



Applus<sup>+</sup>

ANNUAL  
REPORT

'14

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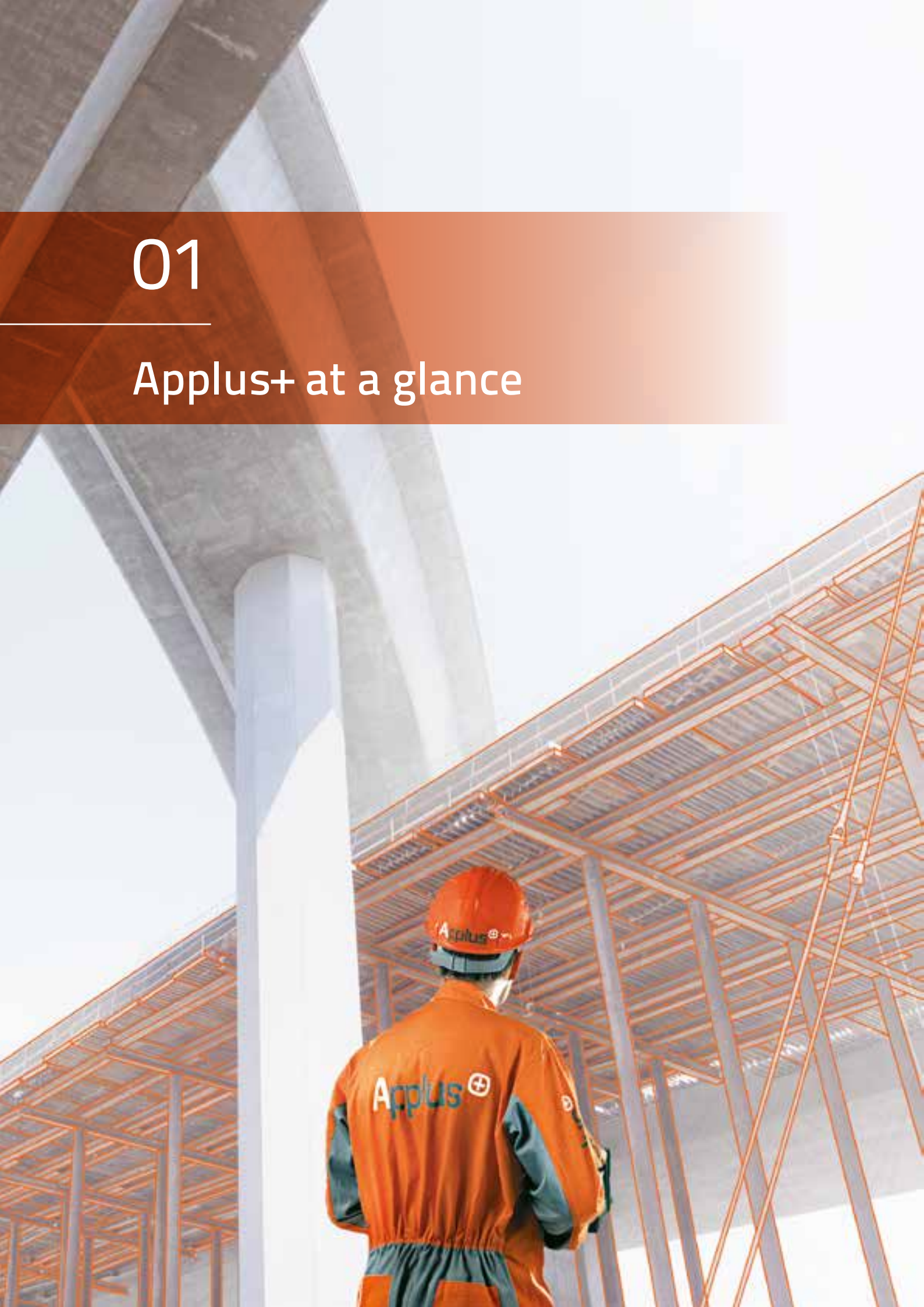
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## Applus+ at a glance



# Introduction to Applus+

The Testing, Inspection and Certification (TIC) industry comprises companies and organisations that provide services to help manage risk, enhance the quality and safety of products, assets and operations, comply with applicable standards and regulations and optimise industrial processes.

These services are mainly provided through testing, inspection and certification, but also by offering related services such as auditing, outsourcing, training and quality assurance. TIC companies provide services focused on demonstrating that a certain product, asset or process meets specific voluntary or mandatory standards, requirements or regulations.

Applus+ is one of the major global TIC players – recognised as a benchmark for quality and integrity – with a significant global presence and a leading position in targeted markets and geographical areas.

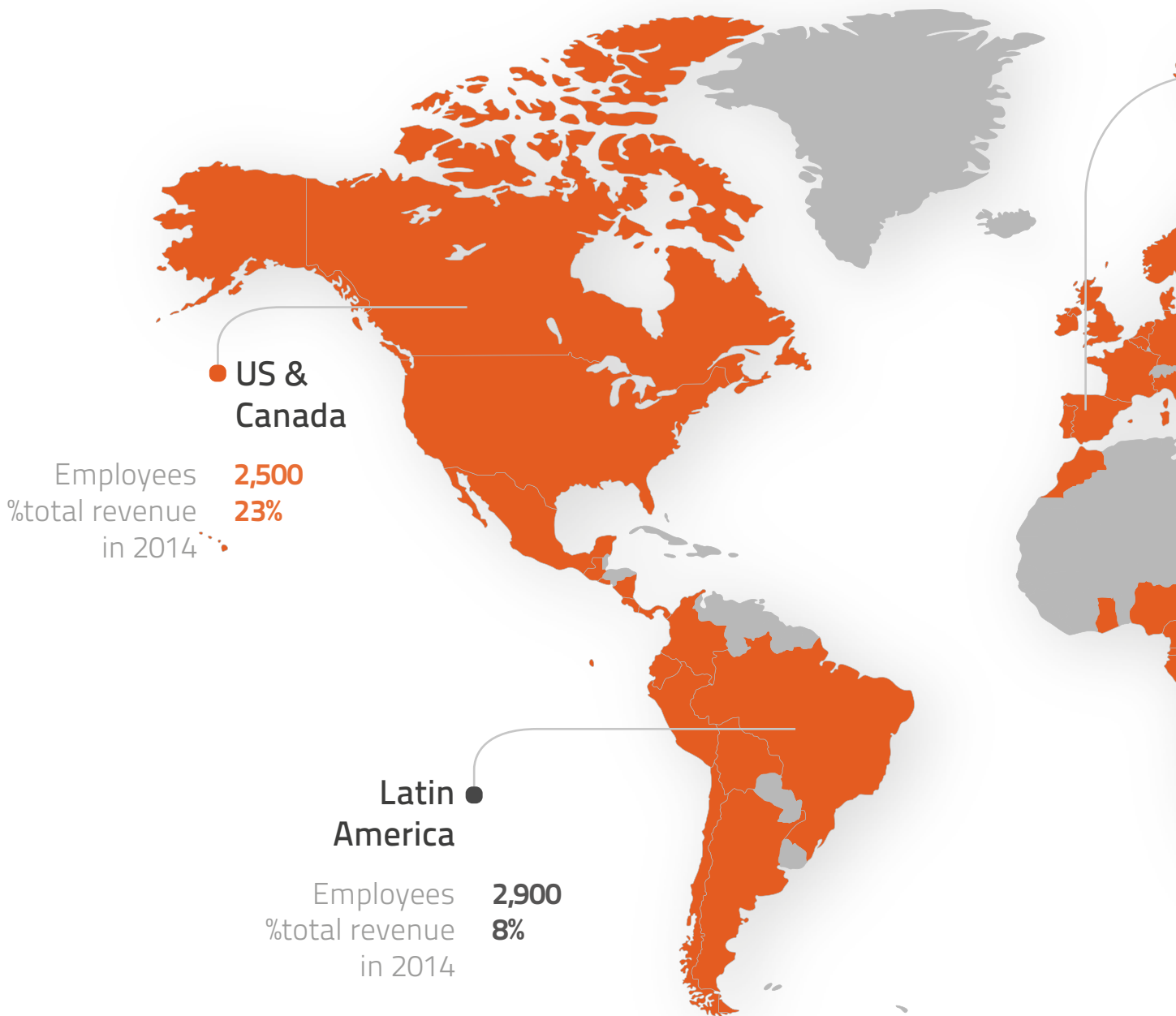
With 20,000 employees, Applus+ has over 350 offices and laboratories and operates in 70 countries, ensuring that we can deal with our clients consistently and on a global basis whilst opening up growth opportunities across geographical areas.

Applus+ is accredited by major international organisations and operates globally through five divisions (six until the end of 2014), which work under the 'Applus+' brand, providing different services across the areas of testing, inspection and certification.

The global TIC market benefits from favourable structural growth trends such as tighter regulations and standards imposed by governmental authorities or companies' own policies, increased awareness of risk, and the outsourcing of these services by companies. The Applus+ Group focuses its operations on the markets it leads, taking advantage of market conditions, the attractive competitive landscape and robust growth opportunities.

The Applus+ Group has established a strong brand and reputation based on its commitment to innovation and quality and highly motivated and skilled employees.

Through a combination of organic growth and selective acquisitions, the Applus+ Group has consolidated its global presence to provide high quality, innovative solutions for SMEs and large multinationals.



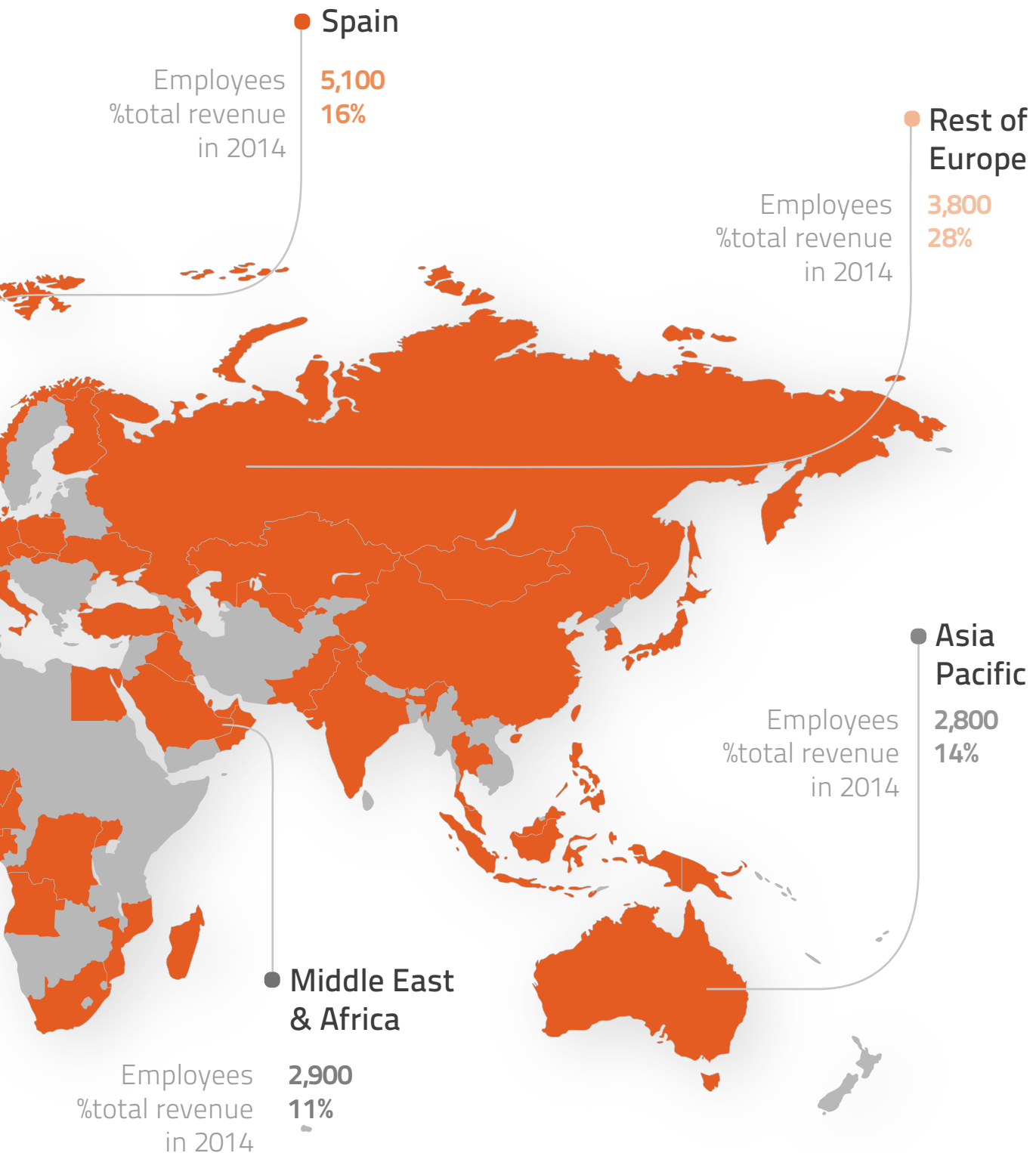
- ANDORRA
- ANGOLA
- ARGENTINA
- AUSTRALIA
- AZERBAIJAN
- BAHRAIN
- BELGIUM
- BOLIVIA

- BRAZIL
- BRUNEI
- CAMEROON
- CANADA
- CHILE
- CHINA
- COLOMBIA
- COSTA RICA

- CZECH REPUBLIC
- DEMOCRATIC REPUBLIC OF CONGO
- DENMARK
- ECUADOR
- EGYPT
- EL SALVADOR
- EQUATORIAL GUINEA

- FINLAND
- FRANCE
- GABON
- GERMANY
- GHANA
- GUATEMALA
- INDIA
- INDONESIA

- IRAQ
- IRELAND
- ITALY
- JAPAN
- KAZAKHSTAN
- KUWAIT
- MADAGASCAR
- MALAYSIA



- MEXICO
- MOROCCO
- MONGOLIA
- MOZAMBIQUE
- NETHERLANDS
- NICARAGUA
- NIGERIA
- NORWAY

- OMAN
- PAKISTAN
- PANAMA
- PAPUA NEW GUINEA
- PERU
- PHILIPPINES
- POLAND

- PORTUGAL
- QATAR
- RUSSIA
- SAUDI ARABIA
- SINGAPORE
- SLOVAKIA
- SOUTH AFRICA
- SOUTH KOREA

- SPAIN
- TAIWAN
- THAILAND
- TURKEY
- UKRAINE
- UNITED ARAB EMIRATES
- UGANDA
- UK

- USA
- UZBEKISTAN

## 2014 - key figures

**€1.62 billion**

Total revenue

**+ 2.4%**

**€159 million**

Adjusted operating profit

**+ 5.3%**

**€132 million**

Adjusted operating cash flow

**+ 29%**

**€24 million**

Net profit

**€0.67**

Adjusted earnings per share





# 02

## Letter from the Chairman and the CEO



**Christopher Cole**  
Chairman of the Board of Directors

I am pleased to provide this joint report with our CEO, Fernando Basabe. It is a year since I was appointed Non-Executive Chairman when the company completed its IPO. Following a challenging first quarter as a public listed company and despite the subsequent head winds in the oil and gas industry, which is part of our business activity, I am pleased that under the management and direction of Fernando Basabe and his team, the Group has aligned and performed in accordance with our expectations. I have found that the Group engages many talented, loyal and passionate people who have contributed to the growth and diversification of the business over many years and I thank them for all their hard work.



**Fernando Basabe**  
Chief Executive Officer (CEO)

My experience with large international groups providing diversified services and products through various business cycles ensures that the Board and I will help navigate and support management in the performance and resilient growth of the Group in sectors and markets providing ongoing opportunities.

As and when appropriate, the Board structure will develop and change to ensure that we have a balanced blend of skill, experience and culture, thus providing continued sound stewardship to the Group. I am pleased to have the opportunity along with our Board, management teams and clients to support the success of Applus+ and provide shareholder value.

## Initial Public Offering

2014 was a landmark year in which, after seven years of private equity ownership, the company listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges in Spain on 9 May 2014. As part of the process, we raised €300 million of new equity that was used to pay down debt and finance the transaction. Funds controlled by the private equity owners, The Carlyle Group, sold the majority of their shares at the IPO and following a subsequent sell down in April 2015, 76% of the Group is now in public hands. We also refinanced our borrowings and put in place a new €700 million five-year term loan facility and €150 million revolving credit facility provided by a consortium of strong international relationship banks. The work in preparation for the IPO and refinancing as well as for a potential alternative transaction was a significant event for Applus+ that took a considerable amount of time and effort from many within the Group, as well as external advisors. Following this new equity raising and the debt refinancing, Applus+ has a much stronger financial profile which leaves us well placed to generate shareholder value over the years to come.

## What we do

We provide technically sophisticated, regulatory driven and mission-critical services and solutions for the energy, industrial, infrastructure and automotive sectors. This enables our customers to manage risk, enhance the quality and safety of products, assets and operations, comply with applicable standards and regulations and optimise industrial processes. The significance of

these actions will become apparent over the following pages of this report.

## Organisation

We operate in over 70 countries around the world and we manage our business in these countries on a vertical industry basis through a divisional structure. In 2014 there were 6 divisions, and following the consolidation of two complementary divisions, there are now 5. Leading such a large and diverse organisation requires strong leadership and empowered regional and local leaders that are aligned to the Group's culture and policies.

## Strategy

Our growth strategy is to root these services deeper into the Group's respective industries by becoming a leading authority in our core activities through continuous innovation, pushing for the market lead and expanding our skill set and knowledge to other geographical areas by following our global customers and through introductions by other divisions. In summary:

- Be a clear leader in our segments.
- Use technology to maintain competitive advantage.
- Achieve enhanced growth and value through acquisitions.

We have the resources to fulfil this growth strategy: our strong brand and reputation in our markets, technical knowledge, a global asset base, financial resources and ultimately, our people, all of which are key to meeting our strategic objectives.

## Acquisitions and Disposals

In 2014, the Group announced an agreement to acquire businesses with combined annual revenue of €40 million. In Latin America, we announced the acquisition of Chile-based Ingelog, which has supplied engineering and project management services to the civil and private infrastructure industries in the Latin American region for 22 years. It generated revenue of €18 million in the last financial year.

In North America we acquired a group of companies from Integrity Aerospace Group (IAG) and other third party shareholders with 74 years of history. Annual revenue of €22 million is generated by providing non-destructive testing services to the aerospace and gas turbine industries in North America. X-Ray Industries and N-Ray Services have joined the Applus+ RTD division and Arcadia Aerospace has joined the Applus+ Laboratories division.

We welcome the 600 employees that joined our Group through these acquisitions and we wish them long and successful careers within Applus+.

During the year we also disposed of some businesses that no longer fit our growth strategy. We disposed of our Agrofood business that was a business line within the Applus+ Laboratories division and we also disposed of the Applus+ RTD business in Belgium.

## Our Customers

The services we provide are wide-ranging and serve a vast array of industries and our customers therefore reflect this. They vary from well-known global names in the automotive, oil & gas, power generation and aerospace fields down to equally important smaller, local and often hi-tech suppliers in these industries and local and central government bodies. Our customers drive everything we do. We adapt our services to their requirements and we are often at the forefront of technical solutions, suggesting testing methodologies or alternative approaches for the challenges they face. We also provide more standard services where we focus on optimal efficiency in order to be competitive and deliver value.

## Financial Results

We had solid financial results in 2014. We generated revenue of €1.62 billion, an increase of 2.4% on the previous year, and adjusted operating profit of €159 million, an increase of 5.3%. The main contribution to revenue growth was organic at constant exchange rates, which increased by 4.4%. This good operational performance, alongside changes to the Group's financial structure following the IPO, enabled us to turn a significant net loss reported in 2013 into a net profit of €24 million reported in 2014. Cash flow was strong, with adjusted operating cash flow after capital expenditure and taxes increasing by 29% to €132 million as a consequence of the increase in profit and tight management of working capital. The equity increase resulted in leverage decreasing from 4.7x Net debt to EBITDA to 3.1x.

## Dividends

On 18th June 2015, at the Group's first Annual General Meeting of shareholders (AGM), the Board will propose payment of a dividend of €0.13 per share. This is equivalent to €16.9 million and is 19.3% of adjusted net income (€87.7 million). If approved by shareholders at the AGM, the dividend will be paid on 15th July 2015 to those shareholders on the register on 14th July 2015.

## Our People

We have 20,000 people working for us across the world in many disciplines, including highly skilled engineers and technicians. It is the expertise, dedication and loyalty of these people that are key to the success of the organisation. On behalf of the full Board of Directors, we would like to share our appreciation and express special thanks to all our employees for supporting the business and ensuring that we have a strong platform for future growth.

## The Board of Directors

Becoming a public listed company has brought changes at Board level. We recognise our responsibility is now to our many new shareholders and fulfilling this commitment starts at the top. Christopher Cole was appointed as the new Non-Executive Chairman of the Group at the time of the IPO and comes with a wealth of international leadership experience in public listed companies at board level. Christopher Cole took over from Joaquín Coello, who resigned during the year and was the Group's Chief Executive Officer from 2006 to late 2010

before becoming Non-Executive Chairman. During this period, we have become one of the world's most successful companies in our sector, developing a global platform on which to build market leadership and scale. On behalf of the Board, we express our gratitude to Joaquín for his contribution during his long and successful tenure at Applus+.

Today we have a strong international Board comprising nine members, with a wide range of experience and knowledge. We will regularly review the Board and ensure that it is always fit for purpose. The composition of the Board, how often we meet, and the relevant Board committees are explained in detail later in this report.

## The Executive Committee

We have an eleven member Executive Committee made up of the divisional and functional heads. We meet on a regular basis and review all aspects of the business, including capital allocation decisions. At the end of 2014, Dr Nabil A Jalil retired from the Executive Committee and his position as head of the Applus+ Velosi division which he founded in 1982. We would all like to express our gratitude and appreciation to Nabil for his contribution to the Group through the business he successfully grew and we wish him well in his retirement.

## Sustainability

As a global organisation with touch points in many locations and industries, it is our desire to act in a responsible manner towards the environment, local communities and our employees. Furthermore, it is good business sense to act in this manner and to be able

to demonstrate this to our customer base, many of whom seek reassurance in this regard. Some of the testing performed by Applus+ is potentially hazardous and can be harmful to human health or the environment if not conducted properly. We are therefore conscious of the risks arising from what we do and how we do it. We have robust incident processes and specific safety training programmes in place for different groups of personnel and we regularly highlight and feature safety and good corporate citizenship through designated training days and other activities. This helps consolidate knowledge and reminds our people to be accountable and to act responsibly.

## Integrity

We recognise that behaving with high integrity and strong ethics underpins our values and ultimately our success as a business. We do not tolerate corruption or bribery in any place, shape or form. We have a Group Ethics Committee that includes members from the Board of Directors who are responsible for ensuring approval, awareness and compliance with the policies regarding ethical conduct. Controls in this regard include requesting every employee to carry out training on the code of ethics appropriate to their role or seniority and we also have whistleblowing channels in place. We are developing these controls further to increase their strength and efficiency. Further information on this topic is included in the report.

## Summary

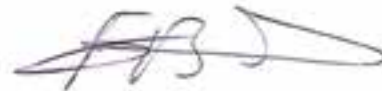
The services we provide in the industries we serve have solid long-term growth drivers that Applus+ will benefit from. We are confident that this will generate strong financial performance and create shareholder value.

Finally, we would like to express our gratitude for all the business relationships that have supported the company, especially those with our customers and shareholders. You can rest assured that your Board, the management team and all the people that make up the Applus+ Group will work hard to ensure the organisation succeeds in meeting our mutual objectives.



**Christopher Cole**

Chairman of the Board of Directors



**Fernando Basabe**

Chief Executive Officer (CEO)





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The Applus+ Group





# Our history

Years	1996 - 2003			2004 -
Shareholding	 <b>Agbar Group</b> ————— <b>100%</b>			 <b>Agbar Group</b>  <b>UNION FENOSA</b>  <b>CAJA MADRID</b>
Milestones	Establishment of <b>Agbar Automotive</b>  <b>Agbar Group</b>	<b>IDIADA</b> contract awarded	Laboratories <b>LGAI</b> contract awarded	Acquisition of <b>NORCONTROL</b>
Revenue (€ Million)	€200M			
Countries	17			
Employees	3,300			

2007	2008 - 2013		2014
<p>53%</p> <p>25%</p> <p>22%</p>	<p><b>THE CARLYLE GROUP</b> 70%</p> <p> Financial institutions and other shareholders 30%</p>		<p><b>THE CARLYLE GROUP</b></p> <p>Financial institutions and other shareholders 36%</p> <p>Free Float 64%</p>
Acquisition of <b>RTD</b>	Acquisition of 20 businesses	Acquisition of <b>VELOSI</b>	Applus+ IPO <b>Applus<sup>+</sup></b>
€675M	€1,581M		€1,619M
36	60		70
9,000	19,000		20,000

## Our Applus+ divisions

The Applus+ Group is currently structured across five divisions (six until the end of 2014). Each of them focuses on providing cutting-edge services in different areas within the TIC sector, operating in multiple locations and countries worldwide.

# Applus<sup>+</sup>

Applus<sup>+</sup> **RTD**

€ 547.8m  
revenue

4,000  
employees

Non-destructive testing and inspection services worldwide.

Advanced NDT and corrosion analysis technologies.



Applus<sup>+</sup>  
VELOSI

€ 392.7m  
revenue

5,500  
employees

Vendor inspection, third party inspection, certification, testing and recruitment services for the oil & gas industry.



Applus<sup>+</sup>  
norcontrol

€ 205.7m  
revenue

4,800  
employees

Industrial and environmental inspection and technical assistance services for all types of industries.



Applus<sup>+</sup>  
laboratories

€ 46.9m  
revenue

600  
employees

Testing, product development, quality control and certification.

Multidisciplinary laboratories.



Applus<sup>+</sup>  
automotive

€ 279.7m  
revenue

3,300  
employees

Statutory vehicle inspection services and emission & gas testing solutions worldwide.



Applus<sup>+</sup>  
IDIADA

€ 145.5m  
revenue

1,800  
employees

Design, engineering, testing and homologation services for the automotive industry.

Proving ground and testing facilities.



1. The sum of the division's revenue may differ from total reported revenue value due to both rounding and the minor revenue from holding.

# Our business strategy

Our business strategy is geared towards achieving continuous growth based on the following targets:



## Focus on high-growth end-markets

with superior growth potential.

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



## Geographical expansion

through greenfield investments in new geographical areas and by following our clients.

We intend to consolidate our global and local network to provide excellent, consistent service levels in all countries and to follow our clients as they expand into different locations, ensuring competitiveness against global and local competitors.



## Development of new services

both directly and through partnerships with clients.

As a company at the forefront of technological leadership, we aim to deliver superior value-added services by leveraging our capabilities and teams to develop state-of-the-art proprietary technologies and to partner our clients to develop new services.

We seek to continue operating as a partner of choice and to foster long-term relationships by maintaining and improving our operational excellence and enhancing our reputation for quality and integrity.



## Innovation and technology

To be at the forefront of technological leadership, we rely on a sound commitment to innovation. We work to develop the most advanced technological solutions to be integrated into both our services portfolio and our clients' operations, thereby making us not only a technical services supplier but a technological point of reference as well.



## Pursue value added acquisitions

We will continue to make selective, value-enhancing acquisitions to accelerate our growth, enhance our existing portfolio and increase our scale to acquire new capabilities and improve our client reach. This will be achieved by acquiring new technical expertise and permits/access to operate in new regions and by broadening our customer base in key areas.



04

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Applus+ performance



# Applus+ Group

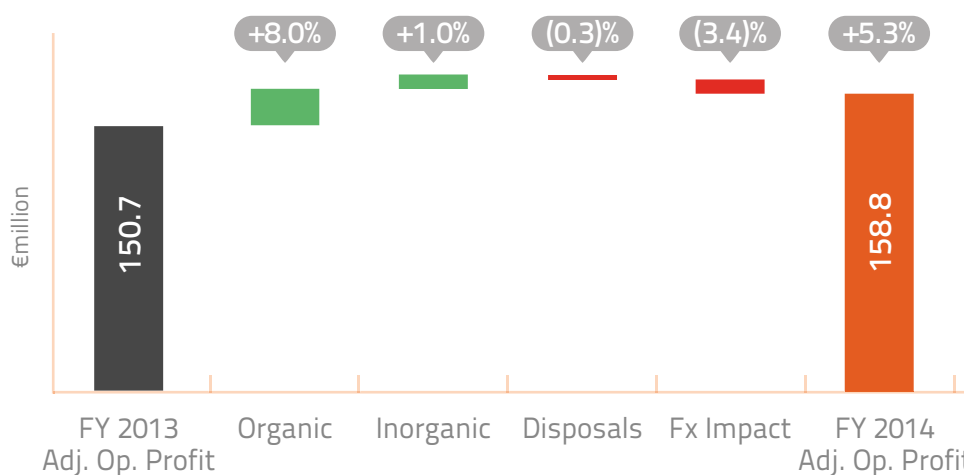
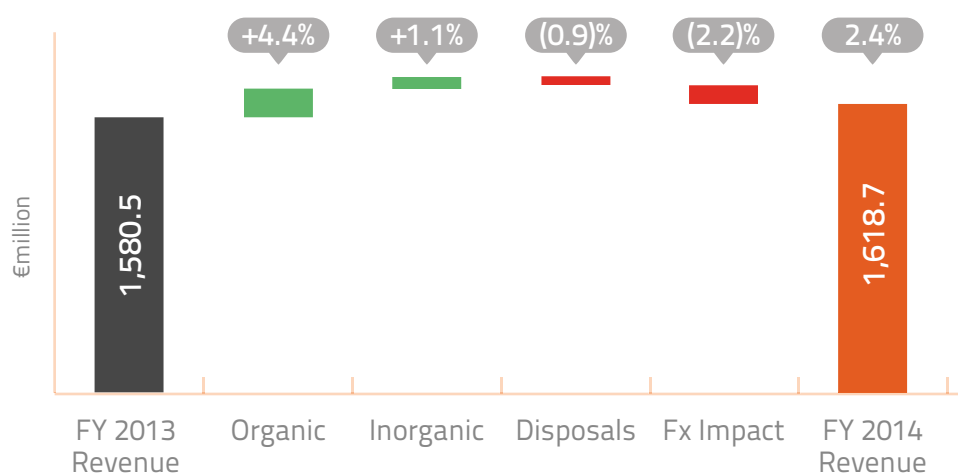
## Group results - 2014

Revenue increased by 2.4% to €1,618.7 million for the year ended 31 December 2014. Revenue growth comprised organic revenue growth at constant exchange rates of 4.4%, revenue from acquisitions less disposals of 0.2% and the adverse effect of currency of 2.2%.

Adjusted operating profit increased by 5.3% to €158.8 million in the year. Organic adjusted

operating profit growth for the year was 8.0%. The adjusted operating profit margin increased by 30 bps to 9.8% on both an organic and reported basis.

The reported operating profit was €76.1 million, compared to a loss of €42.8 million in the prior period. One of the main reasons for this improved result is the one-off expenses in the prior period relating to the impairment of certain of the Group's assets.



The net financial expense reduced significantly in the period from €86.4 million to €36.6 million following the reduction of debt from the net proceeds of the primary offering of the initial public offering (IPO). The debt facilities were refinanced at the same time as the IPO at lower rates than the prior debt facility.

The effective tax rate charged on the adjusted operating profit was 21.0% and on the adjusted profit before tax was 26.0%. The actual tax rate on the reported profit before tax was 25.4%. The rates for the prior period are not meaningful as the capital structure was materially different.

EUR Million	2014 ACTUAL	2013 ACTUAL	CHANGE VS 2013
Revenue	1,618.7	1,580.5	2.4%
Adjusted Operating Profit <sup>(1)</sup>	158.8	150.7	5.3%
Adjusted Operating margin	9.8%	9.5%	
Other results	(82.7)	(193.5)	
Operating Profit	76.1	(42.8)	
Net financial expenses	(36.6)	(86.4)	
Share of profit of associates	2.3	2.5	
Profit Before taxes	41.8	(126.7)	
Income tax	(10.6)	(38.8)	
Non controlling interests	(7.3)	(4.6)	
Net Profit Group	23.8	(170.1)	
Adjusted Net Profit Group <sup>(2)</sup>	87.7	43.4	102.1%
Adjusted EPS	0.67	n/a	
Adjusted EPS Proforma (Fin Exp)	0.72	n/a	

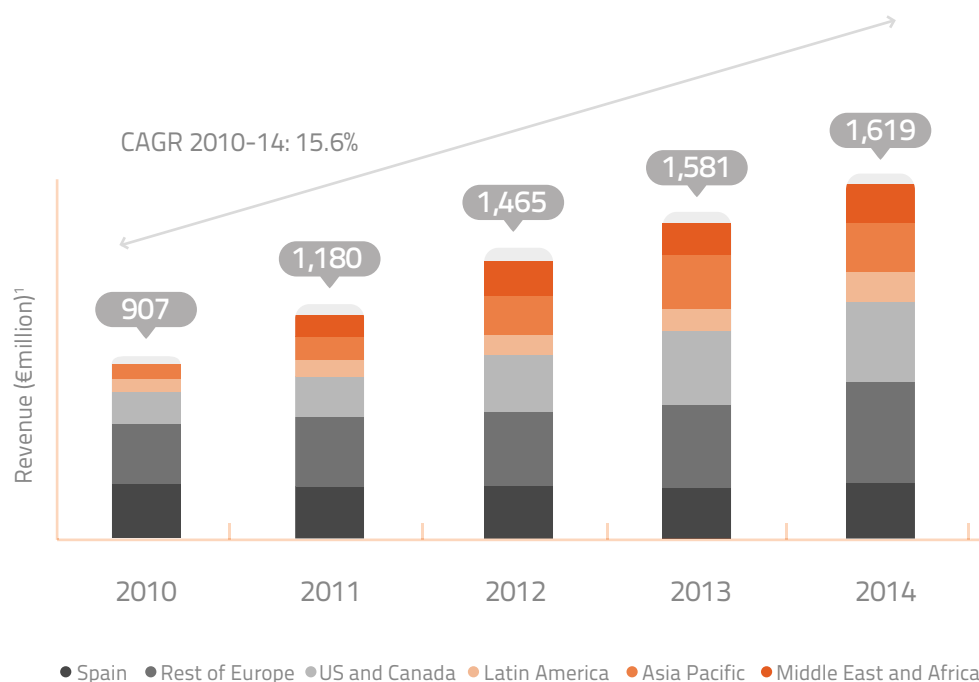
1. Adj. Op. Profit stated as Operating Profit before amortisation of acquisition intangibles, IPO related costs, restructuring and impairment.

2. Adj. Net Profit stated as Net Profit plus Operating Profit Adjustments, Pre-IPO arrangement fees write off and the related tax impact.

The growth in the adjusted earnings per share (Adjusted EPS) is a key performance indicator management will adopt when monitoring financial performance going forward. For the period under review the capital structure changed materially at the time of the IPO due to the issue of new shares and the repayment and subsequent refinancing of the debt. The Adjusted EPS using the Adjusted Net Profit of the Group of €87.7 million divided by the number of shares in issue at the year end of 130,016,755 is €0.67.

In North America, Applus+ purchased a group of companies with revenue of €22 million from Integrity Aerospace group (IAG) and other third party shareholders: X-Ray Industries, N-Ray Services and Arcadia Aerospace which are the premier suppliers of Non Destructive Testing to the aerospace market and gas turbine industries. The companies, with 74 years of history, have over 200 employees and operate primarily from 7 locations across the USA and Canada and a further 10 co-locations embedded within customer facilities. X-Ray Industries and N-Ray Services will form part

### FIVE YEARS TRACK RECORD OF GROWTH



1. Revenues based on actual rates and proforma for acquisitions within the relevant acquisition year.

EUR Million	2014 ACTUAL	2013 ACTUAL	CHANGE VS 2013
Adjusted EBITDA <sup>(1)</sup>	205.2	200.1	2.5%
(Increase)/ Decrease in working capital	0.4	(22.9)	
Capex	(47.8)	(52.3)	
Taxes Paid	(25.5)	(22.5)	
Adjusted Operating Cash Flow	132.3	102.5	29.1%
Interest Paid	(24.9)	(43.7)	
Adjusted Free Cash Flow	107.4	58.8	82.7%
<i>Conversion rate (*)</i>	<i>76.9 %</i>	<i>62.4 %</i>	

(1) Adjusted EBITDA stated as Operating Profit before depreciation, amortisation and others excluding costs related to Management Incentive Plan.

(\*) Conversion rate stated as Adjusted Operating Cash Flow minus taxes over EBITDA (Operating Profit before depreciation, amortisation and others).

of the Applus+ RTD division and will reinforce the division's strong presence in the North American market. Arcadia Aerospace will be part of Applus+ Laboratories and will be this division's first entry into the US market. The acquisition closed at the start of 2015 following the receipt of the necessary approvals from the US authorities.

In Latin America, Applus+ purchased Ingelog, a supplier of engineering and project management services to the civil and private infrastructure industries in the region. This acquisition of the leading provider of these services in Chile will support the strong growth and development of Applus+ Norcontrol in Latin America and is expected to add initial

annual revenue of €18 million. The acquisition closed at the end of October 2014.

In October 2014 the Group disposed of Applus+ RTD in Belgium which accounted for €6.5 million revenue in the full year of 2013 as it lacked the critical mass to generate good profitable growth within Applus+.

Capital expenditure was €47.8 million in the year, a reduction from €52.3 million from the prior year. The ratio of capital expenditure to revenue was 3.0%.

The adjusted operating cash flow, expressed after capital expenditure and taxes, increased

by 29% to €132.3 million as a consequence of the increase in profit and tight management of working capital. The adjusted free cash flow expressed as adjusted operating cash flow less financial expenses, increased by 83% to €107.4 million.

As a recently listed company, the Board will propose at the Group's first Annual General Meeting of shareholders (AGM) this year, the payment of a dividend of €0.13 per share. This is equivalent to €16.9 million and is 19.3% of the Adjusted Net Income of €87.7 million as shown in the summary financial results table above. This is in line with the guidance given at the time of the IPO. This dividend, if decided at the Annual General Meeting of Shareholders, will be paid on 15th July 2015 to those shareholders on the register on 14th July 2015.

The financial leverage of the group measured as Net Debt to last twelve months adjusted EBITDA (operating profit before depreciation, amortisation, impairment and others) has reduced significantly following the use of the IPO proceeds to pay down debt. The ratio was 3.1x (2013: 4.7x) at the end of the period.

The new five year debt facilities entered into by the Group at the time of the IPO are sufficient to ensure good liquidity for the medium and longer term.



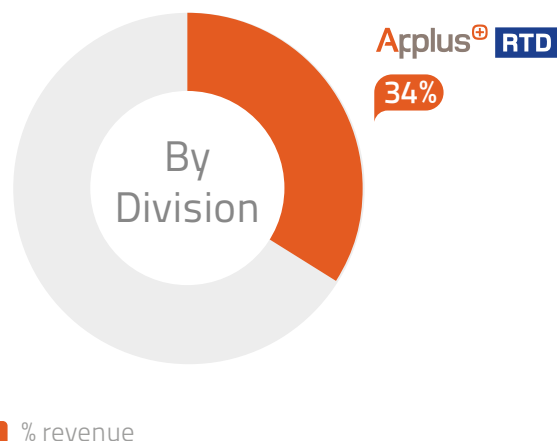
## Applus+ RTD

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

The division has a workforce of

**4,000 employees**

and is active in **18 countries**



## Financial performance

EUR MILLION	FY 2014	FY 2013 PROFORMA (*)	FY 2013
Revenue	547.8	546.3	558.6
% Change		0.3 %	(1.9) %
Adj. Op. Profit <sup>1</sup>	48.2	47.4	49.4
% Change		1.7 %	(2.5) %
Margin	8.8%	8.7%	8.9%

(\*) LY figures restated on a constant currency basis and excluding divested businesses.

(1) Adj. Op. Profit is stated before amortisation of acquisition intangibles, restructuring and impairment.

Applus+RTD reported both revenue and organic revenue growth of 0.3% at constant exchange rates. Total reported revenue declined by 1.9% due to a negative currency impact and the effect of the disposal of the non-strategic business in Belgium part way through the year.

The adjusted operating profit margin of 8.8% increased by 10bps on an organic basis, and declined by 10bps as reported due to currency. The majority of the business lines and regions, especially in Europe, Canada, Middle East and Australia performed well as did the parts of North America unrelated to New Construction

Pipelines. Following the completion of several large New Construction Pipeline projects in North America in the first quarter of 2014, and the expected new ones being absent in the second half of the year, the organic revenue growth of the division declined in the second half, against the high-teens growth of the prior year's second half, resulting in flat organic revenue for the full year of 2014.

In the last quarter of the year, the Group agreed the purchase, in the United States and Canada, of X-Ray Industries and N-Ray Services that fall under the umbrella of the Integrity Aerospace

Group (IAG). These businesses that generated approximately €20 million of revenue in 2014 provide Non Destructive Testing services to the US aerospace and industrial gas turbine industries providing Applus+ RTD with an entry into this important ancillary market.

In view of the importance of USA to this division, the Group recently hired a new regional manager to strengthen the local leadership.

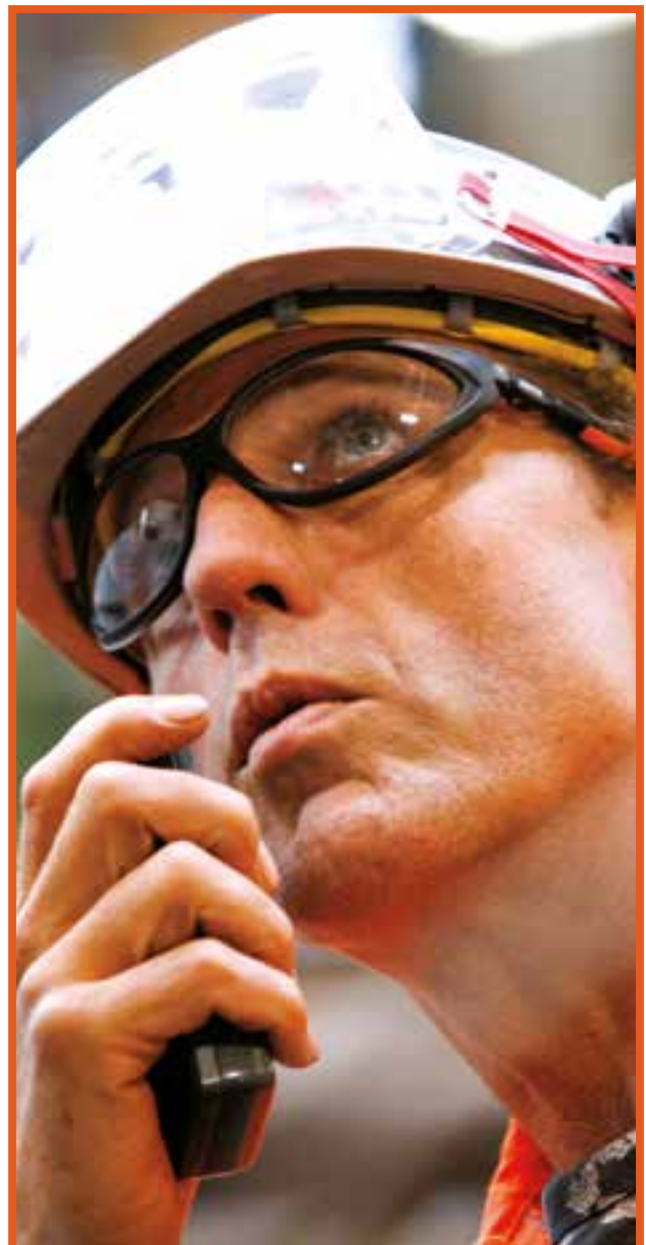
## Main outcomes of the division for 2014

### PROJECTS AND SERVICES

Applus+ RTD is well known for its innovative patented technology for NDT, and it is committed to developing new products and services to help its clients.

Some of the key projects carried out by the division during 2014 were:

- Inspection of crude oil pipelines for USA Energy Infrastructure using RTD Rotoscan Advanced Ultrasonic Technology.
  - Completing 550 miles of pipeline through multiple Rayscan projects across the USA.
- In-service and turnaround inspections for 8 nuclear power installations throughout the UK that supply a high percentage (15%) of national demand. All significant contracts which were due for retendering in 2014 have been extended.
- New construction, facility expansion and service inspection – both API and NDT – for Canada Oil Sands capable of delivering major support to turnarounds in Fort McMurray.
- In-service inspection services for 4 offshore gas production platforms and 4 oil floating production storage and offloading (FPSO)





vessels in Australia. Successful completion of a considerable offshore project utilising AUT and RTD Rayscan for pipelines feeding into major LNG facilities.

- Norway has significant growth of around 30%, opening 4 new coastal locations and securing the major Goliat inspection in service contract.
- Conventional NDT and advanced inspection services for a major international oil company's refinery operations throughout Germany.
- Applus+ RTD examined igniters with digital radiography for inclusions and cavities for a well-known aerospace company.
- The division created a presence in Lagos, Nigeria to deal with increased requests by international oil companies for deep water operation specialist inspection services.
- Granted safety award as green rating service provider (top tier) and received an extended contract for a major energy provider in South Africa.

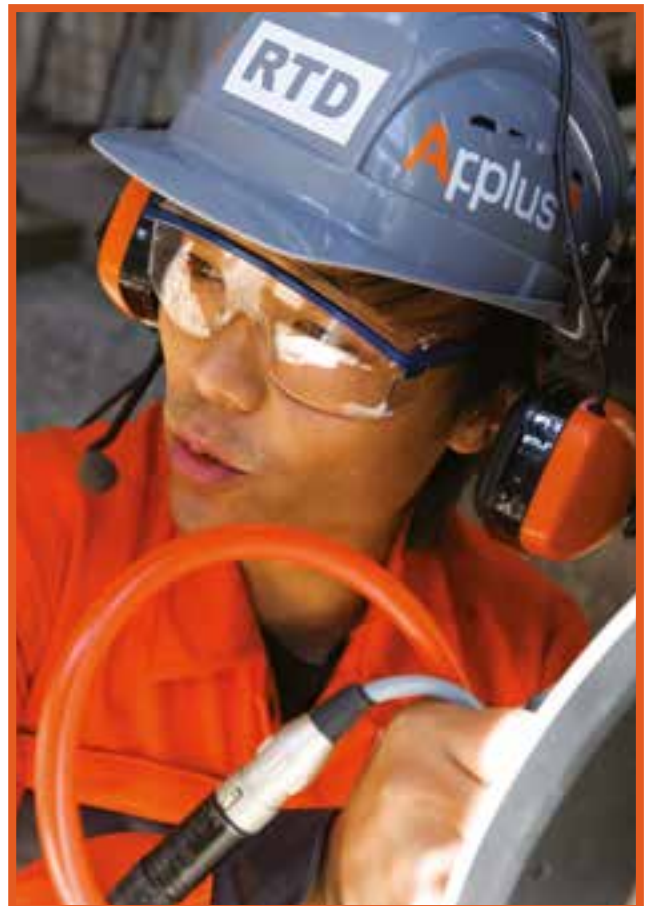


## INNOVATION

Applus+ RTD satisfactorily worked on several new projects, including:

- RTD INCOTEST (Insulated Component Testing) system. This is a revolutionary technique deployed by remotely operated vessels for the deep-water inspection of non-piggable pipelines, developed in partnership with Delta SubSea. It uses the latest Pulsed Eddy Current technology to ensure reliable detection of surface and subsurface corrosion in both thin and thick-walled clad/coated pipelines.
- Application of augmented reality into its RTD IWEX (Inverse Wave Field Extrapolation) system, which allows detailed inspection and mapping of defects within critical pieces of pipework. It provides users with a 3D image of the inspected object, giving clear insight into the scale and nature of any existing defects.
- Development of the new RTD Difficult To Inspect Trekscan pipeline inspection tool. This is the first free-floating inspection tool designed to traverse back-to-back one-dimensional (1D) bends, with an optimum speed of 1 meter per second. It can run in pipelines previously considered to be 'non-piggable' with industry leading resolution and accuracy.
- Development of the innovative RTD Plant Master, a permanently installed monitoring system based on ultrasound, which provides continuous wall thickness measurements of critical and hard to access components within refineries, chemical plants, power plants and offshore facilities.

- Successfully patented the Long Range Phased Array development in Australia. This is a pioneering new technique for more accurately determining remaining wall thickness under supports.
- Kiefner (the world pipeline engineering subsidiary of Applus+ RTD) has secured Department of Transport funding in the US to explore more reliable defect detection and analysis techniques. The subsidiary has also been awarded further funding to write critical next-generation codes applicable to pipelines for the American Petroleum Institute.





## EXPANSION

Applus+ RTD has opened new facilities in Bryne (Norway) and Pittsburgh (USA):

- The division is sharing a new facility with Applus+ Laboratories in Bryne to provide industry-leading mechanical, metallurgy and corrosion testing services to the global oil and gas industry. This new facility enables Applus+ to provide a broader portfolio of services integrating both Applus+ RTD non destructive testing services and Applus+ Laboratories integrity technology services.
- The division has opened an office in Pittsburgh following demand for its NDT services in the area. The new office is part of Applus+ RTD's strategic growth plan and has been driven by operations surrounding the Marcellus Shale Formation.



# Applus+ Velosi

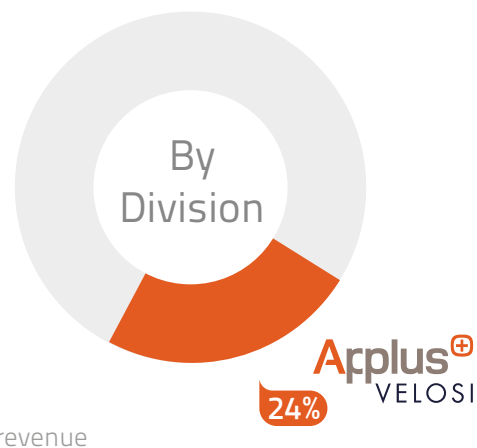
Applus+ Velosi is a leading global provider of vendor surveillance (third party inspection and auditing services to monitor compliance with client specifications in procurement transactions), site inspection, certification and asset integrity as well as specialised manpower services primarily to companies in the oil and gas industry.



Applus+ Velosi is active in  
**47 countries** around the world  
with a workforce of over

**5,500 employees**

Further specialised personnel are contracted by the division to work on specific projects for a specific time period.



## Financial performance

EUR MILLION	FY 2014	FY 2013 PROFORMA (*)	FY 2013
Revenue	392.7	361.7	372.6
% Change		8.6 %	5.4 %
Adj. Op. Profit <sup>1</sup>	34.1	30.9	31.9
% Change		10.0 %	6.8 %
Margin	8.7%	8.6%	8.6%

(\*) LY figures restated on a constant currency basis.

(1) Adj. Op. Profit is stated before amortisation of acquisition intangibles, restructuring and impairment.

Applus+ Velosi reported for the full year at constant exchange rates, revenue growth of 8.6% and organic revenue growth of 5.6%. Total reported revenue growth was 5.4% which included additional revenue from an acquisition made at the end of 2013 less a negative currency impact.

The adjusted operating profit margin of 8.7% was 10bps higher than the prior year on both an organic and reported basis.

Significant revenue growth came from an extension of an existing contract in Africa, increased activity in the Middle East and new contracts in the US. Other regions also performed well. In Asia Pacific where some material offshore capex related technical inspection contracts came to an end, revenue was down on the prior year.

The succession of Dr Nabil Abd Jalil by Ramon Fernandez Armas as Chief Executive of this division has progressed smoothly and the Applus+ Velosi and Applus+ Norcontrol divisions have now been integrated.

## Main outcomes of the division for 2014

### PROJECTS AND SERVICES

In 2014, the division was awarded new staffing contracts in Africa, Europe and the Middle East.

Some of the key projects carried out by the division during 2014 were:

- Supply of specialized technical staffing and inspection services to utility companies.
- Risk-based inspection programmes and the monitoring of electrical relay & switch gear.
- Global QC inspection services, including welding inspection services, pressure-relief valve testing and calibration services.
- The division was involved in several drilling projects around the globe.
- Vendor surveillance services performed on new oil & gas projects.

Applus+ Velosi released a series of new products and services in 2014 including:

- Inspection services for drilling processes performed for several global clients.
- Health, safety and environmental impact assessments for airport installations.
- Supervision services for the rehabilitation of oily sewer systems in refineries.



## INNOVATION

The Applus+ Velosi Recruitment Centre has enhanced its technical staffing capabilities through the launch of the ARC<sup>®</sup> Tool, one of the most specialised databases for oil & gas recruitment needs. Thanks to the tool, clients can search for candidates in several ways making the recruitment process as efficient as possible whilst maintaining correct levels of competency matching.

## EXPANSION

Applus+ Velosi has opened new offices in the Czech Republic, South Korea and Mozambique.

The division has expanded activities in the US and Latin America by leveraging Group relationships. In South Korea, Applus+ Velosi has opened a new Industrial Safety Training Centre in Geoje. This new facility offers a range of work at height, confined space, rigging and slinging, 'DROPS' and 'CompEx' training, as well as a range of first aid and rescue courses.

It is important to highlight that during 2014 Applus+ Velosi was integrated with Applus+ Norcontrol and it has been operating as a single division since January 2015.



# Applus+ Norcontrol

Applus+ Norcontrol provides quality assurance, quality control, testing and inspection (including statutory inspection) and project management services to the utilities, telecommunications, oil and gas, mining and construction sectors. Applus+ Norcontrol also provides health & safety and environmental (HSE) consultancy, testing and inspection.

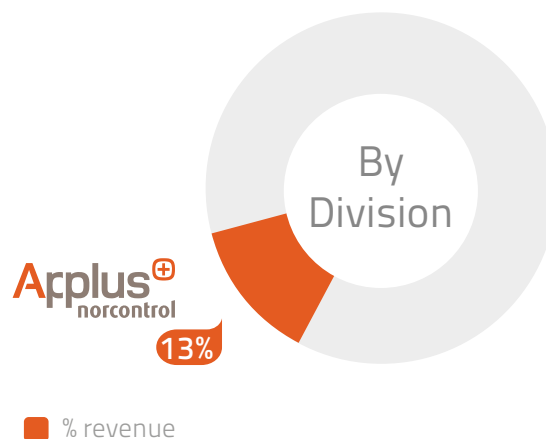




The division is active in more than **21 countries** with over

**4,800 employees**

with global management control split by Latin America and Spain & Rest of World.



## Financial performance

EUR MILLION	FY 2014	FY 2013 PROFORMA (*)	FY 2013
Revenue	205.7	182.3	186.2
% Change		12.8 %	10.5 %
Adj. Op. Profit <sup>1</sup>	17.9	15.0	15.2
% Change		19.2 %	17.5 %
Margin	8.7%	8.2%	8.2%

(\*) LY figures restated on a constant currency basis.

(1) Adj. Op. Profit is stated before amortisation of acquisition intangibles, restructuring and impairment.

Applus+ Norcontrol reported for the full year revenue growth of 12.8% and organic revenue growth of 11.1% each at constant exchange rates. Total reported revenue growth of 10.5% included two months additional revenue from the acquisition of Ingelog less a negative currency impact.

The adjusted operating profit margin of 8.7% was 50 bps higher than the prior year.

This strong level of growth came primarily from winning new contracts in Latin America and the Middle East. The Spanish market grew low

single digits for the year which is a significant turnaround following several years of decline.

Applus+ Norcontrol in Latin America is the largest region outside of Spain and is benefiting from the considerable civil and energy infrastructure investment in the region.

At the end of 2014, the Group announced the acquisition of Ingelog in Chile, a supplier of project management services to the civil and private infrastructure industries in the region and which reported revenue of €18 million in 2014.

## Main outcomes of the division for 2014

### PROJECTS AND SERVICES

During 2014 Applus+ Norcontrol was awarded several new contracts by leading companies in the oil & gas, energy, telecommunications and mining sectors. These include key projects such as:

- Supervision and management of construction works for power plants.
- Quality assurance, civil works supervision and maintenance and the design of electricity networks for water treatment plants and water intake facilities.
- Review and design of telecommunication networks, including updating of information systems.
- Aerial inspection services of medium and high voltage power lines.
- Development of environmental risk analysis systems for power generation plants.
- Study of pathologies/failures in coatings.

Throughout 2014, the division released a series of new products and services, including:

- Development of the Environmental Brigades Services. This is a service that combines contamination prevention with the cleaning and collection of pollution that might arise. This is a service which operates 24x7 days a year to ensure protection of riverbeds.



Applus+ is positioned to be the first company to offer this service and it can be developed both nationally and internationally.

- Guided Waves technology. The division has developed this technology, with the support of Applus+ RTD, as an NDT technique designed to detect loss of material due to corrosion in pipes. The technology works by placing a ring of transducers which generate very low frequency ultrasonic waves (torsional and longitudinal) rising to 40 m on each side of the ring.

- Development of an inspection tool online called "SICE" which allows our customers to have the information of their assets in real time, making it easier for technicians who can send the customer reports from the sites, once finalized inspection work . The electronic processing of this information on inspections enables the history that is stored in remote treatment and improve accessibility and enable update the documentation of on-line projects.



## INNOVATION

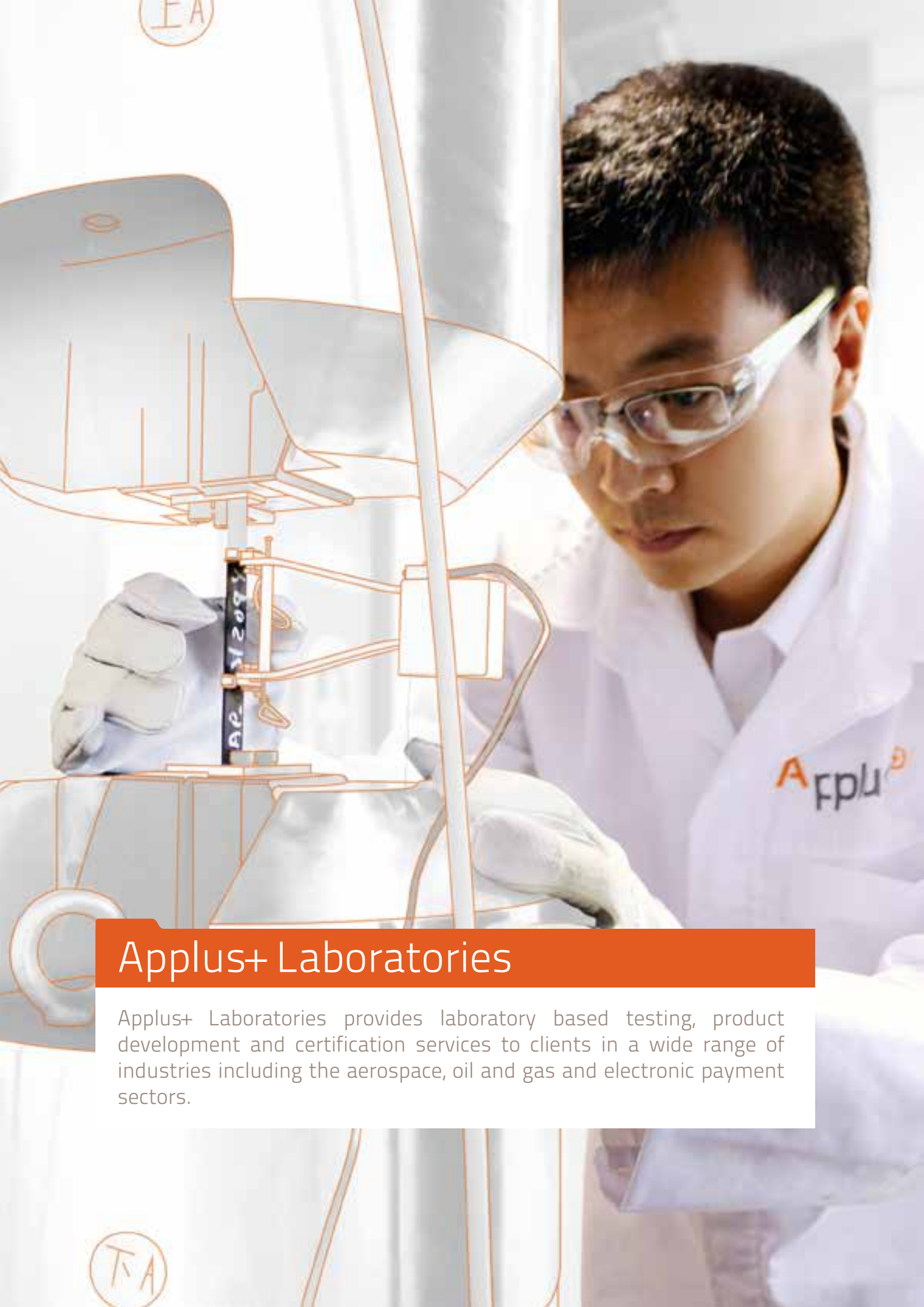
The division launched several projects throughout 2014, such as:

- Environmental Control of Inland Surface Waters according to Directive 2008/105/CE (related to environmental quality standards in water policies).
- Calibration of upright cylindrical fuel tanks.
- Computer assisted maintenance and statutory management of Concentrated Solar Power (CSP) plants.
- Guided waves for in-service inspection of small diameter boiler tubes.
- Management and technical supervision for the operation of telecommunication networks.
- Audits of telecommunication installations.

## EXPANSION

Applus+ Norcontrol has started operations in Morocco and Saudi Arabia.

The division was successfully integrated with Applus+ Velosi, effective from 1 January 2015.



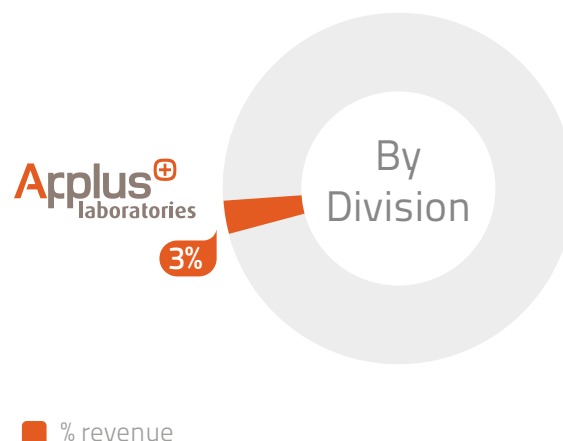
## Applus+ Laboratories

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

Applus+ Laboratories employs

**600 people** 

 **12 countries** in



## Financial performance

EUR MILLION	FY 2014	FY 2013 PROFORMA (*)	FY 2013
Revenue	46.9	45.5	56.6
% Change		3.2 %	(17.1) %
Adj. Op. Profit <sup>1</sup>	2.0	2.0	1.9
% Change		0.0 %	4.2 %
Margin	4.2%	4.4%	3.4%

(\*) LY figures restated on a constant currency basis and excluding divested businesses.

(1) Adj. Op. Profit is stated before amortisation of acquisition intangibles, restructuring and impairment.

Applus+ Laboratories reported full year organic revenue growth of 3.2% at constant exchange rates but total reported revenue declined by 17.1% due to the disposal at the start of the year of the Agrofood business.

The adjusted operating profit margin of 4.2% was 20 bps lower on an organic basis and 80 bps higher than the prior year on a reported basis. The margin was supported by the disposal of the low margin Agrofood business

but on an organic basis was reduced due to poor performance in Systems Certification as well as the start-up costs for a new laboratory in Saudi Arabia.

Sectors that grew well were Building Products, Aerospace from the European based laboratories and the Oil & Gas business in Norway, but this was offset by poor performance in the Systems Certification business that serves the Spanish market.

A newly built laboratory in Saudi Arabia for the testing of electrical products received full accreditation towards the end of the year and this is expected to be profitable in 2015.

In the last quarter of the year, the Group agreed the purchase of Arcadia Aerospace that is part of the Integrity Aerospace Group acquired with Applus+ RTD which provides testing

services of composite materials of aerospace components. This is a key focus area of the Applus+ Laboratories division and provides a strategic new entry position into the North American market. This business generated approximately €2 million of revenue in 2014. This acquisition was closed at the start of the year following receipt of permits required from the US authorities.

## Main outcomes of the division for 2014

### PROJECTS AND SERVICES

Applus+ Laboratories was awarded several new contracts during 2014, including:

- Supplying high-load structural testing and carbon fibre reinforced plastics process industrialisation projects for a leading aircraft industry client.
- Signing of a framework agreement for the assessment of smart cards & chips for a leading developer and manufacturer of solutions for secure payment.
- Development of security solution projects for mobile phone payment in both Europe and Asia.

In addition, the division maintains its position providing strategic services to various leading clients in the aerospace and electrical & electronics industries.



## INNOVATION

Applus+ Laboratories run several innovative test systems projects for the aerospace industry such as:

- GVT: design and development of a new floating system to support the A320 aircraft while performing the full aircraft vibration test.
- IMPACT: development and delivery of an innovative electromagnetic launcher to conduct synchronized impact test on aeronautical engines.



## EXPANSION

The division has opened new facilities in Norway (focused on the oil and gas industry), South Korea (new IT service management office), Madrid (new common criteria IT office) and Saudi Arabia (new fully-operating laboratory).

Arcadia Aerospace, a company which falls under the umbrella of the Integrity Aerospace Group (IAG), was acquired in the US.

Applus+ Laboratories released some new services in 2014, such as:

- A new composites testing laboratory in China, operating for local and global aircraft manufacturers.
- New destructive material testing services for the oil and gas industry, including Crack Tip Opening Displacement (CTOD) and Welding Procedure Qualification (WPQ) from the laboratories based in China, Germany, Norway and Spain.



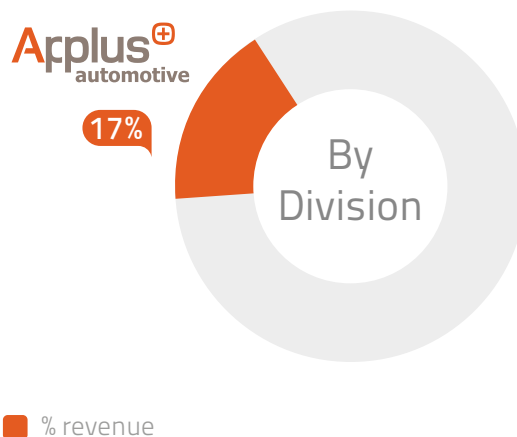


## Applus+ Automotive

Applus+ Automotive is the second largest provider, measured by number of inspections, of statutory vehicle inspection services globally. The division provides vehicle inspection and certification services across a number of jurisdictions in which periodic vehicle inspections for compliance with technical safety and environmental specifications are mandatory.



The division carried out **11 million** more than vehicle inspections in 2014 across Spain, Ireland, Denmark, Finland, the United States, Argentina, Chile and Andorra and employs approximately **3,300 people**



## Financial performance

EUR MILLION	FY 2014	FY 2013 PROFORMA (*)	FY 2013
Revenue	279.7	266.2	273.6
% Change		5.1 %	2.2 %
Adj. Op. Profit <sup>1</sup>	60.0	57.0	59.1
% Change		5.4 %	1.6 %
Margin	21.5%	21.4%	21.6%

(\*) LY figures restated on a constant currency basis.

(1) Adj. Op. Profit is stated before amortisation of acquisition intangibles, restructuring and impairment.

Applus+ Automotive reported for the full year organic revenue growth of 3.7% at constant exchange rates and total revenue growth of 5.1%, which included additional revenue from the acquisition of new stations from a company in Denmark made at the end of 2013, less a negative currency impact.

The adjusted operating profit margin of 21.5% was stable with the prior year.

The division performed well considering the impact of several contractual changes during the year. Strong revenue growth came from the existing contracts in Latin America and Ireland, with the latter benefiting from additional ancillary contracts awarded during the year as well as a step up in enforcement from the authorities in the final quarter. In Chile, Applus+ is confirmed on four new contracts although the overall revenue and profit will initially be lower than the previous contracts. Revenue from Spain was slightly

lower than the prior year due to a price reduction on the Alicante contract, increased competition allowed into the Canary Islands and two fewer stations in the Basque country offset by new stations built in Madrid. North

America had lower revenue due to the end of the equipment sales contract in Ontario, although this was compensated for by good underlying growth and very good sales of proprietary inspection equipment in California.

## Main outcomes of the division for 2014

### PROJECTS AND SERVICES

In 2014, Applus+ Automotive was awarded several new contracts in Ireland. Some of the key projects carried out by the division in this country include: compliance support services related to public service vehicles, authorisation to conduct taximeter system verification, public service vehicle inspection, road safety education and other test services for the National Transport Authority.





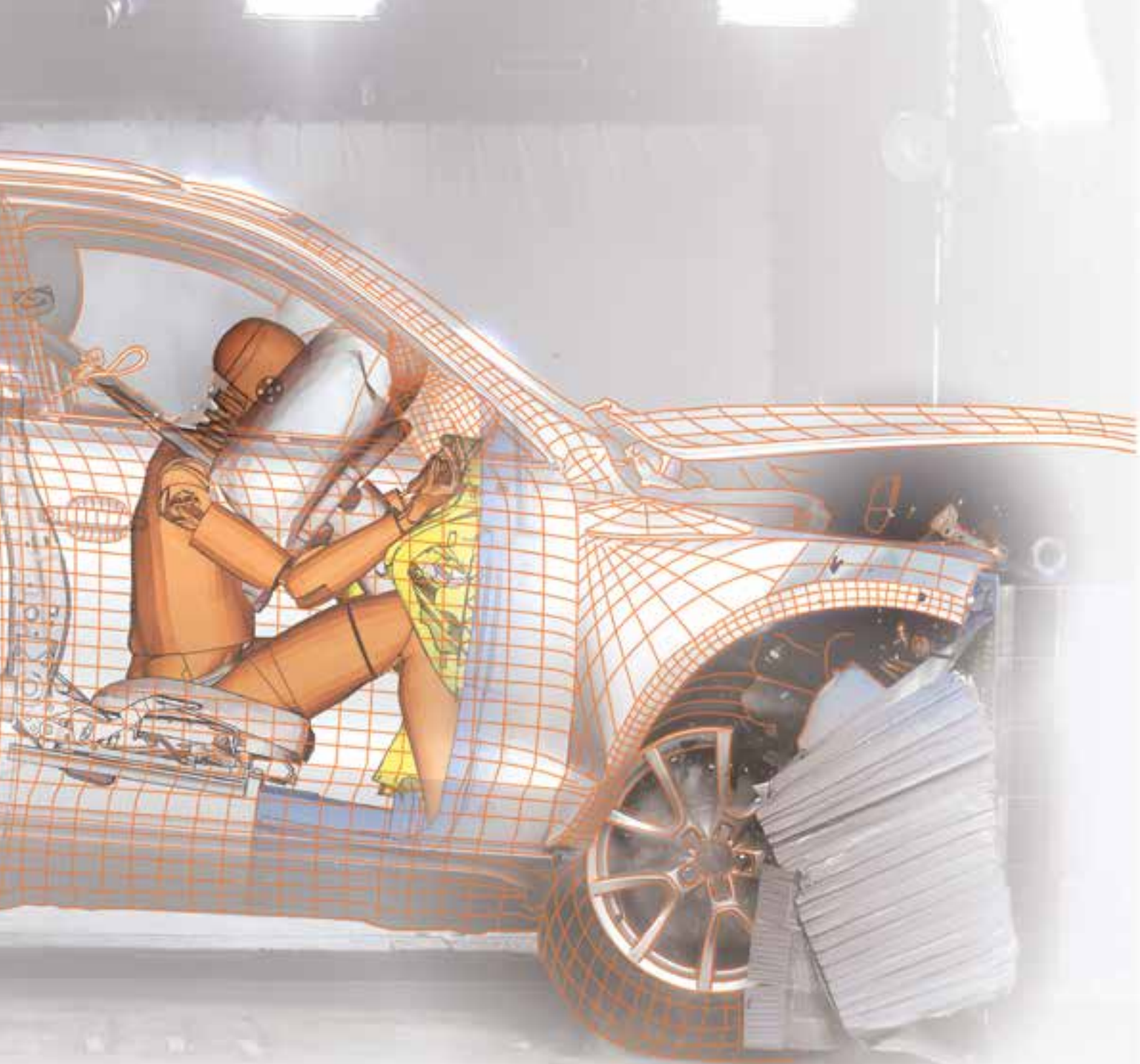
## INNOVATION

Applus+ Automotive announced the formal certification of its Smog DADdy™ products by the California Bureau of Automotive Repair. This is a next generation on-board diagnosis device developed to perform emissions inspections. These inspections will be carried out on most model year 2000 and newer gasoline, and 1998 and newer diesel powered light and medium-duty vehicles. This technology allows Applus+ to offer the same technological advances to its current and potential customers within the global inspection market.

## EXPANSION

Applus+ Automotive in Spain has opened 3 new stations in Madrid, developing its competitive position.





## Applus+ IDIADA

Applus+ IDIADA provides services to the world's leading vehicle manufacturers. These include design, engineering, testing services and homologation (regulatory approval). The division also operates the world's most comprehensive independent proving ground, which is located near Barcelona. Applus+ IDIADA has a broad client presence across the world's car manufacturers.

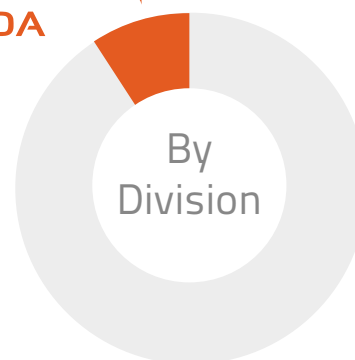
Applus+ IDIADA employs approximately

**1,800 people** 

and is represented in **23 countries** 

Applus<sup>+</sup>  
IDIADA

9%



 % revenue

## Financial performance

EUR MILLION	FY 2014	FY 2013 PROFORMA (*)	FY 2013
Revenue	145.5	131.6	132.5
% Change		10.6 %	9.8 %
Adj. Op. Profit <sup>1</sup>	19.0	17.6	17.6
% Change		7.9 %	8.2 %
Margin	13.1%	13.4%	13.2%

(\*) LY figures restated on a constant currency basis.

(1) Adj. Op. Profit is stated before amortisation of acquisition intangibles, restructuring and impairment.

Applus+ IDIADA reported full year organic revenue of growth of 10.6% at constant exchange rates and total reported revenue growth of 9.8% due to the negative currency impact.

The adjusted operating profit margin of 13.1% was slightly under the prior year mainly due to increased depreciation following increased investment.

The division performed very well across all business lines and geographies except for the small operations in India and Brazil, which are now in the process of being restructured. Revenue growth outside of the core European market increased at a faster pace increasing the diversification and penetration into the Asian market.

## Main outcomes of the division for 2014

### PROJECTS AND SERVICES

Applus+ IDIADA won 15 new product development contracts during 2014 (over a two-year period) with various leading automotive groups. In addition, three significant contracts have been agreed to expand the use of proving ground facilities in the future. During 2014 we have seen a significant increase in projects related to electric vehicle engineering.

All new services and products provided by the division in 2014 have undergone improvements and are internationally available. In some cases, such as clay modelling, a total new service has entered into the portfolio, initially in China. In the field of homologation, a new accreditation for a technical service entity has been obtained from the Malaysian authorities.





## INNOVATION

Applus+ IDIADA has implemented a tool to promote creativity among its employees which will serve to improve the management of these projects. In addition, the division is active in European R&D initiatives such as the 7th Framework Programme and the Horizon 2020 initiative.

## EXPANSION

The international network of offices has been expanded in Mexico, Brazil and Indonesia. Some new facilities entered into operation during 2014, including a state-of-the-art pedestrian protection testing facility, a new laboratory for brake testing in the UK and new facilities in Italy.

Applus+ IDIADA started the design and building of a new extensive proving ground in China. Applus+ IDIADA will manage the site, enabling it to access a far wider Asian automotive customer base.





05

Our business approach



## Innovation

Innovation is present throughout the entire value chain at Applus+ and is integrated into each of our processes and activities. Innovation opens up and drives the business, and therefore contributes to the company's growth and ongoing development.

Our focus on innovation helps us to develop efficient solutions within our clients' operations, so that they see us, not only as a technical services supplier, but also as a technological benchmark. We also develop solutions for ourselves and this enables us to expand our activities to enter into new markets and strengthen our presence in established geographical areas.

Applus+ is committed to being an innovation leader, setting our businesses apart in an ever more global and competitive environment. Innovation is a strategic asset and the foundation for the Group's growth, supporting our global expansion and leadership goals.

In 2014, Applus+ also entered into agreements with around 100 entities, such as technological centres, universities, research institutes and innovative companies, so as to be at the cutting-edge of technology. Consequently, Applus+ is building up extensive knowledge through its innovation process, which includes 7 new patent applications in 2014 and taking part in 147 technological forums, 32 oral citations, and 52 articles and academic papers.

Our commitment to innovation is promoted across all of the Group's divisions and has led to the development of new products and services such as:

# 89

R&D projects 2014

# 223,555

Hours spent on R&D 2014

# 409

R&D staff 2014



# Applus<sup>+</sup>

Applus<sup>+</sup> **RTD**

Plant Master Project: An ultrasound system to continuously measure the thickness of walls in critical locations with difficult access in refineries and chemical, power and offshore plants. The division has also launched the DTI Trekscan technology, which includes the first inspection tool that can now work free-floating inside 'non-piggable' pipes.

Applus<sup>+</sup>  
VELOSI

AMIS tool: In-house development of a centralized online management control system. It is a quality management package for vendor inspection and expedition of engineered material and equipment. It also enables customers to monitor projects in real time from anywhere in the world and at any time of day.

Applus<sup>+</sup>  
norcontrol

IMAPP tool: Software to optimize inspection processes in civil construction works. This division has also developed another tool to support planning and inspection processes in thermosolar plants (SOLARPLUS project) to enable them to manage their own inspection plan and generate available historic data.



Arplus<sup>+</sup>  
laboratories

Rollfexform project: Developed by the CFRP (carbon fibre reinforced plastic) department and funded by local government (ACCIO). This project focuses on analysing continuous forming processes for prepreg carbon fibre materials in order to create new production processes.

Arplus<sup>+</sup>  
automotive

Smog DADdy™: Development of a next generation on-board diagnosis device developed for performing emission inspections.

Arplus<sup>+</sup>  
IDIADA

e-VADER project: Funded by the European Union, this project designed a directional and adaptive acoustic system for electric vehicles, allowing the vehicle to be detected by the most vulnerable street users.

# Safety

Safety is an essential element in our activities and culture, as well as one of the core principles of our business. We are committed to ensuring the safety of our employees in their place of work as well as at our clients' facilities.

Applus+ has implemented a health and safety management system according to the international OHSAS 18001 standard, starting with a commitment at the highest level with our HSQE Policy, which is deployed throughout divisions and countries where we operate.

One of the challenges that Applus+ has defined in its policy is the need to prioritise a preventative approach in preference to a corrective approach when developing processes, whilst ensuring our employees' health and safety.

The health and safety of our people and activities are the responsibility of line management and employees themselves. All incidents are recorded and reported to the designated divisional country Health and Safety Representative who in turn reports to the Applus+ Group. This enables us to take targeted action to reduce health and safety risks to our employees, clients and others.

This year Applus+ has focused on awareness campaigns that have been used in internal meetings, training activities, communications and on posters. The objective is to promote and enforce a safety culture within Applus+ Group.

As part of this process, Applus+ has organised the 'Safety day' annual event to address health and safety issues in the day-to-day activities of our employees and customers,

both globally and across divisions. The event has been designed with a threefold objective: to increase the awareness and knowledge of Applus+ staff on H&S subjects, to involve all staff regardless of their position and to demonstrate a company-wide endorsement of the safety programme commitment.

Applus+ has also designed other communication campaigns and activities, such as 'Safety first, safety always' with monthly communications focusing on specific health and safety subjects and 'At work and in life, leave a good fingerprint' focusing on taking care of employee hands. In addition, specific campaigns are carried out at division and country level.

The health and safety system is continuously assessed by clients and third parties who acknowledge and award the Group's good H&S management practices, such as:

- Applus+ in Colombia received recognition from Gas Natural Fenosa for its good health and safety practices (in the big company category) for the design and implementation of the 'Communication Plan to promote health and safety'.
- Equion awarded Applus+ for its excellent performance with regards health and safety issues in the execution of high risk works throughout 2014. This award acknowledges the work performed by the HSE team to roll out the initiative 'Change of paradigm in scaffolds' which reinforces safety issues for staff working on this type of structure.
- Applus+ RTD in Norway has been nominated as the number two company in the 'Sub-contractor of the year award'.

- Applus+ RTD in the USA has been granted the 'Scorecard Top Performer' award for having achieved 420,000+ incident-free man hours.
- Applus+ Velosi in South Korea has received appreciation for excellent project management leadership, including safety and quality performance. This has been demonstrated through completion of the derrick assembly project, which has involved 250,000 man hours without LTI since May 2012.



# Employees – The Applus+ Experience

> 3,000

Number of engineers

> 20,000

Number of employees

> 236,000

Number of training hours

50%

Vacancies covered internally

## Our main value: people

In the last few years we have experienced significant growth to become one of the top players in the global TIC market. This has been possible thanks to our highly skilled, motivated and committed staff whose efforts have built a world recognised brand and reputation among our clients.

Applus+ is comprised of 20,000 employees who operate in more than 350 offices and laboratories in 70 countries.

As a global TIC operator, Applus+ is made up of a group of high-level professionals from a wide range of cultures. We believe that our people represent one of our main assets and therefore we are firmly committed to investing in our employees, helping them to strengthen their skills, capabilities and expertise to be able to provide cutting-edge solutions to our clients' portfolio, and to contribute to the Group's growth and business strategy.

## Applus+ is committed to the growth of its human capital

### A constantly growing team

Applus+ has been growing steadily over the past years, rising from 9,000 employees in 2007 to 20,000 in 2014.

The company is committed to focusing on organic growth, by incorporating those professionals who are necessary in every business and country, and on inorganic growth, by reinforcing our presence in strategic markets with high growth potential through acquisitions that strengthen our human capital's capabilities. The managerial and technical talent recruited and their adaptability to our culture and values is always a decisive criterion when considering potential acquisitions.

### E-recruiting and social media: incorporating talent

With a view to recruiting the best professionals, recruitment resources have been integrated into the Applus+ website over the past few years.



We select all kinds of technical profiles in the most important and cutting-edge sectors to work in multicultural environments and on unique projects.

The company chooses to strengthen its presence on social media in order to post job opportunities as well as to provide information about its activities.

### **Retaining talent**

Earning the loyalty of our human capital and promoting the Applus+ brand as a good employer are essential to our business.

Applus+ personnel are a key asset in our current operations and a critical success factor in our future operations. We are proud to say that at Applus+ internal promotion is strongly encouraged, supporting our recruitment processes and helping to cover several of our internal vacancies. Appropriate processes and training are also set in place to ensure that each employee is provided with sufficient support to develop a sound professional career at Applus+.

The voluntary turnover rate of employees on a permanent contract was 10.4% in 2014. This amount is monitored regularly on an international basis through the Group's reporting processes; locally, steps are taken to identify which aspects cause employees to voluntarily leave the company in order to take the necessary corrective actions.

### **Motivating our professionals' performance**

At Applus+, we ensure that our reward system is fair and in line with the practices of comparable companies. This way, we can attract, retain and motivate the necessary talent according to the characteristics of our industries and the countries in which we operate.

In order to reward commitment and keep high performance standards, the organisation's managers, directors and team leaders (TIER levels 1 to 4) are assessed and remunerated according to annual objectives.

### **Growing as a company, growing as professionals**

Our employees' expertise is a major competitive advantage for Applus+. Their skills are developed through continuous learning and training. The Group learning strategy has been designed to create a pool of expertise to support our current and future business needs, helping Applus+ to be at the forefront of the TIC sector.

Applus+ is firmly committed to internal advancement to favour the progress of talent within the organisation. The rate of internal vacancies, covered through in-house resources in 2014, was valued at 50%. This figure shows our strong commitment to relying on in-house resources to support our expansion process.



## Ongoing training

Applus+ staff training is based on specific requirements in terms of staff functions, responsibilities and expected know-how, aimed at building up the appropriate skills required from our professionals.

In addition to the internal programmes, Applus+ staff training is also ensured through certification and accreditation courses from external parties to provide our professionals with specific competences and skills, enabling them to deliver appropriate solutions to our clients and to respond to the TIC market's existing and future demands.

Throughout 2014, our training programmes have covered more than 70% of our staff, involving more than 236,000 hours of training. These programmes include different types of courses on different skills and issues, such as induction processes for both new employees (to help them adapt to the company) and

existing professionals (to help them adapt to new positions), and specific courses to keep staff's know-how updated.

## Applus+: a single company, many cultures

Applus+ works in different cultures and with different traditions that we must learn and acknowledge, behaving respectfully and in accordance with different social practices.

As proof of this, the Code of Ethics at Applus+ is regularly reviewed and adjusted. We ensure that all employees have read and understood it, that managers are acquainted with internal policies and procedures, and that we are capable of effectively complying with the code.

Furthermore, through our equal opportunities policy, we aim to avoid any kind of discrimination when selecting and offering jobs and during the internal promotion process or when organising tasks or taking disciplinary action.

## Our Applus+ professionals work in many challenging environments performing cutting-edge services, including:

'An engineer working in **high-tech electromagnetic compatibility laboratories**'

'Engineers performing car testing driving at **125 miles per hour** in proving grounds'

'An Applus+ RTD diver who spends **most of his working day under water** performing NDT testing in oil & gas pipelines'

'An engineer inspecting **high voltage lines** in a helicopter flying at only 33 feet high'

'An engineer performing **vertical works** to inspect industrial facilities'

The graphic consists of several overlapping circles in various shades of orange and red. The text 'Applus+' is written in white on a dark red circle, and 'Work Profiles' is written in white on a lighter red circle below it.

Applus+  
Work Profiles

# Environment

As a service company, Applus+ has a low environmental impact and this is related mainly to electricity consumption in its offices and to business travel. However, Applus+ lays down its environmental commitment through its HSQE policy defined at the highest level and deployed within the divisions through a management system according to the international ISO 14001 standard. Within our own operations special consideration is given to the promotion of continuous improvement in a safe and sustainable environment, adopting all necessary measures to reduce any environmental damage that might result from our activities and those of our suppliers and contractors.

As part of Applus+' environmental management system, there are strict controls in place to manage the handling, storage and disposal of harmful and hazardous substances so as to minimise the risk of their release into the environment according to local guidelines and regulations.

All our offices are obliged to observe a series of general environmental rules which are implemented at a global level with a focus on minimising waste streams (based on the implementation of the reduce, reuse and recycle approach) and optimising the use of natural resources, particularly in terms of paper energy and fuel consumption. In order to fulfil this commitment, Applus+ has invested in a number of environmental initiatives at the local level in 2014. This data is monitored locally. Some of the most significant actions carried out by several of the Applus+ divisions in terms of environmental performance are:



**Applus+ headquarters** in Barcelona have installed water cooler equipment with heat recovery to reduce the consumption of natural gas used in heating equipment.



**Applus+ Velosi** in the UK is reducing its carbon footprint through using a 15 KW wind turbine. It allows them to harness natural energy and provide around 25% of the building's energy needs. Additionally, solar panels contribute to their energy reduction efforts. Roof mounted panels create 80% of the hot water for the office building.



**Applus+ Norcontrol** is carrying out a project to substitute conventional fluorescent lighting installations with LED in Spain.



**Applus+ Laboratories** in Saudi Arabia is introducing activities to reduce paper consumption (paperless reporting) through the implementation of digital editing, preparing and reviewing test reports. Additionally, reports are being delivered electronically to customers to reduce the use of paper in laboratories.



**Applus+ Automotive** in Ireland has integrated a utility consumption control system, involving time lock and daylight sensor controls, which monitor items such as external building light or internal electric storage heating.

Applus+ Automotive in the USA has been awarded a prize for Best Workplace for Waste Prevention and Recycling for the sixth time. This recognition comes as a reward for the continuous efforts made to reduce energy and paper consumption, to implement green purchase policies and to use recycled materials.



**Applus+ IDIADA** has completed a second braking track which incorporates an efficient water recovery system and has also upgraded the system of the existing braking track.

In 2014 Applus+ launched the pilot energy and waste programme which measures annual energy, water and paper consumption using standard indicators that are monitored and reported to the Applus+ Group as well as metrics regarding its impact on climate change. This first year, the information gathered covers about 32% of its business activities in terms of revenue.

Applus+ has also started to report greenhouse gas emissions covering 32% of the Group's business activities in terms of revenue. The scope 1 emissions boundary includes gas consumption, fuel consumption and operative vehicle consumption, and the scope 2 emissions boundary covers electricity consumption. The concluding result is 19.9 TnCO<sub>2</sub> in scope 2 and 3.9 TnCO<sub>2</sub> in scope 1.

TOTAL FIGURES	TOTAL 2014	UNITS
Water consumption	57.2	m <sup>3</sup> /person
Paper consumption	18.6	Kg/person
Electricity consumption	172.5	KWh/m <sup>2</sup>
Heating fuel consumption	11,163.1	L/m <sup>2</sup>
Vehicle fuel consumption	633.6	L/person





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Corporate governance

# Governance Framework

Good corporate governance is critical to Applus+. We are sensitive to changes in laws and trends in this area and the Group is enhancing transparency as a key principle to managing a listed company.

We know that good corporate governance drives value generation, improves economic efficiency and increases investor trust. Accordingly, Applus+ is governed by a set of regulations which define our current corporate governance model and ensure a long-term vision for good governance. You will find all the Group's policies concerning corporate governance on our website<sup>1</sup>.

This year, to comply with regulations and transparency requirements applicable to listed companies, Applus+ has published its first Annual Group Corporate Governance Report<sup>1</sup> on February 27th 2015. In this report, Applus+ discloses its compliance with applicable regulations and most good governance recommendations under the Unified Good Governance Code of listed companies in place at the time. The report also explains the reasons for any differences between the recommendations and the current position. Applus+ has been listed for one year and it will continue to develop its corporate governance model in the near future under the leadership of the Board of Directors'.

In this report we highlight the main areas of the governance framework that are detailed fully in the regulations and annual report on corporate governance.



## Applus+ Board of Directors

were appointed before the IPO on May 9th 2014. During 2014, the Board had 9 members, although, as of the date of publishing this report, the Board of Directors is now temporarily composed of 8 members.

In accordance with best practice and recommendations, the Applus+ Board of Directors is made up of a large majority of non-executive directors: of the 9 members, 8 are external non-executive directors, including 4 external independent directors and 4 external proprietary directors. The Board of Directors is chaired by an independent non-executive director. They all bring high-level expertise in various fields of knowledge related to Applus+' business and provide a valuable and particularly rich understanding of Applus+' environment, ensuring the Board adequately complies with its management and oversight functions. You can read more about each director on pages 75 and 76 of this report.

The Board of Directors reports to the general shareholders meeting and it is vested with broad powers and authority to define the general strategies and policies of the Applus+ Group and to supervise their implementation by the executive director and his management team. The Board assumes ultimate responsibility for the supervision, management, control and representation of Applus+ whilst striving to maximise its value over time.

1. <http://www.applus.com/en/InvestorRelations/Corporate-governance>

To undertake this broad mission and in accordance with good corporate governance practices, it has appointed an Audit Committee with 3 members and an Appointments & Remunerations Committee with 3 members, both chaired by Independent directors. Additionally, it has appointed a Supervisory Committee with 4 members also chaired by an Independent director, being the Chairman of the Board.

The Board and its Committees meet at least quarterly, except for the Supervisory Committee that meets more frequently.



## The Audit Committee

is the body which primarily supports the Board in all its monitoring tasks. This is done by regularly reviewing processes to ensure the reliability and accuracy of the financial information disclosed by the Group, including oversight of auditor independence and supervision of the risk management and internal control systems.

*Risk Evaluation Methodology* - whilst the Board of Directors is responsible for defining a risk strategy and control policy and for periodically monitoring internal information and control systems, the Audit Committee is responsible for regularly reviewing the internal control systems and risk management procedures, so that the main risks are identified, processed and reported appropriately. The Committee is also responsible for discussing with the auditors significant weak points in the internal control system outlined during the audit process.

The Applus+ *Internal Audit management Team* is in charge of supervising compliance with risk tolerance levels, the effectiveness of control measures associated with critical risks and supervising implementation of the necessary action/response plans, which will be monitored at corporate level and under the executive director's leadership.

As can be seen in greater detail from our website<sup>2</sup>, the 2014 consolidated and standalone Financial Statements, were issued without comment from the auditors, neither in the audit opinion regarding the 2014 figures or in the auditor's report on the information relating to the system of internal control over the financial reporting (ICFR) of the Applus+ Group for 2014.



## The Appointments and Remuneration Committee

is the body which reports to the Board of Directors on proposals for the appointment and reappointment of executive and proprietary directors whilst formulating proposals for the appointment of independent directors. It also evaluates directors and members of the Board, as well as proposes and oversees the remuneration policy set by the company.

*Performance Evaluation Methodology* - The Board of Directors shall assess the performance of its duties through the Board's chairman and the company's executives, based on the report issued by the Appointments and Remuneration

<sup>2</sup> <http://www.applus.com/en/InvestorRelations/Financial-reports>

Committee, as well as through the running of the Board of Directors' committees, based on their reports.

*Compensation and Remuneration* - Applus+ ensures the transparency of its directors' remuneration as one of the basic principles of its corporate governance model. The Appointments and Remuneration Committee is the body in charge of preparing and ensuring compliance with the Group's remuneration policy. The remuneration policy and the maximum overall annual amount of directors' remuneration have to be subsequently approved at the Annual General Meeting. In this regard, on 28th July 2014 the Board of Directors unanimously agreed to propose that non-executive proprietary directors will not receive any remuneration for the performance of their roles and only independent directors and executive directors will be remunerated as directors.

Applus+' executive director is granted variable remuneration linked to the company's performance, as well as restricted stock units (RSUs) awarded before the IPO, vesting in 2015, 2016 and 2017. Exceptionally, the chairman was awarded RSUs when joining the Board, which have vested one year after the listing. Therefore, only the executive director has variable components linked to the company's performance.

For further information regarding the Group's remuneration policy and schemes, please consult the information provided in the Applus+ Annual Remuneration Report<sup>3</sup> published on February 27th 2015.



## The Supervisory Committee

is the body in charge of closely monitoring company performance and ensuring the Board's permanent presence in Applus+' life; to such aim, it ordinarily meets on a monthly basis ensuring the effective discharge of the Board's management, oversight and supervision duties with regards the management team. The Supervisory Committee may be assigned certain Board powers except those exclusively vested to the Board of Directors by applicable laws and Applus+ regulations. Moreover, the Supervisory Committee keeps the Board of Directors regularly informed of its decisions.



## The Group Ethics Committee (GEC)

is chaired by the Chairman of the Board and includes 2 other directors and 3 managers amongst which is the Chief Compliance Officer. The GEC is the body which is in charge of the Code of Ethics awareness and compliance, and with the enhancement and approval of internal policies for effective implementation of corporate values. It is also responsible for receiving and interpreting questions related to the Code, investigating any breach and proposing the corresponding disciplinary measures.

<sup>3</sup> <http://www.applus.com/en/InvestorRelations/Corporate-governance>

# Board of Directors



1. Mr. Christopher Cole
2. Mr. Ernesto Gerardo Mata López
3. Mr. John Daniel Hofmeister
4. Mr. Richard Campbell Nelson
5. Mr. Fernando Basabe Armijo
6. Mr. Josep Maria Panicello Primé  
(resigned May 2015)
7. Dr. Pedro de Esteban Ferrer
8. Mr. Alex Wagenberg Bondarovschi
9. Mr. Mario Pardo Rojo
10. Mr. José Luis Blanco Ruiz  
(Secretary Non-Director)



In alignment with good corporate governance standards and using other listed companies as benchmarks, the Applus+ Board comprised 9 members:

- 4 external independent directors
- 4 external proprietary directors
- 1 executive director

### **Non-Executive Independent Members:**

#### **Chairman - Mr. Christopher Cole**

Mr. Cole holds a degree in Environmental Engineering from Borough Polytechnic (University of South Bank) and is a chartered engineer in the United Kingdom. He also attended an INSEAD Executive Management Course in France in 1999.

Mr. Cole is currently also the non-executive chairman of Ashted Group Plc. and WSP, senior independent director of Infinis Energy Plc and non-executive chairman of Tracsis Plc. Mr. Cole was appointed as non-executive independent chairman of Applus+ on 7th May 2014. Mr. Cole currently holds 12,415 shares which represent 0.010% of the share capital of the company.

#### **Mr. Ernesto Gerardo Mata López**

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

Mr. Mata is currently a member of the advisory board of Abertis Infraestructuras, S.A., chairman of the board of Pagaralia, S.L., senior advisor to Matlin Patterson Global Advisers LLC, member of the board of Factor Energía, S.A., Toro Finance, S.L. and a member of the

advisory board of Herbert Smith Freehills LLP (Spain). Mr. Mata was initially appointed as director of Applus+ on 29th November 2007 and he was reappointed on 4th March 2014.

#### **Mr. John Daniel Hofmeister**

Mr. Hofmeister holds a Bachelor's and Master's degree in Political Science from Kansas State University. In May 2010, he was awarded an honorary doctorate from the University of Houston.

Mr. Hofmeister currently serves as non-executive director of Hunting Plc, London (United Kingdom); and CAMAC Energy, Inc., Houston (U.S.A.). He was initially appointed as director of Applus+ on 1st July 2013 and was reappointed on 4th March 2014.

#### **Mr. Richard Campbell Nelson**

Mr. Nelson is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Master of Science degree in Economics from the London Business School.

Mr. Nelson is currently the chairman of the International Federation of Inspection Agencies. Mr. Nelson was initially appointed as director of Applus+ on 1st October 2009 and he was reappointed on 4th March 2014.

### **Executive Members:**

#### **Mr. Fernando Basabe Armijo**

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

Mr. Basabe was initially appointed as executive director of Applus+ on 1st February 2011 and was reappointed on 4th March 2014. As at December 2014, he held 344,828 shares which represented 0.265% of the share capital.

#### **Non-Executive Proprietary Members:**

##### **Mr. Josep Maria Panicello Primé (resigned May 2015)**

Mr. Panicello holds a degree in Actuarial and Financial Sciences together with a degree in Business Administration from the Universidad de Barcelona and the Universidad Rovira i Virgili.

Mr. Panicello is currently strategy and management control director at Banco Santander. Mr. Panicello was initially appointed as director of Applus+ on 8th October 2013 and was reappointed on 4th March 2013. He represents Azul Holding, S.C.A., an indirect subsidiary of CEP II Participations, S.à r.l. SICAR and CEP III Participations, S.à r.l. SICAR.

##### **Dr. Pedro de Esteban Ferrer**

Dr. de Esteban holds a degree in Engineering from the Universidad Politècnica de Catalunya, an MBA from Stanford University and a Ph.D. summa cum laude from Universidad Ramon Llull. He is also a Fulbright scholar.

Dr. de Esteban was initially appointed as director of Applus+ on 27th September 2007. Between 2007 and 2014, he was legal representative of different companies which have served as directors of Applus+ during said period. He was again appointed as director on 4th April 2014. He represents Azul Holding, S.C.A., an indirect subsidiary of CEP II Participations, S.à r.l. SICAR and CEP III Participations, S.à r.l. SICAR.

##### **Mr. Alex Wagenberg Bondarowski**

Mr. Wagenberg is a Phi Beta Kappa and magna cum laude graduate of Princeton University, with a degree in Civil Engineering and Operations Research.

Mr. Wagenberg was initially appointed as director of Applus+ on 27th September 2007. Between 2007 and 2014, Mr. Wagenberg was also legal representative of different companies which have served as directors of Applus+ during said period. He was again appointed as director on 4th March 2014. He represents Azul Holding, S.C.A., an indirect subsidiary of CEP II Participations, S.à r.l. SICAR and CEP III Participations, S.à r.l. SICAR.

##### **Mr. Mario Pardo Rojo**

Mr. Pardo holds a dual degree in Industrial Engineering from Universidad Politècnica de Catalunya and the École Centrale de Paris.

Mr. Pardo was initially appointed as director of Applus+ on 27th September 2007. Between 2007 and 2014, Mr. Pardo was also legal representative of different companies which have served as directors of Applus+ during said period. He was again appointed as director on 4th March 2014. He represents Azul Holding, S.C.A., an indirect subsidiary of CEP II Participations, S.à r.l. SICAR and CEP III Participations, S.à r.l. SICAR.

#### **Secretary (Non-Director):**

##### **Mr. José Luis Blanco Ruiz**

Mr. Blanco holds a law degree from Universidad Autónoma de Barcelona (1984) and an LL.M. Master of Laws Degree from Yale Law School (1986).

## Supervisory Committee

The Supervisory Committee is comprised of 4 members: 1 executive director (Mr. Fernando Basabe), 2 non-executive proprietary directors (Dr. Pedro de Esteban and Mr. Alex Wagenberg) and 1 non-executive independent director (Mr. Christopher Cole). The chairman of the committee is Mr. Christopher Cole.

## Audit Committee

The Audit Committee is comprised of<sup>4</sup> 3 members: 2 non-executive proprietary members (Mr. Josep Maria Panicello -resigned May 2015- and Mr. Mario Pardo) and 1 non-executive independent member (Mr. Ernesto Gerardo Mata López). The chairman of the committee is Mr. Ernesto Gerardo Mata López. After Mr. Panicello's resignation, Mr. Christopher Cole, non-executive independent member, has taken his place on a temporary basis.

## Appointments and Remuneration Committee

The Appointments and Remuneration Committee is comprised of 3 members: 2 non-executive independent members (Mr. John Daniel Hofmeister and Mr. Richard Nelson) and 1 non-executive proprietary member (Mr. Alex Wagenberg). The chairman of the committee is Mr. John Daniel Hofmeister.

For further information regarding the Board and its members please consult the Corporate Governance<sup>5</sup> and Board Members<sup>6</sup> sections on our website.

<sup>4</sup> This is the current composition of the Audit Committee. The composition might be subject to future changes due to the requirements of the new Spanish Law on Corporations.

<sup>5</sup> <http://www.applus.com/en/InvestorRelations/Corporate-governance>

<sup>6</sup> <http://www.applus.com/en/InvestorRelations/Board-members>

# Senior Management



The Applus+ senior management team is comprised of a group of highly qualified professionals with international backgrounds and experience<sup>7</sup>.

#### CEO:

**1. Fernando Basabe** - Chief Executive Officer (CEO)

#### Corporate Senior Executives:

**2. Joan Amigó** - Chief Financial Officer (CFO)

**3. José Delfín** - Senior Vice-President Human Resources

**4. Jorge Lluch** - Senior Vice-President Corporate Development & Communications

**5. Eva Argilés** - General Counsel

#### Division Executive Vice-Presidents:

**6. Iain Light** - Applus+ RTD

**7. Ramón Fernández Armas** - Applus+ Norcontrol/Velosi

**8. Pablo San Juan** - Applus+ Norcontrol Latam

**9. Jordi Brufau** - Applus+ Laboratories

**10. Aitor Retes** - Applus+ Automotive

**11. Carles Grasas** - Applus+ IDIADA

7. For further information please consult the Management section on our website:  
<http://www.applus.com/en/aboutUs/ourManagement>

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## Shareholder information

Applus

The logo for Applus, featuring the word "Applus" in a bold, sans-serif font. The letter "A" is orange, and the remaining letters "pplus" are dark grey. To the right of the word is a small orange circle containing a white plus sign (+). The logo is positioned on a set of stone steps in front of a classical building with large columns.

# Capital and shareholder structure over time

On 31st December 2014, the share capital of the head company of the Group amounted to €13,001,675.50 represented by 130,016,755 shares each with a value of €0.10.

On 9th May 2014, the Group listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges, providing a partial exit for funds controlled by The Carlyle Group and raising an additional amount of €300 million of new equity used to reduce bank debt. After the initial public offering, funds controlled by The Carlyle Group decreased their shareholding to 35.5% by the end of 2014.

On 13th April 2015, the funds owned by The Carlyle Group and other minority shareholders sold a further 11.5% of the company's share capital in an Accelerated Bookbuild Offering, reducing their overall interest to 24% of the total shares outstanding. The remaining 76% of the total shares outstanding comprise the free float of the equity.



## Dividend information

On 18th June 2015, at the Group's first Annual General Meeting of shareholders (AGM), the Board will propose payment of a dividend of €0.13 per share. This is equivalent to €16.9 million and is 19.3% of adjusted net income (€87.7 million). If approved by shareholders at the AGM, the dividend will be paid on 15th July 2015 to those shareholders on the register on 14th July 2015.

## Financial calendar

<b>Q1 2015 Results Announcement</b>	May 7, 2015
<b>Annual General Meeting of Shareholders</b>	June 18, 2015
<b>Q2 2015 Results Announcement</b>	July 28, 2015
<b>Q3 2015 Results Announcement</b>	November 2, 2015
<b>Q4 2015 Results Announcement</b>	February 29, 2016



# Contacts

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## **Auditors**

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654 Avenida Diagonal

08034 Barcelona, Spain

## **Registered Office**

Applus+ Services, S.A.

Campus UAB – Ronda de la Font del Carme, s/n

08193 Bellaterra – Barcelona, Spain

Telephone: +34 900 103 067

Security Number: 79396

ISIN: ES0105022000

CIF: A64622970

Shares issued as of 18th June 2015: 130,016,755

Listed on the Barcelona, Bilbao, Madrid and

Valencia stock exchanges within Mercado

Continuo

Ticker Symbol: APPS-MC

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## Summary of consolidated financial statements

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014**

(Thousands of Euros)

ASSETS	31/12/2014	31/12/2013	EQUITY AND LIABILITIES	31/12/2014	31/12/2013
NON-CURRENT ASSETS:			EQUITY:		
Goodwill	503,709	487,882	Share capital and reserves		
Other intangible assets	583,815	632,695	Share capital	11,770	654,731
Property, plant and equipment	194,148	189,450	Share premium	350,857	52,926
Non-current financial assets	12,722	13,831	Retained earnings and other reserves	239,837	(231,086)
Deferred tax assets	85,921	101,727	Profit / (Loss) for the year attributable to the Parent	23,831	(170,079)
<b>Total non-current assets</b>	<b>1,380,315</b>	<b>1,425,585</b>	Treasury Shares	(5,407)	-
			Valuation adjustments		
			Foreign currency translation reserve	(25,954)	(17,944)
			<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>	<b>594,934</b>	<b>288,548</b>
			NON-CONTROLLING INTERESTS	38,709	34,701
			<b>Total equity</b>	<b>633,643</b>	<b>323,249</b>
			NON-CURRENT LIABILITIES:		
			Long-term provisions	29,329	12,761
			Bank borrowings	753,231	1,070,676
			Other financial liabilities	28,284	29,400
CURRENT ASSETS:			Deferred tax liabilities	167,770	220,464
Inventories	7,878	7,266	Other non-current liabilities	11,281	9,439
Trade and other receivables	363,520	355,695	<b>Total non-current liabilities</b>	<b>989,895</b>	<b>1,342,740</b>
Trade receivables from related companies	8,351	4,198	CURRENT LIABILITIES:		
Other receivables	30,145	27,945	Short-term provisions	2,175	1,288
Corporate income tax assets	14,380	12,013	Bank borrowings	36,872	37,671
Other current assets	10,216	7,453	Trade and other payables	288,638	289,541
Current financial assets	4,525	2,848	Corporate income tax liabilities	13,676	18,787
Cash and cash equivalents	149,688	180,877	Other current liabilities	4,119	10,604
<b>Total current assets</b>	<b>588,703</b>	<b>598,295</b>	<b>Total current liabilities</b>	<b>345,480</b>	<b>357,891</b>
<b>TOTAL ASSETS</b>	<b>1,969,018</b>	<b>2,023,880</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,969,018</b>	<b>2,023,880</b>

## 2014 CONSOLIDATED INCOME STATEMENT

(Thousands of Euros)

	2014	2013
<b>CONTINUING OPERATIONS:</b>		
Revenue	1,618,717	1,580,501
Procurements	(248,125)	(244,420)
Staff costs	(830,372)	(784,361)
Other operating expenses	(354,908)	(362,268)
Operating Profit Before Depreciation, Amortisation and Others	185,312	189,452
Depreciation and amortisation charge	(91,773)	(97,623)
Impairment and gains or losses on disposal of non-current assets	2,972	(117,571)
Other results	(20,390)	(17,024)
<b>OPERATING PROFIT / (LOSS):</b>	<b>76,121</b>	<b>(42,766)</b>
Net financial expense	(36,588)	(86,407)
Share of profit of companies accounted for using the equity method	2,255	2,493
Profit / (Loss) before tax	41,788	(126,680)
Corporate income tax	(10,611)	(38,832)
Net Profit / (Loss) from continuing operations	31,177	(165,512)
<b>PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX:</b>		
<b>NET CONSOLIDATED PROFIT / (LOSS):</b>	<b>31,177</b>	<b>(165,512)</b>
Profit / (Loss) attributable to non-controlling interests	7,346	4,567
<b>NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT:</b>	<b>23,831</b>	<b>(170,079)</b>
Profit / (Loss) per share (in euros per share):		
- Basic	0.195	(0.282)
- Diluted	0.195	(0.282)

## 2014 CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euros)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) from operating activities before tax	41,788	(126,680)
Adjustments of items that do not give rise to operating cash flows		
Depreciation and amortisation charge	91,773	97,623
Writedown of goodwill and impairment of intangible assets	-	119,167
Gain on disposal of subsidiaries	(4,048)	-
Changes in provisions and allowances	(1,572)	-
Financial loss	36,588	86,407
Share of profit in associated companies	(2,255)	(2,493)
Gains or losses on disposals of property, plant and equipment	1,039	20
Gains or losses on disposals of intangible assets	38	(2)
Profit from operations before changes in working capital (I)	163,351	174,042
Changes in working capital		
Changes in trade and other receivables	(10,822)	(21,814)
Changes in inventories	(612)	632
Changes in trade and other payables	(3,256)	24,389
Cash generated by changes in working capital (II)	(14,690)	3,207
Corporate income tax	(25,486)	(22,451)
Cash flows from income tax (III)	(25,486)	(22,451)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A) = (I) + (II) + (III)</b>	<b>123,175</b>	<b>154,798</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Business combinations	1,978	854
Payments due to acquisitions of subsidiaries and other non-current financial assets	(25,676)	(18,557)
Proceeds from disposal of subsidiaries	13,192	-
Payments due to acquisition of one-off assets	(9,240)	(5,907)
Payments due to acquisition of intangible and tangible assets	(38,587)	(46,389)
Net cash flows used in investing activities (B)	(58,333)	(69,999)

	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from equity instruments	291,880	-
Interest received	2,267	1,065
Interest paid	(27,196)	(44,803)
Net changes in non-current financing (proceeds and payments)	(363,071)	(3,876)
Net changes in current financing (proceeds and payments)	6,415	4,814
Dividends paid by Group companies to non-controlling interests	(4,302)	(2,548)
Net cash flows used in financing activities (C)	(94,007)	(45,348)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES (D):</b>	(2,024)	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	(31,189)	39,451
Cash and cash equivalents at beginning of year	180,877	141,426
Cash and cash equivalents at end of year	149,688	180,877





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CONTACT

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