Applus Services, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2018,
and Consolidated Director's Report
together with Independent Auditor's Report

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 31). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Avda. Diagonal, 654
08034 Barcelona
España

Tel: +34 932 80 40 40
www.deloitte.es

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 in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Applus Services, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Applus Services, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and other intangible assets	
Description	**Procedures applied in the audit**
Notes 4 and 5 to the accompanying consolidated financial statements describe the goodwill and other intangible assets allocated to each of the cash-generating units (CGUs) identified by Group management, amounting to EUR 591.3 million and EUR 518.9 million, respectively, at 31 December 2018. These assets were primarily recognised in business combinations carried out by the Group in prior years. Also, the various CGUs identified correspond to the various business units managed by the Group (Energy & Industry, Automotive, IDIADA and Laboratories) in each of the defined geographical areas in which it carries on its activity. If there are any indications of impairment, and at least at each year-end, Group management tests these assets for impairment using discounted cash flow-based valuation techniques to determine the recoverable amount thereof. The performance of this impairment test was considered to be a key matter in our audit, given the magnitude of these assets and that management's assessment in this respect is an estimation process that includes a high level of judgements and assumptions, such as the setting of sales and expenses growth rates expected to be experienced by the various	Our audit procedures to address this matter included mainly: The assessment of the reasonableness of the cash flow projections and of the discount rates by conducting a critical analysis of the key assumptions of the models used. In particular, we compared the revenue growth rates with the latest approved strategic plans and budgets, reviewing them for consistency with the historical information on the market situation, and we also assessed management's historical accuracy in the budgeting process. The assessment of the reasonableness of the discount rates applied for each business and geographical area, taking into consideration the cost of capital of the Group and of comparable organisations, as well as perpetuity growth rates, among others. The assessment of the sensitivity analyses, stressing those assumptions to which the impairment test is most sensitive, i.e. those with the greatest effect on the determination of the recoverable amount of the assets. The involvement of internal business valuation experts to assess the reasonableness of the models and key assumptions used by the Applus Group.

Impairment of goodwill and other intangible assets	
Description	**Procedures applied in the audit**
CGUs, investments in non-current and current assets, as well as other assumptions obtained from the Group's strategic plan. Also, a discount rate is determined by taking into account the economic situation in general and that of each CGU in particular, on the basis of the risks specific to the various countries and to the business carried on.	Lastly, we also assessed whether Notes 3-d and 6 to the accompanying consolidated financial statements contain the disclosures required by the applicable accounting regulations relating to the impairment tests on those assets and, in particular, the detail of the main assumptions used, as well as a sensitivity analysis of changes in the key assumptions used in the tests performed.

Recovery of deferred tax assets

Description

Note 20-c details the deferred tax assets amounting to EUR 66.7 million that are recognised in the consolidated statement of financial position at 2018 year-end, corresponding to tax losses, tax credits and temporary differences amounting to EUR 38.4 million, EUR 12.4 million and EUR 15.9 million, respectively. Of this total, EUR 36.7 million relate to the Spanish tax group and EUR 30 million are from foreign subsidiaries.

In addition, as indicated in Note 20-c, the Group has unrecognised deferred tax assets corresponding to tax losses and tax credits amounting to EUR 99.3 million and EUR 56.7 million, respectively.

At the end of each reporting period, Group management assesses the recoverability of the tax assets recognised based on projections of future taxable profits in a timeframe of no more than ten years, taking into account the legislation of each tax jurisdiction in which the Group operates, legislative changes and the most recent business plans approved for the various business divisions and geographical areas. We identified this matter as key in our audit, since the assessment of the recoverability of these assets requires a significant level of judgement, largely in connection with the projections of business performance.

Procedures applied in the audit

Our audit procedures to address this matter included, among others:

The evaluation of the methodology and assumptions applied by the Group and, in particular, those related to the growth of sales and expenses that determine the projection of future taxable profits in each tax jurisdiction.

The assessment of the consistency of the assumptions taking into account both historical information and the market situation and the tax legislation applicable in each jurisdiction, involving internal tax experts in those geographical areas in which the Group has the most significant amounts of deferred tax assets. We also reviewed the consistency of the models with the financial information used by Group management in performing the impairment test on goodwill and other intangible assets and the sensitivity analyses, stressing those assumptions that have the greatest effect on determining the recoverable amount of the tax assets.

The assessment of the historical accuracy of management in the process of preparing projections of tax bases, comparing the actual figures for the year with the projections made in the preceding year.

Lastly, we also verified that the disclosures required by the applicable accounting regulations are included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3-p and 20 to the consolidated financial statements.

Provisions for tax and litigation

Description

The Group operates in multiple tax and legal jurisdictions worldwide and, therefore, is subject to a wide variety of specific, sometimes complex, laws and regulations.

Note 17 includes a detail of the specific provisions for tax, legal matters, litigation and claims recognised at 31 December 2018, together with other disclosures related to these items.

At the end of each reporting period Group management assesses the need for and sufficiency of the aforementioned provisions, taking into consideration the available information and the circumstances prevailing at any given time. In this process, Group management has the support of external advisers engaged for this purpose. The determination of the amounts recognised and the disclosures included in the notes to the consolidated financial statements involve a high level of estimates, judgements and assumptions due to uncertainties about the range of possible resolutions of litigation and claims in process and, therefore, this matter was considered to be a key audit matter.

Procedures applied in the audit

Our audit procedures to address this matter included, among others, the obtainment, through direct confirmation processes, of the assessment carried out by the Group's external advisers for each significant lawsuit or claim in process, the obtainment of the assessment by the Group's legal and tax departments and the obtainment of all available information relating to each significant lawsuit or claim. In the course of our work, we assessed, for all significant lawsuits and claims, the reasonableness of the provisions recognised by involving our experts in each subject matter and in each applicable jurisdiction.

Lastly, we also verified that the disclosures required by the applicable accounting regulations are included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3-j, 17, 20-f and 27 to the consolidated financial statements.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the non-financial information described in section a) above is presented in the separate "Corporate Social Responsibility Report" report to which a reference is included in the consolidated directors' report, that the information in the ACGR, discussed in the aforementioned section, is included in the consolidated director's report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 9 and 10 of this document, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 22 February 2019.

Engagement Period

The Annual General Meeting held on 31 May 2018 appointed us as the Group's auditors for a period of one year from the year ended 31 December 2017, i.e. for 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2007 and, therefore, since the year ended 31 December 2014, the year in which the Parent became a Public Interest Entity.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ana Torrens Borrás
Registered in ROAC under no. 17762

22 February 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Thousands of Euros)

ASSETS	Notes	31/12/2018	31/12/2017
NON-CURRENT ASSETS			
Goodwill	4	591,338	554,861
Other intangible assets	5	518,861	581,897
Property, plant and equipment	7	220,574	210,396
Investments accounted for using the equity method		724	3,007
Non-current financial assets	8	27,520	8,790
Deferred tax assets	20.c	66,738	71,933
Total non-current assets		1,425,755	1,430,884
CURRENT ASSETS			
Non-current assets held for sale	2.e.3.1	-	11,750
Inventories	9	8,140	8,146
Trade and other receivables-			
Trade and other receivables	10	374,418	343,248
Trade receivables from related companies	10 & 28	72	3,969
Other receivables	10	16,513	20,678
Corporate income tax assets	20.b	19,024	20,039
Other current assets		11,532	11,284
Current financial assets	11	9,698	24,846
Cash and cash equivalents		132,318	129,211
Total current assets		571,715	573,171
TOTAL ASSETS		1,997,470	2,004,055

EQUITY AND LIABILITIES	Notes	31/12/2018	31/12/2017
EQUITY			
Share capital and reserves-			
Share capital	12.a	13,070	13,070
Share premium	12.b	449,391	449,391
Retained earnings and other reserves		304,018	290,484
Profit / (Loss) for the year attributable to the Parent		41,208	35,582
Treasury Shares	12.c	(3,405)	(1,186)
Valuation adjustments-			
Foreign currency translation reserve	12.e	(48,079)	(43,735)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		756,203	743,606
NON-CONTROLLING INTERESTS	13	54,682	51,357
Total Equity		810,885	794,963
NON-CURRENT LIABILITIES			
Long-term provisions	17 & 27.b	23,364	17,258
Obligations and bank borrowings	14	606,461	597,519
Other financial liabilities	15	24,532	27,349
Deferred tax liabilities	20.d	151,015	161,992
Other non-current liabilities	18	37,076	33,034
Total non-current liabilities		842,448	837,152
CURRENT LIABILITIES			
Short-term provisions		1,788	1,074
Obligations and bank borrowings	14	9,983	29,385
Trade and other payables	19	307,936	307,709
Trade payables from related companies	19 & 28	3	521
Corporate income tax liabilities	20.b	14,798	12,066
Other current liabilities	18	9,629	21,185
Total current liabilities		344,137	371,940
TOTAL EQUITY AND LIABILITIES		1,997,470	2,004,055

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of financial position as at 31 December 2018.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2018

(Thousands of Euros)

	Notes	2018	2017
CONTINUING OPERATIONS			
Revenue	21.a	1,675,942	1,583,094
Procurements		(159,242)	(180,926)
Staff costs	21.b	(919,205)	(861,574)
Other operating expenses		(379,524)	(356,986)
Operating Profit Before Depreciation, Amortization and Others		**217,971**	**183,608**
Depreciation and amortization charge	5 & 7	(106,334)	(94,381)
Impairment and gains or losses on disposal of non-current assets		(2,231)	1,192
Other results	21.c	(4,646)	(8,264)
OPERATING PROFIT		**104,760**	**82,155**
Financial Result	22	(21,229)	(21,468)
Share of profit of companies accounted for using the equity method		13	647
Profit / (Loss) before tax		**83,544**	**61,334**
Corporate income tax	20	(23,350)	(15,728)
Net Profit / (Loss) from continuing operations		**60,194**	**45,606**
PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX		-	-
NET CONSOLIDATED PROFIT / (LOSS)		**60,194**	**45,606**
Profit / (Loss) attributable to non-controlling interests	13	18,986	10,024
NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT		**41,208**	**35,582**
Profit / (Loss) per share (in euros per share)			
- Basic	12.d	**0.288**	**0.267**
- Diluted		**0.288**	**0.267**

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of profit or loss for 2018.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018

(Thousands of Euros)

	Share capital	Share premium	Retained earnings and other reserves	Profit / (loss) for the year attributable to the Parent	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total equity
Balance at 31/12/2016	**11,770**	**313,525**	**300,156**	**19,542**	**(2,837)**	**(29,062)**	**44,500**	**657,594**
Changes in the scope of consolidation	-	-	(14,598)	-	-	-	5,997	**(8,601)**
Allocation of 2016 profit	-	-	19,542	(19,542)	-	-	-	-
Dividends paid	-	-	(16,902)	-	-	-	(7,136)	**(24,038)**
Treasury shares	-	-	2,834	-	1,651	-	-	**4,485**
Capital increase	1,300	135,866	(1,717)	-	-	-	-	**135,449**
Other changes	-	-	1,169	-	-	-	(62)	**1,107**
2017 comprehensive income	-	-	-	35,582	-	(14,673)	8,058	**28,967**
Balance at 31/12/2017	**13,070**	**449,391**	**290,484**	**35,582**	**(1,186)**	**(43,735)**	**51,357**	**794,963**
Impact of IFRS 9 adoption	-	-	(4,514)	-	-	-	-	**(4,514)**
Balance at 01/01/2018	**13,070**	**449,391**	**285,970**	**35,582**	**(1,186)**	**(43,735)**	**51,357**	**790,449**
Changes in the scope of consolidation	-	-	(694)	-	-	-	(978)	**(1,672)**
Allocation of 2017 profit	-	-	35,582	(35,582)	-	-	-	-
Dividends paid	-	-	(18,592)	-	-	-	(14,818)	**(33,410)**
Treasury shares	-	-	(328)	-	(2,219)	-	-	**(2,547)**
Other changes	-	-	2,080	-	-	-	(125)	**1,955**
2018 comprehensive income	-	-	-	41,208	-	(4,344)	19,246	**56,110**
Balance at 31/12/2018	**13,070**	**449,391**	**304,018**	**41,208**	**(3,405)**	**(48,079)**	**54,682**	**810,885**

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of changes in equity for 2018.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018

(Thousands of Euros)

	2018	2017
NET CONSOLIDATED PROFIT:	**60,194**	**45,606**
1. Other comprehensive income:		
a) Items that will not be transferred to profit or loss	-	-
b) Items that could be transferred to profit or loss:		
Exchange differences on translating foreign operations	(4,084)	(16,639)
2. Transfers to the statement of profit or loss:	-	-
Other comprehensive result	**(4,084)**	**(16,639)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**56,110**	**28,967**
Total comprehensive income for the year attributable to:		
- The Parent	36,864	20,909
- Non-controlling interests	19,246	8,058
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**56,110**	**28,967**

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of comprehensive income for 2018.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018

(Thousands of Euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from operating activities before tax		**83,544**	**61,334**
Adjustments of items that do not give rise to operating cash flows			
Depreciation and amortisation charge	5 & 7	106,334	94,381
Changes in provisions and allowances		(1,954)	501
Financial result	22	21,229	21,468
Share of profit of companies accounted for using the equity method		(13)	(647)
Gains or losses on disposals of intangible and tangible assets		2,231	(1,192)
Profit from operations before changes in working capital (I)		**211,371**	**175,845**
Changes in working capital			
Changes in trade and other receivables		(27,702)	11,517
Changes in inventories	9	6	(84)
Changes in trade and other payables		(584)	(15,910)
Cash generated by changes in working capital (II)		**(28,280)**	**(4,477)**
Other cash flows from operating activities			
Other payments	17.b	-	(1,980)
Corporate Income tax payments		(23,952)	(32,498)
Cash flows from operating activities (III)		**(23,952)**	**(34,478)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)		**159,139**	**136,890**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Business combination		3,818	5,559
Payments due to acquisition of subsidiaries and other non-current financial assets		(43,762)	(95,932)
Proceeds from disposal of subsidiaries		935	11,857
Payments due to acquisition of intagible and tangible assets		(51,335)	(59,032)
Net cash flows used in investing activities (B)		**(90,344)**	**(137,548)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Equity shares		-	137,166
Payments for share issue costs		-	(2,234)
Interest received		2,510	1,339
Interest paid		(10,056)	(17,098)
Net changes in non-current financing (proceeds and payments)		(14,425)	(123,864)
Net changes in current financing (proceeds and payments)		(8,511)	(16,385)
Dividends		(18,591)	(16,902)
Dividends paid by Group companies to non-controlling interests		(14,313)	(7,969)
Net cash flows used in financing activities (C)		**(63,386)**	**(45,947)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (D)		**(2,302)**	**(12,408)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**3,107**	**(59,013)**
Cash and cash equivalents at beginning of year		**129,211**	**188,224**
Cash and cash equivalents at end of year		**132,318**	**129,211**

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2018.

CONTENTS Page

Consolidated statement of financial position as at 31 December 2018

Consolidated statement of profit or loss for 2018

Consolidated statement of comprehensive income for 2018

Consolidated statement of changes in equity for 2018

Consolidated statement of cash flows for 2018

Explanatory notes to the consolidated financial statements for 2018

1. GROUP ACTIVITIES 4
2. BASIS OF PRESENTATION AND BASIS OF CONSOLIDATION 5
3. ACCOUNTING AND VALUATION POLICIES 16
4. GOODWILL 29
5. OTHER INTANGIBLE ASSETS 31
6. IMPAIRMENT OF ASSETS 36
7. PROPERTY, PLANT AND EQUIPMENT 40
8. NON-CURRENT FINANCIAL ASSETS 43
9. INVENTORIES 43
10. TRADE RECEIVABLES FOR SALES AND SERVICES, TRADE RECEIVABLES FROM RELATED COMPANIES AND OTHER RECEIVABLES 44
11. CURRENT FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS 45
12. EQUITY 46
13. NON-CONTROLLING INTERESTS 48
14. OBLIGATIONS AND BANK BORROWINGS 49
15. OTHER NON-CURRENT FINANCIAL LIABILITIES 52
16. FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS 52
17. NON-CURRENT PROVISIONS 54
18. OTHER CURRENT AND NON-CURRENT LIABILITIES 56
19. TRADE AND OTHER PAYABLES 56

20. CORPORATE INCOME TAX 58
21. OPERATING INCOME AND EXPENSES 62
22. FINANCIAL RESULT 65
23. INFORMATION ON THE ENVIRONMENT 65
24. PROPOSAL OF ALLOCATION OF PROFIT/LOSS 65
25. SEGMENTED INFORMATION 65
26. OPERATING LEASES 68
27. OBLIGATIONS ACQUIRED AND CONTINGENCIES 69
28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES 70
29. DISCLOSURES ON THE BOARD OF DIRECTORS AND THE SENIOR EXECUTIVES 72
30. EVENTS AFTER THE REPORTING PERIOD 75
31. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH 75

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 31). In the event of a discrepancy, the Spanish-language version prevails.

Applus Services, S.A.
and Subsidiaries

Notes to the Consolidated Financial Statements
for the year ended 31 December 2018

1. Group activities

Applus Services, S.A. (formerly Applus Technologies Holding, S.L. hereinafter -"the Parent" or "the Company"-) has been the Parent of the Applus Group ("Applus Group" or "the Group") since 29 November 2007. The Parent Company has its registered office in calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, in Madrid.

The Parent's Company purpose is as follows:

- To provide services in relation to the transport sector and vehicle and highway safety (engineering processes, design, testing, approval and certification of used cars), as well as technical inspections in sectors other than the automotive sector, with a blanket exclusion of activities that are covered by special legislation.

- The technical audits of all types of installations for technical inspection or control of vehicles located anywhere in Spain or abroad, as well as any other type of technical inspection other than vehicles.

- The production and execution of studies and projects in relation to the previously mentioned activities: economic, industrial, property, information technology, market surveys and research, as well as the supervision, direction and provision of services and advice in the execution thereof. Provision of services, advice, administration, operation and management, whether technical, fiscal, legal or commercial.

- Business intermediation services, both locally and abroad.

- To provide all types of inspection services and quality and quantity control, regulatory inspection, collaboration with administration, consultancy, audit, certification, approval, personnel training and qualification, and technical assistance in general in order to improve the organization and management of quality, safety and environmental aspects.

- To carry out studies, works, measurements, tests, analyses and controls, in laboratories or in situ, and such other professional methods and actions considered necessary or advisable, in particular those related to manufacturing materials, equipment, products and installations, in the fields of mechanics, electricity, electronics and information technology, transport and communications, administrative organization and office automation, mining, food, environment, construction and civil works, performed during the stages of design, planning, manufacturing, construction and assembly and commissioning, maintenance and production for all types of companies and entities, both public and private, as well as before the Central State Administration, the Administrations of Autonomous Communities, Provinces and Municipalities, and all types of agencies, institutions and users, whether within the country or abroad.

- The purchase, holding and administration, whether direct or indirect, of shares, corporate interests, quota shares and any other form of holding or interest in the capital and/or securities granting right to the obtaining of shares, corporate interests, quota shares, or other holdings or interests in companies of any type, with or without legal personality, established in accordance with Spanish law or any other applicable legislation, in accordance with Article 108 of the Law 27/2014, of 27 November 2014, on Corporate Income Tax, or by such legislation as may replace it, as well as the administration, management and guidance of such companies and entities, whether directly or indirectly, by means of the membership, attendance and holding of positions on any governing and management bodies of such companies or entities, carrying out the described advisory, management and guidance services making use of the corresponding organization of material and personnel means. An exception is made for those activities expressly reserved by law for Collective Investment Institutions, as well as for that expressly reserved by the Securities Market Act for investment service companies.

The activities may be carried out either directly by the Company or through the ownership of shares or equity interest in other companies with an identical or related purpose, including the carrying out of all its activities in an indirect manner, therefore acting solely as a holding company.

All activities for which the law establishes special requirements that cannot be carried out by the Company are excluded from the corporate purpose. Should legal provisions require a professional qualification, administrative authorization, or registration with a public registry to be able to perform any of the activities included in the corporate purpose, such activities must be performed by persons who hold such professional qualifications, and such tasks shall not be able to commence until the administrative requirements have been met.

The Parent's shares have been listed on the stock market since 9 May 2014.

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.

In view of the business activities carried out on by the Parent Company and its subsidiaries, 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 financial statements.

2. Basis of presentation and basis of consolidation

2.a Basis of presentation of the consolidated financial statements

a) Basis of presentation

These consolidated financial statements for 2018 were approved by the Parent's Directors at the Board of Directors Meeting held on 20 February 2019. The 2018 consolidated financial statements of the Group and the 2018 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. The Parent's Board of Directors considers that these financial statements will be approved without any changes. The Group's consolidated financial statements for 2017 were approved by the shareholders at the Parent's Annual General Meeting of 31 May 2018.

The Parent's Directors have prepared the Applus Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), 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 Companies Act and other Spanish corporate law applicable to the Group.

These consolidated financial statements for 2018 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 consolidated equity, the consolidated financial position, the consolidated results of the Group, the changes in consolidated equity and the consolidated cash flows under EU-IFRSs and the other rules contained in the regulatory financial reporting framework applicable to the Group.

The accounting policies used to prepare these consolidated financial statements comply with all the EU-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.

b) *Comparative information*

The information relating to 2018 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2017.

c) *Responsibility for the information and use of estimates*

The Parent's Directors are responsible for the information included in these consolidated financial statements in accordance with the applicable regulatory financial reporting framework (see section a) above) and for the internal control measures that they consider necessary to ensure the consolidated financial statements do not have any material misstatement.

In the Group's consolidated financial statements for 2018, estimates were made by the Group Management, later ratified by their Directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate mainly to the following:

- The measurement of goodwill (see Notes 3.a and 4)
- The impairment losses on certain assets (see Notes 3.d and 6)
- The recovery of deferred tax assets (see Note 20)
- The useful life of the property, plant and equipment and intangible assets (see Notes 3.b and 3.c)
- The assumptions used in measuring the recoverable amount of the financial instruments and the assets and liabilities in the business combinations (see Notes 3.e and 3.k)
- Income from pending to be billed services (see Note 3.q)
- Provisions and contingent liabilities (see Notes 3.j, 17 and 27)
- Corporate income tax and deferred tax assets and liabilities (see Note 20)

Although these estimates were made on the basis of the best information available as of 31 December 2018 on the events analysed, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in the 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 the related consolidated statement of profit or loss or consolidated statement of changes in equity, as appropriate.

d) Presentation and functional currency

These consolidated financial statements are presented in thousands of euros, since this is the currency of the Parent and of the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies described in Note 3.o.

e) Changes in accounting policies

In preparing the accompanying consolidated financial statements no changes in accounting policies were identified that would have made it necessary to restate the amounts included in the consolidated financial statements for 2017.

f) Materiality

When determining the information to be disclosed in these notes to the consolidated financial statements on the various line items in the consolidated financial statements or on other matters, the Group took into account the materiality principle.

2.b Basis of consolidation and changes in the scope of consolidation

a) Subsidiaries

Subsidiaries are those entities over which the Applus Group directly or indirectly controls the financial and operating policies, exercises power over the relevant activities, maintains exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. The subsidiaries are consolidated from the date on which control is transferred to the Applus Group and are excluded from consolidation on the date that control ceases to exist. Appendix I discloses the most significant information about these entities.

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 is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the net assets and liabilities recognised.

In addition, 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 statement of financial position (see Note 13).

- The profit for the year is presented under "Profit Attributable to Non-Controlling Interests" in the consolidated statement of profit or loss (see Note 13).

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 was negative, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

Investments in associates accounted for using the equity method were not material at 31 December 2018. At that date, the Group only held an ownership interest of 30% in the investee Velosi (B) Sdn Bhd, domiciled in Brunei, the assets, liabilities, revenue and profit or loss of which were not significant.

c) Changes in accounting policies and in disclosures of information effective in 2018

In 2018 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, with no significant impact on the presentation here of and disclosures herein:

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
Approved for use in the European Union:		
IFRS 15, Revenue from Contracts with Customers (issued in May 2014)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9, Financial Instruments (issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	1 January 2018
Clarifications to IFRS 15 (issued in April 2016)	Focus on identifying performance obligations, principal versus agent considerations, licensing and determining whether a license is satisfied at a specific point in time or over time, as well as certain clarifications to the transition requirements.	1 January 2018
Amendments to IFRS 4, Insurance Contracts (issued in September 2016)	Provide entities within the scope of IFRS 4 with the option of applying IFRS 9 or the temporary exemption therefrom.	1 January 2018
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (issued in June 2016)	These are limited amendments that clarify specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payment transactions with a net settlement feature and certain issues relating to modifications of the type of share-based payment arrangement.	1 January 2018

Amendments to IAS 40, Reclassification of Investment Property (issued in December 2016)	The amendments clarify that transfers to, or from, investment property will only be possible when there is evidence of a change in use.	1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued in December 2016)	This interpretation establishes "the date of the transaction" for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency.	1 January 2018
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016)	Minor amendments to a series of standards (various effective dates, one of which was 1 January 2017).	1 January 2018

IFRS 15 Revenue from Contracts with Customers

In 2018 the Group adopted IFRS 15, the financial reporting standard on the recognition of revenue from contracts with customers, applicable for reporting periods beginning on or after 1 January 2018. The requirements of IFRS 15 establish that an entity must recognises revenue in such away as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard establishes a revenue recognition approach based on five steps:

· Step 1: Identify the contract(s) with a customer.

· Step 2: Identify the performance obligations in the contract.

· Step 3: Determine the transaction price.

· Step 4: Allocate the transaction price to the performance obligations in the contract.

· Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Parent's Directors have performed an analysis of the requirements of IFRS 15 and of the internal revenue recognition policy based on an analysis of the different types of contracts under which it operates in its four operating segments: Applus+ Energy & Industry, Applus+ Laboratories, Applus+ Automotive and Applus+ IDIADA (see Note 3.q).

Based on the work performed, management considered that the timing of revenue recognition for each of the identified performance obligations is consistent with the Group's current practice and, accordingly, the application of IFRS 15 did not have any impact on the entity's financial position or results.

IFRS 9 Financial Instruments

In 2018 the Group applied IFRS 9 which replaces IAS 39, affecting both financial assets and financial liabilities, in three main phases: (i) Classification and measurement; (ii) impairment methodology; and (iii) hedge accounting, for annual periods beginning on or after 1 January 2018. The most significant conclusions drawn from the assessment made regarding the possible effects on the Group are as follows:

The new financial asset classification approach is based on the contractual cash flow characteristics of the assets and on the Group's business model. Based on these characteristics, all financial assets are classified into the following measurement categories: (i) amortised cost; (ii) fair value through other comprehensive income (equity); or fair value through profit or loss. The analysis conducted at the end of 2018 did not give rise to any significant changes in the classification and measurement of financial assets based on their characteristics and on the Group's current business model. The only impact of the transition to this standard is a change in nomenclature, and this did not have any impact on the measurement of the assets at the transition date.

The new standard replaces the former IAS 39 "incurred credit loss" models with a single "expected credit loss" model. This new model requires the recognition, at the date of initial recognition of a financial asset, of the expected credit loss that results from default events on a financial instrument that are possible within the 12 months after the reporting date or over the lifetime of the financial instrument, depending on the changes in the credit risk of the financial asset since initial recognition, or from applying the "simplified" approach permitted by the standard for certain financial assets.

The Group decided to apply the simplified approach to its billed and unbilled trade receivables in order to determine the lifetime expected credit losses for those receivables (see Note 3.e).

From the analysis done by the Parent's Directors an additional impairment loss amounting to EUR 6,033 thousand with a charge to reserves at 1 January 2018 (EUR 4,514 thousand, net of the related tax effect) was booked.

IFRS 9 was applied retrospectively, recognising the cumulative effect of initially applying this standard as an adjustment to the opening balances for 2018 in the consolidated statement of financial position. Therefore, the comparative information for 2017 was not restated and continues to be presented in accordance with IAS 39.

In relation to hedge accounting, no impact was identified since the Group had not arranged any hedging instruments (see Note 16).

These consolidated financial statements include the disclosures required by the new standard.

d) Accounting policies issued but not yet in force in 2018

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		Obligatory application in annual reporting periods beginning on or after:
Approved for use in the European Union:		
New standards:		
IFRS 16, Leases (issued in January 2016)	Supersedes IAS 17 and the related interpretations. The main development of the new standard is that it introduces a single lessee accounting model in which all leases (with certain limited exceptions) will be recognised in the statement of financial position with an impact similar to that of the existing finance leases (depreciation of the right-of-use asset and a finance cost for the amortised cost of the liability will be recognised).	1 January 2019
Amendments and interpretations:		
Amendments to IFRS 9. Prepayment Features with Negative Compensation (issued in October 2017).	These amendments allow measurement of certain financial instruments with prepayment features at amortised cost permitting the payment of an amount that is substantially less than the unpaid amounts of principal and interest.	1 January 2019

IFRIC 23, Uncertainty Over Income Tax Treatments (issued in June 2017)	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over the acceptability of a particular tax treatment used by the entity under tax law.	1 January 2019
Amendments to IAS 28, Long-Term Interests in Associates and Joint Ventures (issued in October 2017).	These amendments clarify that IFRS 9 should be applied to long-term interests in an associate or a joint venture if the equity method is not applied.	1 January 2019
Not yet approved for use in the European Union:		
New standards		
IFRS 17, Insurance Contracts (issued in May 2017)	Supersedes IFRS 4. Establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective is to ensure that an entity provides relevant information that faithfully represents those contracts, which gives a basis for users to assess the effect that insurance contracts have on the financial statements.	1 January 2021(*)
Amendments and interpretations:		
Amendments to IAS 19 – Accounting of amendments, reductions or liquidation of a defined benefit plan (issued in February 2018)	Addresses the accounting for an amendment, curtailment or settlement of a defined benefit plan in the period.	1 January 2019
Amendments to IAS 1 and IAS 8 (issued in October 2018)	Include recommendations for improving the disclosure requirements to help interested parties to enhance the usefulness of the disclosures for the principal users of financial statements.	1 January 2020
Improvements to IFRS 3 – Business Combinations (issued in October 2018)	Improve the definition of a business in order to provide assistance in determining whether a business or a group of assets has been acquired.	1 January 2020
Improvements to IFRSs, 2015-2017 cycle (issued in December 2017)	Minor amendments to a series of standards.	1 January 2019

(*) The date of first-time application of this standard is being reviewed by the IASB, and might be delayed until 1 January 2022

The Parent's Directors 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 are assessing 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, except for the following standards, amendments and interpretations:

IFRS 16 Leases

IFRS 16 will come into force in 2019 and will supersede IAS 17 and current related interpretations. The main new feature of IFRS 16 is that it introduces a single lessee accounting model in which all leases (with certain limited exceptions) will be recognised in the statement of financial position with an impact similar to that of the existing finance leases (amortisation of the right-of-use asset and a finance cost for the amortised cost of the liability will be recognised).

The Group has performed an analysis to assess the total effect that application of IFRS 16 will have on the consolidated financial statements in 2019. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments under these leases; however, certain information is disclosed, such as operating lease commitments, in Note 26 to the consolidated financial statements.

The Group has analysed all the leases within the scope of this standard, considering as exceptions, and consequently excluding from the scope, leases where the value of the underlying assets is lower than USD 5 thousand or considered as short term leases. The group has stablished the correspondent reporting system and controls to ensure the correct accounting treatment of leases going forward.

Also, when determining the lease term, the Group considered whether or not the agreements contain unilateral termination and/or renewal clauses that grant the Group the right to terminate the leases early or to extend them. In this connection, among other matters, the costs relating to the termination of the leases were taken into account in determining the likelihood of the renewal thereof.

The Group will apply this new standard through the modified retrospective method, i.e. retrospectively recognising the cumulative effect as an adjustment to the opening balance of equity at the date of initial application. Accordingly, the Group will not restate the 2018 figures at the date of initial application 1 January 2019, and they will continue to be presented in accordance with IAS 17. At the date of preparation of these consolidated financial statements, the impact on assets and liabilities is of EUR 162 million and EUR 181 million respectively, and an impact on equity of EUR 15 million as well as a deferred tax impact of EUR 4 million.

e) Changes in the scope of consolidation

<u>e.1. Inclusions in the scope of consolidation in 2018:</u>

The companies included in the scope of consolidation in 2018 are as follows:

- Companies acquired in 2018:
  - 3C Test Limited
  - Applus Idiada Karco Engineering, L.L.C.
  - DatapointLabs, Llc.
  - DatapointLabs India, Inc.
  - Matereality, Llc.
  - Talon Test Laboratories (Phoenix) Inc.
  - Talon Test Laboratories Incorporated
- Other companies acquired for the integration of its activity:
  - M 607 ITV, S.L.
  - Trámites, Informes, Seguridad y Medio Ambiente, S.L.
  - MacCormack Calibración, S.L.
  - Technical Inspection Services, Ltd.

- Companies incorporated during 2018:

  - Velosi Asia Kish
  - Applus Japan KK
  - Applus Mozambique Limitada
  - Applus Middle East Engineering Consultancy, LLC
  - SARL Apcontrol Energie et Industrie Algerie
  - IDIADA Automotive Technology, LLC
  - IDIADA Homologation Technical Service, S.L.

e.1.1. Companies acquired in 2018

On 26 April 2018, the Applus Group acquired 3C Test Limited in the United Kingdom for GBP 11.3 million (EUR 13.4 million at the acquisition date). This company was integrated into the Applus+ Laboratories division.

In May 2018 the Applus Group acquired 67% of the shares of Applus Idiada Karco Engineering, L.L.C. in the United States of America for USD 5 million (EUR 4.3 million at the acquisition date). This company was integrated into the Applus+ IDIADA division.

In June 2018 the Applus Group acquired in the United States of America DatapointLabs, Llc., the parent of a group ("the Datapoint Group") which includes the subsidiaries DatapointLabs India, Inc and Matereality Llc. The Datapoint Group was acquired for USD 11.4 million (EUR 9.7 million at the acquisition date). The agreement includes an earn-out, amounting to a maximum of USD 6 million, tied to certain financial targets which the acquiree would have to achieve in 2017, 2018 and 2019. The Group considers that conditions will be met for the earn-out to amount to USD 100 thousand (EUR 85 thousand at the acquisition date) and, accordingly, this amount was considered when determining the acquisition cost. This group of companies was integrated into the Applus+ Laboratories division.

On 31 December 2018 the Applus Group acquired Talon Test Laboratories (Phoenix) Inc. and Talon Test Laboratories Incorporated in the United States of America for USD 7.5 million (EUR 6.6 million at the acquisition date). These two companies were integrated into the Applus+ Energy & Industry division. The agreement includes an earn-out, amounting to a maximum of USD 1.1 million (EUR 907 thousand at the acquisition date) tied to certain financial targets which the acquiree would have to achieve in 2019, 2020 and 2021. The Group considers that conditions will be met for the earn-out to be paid and, accordingly, this amount was considered when determining the acquisition cost.

In addition to the aforementioned acquisitions, the Group made another four investments in smaller assets.

In March 2018 the Applus Group acquired all the shares of M 607 ITV, S.L. in Spain for EUR 1.5 million. The company was integrated into the Applus+ Automotive division.

On 10 April 2018, the Applus Group acquired Trámites, Informes, Seguridad y Medio Ambiente, S.L. in Spain for EUR 1.3 million. This company was integrated into the Applus+ Energy & Industry division. In addition, the agreement includes an earn-out, amounting to a maximum of EUR 2 million, tied to certain financial targets which the acquiree would have to achieve in 2018 and 2019. The Group considers that conditions will be met for the earn-out to amount to EUR 650 thousand and, accordingly, this amount was considered when determining the acquisition cost.

On 11 July 2018, the Applus Group acquired MacCormack Calibración, S.L. in Spain for EUR 0.8 million thousand. This company was integrated into the Applus+ Laboratories division.

In July the Applus Group acquired Technical Inspection Services, Ltd. in the United Kingdom for GBP 1.2 million (EUR 1.3 million at the acquisition date). This company was integrated into the Applus+ Energy & Industry division.

The detail of the net assets acquired and of the goodwill generated by the aforementioned acquisitions at the acquisition date is as follows (in thousands of euros):

	3C Test Limited.	Applus Idiada Karco Engineering, LLC.	Datapointlabs Group	Talon (*)	M 607 ITV, S.L.	Trámites, informes, seguridad y medio ambiente, S.L.	Maccormak Calibración, S.L.	Technical Inspection Services, Ltd.	Total
Non- current assets	1,182	269	125	1,783	435	49	67	206	**4,116**
Trade and other receivables	985	782	1,162	246	23	157	122	180	**3,657**
Cash and cash equivalents	1,294	21	904	21	(23)	1	189	335	**2,742**
Non- current liabilities	(171)	-	-	-	(567)	(30)	(21)	(27)	**(816)**
Current liabilities	(566)	(432)	(1,434)	(97)	(28)	(105)	(37)	(84)	**(2,783)**
Value of assets and liabilities acquired	**2,724**	**640**	**757**	**1,953**	**(160)**	**72**	**320**	**610**	**6,916**
% of ownership	**100%**	**67%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	
Value of assets and liabilities acquired after minorities	**2,724**	**429**	**757**	**1,953**	**(160)**	**72**	**320**	**610**	**6,705**
Acquisition cost	**13,387**	**4,574**	**10,320**	**8,001**	**1,497**	**1,298**	**770**	**1,314**	**41,161**
Goodwill (Note 4)	**10,663**	**3,934**	**9,563**	**6,048**	**1,657**	**1,226**	**450**	**704**	**34,245**

(*) Talon Test Laboratories (Phoenix) Inc. and Talon Test Laboratories Incorporated

e.2. Exclusions from the scope of consolidation in 2018:

On 17 September 2018, Velosi Industries SDN BHD sold all the shares of Velosi Asset Integrity Limited for USD 17.9 million (EUR 15.4 million), which did not have a material effect on the Group's consolidated statement of profit or loss.

On 30 November 2018, Velosi Europe Limited sold 60% of the shares held by the Group in Intec (UK) Ltd for GBP 2.0 million (EUR 2.2 million), which did not have a material effect on the Group's consolidated statement of profit or loss.

e.3. Inclusions in the scope of consolidation in 2017:

The companies included in the scope of consolidation in 2017 are as follows:

- Companies acquired in 2017:
    - Inversiones Finisterre, S.L.
    - Primis, S.A. (subsequently Applus Uruguay,S.A)
    - Emilab, S.R.L.
    - AC6 Metrología, S.L.U.
    - Tunnel Safety Testing, S.A.

- Companies incorporated in 2017:
    - Applus Iteuve Galicia, S.L.U.
    - Applus Servicios Integrales, S.A.S.
    - Revisiones Técnicas Applus del Ecuador Applus Iteuve S.A.

e.3.1. Companies acquired in 2017

- *Inversiones Finisterre, S.L. acquisition*

At the beginning of November 2017 the Applus Group acquired 80% of the share capital of Inversiones Finisterre, S.L. through its subsidiary Applus Iteuve Galicia, S.L.U.

Inversiones Finisterre, S.L. is the parent of a group of companies ("the Finisterre Group") which includes the subsidiary Supervisión y Control, S.A.U. in Galicia (North-West Spain) owned 100%, and the Costa Rican subsidiaries Riteve SyC, S.A., and Inspecciones y Avalúos, S.A., owned 55%, respectively, which are specialised in vehicle roadworthiness testing. These companies were integrated into the Applus+ Automotive division.

The detail of the net assets acquired and of the goodwill generated by the acquisition of the Finisterre Group at the acquisition date is as follows in thousands of euros:

	Inversiones Finisterre Group
Non-current assets	104,970
Trade and other receivables	2,555
Cash and cash equivalents	7,653
Non-current liabilities	(30,399)
Current liabilities	(8,846)
Minority Interest	(4,536)
Value of assets and liabilities acquired after minorities	**71,397**
Acquisition cost	**94,196**
Goodwill (see Note 4)	**22,799**

In the provisional amounts recognised in 2017 in accounting for this business combination, the intangible assets identified relating to the administrative concessions located in Galicia and Costa Rica, which expire in 2023 and 2022, respectively, were measured at fair value in line with the projections used on their acquisition, and the related assets are returnable.

Under the framework of the transaction, the Applus Group undertook to dispose certain assets recognised at fair value under "Non-Current Assets Classified as Held for Sale" in the accompanying consolidated statement of financial position, and to transfer the considerations received as the contingent price of the transaction (not included in the cost of the business combination). Therefore, the Group registered a liability under "Other Current Liabilities" in the accompanying consolidated statement of financial position at 31 December 2017. On 28 May 2018, these assets were sold for EUR 12,265 thousand. This amount was transferred to non-controlling shareholders (Former owners of Inversiones Finisterre) through dividends (see Note 13).

In November 2018, the Group completed the valuation of the assets acquired, giving rise to a final goodwill amounting to EUR 22,929 thousand (see Note 4).

Lastly, there is a call and put option agreement for the potential acquisition of the remaining 20% of Finisterre Group from July 2022, subject to the occurrence of certain events. The Applus Group recognised a liability for the present value of the estimated amount of this option of EUR 14.2 million at the acquisition date, in accordance with IAS 32.23 (see Note 18). This amount has been discounted to net present value at 31 December 2018 to EUR 14.7 million.

- *Other acquisitions in 2017*

In February 2017, the Applus Group acquired all the shares of Primis, S.A. (subsequently renamed Applus Uruguay, S.A.) in Uruguay, for EUR 54 thousand. This company was integrated in the Applus+ Automotive division.

In April 2017, the Applus Group acquired Emilab, S.R.L. in Spain for a fixed amount of EUR 5,249 thousand. The agreement included an earn-out tied to certain financial targets amounting to a maximum of EUR 2.4 million which the acquired company would have to achieve in 2017 and 2018. The Group considered that conditions would be met for the earn-out to amount to EUR 300 thousand and, accordingly, this amount was considered when determining the acquisition cost. The company was integrated into the Applus+ Laboratories division.

In July 2017, the Applus Group acquired AC6 Metrología S.L.U. in Spain, for a fixed amount of EUR 2,899 thousand. This company was integrated into the Applus+ Laboratories division.

In December 2017, the Applus Group acquired Tunnel Safety Testing, S.A. in Spain, for a fixed amount of EUR 794 thousand. The company was integrated into the Applus+ Laboratories division.

The detail of the net assets and of the goodwill generated by the aforementioned acquisitions at the acquisition date is as follows (in thousands of euros):

	Emilab, S.R.L.	AC6 Metrología, S.L.U.	Tunnel Safety Testing, S.A.	Total
Non- current assets	788	828	90	**1,706**
Trade and other receivables	981	771	116	**1,868**
Cash and cash equivalents	474	740	234	**1,448**
Non- current liabilities	(847)	(79)	-	**(926)**
Current liabilities	(629)	(197)	(127)	**(953)**
Value of assets and liabilities acquired	**767**	**2,063**	**313**	**3,143**
% of ownership	**100%**	**100%**	**94%**	
Value of assets and liabilities acquired	**767**	**2,063**	**294**	**3,124**
Acquisition cost	**5,549**	**2,899**	**794**	**9,242**
Goodwill (Note 4)	**4,782**	**836**	**500**	**6,118**

The Group finalised the process to measure at fair value the assets and liabilities of Emilab, S.R.L. and AC6 Metrología, S.L.U. in July, and those of Tunnel Safety Testing, S.A. in November.

3. Accounting and valuation 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.

- 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 the consolidated statement of 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 statement of profit or loss. 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 consolidated statement of financial position date.

If, exceptionally, a gain on a bargain purchase arises from the business combination, it is recognised as income in the consolidated statement of profit or loss.

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 thereof, 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.

b) *Other intangible assets*

The other intangible assets are identifiable 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:

- Administrative concessions or similar items that have been acquired by onerous title 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.

- 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 (Catalonia) and Finland (see Note 5). In the case of Spain (Catalonia), these administrative authorisations are amortised on a straight-line basis over the authorisation term which ends in 2035. 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 10 years and, therefore, it is being amortised over this period, until 2020.

- Trademarks are measured 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, with the exception of the trademark associated with the Velosi Group, which are being amortised over 10 years.

- Customer portfolios are amortised over the life of the agreements entered into with the customers.

- 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 charged to the consolidated statement of profit or loss in the year they are incurred.

c) Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production cost.

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 to the Government at the end of the concession term will have been fully depreciated by this date.

Property, plant 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 lease agreement. At 31 December 2018, “Property, Plant and Equipment” in the consolidated statement of financial position included EUR 7,989 thousand (31 December 2017: EUR 12,959 thousand) relating to assets held under finance leases.

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 consolidated statement of profit or loss.

d) Impairment of non-financial assets

Goodwill, intangible assets with an indefinite useful life or intangible assets that cannot be used and are not amortised or depreciated, are tested for impairment annually (or more frequently, where there is an indication of a potential impairment loss). Assets that are amortised or depreciated are tested for impairment whenever an event or a change in circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

For the purpose of impairment loss assessment, assets are grouped at the lowest levels for which there are largely independent separately identifiable cash inflows (cash-generating units (CGUs)). The cash-generating units defined by the Group are detailed in Notes 4, 5 and 6.

Pursuant to paragraph 81 of IAS 36, when goodwill cannot be allocated to an individual cash-generating unit, it is allocated to homogeneous groups of cash-generating units that correspond to the lowest level at which the goodwill can be monitored by the Directors for internal management purposes. In these cases, as established in paragraphs 88 and 89 of IAS 36, the individual cash-generating units are tested for impairment to assess the recoverability of the intangible assets specifically allocated to them (see Note 6). In these circumstances, impairment losses could arise on these intangible assets even though the related goodwill is not impaired.

In order to calculate the impairment test, 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 statement of profit or loss.

The impairment losses on non-financial assets recognised previously (other than goodwill) are reviewed for possible reversal at each reporting date. When 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 statement of profit or loss.

The method used by the Group to test impairment distinguishes between businesses with indefinite and definite lives. Five-year projections and a perpetuity rate of return from the sixth year are used for businesses with indefinite lives. Projections based on the actual term of the related contract are used for assets with finite lives relating to the rendering of services or concessions. In this case, the probability of their renewal was not considered in preparing the related cash flow projections.

In both cases the projections were based on reasonable and well-founded assumptions and were prepared in accordance with the Group’s budget for 2019 and with the Group's strategic plan for 2020-2023 based on past experience and the best estimates available at the date on which the related 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 Group Executive Committee expects for the coming years. Consequently, the possible changes in the scope of consolidation that might take place in the future were not taken into account in the projection or in the impairment tests perform.

Together with the impairment test on the various cash-generating units carried out at least at each year-end, the Group 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.

e) Financial assets

Following the entry into force of IFRS 9 (see Note 2.b.c), financial assets are classified into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (equity) and financial assets at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined when they are initially recognised.

The Group basically holds financial assets measured at amortised cost, which give rise on specified dates to cash flows that are solely payments of principal and interest. Any financial assets from which the Group expects to collect both contractual cash flows and cash flows from their sale are measured at fair value through other comprehensive income (equity). All other financial assets are measured at fair value through profit or loss.

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the discount rate applied to the estimated future cash receipts over the expected life of the financial instrument. However, due to the nature of the assets classified under this heading, they are generally recognised on the basis of original acquisition cost because they mature in less than one year.

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales and non-recourse factoring of trade receivables in which the Group does not retain any credit or interest rate risk.

However, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting and recourse factoring.

The Group recognises impairment losses in accordance with an expected credit loss model, according to IFRS 9, for financial assets measured at amortised cost, trade receivables, or financial assets at fair value through other comprehensive income (equity). The measurement of expected credit losses is based on the probability of default, the loss given default (i.e. the magnitude of the loss if there is a predetermined value) and the exposure in the predetermined value. The Group made this estimate taking into consideration, among other matters, the diversity of its customers by type or segment (grouping them by country or geographical region, distinguishing them by sector or industry and selecting an appropriate credit spread curve for each of the financial assets), as well as a historical default analysis of the Group.

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 2018 and 2017 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. This policy is changing as of 1 January 2019 with the new accounting standards IFRS 16 that comes into force.

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.

Leases do not have grace periods or compensation clauses giving rise to a future payment obligation that could have a significant impact on these consolidated financial statements.

The Group has completed an assessment of the total effect of IFRS 16, which is to amend the existing lease accounting standard on the consolidated financial statements (see Note 2.b.d.).

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 accrual is reversed.

i) 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.

j) 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 IFRS, 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 consolidated statement of financial position 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.

k) Derivative financial instruments and hedge accounting

The Group used to use 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).

At the end of 2018 the Group had not outstanding financial derivative products.

l) Pension obligations, post-employment benefits and other employee benefit obligations

Defined contribution plans

Under defined contribution plans, the Group pays fixed contributions into a separate entity (a fund) and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the benefits to employees.

The Group recognises the contributions to be made to the defined contribution plans as the employees render the related services. The contributions made were recognised under "Staff Costs" in the consolidated statement of profit or loss. The defined contribution liability is recognised as a current.

The Group has defined contribution plans mainly in the US, Canada and Australia.

Defined benefit plans

All the post-employment benefit plans that may not be considered as defined contribution plans are defined benefit plans. These plans may be unfunded or wholly or partially funded by a specific fund.

The defined benefit liability recognised in the consolidated statement of financial position relates to the present value of the defined benefit obligations at the end of the reporting period which are measured annually based on the best estimate possible.

The expense or income relating to the defined benefit plans is recognised under "Staff Costs" in the consolidated statement of profit or loss. The defined benefit liability is recognised as current or non-current based on the vesting period of the related benefits.

The Applus Group's defined benefit plans are not funded by a specific fund, except in Germany, the amount of which is not material to the Group consolidated financial statements. They relate mainly to benefits for employees in the Middle East, Italy and the Netherlands.

However, the defined benefit obligations are not material (see Note 17.a).

Other employee benefit obligations

The Group has established, with its key personnel, specific remuneration plans based on the following characteristics:

a) Annual variable remuneration to certain Group personnel subject to the achievement of certain financial targets in 2018.

b) Annual variable remuneration plan granted to certain executives and employees of the Group consisting of the delivery of RSUs (convertible into Parent's shares). This remuneration plan is approved annually. At 2018 year-end three plans have been approved and ratified (see Notes 19 and 29).

c) "Long-term Incentive" plan granted to the Executive Director and Senior Executives of the Group, that consists on the delivery of Performance Stock Units (PSUs), in the case of the Executive Director, and Restricted Stock Units (RSUs) and PSUs in the case of Senior Executives. Both PSUs and RSUs are convertible into Parent's shares within three years of the grant date. First conversion into shares will take in place in February 2019 and will correspond to the first plan granted in 2016. (see Notes 19 and 29).

m) 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.

n) Financial liabilities

Financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Other financial liabilities (including loans and trade and other payables) are recognised at amortised cost using the effective interest method. It is considered that the fair value of the financial liabilities does not differ significantly from their carrying amount.

Effective interest method

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the discount rate applied to the estimated future cash payments over the expected life of the financial instrument. The Group recognises trade payables at their nominal value without explicitly accruing any interest, since they are due in less than one year.

The Group only derecognises financial liabilities when the related obligations are discharged or cancelled or expire. The difference between the carrying amount of the derecognised financial liabilities and the payment made is recognised in the consolidated statement of profit or loss.

o) Transactions in currencies other than the Euro

The Group's presentation currency is the Euro. Therefore, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions".

Balances in foreign currencies are translated to euros in two phases:

1. Translation of balances in foreign currencies to the subsidiaries' functional currencies:

    - Monetary assets and liabilities denominated in foreign currencies are translated by applying the exchange rates prevailing at the closing date.

- Any resulting gains or losses are recognised directly in the consolidated statement of profit or loss.

2. Translation to euros of the financial statements of the subsidiaries whose functional currency is not the euro:

   - Assets and liabilities are translated by applying the exchange rates prevailing at the closing date.

   - Income, expenses and cash flows are translated at the average exchange rates for the year.

   - Equity is translated at the historical exchange rates.

   - Exchange 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 statement of financial position.

   - The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Foreign Exchange Rate Changes".

The detail of the equivalent euro value of the main assets in foreign currency held by the Group at 31 December 2018 and 2017 is as follows (in thousands of euros):

Balances held in:	Foreign currency:	31/12/2018	31/12/2017
US Dollar	USD	463,884	433,165
Canadian Dollar	CAD	74,399	68,811
Pound Sterling	GBP	54,555	56,501
Danish Krone	DKK	52,987	53,367
Australian Dollar	AUD	42,901	45,688
Chilean Peso	CLP	39,406	43,197
Saudi Riyal	SAR	28,742	31,776
Colombian Peso	COP	25,259	29,610
Qatari Riyal	QAR	21,953	18,368
Malaysian Ringgit	MYR	17,266	5,259
Chinese Yuan	CNY	16,429	19,292
Czech Koruna	CZK	15,544	15,231
Brazilian Real	BRL	14,902	15,862
Omani Riyal	OMR	12,699	-
Norwegian Krone	NOK	11,329	9,957
Panamanian Balboa	PAB	11,258	5,329
Indonesian Rupiah	IDR	11,101	11,897
Costa Rican Colon	CRC	10,922	16,158
Papua New Guinean Kina	PGK	9,014	3,820
Guatemalan Quetzal	GTQ	8,923	5,972
United Arab Emirates Dirham	AED	7,733	16,516
Singapore Dollar	SGD	7,381	8,008
Uruguayan Peso	UYU	7,363	6,287
Mexican Peso	MXN	6,194	6,537
Kuwait Dinars	KWD	5,544	4,576
Peruvian Nuevo sol	PEN	5,175	3,640
Argentine Peso	ARS	4,713	7,535
Others		**19,631**	**23,212**
Total		**1,007,207**	**965,571**

The average and closing rates used in the translation to euros of the balances held in foreign currency for years 2018 and 2017 are as follows:

1 Euro	Foreign currency:	2018		2017	
		Average rate	Closing rate	Average rate	Closing rate
Danish Krone	DKK	7.45	7.47	7.44	7.44
Norwegian Krone	NOK	9.59	9.92	9.32	9.88
Czech Koruna	CZK	25.63	25.76	26.34	25.67
United Arab Emirates Dirham	AED	4.34	4.20	4.14	4.34
Canadian Dollar	CAD	1.53	1.53	1.46	1.52
Singapore Dollar	SGD	1.59	1.56	1.56	1.59
US Dollar	USD	1.18	1.14	1.13	1.18
Papua New Guinean Kina	PGK	3.79	3.72	3.50	3.71
Pound Sterling	GBP	0.88	0.90	0.88	0.88
Argentine Peso	ARS	n/a	43.62	18.64	20.83
Chilean Peso	CLP	755.63	785.42	732.01	734.21
Colombian Peso	COP	3,478.26	3,660.32	3,327.79	3,511.24
Mexican Peso	MXN	22.69	22.87	21.27	22.74
Brazilian Real	BRL	4.30	4.43	3.60	3.89
Qatari Riyal	QAR	4.31	4.16	4.14	4.31
Malaysian Ringgit	MYR	4.76	4.75	4.85	4.83
Saudi Riyal	SAR	4.43	4.27	4.23	4.44
Indonesian Rupiah	IDR	16,778.52	16,501.65	15,060.24	16,077.17
Australian Dollar	AUD	1.58	1.60	1.47	1.54
Peruvian Nuevo Sol	PEN	3.88	3.81	3.67	3.88
Kuwait Dinars	KWD	0.36	0.35	0.34	0.35
Guatemalan Quetzal	GTQ	8.87	8.79	8.28	8.68
Chinese Yuan	CNY	7.80	7.84	7.62	7.80

In 2018 the Argentine economy was deemed to be hyperinflationary in the terms defined in IAS 29 and, therefore, the financial statements of those companies whose functional currency is the currency of a hyperinflationary economy had to be restated and updated according to local price indices, and presented in terms of the measuring unit current at the end of the reporting period. This standard was applied retrospectively from 1 January 2018.

Also, in accordance with IAS 21.42, the results and financial position (i.e. assets, liabilities, equity items, income and expenses) of the Argentine subsidiaries were translated into the Group's presentation currency (euro) at the closing rate.

The Group did not restate the comparatives for 2017, although it recognised an initial impact against reserves arising from the difference, amounting to approximately EUR 2,085 thousand positive between the value of the equity reported at the end of the previous year and the restated value for the same year of the Argentine subsidiaries. The statement of profit or loss has been impacted by the following amounts as per the application of IAS 29 and IAS 21:

- A higher financial expense of EUR 1,419 thousand under "Financial Profit / (Loss) - Gains or Losses on the Net Monetary Position".

- A reduction on the revenue of the Group by EUR 1.8 million.

- A reduction of EUR 0.7 million on the operating profit of the Group.

p) Corporate income tax, deferred tax assets and deferred tax liabilities

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current corporate income tax expense is the amount payable by the Group as a result of corporate income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current corporate income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These 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 corporate 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, except for those associated with investments in subsidiaries, branches and associates, or with a share in a joint venture, when the Group can control when to revert the temporary difference and it is considered probable that it will not be reverted in the foreseeable future.

Deferred tax assets are recognised for temporary differences, tax credits for tax losses carryforwards and other tax credits, 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 recognised are analysed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability.

Certain Group companies with registered office in Spain file consolidated tax returns as part of tax group 238/08 of which Applus Services, S.A. is the Parent.

The Group also files consolidated tax returns in other countries such as the Netherlands, Australia, the US and Germany.

q) Revenue recognition

In 2018 the Group adopted IFRS 15 (see Note 2.b.c). In general, the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Certain contracts such as non-destructive testing or engineering and consultancy contracts are performed as projects that envisage the use of labour and/or materials to provide one or more services requested by the customer and give rise to one or more performance obligations. To the extent that these performance obligations can be distinguished in accordance with the criteria defined in IFRS 15, revenue is recognised when (or as) each performance obligation is satisfied on the basis of the costs incurred relative to total costs (input method) through the recognition of "projects in progress to be billed" (contract assets) to the extent that there is an enforceable right to payment for performance completed to date. Also, these contracts may include billings for milestones based on the satisfaction of the performance obligations, although no significant differences were identified between the price determined for each milestone and its fair value.

Additionally, revenue relating to supplier inspections, vehicle roadworthiness testing services and certifications, inter alia, is identified as arising from services provided for which there is a single performance obligation that is satisfied at a specific point in time, the price of which is determined in the contracts with customers. In general, therefore, the recognition of revenue from these activities is not complex and occurs when the aforementioned performance obligation is satisfied.

No costs incurred in winning contracts with customers were capitalised in 2018 as the related amounts were not material.

r) Expense recognition

An expense is recognised in the consolidated statement of profit or loss 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 increase of 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.

s) Discontinued operations

A discontinued operation is a business segment that has been decided to be abandoned 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 statement of profit or loss 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 interrupt nor discontinue any significant operation in 2018 or 2017.

t) Segment information

The Parent's Directors considered the following four operating segments and one holding in these consolidated financial statements of the Applus Group: Applus+ Energy & Industry, Applus+ Laboratories, Applus+ Automotive, Applus+ IDIADA and Other.

The Parent's Directors identified the operating segments of the Applus Group based on the following criteria:

- They engage in business activities from which they may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same group),

- Their operating results are regularly reviewed by Senior Executives, which takes the operating and management decisions relating to the group in order to decide about resources to be allocated to the segment and to assess its performance; and

- Discrete financial information is available.

The considerations used to identify the operating segments comply with IFRS 8.

u) Consolidated statement of cash flows

The following terms are used in the consolidated statements 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 Group's principal revenue-producing activities and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current 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.

- Effect of foreign exchange rate changes: effect of foreign exchange rate changes on cash and cash equivalents.

v) Equity

The share capital is represented by ordinary shares.

The costs relating to the issuance of new shares or options, net of taxes, are recognised directly in equity as a reduction of reserves.

Dividends on ordinary shares are recognised as a decrease in equity when approved by the shareholders of the Parent.

w) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the Parent by the weighted average number of ordinary shares outstanding in the year, excluding the average number of shares of the Parent held.

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current year.

x) Treasury shares

Acquisitions of treasury shares are recognised at acquisition cost, reducing equity until they are sold. The gains and losses obtained on the disposal of treasury shares are recognised in "Consolidated reserves" in the accompanying consolidated statement of financial position.

4. Goodwill

The detail, by cash-generating unit, of the goodwill at the end of 2018 and 2017 is as follows:

Cash-generating unit	Thousands of Euros	
	31/12/2018	31/12/2017
Auto Spain (*)	172,629	170,972
Energy & Industry Northern Europe	102,997	102,303
Energy & Industry North America	97,758	89,986
IDIADA	60,110	56,229
Energy & Industry Seameap	42,130	41,831
Laboratories	59,483	37,999
Auto Finisterre (*)	22,929	22,799
Energy & Industry Spain	11,564	10,338
Energy & Industry Latin America	7,498	8,160
Auto Denmark	6,843	6,843
Auto US (*)	6,141	6,141
Other	1,256	1,260
Total goodwill	**591,338**	**554,861**

(*) Includes the aggregate business of various concessions and administrative authorisations (see Notes 3.d and 5).

The changes in 2018 and 2017 were as follows:

	Thousands of Euros
Balance at 1 January 2017	**535,481**
Changes in the scope of consolidation (Note 2.b.e.3)	28,917
Translation differences	(9,537)
Balance at 31 December 2017	**554,861**
Changes in the scope of consolidation (Note 2.b.e.1)	34,245
Translation differences	2,232
Balance at 31 December 2018	**591,338**

The changes in the scope of consolidation in 2018 relate mainly to the acquisition of 3C Test Limited, Applus Idiada Karco Engineering, L.L.C., Datapointlabs Group, Talon Test Laboratories (Phoenix) Inc. and Talon Test Laboratories Incorporated (see Note 2.b.e.1.1).

The changes in the scope of consolidation in 2017, related mainly to the acquisition of Emilab, S.R.L., AC6 Metrología, S.L., Finisterre Group and Tunnel Safety Testing, S.A. (see Note 2.b.e.3.1). The Group identified a new cash-generating unit in the provisional amounts recognised in accounting for the acquisition of the Finisterre Group, since its operations were managed and reported separately.

The main assumptions used in the tests to determine the impairment recognised in 2018 and 2017 are detailed in Note 6.

5. Other intangible assets

The changes in 2018 and 2017 in intangible asset accounts and in the related accumulated amortisation and impairment losses were as follows:

	2018 - Thousands of Euros						
	Balance at 1 January 2018	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 2018
Cost:							
Administrative concessions	266,440	-	578	(2,474)	101	(424)	264,221
Patents, licences and trademarks	272,651	(9)	1	(15)	-	25	272,653
Administrative authorisations	259,910	-	-	-	-	-	259,910
Customer portfolio	170,817	501	-	-	-	101	171,419
Computer software	72,789	(1,604)	5,014	(138)	509	519	77,089
Goodwill acquired	17,890	176	-	-	-	(198)	17,868
Asset usage rights	72,442	-	-	-	-	-	72,442
Other	39,613	188	4,670	(11)	(917)	43	43,586
Total cost	**1,172,552**	**(748)**	**10,263**	**(2,638)**	**(307)**	**66**	**1,179,188**
Accumulated amortisation:							
Administrative concessions	(133,703)	-	(25,154)	2,242	-	396	(156,219)
Patents, licences and trademarks	(110,760)	9	(12,564)	15	-	(29)	(123,329)
Administrative authorisations	(96,608)	-	(15,838)	-	-	-	(112,446)
Customer portfolio	(87,983)	-	(6,937)	-	-	(60)	(94,980)
Computer software	(57,826)	599	(5,878)	137	-	(398)	(63,366)
Goodwill acquired	(78)	-	-	-	-	1	(77)
Asset usage rights	(39,579)	-	(2,485)	-	6	-	(42,058)
Other	(26,236)	(19)	(3,657)	1	(18)	(41)	(29,970)
Total accumulated amortisation	**(552,773)**	**589**	**(72,513)**	**2,395**	**(12)**	**(131)**	**(622,445)**
Total impairment losses	**(37,882)**	-	-	-	-	-	**(37,882)**
Total net value	**581,897**	**(159)**	**(62,250)**	**(243)**	**(319)**	**(65)**	**518,861**

	2017 - Thousands of Euros						
	Balance at 1 January 2017	Changes in the scope of consolidation (Note 2.b.e.3)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2017
Cost:							
Administrative concessions	112,165	152,868	772	(161)	1,115	(319)	266,440
Patents, licences and trademarks	272,725	4	-	(5)	19	(92)	272,651
Administrative authorisations	259,910	-	-	-	-	-	259,910
Customer portfolio	174,890	17	-	(315)	-	(3,775)	170,817
Computer software	67,122	1,268	7,280	(1,957)	959	(1,883)	72,789
Goodwill acquired	18,768	-	168	-	-	(1,046)	17,890
Asset usage rights	72,960	-	-	(518)	-	-	72,442
Other	35,936	1,490	4,380	(16)	(2,060)	(117)	39,613
Total cost	**1,014,476**	**155,647**	**12,600**	**(2,972)**	**33**	**(7,232)**	**1,172,552**
Accumulated amortisation:							
Administrative concessions	(71,200)	(53,146)	(9,364)	-	-	7	(133,703)
Patents, licences and trademarks	(98,263)	(1)	(12,574)	-	-	78	(110,760)
Administrative authorisations	(80,770)	-	(15,838)	-	-	-	(96,608)
Customer portfolio	(78,214)	-	(10,815)	315	-	731	(87,983)
Computer software	(54,397)	(1,020)	(5,601)	1,907	-	1,285	(57,826)
Goodwill acquired	(78)	-	-	-	-	-	(78)
Asset usage rights	(37,619)	-	(2,489)	530	-	(1)	(39,579)
Other	(22,496)	(286)	(3,861)	8	269	130	(26,236)
Total accumulated amortisation	**(443,037)**	**(54,453)**	**(60,542)**	**2,760**	**269**	**2,230**	**(552,773)**
Total impairment losses	**(37,882)**	-	-	-	-	-	**(37,882)**
Total net value	**533,557**	**101,194**	**(47,942)**	**(212)**	**302**	**(5,002)**	**581,897**

Identification and measurement of intangible assets in business combinations

The detailed of the net assets acquired in the different business combinations of Applus Group are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Administrative authorisations	259,910	259,910
Trademarks	254,622	254,624
Administrative concessions	193,510	193,510
Customer portfolio	170,902	170,800
Rights of use	57,516	57,515
Trademark licence agreement	16,939	16,939
Databases	273	273
Total allocation of goodwill to assets	**953,672**	**953,571**

In 2018, the amortisation charge associated with these revalued assets recognised in the accompanying consolidated statement of profit or loss amounted to EUR 59,163 thousand (2017: EUR 50,123 thousand).

The most significant assumptions used to measure at fair value 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 over the useful life assigned to the related contract, was used to calculate the fair value of Administrative Authorisations.

- 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 calculate the value of the customer portfolios.

- 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 main intangible assets are as follows:

- Administrative authorisations and concessions:

  The administrative authorisations relate to vehicle roadworthiness testing services, managed solely by the Group, in Spain (Catalonia) and Finland. In the case of Spain the cost of the authorisation is depreciated over its useful life 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, until 2020.

  Administrative concessions includes mainly the operating rights for vehicle roadworthiness testing facilities for a specified period of time. At 31 December 2018, the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, Galicia and the Basque Country), Ireland, Argentina, Chile and Costa Rica. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates until 2027.

  Each concession or authorisation is granted through tender specifications or a regulatory agreement. A tender specification or agreement is commonly used for each Autonomous Community in the case of Spain, or at state level in the case of the US.

  For the specific case of the CGUs of Auto Spain and Auto US, even though intangible assets classified, on an individual basis, as concessions and administrative authorisations subject to impairment tests measured individually (based on Autonomous Community in Spain, and on states in the United States, respectively), the business synergies relating to the different 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 Applus+ 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 is, inter alia, to manage the various risks and relationships with regulators more efficiently and in a more coordinated manner.

- Patents, licences and trademarks:

  "Patents, Licences and Trademarks" includes the Applus, RTD and Velosi trademarks. 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 10 years. The Velosi trademark licence agreement is also being amortised over 10 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 were taken into account. The contracts are being amortised over the estimated useful life between 15 and 25 years.

- 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 considering the useful life of the assets and the estimated useful life of the licensing agreements.

Intangible assets by cash-generating unit

The detail, by cash-generating unit, of the intangible assets at year-end 2018 and 2017 are as follows:

	2018 – Thousands of Euros													
	Auto Spain	Energy & Industry Northern Europe	Auto Finland	Energy & Industry Seameap	Energy & Industry North America	IDIADA	Energy & Industry Spain	Laboratories	Auto US	Energy & Industry Latin America	Auto Denmark	Auto Finisterre	Others	**Total**
Cost:														
Administrative concessions	92,659	-	-	-	-	-	182	-	17,881	-	-	153,499	-	**264,221**
Patents, licences and trademarks	18,598	89,405	10,163	58,565	28,210	12,295	40,096	8,776	6,402	1	-	-	142	**272,653**
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	-	**259,910**
Customer portfolio and other	-	41,532	-	27,147	70,974	-	18,822	4,142	-	8,802	-	-	-	**171,419**
Computer software	4,689	7,562	295	4,382	1,208	7,253	7,600	4,815	10,347	2,725	2,024	1,098	23,091	**77,089**
Goodwill acquired	-	7,979	769	-	3,539	3,567	1,381	265	-	-	368	-	-	**17,868**
Asset usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	**72,442**
Other	545	14,912	796	248	169	18,335	4,076	2,380	1,077	-	938	110	-	**43,586**
Total cost	**283,200**	**161,390**	**105,947**	**90,342**	**104,100**	**78,179**	**72,160**	**55,365**	**35,707**	**11,528**	**3,330**	**154,707**	**23,233**	**1,179,188**
Accumulated amortisation:														
Administrative concessions	(70,431)	-	-	-	-	-	(182)	-	(11,458)	-	-	(74,148)	-	**(156,219)**
Patents, licences and trademarks	(8,250)	(35,235)	(4,163)	(32,718)	(12,506)	(5,461)	(17,891)	(3,891)	(3,071)	(1)	-	-	(142)	**(123,329)**
Administrative authorisations	(42,503)	-	(69,943)	-	-	-	-	-	-	-	-	-	-	**(112,446)**
Customer portfolio and other	-	(18,413)	-	(22,617)	(30,496)	-	(18,822)	(2,056)	-	(2,576)	-	-	-	**(94,980)**
Computer software	(3,880)	(5,578)	(131)	(3,066)	(990)	(5,923)	(6,914)	(3,899)	(7,582)	(2,079)	(1,973)	(926)	(20,425)	**(63,366)**
Goodwill acquired	-	-	-	-	-	-	(71)	(6)	-	-	-	-	-	**(77)**
Asset usage rights	(723)	-	-	-	-	(18,504)	(3)	(22,828)	-	-	-	-	-	**(42,058)**
Other	(467)	(8,834)	(546)	-	-	(13,559)	(3,365)	(2,122)	(1,077)	-	-	-	-	**(29,970)**
Total accumulated amortisation	**(126,254)**	**(68,060)**	**(74,783)**	**(58,401)**	**(43,992)**	**(43,447)**	**(47,248)**	**(34,802)**	**(23,188)**	**(4,656)**	**(1,973)**	**(75,074)**	**(20,567)**	**(622,445)**
Total impairment (Note 6)	**(7,051)**	**(16,744)**	**(8,115)**	**-**	**-**	**-**	**-**	**-**	**(5,972)**	**-**	**-**	**-**	**-**	**(37,882)**
Total net value	**149,895**	**76,586**	**23,049**	**31,941**	**60,108**	**34,732**	**24,912**	**20,563**	**6,547**	**6,872**	**1,357**	**79,633**	**2,666**	**518,861**

	2017 – Thousands of Euros													
	Auto Spain	Energy & Industry Northern Europe	Auto Finland	Energy & Industry Seameap	Energy & Industry North America	IDIADA	Energy & Industry Spain	Laboratories	Auto US	Energy & Industry Latin America	Auto Denmark	Auto Finisterre	Others	**Total**
Cost:														
Administrative concessions	94,102	-	-	-	-	-	182	-	17,881	-	-	154,275	-	**266,440**
Patents, licences and trademarks	18,598	89,405	10,163	58,574	28,210	12,294	40,096	8,776	6,390	1	-	-	144	**272,651**
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	-	**259,910**
Customer portfolio and other	-	41,532	-	27,148	69,799	-	18,822	4,142	-	9,374	-	-	-	**170,817**
Computer software	4,313	7,038	295	5,692	1,057	6,521	7,410	4,407	8,802	2,740	2,030	1,014	21,470	**72,789**
Goodwill acquired	-	8,138	769	-	3,382	3,586	1,381	265	-	-	369	-	-	**17,890**
Asset usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	**72,442**
Other	544	13,482	684	27	-	16,835	3,817	2,191	1,035	1	939	58	-	**39,613**
Total cost	**284,266**	**159,595**	**105,835**	**91,441**	**102,448**	**75,965**	**71,711**	**54,768**	**34,108**	**12,116**	**3,338**	**155,347**	**21,614**	**1,172,552**
Accumulated amortisation:														
Administrative concessions	(66,369)	-	-	-	-	-	(182)	-	(10,916)	-	-	(56,236)	-	**(133,703)**
Patents, licences and trademarks	(7,507)	(32,538)	(3,824)	(27,796)	(11,378)	(4,969)	(16,294)	(3,539)	(2,772)	(1)	-	-	(142)	**(110,760)**
Administrative authorisations	(35,239)	-	(61,369)	-	-	-	-	-	-	-	-	-	-	**(96,608)**
Customer portfolio and other	-	(16,752)	-	(22,287)	(26,232)	-	(18,822)	(1,780)	-	(2,110)	-	-	-	**(87,983)**
Computer software	(3,541)	(5,030)	(19)	(2,913)	(861)	(5,317)	(6,580)	(3,605)	(6,218)	(1,851)	(1,941)	(810)	(19,140)	**(57,826)**
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	-	**(78)**
Asset usage rights	(724)	-	-	-	-	(16,834)	(3)	(22,018)	-	-	-	-	-	**(39,579)**
Other	(413)	(7,712)	(457)	(26)	-	(11,622)	(3,044)	(2,000)	(959)	(3)	-	-	-	**(26,236)**
Total accumulated amortisation	**(113,793)**	**(62,032)**	**(65,669)**	**(53,022)**	**(38,471)**	**(38,742)**	**(44,996)**	**(32,949)**	**(20,865)**	**(3,965)**	**(1,941)**	**(57,046)**	**(19,282)**	**(552,773)**
Total impairment (Note 6)	**(7,051)**	**(16,744)**	**(8,115)**	-	-	-	-	-	**(5,972)**	-	-	-	-	**(37,882)**
Total net value	**163,422**	**80,819**	**32,051**	**38,419**	**63,977**	**37,223**	**26,715**	**21,819**	**7,271**	**8,151**	**1,397**	**98,301**	**2,332**	**581,897**

Impairment of intangible assets

The main assumptions used in the impairment tests are detailed in Note 6.

Other matters

At 31 December 2018, fully amortised intangible assets in use amounted to EUR 87,136 thousand (31 December 2017: EUR 74,360 thousand). The Group did not have any temporarily idle items at 31 December 2018 or 2017.

At 31 December 2018 and 2017, 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, without considering those arised from the business combination. The detail of the carrying amount of the assets subject to reversion at 31 December 2018 and 2017 is as follows:

	2018 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
Applus Iteuve Technology, S.L.	6	(6)	-
Applus Iteuve Euskadi, S.A.U.	478	(478)	-
LGAI Technological Center, S.A.	14,200	(13,963)	237
Supervisión y Control, S.A.U.	40,170	(34,291)	5,879
Riteve SyC, S.A.	22,138	(21,641)	497
Total	**76,992**	**(70,379)**	**6,613**

	2017 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
Applus Iteuve Technology, S.L.	6	(6)	-
Applus Iteuve Euskadi, S.A.U.	478	(478)	-
LGAI Technological Center, S.A.	14,200	(13,954)	246
Supervisión y Control, S.A.U.	40,145	(25,312)	14,833
Riteve SyC, S.A.	22,939	(18,699)	4,240
Total	**77,768**	**(58,449)**	**19,319**

6. Impairment of assets

Group Executive Committee reviews the business performance by business type and geographical area. As a result of these tests, no impairment losses have been recognised in 2018 and 2017.

When conducting the impairment test, the Parent's Directors considered the impact of the current economic environment and their future estimates.

Impairment test assumptions

The key assumptions to determine fair value that were used to test for impairment in 2018 and 2017 were as follows:

a) Perpetuity growth rate:

It was considered that the cash flows generated by each asset grow at a rate equal to the growth of each industry in the geographical area in which it operates (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".

b) Discount rate:

The discount rates were calculated using the weighted average cost of capital (WACC) measured after tax based on the following assumptions:

- 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) relates to the return on ten-year sovereign bonds in the related country (or the weighted 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 detail of the discount rate (WACC) and of the perpetuity growth rate in 2018 and 2017 by business and geographical area is as follows:

Business	2018		2017	
	Discount rate after tax ("WACC")	Discount rate considered in calculating the terminal value ("g")	Discount rate after tax ("WACC")	Discount rate considered in calculating the terminal value ("g")
Auto	6.3% - 14.0%	1.9% - 2.9%	5.7% - 7.4%	1.7% - 2.3%
Energy & Industry	7.5% - 11.6%	1.9% - 3.1%	7.0% - 11.1%	1.7% - 3.3%
Laboratories	8.0%	2.0%	7.7%	1.9%
IDIADA	9.0%	2.0%	9.0%	2.0%

Country/geographical area	2018		2017	
	Discount rate after tax ("WACC")	Discount rate considered in calculating the terminal value ("g")	Discount rate after tax ("WACC")	Discount rate considered in calculating the terminal value ("g")
Spain	7.5% - 8.7%	1.9%	7.4% - 8.1%	1.7%
Rest of Europe	6.3% - 7.5%	1.9% - 2.1%	5.7% - 7.0%	1.9% - 2.0%
US and Canada	7.6% - 8.2%	2.2%	6.5% - 7.6%	2.2% - 2.3%
Latin America	11.6% - 14.0%	2.9% - 3.1%	11.1%	3.1%

c) EBITDA projections:

EBITDA is defined as operating profit before depreciation, amortisation, tax, interests and other results (hereinafter EBITDA).

Group Executive Committee prepares and updates a Business Plan by geography and line of business. The main components of this plan are projections on operating income and expenses, investments and working capital. The Business Plan includes the 2019 budget approved by the Board of Directors of the Parent company together with the projections for 2020-2023.

In order to calculate the recoverable amount of each asset the present value of its cash flows was determined using the budget for 2019 and the Business Plan for 2020-2023 prepared by the Group Executive Committee.

The Business Plan and the projections of future periods were prepared on the basis of past experience and on the best estimates available. Consequently, sales and margins reflect best estimates available on the expected trends in the industries in which the Applus Group is present.

d) Capex, working capital, corporate income tax and other assumptions:

The only investments in assets taken into account in the projections were those involving maintenance of the current assets.

The working capital considered in the projections is a percentage of sales that is consistent with the historical figure for the last years without, in any circumstances, taking into account any significant improvements therein.

The financial projections took into account the payment of corporate income tax (or the equivalent tax in each country).

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 the Group Executive Committee and approved by the Parent's Board of Directors is based on a detailed plan prepared by legal entity according to the Group strategic plan by sector and geography, considering the specific characteristics of its customers, projects and services. 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, the Group considers EBITDA to be the main key assumption for impairment test purposes. EBITDA, together with the amortization and depreciation charge related to operations adds up to the Adjusted Operating Profit, which is the main management aggregate defined by the Group.

In the past five years, the global variances between the actual EBITDA figures and the budgeted figures were generally positive. The negative variances that arose per individual business did not exceed 10%. Therefore, a sensitivity analysis was performed, combining changes of +/- 5% and +/- 10% in EBITDA.

In addition, sensitivity to changes in the perpetuity growth rate and changes in the discount rate were taken into account, as detailed below.

Sensitivity analysis

If the recoverable amounts were subject to an analysis of the sensitivity of changes in the different variables; the discount rate ("WACC"), the perpetual growth rate ("g") or the cash flow projections (EBITDA), the changes, by cash-generating unit, in the Group's consolidated statement of profit or loss of 2018 (excluding the tax effect) would be as follows:

a) Change in discount rate (WACC) after tax of 0.5 or 1.0 points (thousands of euros):

-1.0 WACC	-0.5 WACC	Cash-generating unit	+0.5 WACC	+1.0 WACC
162	80	Auto Spain	-	-
-	-	Auto Finisterre	-	-
-	-	Auto Denmark	-	-
8,115	5,909	Auto Finland	-	-
122	84	Auto US	-	-
-	-	Energy & Industry Northern Europe	-	-
-	-	Energy & Industry North America	-	-
-	-	Energy & Industry Seameap	-	-
-	-	Energy & Industry Spain	-	-
-	-	Energy & Industry Latin America	-	-
-	-	IDIADA	-	-
-	-	Laboratories	-	-
8,399	**6,073**	**Total**	-	-

b) Change in the perpetuity growth rate (g) of 0.2 or 0.8 points (thousands of euros):

+0.8 g	+0.2 g	Cash-generating unit	-0.2 g	-0.8 g
-	-	Auto Spain	-	-
-	-	Auto Finisterre	-	-
-	-	Auto Denmark	-	-
7,296	4,440	Auto Finland	-	-
-	-	Auto US	-	-
-	-	Energy & Industry Northern Europe	-	-
-	-	Energy & Industry North America	-	-
-	-	Energy & Industry Seameap	-	-
-	-	Energy & Industry Spain	-	-
-	-	Energy & Industry Latin America	-	-
-	-	IDIADA	-	-
-	-	Laboratories	-	-
7,296	**4,440**	**Total**	-	-

c) Change in EBITDA of 5% or 10% (thousands of euros):

+10% EBITDA	+5% EBITDA	Cash-generating unit	-5% EBITDA	-10% EBITDA
844	422	Auto Spain	-	-
-	-	Auto Finisterre	-	-
-	-	Auto Denmark	-	-
5,742	4,692	Auto Finland	-	-
752	402	Auto US	-	-
-	-	Energy & Industry Northern Europe	-	-
-	-	Energy & Industry North America	-	-
-	-	Energy & Industry Seameap	-	-
-	-	Energy & Industry Spain	-	-
-	-	Energy & Industry Latin America	-	-
-	-	IDIADA	-	-
-	-	Laboratories	-	-
7,338	**5,516**	**Total**	-	-

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 (see Note 5).

For the carrying amount to equal the recoverable amount, the extent of the impairment arising from reductions in the percentage of EBITDA, WACC after tax and the discount rate increase with respect to the cash-generating units that were not impaired in the sensitivity test previously performed, would be as follows:

Cash-generating unit	EBITDA reduction which would give rise to impairment	WACC after tax which would give rise to impairment	Discount Rate (g) which would give rise to impairment
Auto Spain	29.6%	10.7%	< 0%
Auto Finisterre	53.2%	22.1%	< 0%
Auto Denmark	79.9%	24.5%	< 0%
Auto Finland	17.3%	7.9%	0.7%
Auto US	22.0%	11.3%	< 0%
Energy & Industry Northern Europe	14.0%	8.9%	< 0%
Energy & Industry North America	11.6%	9.4%	< 0%
Energy & Industry Seameap	20.3%	12.1%	< 0%
Energy & Industry Spain	57.5%	25.5%	< 0%
Energy & Industry Latin America	12.4%	13.6%	< 0%
IDIADA	12.7%	15.3%	< 0%
Laboratories	27.7%	13.8%	< 0%

The Parent's Directors consider that, in view of the current margins, any possible negative impact in the Group activity would not significantly affect the impairment of the net assets associated with any cash-generating unit.

7. Property, plant and equipment

The changes in 2018 and 2017 in the various property, plant and equipment accounts and in the related accumulated depreciation and provision were as follows:

	2018 – Thousands of Euros						
	Balance at 1 January 2018	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 2018
Cost:							
Land and buildings	157,579	929	3,108	(1,980)	6,549	4,387	170,572
Plant and machinery	262,054	5,900	15,348	(2,602)	9,944	1,669	292,313
Other fixtures, tools and furniture	71,896	(26)	1,224	(1,117)	132	370	72,479
Other items of property, plant and equipment	72,503	5,674	3,975	(1,353)	(548)	1,867	82,118
Advances and property, plant and equipment in progress	21,502	64	17,417	(1,458)	(15,365)	(2)	22,158
Grants	(714)	-	-	15	-	1	(698)
Total cost	**584,820**	**12,541**	**41,072**	**(8,495)**	**712**	**8,292**	**638,942**
Accumulated depreciation:							
Land and buildings	(62,437)	(387)	(5,453)	890	722	(3,270)	(69,935)
Plant and machinery	(182,007)	(3,539)	(20,794)	1,743	(1,961)	(1,382)	(207,940)
Other fixtures, tools and furniture	(56,546)	65	(2,978)	901	(21)	(330)	(58,909)
Other items of property, plant and equipment	(71,486)	(3,483)	(3,596)	30	867	(1,816)	(79,484)
Total accumulated depreciation	**(372,476)**	**(7,344)**	**(32,821)**	**3,564**	**(393)**	**(6,798)**	**(416,268)**
Total impairment	**(1,948)**	-	**(1,000)**	**848**	-	-	**(2,100)**
Total net value	**210,396**	**5,197**	**7,251**	**(4,083)**	**319**	**1,494**	**220,574**

	2017 – Thousands of Euros						
	Balance at 1 January 2017	Changes in the scope of consolidation (Note 2.b.e.3)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2017
Cost:							
Land and buildings	168,860	2,819	1,522	(13,710)	6,470	(8,382)	157,579
Plant and machinery	251,807	3,429	19,557	(5,426)	4,325	(11,638)	262,054
Other fixtures, tools and furniture	70,882	333	3,439	(1,110)	430	(2,078)	71,896
Other items of property, plant and equipment	76,877	1,639	5,468	(5,852)	226	(5,855)	72,503
Advances and property, plant and equipment in progress	17,611	49	16,620	(27)	(11,689)	(1,062)	21,502
Grants	(564)	-	9	(159)	-	-	(714)
Total cost	**585,473**	**8,269**	**46,615**	**(26,284)**	**(238)**	**(29,015)**	**584,820**
Accumulated depreciation:							
Land and buildings	(61,528)	(231)	(4,668)	1,964	(19)	2,045	(62,437)
Plant and machinery	(173,046)	(2,502)	(19,734)	4,939	(54)	8,390	(182,007)
Other fixtures, tools and furniture	(55,262)	(281)	(3,219)	1,022	12	1,182	(56,546)
Other items of property, plant and equipment	(76,641)	(1,039)	(6,218)	7,256	(3)	5,159	(71,486)
Total accumulated depreciation	**(366,477)**	**(4,053)**	**(33,839)**	**15,181**	**(64)**	**16,776**	**(372,476)**
Total impairment	**(1,951)**	-	-	**3**	-	-	**(1,948)**
Total net value	**217,045**	**4,216**	**12,776**	**(11,100)**	**(302)**	**(12,239)**	**210,396**

In 2018 the additions are related to the Group's normal course of operations.

The variations of exchange rates in 2018 have been positive. During 2017, these variations gave rise to a negative impact on the net cost of the assets, which was due mainly to changes in the exchange rate of the US dollar.

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2018 amounted to EUR 251,462 thousand (31 December 2017: EUR 218,573 thousand). The Group did not have any temporarily idle items at 31 December 2018 or 2017.

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 2018 and 2017, the Group did not have any significant firm property, plant and equipment purchase commitments.

No borrowing costs had been capitalised to property, plant and equipment at the end of 2018 and 2017 and no disbursements made or advances granted at 31 December 2018 or 2017.

Certain Group companies have property, plant and equipment items that must be handed over to the Government at the end of the related concession term. The detail of the net cost of the assets subject to reversion at 31 December 2018 and 2017 is as follows:

	2018 - Thousands of Euros		
	Gross cost	Accumulated depreciation/ Impairment	Net Cost
IDIADA Automotive Technology, S.A.	63,520	(34,071)	29,449
Applus Iteuve Technology, S.L.U.	43,841	(40,006)	3,835
Applus Uruguay, S.A. (previously named Primis, S.A.)	6,205	(388)	5,817
Applus Iteuve Euskadi, S.A.U.	2,344	(1,979)	365
Total	**115,910**	**(76,444)**	**39,466**

	2017 - Thousands of Euros		
	Gross cost	Accumulated depreciation/ Impairment	Net Cost
IDIADA Automotive Technology, S.A.	54,357	(28,587)	25,770
Applus Iteuve Technology, S.L.U.	44,678	(39,856)	4,822
Applus Uruguay, S.A. (previously named Primis, S.A.)	2,276	-	2,276
Applus Iteuve Euskadi, S.A.U.	2,246	(1,902)	344
Total	**103,557**	**(70,345)**	**33,212**

The detail of the main assets held by the Group under finance leases at 31 December 2018 and 2017 is as follows:

	2018 – Thousands of Euros							
	Lease payments paid 2018	Lease payments outstanding	2019	2020	2021	2022	Others	Value of purchase option
Plant and machinery	71	164	61	54	42	7	-	3
Transport equipment	322	195	161	21	9	4	-	-
Other items of property, plant and equipment	24	105	24	18	21	21	21	-
Total assets held under finance lease	**417**	**464**	**246**	**93**	**72**	**32**	**21**	**3**

	2017 – Thousands of Euros							
	Lease payments paid 2017	Lease payments outstanding	2018	2019	2020	2021	Others	Value of purchase option
Land and buildings	107	1,168	161	168	175	184	480	-
Plant and machinery	10	16	9	7	-	-	-	5
Computer hardware	156	136	136	-	-	-	-	17
Transport equipment	469	588	363	164	49	12	-	-
Other items of property, plant and equipment	7	42	9	9	9	9	6	-
Total assets held under finance lease	**749**	**1,950**	**678**	**348**	**233**	**205**	**486**	**22**

At 31 December 2018 and 2017, no significant property, plant and equipment were subject to restrictions or pledged as security for liabilities.

8. Non-current financial assets

The changes in the various non-current financial asset accounts in 2018 and 2017 have been as follows:

	2018 – Thousands of Euros				
	Balance at 1 January 2018	Additions or charge for the year	Disposals, transfers or dividend distribution	Change in exchange rate	Balance at 31 December 2018
Non-current receivables	1,950	16,884	(78)	12	18,768
Deposits and guarantees	7,440	3,231	(1,187)	(132)	9,352
Impairment	(600)	-	-	-	(600)
Total	**8,790**	**20,115**	**(1,265)**	**(120)**	**27,520**

	2017 – Thousands of Euros				
	Balance at 1 January 2017	Additions or charge for the year	Disposals, transfers or dividend distribution	Change in exchange rate	Balance at 31 December 2017
Non-current receivables	1,272	997	(322)	3	1,950
Deposits and guarantees	7,928	1,222	(1,244)	(466)	7,440
Impairment	(600)	-	-	-	(600)
Total	**8,600**	**2,219**	**(1,566)**	**(463)**	**8,790**

At 31 December 2018, "Non-Current Receivables" included EUR 12 million relating to the consideration received for the sale of shares in Velosi Asset Integrity Limited.

The aforementioned financial assets are measured at amortised cost as indicated in Note 3.e.

Deposits and guarantees

At 31 December 2018, "Deposits and Guarantees" included EUR 4.4 million (2017: EUR 3.0 million) relating to restricted cash deposits to secure certain contracts entered into.

9. Inventories

The detail of the Group's inventories at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Goods held for resale	7,535	7,655
Raw materials and other supplies	605	491
Total inventories	**8,140**	**8,146**

These inventories relate mainly to X-Ray material used in non-destructive testing by the Applus+ Energy & Industry division, reagents, fungibles and chemical compounds used in laboratory or field tests by the Applus+ Laboratories division and spare parts and items used at the vehicle roadworthiness testing centres of the Applus+ Automotive division.

Obsolete, defective or slow-moving inventories are reduced to realisable value.

The Group estimates that the inventories will be realised in less than twelve months.

The Group does not recognise any inventory write-downs since inventories are derecognised when they are defective or obsolete.

10. 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 statement of financial position as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Trade receivables for sales and services	298,910	282,339
Work in progress	103,081	90,274
Provision for doubtful debts	(27,573)	(29,365)
Trade receivables for sales and services	**374,418**	**343,248**
Trade receivables from related companies (Note 28)	72	3,969
Other receivables	9,505	12,567
Other accounts receivable from public authorities	7,008	8,111
Total trade and other receivables	**391,003**	**367,895**

The Group's average collection period for services rendered was 49 days in 2018 (2017: 50 days).

The Group does not charge interest on receivables maturing within one year. The fair value and the nominal value of these assets do not differ significantly.

The detail of the age of the debt under "Trade Receivables for Sales and Services" is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Not due	189,543	166,440
0-30 days	46,431	39,972
31-90 days	22,719	27,535
91-180 days	10,954	16,112
181-360 days	7,720	10,989
More than 360 days	21,543	21,291
Total trade receivables for sales and services	**298,910**	**282,339**
Provision for doubtful debts	**(27,573)**	**(29,365)**
Total trade receivables for sales and services, net	**271,337**	**252,974**

"Work in progress" relates to the valuation at the selling price of completed units of output not yet certified and pending to be billed to customers, for which the Parent's Directors considers that there is reasonable assurance of their billing (see Note 3.q).

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.

The Group's credit risk is therefore mainly attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, estimated by Group Executive Committee 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, divisions, markets and geographical areas.

However, the Group's Finance 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.

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 "Allowance for Doubtful Debts", in accordance with the expected credit loss model, in 2018 and 2017 were as follows:

	Thousands of Euros
Balance at 1 January 2017	**29,267**
Additions	9,260
Amounts used	(3,213)
Disposals	(3,617)
Effect of exchange rate changes	(2,332)
Balance at 31 December 2017	**29,365**
Impact IFRS 9 (see Note 2.b.c)	6,033
Balance at 1 January 2018	**35,398**
Additions	7,235
Amounts used	(8,130)
Disposals	(7,438)
Effect of exchange rate changes	508
Balance at 31 December 2018	**27,573**

In 2018 the Group has derecognised EUR 7,438 thousand of provisioned accounts receivable (2017: EUR 3,617 thousand) as they have been considered to be uncollectible.

11. Current financial assets, cash and cash equivalents

Current financial assets

At 31 December 2018, the amount included as short-term deposits and guarantees amounting to EUR 2,269 thousand (31 December 2017: EUR 4,239 thousand) and other financial assets of EUR 7,429 thousand (31 December 2017: EUR 20,607 thousand), whose conversion to cash is expected to be within 12 months.

Cash and cash equivalents

At 31 December 2018 and 2017, the amount classified as "Cash and Cash Equivalents" in the accompanying consolidated statement of financial position related in full to cash, and to financial assets readily convertible into known amounts of cash subject to an insignificant risk of change in value and maturity less than 3 months.

The aforementioned financial assets are measured at amortised cost as indicated in Note 3.e.

12. Equity

a) Share capital

At 31 December 2016, the Parent's share capital was represented by 130,016,755 fully subscribed and paid-up common shares of EUR 0.10 par value each.

On 28 September 2017, the Parent's share capital was increased by EUR 1,300 thousand through the creation of 13,001,675 new shares of EUR 0.10 par value each and with a share premium of EUR 135,866 thousand at EUR 10.45 per share. The capital increase was carried out by means of monetary contributions for the full amount which totaled EUR 137,166 thousand.

The expenses incurred in relation to the capital increase carried out in 2017 amounted to EUR 1,717 thousand, net of the tax effect, and were recognised with a charge to reserves.

Therefore, at 31 December 2018 and 2017, the Parent's share capital is represented by 143,018,430 fully subscribed and paid-up common shares of EUR 0.10 par value each.

As per the notifications submitted to the Spanish National Securities Market (CNMV), the shareholders owning significant direct or indirect interests in the share capital of the Parent representing more than 3% of the total share capital as of 31 December 2018, were as follows:

	% share
Southeastern Concentrated Value Limited	5.073%
River & Mercantile Group P.L.C	5.048%
Threadneedle Asset Management Limited	4.993%
Norges Bank	4.983%
Eleva Capital SAS	3.018%
DWS Investment GmbH	3.017%

The Parent's Directors are not aware of any other ownership interests of 3% or more of the share capital or voting rights of the Parent, or of any lower ownership interests that might permit the holder to exercise a significant influence over the Parent.

b) Reserves and share premium

Under the Spanish Companies Act, 10% of net profit for each year must be allocated to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount, except for that, and until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2018 the balance of this reserve amounts to EUR 2,860 thousand and it had reached the legally required minimum (EUR 2,600 thousand at the end of 2017).

At 31 December 2018 and 2017, the share premium reserves amounted to EUR 449,391 thousand and it is fully available.

The Spanish Companies Act allows to use the share premium reserves balance to increase capital and it does not establishes specific restrictions about the availability of that balance.

c) Treasury shares

At 31 December 2018, the Group holds a total of 283,400 treasury shares at an average cost of EUR 12.01 per share. The value of these treasury shares totalled EUR 3,405 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2018 (see Note 3.x).

At 31 December 2017, the Group holds a total of 112,744 treasury shares at an average cost of EUR 10.52 per share. The value of these treasury shares totalled EUR 1,186 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2017 (see Note 3.x).

In March 2018 the Group delivered to, Senior Executives and certain executives a total of 124,344 shares, (577,706 shares in 2017) in accordance with the incentives plan granted (see Notes 19 and 29).

d) Profit per share

The profit per share is calculated on the basis of the profit attributable to the shareholders of the Parent divided by the average number of ordinary shares outstanding in the year. At 31 December 2018 and 2017 the profit per share is as follows:

	2018	2017
Number of shares	143,018,430	143,018,430
Average number of shares	143,018,430	133,267,174
Net consolidated profit attributable to the Parent (thousands of euros)	41,208	35,582
Number of treasury shares	283,400	112,744
Number of shares in circulation	142.735.030	142.905.686
Total number of shares	143,018,430	143,018,430
Profit per share (in euros per share)		
- Basic	0.288	0.267
- Diluted	0.288	0.267

There are no financial instruments that could dilute the profit per share.

e) Foreign currency translation reserve

The detail of "Foreign currency translation reserve" in the consolidated statement of financial position as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Applus+ Energy & Industry	(9,666)	(7,274)
Applus+ Laboratories	(395)	(704)
Applus+ Automotive	(40,410)	(37,704)
Applus+ IDIADA	15	332
Other	2,377	1,615
Total	**(48,079)**	**(43,735)**

f) Capital risk management

The Group manages its capital to ensure that its subsidiaries can continue operating in accordance with the going-concern principle of accounting. The Group is also committed to maintain leverage levels that are consistent with its growth, solvency and profitability objectives.

The data relating to the financial leverage ratios at the end of 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Bank borrowings (Note 14)	616,444	626,904
Other financial liabilities (Note 15)	24,532	27,349
Current financial assets (Note 11)	(9,698)	(24,846)
Cash and cash equivalents	(132,318)	(129,211)
Net financial debt	**498,960**	**500,196**
Total equity	**810,916**	**794,963**
Leverage (Net financial debt / Net debt + Equity)	**38%**	**39%**

13. Non-controlling interests

"Non-controlling interests" in the accompanying consolidated statement of financial position 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 statement of profit or loss 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 in 2018 and 2017 is as follows:

	2018 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	14,436	1,204	15,640
IDIADA Automotive Technology, S.A. subgroup	8,129	4,683	12,812
Arctosa Holding B.V. subgroup	201	(91)	110
Velosi S.à r.l. subgroup	11,892	4,929	16,821
Applus Iteuve Technology, S.L.U. subgroup	1,038	8,261	9,299
Total non-controlling interests	**35,696**	**18,986**	**54,682**

	2017 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	14,052	345	14,397
IDIADA Automotive Technology, S.A. subgroup	7,247	4,262	11,509
Arctosa Holding B.V. subgroup	344	(270)	74
Velosi S.à r.l. subgroup	12,759	4,647	17,406
Applus Iteuve Technology, S.L.U. subgroup	6,931	1,040	7,971
Total non-controlling interests	**41,333**	**10,024**	**51,357**

The changes in "Non-Controlling Interests" in 2018 and 2017 are summarised as follows:

	Thousands of Euros	
	2018	2017
Beginning balance	**51,357**	**44,500**
Changes in the scope of consolidation (Note 2.b.e.)	(978)	5,997
Dividends (*)	(14,818)	(7,136)
Translation differences	260	(1,966)
Other changes	(125)	(62)
Profit for the year	18,986	10,024
Ending balance	**54,682**	**51,357**

(*) Includes the transfer of the monetary considerations transferred to non-controlling shareholders (Former owners of Inversiones Finisterre) (see Note 2.e.3.1)

14. Obligations and bank borrowings

The detail, by maturity, of the obligations and bank borrowings in the accompanying consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	2018 - Thousands of Euros						
	Limit	Current maturity	Non-current maturity				
			2020	2021	2022	2023 onwards	Total
Facility A "Term Loan"	**200,000**					200,000	**200,000**
Facility B "Revolving Credit Facility"	**400,000**	-	-	-	-	180,000	**180,000**
US Private Placement lenders	**230,000**	-	-	-	-	230,000	**230,000**
Accrued interests	-	**3,096**	-	-	-	-	-
Debt Arrangement fees	-	**(973)**	(975)	(973)	(973)	(840)	**(3.761)**
Other loans	-	**10**	-	-	-	-	-
Credit facilities	**125,322**	**7,604**	-	-	-	-	-
Obligations under finance leases	-	**246**	93	72	32	25	**222**
Total	**955,322**	**9,983**	**(882)**	**(901)**	**(941)**	**609,185**	**606,461**

	2017 - Thousands of Euros						
	Limit	Current maturity	Non-current maturity				
			2019	2020	2021	2022 onwards	Total
Syndicated loan	**738,029**	**250**	-	596,243	-	-	**596,243**
Other loans	-	**25**	4	-	-	-	**4**
Credit facilities	**110,792**	**28,432**	-	-	-	-	-
Obligations under finance leases	-	**678**	348	234	205	485	**1,272**
Total	**848,821**	**29,385**	**352**	**596,477**	**205**	**485**	**597,519**

On 11 July 2018, the Applus Group repaid the syndicated loan existing at the time early and entered into a new loan agreement with a syndicate of nine banks and a private placement with two US institutional investors. As a result, the Group improved the terms and conditions of the previous syndicated loan by changing, inter alia, the currencies, interest rates, maturities and lenders. These new debt contracts do not include any pledge on shares of any of the Group companies, and all previously granted share pledges have been cancelled.

In accordance with IFRS 9, the Group has therefore cancelled the original liabilities, recognised the new financial liability at amortised cost, and charged the arrangement expenses for the previous debt amounting to EUR 3,945 thousand to profit or loss account.

The consolidated Group's debt structure is composed of a portion of bank borrowings and a placement of private debt with institutional investors. The bank borrowings, supplied by nine international banks, consist of a multi-currency syndicated loan of EUR 600 million, which comprises of a Facility A "Term Loan" of EUR 200 million and a Facility B "Revolving Credit Facility" of EUR 400 million. The total amount of the private debt is EUR 230 million.

a) Syndicated loan and private placement debt

The syndicated loan bears interest at Euribor for tranches in euros and at Libor for tranches in foreign currency (currently not drawn down) plus a spread based on a leverage grid; on 31 December 2018, 1.10% for Facility A and 1.00% for Facility B.

All the tranches have a single maturity at 27 June 2023, which may be extended for a total of two additional years at the end of the first and second years.

The private placement debt is placed from two US institutional investors. The structure includes a tranche of EUR 150 million maturing on 27 June 2025 and a tranche of EUR 80 million maturing on 27 June 2028. The blended average fixed interest rate of the private placement debt is 2.03%.

The Group debt structure in 2018 and 2017 is as follows:

2018

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A "Term Loan"	200,000	200,000	27/06/2023
Facility B "Revolving Credit Facility"	400,000	180,000	27/06/2023
US Private Placement lenders - 7 years	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	27/06/2028
Accrued Interests	-	3,096	
Debt arrangement expenses	-	(4,734)	
Total	**830,000**	**608,362**	

EUR 200 million of the "Facility A" tranche have been drawn down.

At 31 December 2018, EUR 180 million of the "Facility B" tranche had been drawn down.

The private placement debt has been drawn down in full; EUR 230 million.

2017

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A1	478,903	478,903	26/06/2020
Facility A2	84,668	84,668	26/06/2020
Facility A3	24,458	24,458	26/06/2020
Facility B	150,000	-	26/06/2020
Effect of exchange rate changes	-	13,182	
Interest	-	250	
Debt arrangement expenses	-	(4,968)	
Total	**738,029**	**596,493**	

a.1) Obligations and restrictions relating to the syndicated loan and private debt

Both the new syndicated loan and the private placement debt are subject to the achievement of certain financial ratios, being the main one defined as net consolidated debt to consolidated EBITDA, that must be less than 4.0x, tested every six months at 30 June and 31 December.

At 31 December 2018, the ratio, calculated on the basis of the contractually established definitions of net consolidated debt and consolidated EBITDA, was 2.3x.

The Parent's Directors expect the financial leverage ratio covenant to be met.

The Group also has to fulfil certain obligations under the syndicated loan and the private placement agreement which relate mainly to disclosure requirements concerning its financial statements and negative undertakings to not perform certain transactions without the lender's consent, such as certain mergers or changes of business activity (see Note 27.a).

a.2) Guarantees given

None of Applus Group subsidiaries have their shares pledged to secure the financial debt.

b) Credit facilities and other loans

The interest rates on the credit facilities and loans are tied to Euribor and Libor, plus a market spread.

The Group entered into a non-recourse factoring agreement to sell outstanding receivables from customers for up to a maximum of EUR 20 million bearing interest at the market rate, of which EUR 15,619 thousand had been used at 2018 year-end (2017 year-end: EUR 15,443 thousand).

c) Disclosure for currency of obligations and bank borrowings

The detail of the main current and non-current obligations and bank borrowings at 31 December 2018 and 2017, by currency, is as follows:

	2018 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Facilities Agreement	608,362	-	-	-	-	-	608,362
Other loans	10	-	-	-	-	-	10
Credit facilities	2,522	21	2	367	4,464	228	7,604
Finance leases	-	104	158	-	-	206	468
Total	**610,894**	**125**	**160**	**367**	**4,464**	**434**	**616,444**

	2017 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	475,419	98,376	22,698	-	-	-	596,493
Other loans	-	-	29	-	-	-	29
Credit facilities	16,258	-	(337)	4,984	7,235	292	28,432
Finance leases	8	280	-	-	-	1,662	1,950
Total	**491,685**	**98,656**	**22,390**	**4,984**	**7,235**	**1,954**	**626,904**

15. Other non-current financial liabilities

The detail of the related headings in the accompanying consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Payable due to reversion	19,204	20,547
Other non-current financial liabilities	5,328	6,802
Total other non-current financial liabilities	**24,532**	**27,349**

"Payable due to reversion" for 2018 and 2017 includes the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres are located in Catalonia, amounting to EUR 14,637 thousand (see Note 27.a). The payment period relating to these guarantees will not be known until the process described in Note 27.b has been completed.

"Payable due to Reversion" at 31 December 2018 also includes provisions of EUR 4,567 thousand as a result of the inclusion of the Finisterre Group in the scope of consolidation (see Note 2.b.e.1.1).

"Other financial liabilities" includes mainly various loans with favourable terms and conditions that the subsidiaries have been granted by various public bodies. These loans mature between 2019 and 2023.

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 activity is based on the identification of risks, the determination of tolerance to each risk, the analysis of the suitability of the hedging of financial risks, and the control, if applicable, of the hedging relationships established.

The Group's Policy consists on hedging 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) a financial risk for the Group.

Normally, the operations in each of the countries where the Group operates, both income and expenses are in local currency so foreign currency risk only impacts Equity.

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.

In relation to foreign currency risk, the estimated sensitivity in the Group's consolidated statements of profit or loss for 2018 and 2017 to a change of +/-5% in the exchange rates against the euro of the main currency in which the Group operates, US dollar, would entail approximately a +/-1% variation of the Group's revenues.

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 the debt in US dollars.

In addition, in order to follow Group's strategy of minimizing risks part of the new debt has been secured at a fix interest rate. Private Placement Debt represents at 31 December 2018, a 38% of total debt drawn.

The detail of the average interest rate and of the average financial debt drawn is as follows:

	2018	2017
Average interest rate	2.09%	2.28%
Average financial debt drawn (thousands of euros)	642,759	732,023

On the basis of the financial debt drawn, the impact on borrowing costs of a change of half a point in the average interest rate would be as follows:

	2018		2017	
Change in interest rate	+0.50%	-0.50%	+0.50%	-0.50%
Change in borrowing costs (thousands of euros)	2,669	(2,669)	3,660	(3,660)

c) <u>Liquidity risk</u>

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.

<u>Hedging instruments arranged</u>

At 31 December 2018, the Group does not have any hedging instruments arranged.

17. Non-current provisions

The detail of "Non-Current Provisions" in 2018 and 2017 year end is as follows (in thousands of euros):

	31/12/2018	31/12/2017
Long-term employee obligations	11,255	9,662
Other provisions	12,109	7,596
Non-Current provisions	**23,364**	**17,258**

The changes in "Non-Current Provisions" in 2018 and 2017 are as follows:

	Thousands of Euros
Balance at 1 January 2017	**16,928**
Changes in the scope of consolidation (Note 2.b.e)	4,932
Additions	1,561
Amounts used	(3,537)
Finnish Tax Audit	(1,939)
Effect of exchange rate changes	(687)
Balance at 31 December 2017	**17,258**
Changes in the scope of consolidation (Note 2.b.e)	874
Additions	6,705
Amounts used	(3,226)
Effect of exchange rate changes	1,753
Balance at 31 December 2018	**23,364**

The recognised provisions 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 the Group Executive Committee and Committee of the subsidiaries, with the assistance of their advisers, considering the specific circumstances to each case.

a) *Long-term employee obligations:*

Long term employee obligations contain, mainly, benefits to certain employees of the Energy & Industry Seameap cash-generating unit amounting to EUR 7,188 thousand (2017: EUR 4,972 thousand) and to employees of the Energy & Industry Northern Europe cash-generating unit amounting to EUR 1,401 thousand (2017: EUR 1,791 thousand) and to certain staff of the Finisterre cash-generating unit amounting to EUR 2,520 thousand (2017: EUR 2,355 thousand) (see Note 2.b.e.3.1).

The benefits of the Energy & Industry Northern Europe CGU relate, mainly, to the companies located in the Netherlands. These plans include the provision to pay one monthly salary payment to current employees upon completing 25 years of service and two monthly salaries payments upon completing 40 years of service.

The benefits of the Energy & Industry Seameap CGU relate, mainly, to benefits that employees from companies located in the Middle East and Italy receive at the end of their employment in Applus Group.

The benefits of the Finisterre CGU relate to benefits that the employees from companies mainly located in Spain receive at the end of their service at Applus Group.

b) *Other provisions:*

Other provisions mainly contain:

	Thousands of Euros	
	31/12/2018	31/12/2017
Tax risks	3,318	2,118
Legal contingencies	2,929	2,929
Other provisions	5,862	2,549
Total	**12,109**	**7,596**

In 2017 the Group has paid EUR 1,980 thousand following the dismissal of the appeal filed against the Finnish Administrative Court's decision.

The tax contingencies covered by provisions are described in Note 20.f.

Legal contingencies balance has not changed during last years.

18. Other current and non-current liabilities

The detail of "Other Non-Current Liabilities" and "Other Current Liabilities" in 2018 and 2017 is as follows (in thousands of euros):

	31/12/2018	31/12/2017
Variable price of the acquisition of ownership interest payable at long term	17,195	16,265
Other non-current liabilities	19,881	16,769
Other non-current liabilities	**37,076**	**33,034**
Variable price of the acquisition of ownership interest payable at short term	3,166	13,716
Other current liabilities	6,463	7,469
Other current liabilities	**9,629**	**21,185**
Total other liabilities	**46,705**	**54,219**

"Variable price of the acquisition of ownership interest payable" includes the amounts payable for business combinations performed in 2018 and prior years in relation to contingency payouts and variable payouts (earn outs), which the Directors consider will comply with the related payment terms and conditions and should therefore be paid. The aforementioned amounts are classified as current and non-current in accordance with the date scheduled for their payment.

In relation to the acquisition of 80% of Inversiones Finisterre, S.L. described in Note 2.b.e.3.1, there is an agreement where a call and put options are granted for the potential acquisition of the remaining 20% of the Finisterre Group from July 2022, subject to the occurrence of certain events. The Applus Group has recognised a liability for the present value of the estimated amount of this option of EUR 14.7 million (2017: EUR 14.2 million) in "Variable price of the acquisition of ownership interest payable at long term", in accordance with IAS 32.23 (see Note 2.b.e.3.1).

"Other Current Liabilities" and "Other non-current Liabilities" include mainly other financial payables not related to bank borrowings.

19. Trade and other payables

The detail of trade and other payables in 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Trade and other payables	177,183	179,527
Trade and other payables with related companies (Note 28.b)	3	521
Remuneration payable	64,098	58,249
Tax payable	66,655	69,933
Total	**307,939**	**308,230**

The difference between the reasonable and nominal value does not differ significantly.

The Group's average payment period in 2018 was 60 days (2017: 60 days).

“Remuneration Payable” mainly relates to ordinary remuneration payable as annual bonus, extra-pay and holidays accruals, also includes EUR 1,958 thousand (31 December 2017: EUR 1,775 thousand) relating to the variable remuneration plan comprising the annual delivery of RSUs to certain executives and employees of the Group, and EUR 1,137 thousand (31 December 2017: EUR 745 thousand) relating to the “Long-term incentive” plan, comprising the delivery of PSUs and/or RSUs to certain executives if the Group achieves certain financial targets (see Note 29).

In “Tax Payable” the Group recognised the amounts payable of value added taxes, social security taxes and personal income tax withholdings (or equivalent taxes in each country).

Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.

The Group companies with tax residence in Spain adapted their payment periods in line with Additional Provision Three “Disclosure Obligation” of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December 2014). Detailed below are the disclosures required by the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 to be included in notes to the financial statements in relation to average payment periods to suppliers in commercial transactions.

	2018	2017
	Days	Days
Average payment period to suppliers	60	60
Ratio of transactions settled	61	67
Ratio of transactions not yet settled	53	60
	Thousands of Euros	Thousands of Euros
Total payments made	156,667	144,654
Total payments outstanding	27,681	14,887

The data shown in the table above relates exclusively to the Spanish companies. The data referred to payments to suppliers relate, pursuant to the ICAC Resolution, to commercial transactions relating to goods supplied and services provided since the entry into force of Law 31/2014, of 3 December 2014.

Suppliers, solely for the purpose of disclosing the information provided for in this resolution, are considered to be trade creditors for the supply of goods and services and are included under "Current Liabilities - Trade and Other Payables" in the accompanying consolidated statement of financial position.

"Average payment period to suppliers" is understood to be the period between the supply of the goods or the provision of the services on the supplier's account and the effective payment of the transaction.

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December 2004, on combating late payment in commercial transactions, is 30 days. This period may be extended by an agreement between the parties, but under no circumstances should be superior to 60 natural days (same legal period in 2017).

However, most of the payments outstanding by the Spanish consolidated companies at year end has been paid during the first two months of the year 2019.

20. Corporate income tax

20.a Corporate income tax expense recognised in the consolidated statement of profit or loss

The detail of the corporate income tax expense recognised in 2018 and 2017 is as follows (in thousands of euros):

	2018	2017
Current tax:		
For the year	29,115	26,117
	29,115	26,117
Deferred tax:		
For the year	(3,515)	(5,218)
Impact of Royal Decree-Law 3/2016	(2,250)	(2,340)
Impact of US tax reform	-	(2,831)
	(5,765)	(10,389)
Corporate Income tax expense	**23,350**	**15,728**

The detail of the changes in deferred taxes, recognised as corporate income tax expense/(benefit) in the consolidated statement of profit or loss in 2018 and 2017, is as follows (in thousands of euros):

	2018	2017
Tax credits for tax loss carry forwards		
US Tax Reform impact	-	3,900
Others	2,247	1,603
Withholding taxes and other unused tax credits	234	(929)
Temporary differences:		
Amortisation of intangible assets recognized at fair value	(13,978)	(11,667)
Finance costs - Spanish companies	3,525	2,795
Impact of Royal Decree-Law 3/2016	(2,250)	(2,340)
US Tax Reform impact	-	(6,731)
Others	4,457	2,980
Deferred corporate income tax expense (benefit)	**(5,765)**	**(10,389)**

The corporate income tax expense is calculated in 2018 and 2017 as follows (in thousands of euros):

	2018	2017
Profit before tax	**83,544**	**61,334**
Consolidated corporate income tax rate at 25%	**20,886**	**15,334**
Tax effect of:		
Differences due to corporate income tax rates in different countries	6,219	4,544
Deduction of unrecognised tax assets and others	(3,755)	(2,142)
Changes in tax rates and laws and others	-	(2,008)
Corporate income tax expense	**23,350**	**15,728**

Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent social measures, was published in the Spanish Official State Gazette on 3 December 2016.

As a result of this Royal Decree-Law, at 2016 year-end the Spanish consolidated tax group recognised a tax expense amounting to EUR 11,363 thousand in the accompanying consolidated statement of profit or loss (EUR 2,273 thousand in current tax and EUR 9,090 thousand in deferred tax), since it was considered that there are very severe restrictions on the transfer of certain securities representing investments in the share capital or equity of some subsidiaries before the five-year period expires, due to legal, contractual or other reasons, in relation to the sale or settlement of the investments concerned, and to the circumstances specifically affecting them. This amount covers the impairment losses to be reversed and included in the tax base in the five year period from 2016 to 2020.

A tax reform was approved in the United States on 22 December 2017 (the US Tax Reform or the Tax Cuts and Jobs Act), adjusting, inter alia, the tax rate (from 35% to 21%) and the limits to offset tax losses. As a result of this reform, at 2017 year-end the Applus Group companies located in the United States recognised an income of EUR 2,831 thousand in accordance with IAS 12, based on the adjustment of the deferred tax assets and liabilities to the new tax rate at which they are expected to reverse.

20.b Current corporate income tax assets and liabilities

The detail of the current corporate income tax receivables and payables at the end of 2018 and 2017 is as follows (in thousands of euros):

	31/12/2018	31/12/2017
Current corporate income tax assets	19,024	20,039
Corporate income tax prepayments	**19,024**	**20,039**
Current corporate income tax liabilities	14,798	12,066
Corporate income tax payables	**14,798**	**12,066**

20.c Deferred tax assets

The detail of "Deferred Tax Assets" at the end of 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Tax losses of Spanish companies	29,303	31,071
Tax losses of US companies	4,449	5,448
Tax losses of Other foreign companies	4,709	4,189
Tax credits for tax loss carry forwards	**38,461**	**40,708**
Tax credits of Spanish companies	4,380	4,380
Tax credits and Withholding taxes of Foreign companies	8,020	8,254
Withholding taxes and other tax credits	**12,400**	**12,634**
Temporary differences due to the non-deductibility of finance expenses as provided for in Royal Decree-Law 12/2012	106	3,631
Other temporary differences - Spanish companies	3,014	5,286
Temporary differences - Foreign companies	12,757	9,674
Total temporary differences	**15,877**	**18,591**
Total deferred tax assets	**66,738**	**71,933**

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 over a time period of less than ten years.

The factors taken into consideration by the Parent's Directors to recognise as a deferred tax asset, including tax credit for tax loss carryforwards, withholding taxes, and tax credits for temporary differences at 31 December 2018, which support their future recoverability, are as follows:

- In 2018 and 2017 the consolidated tax group in Spain obtained taxable income of EUR 48,696 and EUR 29,290 thousand which enabled it to use unrecognised tax losses from prior years amounting to EUR 2,540 and EUR 2,306 thousand, respectively.

The prior years' tax loss carryforwards of the companies at the end of 2018 and 2017 are as follows:

Year incurred	Thousands of Euros			
	2018		2017	
	Recognised	Not recognised	Recognised	Not recognised
2003	-	-	-	10
2004	-	-	-	41
2005	-	8,336	-	8,336
2007	5,205	18,866	5,205	21,288
2008	474	-	474	-
2009	21,378	277	28,724	433
2010	57,460	486	58,058	940
2011	38,562	1,040	43,527	1,927
2012	1,143	3,213	2,821	12,029
2013	2,796	3,841	2,156	5,747
2014	4,501	5,232	1,906	7,417
2015	8,805	10,801	8,575	14,021
2016	7,507	21,967	6,962	25,023
2017	4.294	15,226	6,946	13,072
2018	930	9,990	-	-
Total	**153,055**	**99,275**	**165,354**	**110,284**

The recognised tax losses from the Spanish consolidated tax group are EUR 117,219 thousand recognised and EUR 27,409 thousand not recognised.

The detail of the Spanish companies' unused tax credits at the end of 2018 and 2017 is as follows:

Year	Thousands of Euros			
	2018		2017	
	Recognised	Not recognised	Recognised	Not recognised
2003	-	-	-	35
2004	-	-	-	42
2005	-	13	-	85
2006	-	241	-	243
2007	-	246	-	257
2008	-	-	-	-
2009	-	-	-	1,318
2010	-	1,598	-	1,884
2011	-	1,855	-	1,941
2012	-	2,417	-	2,388
2013	4,380	21,099	4,380	23,361
2014	-	6,504	-	6,504
2015	-	5,791	-	5,791
2016	-	5,316	-	5,280
2017	-	6,666	-	5,021
2018	-	4,995	-	-
Total	**4,380**	**56,741**	**4,380**	**54,150**

Of the total recognised and unrecognised tax credits at 31 December 2018, EUR 14,001 thousand relate to incentives for certain activities (mainly investment in R&D+i expenditure), EUR 46,621 thousand relate to double taxation credits and EUR 499 thousand to the reinvestment of gains. Of the total recognised and unrecognised tax credits at 31 December 2017, EUR 14,068 thousand related to investment in R&D+i expenditure, EUR 43,592 thousand to double taxation credits and EUR 870 thousand to the reinvestment of gains.

The foreign companies' unused tax credits not recognised in the accompanying consolidated statement of financial position are not significant.

20.d Deferred tax liabilities

"Deferred Tax Liabilities" on the liability side of the accompanying consolidated statement of financial position as at 31 December 2018 and 2017 includes mainly the following:

	Thousands of Euros	
	31/12/2018	31/12/2017
Temporary differences associated with:		
recognition at fair value of the identifiable assets in acquisitions of business combinations	113,238	127,195
depreciation and amortisation and measurement of assets and goodwill	17,745	16,629
Royal Decree-Law 3/2016 (Note 20.a)	4,500	6,750
amortisation of goodwill paid in the acquisition of foreign companies by Spanish companies	5,489	4,814
other deferred tax liabilities	10,043	6,604
Total deferred tax liabilities	**151,015**	**161,992**

20.e Corporate Income Tax rates applicable to the Group

Each company calculates its corporate income tax expense in accordance with its respective legislation. The main corporate income tax rates applicable to the Group are as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Spain	25%	UK	19%	Angola	30%
US	21%	Germany	30%	United Arab Emirates	-
Finland	20%	Australia	30%	Luxembourg	18%
Ireland	12.5%	Italy	27.5%	Kuwait	15%
Canada	26.5%	Brazil	34%	Malaysia	24%
Norway	25%	Argentina	35%	Singapore	17%
Denmark	22%	Chile	25%	Qatar	10%
Netherlands	25%	Colombia	33%	Saudi Arabia	20%
Mexico	30%	Oman	15%		

20.f Years open for review and tax audits

The Spanish companies which belong to tax Spanish Group have 2012 and 2014 and subsequent years open for review by the tax authorities for income tax and 2015 and subsequent years open for review by the tax authorities for the rest of applicable taxes. 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 significant liabilities to arise in the event of a tax audit.

Also, in 2018 certain Group subsidiaries received notifications from the tax authorities of the countries in which they operate, in which certain taxes filed had been opened for review. At 31 December 2018, these inspections were at a preliminary stage and no conclusions had been received from the tax authorities that may have a significant impact 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 Group obtains its income from contracts with customers in which it transfers goods or services according to the following categories and according to the criteria detailed in Note 3.q.

	Thousands of Euros	
	2018	2017
Applus+ Energy & Industry	1,014,255	1,009,757
Applus+ Laboratories	76,649	64,514
Applus+ Automotive	371,309	310,719
Applus+ IDIADA	213,684	197,960
Otros	45	144
Total	**1,675,942**	**1,583,094**

At year-end, there are no significant amounts of outstanding performance obligations since, as a general rule, contracts with customers have an expected initial duration of one year or less.

b) *Staff costs*

The detail of "Staff Costs" in the accompanying consolidated statement of profit or loss in 2018 and 2017, is as follows:

	Thousands of Euros	
	2018	2017
Wages, salaries and similar expenses	727,309	674,982
Severances	4,267	7,731
Employee benefit costs	109,664	101,576
Other staff costs	77,965	77,285
Total	**919,205**	**861,574**

The average number of employees at the Group, by professional category and gender in 2018 and 2017, is as follows:

	Average number of employees		
	2018		
Professional category	Men	Women	Total
Top management	145	25	170
Middle management	437	97	534
Supervisors	1,078	239	1,317
Operational employees & others	15,825	3,669	19,494
Total	**17,485**	**4,030**	**21,515**

	Average number of employees		
	2017		
Professional category	Men	Women	Total
Top management	134	25	159
Middle management	347	92	439
Supervisors	1,062	236	1,298
Operational employees & others	13,935	**3,131**	**17,066**
Total	**15,478**	**3,484**	**18,962**

Also, the distribution of the workforce, by gender and category, at the end of 2018 and 2017 is as follows:

	No. of employees end of year		
	2018		
Professional category	Men	Women	Total
Top management	139	23	162
Middle management	347	71	418
Supervisors	1,006	235	1,241
Operational employees & others	16,982	4,049	21,031
Total	**18,474**	**4,378**	**22,852**

Professional category	No. of employees end of year		
	2017		
	Men	Women	Total
Top management	147	27	174
Middle management	380	100	480
Supervisors	1,139	234	1,373
Operational employees & others	14,794	3,516	18,310
Total	**16,460**	**3,877**	**20,337**

c) *Other results*

The detail of the other results for 2018 and 2017 relates mainly to extraordinary termination benefits due to restructuring, start-up costs, and changes in fair value of considerations in business combinations.

d) *Fees paid to auditors*

In 2018 and 2017 the fees billed for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L., and by firms in the Deloitte organisation, and the fees billed by the auditors of the separate financial statements of the consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows (in thousands of euros):

2018

	Fees for services provided by the principal auditor	Fees charged by other audit firms
Audit services	1,857	295
Other attest services	182	-
Total audit and related services	**2,039**	**295**
Tax advice	214	
Other services	-	
Total professional services	**2,253**	

2017

	Fees for services provided by the principal auditor	Fees charged by other audit firms
Audit services	1,944	365
Other attest services	199	-
Total audit and related services	**2,143**	**365**
Tax advice	288	
Other services	96	
Total professional services	**2,527**	

22. Financial result

The detail of the financial loss in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Finance Income:		
Other finance income by third parties	2,510	1,339
Total finance income	**2,510**	**1,339**
Finance costs:		
Borrowing costs relating to syndicated loan	(15,697)	(16,858)
Other finance costs paid to third parties (*)	(6,440)	(3,821)
Exchange differences	(183)	(2,128)
Total finance costs	**(22,320)**	**(22,807)**
Gains or losses on the net monetary position (see Note 3.o)	(1,419)	-
Financial result	**(21,229)**	**(21,468)**

(*) Includes accelerated amortisation of arrangements expenses for the previous debt in 2018 (EUR 3,945 thousand)

23. Information on the environment

In view of the business activities carried on by the Group, 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 which might arise from its business activities are minimal and, in any event, adequately covered, and that no additional liabilities will arise in connection with these risks. The Group did not incur significant expenses or receive environment-related grants in 2018 or 2017.

24. Proposal of allocation of profit/loss

The proposed allocation of the Parent's net profit, formulated by the Board of Directors that will be presented at the next Parent's Annual General Meeting of the Shareholders, for 2018 is as follows:

	Thousands of Euros
Basis of allocation:	
Profit for the year	31,997
	31,997
Allocation:	
To dividends	21,453
To unrestricted reserves	10,544
Total	**31,997**

The proposed dividend of EUR 21,453 thousand corresponds to a gross amount of EUR 0.15 per share.

25. Segmented information

At 31 December 2018, the Group operates through four operating divisions and a holding division, each of which is considered to be a segment for financial reporting purposes.

The main fourth operating segments are as follows:

- Applus+ Energy & Industry provides non-destructive testing, quality control and accreditation services, project management, supplier inspection, facility inspection and asset certification and integrity services. It also provides qualified staff recruitment and hiring services for the oil and gas, aircraft, energy, mining, telecommunications and construction industries.

- Applus+ Laboratories: offers a wide range of laboratory testing, system certification, product development services across various industries and electronic payment systems, including the aerospace and industrial sectors.

- Applus+ Automotive: offers mandatory vehicle roadworthiness testing services, verifying vehicles' compliance with safety and emissions regulations in force in the various countries in which it operates.

- Applus+ IDIADA: offers design, engineering, testing and certification services mainly to car manufacturers.

a) Financial information by segment:

The financial information, by segment, in the consolidated statement of profit or loss for 2018 and 2017 is as follows (in thousands of euros):

2018

	Applus+ Energy &Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenue	1,014,255	76,649	371,309	213,684	45	**1,675,942**
Operating expenses	(935,234)	(66,939)	(288,444)	(186,863)	(27,662)	**(1,505,142)**
Adjusted Operating Profit	**79,021**	**9,710**	**82,865**	**26,821**	**(27,617)**	**170,800**
Amortisation of non-current assets identified in business combinations (Note 5)	(16,994)	(1,427)	(38,582)	(2,160)	-	**(59,163)**
Impairment and gains or losses on disposal of non-current assets and other results						**(6,877)**
Operating Profit						**104,760**

2017

	Applus+ Energy &Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenue	1,009,757	64,514	310,719	197,960	144	**1,583,094**
Operating expenses	(930,917)	(57,805)	(252,016)	(174,004)	(25,310)	**(1,440,052)**
Adjusted Operating Profit	**78,840**	**6,709**	**58,703**	**23,956**	**(25,166)**	**143,042**
Amortisation of non-current assets identified in business combinations (Note 5)	(20,951)	(1,427)	(25,585)	(2,160)	-	**(50,123)**
Remuneration plans (Note 29)						**(3,692)**
Impairment and gains or losses on disposal of non-current assets and other results						**(7,072)**
Operating Profit						**82,155**

The Adjusted Operating Profit is the operating profit before the amortisation charge of the intangible assets allocated in the business combinations (PPA) (see Note 5), and the impairment and gains or losses on disposal of non-current assets and other results (see Note 21.c).

The other results are included under "Impairment and gains or losses on disposal of non-current assets" and "Other results" in the consolidated statement of Profit or Loss.

The "Other" segment includes the financial information corresponding to the Applus Group's holding activity.

The finance costs were allocated mainly to the "Other" segment as it is the holding companies that have bank borrowings (see Note 14).

The non-current assets and liabilities, by business segment, at the end of 2018 and 2017 are as follows (in thousands of euros):

2018

	Applus+ Energy &Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	261,947	59,483	208,542	60,110	1,256	**591,338**
Other intangible assets	200,419	20,563	260,481	34,732	2,666	**518,861**
Property, plant and equipment	78,891	14,169	90,374	33,220	3,920	**220,574**
Investments accounted for using the equity method	724	-	-	-	-	**724**
Non-current financial assets	21,088	678	4,673	879	202	**27,520**
Deferred tax assets	26,284	739	4,909	1,054	33,752	**66,738**
Total non-current assets	**589,353**	**95,632**	**568,979**	**129,995**	**41,796**	**1,425,755**
Total liabilities	**241,200**	**35,152**	**177,010**	**91,621**	**641,602**	**1,186,585**

2017

	Applus+ Energy &Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	252,618	37,999	206,755	56,229	1,260	**554,861**
Other intangible assets	218,081	21,819	302,442	37,223	2,332	**581,897**
Property, plant and equipment	75,733	12,426	90,382	28,552	3,303	**210,396**
Investments accounted for using the equity method	3,007	-	-	-	-	**3,007**
Non-current financial assets	5,700	424	1,811	645	210	**8,790**
Deferred tax assets	24,336	852	6,646	1,306	38,793	**71,933**
Total non-current assets	**579,475**	**73,520**	**608,036**	**123,955**	**45,898**	**1,430,884**
Total liabilities	**246,329**	**29,956**	**206,178**	**86,236**	**640,393**	**1,209,092**

The additions to intangible assets and also to property, plant and equipment, by business segment, in 2018 and 2017 are as follows (in thousands of euros):

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Capex 2018	21,934	4,642	9,279	13,219	2,261	**51,335**
Capex 2017	23,738	4,436	14,092	12,277	4,488	**59,031**

b) Financial information by geographic segment:

Since the Group has presence in several countries, the information has been grouped geographically.

The sales, by geographical area, in 2018 and 2017, were as follows:

	Thousands of Euros	
	2018	2017
Spain	372,844	311,284
Rest of Europe	451,612	440,701
US and Canada	328,308	338,747
Asia and Pacific	171,240	176,614
Middle East and Africa	179,065	174,579
Latin America	172,873	141,169
Total	**1,675,942**	**1,583,094**

The non-current assets, by geographical area, in 2018 and 2017, are as follows (in thousands of euros):

Total non-current assets	Spain	Rest of Europe	US and Canada	Asia-Pacific	Latin America	Middle East and Africa	Total
31 December 2018	740,322	279,742	245,190	83,353	69,595	7,553	**1,425,755**
31 December 2017	743,368	295,755	234,488	74,283	75,135	7,855	**1,430,884**

26. Operating leases

The Group holds the right of use of certain assets through finance leases (see Note 7) and operating leases. The most significant operating leases relate to the lease of premises and vehicles and to levy payable for the various concessions operated by the Group.

The expenses incurred by the Group in 2018 in relation to rent and levy amounted to EUR 110,404 thousand (2017: EUR 104,740 thousand).

At the end of 2018 and 2017 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 Consumer Price Inflation (CPI) or future contractual lease payment revisions (in thousands of euros), not including the expenses for levy available to the Group:

Operating leases	2018	2017
Within one year	53,797	54,171
Between one and five years	111,771	82,139
After five years	44,581	53,280
Total	**210,149**	**189,590**

The accompanying table does not include the amounts of the levy committed (mainly in Applus+ Automotive division) for the next few years that are subject to a percentage of the revenue or the investments made. In 2018 the expense relating to levy totalled EUR 42,927 thousand (2017: EUR 38,987 thousand).

27. Obligations acquired and contingencies

a) Guarantees and obligations acquired

The Group has guarantees required by the business activities of the Group companies amounting to EUR 100.3 million (31 December 2017: EUR 102.6 million), as shown in the following detail by segment (in millions of euros):

Guarantees provided	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
31 December 2018	60.2	8.0	27.0	4.9	0.2	**100.3**
31 December 2017	64.1	7.1	26.5	4.7	0.2	**102.6**

There are guarantees included in Applus+ Laboratories, Applus Automotive and Applus+ IDIADA divisions amounting to EUR 18.3 million (31 December 2017: EUR 18.3 million) provided 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 and with the management of vehicle roadworthiness testing service.

The guarantees provided by Applus+ Energy & Industry relate mainly to guarantees provided to companies or public-sector agencies as provisional or final guarantees to submit bids or to assume liability for contracts awarded.

The Group also has certain obligations and guarantees under the financing agreement (see Notes 14.a.1 and 14.a.2). 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, refrain from performing certain transactions without the consent of the lender, such as certain mergers, changes of business activity, share redemptions, and the financial obligation to achieve certain financial ratios, among others.

The Parent's Directors do not expect any material liabilities as a result of the transactions described in this Note and in addition to those recognised in the accompanying consolidated statement of financial position.

b) Contingencies

b.1. Auto Catalonia

Current legislation on access to the provision of the vehicle roadworthiness testing activities (ITV) stipulates a quota-bound administrative authorisation system, which was challenged by certain operators on the basis that the Services Directive should be applicable and hence, a free market be set.

In line with the Judgment given by the European Court of Justice (in the Reference for preliminary ruling from the Spanish Supreme Court), which concluded that the Services Directive does not apply to roadworthiness testing activities as those are part of "services in the field of transport" falling within the scope of Title VI of the EU Treaty, the Supreme Court confirmed in its judgments of 21 April and 6 May 2016 that the Catalan ITV regime and the authorisations granted in 2010 to the Group until 2035, were in conformity with applicable law and additionally that restrictions on the maximum market share and minimum distance between roadworthiness testing centres of a single operator were void (as these restrictions to the freedom of establishment were not justified).

By judgment of 25 April 2016, the Supreme Court declared null the call for tender to access the authorisation of new roadworthiness testing centres provided as established under the territorial plan, as it included the restrictions of maximum market share and minimum distance between vehicle roadworthiness testing centres licensed to the same undertaking, which had been declared void.

In addition, in the referred judgment of May 6, 2016, the Supreme Court declared void the "Disposición Adicional Segunda" of the Decree 30/2010 that provided for the right to use the assets and rights owned by the Administration by those operators who had been originally concessionaires, as well as the Order regulating the economic consideration for the use of such assets (in a judgment of 4 May 2016). As a result, in another litigation opened before the High Court of Justice of Catalonia (TSJC), the latter has issued a judgment on 24 April 2017, declaring void the Instruction of the General Director of Energy, Mines and Industrial Safety defining the criteria set to define the economic consideration for the use of said public assets. Applus has appealed this Judgment of the TSJC before the Supreme Court of Spain.

The Parent Company's Directors believe that the 2016 judgments of the Supreme Court confirmed the validity of the roadworthiness testing activities' regime in Catalonia - quota authorization- as well as the titles upon which Applus operates in that territory, however the Generalitat de Catalunya (Autonomous Government of Catalonia) shall implement the appropriate measures to comply with the Supreme Court judgments referred to above.

b.2. Other contingencies

Two subsidiaries of the Group are facing a number of lawsuits from former employees regarding the amount of hours of over-time worked. In any case, the impact of these lawsuits would not be significant for the attached consolidated financial statements. The Parent Company's Directors consider that the outcome of all above proceedings will not entail material additional liabilities to those in the consolidated financial statements at 31 December 2018.

At 2018 year-end, the Parent's Directors were not aware of any significant claims brought by third parties or of any ongoing legal proceedings against the Group that, in their opinion, could have a material impact on these consolidated financial statements.

28. Transactions and balances with related parties

For the purposes of the information in this section, related parties are considered to be:

- The significant shareholders of Applus Services, S.A., are understood to be shareholders holding directly or indirectly 3% or more of the shares, and shareholders which, without being significant, have exercised the power to propose the appointment of a member of the Parent's Board of Directors.

- The Directors and Senior Executive, as well close members of those persons' family. "Director" means a member of the Board of Directors and "Senior Executive" means persons reporting directly to the Board or to the Chief Executive Officer (CEO) of the Group.

- Associates of the Group.

The transactions between the Parent and its subsidiaries were eliminated on consolidation and are not disclosed in this Note.

The transactions between the Group and its related companies disclosed below, are performed at arm's length and in line with market conditions.

Transactions with related companies

In 2018 and 2017 the Parent and its subsidiaries performed the following transactions with related companies:

	Thousands of Euros					
	2018			2017		
	Operating revenue	Procurements	Other expenses	Operating revenue	Procurements	Other expenses
Velosi L.L.C.	-	-	-	1,267	80	107
Velosi (B) Sdn Bhd	-	-	-	243	-	12
Oman Inspection and Certification Services, LLC	-	-	-	6	500	-
Total	-	-	-	**1,516**	**580**	**119**

The transactions with related companies correspond to commercial transactions.

The transactions and balances between the Applus Group and related parties (Directors and Senior Executives) are detailed in Note 29.

During 2018 and 2017 there have not been any transactions nor are there any significant amounts outstanding at year end, with significant shareholders.

Balances with related companies

a) Receivables from related companies:

	Thousands of Euros	
	Trade receivables from related companies	
	31/12/2018	31/12/2017
Velosi LLC	-	3,654
Velosi (B) Sdn Bhd	72	308
Oman Inspection and Certification Services, LLC	-	7
Total	**72**	**3,969**

b) Payables to related companies:

	Thousands of Euros	
	Trade and other payables to related companies	
	31/12/2018	31/12/2017
Velosi LLC	-	16
Velosi (B) Sdn Bhd	3	5
Oman Inspection and Certification Services, LLC.	-	500
Total	**3**	**521**

29. Disclosures on the Board of Directors and the Senior Executives

Remuneration of and obligations to the Board of Directors

The detail of the remuneration (social benefits included) earned by the Executive Director and the Parent's Directors at 2018 and 2017 year-end is as follows:

a) Annual remuneration:

	Thousands of Euros					
	31/12/2018			31/12/2017		
	Executive Director	Members of the Board of Directors	Total	Executive Director	Members of the Board of Directors	Total
Fixed remuneration	750	-	**750**	650	-	**650**
Variable remuneration	600	-	**600**	325	-	**325**
Other items	37	-	**37**	40	-	**40**
Non Executive Chairman and Independent Directors	-	588	**588**	-	560	**560**
Corporate Social Security Committee	-	50	**50**	-	50	**50**
Appointments & Compensation Committee	-	66	**66**	-	70	**70**
Audit Committee	-	70	**70**	-	70	**70**
Total	**1,387**	**774**	**2,161**	**1,015**	**750**	**1,765**

In 2018 the Group has accrued by EUR 38 thousand on pension plan contributions related to the Executive Director. During 2017 the Executive Director and the members of the Board of Directors did not earn or receive any termination benefits or pension plan contributions.

b) Long-term incentive ("LTI"):

On 22 June 2016 the Parent's Shareholders General Meeting approved a long-term incentive plan ("LTI") whereby the Executive Director will receive annually PSUs (Performance Stock Units) convertible into shares of the Parent within three years of the grant date. The first conversion is scheduled for February 2019 for the first incentive. In principle, the PSUs amount to 60% of the annual fixed remuneration; however, subject to the degree of achievement of the financial parameters, this amount may range from 0% to 120%. The financial parameters are the Total Shareholder Return and the Adjusted Earnings per Share.

For the purposes of the statement of profit or loss (pursuant to IFRS 2), a degree of achievement of 60% of the Executive Director's fixed remuneration has been considered.

Executive Director	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	Total
Long Term incentive Plan (PSUs):							
Number of PSUs delivered	44,931	36,449	39,805				**121,185**
PSU delivery date	July 16	February 17	February 18				
Share value on PSU delivery date (euros)	8.68	10.70	11.31				
Date of conversion into shares				February 19	February 20	February 21	
Number of PSUs convertible into shares				44,931	36,449	39,805	**121,185**

Impact on profit or loss	2016	2017	2018	2019	2020	Total
Active Plans	1	2	3	2	1	
Impact on profit or loss (thousands of euros)	130	260	410	280	150	**1,230**

At 31 December 2018, no loans or advances had been granted to the members of the Parent's Board of Directors.

Lastly, Applus Services, S.A. took out a third-party liability insurance policy. The insureds under this policy are the directors and executives of the Group companies the Parent of which is Applus Services, S.A. The directors of Applus Services, S.A. are included among the insureds of this policy. The premium paid in 2018 for this insurance policy amounted to EUR 70 thousand (2017: EUR 46 thousand).

During 2018 two board members resigned. The remunerations received by them from the different committees have been included. These two positions are expected to be covered in 2019.

The Parent's Board of Directors at 31 December 2018 is made up of 6 men and 1 women and at 31 December 2017 is made up of 8 men and 1 woman.

Information relating to conflicts of interest on the part of the Parent's Directors

It is hereby stated that the Parent's 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 Companies Act.

Remuneration of and obligations to Senior Executives

Senior Executives are those who in 2017, were part of the Group's Executive Committee. In relation to remuneration information, the internal auditor was also included, as defined in current accounting legislation and, in particular, in the Report of the Special Working Group on the Good Governance of Listed Companies published by the Spanish National Securities Market Commission (CNMV) on 16 May 2006.

The breakdown of the remuneration earned in 2018 and 2017 by the Group's Senior Executives is as follows:

a) Annual remuneration:

	Thousands of Euros	
	2018	2017
Fixed remuneration	3,254	3,428
Variable remuneration	1,104	1,109
Other items	694	546
Termination benefits	378	-
Pension plans	99	109
Total	**5,529**	**5,192**

In addition to the variable remuneration of EUR 1,104 thousand, Senior Executives are beneficiary of a variable remuneration plan comprising the annual delivery of a fixed number of RSUs. The plan is approved annually by the Appointments and Compensation Committee and ratified by the Parent's Board of Directors. At 2018 year-end three plans had been approved and ratified, as follows:

On 23 February 2016, the delivery to Senior Executives of 107 thousand RSUs was approved and ratified. This amount relates to Senior Executives, as defined in 2016. The related shares will be delivered in March 2017 (30%), 2018 (30%) and 2019 (40%).

On 22 February 2017, the delivery to Senior Executives of 85 thousand RSUs was approved and ratified. The related shares will be delivered in March 2018 (30%), 2019 (30%) and 2020 (40%). The aforementioned plan was awarded to management personnel in accordance with the new organisational structure.

On 20 February 2018, the delivery to Senior Executives of 77 thousand RSUs was approved and ratified. The related shares will be delivered in March 2019 (30%), 2020 (30%) and 2021 (40%).

The plan approved on 2015, was completed once the last delivery of RSUs in 9 March, 2018.

Senior Executives	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	Total
Long-term incentive Plan (RSUs)								
Number of RSUs delivered (*)	67,220	106,594	85,350	77,198				**336,362**
RSU delivery date	March 15	March 16	March 17	March 18				
Share value at RSU delivery date (euros)	10.18	7.13	10.70	11.31				
Date of conversion into shares		March 16	March 17	March 18	March 19	March 20	March 21	
Number of RSUs convertible into shares		20,166	52,144	84,471	85,619	55,220	30,879	**328,499**
Number of RSUs delivered or Cash equivalent (net of withholding tax) (*)		12,418	39,834	56,558				**108,810**

(*) To Senior Executives, as defined in every moment.

Impact on profit or loss	2015	2016	2017	2018	2019	2020	2021	Total
Active Plans	1	2	3	4	3	2	1	
Impact on profit or loss (thousands of euros)	171	395	842	854	637	390	58	**3,347**

Based on the vesting schedule, Group Senior Executives received 56,558 shares in March 2018 (39,834 shares in March 2017). These 56,558 shares are the result of applying the withholding tax corresponding to the amount agreed with each executive.

b) Multiannual remuneration and long-term incentive:

On 21 July 2016, the Board of Directors resolved to replace the Multiannual Incentive (in place until this date) with the Long-term incentive. The LTI comprises two share-based payment systems, the PSUs system and the RSUs system, both convertible into shares within a vesting period of three years from the grant date, the first conversion being scheduled for February 2019 for the first incentive granted. In particular, the PSU system determines that the number of shares to ultimately be delivered to the executive will depend on the following financial parameters the Total Shareholder Return and the Adjusted Earnings per Share.

Senior Executives	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	Total
RSUs + PSUs-settled long-term incentive Plan							
Number of RSUs + PSUs delivered	83,794	67,975	64,337				**216,106**
RSU + PSU delivery date	October 16	February 17	February 18				
Share value at RSU + PSU delivery date (euros)	8.68	10.70	11.31				
Date of conversion into shares				February 19	February 20	February 21	
Number of RSU´s + PSUs convertible into shares				83,794	67,975	64,337	**216,106**

Impact on profit or loss	2016	2017	2018	2019	2020	Total
Active Plans	1	2	3	2	1	
Impact on profit or loss (thousands of euros)	242	485	727	485	242	**2,181**

In addition, life insurance policies have been taken out for certain Senior Executives and such costs are classified under "Other items" in the preceding tables.

In March 2018 and December 2018 two members of the Group's Senior Executive left the group.

At 31 December 2018 the Group's Senior Executive, Internal auditor not considered, is made up of 14 men and 3 women. At 31 December 2017 is made up of 16 men and 3 women.

30. Events after the reporting period

In 2019 and until the date of authorisation for issue of these consolidated financial statements, no relevant events took place which must be included in the notes to the consolidated financial statements or that significantly change or have a material effect on these consolidated financial statements for 2018.

31. 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 to that regulatory framework may not conform to other generally accepted accounting principles and rules.

These consolidated financial statements are a translation of the financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

Applus Services, S.A.
and Subsidiaries

Management Report to the Consolidated Financial Statements for 2018

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, taking the current year average rates used for the income statements and applying them to the results in the prior period.

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

EUR Million	FY 2018			FY 2017			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	**1,675.9**		**1,675.9**	**1,583.1**	**0.0**	**1,583.1**	**5.9%**
Ebitda	**218.0**	**0.0**	**218.0**	**187.3**	**(3.7)**	**183.6**	**16.4%**
Operating Profit	**170.8**	**(66.0)**	**104.8**	**143.0**	**(60.9)**	**82.2**	**19.4%**
Net financial expenses	(17.3)	(3.9)	(21.2)	(21.5)	0.0	(21.5)	
Share of profit of associates	0.0	0.0	0.0	0.6	0.0	0.6	
Profit Before Taxes	**153.5**	**(70.0)**	**83.5**	**122.2**	**(60.9)**	**61.3**	**25.6%**
Income tax	(37.3)	14.0	(23.4)	(29.4)	11.7	(17.7)	
Extraordinary Income tax	0.0	0.0	0.0	0.0	2.0	2.0	
Non controlling interests	(19.0)	0.0	(19.0)	(10.0)	0.0	(10.0)	
Net Profit	**97.2**	**(56.0)**	**41.2**	**82.8**	**(47.2)**	**35.6**	**17.4%**
Number of Shares	143,018,430		143,018,430	133,267,174		133,267,174	
EPS, in Euros	**0.680**		**0.288**	**0.621**		**0.267**	**9.4%**
Income Tax/PBT	*(24.3)%*		*(27.9)%*	*(24.1)%*		*(28.9)%*	

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

Other results of €66.0 million (2017: €60.9m) in the Operating Profit represent amortisation of acquisition intangibles of €59.2 million (2017: €50.1m); severance costs on restructuring of €2.9 million (2017: €5.4m); transaction costs relating to acquisitions of €1.0 million (2017: €0.9m) and; other gains and losses that net to a charge of €3.0 million (2017: €0.8m).

In the prior year only, there was a charge of €3.7 million in Other results within EBITDA and Operating Profit relating to the historical management incentive plan as disclosed at the IPO.

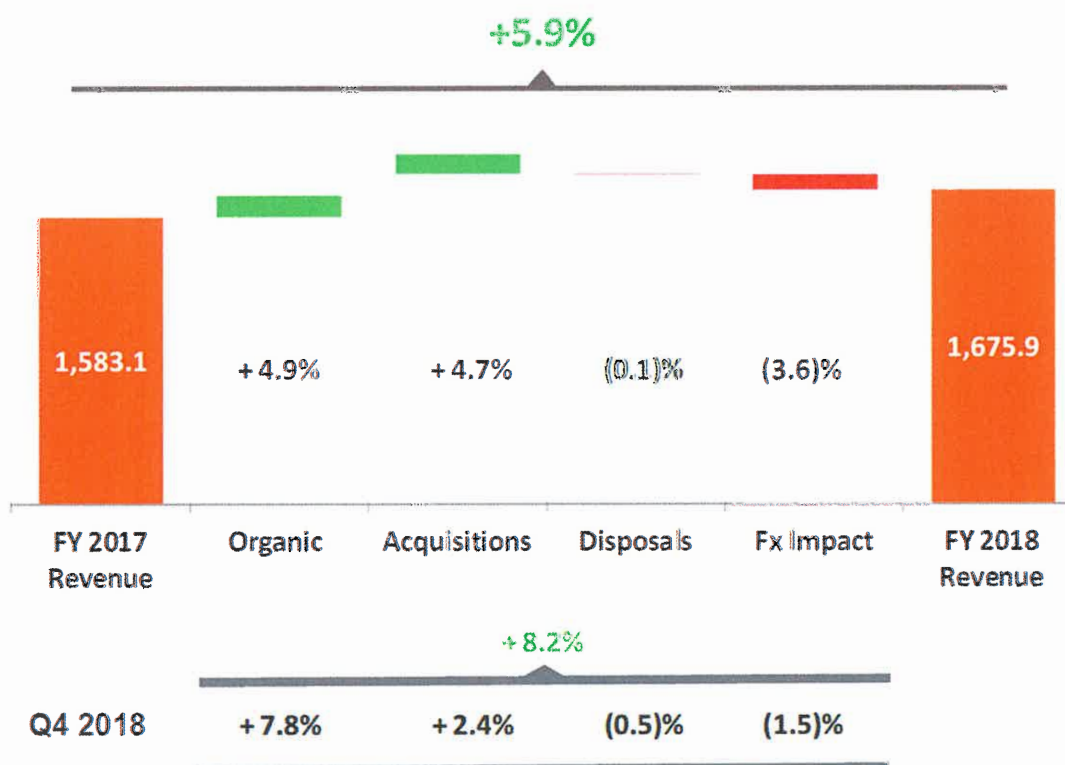
Other results of €3.9 million (2017: €nil) in the net financial expenses are the write-off of the brought forward un-amortised portion of arrangement fees for the previous debt that was refinanced in July of 2018.

Tax of €14.0 million (2017: €11.7m) relates to the positive tax impact on these Other results. Furthermore in 2017 there was an Extraordinary tax income of €2.0 million due to tax legislation changes in USA.

Revenue

Revenue for 2018 of €1,675.9 million was higher by 5.9% compared to the previous year.

The revenue growth bridge for the year in € million is shown below and the growth percentage figures for the last quarter of 2018 is shown below the waterfall chart.



The total revenue increase of 5.9% for the year was made up of an increase in organic revenue at constant exchange rates of 4.9%, revenue from acquisitions of 4.7%, less the revenue from disposals of 0.1% and an unfavourable currency translation impact of 3.6%.

In the final quarter of the year, total revenue was up 8.2% from organic revenue growth of 7.8%, acquisition growth of 2.4%, less revenue on disposals of 0.5% and a negative currency impact of 1.5%. The organic revenue increase in the final quarter followed a year of quarterly revenue growth acceleration and is the highest quarterly revenue growth in more than 4 years.

The organic revenue growth for the year came from all four divisions of the Group, each with organic revenue growth of between 4.2% at the lowest and 10.2% at the highest.

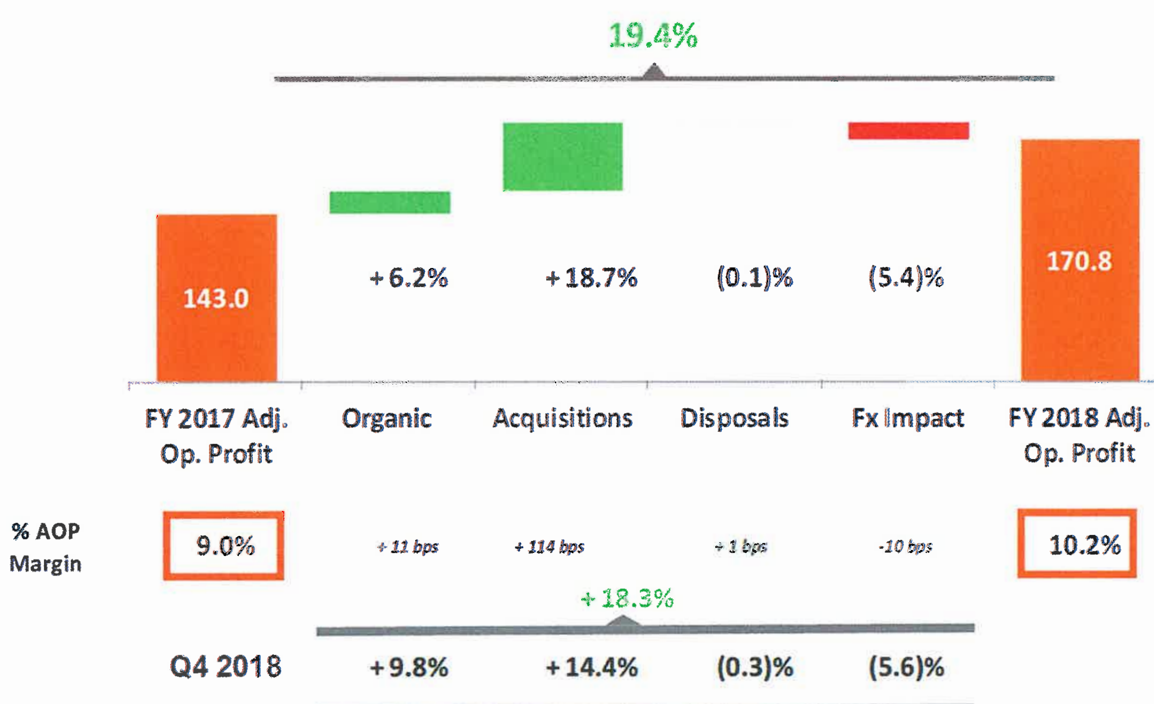
The revenue increase of 4.7% from acquisitions relates to the acquisitions made in the current and prior period for up to twelve months and the most material of which relates to the purchase in the last quarter of 2017 of 80% of the shares in Inversiones Finisterre, a company based in Spain with Statutory Vehicle Inspection concessions in Galicia, North Western Spain and in Costa Rica and is included within the Automotive Division.

Of the revenue in 2018, 47% was generated in the reporting currency of the Group which is the euro and 53% in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 25%. The average exchange rate of the US dollar to the euro in 2018 compared to 2017 weakened by 4.6% and some of the other key currencies have also weakened against the euro, including the significant devaluation of the Argentinian peso, resulting in the negative currency translation impact on the revenue of the Group. Further information on the Argentinian peso devaluation is given further in this report.

Adjusted Operating Profit

Adjusted operating profit for 2018 was €170.8 million, an increase of 19.4% on the prior year.

The adjusted operating profit growth bridge for the year in € million is shown below and the growth percentage figures for the last quarter of 2018 is shown below the waterfall chart.



The total adjusted operating profit increase of 19.4% for the year was made up of an increase in organic adjusted operating profit at constant exchange rates of 6.2%, acquisitions of 18.7%, less disposals of 0.1% and an unfavourable currency translation impact of 5.4%. Adjusted operating profit was negatively impacted in the year to a greater degree than revenue.

In the final quarter of the year, total adjusted operating profit was up 18.3% from organic growth of 9.8%, the contribution from acquisitions of 14.4% less disposals of 0.3% and a negative currency impact of 5.6%.

The organic adjusted operating profit growth for the year came from all four divisions, each with growth of between 4.8% at the lowest and 11.5% at the highest.

The resulting adjusted operating profit margin was 10.2%, which was up by 116 basis points from 9.0% in the prior year. The margin increase was from both organic (+11 basis points) as a result of operating leverage in the business and the larger part from the higher margin revenue from the acquisitions (+114 basis points) offset by margin dilution from the currency impact (-10 basis points).

Other Financial Indicators

The reported operating profit was €104.8 million in the year, 27.5% higher than the prior period.

The net financial expense in the profit and loss decreased to €17.3 million in 2018 from €21.5 million in 2017 mainly due to a lower amount of debt and to a lesser degree due to lower amortisation expense and foreign exchange losses.

Profit before tax on an adjusted and statutory basis were both significantly higher than for the corresponding period last year due to the higher adjusted and statutory operating profit and lower net financial expense. Adjusted profit before tax for the period was €153.5 million (2017: €122.2m) or 25.6% higher. Reported profit before tax was €83.5 million (2017: €61.3m) or 36.2% higher.

The tax charge for the period was higher than the prior year due to the higher profit before tax. The effective tax charge on the adjusted profit before tax was €37.3 million (2017: €29.4m) giving a rate in line with that of the previous year of 24.3% (2017: 24.1%).

Non-controlling interests increased from €10.0 million in 2017 to €19.0 million in 2018. The increase of €9.0 million in the period is mostly due to the inclusion of profit due to the minority interests of Inversiones Finisterre following that acquisition in the last quarter of 2017 as well as to the one third minority investors in Karco Engineering that the Group acquired in May 2018 but also includes profit growth from other non-wholly owned subsidiary investments.

The adjusted net profit increased by €14.4 million or 17.4% to €97.2 million in the year compared to the previous year. The corresponding adjusted earnings per share increased by 9.4% to €0.680 from €0.621 in the prior year. This earnings per share increase was less than the increase in the adjusted net profit due to the increase in the weighted average number of shares by 7.3% in the year compared to the prior year following the increase in equity capital by 10.0% at the end of September 2017.

Cash Flow and Debt

The business continues to generate good cash flow coming mainly from the increase in profit, lower interest and tax offset by the higher working capital and total net capital expenditure.

There was an increase in working capital in the year of €27.7 million mainly as a result of the increase in receivables at the year-end coming from the high revenue growth in the final quarter of the year in the largest division of Energy & Industry.

Net capital expenditure on expansion of existing and into new facilities was €50.4 million (2017: €47.2m) which represented 3.0% (2017: 3.0%) of Group revenue. This expenditure included the cost of acquiring new Automotive stations of €3.5 million (2017: €9.1m) and in 2017 there were proceeds from the disposals of old Automotive stations of €11.9 million. Excluding the net cost and proceeds of Automotive stations, the operational capital expenditure was €3.0 million lower in 2018 than in 2017 at €46.9 million (2017: €49.9m). The Group will continue to prioritise investing on capital items that produce good returns and expects this to continue at around 3% of revenue.

Despite the increase in working capital in the year and the proceeds from the sales of old Automotive stations in the prior year, the resulting adjusted operating cash flow of €139.9 million which was up €3.9 million or 2.8% over that generated in 2017 and this corresponded to a cash conversion rate of 64.2% (2017: 72.6%).

There was a significant reduction in the tax and interest cash outflows in the year and the adjusted free cash flow was therefore significantly higher than last year at €108.4 million (2017: €87.8m) being 23.5% higher.

Tax was lower due to some refunds from the payment in advance system in some countries and interest cash outflow was lower due to the different payment timings on the new debt facilities placed in July 2018.

In the table below, a summary of the cash flow is presented:

	FY		
	2018	2017	Change
Adjusted EBITDA	**218.0**	**187.3**	**16.4%**
(Increase) / decrease in working capital	(27.7)	(4.1)	
Capex - operational	(46.9)	(49.9)	
Capex - Net new vehicle stations	(3.5)	2.7	
Adjusted Operating Cash Flow	**139.9**	**136.0**	**2.8%**
Cash Conversion rate	*64.2%*	*72.6%*	
Taxes Paid	(24.0)	(32.5)	
Interest Paid	(7.5)	(15.8)	
Adjusted Free Cash Flow	**108.4**	**87.8**	**23.5%**
Extraordinaries & Others	(8.0)	(14.9)	
Applus+ Dividend	(18.6)	(16.9)	
Dividends to Minorities	(14.3)	(8.0)	
Operating Cash Generated	**67.5**	**48.0**	
Acquisitions	(43.8)	(95.9)	
Cash b/Changes in Financing & FX	**23.7**	**(47.9)**	

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

Net Debt, as defined by the Group´s financial leverage covenant, reduced by €13.1 million to €509.9 million at the end of 2018. The reduction in the Net Debt was due to the strong free cash flow generated by the business less the spend of €43.8 million on acquisitions in the year as well as other items including the payment of a dividend to the shareholders of the Group. The resulting financial leverage ratio calculated as Net Debt divided by EBITDA was 2.3x (2017: 2.4x).

In recognition of the good cash flow, comfortable financial leverage and favourable future earnings and cash flow potential, the Board will propose to shareholders at the forthcoming Annual General Meeting, a dividend of 15 cents per share, an increase of 15.4% on the amount of 13 cents per share declared and paid for the previous year. This is equivalent to €21.4 million (2017: €18.6m) and is 22.1% (2017: 22.5%) of the adjusted net income of €97.2 million (2017: €82.8m) as shown in the summary financial results table above. The Board will aim to continue to propose and pay an annual dividend distribution of approximately 20% of the annual adjusted net profit.

Hyperinflation in Argentina

The Group operates in Argentina under two Automotive statutory inspection contracts and in the period generated revenue using the closing exchange rate at the end of the year, the revenue was equivalent to €18 million (1.1% of Group revenue).

As the Argentinian economy has been classified as hyperinflationary since 1 July 2018, in accordance with International Accounting Standard 29 (IAS 29), the Group has applied IAS 29 and IAS 21 to consolidate the results of Argentina into the Group accounts for the full year of 2018. This includes the restatement of the local financial statements by applying an inflation adjustment rate and then translating these into euros to consolidate them into the Group accounts using the period end closing exchange rate.

The main impacts on the Group financial statements for 2018 from accounting for the financial statements of Argentina using hyperinflationary accounting are as follows:

- Group revenue has been reduced by €1.8 million (0.1% of the reported 2018 Group revenue)
- Group adjusted operating profit has been reduced by €0.7 million (0.4% of the reported 2018 Group adjusted operating profit)
- Financial Expenses have been increased by €1.4 million
- Equity has been increased by €2.0 million

The first two items above equally impacted the results of the Automotive Division.

New Accounting Standards taken effect from 1 January 2018

There were two new key accounting standards adopted by the Group in the year and applied from 1st January 2018. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments has superseded IAS 39 and affects both financial assets and financial liabilities, in three main phases: (i) Classification and measurement; (ii) impairment methodology; and (iii) hedge accounting. Based on the new policy and the analysis conducted, the Group has registered a €6 million impairment in the financial statements within accounts receivable alongside the corresponding deferred tax impact against equity. No further impacts are expected.

IFRS 15 is the financial standard for the recognition of revenue from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Based on the new revenue recognition policy and the analysis conducted, the revenue recognition already used by the Group complies with IFRS 15 and therefore there was no financial impact in 2018 and there is not expected to be in future years, on the Group's financial position or performance.

Further detail and information on the adoption of these new accounting standards and other Amendments to accounting standards can be found in the Group´s Consolidated Financial Statements as at 31 December 2018.

New Accounting Standard to take effect from 1 January 2019

IFRS 16 Leases takes effect from 1 January 2019 and has a significant impact on the presentation of the financial results. It supersedes IAS 17 and related interpretations. As a lessee, the main concept behind it is the recognition of all leases under a single balance sheet model similar to that in existence for finance leases. In summary it is the booking of the asset and the corresponding financial liability in the balance sheet and applying depreciation and a finance cost instead of an operating lease cost in the profit and loss account. There is a de-minimis limit where this does not apply.

In 2018, Applus+ Group recorded a lease cost of €53 million that would have been impacted by this standard had it applied in 2018. The net accounting adjustment relating to this accounting standard made to the opening balance sheet at 1 January 2019 is for an increase in the non-current assets of €162 million, an increase in the non-current liabilities of €181 million, an increase in the deferred tax asset of €4 million and a decrease in equity of €15 million.

The net impact in the profit and loss for 2018 had this accounting standard applied, would have been a decrease in operating lease costs within operating costs of €53 million with the corresponding increase in depreciation of €45 million and an increase in finance costs of €8 million. The result of this is the Adjusted EBITDA will be higher by €53 million and the Adjusted EBITA will be higher by €8 million.

The leverage calculation (defined as net debt/EBITDA) will also result in a different ratio as a result of net debt increasing by €181 million and EBITDA increasing by €53 million, but the bank covenants in place are unaffected as they are all defined at "frozen GAAP" which is before applying IFRS 16.

Further detail and information on the adoption of this new accounting standard and other Standards and Amendments due to come into force on 1 January 2019 and later years can be found in the Group´s Consolidated Financial Statements as at 31 December 2018.

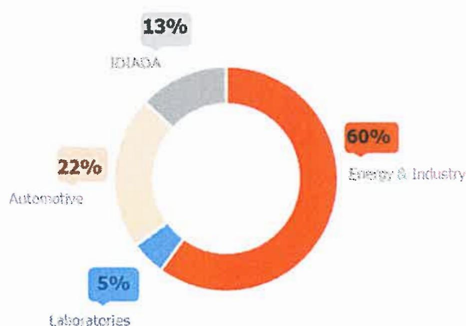
Outlook

The Group is on track to grow the business in line with the strategy update presented last year and it remains committed to deliver on the financial targets and capital allocation priorities. For this year, the Group is expected to continue delivering strong results with organic revenue growth at constant exchange rates to increase at mid-single digits and the margin to increase a further 20 to 30 basis points.

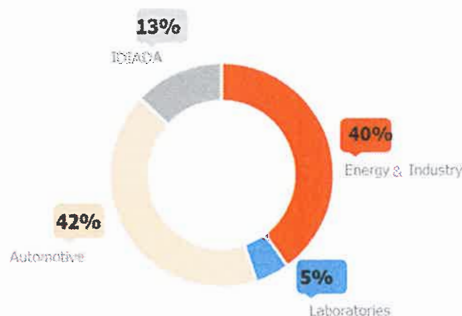
Operating review by division

The Group operates through four global business divisions: Energy & Industry Division, Automotive Division, IDIADA Division and Laboratories Division, and the respective shares of 2018 revenue and adjusted operating profit are shown below.

FY 2018 revenue split



FY 2018 adjusted operating profit split

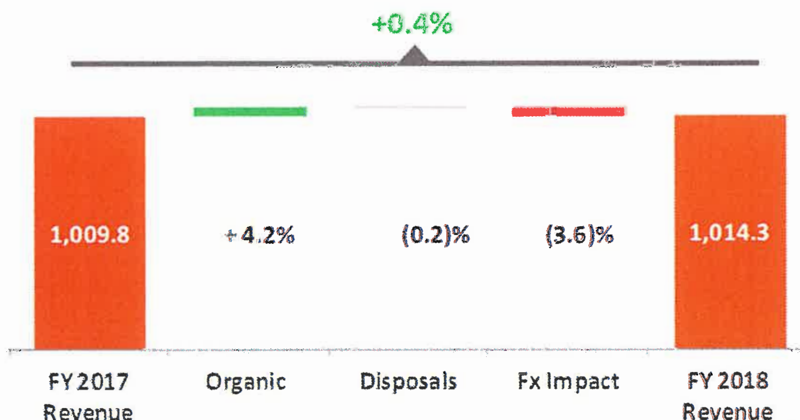


Energy & Industry

The Energy & Industry Division is a leading global provider of non-destructive testing, inspection, quality assurance and quality control, project management, vendor surveillance, certification, asset integrity services and technical staffing services. The teams are made up of engineers and technicians with specialist skills focused on assisting companies to develop and control industry processes, protect assets, infrastructure and increased operational and environmental safety. They provide services for different industries such as oil & gas, power, construction, mining, aerospace, telecommunications.

Revenue for Energy & Industry for the year was €1,014.3 million, which was higher by 0.4% compared to the previous year.

Revenue growth bridge in € million:

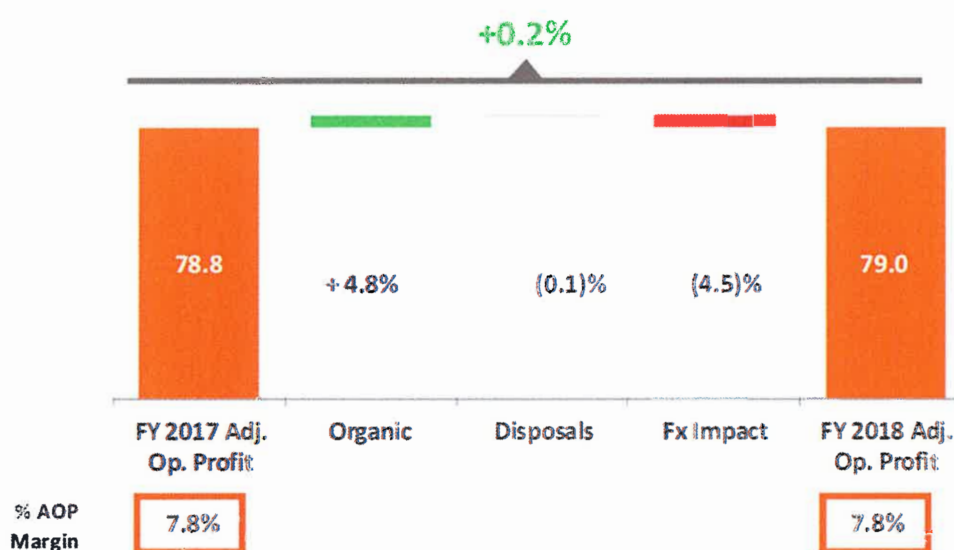


At constant exchange rates, organic revenue was up by 4.2%. Revenue was reduced by 0.2% from disposals made in the final quarter and currency translation reduced reported revenue by a further 3.6% mainly as a result of the weak US and Australian dollars against the Euro.

In the final quarter of the year, reported revenue was higher by 10.7% due to an increase in organic revenue of 11.5% less the revenue from disposals of 0.8% and no impact from currency translation. The organic revenue growth in the final quarter was the highest quarterly increase for several years.

Adjusted operating profit for the year was €79.0 million, an increase of €0.2 million or 0.2% on the prior year.

Adjusted Operating Profit growth bridge in € million:



At constant exchange rates, organic adjusted operating profit increased by 4.8%. There was a reduction in operating profit from disposals of 0.1% and a negative currency impact of 4.5%. The currency impact on operating profit was slightly more than the currency impact on revenue due to the mix of revenue and profit by currency.

The operating profit margin remained stable in the year compared to the previous year at 7.8%. There was a slight organic margin increase but this was offset by the margin dilution due to currency.

At the end of the year, a non-destructive testing business for the aerospace industry called Talon Test Laboratories was purchased. The company is based in the USA and generated US$4.5 million of revenue in 2018 prior to the purchase by Applus+, from providing ultrasonic testing to the suppliers to the aerospace manufacturers. Consolidating this business with the existing aerospace testing business Applus+ has in the USA will enable the Group to offer a complete range of products and services to this market.

In the final quarter of the year, the Group made two disposals including a disposal of a business based in the mature and non-strategic manpower market in the UK and had a low operating profit margin. The revenue consolidated within 2018 up to the date of disposals was €13.9 million.

The organic revenue for the division grew strongly in 2018 from improving market conditions and market share growth.

The part of the division that provides services to oil and gas infrastructure accounting for 59% of the revenue grew at close to mid-single digits, being at a slower pace than the rest of the division that grew at mid-single digits.

This increase in the organic revenue of the oil and gas part of the division is the first annual increase in over three years and reflects the improving market conditions. The improvement accelerated on a quarterly basis through the year with very strong quarter on quarter growth in the fourth quarter of the year. The improvement in the market came from both the more recurrent operational expenditure (opex) exposed services which now account for 70% of the revenue of oil and gas and also from the more cyclical new investment (capex) exposed business which accounts for the remaining 30% of the revenue of oil and gas with good revenue growth coming from the opex part and a reduced level of decline from the capex part.

The more cyclical oil and gas capex exposed business now accounts for approximately 18% of the Energy & Industry division revenue and 11% of Group revenue.

The other part of this division that provides services to infrastructure in the power generation and distribution industry, utilities, telecom, mining and civil construction as well as non-destructive testing services to the aerospace industry performed strongly due to increased demand for inspection on large projects in Applus+´ traditional markets of Spain and Latin America as well as an increase in market share in the Middle East and Canada.

North America accounting for 27% of the division by revenue in the year and mainly exposed to the upstream and pipeline oil and gas market grew at low single digits for the year. This growth in revenue was from inspection on smaller capex projects, pipeline integrity services and large facility turnarounds in Canada. In Canada, there was also a large one-off non-destructive testing contract for a ship manufacturer that demonstrates the increasing diversification from the largest end market of oil and gas.

In Latin America accounting for 10% of the division by revenue and where there is a mix of services to different end markets, revenue increased very strongly in the year, in all countries and across the three key end markets of oil and gas, power generation and distribution and civil infrastructure projects.

In Northern Europe accounting for 18% of the division by revenue and where a high proportion of the revenue comes from recurring operational expenditure exposed work to the downstream industries, organic revenue was down mid-single digits at constant exchange rates due to fewer large international projects managed out of the region and a competitive opex market in Europe. The North Sea market that we manage from Norway returned to growth due to an increase in capex investment by the oil companies.

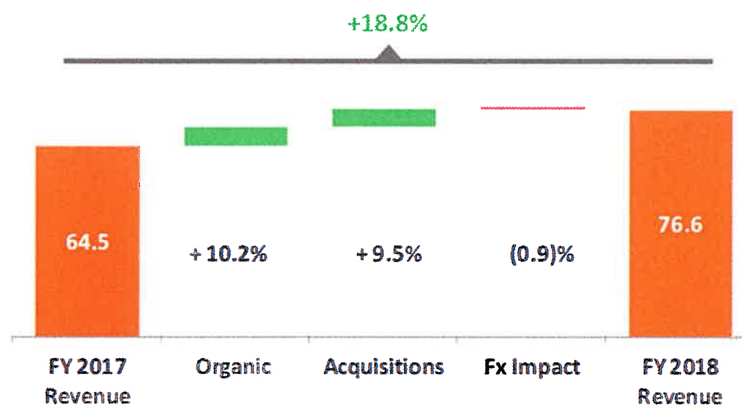
In Southern Europe, Africa, Middle East, Asia & Pacific accounting for 45% of the division of which the largest part are services to other end markets such as power, construction and telecom infrastructure had strong overall performance led by Spain, the Middle East and Oceania growing well in all end markets and more than compensating for the decrease in Africa and South East Asia from the lack of investment in existing and for new projects in the oil and gas sector. The large 7 year opex contract with Shell in Australia that started in 2017 is performing very well.

Laboratories

The Laboratories Division provides testing, certification and engineering services to improve product competitiveness and promote innovation. The division operates a network of multidisciplinary laboratories in Europe, Asia and North America. With its cutting-edge facilities and technical expertise, the services bring high added value to a wide range of industries, including aerospace, automotive, electronics, information technology and construction. In 2017 and 2018, the Laboratories Division has acquired five companies and expanded some testing facilities in order to reinforce its position in the automotive components, fire protection, and calibration sectors.

Revenue for Laboratories division for the year of €76.6 million was 18.8% higher than the previous year.

Revenue growth bridge in € million:

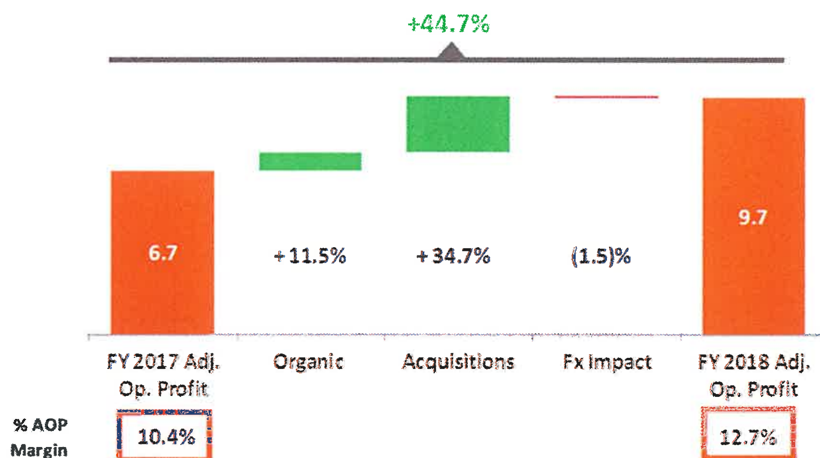


Revenue growth at constant exchange rates was 19.7% made up of organic revenue growth of 10.2% plus revenue from acquisitions of 9.5%. There was a negative currency translation impact of 0.9% as a result of the weak USD against the Euro.

In the final quarter of the year, reported revenue was up 22.0% coming from organic revenue growth of 10.0% plus revenue from acquisitions of 12.3% less a decline less a negative currency impact of 0.3%.

Adjusted operating profit for the year was €9.7 million, an increase of €3.0 million or 44.7% on the prior year with a total margin increase of 230 basis points to 12.7%.

Adjusted Operating Profit growth bridge in € million:



The Laboratories division had a very good performance in the year in both revenue and profit and from organic and in total that came from strong service delivery of projects in healthy market conditions plus good performance from well executed acquisitions. The division made two acquisitions during the year making it five acquisitions made in two years that have added €12 million of additional revenue at a high margin.

All four key business units of the division performed well: Industry (includes aerospace and electrical and electro-magnetic compatibility testing for the electronics and automotive sector); Construction (includes fire and structural testing of building materials); IT (includes electronic payment system protocol testing and approval) and; Metrology (includes calibration and measuring instruments).

In the second quarter of the year, the division made two small, but highly strategic acquisitions. One in the UK called 3C laboratories which provides electrical and electromagnetic compatibility testing to the UK based automotive industry. It generated €3.4 million in annual revenue. The second was DatapointLabs in New York state that has annual revenue of US$4 million and specialises in the characterisation of materials for simulation of performance for a number of industries including automotive, aeronautics and biomedical. The performance of these acquisitions have overall been above expectations.

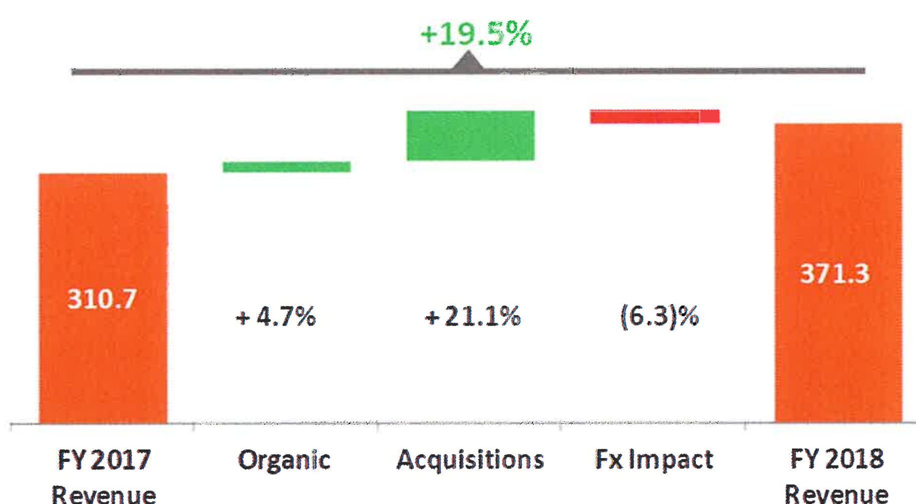
The increase in the adjusted operating profit margin was from the strong organic revenue growth plus the higher margin acquisitions.

Automotive

The Automotive Division is a leading provider of statutory vehicle inspection services globally. The division provides vehicle inspection and certification services across a number of jurisdictions where periodic vehicle inspections for compliance with technical safety and environmental specifications are mandatory. In 2018, from the 30 programmes held by the Group, 16 million vehicle inspections were carried out and a programme managed a further 6.6 million inspections carried out by third parties across Spain, Ireland, Denmark, Finland, the United States, Argentina, Chile, Costa Rica, Andorra, Uruguay and Ecuador. New contracts in Uruguay and Ecuador were commenced in 2018.

Revenue of €371.3 million was 19.5% higher than the previous year.

Revenue growth bridge in € million:

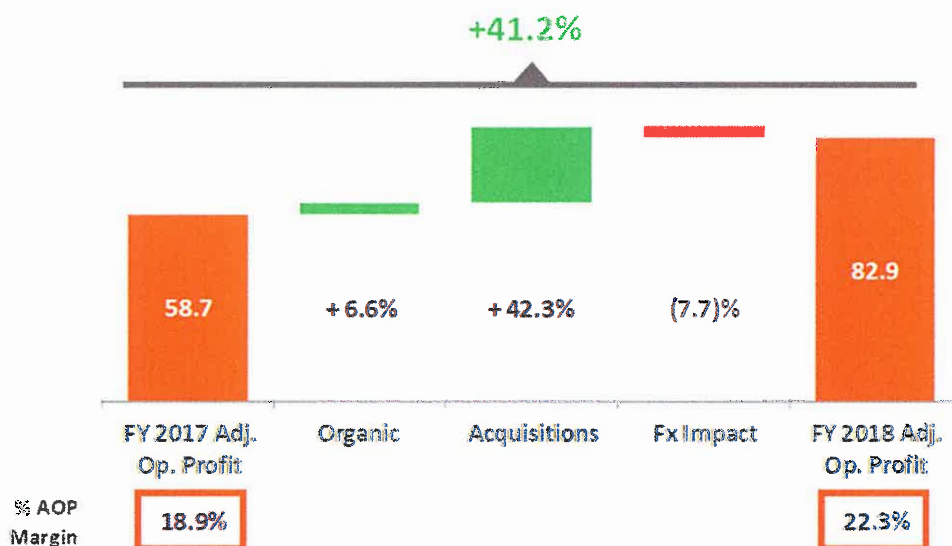


Revenue growth at constant exchange rates was 25.8% made up of organic revenue growth of 4.7% plus acquisition revenue of 21.1%. There was a negative currency translation impact of 6.3% as a result of the weak Argentinian peso and US dollar against the Euro.

In the final quarter of the year, reported revenue was up 0.7% due to revenue from the acquisition of Inversiones Finisterre of 7.7% less a negative currency impact of 7.0% and no change in organic revenue. Inversiones Finisterre was purchased in November 2017 and is a company that manages the statutory vehicle inspection concessions in the autonomous region of Galicia, North West Spain and in Costa Rica. The flat organic revenue in the last quarter of the year was due to the high comparable growth rate (Q4 2017: +8.2%) that arose following the significant revenue from the sale of new equipment at the start of a new programme in Massachusetts.

Adjusted operating profit for the year was €82.9 million, an increase of 41.2% on the prior year resulting in a margin increase 340 basis points to 22.3%.

Adjusted Operating Profit growth bridge in € million:



At constant exchange rates, adjusted operating profit increased by 48.9% made up of an organic profit increase of 6.6% plus profit from the acquisition of Inversiones Finisterre of 42.3%. There was a negative currency impact of 7.7% for the year, slightly more than the impact on revenue.

The increase in the operating profit margin came primarily from the acquisition of Inversiones Finisterre but there was also a further 34 basis points of organic margin improvement.

The division had an excellent performance in the year both for organic and as reported with growth from the existing contracts as well as a full year´s inclusion of the new contract in Massachusetts and of the acquisition of Inversiones Finisterre and a part year of the new contracts in Uruguay and Ecuador.

By region, in Spain the overall growth was healthy in the mid-single digits. The small contract in Menorca with annual revenue of approximately €1.8 million ended in the final quarter of 2018 following a decision not to re-tender for it due to the higher level of costs required and the returns would not meet the required hurdle rates.

The exclusive contract in Ireland, which is the largest in the division accounting for over 21% of the division revenue, had an increase in revenue in the low single digits for the year. The contract, that is due to end in June 2020, is currently under a re-tender process for which Applus+ is vigorously bidding and the outcome of this is expected to be known in May or June of this year.

The programmes in the liberalised markets in the Nordic countries had stable revenue year on year.

The various programmes in the US are performing well although due to the significant one-off revenue from the sale of equipment at the start of the Massachusetts programme in the second half of 2017, the revenue was lower in the second half of 2018. There were several mostly small contracts in the US that renewed for between one and three years. These were in Connecticut, Georgia and Weber county although the contract in Washington state that generated €8 million of revenue in 2018 terminates at the end of 2019 with no replacement programme.

There was a strong revenue and profit performance in all the countries the Group operates in Latin America including on an underlying basis in Argentina. There are now eight separate programmes in five countries in Latin America (Argentina, Chile, Costa Rica, Ecuador and Uruguay) and a further two recently won programmes due to commence in 2019. One of these is a small contract in the city of Portoviejo in Ecuador and the other is for periodic testing of taxis in Buenos Aires that is expected to generate between €2 and €3 million in revenue per year at current exchange rates over 5 years.

The Group accounted for the first time in 2018 for the financial performance arising from the contracts in Argentina on the basis of hyperinflation. The impact on the division as a result of this change in accounting method was to report lower revenue by €1.8 million being 0.5% of the 2018 reported revenue of the division and lower adjusted operating profit of €0.7 million being 0.8% of the 2018 adjusted operating profit of the division. Excluding the results of the programmes in Argentina, the year to date organic revenue growth would have been 3.3% and the negative currency impact would have been 1.2%.

A small new contract was won for a new programme in the Republic of Georgia that is expected to start in 2019 and there is a strong pipeline of further greenfield and market share opportunities that are being pursued.

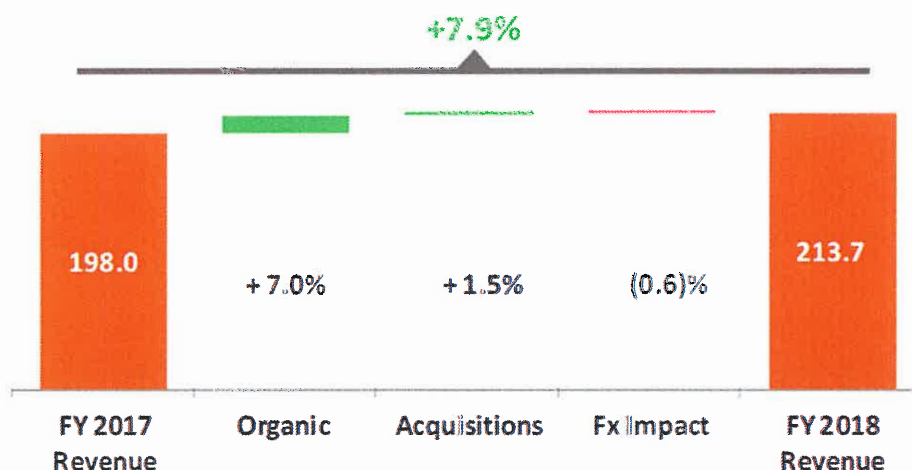
IDIADA

IDIADA A.T. (80% owned by Applus+ and 20% by the Generalitat of Catalonia) has since 1999 been operating under an exclusive contract at the 331-hectare technology centre near Barcelona (owned by the Generalitat of Catalonia), which includes the most comprehensive independent proving ground, testing laboratories and vehicle development centre for motor vehicles in Europe. The contract runs until 2024 and is renewable until 2049.

This division provides services to the world's leading vehicle manufacturers for new product development activities in design, engineering, testing and homologation.

Revenue of €213.7 million for the year was 7.9% higher than the previous year.

Revenue growth bridge in € million:

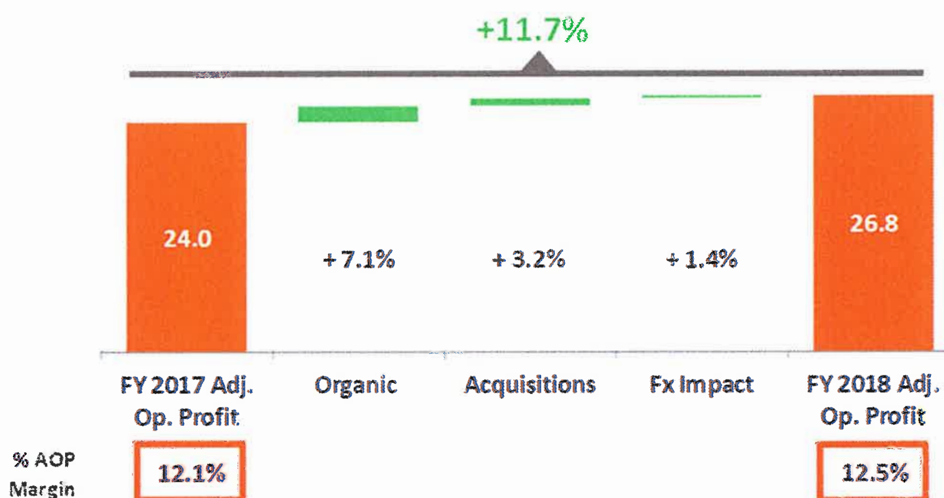


Revenue growth at constant exchange rates was 8.5% made up of organic revenue growth of 7.0% plus revenue from an acquisition during the year of 1.5%. There was a negative currency translation impact of 0.6%.

In the final quarter of the year, revenue was up 4.0% from an increase in organic revenue of 2.4%, revenue from the acquisition of 2.0% and less a currency impact of 0.4%. The final quarter organic revenue growth was slower than this division usually reports due to discontinued low profitable activities outside of Spain and this lower growth is expected to be temporary with annual organic revenue growth in 2019 expected to be in line with that of 2018.

Adjusted operating profit for the year was €26.8 million, an increase of 11.7% on the prior year resulting in a margin increase of 40 basis points to 12.5%.

Adjusted Operating Profit growth bridge in € million:



At constant exchange rates, adjusted operating profit increased by 10.3% made up of an organic profit increase of 7.1% plus profit from the acquisition of 3.2%. There was a positive currency impact of 1.4% for the year due to the weaker foreign currency revenue generating a loss.

The increase in the operating profit margin came in equal parts from the higher margin acquisition and the positive margin impact of currency translation changes with the organic margin remaining stable.

The organic revenue growth for the year was strong and this generated an improvement in the organic margin.

The acquisition revenue is from Karco Engineering which is a crash testing business in California and was purchased in the second quarter of the year. Karco is performing well with revenue synergies with the IDIADA division materialising.

There was strong revenue and profit growth for the year in all business lines.

Revenue generated from renting out the use of the Proving ground that accounts for 19% of the division increased as a result of squeezing in some additional capacity. Further track construction is underway for Connected and Autonomous Vehicle testing.

Homologation accounting for 16% of the revenue of the division was up strongly mainly due to the new EU emission standard known as WLTP (Worldwide Harmonised Light Vehicle Testing Procedure) that replaced the standard known as NEDC (New European Driving Cycle). Although WLTP generated revenue will be lower in 2019, testing for WLTP last year for some new Auto manufacturers has also opened up some new wider relationships with some customers that previously outsourced very little.

There was also a continuation of strong growth in the largest segments of Body & Passive Safety and Chassis & Powertrain as well as other segments for electric vehicle development and engineering support for ADAS (Advanced Driver Assistance Systems).

Main risks facing the Group

The main business risks facing the Group are those typical of the businesses and countries 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.

Management is focused 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 detailed in the corresponding notes to the consolidated financial statements.

Additionally, in the Annual Corporate Governance Report, the control and risk management systems adopted by the Applus Group are described in sections E and F, as well as the risk control and management system in relation to the issuance process of the company financial information (SCIIF).

Research and Development activities

Innovation is one of the pillars of the CSR policy of the Applus Group. In the Corporate Social Responsibility Report (which is part of this consolidated management report) all the issues related to Research and Development activities are described in detail.

Treasury share transactions

At 31 December 2018, the Group holds a total of 283,400 treasury shares at an average cost of EUR 12.01 per share. The value of these treasury shares totalled EUR 3,405 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2018 (see Note 3.x).

At 31 December 2017, the Group holds a total of 112,744 treasury shares at an average cost of EUR 10.52 per share. The value of these treasury shares totalled EUR 1,186 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2017 (see Note 3.x).

In March 2018 the Group delivered to, Senior Executives and certain executives of the Group a total of 124,344 shares, (577,706 shares in 2017) in all cases in accordance with the schedule incentives plan granted (see Notes 19 and 29).

Events after the reporting period

No events have occurred since 31 December 2018 other than those described in the notes to the accompanying consolidated financial statements.

Use of financial instruments

The Group uses financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. During 2018 the Group has not acquired any financial derivative instruments.

Disclosures on the payment periods to suppliers

The Group companies with tax residence in Spain adapted their payment periods in line with Additional Provision Three "Disclosure Obligation" of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), which was prepared in accordance to the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on information to be incorporated in notes to the financial statements in relation to average payment periods to suppliers in commercial transactions.

	2018	2017
	Days	
Average payment period to suppliers	60	60
Ratio of transactions settled	61	67
Ratio of transactions not yet settled	53	60
	Thousands of Euros	
Total payments made	156,667	144,654
Total payments outstanding	27,681	14,887

The data shown in the table in relation to payments to suppliers relates exclusively to the Spanish companies, which are those with a payment period that is greater than the Group average of 51 days. The data shown in the table in relation to payments to suppliers relate, pursuant to the ICAC Resolution, to commercial transactions relating to goods supplied and services provided since the entry into force of Law 31/2014, of 3 December.

Suppliers, solely for the purpose of disclosing the information provided for in this resolution, are considered to be trade creditors for the supply of goods and services and are included under "Current Liabilities - Trade and Other Payables" in the accompanying statement of financial position.

"Average Payment Period to Suppliers" is understood to be the period between the supply of the goods or the provision of the services on the supplier's account and the effective payment of the transaction.

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 30 days. This period may be extended by agreement between the parties, but under no circumstances should be superior to 60 natural days (same legal period in 2017).

Nevertheless, the major portion of this outstanding amount owed by Spanish societies at the end of 2018 has been paid in the first two months of 2019.

Non-Financial Information

In compliance with article 49 of the Commercial Code, the status of the consolidated non-financial information is presented in the Corporate Social Responsibility Report, which is attached to this Management Report. This report has been prepared in accordance with the Global Reporting Initiative standards in its Core version (GRI). This consolidated non-financial information report forms an integral part of the Management Report and is subject to the same approval, deposit and publication criteria as the Management Report.

Annual Corporate Governance Report

The Annual Corporate Governance report, as well as the Annual Corporate Social Responsibility report, which are part of this Management report, can be consulted in the subsequent annexes of this report. They are also available in Applus Group webpage and in the "Comisión Nacional del Mercado de Valores" (CNMV)'s webpage.

www.applus.com

www.cnmv.es

Applus Services, S.A.
and Subsidiaries

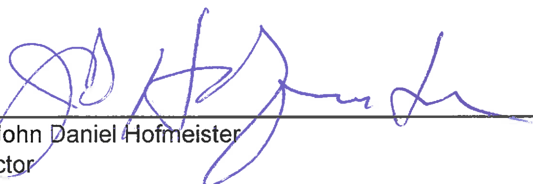
Preparation of the Consolidated Financial Statements and Management report for the year ended 2018

In accordance with the provisions of article 253 of the Spanish Companies Act and article 42 of the Spanish Code of Commerce, the Board of Directors of Applus Services, S.A., in its meeting of 20 February 2019, has drawn up the consolidated financial statements (comprising the consolidated statement of financial position, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes) and the management report for year 2018, which are included in the documents preceding this signature page and their annexes, all of them correlatively ordered.

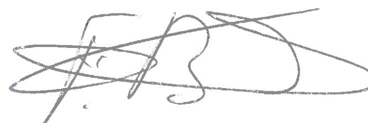
Barcelona, 20 February 2019

Mr. Christopher Cole
Chairman

Mr. Ernesto Gerardo Mata López
Director



Mr. John Daniel Hofmeister
Director



Mr. Fernando Basabe Armijo
Director

Mr. Richard Campbell Nelson
Director

Mr. Nicolás Villén Jiménez
Director

Ms. Maria Cristina Henríquez de Luna Basagoiti
Director

For identification purposes, all the pages of the consolidated financial statements and the consolidated management report for the year ended on 31 December 2018, as approved by the Board of Directors, are initialized by the Secretary of the Board of Directors, Mr. Vicente Conde Viñuelas.

Appendix I - Companies included in the scope of consolidation

Name	Applus Servicios Tecnológicos, S.L.U	Azul Holding 2, S.à.r.l.	Applus Iteuve Argentina, S.A.	Applus Santa Maria del Buen Ayre, S.A.	Applus Uruguay, S.A.	Revisiones Técnicas Applus del Ecuador Applusiteuve, S.A.	Applus Technologies, Inc.	Janx Holding, Inc
Registered office	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	7, rue Robert Stümper | L-2557-Luxembourg (Luxembourg)	Reconquista 661 – Piso 2, C 1003 Ciudad de Buenos Aires (Argentina)	Jurisdicción de la Ciudad autónoma de Buenos Aires (Argentina)	Guayabos nº 1718, escritorio 505 Montevideo (Uruguay)	Avda Patria nºE4-41 Intersección Avda Amazonas edificio Patria Piso 10 Oficina 01, Pichincha, Quito (Ecuador)	615, Dupont Highway, Kent County Dover, State of Delaware (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)
Line of business	Holding company	Holding company	Vehicle roadworthiness testing	Right and compliance of the obligations corresponding to public services concessions relating to the obligatory Technical Verification of Vehicles	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	100%	100%	-	-	-	-	-	-
Indirect	-	-	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Libertytown USA 1, Inc.	Libertytown USA Finco, Inc.	Applus Iteuve Technology, S.L.U	IDIADA Automotive Technology, S.A	Applus Argentina, S.A.	IDIADA Fahrzeugtechnik, GmbH.	CTAG-Idiada Safety Technology, S.L.	Applus Chile, S.A.
Registered office	615, Dupont Highway, Kent County Dover, State of Delaware (USA)	615, Dupont Highway, Kent County Dover, State of Delaware (USA)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	L'Albornar, s/n PO BOX 20,43710 Sta Oliva. Tarragona (Spain)	Reconquista 661 – Piso 2, C 1003 Ciudad de Buenos Aires (Argentina)	Manfred Hochstatter Strasse 2, 85055 Ingolstadt (Germany)	Polígono A Granxa, Parcelas 249-250. 36410 Porriño, Pontevedra (Spain)	Avenida Américo Vespucio 743 - Huechuraba - Santiago de Chile (Chile)
Line of business	Holding company	Holding company	Vehicle roadworthiness testing	Engineering, testing and certification	Holding company	Engineering, testing and certification	Engineering, testing and certification	Vehicle roadworthiness testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	80%	100%	80%	40%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Iteuve Euskadi, S.A., Sociedad Unipersonal	Applus Revisiones Técnicas de Chile, S.A.	Applus Danmark, A/S	IDIADA CZ, A.S.	K1 Kasastajat, OY	Inspecció Tècnica de vehicles i serveis, S.A.	Idiada Automotive Technology India PVT, ltd	Shangai IDIADA Automotive Technology Services Co. Ltd
Registered office	Polígono Ugaldeguren I Parcela 8, 48710 Zamudio, Vizcaya (Spain)	Avenida Américo Vespucio 743 - Huechuraba - Santiago de Chile (Chile)	Korsolalsvej, 111 2610 Rodoure (Denmark)	Prazska 320/8,500 04, Hradec Králové (Czech Republic)	Joukahaisenkatu 6, 20520 Turku Finland	Ctra de Bixessarri s/n, Aixovall AD600 (Andorra)	Unit no. 206, 2nd Floor,Sai Radhe Building Raja Bahadur Mill Road, off Kennedy Road, Pune 411 001 (India)	Jucheng Pioneer Park, Building 23, 3999 Xiu Pu Road, Nan Hui 201315 Shanghai (Pudong District) (China)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	80%	100%	50%	80%	80%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Euskadi Holding, S.L.U.	Applus Car Testing Service, Ltd.	Idiada Tecnologia Automotiva, Ltda.	Idiada Automotive Technology UK, Ltd.	Shangdong Idiada Automotive and tire proving ground Co, Ltd	Applus Iteuve Galicia, S.L.U.	Inversiones Finisterre, S.L.	Supervisión y Control, S.A.U.
Registered office	Poligono Ugaldeguren, 1 parcela 8, Zamudio, Vizcaya (Spain)	3026 Lakedrive, Citywest Business Campus, Naas Road, Dublin 24 (Ireland)	Cidade de São Bernardo do Campo, Estado de São Pulo, na Rua Continental, nª 334, Jardim do Mar, CEP 09750-060 (Brazil)	St Georges Way Bermuda Industrial Estate, Nuneaton, Warwickshire CV10 7JS (UK)	Room 302, No.1 industrial building of West Jin Hui Road, South Qi Xiao (China)	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)
Line of business	Holding company	Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification	Engineering, testing and certification	Holding company	Holding company	Vehicle roadworthiness testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	80%	80%	80%	100%	80%	80%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	RITEVE SyC, S.A.	Inspecciones y Avalúos SyC, S.A.	Applus Idiada Karco Engineering, LLC	LGAI Technological, Center, S.A.	Applus México, S.A. de C.V.	LGAI Chile, S.A.	Applus Costa Rica, S.A	Applus Norcontrol, S.L., Sociedad Unipersonal
Registered office	Lagunilla de Heredia, ciento cincuenta metros al este de la Bomba Texaco (Costa Rica)	Heredia, Cantón Central, Distrito Ulloa, Lagunilla, 150 metros este de la Bomba Uno (Costa Rica)	9270 Holly Road. 92301 Adelanto. Californa (USA)	Campus de la UAB,Ronda de la Font del Carme, s/n, 08193 Bellaterra-Cerdanyola del Vallès. Barcelona (Spain)	Blvd. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F. (Mexico)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Oficentro Ejecutivo La Sabana, Edificio 7, Primer piso, Local 2, San José (Costa Rica)	Crta. Nacional VI-Km 582, 15168, Sada, A Coruña (Spain)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Certification	Quality system audit and certification	Quality system audit and certification	Quality system audit and certification	Inspection, quality control and consultancy services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	44%	100%	67%	95%	95%	95%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Novotec Consultores, S.A., Sociedad Unipersonal	Applus Panamá, S.A	Applus Norcontrol Panamá, S.A.	Norcontrol Chile, S.A.	Norcontrol Inspección, S.A. de C.V. – México	Applus Norcontrol Guatemala, S.A.	Applus Norcontrol Colombia, Ltda	Norcontrol Nicaragua, S.A.
Registered office	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber; Clayton, Ciudad de Panamá (Panama)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber; Clayton, Ciudad de Panamá (Panama)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Blvd. Manuel Avila Camacho 184, Piso 4-B, Col. Reforma Social, C.P. 11650 México, D.F (Mexico)	Km 14,5 Carretera a El Salvador, Santa Catarina Pínula (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	Colonia Los Robles, Km. 6,500 Carretera Masaya, Managua (Nicaragua)
Line of business	Services related to quality and safety in industrial plants, buildings,etc.	Certification	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	95%	95%	95%	95%	96%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Röntgen Technische Dienst Holding BV	Applus Centro de Capacitación, S.A.	RTD Quality Services, SRO	Applus RTD France Holding, S.A.S	Applus RTD Deutschland inspektions-Gesellschaft, Gmbh	Röntgen Technische Dienst B.V.	RTD Quality Services, Inc (Canada)	RTD Quality Services Nigeria Ltd.
Registered office	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	U Stadionu 89, 530 02 Pardubice (Czech Republic)	129 Rue Servient 69326 Lyon Cedex 03 (France)	Industriestraße 34 b, 44894 Bochum (Germany)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	5504 36 St NW, Edmonton, AB T6B 3P3 (Canada)	Warri Boat Yard, 28 Warri/Sapele Road, Warri, Delta State (Nigeria)
Line of business	Holding company	Provision of training services	Certification services through non-detestructive testing	Holding company	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	100%	100%	100%	100%	100%	49%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus RTD USA, Inc.	RTD Holding Deutschland, Gmbh	Applus RTD UK Holding, Ltd	Applus RTD PTE, Ltd (Singapore)	Applus Colombia, Ltda.	Applus (Shangai) Quality inspection Co, Ltd	Applus RTD Certification, B.V.	Applus PTY, Ltd (Australia)
Registered office	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Industriestr. 34. D-44894, Bochum (Germany)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	521 Bukit Batok St 23, Unit 05-E, Singapore (Singapore)	Calle 17, núm 69-46, Bogotá (Colombia)	Jucheng Industrial Park, Building 23, 3999 Xiu Pu Rd, Nan Hui, Shanghai 201315 (China)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)
Line of business	Certification services through non-detestructive testing	Holding company	Holding company	Certification services through non-detestructive testing	Certification	Inspection services in quality processes, production processes, technical assitance and consultancy	Certification services through non-detestructive testing	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	95%	95%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus RTD Norway, AS	Arctosa Holding, B.V.	Libertytown USA 2, Inc.	Libertytown Australia, PTY, Ltd.	Applus RTD UK, Ltd	Applus RTD SP, z.o.o.	Applus Energy, S.L.U.	RTD Slovakia, s.r.o.
Registered office	Finnestadgeilen 38, 4029 Stavanger (Norway)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	Raclawicka, 19, 41-506 Chorzów (Poland)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Udernicka 11; 851 01; Bratislava, (Slovakia)
Line of business	Certification services through non-detestructive testing	Holding company	Holding company	Holding company	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Provision of advisory services and auditing in the energy sector	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Autoservices Online, S.L.U.	APP Management, S. de R.L. de C.V.	Libertytown Applus RTD Germany Gmbh	Applus Norcontrol Maroc, Sarl	Applus RTD Gulf DMCC.	Applus Qualitec Serviços de Engenheria, Ltda.	Applus Lgai Germany, Gmbh	BK Werstofftechnik-Prufstelle Für Werkstoffe, Gmbh
Registered office	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Blvd. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F. (Mexico)	Industrie Strasse 34 b, 44894 Bochum (Germany)	INDUSPARC Module N°11BD AHL LOGHLAM Route de Tit Mellil Chemin Tertiaire 1015 Sidi Moumen 20400, Casablanca (Morocco)	16th Floor, Office 1601, Swiss Tower, Jumeirah Lake Towers, PO Box 337201, (United Arab Emirates)	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lote 10, integrante da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brazil)	Zur Aumundswiede 2, 28279 Bremen (Germany)	Zur Aumundswiede 2, 28279 Bremen (Germany)
Line of business	Provision of services related to the automotive sector and vehicle and road safety, engineering processes, training design, testing, homologation and certification, as well as technical audits of automotive establishments	Provision of professional, technical, administrative and human resources services	Holding company	Inspection, quality control and consultancy services	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Certification	Certification
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	95%	100%	100%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Ringal Brasil Investimentos, Ltda.	Burek und Partner, Gbr.	Assinco-Assesoria Inspeçao e Controle, Ldta	Applus Norcontrol Perú, S.A.C.	Kiefner &Associates Inc.	John Davidson & Associates PTY, Ltd	JDA Wokman Limited	PT JDA Indonesia
Registered office	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lote 10, integrante da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brazil)	Zur Aumundswiede 2, 28279 Bremen (Germany)	Rua Petrovale, quadra 01, lote 10, integrante da area B, nº 450, Bloco 2 - 1º andar, Bairro Distrito Industrial Marsil, EP 32400-000 Cidade de Ibirité, Estado de Minas Gerais (Brazil)	Avenida el Derby, 254, Oficina 901. Edificio Lima Central Tower. Surco. Lima (Peru)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Unit 22, 23 Ashtan Place, Banyo, Queensland, 4014 (Australia)	Unit 11, Section 53, Allotment 15 & 16, Ume Street, Gordons, Port Moresby, National Capital District, (Papua New Guinea)	Plaza Aminta 9th floor, Jl. TB Simatupang Kav. 10, South Jakarta (Indonesia)
Line of business	Holding company	Certification	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Certification services through non-detestructive testing	Provision of executive recruitment services	Provision of executive recruitment services	Provision of technical engineering and planning, conservation and operational services, technical training and human resource development
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	100%	96%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Norcontrol Consultoría e Ingeniería, SAS	Applus Mongolia, LLC	Applus Laboratories, AS.	Applus Arabia L.L.C	Applus II Meio Ambiente Portugal, Lda	Ringal Invest, S.L.U	Applus Velosi DRC, Sarl.	Ingelog Consultores de Ingeniería y Sistemas, S.A.
Registered office	Calle 17, núm. 69-46 Bogotá (Colombia)	3a planta, San Business Centre, Sukhbaatar District, 8th Khoroo, Baga toiruu, Street 29 of Prime Minister Amar, Ulaanbaatar (Mongolia)	Langmyra 11, 4344 Bryne (Norway)	Dammam (Saudi Arabia)	Complexo Petroquímico, Monte Feio, 7520-954 Sines (Portugal)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Lubumbashi, Avenue Lumumba, N. 1163, Quartier Industriel, Commune Kampemba (Congo)	Alberto Henckel 2317, Santiago de Chile (Chile)
Line of business	Inspection, quality control and consultancy services in the industry and services sector	Provision of human resources consultancy in the area of recruitment, placement candidates and related services	Certification	Certification	Inspection, quality control and consultancy services	Holding company	Provision of permanent contract services	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	100%	95%	48%	95%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Ingelog Servicios Generales, Ltda (Sergen)	Ingelog Guatemala Consultores de Ingeniería y Sistemas, S.A.	Ingeandina Consultores de Ingeniería, S.A.S.	Ingelog Costa Rica S.A.	Applus RTD USA Aerospace Holding, Inc.	X-RAY Industries, Inc.	Composite Inspection Solutions, LLC.	Applus Laboratories USA, Inc.
Registered office	Alberto Henckel 2317, Santiago de Chile (Chile)	Ciudad de Guatemala (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	San José de Costa Rica, calle treinta y uno, avenidas nueve y once, Barrio Escalante (Costa Rica)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	1961 Thunderbird, Troy Michigan 48084 (USA)	615 S. DuPont Highway, Kent County, Dover, Delaware 19901 (USA)
Line of business	Provision of transport and rental of vehicles	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.	Holding company	X-ray metallurgical, management, retail equipment, equipment manufacturing, non-destructive; testing services	Inspection services	Holding company
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Arcadia Aerospace Industries, Llc.	Applus RTD Llc.	NRAY Services, Inc.	Applus RTD USA Services, Inc.	Libertytown USA 3, Inc.	Applus Management Services, Inc.	Applus Aerospace UK, Limited	Aerial Photography Specialist PTY, LTD
Registered office	28000 Mooney Avenue, Building #110, Punta Gorda Florida 33982 (USA)	Khokhlovskiy side-street 13, building 1, 109028 Moscow. (Russia)	56A Head Street, Dundas, ON L9H 3H7 (Canada)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)
Line of business	Industrial contract and inspection services	Purchase of equipment and refills, installation, reparation and maintainance of the equipment, engineering services and devolment of scientific investigation	Inspection of the based neutron radiation services	Any lawful act or activity in order for companies to organise themselves under the Delaware General Corporation Law	Any lawful act or activity in order for companies to organise themselves under the Delaware General Corporation Law	Provision of professional, technical, administrative and human resources services	Non-destructive services from the aerospace business.	Manufacture, repair, sale and services related to drones
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	67%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus RTD Canada Holding (2016), Inc.	SKC Inspection and Non Destructive Testing, Inc	SKC Engineering Ltd	MxV Engineering,Ltd	Applus Norcontrol República Dominicana, S.R.L	Emilab, SRL	AC6 Metrología, S.L.	Applus RVIS, B.V.
Registered office	1300 - 1969 Upper Water Street Purdy's Wharf Tower II Halifax NS B3J 3R7 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	Plaza El Avellano, Calle Dr. Jacinto Ignacio Mañón No. 5 Local No. 08 Primer Piso. Ensanche Paraíso, Santo Domingo (República Dominicana)	Via F.lli Solari 5/A 33020 Amaro(UD) (Italy)	Polígono Comarca I, Edificio Pasarela. 31160, ORKOIEN, Navarra (Spain)	Delftweg 144, NC 3046 Rotterdam (The Netherlands)
Line of business	Holding company	Inspection and non-destructive testing	Ensure quality, training, inspection, proof and design and welding engineering services.	Dielectric tests, inspections of cranes, stability tests and preventive maintenace	Inspection and technical assistance services	Research in the areas of engineering, electromagnetic compatibility and electrical safety.	Research, development and advisory services for metrology and industrial calibration activities.	Remote Non-destructive Inspection and Testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	95%	95%	95%	51%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Servicios Integrales, S.A.S.	Tunel Safety Testing, S.A.	Trámites, Informes, Seguridad y Medio Ambiente, SL	3C Test Limited	DatapointLabs, Llc.	DatapointLabs India, Inc.	Matereality, Llc.	MacCormack Calibración, SL
Registered office	Calle 17 # 69 - 46, Bogotá (Colombia)	LG Centro Experimental San Pedro de Anes s/n, Siero 33189, Asturias (Spain)	Calle Llenguadoc 10, Barcelona 08030 (Spain)	Silverstone Technology Park, Silverstone Circuit, Silverstone, Towcester, Northamptonshire, NN12 8GX (UK)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)
Line of business	Inspection, quality control and consultancy services	Fire testing in tunnels, fire suppression product testing and fire training.	Inspection, quality control and consultancy services	Electromagnetic compatibility (EMC) and electrical tests, especially for the automotive sector.	Materials characterization laboratory specialized in providing properties for numerical simulation.	Materials characterization laboratory specialized in providing properties for numerical simulation.	Development of IT solutions for the properties of materials, management and storage.	Calibration services industrial on-site for the automotive sector workshops.
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	89%	95%	95%	95%	95%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Technical Inspection Services, Ltd	Applus Middle East Engineering Consultancy, LLC	SARL Apcontrol Energie et Industrie Algerie	Talon Test Laboratories (Phoenix) Inc.	Talon Test Laboratories Incorporated	Applus Brasil Investimentos, Ltda
Registered office	Unit 21, Hither Green Industrial Estate, Clevedon, North Somerset, BS21 6XU (UK)	Office 201, Abu Dhabi Business Hub, Building B, Mussafah (United Arab Emirates)	12a planta del Centro Comercial y de Negocios "al-Quds" de Charéga (Algeria)	6145 W. Detroit Street, Chandler, AZ 58226, Arizona (USA)	915 Western Drive, Indianapolis, IN 46241 (USA)	Rua Dom José de Barros, nº 177, 6ª andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, Sao Paulo (Brazil)
Line of business	Certification by non-destructive testing services	Industrial support and consulting	Production of technical control devices and appliances for the calibration of machinery, mechanical testing and measurement, oil services, management consulting, hydrocarbon analysis, environmental prevention and cleaning programs	Non-destructive testing services	Non-destructive testing services	Holding company
Ownership interest held by Group companies:						
Direct	-	-	-	-	-	-
Indirect	100%	49%	49%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi S.à r.l.	SAST international Ltd	Velosi Asia (Luxembourg) S.à r.l.	Velosi Africa (Luxembourg) S.à r.l.	Velosi Europe (Luxembourg) S.à r.l.	Velosi Poland Sp z.o.o.	Velosi Europe Ltd	Velosi Certification Bureau LTD
Registered office	7, rue Robert Stümper | L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	IFC1, Level 1, Esplanade, St. Heiler, Jersey JE2 3BX, Channel Islands (Jersey).	7, rue Robert Stümper | L-2557 Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	7, rue Robert Stümper | L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	7, rue Robert Stümper | L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	Ul. Mila 2 00-180 Warszawa (Poland)	1 Woodsite Business Park, Whitley Wood Lane, Reading, RG2 8LW (UK).	1 Woodsite Business Park, Whitley Wood Lane, Reading, RG2 8LW (UK).
Line of business	Holding company	Provision of consultancy and engineering services	Holding company	Holding company	Holding company	Publishing of other programmes	Provision of technical, engineering and industrial services	No line of business
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi International Italy Srl	Velosi-PSC Srl	IES - Velosi Norge AS	Velosi TK Gozetim Hizmetleri Limited Sirketi	Velosi LLC	Velosi Malta I Ltd	Velosi Malta II Ltd	Applus Velosi Czech Republic, s.r.o.
Registered office	23807 Merate (LC), via De Gasperi, 113, Merate (Italy).	Via Cinquantenario, 8 - 24044 Dalmine, Bergamo (BG) (Italy).	Dølevegen, 86, Post Box. 2096 N-5541 Kolnes, Kongsberg (Norway).	1042. Cadde 1319.Sokak No.9/5 Ovecler, Ankara (Turkey).	Azadlig Avenue 189, Apt 61, AZ1130 Baku (Azerbaijan).	The Bastions, Office No. 2 Emvim Cremona Street, Floriana, FRN 1281 (Malta).	The Bastions, Office No. 2 Emvim Cremona Street, Floriana, FRN 1281 (Malta).	Prague 9, Ocelárská 35/1354 (Czech Republic).
Line of business	Provision of technical, engineering and industrial services	Quality control, maintenance and inspection	Quality control, maintenance and inspection	Quality control, maintenance and inspection	Provision of auxiliary services for oil and gas companies	Holding company	Holding company	Manufacturing, trade and services not listed in Appendix 1-3 of the Trade License Activity
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	80%	80%	60%	80%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi Turkmenistan	Velosi Industries Sdn Bhd	Applus Velosi Malaysia Sdn Bhd	Kurtec Inspection Services Sdn Bhd	Velosi Plant Design Engineers Sdn Bhd	Applus Singapore PTE Ltd	Velosi Engineering Projects Pte Ltd	Velosi Energy Consultants Sdn Bhd
Registered office	Ashgabat City, Kopetdag District, Turkmenbashy, Avenue, No. 54 (Turkmenistan).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	521 Bukit Batok Street 23 Unit 5E, Excel Building,659544 (Singapore)	521, Bukit Batok Street 23, Unit 5E , 659544 Singapore (Singapore)	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).
Line of business	No line of business	Investments, investment property and provision of engineering services	Provision of engineering and inspection services	Provision of non-destructive testing (specialised NDT) services, inspection of guided wave long range ultrasonic testing (LRUT) and remote visual inspection	Provision of consultancy and engineering services for the design of plants, construction and engineering and the investment that they possess	Provision of specialised services in the area of repair of ships, tankers and other high sea vessels, and provision of rope access, testing and technical analyses for the oil and gas industries	Provision of third-party inspection services	Provision of consultancy services for all engineering activities and the supply of local and foreign experts for the generation of oil and gas energy, marine, energy conservation, mining and all other industries, together with the engineering and maintenance of refining vessels, oil platforms, platforms, petrochemical plants and the supply of qualified labor
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi (HK) Ltd	Velosi Saudi Arabia Co Ltd	Velosi Engineering Management Consultancy Ltd Co.	Velosi Siam Co Ltd	Applus (Thailand) Company Limited	Velosi Integrity & Safety Pakistan (Pvt) Ltd	Velosi Corporate Services Sdn Bhd	Velosi International Holding Company BSC (c)
Registered office	Level 12, 28 Hennessey Road, Wanchai (Hong Kong).	Unit No. 1, Al-Qusur, Talal Al-Doha Building, Sub of Prince Mohammad bin Fahd Road, Dhahran, 34247-3229 (Saudi Arabia).	Room 1304, Shengkang LiaoShi Building No. 738 Shang Cheng Road Pudong, Shanghai PRC, 200120 (China).	ZEN @ ZEN World Tower, Level 12, Zen World Tower, 4, 4/5 Rajdamri Road, Pathumwan, Bangkok, 10330 (Thailand).	208 Wireless Road Building 14th Floor Room 1401 (16), Lumpini, Pathumwan, Bangkok 10330 (Thailand).	Office No. 401, 4th Floor, Business Centre, Block 6, P.E.C.H.S. Society, 74000 Karachi (Pakistan).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	Flat 42, Building 1033, Road 3731, Block 337, Menama/UMM Alhassam (Bahrain)
Line of business	Provision of management services, sales support, advisory and business development services to related companies	Provision of maintenance testing, fixing, examination of the welding and quality control for the pipes, machinery, equipment and other buildings in oil, gas and petrochemical facilities and to issue related certificates	Provision of consulting of Petroleum Engineering, technical consultation of mechanical engineering and consulting of business management	Holding company	Provision of engineering and technical services	Provision of support engineering services, inspections based on risk, reliability centred maintenance, assessment of the safety integrity level, suitability for management services studies, corrosion studies, development of data management control systems, quality management system certification, specialised non-destructive testing services, approval of the design review, third-party inspection services and inspection of plants and access engineering	Provision of general management, business planning, coordination, corporate finance advisory, training and personnel management services	Holding company of a group of commercial, industrial and service companies
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	60%	100%	100%	74%	70%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi Certification Services LLC	Velosi Certification WLL	PT Java Velosi Mandiri	Velosi Certification WLL	Velosi PromService LLC	Velosi LLC	Velosi Bahrain WLL	Velosi LLC
Registered office	# 201, Block B, Abu Dhabi Business Hub, ICAD-1, Mussafah, PO Box 427 Abu Dhabi (United Arab Emirates).	Block 9, Building 24, Office 21, Ground Floor, East Ahmadi, Industrial Area, P O Box # 1589, Salmiya – 22016 (Kuwait).	Plaza Aminta 9th Floor, Jl. TB Simatupang Kav. 10, Jakarta, 12310 (Indonesia)	Building No 121340, First Floor New Salata, C Ring Road, P.O. Box 3408, Doha (Qatar).	Russian Federation, 125130, Moscow, Staropetrovsky proezd, 7A, bld. 19, office 7 (Russia).	38 Kurilskaya str., Yuzjno-Sakhalinsk (Russia).	Flat 11, Building 1033, Road 3721, Block 337, Menama / UMM Alhassam (Bahrain).	Block no 227 Stella Building, Post Box 231 Hamriya. Way no 2748 (Oman).
Line of business	Provision of construction project quality management services, management system certification, quality management of the maintenance of existing facilities and equipment and mandatory inspection services	Provision of industrial consultancy	Provision of engineering consultancy services, such as quality control and non-destructive testing (NDT) inspection services, provision of skilled labor with vocational training	Provision of inspection and analysis and technical services in the area of qualified technical jobs	Provision of quality assurance and control, general inspection, corrosion control and services for the supply of labor for the oil and gas industries	Holding Company	Provision of quality control and standardization services, industrial inspection services and general services	Provision of certification, engineering and inspection services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	49%	24%	0%	24%	100%	100%	100%	50%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi Quality Management International LLC	Velosi CBL (M) Sdn Bhd	Velosi LLP	Velosi (B) Sdn Bhd	Velosi Certification Services LLC	Velosi Philippines Inc	Velosi Ukraine LLC	Dijla & Furat Quality Assurance, LLC.
Registered office	205, Block B, Abu Dhabi Business Hub, ICAD-1, Mussafah, PO Box 427 Abu Dhabi (United Arab Emirates).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	Building #31A, Akzhal lane, Atyrau, Atyrau Oblast, postal code 060002 (Kazakshtan).	Lot 5211, Spg. 357, Jln Maulana, KA 2931 Kuala Belait , Negara Brunei Darussalam (Brunei).	17, Chimkent Street, Mirobod District, 100029 Tashkent (Uzbekistan).	1004, 10F, Pagibig WT Tower, Cebu Business Park, Ayala, Cebu City (Philippines).	5A Piterska Street, 03087 Kyiv (Ukraine).	Ramadan Area, District 623-S, No.1, Baghdad (Iraq).
Line of business	Provision of certification, engineering and inspection, onshore and/or offshore services	Provision of equipment inspection services	Provision of services in the area of industrial safety	Provision of quality control and engineering services for the oil and gas industries	Provision of inspection, certification, monitoring and other types of business activity	Provision of inspection, quality control, certification and business process outsourcing	Provision of auxillary services in the oil and natural gas industries	Provision of quality control and training services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	49%	100%	80%	30%	80%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Equity method	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Korea Co, Ltd.	Steel Test (Pty) Ltd	Velosi (Ghana) Ltd	Oman Inspection and Certification Services	Velosi Services L.L.C. (Russia)	Applus Japan KK	Velosi Angola Prestaçao de Servicos Ltda	Velosi Superintendend Nigeria Ltd
Registered office	108, Jin-ha, Seo-sang, Ulju, Ulsan (Republic of Korea).	28 Senator Rood Road, 1939 Vereeniging (Republic of South Africa).	2nd Floor, Design House, Ring Road East, Accra (Ghana).	P.O. Box 15, South Alkhuawir, Bawshar, Muscat Governorate (Oman)	Kommunistichesky prospect, 32, suit 610, Yuzhno-Sakhalinsk, Sakhalin Region (Russia).	Yamauchi Building 3F 3-24-8 Nishi Shimbashi, Minato-ku, Tokyo (Japan).	Rua Marien Ngouabi 37, 5º apartamento 53, Maianga, Luanda (Angola).	3A Alabi Street, Off Toyin Street, Ikeja - Lagos (Nigeria).
Line of business	Provision of training and consulting for services related to technical engineering, hiring-out of manpower and materials and leasing of properties.	Pipe and steel thickener testing	Provision of inspection, quality control and certification services	Provision of non-destructive testing services (NDT), environmental and safety services (HSE), quality control and engineering services.	No line of business	Provision of quality and inspection services, man power, NDT tests and industrial consulting	Provision of quality assurance and control, inspection, supply of technical manpower, certification and regulatory inspection, NDE specialised services and engineering	Provision of services (quality assurance and control, general inspection, corrosion control and supply of labor) for the oil and gas industries
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	67%	75%	49%	50%	100%	100%	44%	30%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Integración global	Integración global	Full consolidation	Full consolidation

Name	Velosi Uganda LTD	Velosi SA (Pty) Ltd	Applus Velosi Egypt, LLC	Velosi Mozambique LDA	Applus Velosi Angola, Lda.	Applus India Private Limited	Applus Mozambique Limitada	K2 Do Brasil Services Ltda
Registered office	3rd Floor, Rwenzori House, Plot 1, Lumumba Avenue, PO Box 10314 Kampala (Uganda).	1st Floor, AMR Building 1, Concorde Road East, Bedforview, 2008 Gauteng (Republic of South Africa).	27, Ali El-Gendy St., Nasr City, Cairo (Egypt).	Avenida Kim Il Sung, 961 - Bairro Sommershield - Distrito Urbano 1, Maputo Cidade (Mozambique).	Condominio Mirantes de Talatona, Rua das Acácias, casa B13, Luanda (Angola).	301, Plot no. 410, Matrusri Nagar Colony, Miyapur, Serlingampally Hyderabad Rangareddi, TG 500049 (India).	Paulo Samuel Kankhomba Avenue, number 3,371, Maputo City (Mozambique).	Avenida Nossa Senhora da Gloria, 2.643, Cavaleiros, Macae - RJ, CEP27920-360, Macae (Brazil).
Line of business	Provision of business consulting and management services	Provision of services related with the quality of the oil and gas industries	Provision of engineering consultancy in the oil sector, the maritime business, power generation and mining, as well as management consulting	Provision of consultancy services and technical assistance in the oil and gas industries, such as labor force services, and other specialized services in non-destructive trials, controls, quality inspections and asset integrity	Provision of quality assurance and control, inspection, supply of technical manpower, certification and specialised services in NDT and engineering.	Provision of labor supply services for the oil and gas industries	Provision of consulting and technical assistance services in the oil and gas industry, man power services, NDT specialized tests, controls and quality inspections and provision of asset integrity services	Provision of updating, repair, modification and control of onshore and offshore oil facilities, inspection and development of design services, manufacture of components and machinery structures and supply of qualified labor
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	74%	49%	100%	49%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Integración global	Full consolidation

Name	Registered office	Line of business	Ownership interest held by Group companies: Direct	Indirect	Method used to account the investment
Applus Velosi America LLC	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	Provision of labor supply services for the oil and gas industries	-	100%	Full consolidation
Applus Velosi Canada Ltd	2600 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2 (Canada)	Provision of labor supply services for the oil and gas industries	-	100%	Full consolidation
Velosi Do Brasil Ltda	Praia Do Flamengo 312, 9 Andar Parte Flamengo, Rio De Janeiro (Brazil).	No line of business	-	98%	Full consolidation
Midstream Technical Inspection Services, LLC	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	Supply of certifications for pipelines belonging to the oil and gas sector	-	100%	Full consolidation
Applus K2 America, LLC	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	Providing solutions for owners and operators of drilling rigs and FPSO in America, including inspection services, repair and maintenance, structural design and analysis and training services	-	100%	Full consolidation
Velosi Australia Pty Ltd	Unit 22/23 Ashtan Place Banyo, Queensland, 4014 (Australia)	Holding company	-	100%	Full consolidation
QA Management Services Pty Ltd	94 Discovery Drive, BIBRA LAKE, WA 6163 (Australia)	Provision of quality assurance services, such as worldwide inspection and ISO 9000 Quality Management Consultancy, training courses, quality control software packages and specialised labor services	-	100%	Full consolidation

Note: the % of ownersihp of the Group companies reported corresponds to the legal interest.

Appendix II - Out of the scope of consolidation

Name	Velosi Cameroun Sàrl	Velosi Gabon PTE LTD CO (SARL)	Applus Velosi Kenya Limited	Steel Test Secunda (PTY), LTD.	VAIL Consultancy Services DMCC	Precision for Engineering Services, Project Management, Vocational Training and Importation of Man Power, LLC.
Registered office	Douala, PO Box 15805, Akwa (Cameroon)	Cité Shell, Port-Gentil in Gabon, BP: 2 267 (Gabon).	3rd floor, Kiganjo House, Rose Avenue Off Denis Pritt Road L.R No 1/1870, Nairobi P.O.Box 50719 - 00200, Nairobi (Kenya).	11 Viscount, Road Bedfordview 2007, (Republic of South Africa).	DMCC Business Centre - Level No 1 - Jewellery & Gemplex 3 Dubai (United Arab Emirates).	Al-Shamasiyah District Section No. 316 Street 15 house 37|1, Basra (Iraq)
Line of business	No line of business	Provision of security and environmental services (HSE), quality control and engineering in the oil and gas sector.	Services of provision of quality control, technical engineering of labor and consulting, Non Destructive Testing and certification, electrical inspection, engineering and project management and supervision of construction services	Inspection of pipes and steel thickness	No line of business	Buy, lease, ownership of personal property, intellectual property and the sale of said goods
Ownership interest held by Group companies:						
Direct	-	-	-	-	-	-
Indirect	100%	75%	100%	100%	80%	100%

Name	Velosi Jorson Sdn Bhd (Brunei)	Idiada Automotive Technology Rus, LLC	Idiada Homologation Technical Service, S.L.U.	IDIADA Automotive Technology USA, LLC	Velosi Asia Kish (Iran)
Registered office	LOT 5211. Simpang 357, Jalan Maulana, Kuala Belait KA2931, Brunei Darussalam (Brunei).	Russian Federation, 603004, Nijniy Novgorod, prospect Lenina, 115 (Russia).	L'Albornar s/n 43710 Santa Oliva - Tarragona (Spain).	9270 Holly Road, Adelanto, CA 92301 (USA).	No. 7, Second Floor, Block B28, Pars Commercial Complex, South-West of the Port Area (Iran).
Line of business	Provision of non-destructive testing services (NDT), technological development and transformation and technical consulting.	Engineering, testing and certification	Engineering, testing and certification	Engineering, testing and certification	No line of business
Ownership interest held by Group companies:					
Direct	-	-	-	-	-
Indirect	50%	80%	80%	80%	97%

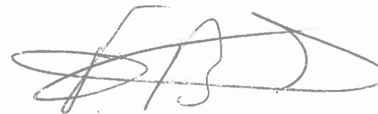
The members of the Board of Directors of Applus Services, S.A. declare that, to the best of their knowledge, the consolidated financial statements of Applus Services, S.A. and subsidiaries (comprising consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes) for the year ended at 31 December 2018, prepared in accordance with applicable accounting policies and approved by the Board of Directors at its meeting on 20 February 2019, present fairly the equity, financial position and results of Applus Services, S.A. and the subsidiaries included in the scope of consolidation, taken as a whole, and that the management report accompanying such consolidated financial statements includes a fair analysis of the business' evolution, results and the financial position of Applus Services, S.A and the subsidiaries included in the scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties they face. All the Directors have signed on this page to certify the above mentioned.

Barcelona, 20 February 2019

D. Christopher Cole
Chairman

D. Ernesto Gerardo Mata López
Director

D. John Daniel Hofmeister
Director



D. Fernando Basabe Armijo
Director

D. Richard Campbell Nelson
Director

D. Nicolás Villén Jiménez
Director

Dª. Maria Cristina Henríquez de Luna Basagoiti
Director