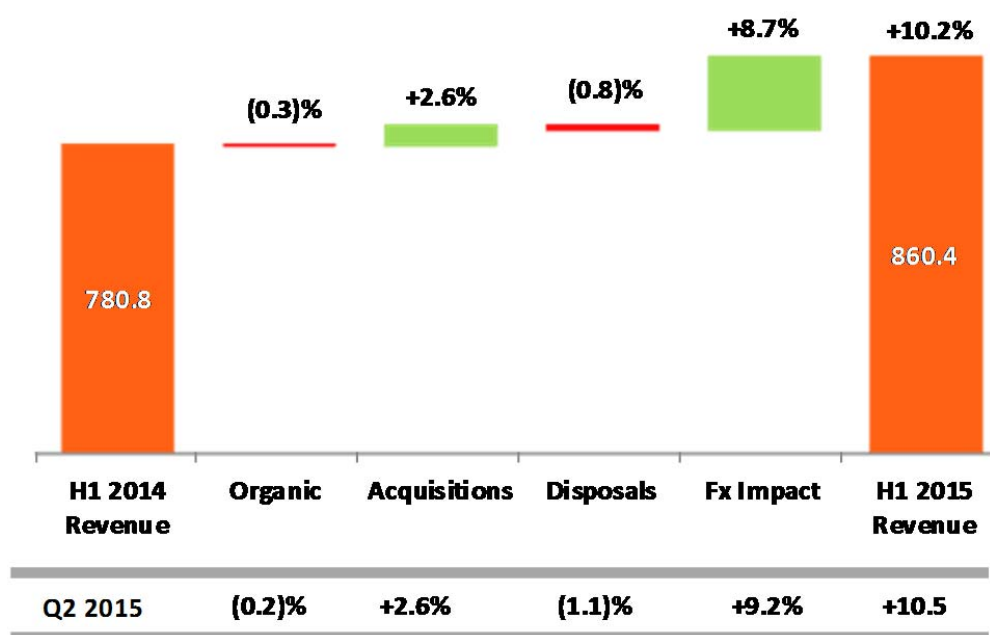
The figures shown in the table above are rounded to the nearest €0.1 million

Other results of €31.3 million (H1 2014: €40.8m) in the Operating Profit represent €6.2 million (H1 2014: €9.3m) for the charge of the historical management incentive plan as disclosed at the IPO (and IPO costs of €7.6m in H1 2014), amortisation of acquisition intangibles of €22.7 million (H1 2014: €22.7m) and other costs that are primarily related to the acquisitions and disposals of €2.5 million (H1 2014: €1.2m). Tax of €7.2 million (H1 2014 €13.4m) relates to the tax impact on Other results.

Revenue increased by 10.2% to €860.4 million in the half year period ended 30 June 2015 compared to the same period in the prior year. Organic revenue was down 0.3%. Revenue growth in the second quarter was slightly stronger than the first quarter at 10.5% versus 9.8% respectively and organic revenue was 0.2% lower in the second quarter versus 0.4% lower in the first.

The increase in revenue for the period came from inorganic revenue growth from the acquisitions announced in 2014 in Chile and North America plus significant foreign currency translation benefit, mainly from the weak euro against the US dollar and a number of other currencies in which the Group has subsidiaries. This growth was partially offset by a small decline in organic revenue plus the effect of the disposal made in 2014 of RTD+ Belgium and in the second quarter of 2015, the disposal of RTD+ France.

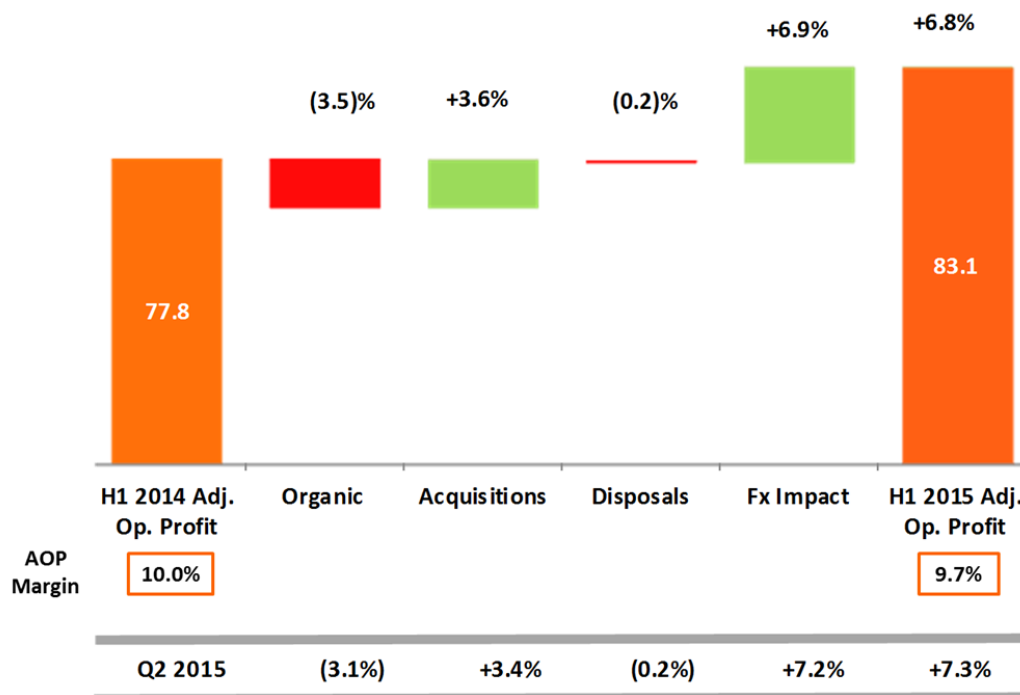
Revenue growth bridge in € million:



Adjusted operating profit increased by 6.8% to €83.1 million in the half year period ended 30 June 2015 compared to the same period in the prior year. Organic adjusted operating profit was down by 3.5%. Adjusted operating profit growth in the second quarter was stronger than the first quarter at 7.3% versus 6.0% respectively and organic adjusted operating profit was down 3.1% in the second quarter versus 4.1% in the first.

The adjusted operating profit margin decreased by 30 bps to 9.7% for the half year period.

Adjusted Operating Profit growth bridge in € million:



The reported operating profit was €51.8 million, compared to €37.0 million in the prior period. The main reason for the increase was the reduction in the one-off costs relating to the IPO last year as well as the increase in adjusted operating profit.

The net financial expense reduced significantly in the period from €25.7 million in the first half of 2014 to €11.0 million this half, following the reduction of debt last year. The banking facility at the end of the half year was amended and extended resulting in immediately improved terms and conditions including a lower interest margin on the cost of debt of 60 bps at the current level of leverage together with an agreed extension on the maturity of the debt facility and financial covenant level.

The effective tax rate on the adjusted operating profit was 21.9% (H1 2014: 22.4%) and on the adjusted profit before tax was 24.9% (H1 2014: 30.2%). The reported tax rate on the reported profit before tax was 26.3% (H1 2014: 30.5%).



The headline adjusted earnings per share was €0.38 which is an increase of 34.1% on the prior year. This was due to the increase in the adjusted operating profit, lower interest and lower tax rate.

The acquisition of the aerospace business in North America announced in the last quarter of last year was closed in this first half.

In May, the Group disposed of Applus+ RTD in France due to it not forming part of the strategic plans of the Group. The business accounted for €5 million in revenue for the full year of 2014.

Capital expenditure on expansion of existing and into new facilities was €22.9 million (H1 2014: €19.1m) which represents 2.7% (H1 2014: 2.4%) of Group revenue.

The adjusted operating cash flow was €24.2 million, down €16.0 million from last year and adjusted free cash flow was €13.5 million down €12.6 million from last year. The main reason for the weaker operating cash flow was an increase in working capital and this is expected to largely recover in the second half of the year.

The net debt position at the end of the half year was €714.9 million as defined by the bank covenants and the financial leverage of the Group measured as Net Debt to last twelve months adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) was 3.3x at the same level as at 31 March 2015.

## **Outlook**

Overall, and in line with the Board's previous expectations, the Group expects to deliver revenue this year approximately in-line with last year, on an organic constant currency basis, whilst the Group margin will continue to be under pressure. With the benefit of acquisitions made and current foreign exchange rates, reported revenue is expected to be higher than last year.

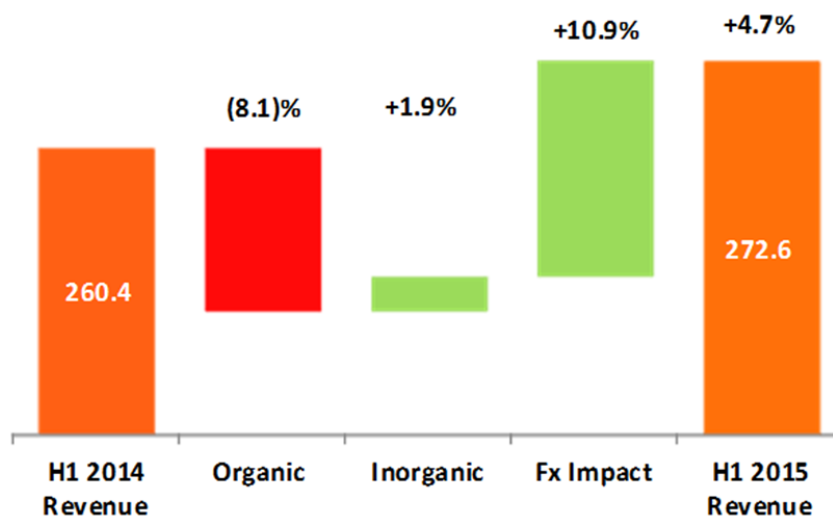
## Operating review by division

### Applus+ RTD

Applus+ RTD is a leading global provider of Non Destructive Testing services to clients in the oil and gas, power utilities, aerospace and civil infrastructure industries. Services and tools provided by the division are to inspect and test the mechanical, structural and materials integrity of critical assets either at the time of construction or when in use, such as pipelines, pressure vessels and storage tanks without causing damage to those assets.

Applus+ RTD grew revenue by 4.7% to €272.6 million and adjusted operating profit by 6.4% to €20.3 million.

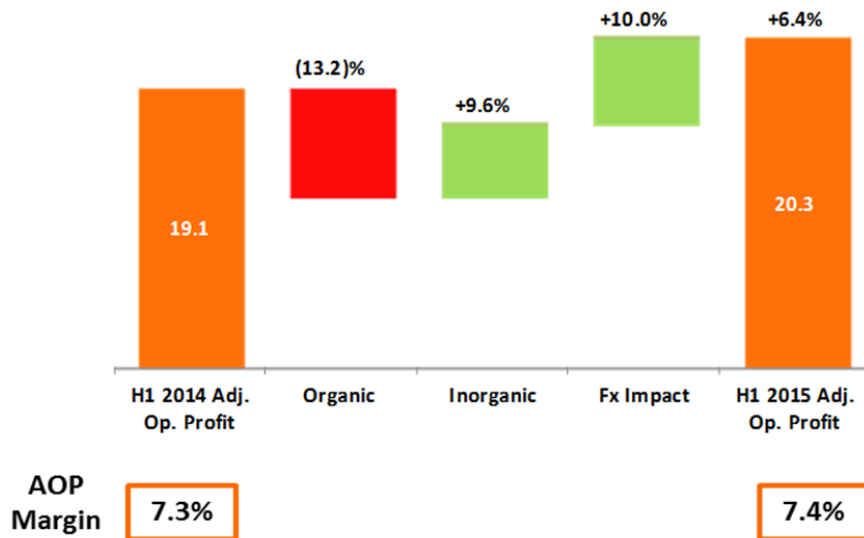
Revenue growth bridge in € million:



At constant exchange rates, organic revenue was 8.1% lower for the period, with a decline of 7.2% in the second quarter following a decline of 9.1% in the first. Inorganic revenue growth of 1.9% for the half year period came from the acquisition that closed at the start of this year, of X-Ray and N-Ray, which provide Non Destructive Testing services to the aerospace industry in North America less the revenue from the disposals of the non-strategic businesses in Belgium in the last quarter of 2014 and France in May 2015. There was a significant foreign currency translation benefit on the period's results which was a result of the weak euro against the US dollar and a number of other currencies in which the division has subsidiaries.



Adjusted Operating Profit growth bridge in € million:



The adjusted operating profit margin increased by 10 bps to 7.4% with an organic margin decline of 40 bps offset by an inorganic margin accretion of 50 bps. The organic margin decline was a result of the fall in revenue and a more competitive pricing environment. This margin pressure has been largely mitigated by the positive effect of cost reductions, including a reduction in headcount by 10% and efficiency measures that are taking hold.

North America, accounting for over half the divisional revenue, was down double digit due to significant reductions in capex spending by customers in the oil and gas segment. Europe, where the division is primarily exposed to operational expenditure, was up mid-single digits on an organic basis. Asia Pacific grew well with two important multi-year contract wins that we expect to help offset wider market weakness in the region. The Middle East, which is otherwise a relatively good market, was down on the prior period due to a gap between the ending of a large contract and the expected re-commencement of the same contract later in the year. In Africa, a major new deep water contract off the west coast commenced that will last into next year.

The downturn in the oil and gas market is having an impact on demand for testing and inspection of energy infrastructure through fewer new capital projects coming to market and the re-assessment of operational support projects. There is no current sign of this abating and therefore, as previously discussed, the Group has taken restructuring measures to align the cost base to the current environment whilst accelerating efforts to win market share and sell services using Applus+ RTD's proprietary products which are designed to save customers time and money.

The outlook for this division remains challenging due to the current oil and gas industry environment and the organic margin will remain under pressure.

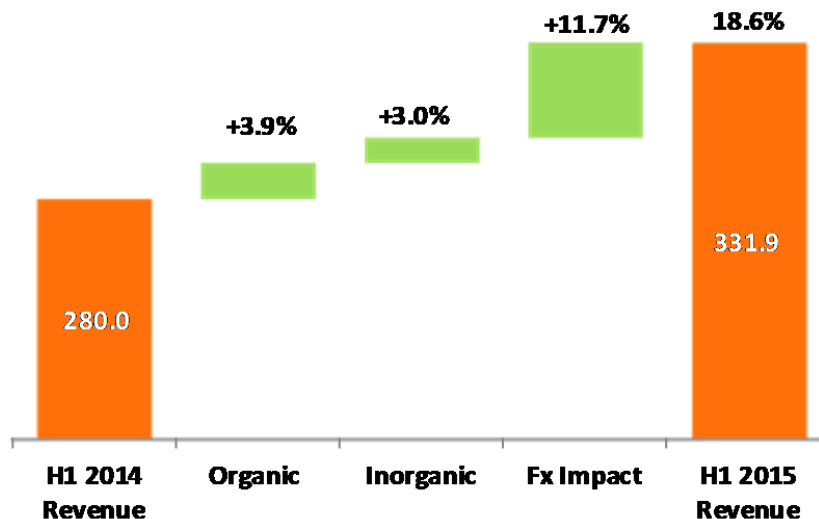
## Applus+ Norcontrol-Velosi

Applus+ Norcontrol-Velosi provides quality assurance and control, testing and inspection, project management, vendor surveillance, site inspection, certification and asset integrity services as well as manpower services to the utilities, telecommunications, oil and gas, minerals and civil infrastructure sectors.

The newly enlarged division was formed by the integration of the Applus+ Norcontrol and Applus+ Velosi divisions from the start of the current year.

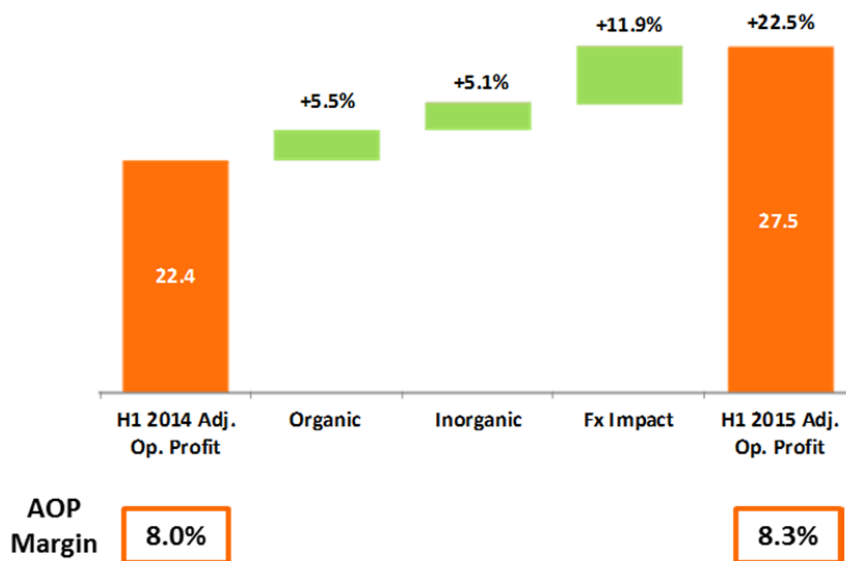
Applus+ Norcontrol-Velosi grew revenue by 18.6% to €331.9 million and adjusted operating profit by 22.5% to €27.5 million.

Revenue growth bridge in € million:



Applus+ Norcontrol-Velosi organic revenue at constant exchange rates grew by 3.9% in the first half. Applus+ Norcontrol had double digit organic revenue growth and Applus+ Velosi was flat. Inorganic growth of 3.0% came from the acquisition of Ingelog in Chile, made in the final quarter of 2014. Ingelog is a supplier of engineering and project management services to the civil and private infrastructure industries in the Latin America region. There was a significant foreign currency translation benefit to the period's results due to the weak euro against the US dollar and a number of other currencies in which the division has subsidiaries.

Adjusted Operating Profit growth bridge in € million:



The adjusted operating profit margin increased by 30 bps to 8.3%. The margin in Applus+ Norcontrol-Velosi was up despite the challenging market conditions in the oil and gas markets that account for 52% of divisional revenue. Outside of oil and gas, there was good profit performance and this was supplemented by cost control measures and improved efficiencies having an impact, as well as a higher margin from the acquisition.

The integration of Applus+ Norcontrol with Applus+ Velosi is supporting the expansion of the division into new markets. Good growth came from operations in Latin America, the Middle East, Africa and Spain. These regions are expected to continue to drive growth in the division, with the combined businesses expected to benefit in particular from the opening up of the Mexican energy market and the more stable energy and other infrastructure investment conditions in the Middle East.

Spain, accounting for close to one fifth of the divisional revenue, continued to perform well at high single digits, benefiting from improved economic growth and increased investment in power and telecoms, where the division is managing build-out and ongoing inspection of the networks.

The regions experiencing the greatest decline at a double digit rate are the North America and Asia Pacific, where following the completion of several contracts, the downturn in the oil and gas market has resulted in fewer new projects.

The outlook for the full year for this division contains the same level of challenging market conditions as for Applus+ RTD for the part that serves the oil and gas industry, whilst for the non oil and gas part of the division the outlook remains positive.

## Applus+ Laboratories

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

Applus+ Laboratories grew revenue by 14.6% to €27.0 million and adjusted operating profit by 46.8% to €2.0 million. There were no acquisitions or disposals in the current or prior period.

<b>Eur Million</b>	<b>H1 2015</b>	<b>H1 2014 Proforma (*)</b>	<b>H1 2014</b>
<b>Revenue</b>	<b>27.0</b>	<b>23.7</b>	<b>23.5</b>
<i>% Change</i>		<b>13.6%</b>	<b>14.6%</b>
<b>Adj. Op. Profit</b>	<b>2.0</b>	<b>1.3</b>	<b>1.4</b>
<i>% Change</i>		<b>57.0%</b>	<b>46.8%</b>
<b>Margin</b>	<b>7.6%</b>	<b>5.5%</b>	<b>5.9%</b>

The figures shown in the table are rounded for clarity of presentation. The percentage changes and margins are calculated from the un-rounded numbers.

\* H1 2014 Proforma is restated at constant exchange rates

Applus+ Laboratories organic revenue growth at constant exchange rates was 10.7% in the first half. The acquisition closed at the start of this year of Arcadia Aerospace, which provides testing services to the aerospace industry in North America and currency growth added 2.9% to revenue.

The adjusted operating profit margin increased significantly, up 170 bps to 7.6%, as a result of the strong growth in revenue across the broad range of business lines and ramping up of new laboratories.

The strong performance in this division is a result of a renewed focus on strategic priorities and core strengths of the business in the current favourable market. The bigger segments of Aerospace, Building Products and Electronic Payment Systems, accounting for 60% of divisional revenue, all grew strongly. The acquisition of Arcadia Aerospace in the USA has been integrated well and is opening up opportunities to develop the aerospace business line further.

The outlook for this division remains good with continued margin improvement expected for the full year.

## Applus+ Automotive

Applus+ Automotive is a leading provider of statutory vehicle inspection services globally. 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. The Group carried out more than 11 million vehicle inspections in 2014 across Spain, Ireland, Denmark, Finland, the United States, Argentina, Chile and Andorra.

Applus+ Automotive grew revenue by 4.0% to €151.7 million and adjusted operating profit fell by 2.1% to €36.5 million. There were no acquisitions or disposals in the current or prior period.

<b>Eur Million</b>	<b>H1 2015</b>	<b>H1 2014 Proforma (*)</b>	<b>H1 2014</b>
<b>Revenue</b>	<b>151.7</b>	<b>150.9</b>	<b>145.9</b>
<i>% Change</i>		<i>0.5%</i>	<i>4.0%</i>
<b>Adj. Op. Profit</b>	<b>36.5</b>	<b>38.3</b>	<b>37.2</b>
<i>% Change</i>		<i>(4.6)%</i>	<i>(1.9)%</i>
<b>Margin</b>	<b>24.1%</b>	<b>25.4%</b>	<b>25.5%</b>

The figures shown in the table are rounded for clarity of presentation. The percentage changes and margins are calculated from the un-rounded numbers.

\* H1 2014 Proforma is restated at constant exchange rates

Applus+ Automotive organic revenue growth at constant exchange rates was 0.5% in the first half.

The adjusted operating profit margin declined 140 bps to 24.1%.

The contract in Ireland, which is the largest contract in the division by revenue, significantly underperformed due to a one-off impact of a capacity constraint during a rush of demand following a change of law resulting in free inspections being provided. The impact on revenue was €3 million in the half year and excluding this one off-effect in Ireland, the division would have grown organic revenue at a low single digit rate with a margin broadly similar to last year.

Revenue from Spain was flat, with growth in Madrid and other regions compensating for the new competition permitted in the Canary Islands as well as the tariff change in Alicante.

In the USA, the contracts performed well with some small wins in the period. The re-tender process for the Illinois contract that ends in October of next year has



commenced and it is anticipated the outcome will be known by year end. Latin America recorded good revenue growth in the period with Chile continuing the transition to the new contracts and in Argentina a new contract for two stations has been won that will commence in the second half of next year.

The businesses in Denmark and Finland continue to experience tough competition.

The outlook for this division is positive, with the second half revenue and adjusted operating profit expected to be similar to last year.

### Applus+ IDIADA

Applus+ IDIADA provides services to the world's leading vehicle manufacturers. These include safety and performance testing, engineering services and homologation (Type Approval). The Group also operates what it believes is the world's most advanced independent proving ground near Barcelona and has a broad client presence across the world's car manufacturers.

Applus+ IDIADA grew revenue by 8.6% to €77.1 million and adjusted operating profit by 4.8% to €10.4 million. There were no acquisitions or disposals in the current or prior period.

<b>Eur Million</b>	<b>H1 2015</b>	<b>H1 2014 Proforma (*)</b>	<b>H1 2014</b>
<b>Revenue</b>	<b>77.1</b>	<b>71.9</b>	<b>71.0</b>
<i>% Change</i>		<i>7.2%</i>	<i>8.6%</i>
<b>Adj. Op. Profit</b>	<b>10.4</b>	<b>9.9</b>	<b>10.0</b>
<i>% Change</i>		<i>5.1%</i>	<i>4.8%</i>
<b>Margin</b>	<b>13.5%</b>	<b>13.8%</b>	<b>14.0%</b>

The figures shown in the table are rounded for clarity of presentation. The percentage changes and margins are calculated from the un-rounded numbers.

\* H1 2014 Proforma is restated at constant exchange rates

Applus+ IDIADA organic revenue growth at constant exchange rates was 7.2% in the first half.

The adjusted operating profit margin decreased by 50 bps to 13.5% due mainly to the increased depreciation following a step-up in investment in the laboratories and facilities at the site in Tarragona as well as some negative currency impact on the margin and a slightly less profitable mix in revenue.



Revenue growth came from a good performance from the business' leading market position and increased investments to take advantage of favourable market conditions in the auto industry. Homologation and Body & Passive Safety grew at double digits across a broad spectrum of customers. Chassis & Powertrain also grew well with the latest technology in advanced driver aid systems (ADAS) bringing increased testing and development to the division.

The proving ground being built in China that Applus+ IDIADA will operate under contract is on track and is expected to be operational from the middle of 2016. This will accelerate the divisions' expansion into Asia. Other regions performed well including an expansion in the UK facilities in the fast growing area of automotive electronics.

The outlook for the division remains positive and the growth trend should continue due to healthy underlying markets and a strong market position.

End of 2015 Half Year Results Announcement. This summary announcement is a translation of the Spanish version which is extracted from the Interim Condensed Consolidated Financial Statements at 30 June 2015 and as filed with the Spanish regulator, Comisión Nacional del Mercado de Valores (CNMV). In cases of discrepancy, the Spanish version filed with the CNMV will prevail.