Applus Services, S.A.

Financial Statements
for the year ended 31 December 2018
and Directors' Report, together with
Auditors' Report

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Applus Services, S.A. (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment of ownership interests in, and loans to, Group companies and associates	
Description	**Procedures applied in the audit**
The Company has direct and indirect ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, and has granted loans thereto (see Notes 4.1, 5.1, 5.2 and 10.2). The measurement of the recoverable amount of those ownership interests and loans requires the use of significant estimates and judgements by management, both when choosing the valuation method and discounting future cash flows and when taking into consideration the key operating assumptions used for each method in question. As a result of the foregoing, as well as the significance of the investments held and loans granted, which amounted to EUR 1,440 million and EUR 390 million, respectively, at 2018 year-end, this matter was determined to be a key matter in our audit.	Our audit procedures consisted, among others, of the evaluation of the measurement of the recoverable amount of the aforementioned ownership interests and loans performed by Company management, verifying both the appropriateness of the valuation method used in relation to the investment held and the clerical accuracy of the calculations made. We also assessed the reasonableness of the cash flow projections and the discount rates by conducting a critical analysis of the key assumptions of the models used. In particular, we compared the revenue growth rates with the latest approved strategic plans and budgets, reviewing them for consistency with the historical information on the market situation, and we also assessed management's historical accuracy in the estimation process. We also assessed the reasonableness of the discount rates applied, taking into consideration the cost of capital of comparable organisations, as well as perpetuity growth rates, among others. We involved internal business valuation specialists to assess the reasonableness of the models and key assumptions used by the Company. Lastly, we evaluated whether the disclosures included in Notes 4.1, 5.1, 5.2 and 10.2 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable regulatory framework.

Recovery of deferred tax assets

Description	Procedures applied in the audit
Notes 8.1 and 8.5 detail the deferred tax assets amounting to EUR 31 million that are recognised in the balance sheet at 2018 year-end, corresponding to tax losses, tax credits and temporary differences amounting to EUR 26.1 million, EUR 4.4 million and EUR 0.5 million, respectively. The Company belongs to the Spanish tax group described in Note 4.3. In addition, as indicated in Note 8.6, the Company has unrecognised deferred tax assets corresponding to tax losses and tax credits. At the end of each reporting period, Company management assesses the recoverability of the tax assets recognised based on the projections of future taxable profits used to analyse the recovery of tax losses in a timeframe of no more than ten years, taking into account current legislation and the most recent business plans approved. We identified this matter as key in our audit, since the assessment of the recoverability of these assets requires a significant level of judgement, largely in connection with the projections of business performance.	Our audit procedures to address this matter included, among others: Evaluation of the methodology and assumptions applied by the Company and, in particular, those related to the growth of sales and expenses that determine the projection of future taxable profits. Verification of the consistency of the assumptions taking into account both historical information and the market situation and the applicable tax legislation, which was verified with the assistance of internal tax experts. We also reviewed the consistency of the models with the financial information used by Company management in performing its impairment tests on ownership interests in, and loans to, Group companies, stressing those assumptions that have the greatest effect on determining the recoverable amount of the tax assets. We also analysed the historical accuracy of management in the process of preparing projections of future taxable profits for the purpose of analysing the recovery of tax losses, comparing the actual figures for the year with the projections made in the preceding year. Lastly, we also verified that the disclosures required by the applicable accounting regulations are included in the notes to the accompanying financial statements. The disclosures on this matter can be found in Notes 4.3 and 8 to the financial statements.

Other Information: Directors' Report

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

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

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

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

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 6 and 7 of this document, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

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

Engagement Period

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

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

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

Ana Torrens Borrás
Registered in ROAC under no. 17762

22 February 2019

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS SERVICES, S.A.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Thousands of Euros)

ASSETS	Notes	31.12.18	31.12.17	EQUITY AND LIABILITIES	Notes	31.12.18	31.12.17
NON-CURRENT ASSETS:		1,561,857	1,675,455	**EQUITY:**		1,192,963	1,181,822
Non-current investments in Group companies and associates-		1,530,840	1,639,224	**SHAREHOLDERS' EQUITY-**		1,192,963	1,181,822
Equity instruments	5.1	1,439,765	1,330,583	**Share capital**	6.1	14,302	14,302
Loans to companies	5.1 & 10.2	91,075	308,641	**Share premium**	6.2	449,391	449,391
Deferred tax assets	8.1	31,017	36,231	**Reserves**	6.2	700,678	688,256
				Treasury shares	6.3	(3,405)	(1,186)
				Profit for the year		31,997	31,059
				NON-CURRENT LIABILITIES:		457,834	496,740
				Non-current payables	7	419,100	461,061
				Non-current payables to Group companies and associates	10.2	35,807	35,679
				Deferred tax liabilitites	8.1	2,927	-
CURRENT ASSETS:		311,978	378,282				
Trade and other receivables-		13,305	10,025	**CURRENT LIABILITIES:**		223,038	375,175
Receivable from Group companies and associates	10.2	1,575	1,351	**Current payables-**		3,106	16,460
Other receivables		105	-	Bank borrowings	7	3,106	16,460
Corporate income tax receivables	8.1	11,625	8,674	**Current payables to Group companies and associates**	10.2	215,149	354,790
Current investments in Group companies and associates-	5.2 & 10.2	298,429	365,580	**Trade and other payables-**		4,783	3,925
Short-term loans to Group companies and associates		298,321	365,472	Sundry accounts payable		1,104	783
Other financial assets		108	108	Remuneration payable		2,123	1,430
Cash and cash equivalents	5.3	244	2,677	Tax payables	8.1	1,556	1,712
TOTAL ASSETS		1,873,835	2,053,737	TOTAL EQUITY AND LIABILITIES		1,873,835	2,053,737

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of financial position as at 31 December 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS SERVICES, S.A.

STATEMENT OF PROFIT OR LOSS FOR 2018

(Thousands of Euros)

	Notes	2018	2017
CONTINUING OPERATIONS:			
Revenue-	**9.1 & 10.1**	**58,421**	**69,831**
Services		3,530	3,373
Dividend revenue		36,743	39,027
Finance revenue to Group companies and associates		18,148	27,431
Staff costs-	**9.2**	**(3,375)**	**(6,016)**
Wages, salaries and similar expenses		(3,169)	(5,841)
Employee benefit costs		(206)	(175)
Other operating expenses-		**(2,615)**	**(2,381)**
Outside services		(2,190)	(2,142)
Taxes other than income tax		(425)	(239)
PROFIT FROM OPERATIONS		**52,431**	**61,434**
Finance income-		**93**	**49**
From marketable securities and other financial instruments of third parties		93	49
Finance costs-		**(24,187)**	**(30,741)**
On debts to Group companies and associates	**10.1**	(11,091)	(19,209)
On debts to third parties		(13,096)	(11,532)
Exchange differences		**(592)**	**(5,828)**
FINANCIAL LOSS		**(24,686)**	**(36,520)**
PROFIT BEFORE TAX		**27,745**	**24,914**
Corporate income tax	**8**	4,252	6,145
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**31,997**	**31,059**
DISCONTINUED OPERATIONS:			
Profit for the year from discontinued operations net of tax		-	-
PROFIT FOR THE YEAR		**31,997**	**31,059**

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of profit or loss for 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS SERVICES, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR 2018
B) STATEMENT OF CHANGES IN TOTAL EQUITY
(Thousands of Euros)

	2018	2017
PROFIT PER INCOME STATEMENT (I)	31,997	31,059
Income and expense recognised directly in equity:		
Total income and expense recognised directly in equity (II)	-	-
Transfers to profit or loss:		
Total transfers to profit or loss (III)	-	-
Total recognised income and expense (I+II+III)	31,997	31,059

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of profit or loss for 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS SERVICES, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR 2018

B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

	Share capital	Share premium	Reserves	Treasury shares	Profit (Loss) for the year	Total
2016 ENDING BALANCE	**13,002**	**313,525**	**677,733**	**(2,837)**	**26,737**	**1,028,160**
Total recognised income and expense	-	-	-	-	31,059	31,059
Allocation of 2016 profit	-	-	9,835	-	(26,737)	(16,902)
Transactions with shareholders						
- Capital increase (Note 6.1)	1,300	135,866	(1,717)	-	-	135,449
- Transactions with treasury shares	-	-	2,405	1,651	-	4,056
2017 ENDING BALANCE	**14,302**	**449,391**	**688,256**	**(1,186)**	**31,059**	**1,181,822**
Total recognised income and expense	-	-	-	-	31,997	31,997
Allocation of 201 profit	-	-	12,467	-	(31,059)	(18,592)
- Transactions with treasury shares	-	-	(45)	(2,219)	-	(2,264)
2018 ENDING BALANCE	**14,302**	**449,391**	**700,678**	**(3,405)**	**31,997**	**1,192,963**

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of profit or loss for 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

APPLUS SERVICES, S.A.

STATEMENT OF CASH FLOWS FOR 2018

(Thousands of Euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES (I):		**32,407**	**43,799**
Profit for the year before tax		**27,745**	**24,914**
Adjustments for-			
Dividend revenue	10.1	(36,743)	(39,027)
Finance income		(18,241)	(27,480)
Finance costs		24,187	30,741
Exchange differences		592	5,828
Changes in working capital-			
Trade and other receivables		823	1,694
Trade and other payables		321	78
Other current assets		(1,249)	
Other current liabilities		947	7,920
Other cash flows from operating activities-			
Dividends received	10.1	36,743	44,309
Interest paid		(20,194)	(29,074)
Interest received		18,651	32,042
Corporate Income tax paid		(907)	(1,718)
Other receivables and payables		(268)	(6,428)
CASH FLOWS FROM INVESTING ACTIVITIES (II):		**38,214**	**(197,233)**
Proceeds from disposal-			
Group companies and associates		389,910	83,433
Payments due to investment-			
Loans to Group companies and associates		(109,182)	(219,193)
Credits to Group companies and associates		(242,514)	(61,473)
CASH FLOWS FROM FINANCING ACTIVITIES (III):		**(72,473)**	**117,063**
Receipts and payments for equity instruments-			
Equity instruments issued	6	-	137,166
Equity instruments issuing costs		-	(2,234)
Proceeds and payments relating to financial liability instruments-			
Proceeds from issue of bank borrowings		542,029	16,253
Proceeds from issue of borrowings from Group companies and associates		45,246	47,161
Repayment of bank borrowings		(604,465)	-
Repayment and amortisation of borrowings with Group companies and associates		(33,132)	(60,003)
Other payments		(3,559)	(4,378)
Dividend payments and renumeration of other equity instruments-			
- Dividends		(18,592)	(16,902)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV):		**(581)**	**3,248**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(2,433)**	**(33,123)**
Cash and cash equivalents at beginning of year		2,677	35,800
Cash and cash equivalents at end of year		244	2,677

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of profit or loss for 2018.

Applus Services, S.A.

Notes to the financial statements for the year ended 31 December 2018

1. Company activities

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

The Company purpose is as follows:

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

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

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

- Business intermediation services, both locally and abroad.

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

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

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

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

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

Since 9 May 2014 the shares of the Company have been listed on the stock exchange.

The subsidiaries and associates directly and indirectly owned by the Company are shown in Appendix I.

In view of the business activities carried out on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in the notes to the financial statements.

2. Basis of presentation of the financial statements

2.1. Regulatory financial reporting framework applicable to the Company

The present financial statements for 2018 were authorised for issue by the Company's Directors at the Board of Directors Meeting held on 20 February 2019. The present financial statements were formally prepared in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

a) The Spanish Commercial Code and all other Spanish corporate law.

b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.

c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

d) All other applicable Spanish accounting legislation.

This document is a translation of the Financial Statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

2.2. Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2018.

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These financial statements, which were formulated by the Company's Directors, will be submitted for approval at the Annual General Meeting, that will be held on 30 May 2019 and it is considered that they will be approved without any changes.

The financial statements for 2017 were approved at the Annual General Meeting held on 31 May 2018.

2.3. Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Also, the Directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon.

All obligatory accounting principles were applied.

2.4. Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements, estimates were made by the Company's Directors in order to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets (see Note 4.1).
- The fair value of certain financial instruments (see Note 4.1).
- The calculation of certain provisions (see Note 4.5).
- The recovery of deferred tax assets (see Note 8.5).
- Corporate income tax (see Note 8).

Although these estimates were made on the basis of the best information available at 2018 year-end, events that take place in the future might make it necessary to change them (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively.

2.5. Comparative information

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

2.6. Grouping of items

Certain items in the statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7. Changes in accounting policies

In 2018 there were no changes in accounting policies with respect to those applied in 2017.

2.8. Correction of errors

In preparing the accompanying financial statements no errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2017.

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3. Proposal of allocation of profit

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

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

The Company's Board of Directors will present a proposal at the next Shareholders Annual General Meeting, to distribute ordinary dividends allocated from the 2018 profit, amounting to EUR 21,453 thousand and corresponding to a gross dividend of EUR 0.15 per share.

4. Accounting policies

The principal accounting policies used by the Company in preparing its financial statements for 2018 and 2017, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1. Financial instruments

Financial assets

The financial assets held by the Company are classified in the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

b) Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Loans, receivables and held-to-maturity investments are measured at amortised cost.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including goodwill, if applicable).

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The Company has majority ownership interests in the share capital of certain companies. The financial statements do not reflect the increases or decreases in the value of the Company's ownership interests which would arise from the application of consolidation methods. It should also be noted that the Company will prepare consolidated financial statements separately under International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been authorised for issue by the Board of Director's on the meeting held on 20 February 2019.

	Thousands of euros	
	2018	2017
Total Assets	1,997,470	2,004,055
Equity attributable to the shareholders of the parent	756,203	743,606
Revenue of the consolidated operations	1,675,942	1,583,094
Net profit (loss) attributable to the parent	41,208	35,582

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

Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classify as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations given cease to exist.

At 31 December 2018 the Company does not hold any financial derivative products.

Impairment of financial assets

The Company tests financial assets not measured at fair value. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

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

Management updates annually its subsidiaries business plan which is prepared according to the Group strategic plan by sector and geography, considering the specific characteristics of each company regarding to its customers, projects and services. The main components of this plan are: projections on operating income and expense, investment and working capital. The business plan prepared by the management includes the budget for 2019 together with the projections for 2020-2023.

In order to calculate the recoverable amount of each asset the present value of its cash flows was determined by using the business plan prepared by the management. As a general rule, indefinite useful life projections for a projected period of five years and a perpetuity rate of return from the sixth year onwards were used. An exception is made for the businesses with a finite useful life, in which the projected period is adjusted to the actual term of the agreement, and the probability of renewal is not taken into account. From the sixth year onwards it was considered that the cash flows generated by each asset grow at a rate equal to the growth of each industry in the geographical area in which it operates.

The projections were prepared on the basis of past experience and of the best estimates available at the date on which the impairment tests were carried out. Changes in the current perimeter were not considered in the projections and impairment tests.

As a general rule, for the assets for which the need to perform an impairment test was not detected, a sensitivity analysis was carried out on the main aggregates to verify that there are no indications of the need to perform such tests. This analysis consisted of measuring the impact of the increases expected in income and operating profit before depreciation, amortisation, interests, taxes and other results (hereinafter -EBITDA-), increasing the discount rate up to one percentage point and reducing the perpetuity growth rate up to 0.8%. Applying these changes to the assumptions similarly does not disclose any need to recognise impairment losses on the financial assets.

The main average discount rates after tax used in each of the Company's geographical areas were as follows:

Country/geographical area	2018	2017
Spain	7.5% - 8.7%	7.4% - 8.1%
Rest of Europe	6.3% - 7.5%	5.7% - 7.0%
US and Canada	7.6% - 8.2%	6.5% - 7.6%
Latin America	11.6% - 14.0%	11.1%

4.2. Foreign currency transactions

The Company's functional currency is the Euro. Therefore, transactions in currencies other than the Euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

4.3. Corporate income tax

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

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

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are recognised by applying to the temporary difference or tax asset that are expected to apply at the corporate tax rates in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all temporary differences except for:

a) Those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect neither the tax profit nor the accounting profit and is not a business combination.

b) Those associated with investments in subsidiaries, branches and associates or interests in joint ventures, when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets, identified for temporary differences (tax credits for tax losses carryforwards and other tax credits), are only recognised if it is considered probable that the Company will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability.

The Company is the head of the Applus Group, which files consolidated tax returns as being the tax group number 238/08, and the tax base for the year is determined as if individual returns were being filed, net of such tax credits and tax relief as might be deductible under the consolidated tax regime. The Company manages the accounts receivable or payable that arise.

The Spanish consolidated tax group is comprised by the following companies:

Companies	
Applus Services, S.A.	LGAI Technological Center, S.A.
Applus Servicios Tecnológicos, S.L.U.	Applus Energy, S.L.U.
IDIADA Automotive Technology, S.A.	Ringal Invest, S.L.U.
Applus Norcontrol, S.L.U.	Autoservices Online, S.L.U.
Novotec Consultores, S.A.U.	Applus Iteuve Technology, S.L.U.
Applus Iteuve Galicia, S.L.U.	Tunnel Safety Testing, S.A.
Supervisión y Control, S.A.U.	Inversiones Finisterre, S.L.

4.4. Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided that the outcome of the transaction could be estimated reliably.

Interest revenue from financial assets is recognised using the effective interest method and dividend revenue is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as revenue in the profit or loss statement.

According to BOICAC's 79, question 2, due to the Company's holding activity, both the dividend revenue and the finance revenue of the loans from its subsidiaries are recorded under the heading "Revenue".

4.5. Provisions and contingencies

When preparing the financial statements, the Company's Directors made a distinction between:

1. Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated.

2. Contingent liabilities: possible obligations that arise from past events and whose existence and associated loss are estimated to be unlikely.

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as financial cost on an accrual basis.

4.6. *Termination benefits*

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken and a valid expectation regarding termination is created on the part of third parties.

The accompanying financial statements do not include any significant provision in this connection, since no situations of this nature are expected to arise.

4.7. *Environmental assets and liabilities*

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

4.8. *Transactions with Group companies, associates and related companies*

For the purposes of the presentation of the financial statements, group companies are considered to be those entities over which the Company directly and indirectly controls the financial and operating policies, exercises power over the relevant activities, maintains exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. This is generally because it holds more than 50% of the voting power.

Associates are companies over which the Company is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Group holds (directly or indirectly) 20% or more of the voting power of the subsidiary.

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

- The significant shareholders of the Company, understood to be shareholders holding directly or indirectly 3% or more of the shares, and shareholders which, without being significant, have exercised the power to propose the appointment of a member of the Board of Directors.

- The Directors and Senior Executives of any Applus Group company, as well as the relatives or related persons. "Director" means a member of the Board of Directors and "Senior Executives" means persons reporting directly to the Board or to the CEO of the Group.

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.9. *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance leases

At 31 December 2018 and 2017, the Company did not have any finance leases.

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Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative of the time pattern of the benefits generated.

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

The Company only holds certain vehicles under operating leases, and the related expense incurred in 2018 and 2017 amounted to EUR 26 thousand.

4.10. Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period; financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

4.11. Employee benefit obligations

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

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

b) Annual variable remuneration plan granted to certain executives and employees of the entity consisting of the delivery of RSUs (convertible into Parent's shares). This remuneration plan is approved annually. At 2018 year-end three plans have been approved and ratified (see Note 10.3).

c) "Long-term incentive" plan granted to the Executive Director and Senior Executives comprising the delivery of Performance Stock Units (PSUs), in the case of the Executive Director, and the delivery of Restricted Stock Units (RSUs) and PSUs in the case of Senior Executives. Both PSUs and RSUs are convertible into Parent's shares within three years of the grant date. The first conversion of these shares will be in February 2019 (see Note 10.3).

4.12. Treasury shares

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

5. Financial assets (non-current and current)

5.1. Non-current investments in Group companies and associates

The changes in "Non-current investments in Group companies and associates" in the statement of financial position in 2018 and 2017 were as follows (in thousands of euros):

Categories	31/12/18	31/12/17
Equity investments in Group companies, jointly controlled entities and associates	1,439,765	1,330,583
Credits (loans) to Group companies (Note 10.2)	91,075	308,641
Total Non-current investments in Group companies and associates	**1,530,840**	**1,639,224**

Equity investments in Group companies, jointly controlled entities and associates

The changes in 2018 and 2017 in "Equity investments in Group companies, jointly controlled entities and associates" were as follows (in thousands of euros):

2018

Categories	01/01/18	Additions	31/12/18
Equity investments in Group companies, jointly controlled entities and associates	1,330,583	109,182	1,439,765
Total	**1,330,583**	**109,182**	**1,439,765**

2017

Categories	01/01/17	Additions	31/12/17
Equity investments in Group companies, jointly controlled entities and associates	1,111,168	219,415	1,330,583
Total	**1,111,168**	**219,415**	**1,330,583**

The value of direct shareholdings at 31 December 2018 and 2017 are as follows (in thousands of euros):

Subsidiary	31/12/18	31/12/17
Applus Servicios Tecnológicos, S.L.U.	1,337,553	1,228,371
Azul Holding 2 S.à.r.l.	102,212	102,212
Total equity investments in group companies, joint ventures and associates	**1,439,765**	**1,330,583**

The most significant information in relation to subsidiaries in which the Company had a direct ownership interest at 2018 year-end is as follows:

Name / Registered office	% of ownership	Thousands of euros					
		Share capital	Profit (Loss)		Other equity items	Total equity	Carrying amount
			From operations	Net			Gross Cost
Applus Servicios Tecnológicos, S.L.U.	100%	134,487	40,461	31,758	552,712	718,957	1,337,553
Azul Holding 2, S.à.r.l.	100%	13	(20)	(33)	101,558	101,538	102,212
Total		**134,500**	**40,441**	**31,725**	**654,270**	**820,495**	**1,439,765**

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The subsidiaries and associates directly and indirectly owned by the Company are shown in Appendix I. None of the subsidiaries are listed on the stock market.

5.2. Current investments in Group companies and associates

The detail of the balances of "Current Investments in Group Companies and Associates" at 31 December 2018 and 2017 is as follows (in thousands of euros):

Categories	31/12/18	31/12/17
Credits (loans) and receivables from Group companies	289,517	339,891
Short-term interest receivable from Group companies	8,804	25,581
Account receivable relating to dividends	108	108
Total current investments in Group companies and associates (Note 10.2)	**298,429**	**365,580**

5.3. Cash and cash equivalents

"Cash and Cash Equivalents" includes all cash recognised in current accounts, which amounted to EUR 159 thousand. The total balance on 31 December 2017 was EUR 822 thousand.

"Cash and Cash Equivalents" also includes balances receivable recognised as a result of a banking product arranged in 2015, the "Multi Currency Notional Pooling", which allows the Company to obtain liquidity in eight different currencies and which amounted to EUR 85 thousand at 31 December 2018 (31 December 2017: EUR 1,855 thousand).

At the end of 2018 the Company had credit facilities with a balance of EUR 1,190 thousand due by the Company (Note 7). Also, in 2017 the Company had credit facilities with a balance of EUR 16,253 thousand which are classified under "current bank borrowing" in the accompanying statement of financial position.

At 31 December 2018 and 2017, no amount recognised under "Cash and Cash Equivalents" had been pledged.

5.4. Information on the nature and level of risk of financial instruments

The Company's financial risk management is centralised in the Financial Department of the Applus Group, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks affecting the Company are as follows:

a) Credit risk:

In general, the Company holds its cash and cash equivalents at banks with high credit ratings.

The accounts receivable at 31 December 2018 and 2017 relate mainly to balances with Group companies for services provided by the Company.

The Company Directors consider that there was no significant credit risk at 31 December 2018 and 2017.

b) Liquidity risk:

The Company, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its statement of financial position, together with credit and financing facilities.

The Company manages liquidity risk prudently by maintaining sufficient cash, the availability of financing in the form of committed credit facilities and through the sufficient capacity to settle market positions.

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c) Market risk:

Both the Company's cash and part of its bank borrowings are exposed to interest rate risk, which variations could have an effect on financial profit or loss and cash flows. In addition in order to follow Group's strategy of minimizing risks, part of the new debt has been secured at a fixed interest rate. Private placement debt represents at 31 December 2018 a 55% of total debt drawn.

In 2018 the Company's Directors decided not to arrange interest rate hedges, although this is considered to be a significant risk that Company's management should monitor closely on a continuous basis.

In addition, a portion of the financial debt and of some of the balances with Group companies are in foreign currencies.

Therefore, the main market risks to which the Company is exposed are interest rate and foreign currency risk.

c.1) Interest rate risk:

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

	2018	2017
Average interest rate	1.78%	1.94%
Average financial debt drawn (thousands of euros)	469,317	466,809

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

Change in interest rate +0.50%	2018	2017
Change in borrowing costs (thousands of euros)	1,802	2,334

c.2) Foreign currency risk:

At 31 December 2018, there is no financial debt disposed in foreign currency so the Company is not exposed to foreign currency risk. At 31 December 2017 the financial debt drawn in a foreign currency was in sterling pounds:

	Thousands of Euros	
	2018	2017
Financial debt subject to foreign currency risk	-	22,699
Average financial debt drawn subject to foreign currency risk	11,445	22,918

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

	2018		2017	
Change in exchange rate	+0.50%	-0.50%	+ 0.50%	-0.50%
Change in borrowing costs (thousands of euros)	57	(57)	115	(115)

6. Equity and shareholders' equity

6.1. Share capital

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

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

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

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

Per the notifications of the number of shares submitted to the Spanish National Securities Market Commission (CNMV), the following shareholders owned significant direct and indirect interests in the Company's share capital, more than 3% of share capital, at 31 December 2018:

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

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

6.2. Reserves and Share premium

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

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

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

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

6.3. Treasury shares

At 31 December 2018, the Company holds a total of 283,400 treasury shares at an average cost of EUR 12.01 per share. The value of these treasury shares totalled EUR 3,405 thousand, which is recognised under "Treasury Shares" in the accompanying statement of financial position as at 31 December 2018 (see Note 4.12).

At 31 December 2017, the Company held a total of 112,744 treasury shares at an average cost of EUR 10.52 per share. The value of these treasury shares totalled EUR 1,186 thousand, which is recognised under "Treasury Shares" in the accompanying statement of financial position as at 31 December 2017 (see Note 4.12).

7. Non-current and current payables

The detail of "Non-Current Payables" and "Current Payables" is as follows (in thousands of euros):

	31/12/18	31/12/17
Facilities Agreement	191,941	461,061
US Private Placement lenders	230,000	-
Debt Arrangement fees	(2,841)	-
Total non-current payables	**419,100**	**461,061**
Accrued interests	2,625	207
Debt Arrangement fees	(709)	-
Credit facilities	1,190	16,253
Total current payables	**3,106**	**16,460**
Total bank borrowings	**422,206**	**477,521**

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

In accordance with the law, the Company has therefore cancelled the original liabilities, recognised the new financial liability at amortised cost, and charged the arrangement expenses of the previous debt in the attached consolidated profit and loss account amounting EUR 2,782 thousand.

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

a) Syndicated loan and private placement debt

The syndicated loan bears interest at Euribor for tranches in Euros and at Libor for tranches in foreign currency (currently not drawn) plus a spread based on the level of debt; on 31 December 2018, 1.10% for Facility A and 1.0% for Facility B.

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

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

The structure of the financial debt in 2018 and 2017 is as follows:

2018

Tranche	Thousands of Euros			Maturity
	Limit	Drawn by the Company	Drawn by the Group	
Facility A "Term Loan "	200,000	11,941	200,000	27/06/2023
Facility B "Revolving Credit Facility"	400,000	180,000	180,000	27/06/2023
US Private Placement lenders - 7 years	150,000	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	80,000	27/06/2028
Accrued interests	-	2,625	3,096	
Debt arrangement expenses	-	(3,550)	(4,734)	
Total	**830,000**	**421,016**	**608,362**	

The amount drawn by the Company in 2018 is as follows:

- "Facility A" tranche amounts EUR 12 million.
- "Facility B" tranche amounts EUR 180 million.
- The private placement debt has been drawn down in full; EUR 230 million.

2017

Tranche	Thousands of Euros			Maturity
	Limit	Drawn by the Company	Drawn by the Group	
Facility A1	478,903	441,866	478,903	26/06/2020
Facility A2	84,668	-	84,668	26/06/2020
Facility A3	24,458	24,458	24,458	26/06/2020
Facility B	150,000	-	-	26/06/2020
Effect of exchange rate changes	-	(1,759)	13,182	
Accrued interest	-	207	250	
Debt arrangement expenses	-	(3,504)	(4,968)	
Total	**738,029**	**461,268**	**596,493**	

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

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

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

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

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

a.2) Guarantees given

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

The detail, by maturity, of "Non-Current Payables" and "Current Payables" is as follows (in thousands of euros):

2018

	Short Term	2020	2021	2022	2023 onwards	Long Term
Facility A "Term Loan"	-	-	-	-	11,941	11,941
Facility B "Revolving Credit Facility"					180,000	180,000
US Private Placement lenders	-	-	-	-	230,000	230,000
Accrued interest	2,625	-	-	-	-	-
Debt Arrangement expenses	(709)	(711)	(709)	(709)	(712)	(2,841)
Credit Facilities	1,190	-	-	-	-	-
Total	**3,106**	**(711)**	**(709)**	**(709)**	**421,229**	**419,100**

2017

	2018	2019	2020	Total
Bank borrowings	16,253	-	461,061	477,314
Short-term interest	207	-	-	207
Total	**16,460**	-	**461,061**	**477,521**

8. Tax

8.1. Tax assets and tax liabilities

The detail of the current and non-current tax assets and tax liabilities at the end of 2018 and 2017 is as follows (in thousands of euros):

2018

	Tax assets	Tax liabilities
Non-current balances:		
Deferred tax assets	471	2,927
Tax credits for tax loss carryforwards (Note 8.5)	26,166	-
Withholding taxes and other tax credits	4,380	-
Total non-current balances	**31,017**	**2,927**
Current balances:		
Accrued social security taxes payable	-	9
VAT payable	-	1,454
Personal income tax withholdings payable	-	93
VAT receivable	1,250	-
Income tax withholdings receivables	10,375	-
Total current balances	**11,625**	**1,556**

2017

	Tax assets	Tax liabilities
Non-current balances		
Deferred tax assets	3,848	-
Tax credits for tax loss carryforwards (Note 8.5):	28,003	-
Withholding taxes and other tax credits	4,380	-
Total non-current balances	**36,231**	-
Current balances:		
Accrued social security taxes payable	-	11
VAT payable	-	1,600
Personal income tax withholdings payable	-	101
Income tax withholdings receivables	8,674	-
Total current balances	**8,674**	**1,712**

8.2. Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit (loss) to the taxable profit (tax loss) for corporate income tax purposes is as follows (in thousands of euros):

	2018	2017
Accounting profit before tax	**27,745**	**24,914**
Permanent differences	(36,743)	(38,186)
Temporary differences	(24,502)	(18,182)
Tax loss	**(33,500)**	**(31,454)**
Tax profits from subsidiaries	88,808	66,754
Tax losses from subsidiaries	(6,612)	(6,010)
Tax base before tax consolidation adjustments	**48,696**	**29,290**
Offset of tax losses	(12,174)	(7,322)
Taxable profit	**36,522**	**21,968**
Tax charge	**9,130**	**5,492**
Offset of tax credits	(6,934)	(4,211)
Tax withholdings and prepayments	(12,571)	(6,181)
Corporate Income tax refundable (-) / payable(+)	**(10,375)**	**(4,900)**

The permanent differences in 2018 relate mainly to the application of transitory rule 23 of the Spanish Income Tax Law (inspired by the former Article 30.6 of the Consolidated Spanish Income Tax Law), permitting the non-inclusion in the tax base of dividends received from the Spanish subsidiaries (and, therefore, their consideration as a reduction of the tax base of the ownership interest) and the claim for a double taxation tax credit, provided that there is evidence that the seller has effectively been taxed on an amount equal to the dividend received.

Pursuant to this rule, a portion of the dividend, was adjusted downwards, EUR 26,262 thousand, paid by the subsidiary Applus Servicios Tecnológicos, S.L.U, also included the remaining amount of the dividend of EUR 10,481 thousand, of a total of EUR 36,743 thousand, which is exempt based on article 21 on Spanish Income Tax Law (see Note 10.1). It should also be noted that the Company has opted to apply the tax regime for foreign-securities holding companies (ETVEs) envisaged in Articles 107 et seq. of the Spanish Income Tax Law.

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During 2017 the permanent differences relate mainly to the application of transitory rule 23 of the Spanish Income Tax Law (inspired by the former Article 30.6 of the Consolidated Spanish Income Tax Law), permitting the non-inclusion in the tax base of dividends received from Spanish subsidiaries (and, therefore, their consideration as a reduction of the tax base of the ownership interest) and the claim for a double taxation tax credit, provided that there was evidence that the seller has effectively been taxed on an amount equal to the dividend received. Pursuant to this rule, a portion of the dividend, EUR 27,895 thousand, paid by the subsidiary Applus Servicios Tecnológicos, S.L.U., totalling EUR 39,027 thousand (see Note 10.1), was adjusted downwards. In addition, permanent differences also included the remaining amount of the dividend of EUR 11,132 thousand, which is exempt based on article 21 on Spanish Income Tax Law, and other non-deductible expenses, amounting to EUR 841 thousand. It should also be noted that the Company opted to apply the tax regime for foreign-securities holding companies (ETVEs) envisaged in Articles 107 et seq. of the Spanish Income Tax Law.

The temporary differences for 2018 relate mainly, to the amount of prior years' deductible borrowing costs amounting to EUR 25,142 thousand recognised in 2018 pursuant to Article 16 of the Spanish Income Tax Law, and to the reversal of provisions considered non-deductible for tax purposes, amounting EUR 640 thousand.

For 2017, temporary differences relate mainly to the amount of prior years' deductible borrowing costs amounting to EUR 11,180 thousand recognised in 2017 pursuant to Article 16 of the Spanish Income Tax Law, and to the reversal of provisions considered non-deductible for tax purposes, amounting to EUR 4,713 thousand, and to capital increase expenses amounting to EUR 2,241 thousand.

8.3. Reconciliation of the accounting profit to the corporate income tax expense (benefit)

The reconciliation of the accounting profit to the corporate income tax expense (benefit) for 2018 and 2017 is as follows (in thousands of euros):

	2018	2017
Accounting profit before tax	**27,745**	**24,914**
Permanent differences	(36,743)	(38,186)
Taxable accounting loss	**(8,998)**	**(13,272)**
Tax charge	**(2,250)**	**(3,318)**
Adjustments and recognitions/derecognition of tax credits and others	3,551	39
Deduction of unrecognised tax assets	(5,553)	(2,866)
Total corporate income tax expense (benefit) recognised in profit or loss	**(4,252)**	**(6,145)**

The unrecognised tax deductions applied during 2018 and 2017 financial years mainly correspond to the internal double taxation deduction.

8.4. Breakdown of corporate income tax benefit (expense)

The breakdown of the corporate income tax (benefit) expense is as follows:

	Thousands of Euros	
	2018	2017
Current tax:		
Continuing operations	(12,393)	(4,187)
Discontinued operations	-	-
Deferred tax:		
Continuing operations	8,141	(1,958)
Discontinued operations	-	-
Total tax expense (benefit)	**(4,252)**	**(6,145)**

8.5. Deferred tax assets recognised

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

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

At 31 December 2018 and 2017, the prior year's tax loss carryforwards of the company recognised in the accompanying statement of financial position were as follows:

2018

	Thousands of Euros	
	Tax loss carryforwards	Tax asset recognised (Note 8.1)
2009	18,720	4,680
2010	51,715	12,929
2011	34,230	8,557
Total	**104,665**	**26,166**

2017

	Thousands of Euros	
	Tax loss carryforwards	Tax asset recognised (Note 8.1)
2009	26,067	6,516
2010	51,715	12,929
2011	34,230	8,558
Total	**112,012**	**28,003**

Additionally, "Deferred Tax Assets" of the accompanying statement of financial position as at 31 December 2018 includes the deferred tax assets amounting to EUR 106 thousand (31 December 2017: EUR 3,631 thousand) relating to finance costs that were not tax-deductible, according to applicable tax policies. This heading also includes other positive temporary differences amounting to EUR 364 thousand in 2018 and EUR 217 thousand in 2017.

Finally, "Deferred Tax Assets" includes EUR 4,380 thousand corresponding to the recognition of withholding taxes for domestic double taxation (same amount in 2017).

At the end of each year the Company's Directors analyse the recoverability of the deferred tax assets and only recognise those that they consider will probably be recovered in 10 years maximum.

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

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

8.6. Deferred tax assets not recognised

The detail of the tax losses not recognised in the accompanying statement of financial position as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	Tax Loss carryforwards	Tax credit not recognised
2007	5,077	1,269
Total	**5,077**	**1,269**

The detail of the withholding taxes and other tax credits not recognised in the accompanying statement of financial positions at 31 December 2018 and 2017 is as follows (in thousands of euros):

Year	Description	31/12/18	31/12/17
2013	Domestic double taxation tax credit	23,774	21,656
2014	Domestic double taxation tax credit	4,313	4,313
2015	Domestic double taxation tax credit	4,227	4,227
2016	Domestic double taxation tax credit	3,996	3,996
2017	Domestic double taxation tax credit	5,021	5,021
2018	Domestic double taxation tax credit	4,727	-
	Total	**46,058**	**39,213**

Additionally, the detail of the tax credits generated by Idiada Automotive Technology S.A. is as follows (in thousands of euros):

Year	Description	31/12/18	31/12/17
2009	Specific activities taxation tax credit	-	868
2010	Specific activities taxation tax credit	1,033	1,033
2011	Specific activities taxation tax credit	1,118	1,118
2012	Specific activities taxation tax credit	1,600	1,600
2013	Specific activities taxation tax credit	1,161	1,161
2014	Specific activities taxation tax credit	1,477	1,477
2015	Specific activities taxation tax credit	1,138	1,138
2016	Specific activities taxation tax credit	1,153	1,153
2017	Specific activities taxation tax credit	868	-
	Total	**9,548**	**9,548**

8.7. Open years for review and tax audits

Under current Spanish legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2018 year-end the Company has 2012, 2014, and subsequent years open for review by the tax authorities for income tax, and 2015 and subsequent years open for review by the tax authorities for the rest of applicable taxes.

The Company's Directors, in agreement with their tax advisers, consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

These notes to the financial statements do not include the information referred to the Article 42 bis of Royal Decree 1065/2007 related to persons resident in Spain, whether legal entities that are beneficiaries or holders of accounts abroad or individuals from the Company who are authorised representatives for accounts abroad held by a Company subsidiary non-resident in Spain, since such information is duly recorded and detailed in the Company's accounting records pursuant to Article 42 bis 4.b of Royal Decree 1065/2007.

9. Income and expenses

9.1. Revenue

The Company's revenue relates in full to transactions carried out with Group companies (see Note 10.1).

The detail of the revenue for 2018 and 2017 is as follows (in thousands of euros):

	2018	2017
Dividend revenue	36,743	39,027
Finance revenue	18,148	27,431
Management fee revenue	3,530	3,373
Total	**58,421**	**69,831**

9.2. Staff costs

The detail of "Staff Costs" in the statement of profit or loss for 2018 and 2017 is as follows (in thousands of euros):

	2018	2017
Wages and salaries	3,094	5,841
Termination benefits	75	-
Employer social security costs	94	107
Other employee benefit costs	112	68
Total	**3,375**	**6,016**

During 2017, EUR 2,620 thousand were included in wages and salaries related to group's initial public offering incentive economic plans.

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

2018

Category	Men	Women	Total
Top management	5	-	5
Middle management	1	-	1
Supervisors	-	1	1
Total	**6**	**1**	**7**

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2017

Category	Men	Women	Total
Top management	6	-	6
Middle management	1	-	1
Supervisors	-	1	1
Total	**7**	**1**	**8**

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

2018

Category	Men	Women	Total
Top management	5	-	5
Middle management	1	-	1
Supervisors	-	1	1
Total	**6**	**1**	**7**

2017

Category	Men	Women	Total
Top management	6	-	6
Middle management	1	-	1
Supervisors	-	1	1
Total	**7**	**1**	**8**

In 2018 and 2017, Applus Services, S.A. has no employees with a disability equal to or greater than 33%.

10. Transactions and balances with Group and related companies

10.1. Transactions with Group and related companies

The detail of the transactions with Group and related companies in 2018 and 2017 is as follows:

2018

	Thousands of Euros			
	Dividend revenue	Finance income	Finance cost	Services rendered
Applus Servicios Tecnológicos, S.L.U.	36,743	3,852	873	3,530
Applus Iteuve Technology, S.L.U.	-	2,486	863	-
Arctosa Holding, B.V.	-	1,947	19	-
Röntgen Technische Dienst Holding, B.V.	-	1,777	1,753	-
Libertytown Usa 1, Inc.	-	1,191	-	-
Ringal Invest, S.L.U.	-	1,100	-	-
Libertytown Usa Finco, Inc.	-	1,029	-	-
Libertytown Australia Pty, Ltd.	-	722	-	-
Velosi Europe Ltd.	-	610	324	-
Velosi Industries Sdn Bhd.	-	598	-	-
Libertytown Applus Rtd Germany, Gmbh.	-	531	-	-
Röntgen Technische Dienst, B.V.	-	394	483	-
John Davidson & Associates Pty, Ltd.	-	234	-	-
Applus RTD Norway, As.	-	208	-	-
Applus Pty Ltd.	-	176	6	-
Applus Norcontrol Guatemala, S.A.	-	159	-	-
LGAI Technological Center, S.A.	-	158	1,236	-
Velosi Certification Services L.L.C (Abu Dhabi)	-	146	121	-
Applus Energy, S.L.U.	-	135	-	-
Rtd Quality Services, Inc. (Canada)	-	99	206	-
Applus Norcontrol, S.L.U.	-	-	2,182	-
Applus Car Testing Service, Ltd.	-	-	1,058	-
Applus Iteuve Euskadi, S.A.U.	-	-	566	-
Novotec Consultores, S.A.U.	-	-	259	-
Applus Technologies, Inc.	-	-	214	-
RTD Holding Deutschland, Gmbh.	-	-	188	-
Others	-	596	740	-
Total	**36,743**	**18,148**	**11,091**	**3,530**

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2017

	Thousands of Euros			
	Dividend revenue	Finance income	Finance cost	Services rendered
Applus Servicios Tecnológicos, S.L.U.	39,027	4,033	923	3,373
Azul Holding 2, S.à.r.l.	-	7	-	-
Applus Iteuve Technology, S.L.U.	-	10,122	4,619	-
Arctosa Holding, B.V.	-	3,647	31	-
Röntgen Technische Dienst Holding, B.V.	-	2,287	5,183	-
Libertytown USA Finco, Inc.	-	1,924	-	-
Ringal Invest, S.L.U.	-	1,091	-	-
Libertytown Australia, PTY, Ltd.	-	780	-	-
SAST International, Ltd.	-	387	-	-
Velosi Europe, Ltd.	-	527	348	-
Velosi Industries Sdn Bhd.	-	398	-	-
Libertytown Applus Rtd Germany, Gmbh.	-	408	-	-
Applus Pty, Ltd.	-	302	-	-
Röntgen Technische Dienst, B.V.	-	274	643	-
Applus RTD Norway, As.	-	192	-	-
LGAI Technological Center, S.A.	-	74	1,678	-
Applus Norcontrol, S.L.U.	-	-	2,659	-
Applus Car Testing Services, Ltd.	-	-	1,024	-
Applus Iteuve Euskadi, S.A.U.	-	-	555	-
Novotec Consultores, S.A.U.	-	-	289	-
RTD Holding Deutschland, Gmbh.	-	-	188	-
Applus Technologies, Inc.	-	-	179	-
John Davidson & Associates Pty, Ltd.	-	232	-	-
Applus Energy, S.L.U.	-	121	-	-
Velosi Certification Services L.L.C.	-	110	233	-
Others	-	515	657	-
Total	**39,027**	**27,431**	**19,209**	**3,373**

On 30 June 2018, the subsidiary Applus Servicios Tecnológicos, S.L.U. approved the distribution of a dividend amounting to EUR 10,743 thousand out of profit for 2017. Subsequently, on 21 December 2018, the same subsidiary approved an interim dividend amounting EUR 26,000 thousand with charge to its profit for the year.

On 29 June 2017, the subsidiary Applus Servicios Tecnológicos, S.L.U. declared a dividend totalling EUR 6,027 thousand with charge to its profit for 2016. Subsequently, on 19 December 2017, the same subsidiary approved an interim dividend totalling EUR 33,000 thousand with charge to its profit for 2017.

Also, the Company has a "Management fee" agreement with Applus Servicios Tecnológicos, S.L.U. under which the Company charges the management, analysis and business plan development services and, overheads, among others. The amount payable under this agreement was established on the basis of a report prepared by an independent expert and is in line with market prices.

Additionally, the Company holds loans and cash pooling agreements with its subsidiaries, which generate finance income and expenses. The amount of these agreements was set based on a professional valuer's report at market rates.

10.2. Balances with Group and related companies

The detail of the balances with related companies reflected in the statement of financial position as at 31 December 2018 and 2017 is as follows:

2018

	Thousands of Euros					
	Long-term credits (Note 5.1)	Short-term credits (Note 5.2)	Other financial assets (Note 5.2)	Long-term loans	Short-term loans	Trade receivables
Applus Servicios Tecnológicos, S.L.U.	-	102,253	-	-	22,710	1,213
Libertytown Usa 1, Inc.	55,219	744	-	-	-	-
Applus Iteuve Technology, S.L.U.	-	52,452	-	-	-	-
Ringal Invest, S.L.U.	-	20,299	-	-	499	-
Velosi Industries Sdn Bhd.	-	15,513	-	-	-	2
Libertytown Applus RTD Germany, Gmbh.	-	14,795	-	-	-	142
Libertytown Australia Pty, Ltd.	8,829	5,129	-	-	-	-
Röntgen Technische Dienst Holding, B.V.	23,527	10,001	-	-	26,769	-
Applus Iteuve Euskadi, S.A.U.	-	-	-	-	14,634	-
LGAI Technological Center, S.A.	-	7,721	-	24,724	297	-
Supervisión y Control, S.A.U.	-	4,380	-	-	25,105	-
Applus Car Testing Service, Ltd.	-	-	-	9,930	14,606	14
Applus Norcontrol, S.L.U.	-	250	-	-	55,349	-
Idiada Automotive Technology, S.A.	3,500	6,548	-	-	3,621	-
Applus RTD Norway, As.	-	5,774	-	-	-	-
Röntgen Technische Dienst, B.V.	-	7,633	-	-	6,334	35
Applus Norcontrol Guatemala, S.A.	-	5,471	-	-	-	8
Arctosa Holding, B.V.	-	4,433	-	-	-	-
John Davidson & Associates Pty, Ltd.	-	4,171	-	-	-	-
Applus Iteuve Galicia, S.L.U.	-	3,977	-	-	35	-
Applus Energy, S.L.U.	-	3,764	-	-	138	-
Applus Pty Ltd.	-	3,384	-	-	2	-
Velosi Certification Services L.L.C (Abu Dhabi)	-	2,988	-	-	-	1
Applus Deutschland inspektions-Gesellschaft, Gmbh	-	1,700	-	-	-	-
Libertytown Usa Finco, Inc.	-	1,485	-	-	-	-
Applus Norcontrol Panamá, S.A.	-	1,318	-	-	-	-
Applus RTD UK, Ltd.	-	1,279	-	-	-	-
Applus Velosi Canada Ltd.	-	1,504	-	-	2,130	-
K2 Specialist Services Pte Ltd.	-	1,013	-	-	1,754	-
Applus Aerospace Uk, Ltd.	-	797	-	-	-	-
Applus Norcontrol Peru, S.A.C.	-	783	-	-	-	1
Velosi Europe Ltd.	-	953	-	-	482	-
Azul Holding, 2, S.à.r.l.	-	356	108	-	-	-
AC6 Metrología S.L.	-	-	-	-	860	-
Norcontrol Inspección S.A. (Mexico)	-	-	-	1,153	16	-
3C Test Limited	-	-	-	-	1,340	-
RTD Quality Services, Inc. (Canada)	-	2,537	-	-	4,166	-
Applus II Meio Ambiente Portugal, Lda.	-	-	-	-	2,455	-
Velosi (HK) Ltd.	-	-	-	-	3,516	-
K1 Kasastajat, OY	-	-	-	-	3,804	-
RTD Holding Deutschland, Gmbh.	-	-	-	-	4,777	-
Novotec Consultores, S.A.U.	-	1,416	-	-	7,835	-
Sast International Ltd.	-	-	-	-	9,973	-
Others	-	1,500	-	-	1,942	159
Total	**91,075**	**298,321**	**108**	**35,807**	**215,149**	**1,575**

2017

	Thousands of Euros					
	Long-term credits (Note 5.1)	Short-term credits (Note 5.2)	Other financial assets (Note 5.2)	Long-term loans	Short-term loans	Trade receivables
Arctosa Holding, B.V.	188,059	1,858	-	-	1	-
Applus Iteuve Technology, S.L.U.	41,518	117,947	-	-	110,455	-
Röntgen Technische Dienst Holding, B.V.	23,995	9,777	-	-	48,663	-
Libertytown Usa Finco, Inc.	41,346	559	-	-	-	-
Libertytown Australia Pty, Ltd.	8,829	4,625	-	-	-	-
IDIADA Automotive Technology, S.A.	3,500	4,895	-	-	2,391	-
LGAI Technological Center, S.A.	1,394	1,062	-	24,724	16,022	-
Novotec Consultores, S.A.U.	-	690	-	-	5,069	-
Applus Norcontrol, S.L.U.	-	193	-	-	58,918	-
Applus Servicios Tecnológicos, S.L.U.	-	104,179	-	-	20,162	1,090
Ringal Invest, S.L.	-	26,287	-	-	240	-
Sast International Ltd.	-	8,662	-	-	-	-
Velosi Industries Sdn Bhd.	-	13,888	-	-	-	-
Velosi Europe Ltd.	-	13,011	-	-	9,129	4
Libertytown Applus RTD Germany, Gmbh.	-	11,487	-	-	-	142
Applus Pty Ltd.	-	4,845	-	-	-	1
Röntgen Technische Dienst, B.V.	-	6,232	-	-	17,104	35
Applus Energy, S.L.U.	-	3,299	-	-	20	-
Applus RTD Norway, As.	-	4,476	-	-	-	-
John Davidson & Ass. Pty Ltd.	-	5,608	-	-	-	-
Applus Norcontrol Guatemala, S.A.	-	2,354	-	-	-	5
Applus RTD Canada, Lp.	-	1,639	-	-	7,864	-
Azul Holding 2, S.à.r.l.	-	308	108	-	-	-
K1 Kasastajat, OY	-	-	-	-	3,354	-
RTD Holding Deutschland, Gmbh.	-	-	-	-	4,777	-
K1 Total, Oy	-	-	-	-	957	-
Applus Car Testing Service, Ltd.	-	-	-	9,931	13,176	5
Applus Iteuve Euskadi, S.A.U.	-	-	-	-	14,345	-
Applus Technologies, Inc.	-	-	-	-	4,272	-
Applus Norcontrol Panamá, S.A.	-	-	-	-	1,111	3
Applus RTD UK, Ltd.	-	-	-	-	1,898	-
Applus Velosi Canada Ltd.	-	1,383	-	-	2,312	-
Norcontrol Inspección, S.A. (Mexico)	-	-	-	1,024	248	-
Autoservices Online, S.L.	-	-	-	-	402	-
Velosi Certification Services LLC	-	3,211	-	-	4,711	32
PT Java Velosi Mandiri	-	3,210	-	-	-	-
K2 Specialist Services PTE Ltd.	-	1,209	-	-	3,360	-
Applus RTD PTE, Ltd. (Singapore)	-	-	-	-	2,048	2
Applus RTD Deutschland Inspektions-Gesellschaft, Gmbh.	-	3,120	-	-	-	-
Velosi Saudi Arabia Co Ltd.	-	2,239	-	-	-	-
Applus Euskadi Holding, S.L.U.	-	1,579	-	-	1	-
Others	-	1,640	-	-	1,780	32
Total	**308,641**	**365,472**	**108**	**35,679**	**354,790**	**1,351**

"Short-term credits from Group companies" and "Short-term loans to Group companies" include accounts receivable and accounts payable with various Group companies arising from the Company's inclusion as the head of the consolidated tax group, accounts receivable amounting at 31 December 2018 to EUR 30,294 thousand and accounts payable amounting to 7,875 EUR thousand (2017: accounts receivable EUR 14,311 thousand and accounts payable EUR 3,911 thousand included in Long-term credits from Group companies" and "Long-term loans to Group companies") (see Note 4.3).

In addition, under "Current Receivables" and "Current Payables", amounts of EUR 180,045 thousand and EUR 162,483 thousand are recognised, respectively, in relation to the cash-pooling agreement maintained with the other Group companies (EUR 146,370 and EUR 337,200 thousand respectively in 2017).

"Long-term credits to Group companies" include loans with related parties, which have a maturity between 2020 and 2021.

Also, under "Other financial assets" there are recognised the dividends receivable at the end of 2018 and 2017 (see Note 5.2).

Group credits and loans generate an interest at market rates.

10.3. Disclosures on Directors and Senior Executive

Remuneration of and obligations to the Board of Directors

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

a) Annual remuneration:

	Thousands of Euros					
	31/12/18			31/12/17		
	Executive Director	Members of the Board of Directors	Total	Executive Director	Members of the Board of Directors	Total
Fixed remuneration	750	-	**750**	650	-	**650**
Variable remuneration	600	-	**600**	325	-	**325**
Other items	37	-	**37**	40	-	**40**
Non-executive Chairman and Independent Directors	-	588	**588**	-	560	**560**
Corporate Social Security Committee	-	50	**50**	-	50	**50**
Appointments & Compensation Committee	-	66	**66**	-	70	**70**
Audit Committee	-	70	**70**	-	70	**70**
Total	**1,387**	**774**	**2,161**	**1,015**	**750**	**1,765**

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

In 2018 and 2017 the Executive Director and the members of the Board of Directors did not earn or receive any termination benefits.

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b) Long-term Incentive Plan ("LTI"):

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

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

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

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

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

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

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

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

Remuneration of and obligations to Senior Executives

Senior Executives are those who in 2017 were part of the Group's Executive Committee according to actual accounting legislation. The breakdown of the remuneration earned in 2018 and 2017 by the Company's Senior Executives is as follows:

a) Annual remuneration:

	Thousands of Euros	
	31/12/18	31/12/17
Fixed remuneration	645	630
Variable remuneration	229	226
Other items	80	80
Pension plans	17	17
Total	**971**	**953**

In 2018 and 2017 the Company's Senior Executives did not earn or receive any termination benefits.

In addition to the variable remuneration of EUR 229 thousand, Senior Executives are the beneficiary of a variable remuneration plan comprising the annual delivery of a fixed number of RSUs. The plan is approved annually by the Appointments and Compensation Committee and ratified by the Board of Directors. At 2018 year-end three plans had been approved and ratified, as follows:

On 23 February 2016, the delivery of 25 thousand RSUs to Senior Executives was approved and ratified. The related shares will be delivered in March 2017 (30%), 2018 (30%) and 2019 (40%).

On 22 February 2017, the delivery to Senior Executives of 21 thousand RSUs was approved and ratified. The related shares will be delivered in March 2018 (30%), 2019 (30%) and 2020 (40%). The aforementioned plan was awarded to management personnel in accordance with the new organizational structure.

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

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

Senior Executives	**31/12/15**	**31/12/16**	**31/12/17**	**31/12/18**	**31/12/19**	**31/12/20**	**31/12/21**	**Total**
Long-term incentive plans (RSUs)								
Number of RSUs delivered (*)	14,849	25,158	21,111	19,963				**81,081**
RSU delivery date	March 15	March 16	March 17	March 18				
Share value at RSU delivery date (euros)	10.18	7.13	10.70	11.31				
Date of conversion into shares		March 16	March 17	March 18	March 19	March 20	March 21	
Gross number of RSUs convertible into shares		4,455	12,002	19,820	22,385	14,433	7,986	**81,081**
Number of RSUs delivered (net of withholding tax) or cash equivalent (*)		2,958	11,248	17,395				**31,601**

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

Impact on profit or loss	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Active Plans	1	2	3	4	3	2	1	
Impact on profit or loss (thousands of euros)	38	90	206	247	187	122	19	**909**

Based on the vesting schedule, Company Senior Executives received 17,395 shares in March 2018 (11,248 shares in March 2017). This quantity is the result of applying the withholding tax corresponding to the amount agreed with each executive.

b) Multiannual remuneration and Long-Term Incentive:

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

Senior Executives	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	Total
RSUs + PSUs-settled long-term incentive plans							
Number of RSUs + PSUs delivered	24,962	20,253	19,166				**64,381**
RSU + PSU delivery date	October 16	February 17	February 18				
Share value at RSU + PSU delivery date (euros)	8.68	10.70	11.31				
Date of conversion into shares				February 19	February 20	February 21	
Number of PSUs convertible into shares				24,962	20,253	19,166	**64,381**

Impact on profit or loss	2016	2017	2018	2019	2020	Total
Active Plans	1	2	3	2	1	
Impact on profit or loss (thousands of euros)	72	144	217	144	72	**649**

Life insurance policies have been taken out for certain Company's Senior Executives and such costs are classified under "Other Amounts" in the preceding tables.

At 31 December 2018 and 2017 the Company's Senior Executives are 3 men.

10.4. Information relating to conflict of interest on the part of the Directors

It is hereby stated that the Directors, their individual representatives and their related persons thereto, do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Company or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Companies Act..

11. Foreign currency balances and transactions

At 31 December 2018, the Company had granted loans to Group companies in currencies other than the euro amounting to EUR 143,588 thousand (31 December 2017: EUR 151,404 thousand) and had received foreign currency loans amounting to EUR 92,544 thousand (31 December 2017: EUR 129,659 thousand).

As a result of these balances, the Company's statement of profit or loss includes finance income in currencies other than the euro amounting to EUR 6,869 thousand at 31 December 2018 (31 December 2017: EUR 6,410 thousand) and finance costs in currencies other than the euro amounting to EUR 3,425 thousand (31 December 2017: EUR 3,330 thousand).

The loans granted to the Company relate mainly to loans with Group companies arranged basically in pounds sterling and US dollars.

12. Other disclosures

12.1. Fees paid to auditors

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

	Services provided by the auditor and by related firms	
	2018	2017
Audit services	220	218
Other attest services	83	83
Total audit and related services	**303**	**301**
Tax counselling services	-	-
Other services	-	-
Total professional services	**303**	**301**

12.2. Obligations and other guarantees

The Company had contracted certain obligations and guarantees derived from the financing agreement described in Note 7. These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, refrain from performing certain transactions without the consent of the lender, such as mergers, changes of business activity, share redemptions, and the financial obligation to achieve certain financial ratios, among others.

At 31 December 2018 and 2017, the Company's shares had not been pledged.

At 31 December 2018 and 2017, no banks had provided the Company with guarantees to third parties.

12.3. Disclosures on the payment periods to suppliers

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

	2018	2017
	Days	
Average payment period to suppliers	46	38
Ratio of transactions settled	47	40
Ratio of transactions not yet settled	28	7
	Amount (thousands of euros)	
Total payments made	3,409	3,823
Total payments outstanding	319	182

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

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

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

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

However, most of this pending payment at year end has been paid during the first two months of the year 2019.

12.4. Amendment or extinguishment of agreements

In 2018 no transactions outside the course of the Company's ordinary business operations arose which required the amendment or early extinguishment of any agreement between the Company and any of its directors or persons acting on their behalf.

13. Events after the reporting period

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

14. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

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

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Applus Services, S.A.

Directors' Report for the year ended 31 December 2018

Formally prepared by the directors of Applus Services, S.A. in relation to the year ended 31 December 2018.

Dear Shareholders:

We are pleased to submit to you this report on the Company's performance in 2018 and on its progress up to the present date.

Company performance and earnings

Revenues for the year have decreased compared to 2017, mainly due to lower financial income from group companies. This reduction is a result of the cancellation of the credits held by the company with different subsidiaries regarding the old financial structured cancelled in July 2018.

Personnel expenses have been reduced compared to previous year due to the end in May 2017 of the Historical Management Incentive Plan related to the IPO, which ended in May 2017.

Financial result for the year has improved compared to 2017 due to the reduction on interests expense as for the new conditions of the new financial debt from July 2018. There's also a positive FX impact.

The Board will propose to shareholders at the Annual General Meeting a dividend of 15 cents per share (2017: 13 cents), an increase of 15.4% on the prior year. This is equivalent to EUR 21.4 million (2017: EUR 18.6 million).

Main risks

The main risks to which the Company is exposed are those typically faced by a holding company and the industry in which its subsidiaries operate.

The policy of the directors is to take the decisions that they may consider appropriate in order to mitigate any kind of risk related to the Company's activities.

Treasury share transactions

At 31 December 2018, the Company holds a total of 283,400 treasury shares at an average cost of EUR 12.01 per share. The value of these treasury shares amounts to EUR 3,405 thousand.

At 31 December 2017, the Company held a total of 112,744 treasury shares at an average cost of EUR 10.52 per share. The value of these treasury shares amounted to EUR 1,186 thousand.

Use of financial instruments

The Group policy establishes the use of financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets if needed. The Company do not hold any derivative financial instruments at the end of 2018.

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Significant events after the reporting period

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

Disclosures on the payment periods to suppliers

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

	2018	2017
	Days	
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The data shown in the foregoing table in relation to payments to suppliers relate, pursuant to the ICAC Resolution, to commercial transactions relating to goods supplied and services provided since the entry into force of Law 31/2014, of 3 December.

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

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

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

Annual Corporate Governance Report

The annual Corporate Governance report can be consulted in the in the Applus Group web page and in the "Comisión Nacional de Mercado de Valores (CNMV)".

www.cnmv.es

www.applus.com

Applus Services, S.A.

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

In accordance with the provisions of article 253 of the Spanish Companies Act and article 34 of the Spanish Code of Commerce, the Board of Directors of Applus Services, S.A., in its meeting 20 February 2019, has drawn up the financial statements (comprising the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and the explanatory notes) and the management report for year 2018, which are included in the documents preceding this signature page and their annexes, all of them correlatively ordered.

Barcelona, 20 February 2019

D. Christopher Cole
Chairman

D. Ernesto Gerardo Mata López
Director

D. John Daniel Hofmeister
Director

D. Fernando Basabe Armijo
Director

D. Richard Campbell Nelson
Director

D. Nicolás Villén Jiménez
Director

Dª. Maria Cristina Henríquez de Luna Basagoiti
Director

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

Appendix I - Companies included in the scope of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Name	Velosi Certification Services LLC	Velosi Certification WLL	PT Java Velosi Mandiri	Velosi Certification WLL	Velosi PromService LLC	Velosi LLC	Velosi Bahrain WLL	Velosi LLC
Registered office	# 201, Block B, Abu Dhabi Business Hub, ICAD-1, Mussafah, PO Box 427 Abu Dhabi (United Arab Emirates).	Block 9, Building 24, Office 21, Ground Floor, East Ahmadi, Industrial Area, P O Box # 1589, Salmiya – 22016 (Kuwait).	Plaza Aminta 9th Floor, Jl. TB Simatupang Kav. 10, Jakarta, 12310 (Indonesia)	Building No 121340, First Floor New Salata, C Ring Road, P.O. Box 3408, Doha (Qatar).	Russian Federation, 125130, Moscow, Staropetrovsky proezd, 7A, bld. 19, office 7 (Russia).	38 Kurilskaya str., Yuzjno-Sakhalinsk (Russia).	Flat 11, Building 1033, Road 3721, Block 337, Menama / UMM Alhassam (Bahrain).	Block no 227 Stella Building, Post Box 231 Hamriya. Way no 3748 (Oman).
Line of business	Provision of construction project quality management services, management system certification, quality management of the maintenance of existing facilities and equipment and mandatory inspection services	Provision of industrial consultancy	Provision of engineering consultancy services, such as quality control and non-destructive testing (NDT) inspection services, provision of skilled labor with vocational training	Provision of inspection and analysis and technical services in the area of qualified technical jobs	Provision of quality assurance and control, general inspection, corrosion control and services for the supply of labor for the oil and gas industries	Holding Company	Provision of quality control and standardization services, industrial inspection services and general services	Provision of certification, engineering and inspection services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	49%	24%	0%	24%	100%	100%	100%	50%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

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

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

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

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

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

Appendix II - Out of the scope of consolidation

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

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

The members of the Board of Directors of Applus Services, S.A. declare that, to the best of their knowledge, the individual financial statements of Applus Services, S.A. (comprising the statement of financial position, statement of profit or loss, the statement of changes in equity, the statement of cash flows and the explanatory notes) for the year ended at 31 December 2017, prepared in accordance with the accounting policies applicable and approved by the Board of Directors at its meeting on 20 February 2019, present fairly the equity, financial position and results of Applus Services, S.A., and that the management report accompanying such financial statements includes a fair analysis of the business' evolution, results and the financial position of Applus Services, S.A, as well as a description of the principal risks and uncertainties that the company faces. All the Directors have signed on this page to certify the above mentioned.

Barcelona, 20 February 2019

D. Christopher Cole
Chairman

D. Ernesto Gerardo Mata López
Director

D. John Daniel Hofmeister
Director

D. Fernando Basabe Armijo
Director

D. Richard Campbell Nelson
Director

D. Nicolás Villén Jiménez
Director

Dª. Maria Cristina Henríquez de Luna Basagoiti
Director

Applus Services, S.A. and Subsidiaries

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte, S.L.
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España

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Applus Services, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

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

Basis for Opinion

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

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

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

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Key Audit Matters

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

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

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

Recovery of deferred tax assets

Description

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

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

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

Procedures applied in the audit

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

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

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

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

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

Provisions for tax and litigation

Description	Procedures applied in the audit
The Group operates in multiple tax and legal jurisdictions worldwide and, therefore, is subject to a wide variety of specific, sometimes complex, laws and regulations. Note 17 includes a detail of the specific provisions for tax, legal matters, litigation and claims recognised at 31 December 2018, together with other disclosures related to these items. At the end of each reporting period Group management assesses the need for and sufficiency of the aforementioned provisions, taking into consideration the available information and the circumstances prevailing at any given time. In this process, Group management has the support of external advisers engaged for this purpose. The determination of the amounts recognised and the disclosures included in the notes to the consolidated financial statements involve a high level of estimates, judgements and assumptions due to uncertainties about the range of possible resolutions of litigation and claims in process and, therefore, this matter was considered to be a key audit matter.	Our audit procedures to address this matter included, among others, the obtainment, through direct confirmation processes, of the assessment carried out by the Group's external advisers for each significant lawsuit or claim in process, the obtainment of the assessment by the Group's legal and tax departments and the obtainment of all available information relating to each significant lawsuit or claim. In the course of our work, we assessed, for all significant lawsuits and claims, the reasonableness of the provisions recognised by involving our experts in each subject matter and in each applicable jurisdiction. Lastly, we also verified that the disclosures required by the applicable accounting regulations are included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3-j, 17, 20-f and 27 to the consolidated financial statements.

Other Information: Consolidated Directors' Report

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

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

Engagement Period

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

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

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

Ana Torrens Borrás
Registered in ROAC under no. 17762

22 February 2019

Appendix I to our auditor's report

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

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

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

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

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

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

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

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

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

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

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

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

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

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Thousands of Euros)

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

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

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

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2018

(Thousands of Euros)

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

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

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018

(Thousands of Euros)

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

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

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018
(Thousands of Euros)

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

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

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018
(Thousands of Euros)

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

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

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

Applus Services, S.A. and Subsidiaries

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

1. Group activities

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

The Parent's Company purpose is as follows:

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

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

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

- Business intermediation services, both locally and abroad.

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

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

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

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

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

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

The subsidiaries and associates directly or indirectly owned by the Parent and included in the scope of consolidation are shown in Appendix I.

The subsidiaries and associates directly or indirectly owned by the Parent and excluded from the scope of consolidation either because they are dormant companies or because effective control over them is not exercised by the shareholders of the Applus Group are shown in Appendix II.

In view of the business activities carried out on by the Parent Company and its subsidiaries, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in the notes to the financial statements.

2. Basis of presentation and basis of consolidation

2.a Basis of presentation of the consolidated financial statements

a) Basis of presentation

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

The Parent's Directors have prepared the Applus Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and taking into account all the mandatory accounting principles and rules and measurement bases and the Spanish Commercial Code, the Spanish Companies Act and other Spanish corporate law applicable to the Group.

These consolidated financial statements for 2018 were prepared from the separate accounting records of the Parent and of each of the consolidated companies (detailed in Appendix I) and, accordingly, they present fairly the consolidated equity, the consolidated financial position, the consolidated results of the Group, the changes in consolidated equity and the consolidated cash flows under EU-IFRSs and the other rules contained in the regulatory financial reporting framework applicable to the Group.

The accounting policies used to prepare these consolidated financial statements comply with all the EU-IFRSs in force at the date of their preparation. The EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group are described in Notes 2 and 3.

b) Comparative information

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

c) Responsibility for the information and use of estimates

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

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

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

Although these estimates were made on the basis of the best information available as of 31 December 2018 on the events analysed, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in the related consolidated statement of profit or loss or consolidated statement of changes in equity, as appropriate.

d) Presentation and functional currency

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

e) Changes in accounting policies

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

f) Materiality

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

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

a) Subsidiaries

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

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The businesses acquired are recognised using the acquisition method so that the assets, liabilities and contingent liabilities of a subsidiary are measured at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (see Notes 3.a and 4). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the net assets and liabilities recognised.

In addition, with respect to the share of third parties, the following must be taken into account:

- The equity of their subsidiaries is presented within the Group's equity under "Non-Controlling Interests" in the consolidated statement of financial position (see Note 13).

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

Also, in accordance with standard practice, the accompanying consolidated financial statements do not include the tax effects that might arise as a result of the inclusion of the results and reserves of the consolidated companies in those of the Parent, since it is considered that no transfers of reserves will be made that are not taxed at source and that such reserves will be used as means of financing at each company.

b) *Associates*

Associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Group holds -directly or indirectly- 20% or more of the voting power of the subsidiary.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the subsidiary, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate.

If as a result of losses incurred by an associate its equity was negative, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

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

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

In 2018 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements. The following standards have been applied in these consolidated financial statements, with no significant impact on the presentation here of and disclosures herein:

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

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

IFRS 15 Revenue from Contracts with Customers

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

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

At the date of formal preparation of these consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):

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

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

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

The Parent's Directors have not considered the early application of the standards and interpretations detailed above and, in any event, application thereof will be considered by the Group once they have been approved, as the case may be, by the European Union.

In any case, the Parent's Directors are assessing the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements, except for the following standards, amendments and interpretations:

IFRS 16 Leases

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

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

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

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

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

e) *Changes in the scope of consolidation*

e.1. Inclusions in the scope of consolidation in 2018:

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

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

- Companies incorporated during 2018:

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

e.1.1. Companies acquired in 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

e.3.1. Companies acquired in 2017

- *Inversiones Finisterre, S.L. acquisition*

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

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

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

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

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

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

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

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

- *Other acquisitions in 2017*

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

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

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

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

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

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

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

3. Accounting and valuation policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) Goodwill

Goodwill represents the excess of the cost of the combination over the fair value of the interest in the net identifiable assets of a subsidiary, jointly controlled entity or acquired associate at the acquisition date. Goodwill relating to the acquisition of subsidiaries or jointly controlled entities is included in intangible assets and goodwill relating to the acquisition of associates is included in investments accounted for using the equity method.

The cost of a business combination is the aggregate of:

- The acquisition-date fair value of the assets acquired, the liabilities assumed and the equity instruments issued.

- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain specified conditions.

The costs incurred to issue equity or debt securities given up in exchange for the items acquired are not included in the cost of a business combination.

Also, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination or, clearly, any costs incurred internally in this connection. Such amounts are charged directly to profit or loss.

If the business combination is achieved in stages and, therefore, the acquirer already held an equity interest in the acquiree immediately before the acquisition date (the date on which control is obtained), the goodwill or gain on a bargain purchase is the difference between:

- The cost of the business combination, plus the acquisition-date fair value of any equity interest previously held by the acquirer in the acquiree.

- The fair value of the identifiable assets acquired less the fair value of the liabilities assumed, determined as indicated above.

Any gain or loss resulting from the remeasurement at fair value of the previously held equity interest in the acquiree at its acquisition-date fair value on the date control is obtained is recognised in the consolidated statement of profit or loss. If the investment in this investee had previously been measured at fair value, any valuation adjustments not yet recognised in profit or loss will be transferred to the consolidated statement of profit or loss. Also, the cost of a business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held equity interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the consolidated statement of financial position date.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete and the provisional amounts may be adjusted in the period required to obtain the necessary information. However, the measurement period shall not exceed one year from the acquisition date. The effects of the adjustments made in that period are recognised retrospectively and comparative information for prior periods must be revised as needed.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration has been classified as equity, in which case subsequent changes in its fair value are not recognised.

If, subsequent to obtaining control, there are transactions to sell or purchase the shares of a subsidiary without losing control thereof, the impacts of these transactions not leading to a change in control are recognised in equity and the amount of goodwill arising on consolidation is not adjusted.

b) *Other intangible assets*

The other intangible assets are identifiable assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost, which includes the allocation of the value of goodwill as a result of the business combinations, where applicable, and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are measured and amortised as follows:

- Administrative concessions or similar items that have been acquired by onerous title are amortised on a straight-line basis over the concession term. The initial cost (fee) and, where applicable, the present value of the future payments which are deemed to be necessary when the assets are handed over to the grantor are included in this line item.

- The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which the Group manages under this name. The main administrative authorisations relate to Spain (Catalonia) and Finland (see Note 5). In the case of Spain (Catalonia), these administrative authorisations are amortised on a straight-line basis over the authorisation term which ends in 2035. In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in 10 years and, therefore, it is being amortised over this period, until 2020.

- Trademarks are measured based on the future royalty income stream from their use. Trademarks are considered to have a finite useful life and are amortised over 25 years, with the exception of the trademark associated with the Velosi Group, which are being amortised over 10 years.

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

- Asset usage rights relate to machinery and fixtures used by the Group in the performance of its business activity and are subject to reversal. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.

- Computer software is amortised on a straight-line basis over five years. Computer system maintenance costs are charged to the consolidated statement of profit or loss in the year they are incurred.

c) *Property, plant and equipment*

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

The companies depreciate their property, plant and equipment using the straight-line method on the basis of the remaining years of estimated useful life of the various items, the detail being as follows:

	Years of estimated useful life
Buildings	20 to 40
Plant	3 to 12
Machinery and tools	3 to 10
Furniture	2 to 10
Computer hardware	4
Transport equipment	3 to 10

The assets that have to be handed over to the Government at the end of the concession term will have been fully depreciated by this date.

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Assets held under finance leases (see Note 3.g) are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the lease agreement. At 31 December 2018, "Property, Plant and Equipment" in the consolidated statement of financial position included EUR 7,989 thousand (31 December 2017: EUR 12,959 thousand) relating to assets held under finance leases.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

d) *Impairment of non-financial assets*

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

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

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

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

In order to calculate the impairment test, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discount rate that reflects market conditions and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the consolidated statement of profit or loss.

The impairment losses on non-financial assets recognised previously (other than goodwill) are reviewed for possible reversal at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount existing prior to the recognition of the impairment loss, less any depreciation or amortisation that should have been recognised. The reversal of an impairment loss on an asset is credited to the consolidated statement of profit or loss.

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

In both cases the projections were based on reasonable and well-founded assumptions and were prepared in accordance with the Group's budget for 2019 and with the Group's strategic plan for 2020-2023 based on past experience and the best estimates available at the date on which the related impairment tests were carried out using the market information available. The projections envisage growth in volume and improvements to margins arising solely from the organic growth that the Group Executive Committee expects for the coming years. Consequently, the possible changes in the scope of consolidation that might take place in the future were not taken into account in the projection or in the impairment tests perform.

Together with the impairment test on the various cash-generating units carried out at least at each year-end, the Group also performs a sensitivity analysis of the main assumptions affecting the calculation. The main assumptions used by the Group in testing for impairment and the results of the sensitivity analysis are described in Note 6.

e) Financial assets

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

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

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

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

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

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

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

f) Information on the environment

Environmental assets are considered to be assets used on a lasting basis in the operations of the Group companies whose main purpose is to minimise adverse environment effects and to protect and enhance the environment, including the reduction or elimination of the pollution caused in the future by the Applus Group's operations.

In view of the Group's business activity, at 31 December 2018 and 2017 it did not have any significant assets of this nature.

g) Operating and finance leases

The Group has been assigned the right to use certain assets under leases. Leases that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases; otherwise they are classified as operating leases. This policy is changing as of 1 January 2019 with the new accounting standards IFRS 16 that comes into force.

Finance leases

At the commencement of the finance lease term, the Group recognises an asset and a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments. The initial direct costs are included as an increase in the value of the asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period in the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as an expense when it is probable that they will be incurred.

These assets are depreciated using similar criteria to those applied to the items of property, plant and equipment owned or, if shorter, over the lease term.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative of the time pattern of the benefits generated.

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

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

h) Inventories

Inventories are stated at weighted average cost, which comprises materials and, where applicable, direct labour costs and other costs that have been incurred in bringing the inventories to their present location and condition.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the accrual is reversed.

i) Government grants

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned. In addition, the Group accounts for other grants, donations and legacies received as follows:

a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

b) Refundable grants: while they are refundable, they are recognised as a non-current liability.

c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

j) Provisions and contingent liabilities

When preparing the consolidated financial statements the Parent's Directors make a distinction between:

- Provisions:

  The Group recognises a provision where it has an obligation or liability to a third party arising from past events the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated. Provisions are quantified on the basis of the best information available on the event and the consequences of the event and are reviewed and adjusted at the end of each reporting period. The provisions made are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

- Contingent liabilities:

  Contingent liabilities are all the possible obligations that arise from past events and whose future existence and associated loss are estimated to be unlikely. In accordance with IFRS, the Group does not recognise any provision in this connection. However, as required, the contingent liabilities are disclosed in Note 27.b.

The Group's legal advisers and Directors consider that the outcome of litigation and claims will not have a material effect on the accompanying consolidated financial statements. Provisions are recognised when the Group has a present obligation, whether legal or constructive, as a result of past events with respect to which it is more likely than not to entail an outflow of resources to settle the obligation and when the amount thereof has been estimated reliably.

Provisions are recognised when the unavoidable costs of meeting the obligations under onerous contracts exceed the benefits expected to be received thereunder.

Provisions are measured at the present value of the amount necessary to settle the obligation at the consolidated statement of financial position date based on the best estimate available.

When it is expected that a portion of the disbursement necessary to settle the provision will be reimbursed by a third party, the reimbursed amount is recognised as an independent asset, provided that receipt thereof is virtually assured.

k) Derivative financial instruments and hedge accounting

The Group used to use financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. The Group does not use derivative financial instruments for speculative purposes.

The Group's use of financial derivatives is governed by and envisaged in its policies, which provide guidelines for their use (see Note 16).

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

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

Defined contribution plans

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

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

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

Defined benefit plans

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

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

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

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

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

Other employee benefit obligations

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

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

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

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

m) Debts and current/non-current classification

Debts are recognised at their present value and are classified on the basis of their maturity at the reporting date, i.e. debts due to be settled within twelve months are classified as current liabilities and those due to be settled within more than twelve months are classified as non-current liabilities.

n) Financial liabilities

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

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

Effective interest method

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

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

o) Transactions in currencies other than the Euro

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

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

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

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

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

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

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

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

   - Equity is translated at the historical exchange rates.

   - Exchange differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the corporate tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those associated with investments in subsidiaries, branches and associates, or with a share in a joint venture, when the Group can control when to revert the temporary difference and it is considered probable that it will not be reverted in the foreseeable future.

Deferred tax assets are recognised for temporary differences, tax credits for tax losses carryforwards and other tax credits, are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are analysed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability.

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

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

q) Revenue recognition

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

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

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

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

r) ***Expense recognition***

An expense is recognised in the consolidated statement of profit or loss when there is a decrease in the future economic benefit related to a reduction of an asset or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the increase of a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

s) ***Discontinued operations***

A discontinued operation is a business segment that has been decided to be abandoned and/or dispose of in full whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Pursuant to IFRS 5, the revenue and expenses of discontinued operations are presented separately in the consolidated statement of profit or loss and the net assets and net liabilities are presented separately in consolidated current assets and consolidated current liabilities, respectively, for the current period only.

The Group did not interrupt nor discontinue any significant operation in 2018 or 2017.

t) ***Segment information***

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

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

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

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

- Discrete financial information is available.

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

u) ***Consolidated statement of cash flows***

The following terms are used in the consolidated statements of cash flows:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

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

v) Equity

The share capital is represented by ordinary shares.

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

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

w) Earnings per share

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

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

x) Treasury shares

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

4. Goodwill

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

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

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

The changes in 2018 and 2017 were as follows:

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

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

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

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

5. Other intangible assets

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

	2018 - Thousands of Euros						
	Balance at 1 January 2018	Changes in the scope of consolidation (Note 2.b.e.1)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2018
Cost:							
Administrative concessions	266,440	-	578	(2,474)	101	(424)	264,221
Patents, licences and trademarks	272,651	(9)	1	(15)	-	25	272,653
Administrative authorisations	259,910	-	-	-	-	-	259,910
Customer portfolio	170,817	501	-	-	-	101	171,419
Computer software	72,789	(1,604)	5,014	(138)	509	519	77,089
Goodwill acquired	17,890	176	-	-	-	(198)	17,868
Asset usage rights	72,442	-	-	-	-	-	72,442
Other	39,613	188	4,670	(11)	(917)	43	43,586
Total cost	**1,172,552**	**(748)**	**10,263**	**(2,638)**	**(307)**	**66**	**1,179,188**
Accumulated amortisation:							
Administrative concessions	(133,703)	-	(25,154)	2,242	-	396	(156,219)
Patents, licences and trademarks	(110,760)	9	(12,564)	15	-	(29)	(123,329)
Administrative authorisations	(96,608)	-	(15,838)	-	-	-	(112,446)
Customer portfolio	(87,983)	-	(6,937)	-	-	(60)	(94,980)
Computer software	(57,826)	599	(5,878)	137	-	(398)	(63,366)
Goodwill acquired	(78)	-	-	-	-	1	(77)
Asset usage rights	(39,579)	-	(2,485)	-	6	-	(42,058)
Other	(26,236)	(19)	(3,657)	1	(18)	(41)	(29,970)
Total accumulated amortisation	**(552,773)**	**589**	**(72,513)**	**2,395**	**(12)**	**(131)**	**(622,445)**
Total impairment losses	**(37,882)**	-	-	-	-	-	**(37,882)**
Total net value	**581,897**	**(159)**	**(62,250)**	**(243)**	**(319)**	**(65)**	**518,861**

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

Identification and measurement of intangible assets in business combinations

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

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

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

The most significant assumptions used to measure at fair value the assets identified in the business combinations were as follows:

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows from that asset over the useful life assigned to the related contract, was used to calculate the fair value of Administrative Authorisations.

- The royalty relief method, whereby the value of the asset is the present value of future royalty income from the use of the trademarks by the licensees, was used to calculate the value of the trademarks and trademark licence agreements.

- The income approach and specifically the multi-period excess earnings method, taking into account the useful lives of the customers and the discounted revenue they account for was used to calculate the value of the customer portfolios.

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows over the useful life assigned to the related contract, was used to calculate the fair value of administrative concessions and rights of use. The possibility of contract renewals for cash-generating units with finite lives was not considered.

The main intangible assets are as follows:

- Administrative authorisations and concessions:

  The administrative authorisations relate to vehicle roadworthiness testing services, managed solely by the Group, in Spain (Catalonia) and Finland. In the case of Spain the cost of the authorisation is depreciated over its useful life until 2035 (see Note 27.b). In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in ten years and, therefore, it is being amortised over this period, until 2020.

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

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

  For the specific case of the CGUs of Auto Spain and Auto US, even though intangible assets classified, on an individual basis, as concessions and administrative authorisations subject to impairment tests measured individually (based on Autonomous Community in Spain, and on states in the United States, respectively), the business synergies relating to the different concessions and authorisations in both countries are also taken into account. In this regard, the goodwill is allocated to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets since, in the Applus+ Automotive segment, geographical location is taken into account as the main factor for determining CGUs, since geographical areas involve the same applicable legislation and regulations in a regulated industry, a common currency and macroeconomic variables that are closely linked to the capacity to generate economic flows and, therefore, to growth capacity. In addition, all of the authorisations and concessions managed in the various countries are unified under one single management. The purpose of this unified management is, inter alia, to manage the various risks and relationships with regulators more efficiently and in a more coordinated manner.

- Patents, licences and trademarks:

  "Patents, Licences and Trademarks" includes the Applus, RTD and Velosi trademarks. The three trademarks are considered to have a finite useful life. The first two are being amortised over 25 years while the Velosi trademark is being amortised over 10 years. The Velosi trademark licence agreement is also being amortised over 10 years.

- Customer portfolio:

  The customer portfolio relates to the value of the various contracts entered into by the various Group companies. For the purposes of valuation, the probability of renewal and contract term were taken into account. The contracts are being amortised over the estimated useful life between 15 and 25 years.

- Asset usage rights:

  These include mainly the carrying amounts of the usage rights transferred by Laboratori General d'Assaig i Investigació (now the Catalonia Autonomous Community Government) on the incorporation of LGAI Technological Center, S.A. and the carrying amount of the assets assigned by Institut d'Investigació Aplicada de l'Automòbil (now "Empresa de Promoció i Localització Industrial de Catalunya (AVANÇSA)") to IDIADA Automotive Technology, S.A., relating basically to machinery and other fixtures. These usage rights are amortised considering the useful life of the assets and the estimated useful life of the licensing agreements.

Intangible assets by cash-generating unit

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

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

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

Impairment of intangible assets

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

Other matters

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

At 31 December 2018 and 2017, the Group had no material firm intangible asset purchase commitments.

Certain Group companies have intangible assets that must be handed over to the Government at the end of the related concession terms, without considering those arised from the business combination. The detail of the carrying amount of the assets subject to reversion at 31 December 2018 and 2017 is as follows:

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

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

6. Impairment of assets

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

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

Impairment test assumptions

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

a) Perpetuity growth rate:

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

The growth forecast in each industry in the geographical area in which the Group operates is estimated to be very similar to the growth rate expected in that area as the industries in which the Group operates are the most representative core industries in each area and largely determine their performance. The data were obtained from the long-term inflation projections published by the "Economist Intelligence Unit".

b) Discount rate:

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

- The time value of money or risk-free interest rate of each country or geographical area (weighted average of the main countries where the Group operates in these geographical areas) relates to the return on ten-year sovereign bonds in the related country (or the weighted average of the geographical area).

- The estimated risk premium based on the estimated betas for comparable companies in the industry and a market risk premium for each country, which are observable variables, after tax.

- The average financing structure and conditions for comparable companies in the industry.

The detail of the discount rate (WACC) and of the perpetuity growth rate in 2018 and 2017 by business and geographical area is as follows:

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

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

c) EBITDA projections:

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

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

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

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

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

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

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

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

Justification of key assumptions

As mentioned in Note 1, the Group's main activity is the provision of services by its professional staff. The Business Plan prepared by the Group Executive Committee and approved by the Parent's Board of Directors is based on a detailed plan prepared by legal entity according to the Group strategic plan by sector and geography, considering the specific characteristics of its customers, projects and services. Due to the specific nature of the Group, the existence of multiproducts and multiservices, multiple industries and geographical areas, as well as very diverse customers in certain cases, the Group considers EBITDA to be the main key assumption for impairment test purposes. EBITDA, together with the amortization and depreciation charge related to operations adds up to the Adjusted Operating Profit, which is the main management aggregate defined by the Group.

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

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

Sensitivity analysis

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

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

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

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

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

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

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

The combined effect of these sensitivities would be similar to the aggregation of the net individual effects, except for the positive effects of applying the intangible asset impairment charge, which would only be reversed up to the limit of the amount recognised (see Note 5).

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

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

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

7. Property, plant and equipment

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

	2018 – Thousands of Euros						
	Balance at 1 January 2018	Changes in the scope of consolidation (Note 2.b.e.1)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2018
Cost:							
Land and buildings	157,579	929	3,108	(1,980)	6,549	4,387	170,572
Plant and machinery	262,054	5,900	15,348	(2,602)	9,944	1,669	292,313
Other fixtures, tools and furniture	71,896	(26)	1,224	(1,117)	132	370	72,479
Other items of property, plant and equipment	72,503	5,674	3,975	(1,353)	(548)	1,867	82,118
Advances and property, plant and equipment in progress	21,502	64	17,417	(1,458)	(15,365)	(2)	22,158
Grants	(714)	-	-	15	-	1	(698)
Total cost	**584,820**	**12,541**	**41,072**	**(8,495)**	**712**	**8,292**	**638,942**
Accumulated depreciation:							
Land and buildings	(62,437)	(387)	(5,453)	890	722	(3,270)	(69,935)
Plant and machinery	(182,007)	(3,539)	(20,794)	1,743	(1,961)	(1,382)	(207,940)
Other fixtures, tools and furniture	(56,546)	65	(2,978)	901	(21)	(330)	(58,909)
Other items of property, plant and equipment	(71,486)	(3,483)	(3,596)	30	867	(1,816)	(79,484)
Total accumulated depreciation	**(372,476)**	**(7,344)**	**(32,821)**	**3,564**	**(393)**	**(6,798)**	**(416,268)**
Total impairment	**(1,948)**	-	**(1,000)**	**848**	-	-	**(2,100)**
Total net value	**210,396**	**5,197**	**7,251**	**(4,083)**	**319**	**1,494**	**220,574**

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

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

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

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

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 31 December 2018 and 2017, the Group did not have any significant firm property, plant and equipment purchase commitments.

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

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

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

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

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

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

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

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

8. Non-current financial assets

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

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

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

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

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

Deposits and guarantees

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

9. Inventories

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

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

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

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

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

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

10. Trade receivables for sales and services, trade receivables from related companies and other receivables

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

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

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

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

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

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

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

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's credit risk is therefore mainly attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, estimated by Group Executive Committee based on prior experience and its assessment of the current economic environment.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of customers, divisions, markets and geographical areas.

However, the Group's Finance Management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts.

The Group has established a customer acceptance policy based on the periodic evaluation of liquidity and solvency risks and the establishment of credit limits for its debtors. The Group also periodically analyses the age of its trade receivables in order to cover possible bad debts.

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

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

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

11. Current financial assets, cash and cash equivalents

Current financial assets

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

Cash and cash equivalents

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

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

12. Equity

a) Share capital

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

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

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

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

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

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

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

b) Reserves and share premium

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

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

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

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

c) Treasury shares

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

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

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

d) Profit per share

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

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

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

e) Foreign currency translation reserve

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

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

f) *Capital risk management*

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

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

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

13. Non-controlling interests

"Non-controlling interests" in the accompanying consolidated statement of financial position reflects the equity of the non-controlling shareholders in the consolidated companies. Also, the balance of "Profit Attributable to Non-Controlling Interests" in the accompanying consolidated statement of profit or loss reflects the share of these non-controlling interests in the consolidated profit or loss for the year.

The detail of the non-controlling interests of the fully consolidated companies in which ownership is shared with third parties in 2018 and 2017 is as follows:

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

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

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

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

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

14. Obligations and bank borrowings

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

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

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

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

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

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

a) Syndicated loan and private placement debt

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

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

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

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

2018

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

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

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

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

2017

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

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

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

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

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

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

a.2) Guarantees given

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

b) Credit facilities and other loans

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

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

c) Disclosure for currency of obligations and bank borrowings

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

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

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

15. Other non-current financial liabilities

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

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

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

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

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

16. Financial risks and derivative financial instruments

Financial risk management policy

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

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

The Group's Policy consists on hedging all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable.

The Group's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangement of hedges in markets. All external hedges, including those relating to subsidiaries and those arranged on their behalf, must be authorised and arranged on a centralised basis at Group level.

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

a) *Foreign currency risk*

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

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

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

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.

- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

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

b) *Interest rate risk*

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

Net debt at floating rates is generally tied to Euribor for the debt in euros and to Libor for the debt in US dollars.

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

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

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

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

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

c) <u>Liquidity risk</u>

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

The Group takes various preventative measures to manage liquidity risk:

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

<u>Hedging instruments arranged</u>

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

17. Non-current provisions

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

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

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

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

The recognised provisions constitute a fair and reasonable estimate of the effect on the Group's equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by the Group Executive Committee and Committee of the subsidiaries, with the assistance of their advisers, considering the specific circumstances to each case.

a) *Long-term employee obligations:*

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

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

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

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

b) *Other provisions:*

Other provisions mainly contain:

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

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

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

Legal contingencies balance has not changed during last years.

18. Other current and non-current liabilities

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

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

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

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

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

19. Trade and other payables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20. Corporate income tax

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

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

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

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

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

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

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

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

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

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

20.b Current corporate income tax assets and liabilities

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

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

20.c Deferred tax assets

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

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

The deferred tax assets indicated above were recognised because the Parent's Directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

At the end of each year the Parent's Directors analyse the recoverability of the deferred tax assets and only recognise those that they consider will probably be recovered over a time period of less than ten years.

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

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

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

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

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

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

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

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

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

20.d Deferred tax liabilities

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

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

20.e Corporate Income Tax rates applicable to the Group

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

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

20.f Years open for review and tax audits

The Spanish companies which belong to tax Spanish Group have 2012 and 2014 and subsequent years open for review by the tax authorities for income tax and 2015 and subsequent years open for review by the tax authorities for the rest of applicable taxes. The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries. The Parent's Directors do not expect any additional significant liabilities to arise in the event of a tax audit.

Also, in 2018 certain Group subsidiaries received notifications from the tax authorities of the countries in which they operate, in which certain taxes filed had been opened for review. At 31 December 2018, these inspections were at a preliminary stage and no conclusions had been received from the tax authorities that may have a significant impact on the accompanying consolidated financial statements.

These notes to the financial statements do not include the information referred to in Article 42 bis of Royal Decree 1065/2007 in relation to persons resident in Spain, whether legal entities that are beneficiaries or holders of accounts abroad or individuals from the Group who are authorised representatives for accounts abroad held by a Group subsidiary non-resident in Spain, since such information is duly recorded and detailed in the Group's accounting records pursuant to Article 42 bis 4.b of Royal Decree 1065/2007.

21. Operating income and expenses

a) Revenue

The Group obtains its income from contracts with customers in which it transfers goods or services according to the following categories and according to the criteria detailed in Note 3.q.

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

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

b) Staff costs

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

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

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

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

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

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

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

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

c) Other results

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

d) Fees paid to auditors

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

2018

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

2017

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

22. Financial result

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

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

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

23. Information on the environment

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Parent's Directors consider that the environmental risks which might arise from its business activities are minimal and, in any event, adequately covered, and that no additional liabilities will arise in connection with these risks. The Group did not incur significant expenses or receive environment-related grants in 2018 or 2017.

24. Proposal of allocation of profit/loss

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

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

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

25. Segmented information

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

The main fourth operating segments are as follows:

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

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

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

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

a) Financial information by segment:

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

2018

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

2017

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

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

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

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

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

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

2018

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

2017

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

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

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

b) Financial information by geographic segment:

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

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

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

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

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

26. Operating leases

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

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

At the end of 2018 and 2017 the Group had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the Consumer Price Inflation (CPI) or future contractual lease payment revisions (in thousands of euros), not including the expenses for levy available to the Group:

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

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

27. Obligations acquired and contingencies

a) Guarantees and obligations acquired

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

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

There are guarantees included in Applus+ Laboratories, Applus Automotive and Applus+ IDIADA divisions amounting to EUR 18.3 million (31 December 2017: EUR 18.3 million) provided to the Catalonia Autonomous Community Government in connection with the incorporation of the subsidiaries IDIADA Automotive Technology, S.A. and LGAI Technological Center, S.A and with the management of vehicle roadworthiness testing service.

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

The Group also has certain obligations and guarantees under the financing agreement (see Notes 14.a.1 and 14.a.2). These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, refrain from performing certain transactions without the consent of the lender, such as certain mergers, changes of business activity, share redemptions, and the financial obligation to achieve certain financial ratios, among others.

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

b) Contingencies

b.1. Auto Catalonia

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

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

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

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

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

b.2. Other contingencies

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

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

28. Transactions and balances with related parties

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

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

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

- Associates of the Group.

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

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

Transactions with related companies

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

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

The transactions with related companies correspond to commercial transactions.

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

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

Balances with related companies

a) Receivables from related companies:

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

b) Payables to related companies:

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

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

Remuneration of and obligations to the Board of Directors

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

a) Annual remuneration:

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

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

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

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

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

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

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

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

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

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

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

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

It is hereby stated that the Parent's Directors, their individual representatives and the persons related thereto do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Group or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Companies Act.

Remuneration of and obligations to Senior Executives

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

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

a) Annual remuneration:

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

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

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

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

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

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

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

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

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

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

b) Multiannual remuneration and long-term incentive:

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

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

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

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

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

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

30. Events after the reporting period

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

31. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

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

Overview of Performance

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

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve month period and is stated at constant exchange rates, taking the current year average rates used for the income statements and applying them to the results in the prior period.

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

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

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

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

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

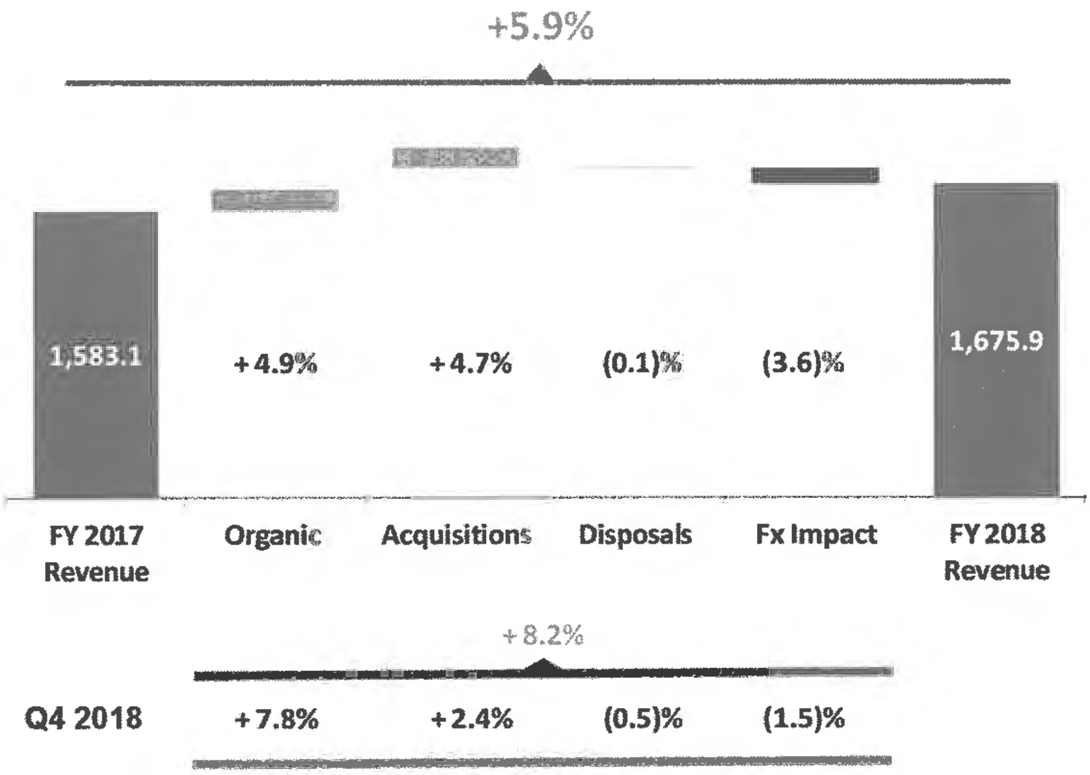
Other results of €3.9 million (2017: €nil) in the net financial expenses are the write-off of the brought forward un-amortised portion of arrangement fees for the previous debt that was refinanced in July of 2018.

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

Revenue

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

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



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

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

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

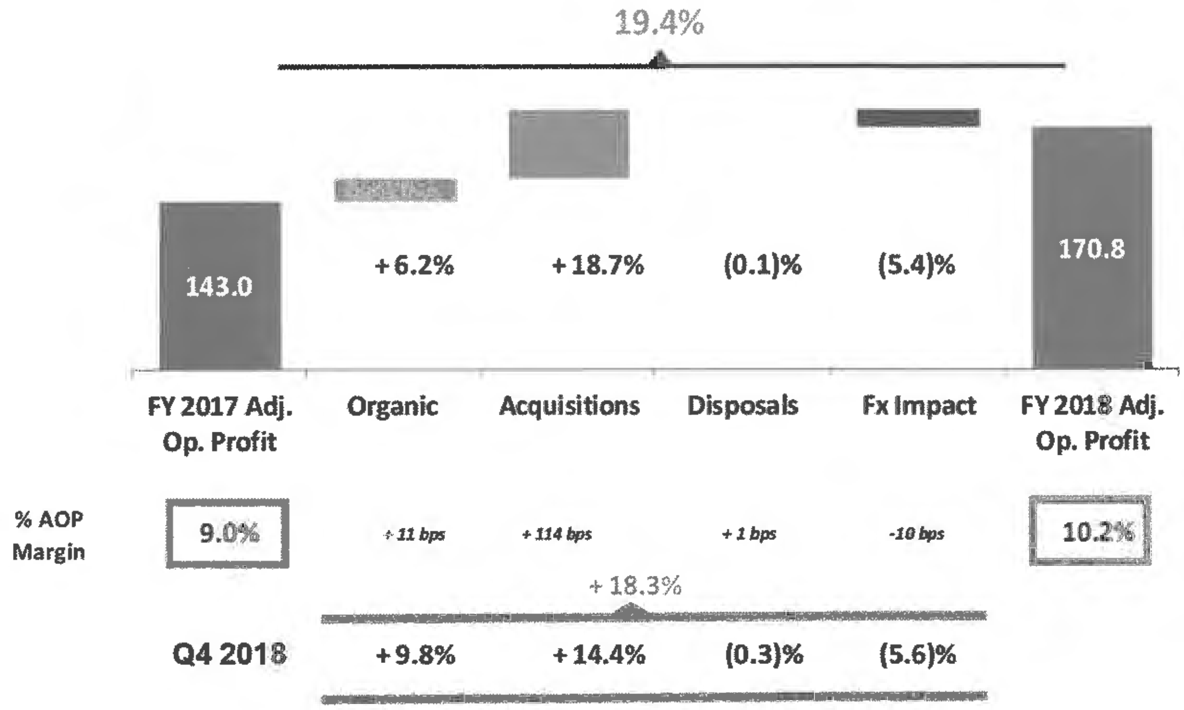
The revenue increase of 4.7% from acquisitions relates to the acquisitions made in the current and prior period for up to twelve months and the most material of which relates to the purchase in the last quarter of 2017 of 80% of the shares in Inversiones Finisterre, a company based in Spain with Statutory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

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

Adjusted Operating Profit

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

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



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

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

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

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

Other Financial Indicators

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

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

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

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

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

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

Cash Flow and Debt

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

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

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

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

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

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

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

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

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

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

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

Hyperinflation in Argentina

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

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

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

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

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

New Accounting Standards taken effect from 1 January 2018

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

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

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

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

New Accounting Standard to take effect from 1 January 2019

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

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

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

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

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

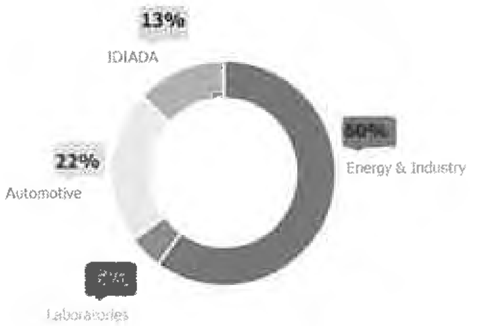
Outlook

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

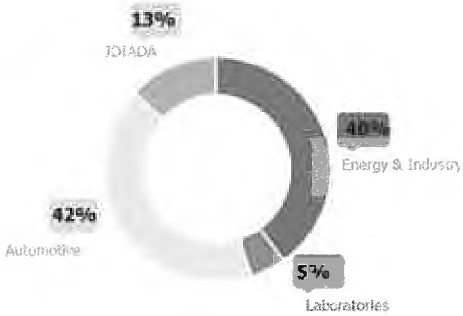
Operating review by division

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

FY 2018 revenue split



FY 2018 adjusted operating profit split

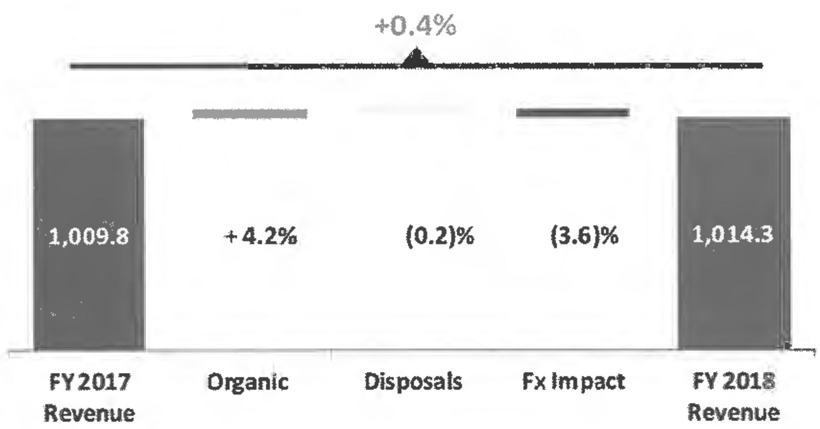


Energy & Industry

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

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

Revenue growth bridge in € million:

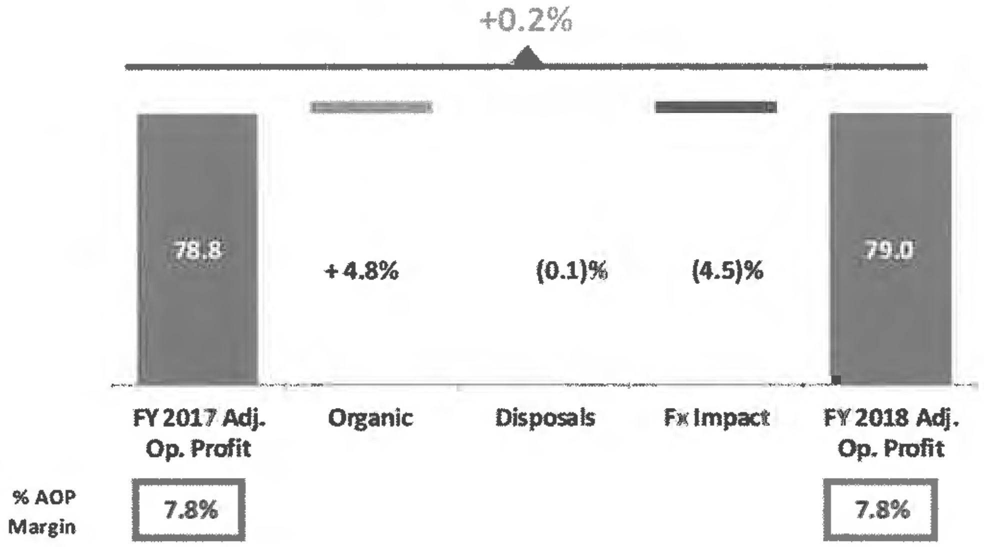


At constant exchange rates, organic revenue was up by 4.2%. Revenue was reduced by 0.2% from disposals made in the final quarter and currency translation reduced reported revenue by a further 3.6% mainly as a result of the weak US and Australian dollars against the Euro.

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

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

Adjusted Operating Profit growth bridge in € million:



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

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

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

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

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

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

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

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

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

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

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

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

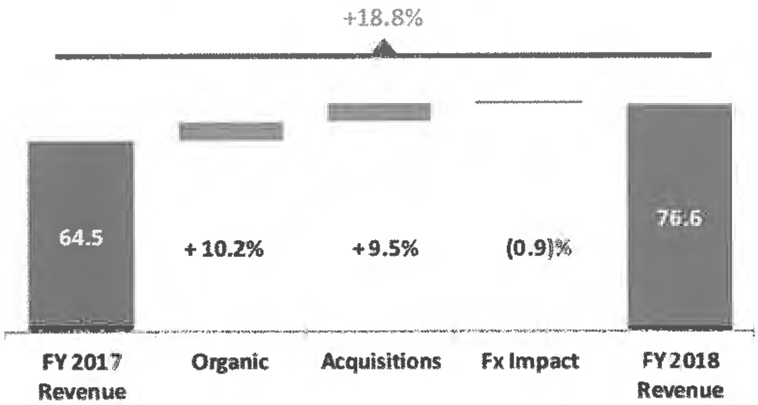
In Southern Europe, Africa, Middle East, Asia & Pacific accounting for 45% of the division of which the largest part are services to other end markets such as power, construction and telecom infrastructure had strong overall performance led by Spain, the Middle East and Oceania growing well in all end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

Laboratories

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

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

Revenue growth bridge in € million:

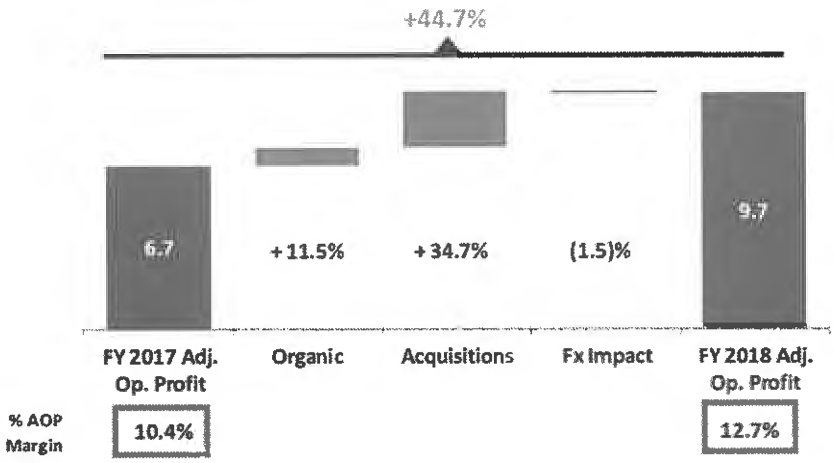


Revenue growth at constant exchange rates was 19.7% made up of organic revenue growth of 10.2% plus revenue from acquisitions of 9.5%. There was a negative currency translation impact of 0.9% as a result of the weak USD against the Euro.

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

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

Adjusted Operating Profit growth bridge in € million:



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

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

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

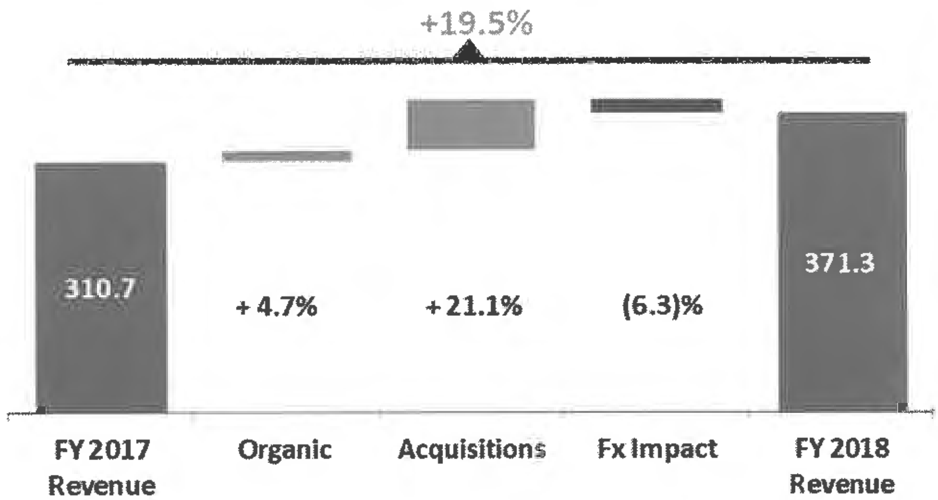
The increase in the adjusted operating profit margin was from the strong organic revenue growth plus the higher margin acquisitions.

Automotive

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

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

Revenue growth bridge in € million:

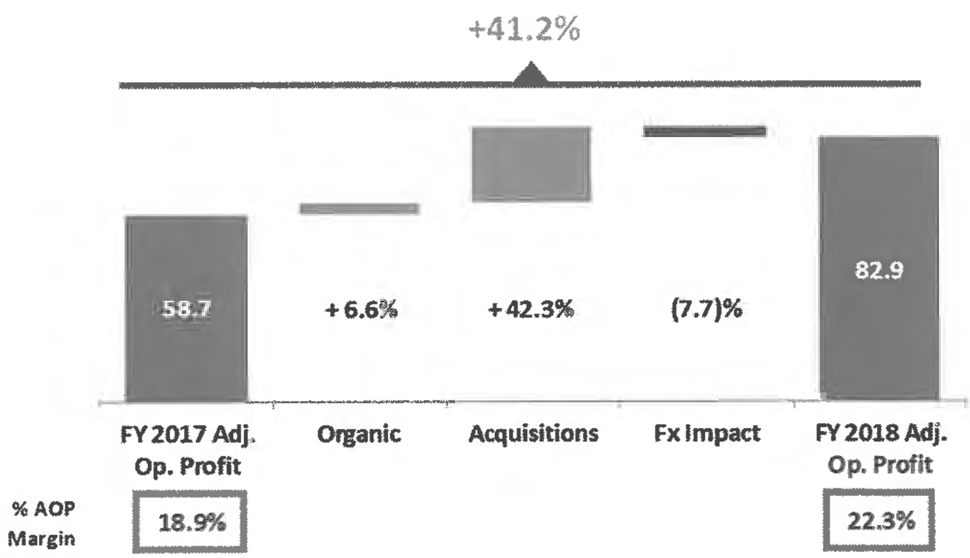


Revenue growth at constant exchange rates was 25.8% made up of organic revenue growth of 4.7% plus acquisition revenue of 21.1%. There was a negative currency translation impact of 6.3% as a result of the weak Argentinian peso and US dollar against the Euro.

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

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

Adjusted Operating Profit growth bridge in € million:



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

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

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

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

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

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

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

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

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

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

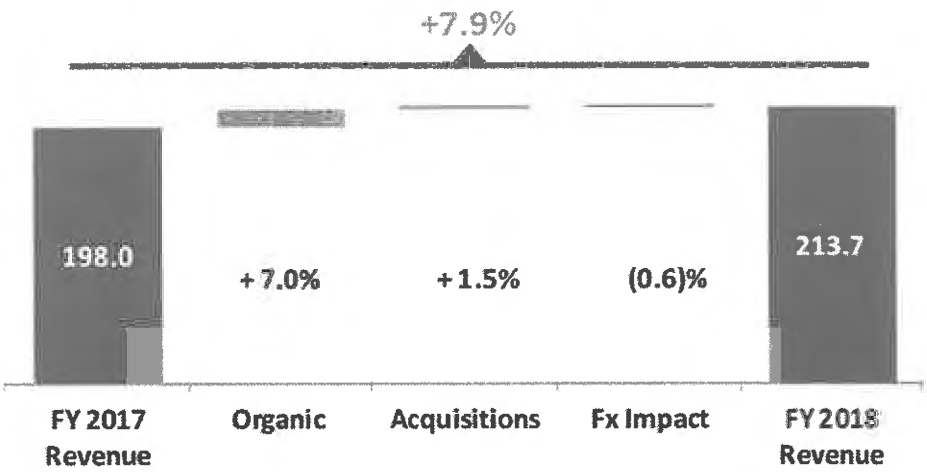
IDIADA

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

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

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

Revenue growth bridge in € million:

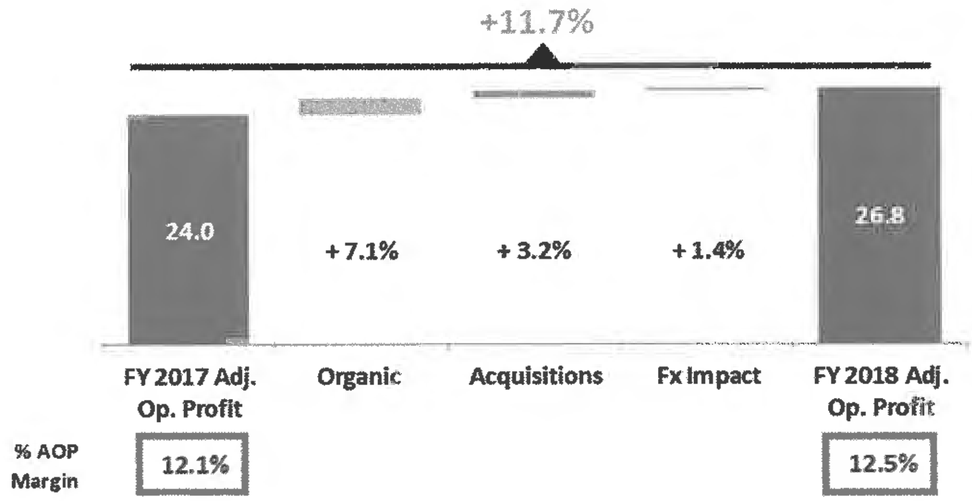


Revenue growth at constant exchange rates was 8.5% made up of organic revenue growth of 7.0% plus revenue from an acquisition during the year of 1.5%. There was a negative currency translation impact of 0.6%.

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

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

Adjusted Operating Profit growth bridge in € million:



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

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

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

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

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

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

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

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

Main risks facing the Group

The main business risks facing the Group are those typical of the businesses and countries in which it operates and of the current macroeconomic environment. The Group actively manages the main risks and considers that the controls designed and implemented to that effect are effective in mitigating the impact of these risks when they materialise.

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

Management is focused on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

The Group's policy hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable. The main financial risks to which the Group is exposed and the practices established are detailed in the corresponding notes to the consolidated financial statements.

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

Research and Development activities

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

Treasury share transactions

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

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

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

Events after the reporting period

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

Use of financial instruments

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

Disclosures on the payment periods to suppliers

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

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

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

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

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

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

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

Non-Financial Information

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

Annual Corporate Governance Report

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

www.applus.com

www.cnmv.es

Applus Services, S.A.
and Subsidiaries

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

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

Barcelona, 20 February 2019

Mr. Christopher Cole
Chairman

Mr. Ernesto Gerardo Mata López
Director

Mr. John Daniel Hofmeister
Director

Mr. Fernando Basabe Armijo
Director

Mr. Richard Campbell Nelson
Director

Mr. Nicolás Villén Jiménez
Director

Ms. Maria Cristina Henríquez de Luna Basagoiti
Director

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

Appendix I - Companies included in the scope of consolidation

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

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

Name	Applus Iteuve Euskadi, S.A., Sociedad Unipersonal	Applus Revisiones Técnicas de Chile, S.A.	Applus Danmark, A/S	IDIADA CZ, A.S.	K1 Kasastajat, OY	Inspecció Tècnica de vehicles i serveis, S.A.	Idiada Automotive Technology India PVT, ltd	Shangai IDIADA Automotive Technology Services Co. Ltd
Registered office	Polígono Ugaldeguren I Parcela 8, 48710 Zamudio, Vizcaya (Spain)	Avenida Américo Vespucio 743 - Huechuraba - Santiago de Chile (Chile)	Korsolalsvej, 111 2610 Rodoure (Denmark)	Prazska 320/8,500 04, Hradec Králové (Czech Republic)	Joukahaisenkatu 6, 20520 Turku Finland	Ctra de Bixessarri s/n, Aixovall AD600 (Andorra)	Unit no. 206, 2nd Floor,Sai Radhe Building Raja Bahadur Mill Road, off Kennedy Road, Pune 411 001 (India)	Jucheng Pioneer Park, Building 23, 3999 Xiu Pu Road, Nan Hui 201315 Shanghai (Pudong District) (China)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	80%	100%	50%	80%	80%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Euskadi Holding, S.L.U.	Applus Car Testing Service, Ltd.	Idiada Tecnologia Automotiva, Ltda.	Idiada Automotive Technology UK, Ltd.	Shangdong Idiada Automotive and tire proving ground Co, Ltd	Applus Iteuve Galicia, S.L.U.	Inversiones Finisterre, S.L.	Supervisión y Control, S.A.U.
Registered office	Poligono Ugaldeguren, 1 parcela 8, Zamudio, Vizcaya (Spain)	3026 Lakedrive, Citywest Business Campus, Naas Road, Dublin 24 (Ireland)	Cidade de São Bernardo do Campo, Estado de São Pulo, na Rua Continental, nº 334, Jardim do Mar, CEP 09750-060 (Brazil)	St Georges Way Bermuda Industrial Estate, Nuneaton, Warwickshire CV10 7JS (UK)	Room 302, No.1 industrial building of West Jin Hui Road, South Qi Xiao (China)	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)
Line of business	Holding company	Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification	Engineering, testing and certification	Holding company	Holding company	Vehicle roadworthiness testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	80%	80%	80%	100%	80%	80%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	RITEVE SyC, S.A.	Inspecciones y Avalúos SyC, S.A.	Applus Idiada Karco Engineering, LLC	LGAI Technological, Center, S.A.	Applus México, S.A. de C.V.	LGAI Chile, S.A.	Applus Costa Rica, S.A	Applus Norcontrol, S.L., Sociedad Unipersonal
Registered office	Lagunilla de Heredia, ciento cincuenta metros al este de la Bomba Texaco (Costa Rica)	Heredia, Cantón Central, Distrito Ulloa, Lagunilla, 150 metros este de la Bomba Uno (Costa Rica)	9270 Holly Road. 92301 Adelanto. Californa (USA)	Campus de la UAB,Ronda de la Font del Carme, s/n, 08193 Bellaterra-Cerdanyola del Vallès. Barcelona (Spain)	Blvd. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F. (Mexico)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Oficentro Ejecutivo La Sabana, Edificio 7, Primer piso, Local 2, San José (Costa Rica)	Crta. Nacional VI-Km 582, 15168, Sada, A Coruña (Spain)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Certification	Quality system audit and certification	Quality system audit and certification	Quality system audit and certification	Inspection, quality control and consultancy services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	44%	100%	67%	95%	95%	95%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Novotec Consultores, S.A., Sociedad Unipersonal	Applus Panamá, S.A	Applus Norcontrol Panamá, S.A.	Norcontrol Chile, S.A.	Norcontrol Inspección, S.A. de C.V. – México	Applus Norcontrol Guatemala, S.A.	Applus Norcontrol Colombia, Ltda	Norcontrol Nicaragua, S.A.
Registered office	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber; Clayton, Ciudad de Panamá (Panama)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber; Clayton, Ciudad de Panamá (Panama)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Blvd. Manuel Avila Camacho 184, Piso 4-B, Col. Reforma Social, C.P. 11650 México, D.F (Mexico)	Km 14,5 Carretera a El Salvador, Santa Catarina Pínula (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	Colonia Los Robles, Km. 6,500 Carretera Masaya, Managua (Nicaragua)
Line of business	Services related to quality and safety in industrial plants, buildings,etc.	Certification	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	95%	95%	95%	95%	96%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Röntgen Technische Dienst Holding BV	Applus Centro de Capacitación, S.A.	RTD Quality Services, SRO	Applus RTD France Holding, S.A.S	Applus RTD Deutschland inspektions-Gesellschaft, Gmbh	Röntgen Technische Dienst B.V.	RTD Quality Services, Inc (Canada)	RTD Quality Services Nigeria Ltd.
Registered office	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	U Stadionu 89, 530 02 Pardubice (Czech Republic)	129 Rue Servient 69326 Lyon Cedex 03 (France)	Industriestraße 34 b, 44894 Bochum (Germany)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	5504 36 St NW, Edmonton, AB T6B 3P3 (Canada)	Warri Boat Yard, 28 Warri/Sapele Road, Warri, Delta State (Nigeria)
Line of business	Holding company	Provision of training services	Certification services through non-detestructive testing	Holding company	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	100%	100%	100%	100%	100%	49%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus RTD USA, Inc.	RTD Holding Deutschland, Gmbh	Applus RTD UK Holding, Ltd	Applus RTD PTE, Ltd (Singapore)	Applus Colombia, Ltda.	Applus (Shangai) Quality inspection Co, Ltd	Applus RTD Certification, B.V.	Applus PTY, Ltd (Australia)
Registered office	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Industriestr. 34. D-44894, Bochum (Germany)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	521 Bukit Batok St 23, Unit 05-E, Singapore (Singapore)	Calle 17, núm 69-46, Bogotá (Colombia)	Jucheng Industrial Park, Building 23, 3999 Xiu Pu Rd, Nan Hui, Shanghai 201315 (China)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)
Line of business	Certification services through non-detestructive testing	Holding company	Holding company	Certification services through non-detestructive testing	Certification	Inspection services in quality processes, production processes, technical assitance and consultancy	Certification services through non-detestructive testing	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	95%	95%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus RTD Norway, AS	Arctosa Holding, B.V.	Libertytown USA 2, Inc.	Libertytown Australia, PTY, Ltd.	Applus RTD UK, Ltd	Applus RTD SP, z.o.o.	Applus Energy, S.L.U.	RTD Slovakia, s.r.o.
Registered office	Finnestadgeilen 38, 4029 Stavanger (Norway)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	Raclawicka, 19, 41-506 Chorzów (Poland)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Udernicka 11; 851 01; Bratislava, (Slovakia)
Line of business	Certification services through non-detestructive testing	Holding company	Holding company	Holding company	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Provision of advisory services and auditing in the energy sector	Certification services through non-detestructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Autoservices Online, S.L.U.	APP Management, S. de R.L. de C.V.	Libertytown Applus RTD Germany Gmbh	Applus Norcontrol Maroc, Sarl	Applus RTD Gulf DMCC.	Applus Qualitec Serviços de Engenheria, Ltda.	Applus Lgai Germany, Gmbh	BK Werstofftechnik-Prufstelle Für Werkstoffe, Gmbh
Registered office	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Blvd. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F. (Mexico)	Industrie Strasse 34 b, 44894 Bochum (Germany)	INDUSPARC Module N°11BD AHL LOGHLAM Route de Tit Mellil Chemin Tertiaire 1015 Sidi Moumen 20400, Casablanca (Morocco)	16th Floor, Office 1601, Swiss Tower, Jumeirah Lake Towers, PO Box 337201, (United Arab Emirates)	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lote 10, integrante da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brazil)	Zur Aumundswiede 2, 28279 Bremen (Germany)	Zur Aumundswiede 2, 28279 Bremen (Germany)
Line of business	Provision of services related to the automotive sector and vehicle and road safety, engineering processes, training design, testing, homologation and certification, as well as technical audits of automotive establishments	Provision of professional, technical, administrative and human resources services	Holding company	Inspection, quality control and consultancy services	Certification services through non-detestructive testing	Certification services through non-detestructive testing	Certification	Certification
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	95%	100%	100%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Ringal Brasil Investimentos, Ltda.	Burek und Partner, Gbr.	Assinco-Assesoria Inspeçao e Controle, Ldta	Applus Norcontrol Perú, S.A.C.	Kiefner &Associates Inc.	John Davidson & Associates PTY, Ltd	JDA Wokman Limited	PT JDA Indonesia
Registered office	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lote 10, integrante da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brazil)	Zur Aumundswiede 2, 28279 Bremen (Germany)	Rua Petrovale, quadra 01, lote 10, integrante da area B, nº 450, Bloco 2 - 1º andar, Bairro Distrito Industrial Marsil, EP 32400-000 Cidade de Ibirité, Estado de Minas Gerais (Brazil)	Avenida el Derby, 254, Oficina 901. Edificio Lima Central Tower. Surco. Lima (Peru)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Unit 22, 23 Ashtan Place, Banyo, Queensland, 4014 (Australia)	Unit 11, Section 53, Allotment 15 & 16, Ume Street, Gordons, Port Moresby, National Capital District, (Papua New Guinea)	Plaza Aminta 9th floor, Jl. TB Simatupang Kav. 10, South Jakarta (Indonesia)
Line of business	Holding company	Certification	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Certification services through non-detestructive testing	Provision of executive recruitment services	Provision of executive recruitment services	Provision of technical engineering and planning, conservation and operational services, technical training and human resource development
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	100%	96%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Norcontrol Consultoría e Ingeniería, SAS	Applus Mongolia, LLC	Applus Laboratories, AS.	Applus Arabia L.L.C	Applus Il Meio Ambiente Portugal, Lda	Ringal Invest, S.L.U	Applus Velosi DRC, Sarl.	Ingelog Consultores de Ingenieria y Sistemas, S.A.
Registered office	Calle 17, núm. 69-46 Bogotá (Colombia)	3a planta, San Business Centre, Sukhbaatar District, 8th Khoroo, Baga toiruu, Street 29 of Prime Minister Amar, Ulaanbaatar (Mongolia)	Langmyra 11, 4344 Bryne (Norway)	Dammam (Saudi Arabia)	Complexo Petroquimico, Monte Feio, 7520-954 Sines (Portugal)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Lubumbashi, Avenue Lumumba, N. 1163, Quartier Industriel, Commune Kampemba (Congo)	Alberto Henckel 2317, Santiago de Chile (Chile)
Line of business	Inspection, quality control and consultancy services in the industry and services sector	Provision of human resources consultancy in the area of recruitment, placement candidates and related services	Certification	Certification	Inspection, quality control and consultancy services	Holding company	Provision of permanent contract services	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	100%	95%	48%	95%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Ingelog Servicios Generales, Ltda (Sergen)	Ingelog Guatemala Consultores de Ingeniería y Sistemas, S.A.	Ingeandina Consultores de Ingeniería, S.A.S.	Ingelog Costa Rica S.A.	Applus RTD USA Aerospace Holding, Inc.	X-RAY Industries, Inc.	Composite Inspection Solutions, LLC.	Applus Laboratories USA, Inc.
Registered office	Alberto Henckel 2317, Santiago de Chile (Chile)	Ciudad de Guatemala (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	San José de Costa Rica, calle treinta y uno, avenidas nueve y once, Barrio Escalante (Costa Rica)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	1961 Thunderbird, Troy Michigan 48084 (USA)	615 S. DuPont Highway, Kent County, Dover, Delaware 19901 (USA)
Line of business	Provision of transport and rental of vehicles	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.	Counseling and consulting services in the areas of engineering, infraestructure, environment, etc.	Holding company	X-ray metallurgical, management, retail equipment, equipment manufacturing, non-destructive; testing services	Inspection services	Holding company
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Arcadia Aerospace Industries, Llc.	Applus RTD Llc.	NRAY Services, Inc.	Applus RTD USA Services, Inc.	Libertytown USA 3, Inc.	Applus Management Services, Inc.	Applus Aerospace UK, Limited	Aerial Photography Specialist PTY, LTD
Registered office	28000 Mooney Avenue, Building #110, Punta Gorda Florida 33982 (USA)	Khokhlovskiy side-street 13, building 1, 109028 Moscow. (Russia)	56A Head Street, Dundas, ON L9H 3H7 (Canada)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)
Line of business	Industrial contract and inspection services	Purchase of equipment and refills, installation, reparation and maintainance of the equipment, engineering services and devolment of scientific investigation	Inspection of the based neutron radiation services	Any lawful act or activity in order for companies to organise themselves under the Delaware General Corporation Law	Any lawful act or activity in order for companies to organise themselves under the Delaware General Corporation Law	Provision of professional, technical, administrative and human resources services	Non-destructive services from the aerospace business.	Manufacture, repair, sale and services related to drones
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	67%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus RTD Canada Holding (2016), Inc.	SKC Inspection and Non Destructive Testing, Inc	SKC Engineering Ltd	MxV Engineering,Ltd	Applus Norcontrol República Dominicana, S.R.L	Emilab, SRL	AC6 Metrología, S.L.	Applus RVIS, B.V.
Registered office	1300 - 1969 Upper Water Street Purdy's Wharf Tower II Halifax NS B3J 3R7 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	Plaza El Avellano, Calle Dr. Jacinto Ignacio Mañón No. 5 Local No. 08 Primer Piso. Ensanche Paraíso, Santo Domingo (República Dominicana)	Via F.lli Solari 5/A 33020 Amaro(UD) (Italy)	Polígono Comarca I, Edificio Pasarela. 31160, ORKOIEN, Navarra (Spain)	Delftweg 144, NC 3046 Rotterdam (The Netherlands)
Line of business	Holding company	Inspection and non-destructive testing	Ensure quality, training, inspection, proof and design and welding engineering services.	Dielectric tests, inspections of cranes, stability tests and preventive maintenace	Inspection and technical assistance services	Research in the areas of engineering, electromagnetic compatibility and electrical safety.	Research, development and advisory services for metrology and industrial calibration activities.	Remote Non-destructive Inspection and Testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	95%	95%	95%	51%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Servicios Integrales, S.A.S.	Tunel Safety Testing, S.A.	Trámites, Informes, Seguridad y Medio Ambiente, SL	3C Test Limited	DatapointLabs, Llc.	DatapointLabs India, Inc.	Matereality, Llc.	MacCormack Calibración, SL
Registered office	Calle 17 # 69 - 46, Bogotá (Colombia)	LG Centro Experimental San Pedro de Anes s/n, Siero 33189, Asturias (Spain)	Calle Llenguadoc 10, Barcelona 08030 (Spain)	Silverstone Technology Park, Silverstone Circuit, Silverstone, Towcester, Northamptonshire, NN12 8GX (UK)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)
Line of business	Inspection, quality control and consultancy services	Fire testing in tunnels, fire suppression product testing and fire training.	Inspection, quality control and consultancy services	Electromagnetic compatibility (EMC) and electrical tests, especially for the automotive sector.	Materials characterization laboratory specialized in providing properties for numerical simulation.	Materials characterization laboratory specialized in providing properties for numerical simulation.	Development of IT solutions for the properties of materials, management and storage.	Calibration services industrial on-site for the automotive sector workshops.
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	89%	95%	95%	95%	95%	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Technical Inspection Services, Ltd	Applus Middle East Engineering Consultancy, LLC	SARL Apcontrol Energie et Industrie Algerie	Talon Test Laboratories (Phoenix) Inc.	Talon Test Laboratories Incorporated	Applus Brasil Investimentos, Ltda
Registered office	Unit 21, Hither Green Industrial Estate, Clevedon, North Somerset, BS21 6XU (UK)	Office 201, Abu Dhabi Business Hub, Building B, Mussafah (United Arab Emirates)	12a planta del Centro Comercial y de Negocios "al-Quds" de Charéga (Algeria)	6145 W. Detroit Street, Chandler, AZ 58226, Arizona (USA)	915 Western Drive, Indianapolis, IN 46241 (USA)	Rua Dom José de Barros, nº 177, 6ª andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, Sao Paulo (Brazil)
Line of business	Certification by non-destructive testing services	Industrial support and consulting	Production of technical control devices and appliances for the calibration of machinery, mechanical testing and measurement, oil services, management consulting, hydrocarbon analysis, environmental prevention and cleaning programs	Non-destructive testing services	Non-destructive testing services	Holding company
Ownership interest held by Group companies:						
Direct	-	-	-	-	-	-
Indirect	100%	49%	49%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi S.à r.l.	SAST International Ltd	Velosi Asia (Luxembourg) S.à r.l.	Velosi Africa (Luxembourg) S.à r.l.	Velosi Europe (Luxembourg) S.à r.l.	Velosi Poland Sp z.o.o.	Velosi Europe Ltd	Velosi Certification Bureau LTD
Registered office	7, rue Robert Stümper | L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	IFC1, Level 1, Esplanade, St. Heller, Jersey JE2 3BX, Channel Islands (Jersey).	7, rue Robert Stümper | L-2557 Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	7, rue Robert Stümper | L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	7, rue Robert Stümper | L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg (Luxembourg).	Ul. Mila 2 00-180 Warszawa (Poland)	1 Woodsite Business Park, Whitley Wood Lane, Reading, RG2 8LW (UK).	1 Woodsite Business Park, Whitley Wood Lane, Reading, RG2 8LW (UK).
Line of business	Holding company	Provision of consultancy and engineering services	Holding company	Holding company	Holding company	Publishing of other programmes	Provision of technical, engineering and industrial services	No line of business
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi International Italy Srl	Velosi-PSC Srl	IES - Velosi Norge AS	Velosi TK Gozetim Hizmetleri Limited Sirketi	Velosi LLC	Velosi Malta I Ltd	Velosi Malta II Ltd	Applus Velosi Czech Republic, s.r.o.
Registered office	23807 Merate (LC), via De Gasperi, 113, Merate (Italy).	Via Cinquantenario, 8 - 24044 Dalmine, Bergamo (BG) (Italy).	Dølevegen, 86, Post Box. 2096 N-5541 Kolnes, Kongsberg (Norway).	1042. Cadde 1319.Sokak No.9/5 Ovecler, Ankara (Turkey).	Azadlig Avenue 189, Apt 61, AZ1130 Baku (Azerbaijan).	The Bastions, Office No. 2 Emvim Cremona Street, Floriana, FRN 1281 (Malta).	The Bastions, Office No. 2 Emvim Cremona Street, Floriana, FRN 1281 (Malta).	Prague 9, Ocelárská 35/1354 (Czech Republic).
Line of business	Provision of technical, engineering and industrial services	Quality control, maintenance and inspection	Quality control, maintenance and inspection	Quality control, maintenance and inspection	Provision of auxiliary services for oil and gas companies	Holding company	Holding company	Manufacturing, trade and services not listed in Appendix 1-3 of the Trade License Activity
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	80%	80%	60%	80%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi Turkmenistan	Velosi Industries Sdn Bhd	Applus Velosi Malaysia Sdn Bhd	Kurtec Inspection Services Sdn Bhd	Velosi Plant Design Engineers Sdn Bhd	Applus Singapore PTE Ltd	Velosi Engineering Projects Pte Ltd	Velosi Energy Consultants Sdn Bhd
Registered office	Ashgabat City, Kopetdag District, Turkmenbashy, Avenue, No. 54 (Turkmenistan).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	521 Bukit Batok Street 23 Unit 5E, Excel Building,659544 (Singapore)	521, Bukit Batok Street 23, Unit 5E , 659544 Singapore (Singapore)	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).
Line of business	No line of business	Investments, investment property and provision of engineering services	Provision of engineering and inspection services	Provision of non-destructive testing (specialised NDT) services, inspection of guided wave long range ultrasonic testing (LRUT) and remote visual inspection	Provision of consultancy and engineering services for the design of plants, construction and engineering and the investment that they possess	Provision of specialised services in the area of repair of ships, tankers and other high sea vessels, and provision of rope access, testing and technical analyses for the oil and gas industries	Provision of third-party inspection services	Provision of consultancy services for all engineering activities and the supply of local and foreign experts for the generation of oil and gas energy, marine, energy conservation, mining and all other industries, together with the engineering and maintenance of refining vessels, oil platforms, platforms, petrochemical plants and the supply of qualified labor
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi (HK) Ltd	Velosi Saudi Arabia Co Ltd	Velosi Engineering Management Consultancy Ltd Co.	Velosi Siam Co Ltd	Applus (Thailand) Company Limited	Velosi Integrity & Safety Pakistan (Pvt) Ltd	Velosi Corporate Services Sdn Bhd	Velosi International Holding Company BSC (c)
Registered office	Level 12, 28 Hennessey Road, Wanchai (Hong Kong).	Unit No. 1, Al-Qusur, Talal Al-Doha Building, Sub of Prince Mohammad bin Fahd Road, Dhahran, 34247-3229 (Saudi Arabia).	Room 1304, Shengkang LiaoShi Building No. 738 Shang Cheng Road Pudong, Shanghai PRC, 200120 (China).	ZEN @ ZEN World Tower, Level 12, Zen World Tower, 4, 4/5 Rajdamri Road, Pathumwan, Bangkok, 10330 (Thailand).	208 Wireless Road Building 14th Floor Room 1401 (16), Lumpini, Pathumwan, Bangkok 10330 (Thailand).	Office No. 401, 4th Floor, Business Centre, Block 6, P.E.C.H.S. Society, 74000 Karachi (Pakistan).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	Flat 42, Building 1033, Road 3731, Block 337, Menama/UMM Alhassam (Bahrain)
Line of business	Provision of management services, sales support, advisory and business development services to related companies	Provision of maintenance testing, fixing, examination of the welding and quality control for the pipes, machinery, equipment and other buildings in oil, gas and petrochemical facilities and to issue related certificates	Provision of consulting of Petroleum Engineering, technical consultation of mechanical engineering and consulting of business management	Holding company	Provision of engineering and technical services	Provision of support engineering services, inspections based on risk, reliability centred maintenance, assessment of the safety integrity level, suitability for management services studies, corrosion studies, development of data management control systems, quality management system certification, specialised non-destructive testing services, approval of the design review, third-party inspection services and inspection of plants and access engineering	Provision of general management, business planning, coordination, corporate finance advisory, training and personnel management services	Holding company of a group of commercial, industrial and service companies
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	60%	100%	100%	74%	70%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi Certification Services LLC	Velosi Certification WLL	PT Java Velosi Mandiri	Velosi Certification WLL	Velosi PromService LLC	Velosi LLC	Velosi Bahrain WLL	Velosi LLC
Registered office	# 201, Block B, Abu Dhabi Business Hub, ICAD-1, Mussafah, PO Box 427 Abu Dhabi (United Arab Emirates).	Block 9, Building 24, Office 21, Ground Floor, East Ahmadi, Industrial Area, P O Box # 1589, Salmiya – 22016 (Kuwait).	Plaza Aminta 9th Floor, Jl. TB Simatupang Kav. 10, Jakarta, 12310 (Indonesia)	Building No 121340, First Floor New Salata, C Ring Road, P.O. Box 3408, Doha (Qatar).	Russian Federation, 125130, Moscow, Staropetrovsky proezd, 7A, bld. 19, office 7 (Russia).	38 Kurilskaya str., Yuzjno-Sakhalinsk (Russia).	Flat 11, Building 1033, Road 3721, Block 337, Menama / UMM Alhassam (Bahrain).	Block no 227 Stella Building, Post Box 231 Hamriya. Way no 2748 (Oman).
Line of business	Provision of construction project quality management services, management system certification, quality management of the maintenance of existing facilities and equipment and mandatory inspection services	Provision of industrial consultancy	Provision of engineering consultancy services, such as quality control and non-destructive testing (NDT) inspection services, provision of skilled labor with vocational training	Provision of inspection and analysis and technical services in the area of qualified technical jobs	Provision of quality assurance and control, general inspection, corrosion control and services for the supply of labor for the oil and gas industries	Holding Company	Provision of quality control and standardization services, industrial inspection services and general services	Provision of certification, engineering and inspection services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	49%	24%	0%	24%	100%	100%	100%	50%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi Quality Management International LLC	Velosi CBL (M) Sdn Bhd	Velosi LLP	Velosi (B) Sdn Bhd	Velosi Certification Services LLC	Velosi Philippines Inc	Velosi Ukraine LLC	Dijla & Furat Quality Assurance, LLC.
Registered office	205, Block B, Abu Dhabi Business Hub, ICAD-1, Mussafah, PO Box 427 Abu Dhabi (United Arab Emirates).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	Building #31A, Akzhal lane, Atyrau, Atyrau Oblast, postal code 060002 (Kazakshtan).	Lot 5211, Spg. 357, Jln Maulana, KA 2931 Kuala Belait , Negara Brunei Darussalam (Brunei).	17, Chimkent Street, Mirobod District, 100029 Tashkent (Uzbekistan).	1004, 10F, Pagibig WT Tower, Cebu Business Park, Ayala, Cebu City (Philippines).	5A Piterska Street, 03087 Kyiv (Ukraine).	Ramadan Area, District 623-S, No.1, Baghdad (Iraq).
Line of business	Provision of certification, engineering and inspection, onshore and/or offshore services	Provision of equipment inspection services	Provision of services in the area of industrial safety	Provision of quality control and engineering services for the oil and gas industries	Provision of inspection, certification, monitoring and other types of business activity	Provision of inspection, quality control, certification and business process outsourcing	Provision of auxillary services in the oil and natural gas industries	Provision of quality control and training services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	49%	100%	80%	30%	80%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Equity method	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Applus Korea Co, Ltd.	Steel Test (Pty) Ltd	Velosi (Ghana) Ltd	Oman Inspection and Certification Services	Velosi Services L.L.C. (Russia)	Applus Japan KK	Velosi Angola Prestaçao de Servicos Ltda	Velosi Superintendend Nigeria Ltd
Registered office	108, Jin-ha, Seo-sang, Ulju, Ulsan (Republic of Korea).	28 Senator Rood Road, 1939 Vereeniging (Republic of South Africa).	2nd Floor, Design House, Ring Road East, Accra (Ghana).	P.O. Box 15, South Alkhuawir, Bawshar, Muscat Governorate (Oman)	Kommunistichesky prospect, 32, suit 610, Yuzhno-Sakhalinsk, Sakhalin Region (Russia).	Yamauchi Building 3F 3-24 8 Nishi Shimbashi, Minato-ku, Tokyo (Japan).	Rua Marien Ngouabi 37, 5º apartamento 53, Maianga, Luanda (Angola).	3A Alabi Street, Off Toyin Street, Ikeja - Lagos (Nigeria).
Line of business	Provision of training and consulting for services related to technical engineering, hiring-out of manpower and materials and leasing of properties.	Pipe and steel thickener testing	Provision of inspection, quality control and certification services	Provision of non-destructive testing services (NDT), environmental and safety services (HSE), quality control and engineering services.	No line of business	Provision of quality and inspection services, man power, NDT tests and industrial consulting	Provision of quality assurance and control, inspection, supply of technical manpower, certification and regulatory inspection, NDE specialised services and engineering	Provision of services (quality assurance and control, general inspection, corrosion control and supply of labor) for the oil and gas industries
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	67%	75%	49%	50%	100%	100%	44%	30%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Integración global	Integración global	Full consolidation	Full consolidation

Name	Velosi Uganda LTD	Velosi SA (Pty) Ltd	Applus Velosi Egypt, LLC	Velosi Mozambique LDA	Applus Velosi Angola, Lda.	Applus India Private Limited	Applus Mozambique Limitada	K2 Do Brasil Services Ltda
Registered office	3rd Floor, Rwenzori House, Plot 1, Lumumba Avenue, PO Box 10314 Kampala (Uganda).	1st Floor, AMR Building 1, Concorde Road East, Bedforview, 2008 Gauteng (Republic of South Africa).	27, Ali El-Gendy St., Nasr City, Cairo (Egypt).	Avenida Kim Il Sung, 961 - Bairro Sommershield - Distrito Urbano 1, Maputo Cidade (Mozambique).	Condominio Mirantes de Talatona, Rua das Acácias, casa B13, Luanda (Angola).	301, Plot no. 410, Matrusri Nagar Colony, Miyapur, Serlingampally Hyderabad Rangareddi, TG 500049 (India).	Paulo Samuel Kankhomba Avenue, number 3,371, Maputo City (Mozambique).	Avenida Nossa Senhora da Gloria, 2.643, Cavaleiros, Macae - RJ, CEP27920-360, Macae (Brazil).
Line of business	Provision of business consulting and management services	Provision of services related with the quality of the oil and gas industries	Provision of engineering consultancy in the oil sector, the maritime business, power generation and mining, as well as management consulting	Provision of consultancy services and technical assistance in the oil and gas industries, such as labor force services, and other specialized services in non-destructive trials, controls, quality inspections and asset integrity	Provision of quality assurance and control, inspection, supply of technical manpower, certification and specialised services in NDT and engineering.	Provision of labor supply services for the oil and gas industries	Provision of consulting and technical assistance services in the oil and gas industry, man power services, NDT specialized tests, controls and quality inspections and provision of asset integrity services	Provision of updating, repair, modification and control of onshore and offshore oil facilities, inspection and development of design services, manufacture of components and machinery structures and supply of qualified labor
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	74%	49%	100%	49%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Integración global	Full consolidation

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Name	Applus Velosi America LLC	Applus Velosi Canada Ltd	Velosi Do Brasil Ltda	Midstream Technical Inspection Services, LLC	Applus K2 America, LLC	Velosi Australia Pty Ltd	QA Management Services Pty Ltd
Registered office	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	2600 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2 (Canada)	Praia Do Flamengo 312, 9 Andar Parte Flamengo, Rio De Janeiro (Brazil).	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	Unit 22/23 Ashtan Place Banyo, Queensland, 4014 (Australia)	94 Discovery Drive, BIBRA LAKE, WA 6163 (Australia)
Line of business	Provision of labor supply services for the oil and gas industries	Provision of labor supply services for the oil and gas industries	No line of business	Supply of certifications for pipelines belonging to the oil and gas sector	Providing solutions for owners and operators of drilling rigs and FPSO in America, including inspection services, repair and maintenance, structural design and analysis and training services	Holding company	Provision of quality assurance services, such as worldwide inspection and ISO 9000 Quality Management Consultancy, training courses, quality control software packages and specialised labor services
Ownership interest held by Group companies:							
Direct	-	-	-	-	-	-	-
Indirect	100%	100%	98%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Note: the % of ownersihp of the Group companies reported corresponds to the legal interest.

Appendix II - Out of the scope of consolidation

Name	Velosi Cameroun Sàrl	Velosi Gabon PTE LTD CO (SARL)	Applus Velosi Kenya Limited	Steel Test Secunda (PTY), LTD.	VAIL Consultancy Services DMCC	Precision for Engineering Services, Project Management, Vocational Training and Importation of Man Power, LLC.
Registered office	Douala, PO Box 15805, Akwa (Cameroon)	Cité Shell, Port-Gentil in Gabon, BP: 2 267 (Gabon).	3rd floor, Kiganjo House, Rose Avenue Off Denis Pritt Road L.R No 1/1870, Nairobi P.O.Box 50719 - 00200, Nairobi (Kenya).	11 Viscount, Road Bedfordview 2007, (Republic of South Africa).	DMCC Business Centre - Level No 1 - Jewellery & Gemplex 3 Dubai (United Arab Emirates).	Al-Shamasiyah District Section No. 316 Street 15 house 37|1, Basra (Iraq)
Line of business	No line of business	Provision of security and environmental services (HSE), quality control and engineering in the oil and gas sector.	Services of provision of quality control, technical engineering of labor and consulting, Non Destructive Testing and certification, electrical inspection, engineering and project management and supervision of construction services	Inspection of pipes and steel thickness	No line of business	Buy, lease, ownership of personal property, intellectual property and the sale of said goods
Ownership interest held by Group companies:						
Direct	-	-	-	-	-	-
Indirect	100%	75%	100%	100%	80%	100%

Name	Velosi Jorson Sdn Bhd (Brunei)	Idiada Automotive Technology Rus, LLC	Idiada Homologation Technical Service, S.L.U.	IDIADA Automotive Technology USA, LLC	Velosi Asia Kish (Iran)
Registered office	LOT 5211. Simpang 357, Jalan Maulana, Kuala Belait KA2931, Brunei Darussalam (Brunei).	Russian Federation, 603004, Nijniy Novgorod, prospect Lenina, 115 (Russia).	L'Albornar s/n 43710 Santa Oliva - Tarragona (Spain).	9270 Holly Road, Adelanto, CA 92301 (USA).	No. 7, Second Floor, Block B28, Pars Commercial Complex, South-West of the Port Area (Iran).
Line of business	Provision of non-destructive testing services (NDT), technological development and transformation and technical consulting.	Engineering, testing and certification	Engineering, testing and certification	Engineering, testing and certification	No line of business
Ownership interest held by Group companies:					
Direct	-	-	-	-	-
Indirect	50%	80%	80%	80%	97%

The members of the Board of Directors of Applus Services, S.A. declare that, to the best of their knowledge, the consolidated financial statements of Applus Services, S.A. and subsidiaries (comprising consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes) for the year ended at 31 December 2018, prepared in accordance with applicable accounting policies and approved by the Board of Directors at its meeting on 20 February 2019, present fairly the equity, financial position and results of Applus Services, S.A. and the subsidiaries included in the scope of consolidation, taken as a whole, and that the management report accompanying such consolidated financial statements includes a fair analysis of the business' evolution, results and the financial position of Applus Services, S.A and the subsidiaries included in the scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties they face. All the Directors have signed on this page to certify the above mentioned.

Barcelona, 20 February 2019

D. Christopher Cole
Chairman

D. Ernesto Gerardo Mata López
Director

D. John Daniel Hofmeister
Director

D. Fernando Basabe Armijo
Director

D. Richard Campbell Nelson
Director

D. Nicolás Villén Jiménez
Director

Dª. Maria Cristina Henríquez de Luna Basagoiti
Director

Applus Services, S.A.

Independent Limited Assurance Report

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Applus Services, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the 2018 Corporate Social Responsability Report (CSR), which contains the Consolidated Non-Financial Information Statement (NFIS) for the year ended December 31, 2018 of Applus Services S.A. and subsidiaries ("Applus" or "the Group"), which forms part of the Consolidated Directors' Report of Applus.

The CSR includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting and by the Global Reporting Initiative Standards for sustainability reporting in their Core option ("GRI standards"), that was not the subject matter of our verification. In this regard, our work was limited solely to the verification of the information identified in the "Cross references table: GRI and Global Compact" and in the "Cross references table: Law 11/2018" in the Annex VI and VII of the CSR.

Responsibilities of the Directors

The preparation and content of the Applus CSR are the responsibility of the Board of Directors of Applus. The CSR was prepared in accordance with GRI standards in their core option. The NFIS included in the CSR was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Cross references table: Law 11/2018" in the Annex VII of the CSR.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the CSR and the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Applus are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CSR and the NFIs is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in reporting on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to 2018. Information on priors years was not subject to the verification required by prevailing Spanish corporate legislation.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements on regarding non-financial information statements.

The procedures performed in a limited assurance engagements vary in terms of nature and timing, and are less in extent that for reasonable assurance engagements and, consequently, the level of assurance provided is also lower.

Our work consisted in requesting information from management and the various business units of Applus that participated in the preparation of the CSR, which includes the NFIS, reviewing the processes used to compile and validate the information presented in the CSR and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Applus personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, materiality and completeness of the contents included in the CSR based on the materiality analysis carried out by Applus and described in the " CSR performance" section of chapter 4 of the Corporate Social Report, also considering contents required by current Spanish corporate legislation.
- Analysis of the processes used to gather and validate the data presented in the 2018 CSR.
- Verification, by means of sample-based review tests, of the information relating to the contents identified in the "Cross references table: GRI and Global Compact" and the Table of "Equivalents with Law 11/2018 on non-financial reporting" in the Appendices to the CSR, and the appropriate compilation thereof based on the data furnished by Applus information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed and the evidence obtained, no matter has come to our attention that causes us to believe that:

A) The NFIS included in the 2018 CSR of Applus was not prepared, in all material respects, including the adequacy of the contests revised detailed in the "Cross references table: GRI and Global Compact", in accordance with GRI Standards in their core option.

B) Applus NFIS for the year ended 31 December 2018 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI Standards, as well as other criteria described as indicated for each matter in the "Cross references table: Law 11/2018" in the Annex VII of the CSR.

Use and distribution

This report has been prepared as required by current Spanish corporate legislation and may not be suitable for any other purpose or jurisdiction.

DELOITTE, S.L.

Helena Redondo

22 de febrero de 2019

Applus

CORPORATE SOCIAL RESPONSIBILITY REPORT

Date:19/02/2019

Back Cover

This report has been prepared in accordance with the **GRI Standards, core option**. The information reflects all of the Applus+ Group's operations and **activities during 2018 (1st January – 31st December)**. The Applus+ *CSR Report* is **published annually**.

The report covers the requirements under the Spanish **Law 11/2018, 28th December**, which modifies the Commercial Code; the revised text of the Capital Companies Act approved by Royal Legislative-Decree 1/2010, 2nd July; and Law 22/2015, 20th July, of Audit of Accounts, in the matter of **non-financial information and diversity.**

Finally, this report constitutes the **2018-Global Compact's Communication on Progress (CoP)** of the Applus+ Group (**GC Active level**).

In the **Cross-reference table (Annexes VI-VII),** we link the information required by GRI Standards, Law 11/2018 and the UN Global Compact to the corresponding section within the report.

CSR Report summary

We understand corporate responsibility as the set of actions developed to establish trusting relationships, which are stable, sound and of mutual benefit to the Group and our stakeholders.

OUR PEOPLE

Focus on DEVELOPMENT AND TALENT RETENTION

At the end of 2018, Applus+ had a workforce of 22,852 professionals, made up of many different cultures, backgrounds and age groups. We are pleased to report that we filled approximately 73% of all available management positions internally. Training is one of our key areas of focus. In 2018, we increased the average annual number of training hours per person from 36 hours to 47 hours, and we launched our first Global Management Development programme to support the **growth in our people's capabilities,** while ensuring the future success and **sustainability of the Group**.

In addition, after analysing the outcomes of our **employee satisfaction survey,** we identified nearly **500 action plans** for potential areas of improvement, both globally and locally, with **78%** of the actions planned for 2018 being implemented before 31st December 2018.

GOOD GOVERNANCE AND BUSINESS ETHICS

The principles of effectiveness and transparency GOVERN our decision-making, in accordance with the main recommendations and standards across the world's regulatory markets.

In 2018, we developed the ***General Data Protection Regulation*** project to implement the new EU Regulation 2016/679 covering personel data privacy, and we approved **four new policies and procedures.**

In 2018, our whistleblowing channel received **125 communications of which 104 were opened** for investigation as potential breaches. Out of these, 90 were closed in 2018 and 12 remain under investigation by the Chief Compliance Officer (CCO). Out of the 90 cases closed, in 44 cases there was evidence of irregular behaviour or breaches of the *Code of Ethics'* values and/or contrary to the *Anticorruption Policy*, which resulted in some type of correction or disciplinary action.

SOCIETY

Our company's sustainability and growth, our innovation projects, as well as the services we provide to our clients, generate direct and indirect benefits for SOCIETY.

Beyond our sponsorship or direct financial contributions to social initiatives, the percentage of new employees hired locally in 2018 (94%) and local suppliers (81%)[1] show our commitment to the local communities where we operate.

In addition, we benefit communities through our innovation activity and by developing a wide range of **projects,** which often address a social and economic imbalance within a community and/or ensure and optimise the proper use of their assets and resources.

[1] This figure is limited scope to countries covered in SAP.

Applus⊕

CSR Report summary

INNOVATION

Through INNOVATION, we create knowledge and technologies that give us an advantageous position in the markets where we operate.

Our innovative approach generates **efficiency improvements**, as well as new revenue streams, which **benefit our Company**, our **clients**, **society** and the **environment**.

In 2018, we carried out 217 innovation projects that addressed various sustainability goals, with 825 employees involved and devoting approximately 355,568 working hours. Our innovation process also led to 28 new patents, and we collaborated with 101 external bodies to share our capabilities and resources, helping us to increase our knowledge base and explore new technological solutions.

ENVIRONMENT

Through our projects and services, we help our clients to minimise their ENVIRONMENTAL impacts.

We focus our management and prevention efforts on our **office activities** and **fieldwork** and on their most significant environmental impacts: **energy** and **water consumption** and **vehicle emissions.** We deploy environmental management systems at the local level, and we reinforce our employees' environmental awareness to reduce our direct impacts.

In 2018, we **reduced** our **energy intensity rate by 6.4%**, our **GHG emissions intensity rate by 6.3%** and our **water consumption by 1.4%**.

Beyond the internal control of our direct impacts, our key contributions to the environment are the services our business teams provide to our clients. These **services lead** to a reduction, either **directly or indirectly**, in the potential **environmental impacts** of our clients' business operations.

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1. Letter from the Chairman and the CEO

INTRODUCTION

Welcome to the Applus+ Group's *Corporate Social Responsibility Report* for 2018, in which we are pleased to present the Group's progress in strengthening our CSR policies and embedding the actions into working practices.

On December 2018, the Spanish government introduced a new law on the reporting of non-financial information. Therefore, this year's report integrates these requirements, and details our advances in the areas covered within the legislation, such as diversity, employment and environment.

Our Group's policies and values follow the Ten Principles of the UN Global Compact; we do remain committed to supporting and renewing practices in line with these principles. The Group has prepared this report in accordance with the new Global Reporting Initiative's standards, and our management teams have been consulted widely to develop these CSR policies and employee practices.

In 2017, we adopted the United Nations' sustainable development goals (SDGs), and in 2018, our teams continued their dialogue with stakeholders to review and refine the nine sustainability goals that guide the Group's commitment to operate responsibly, sustainably and ethically. We detail the results of this interaction under 'Our Approach' in section 3.

As in previous years, the Group's policies have adapted to these changing requirements, and here we highlight these developments under the five pillars that guide our behaviour, responsibilities and vision for CSR at the Applus+ Group.

OUR PEOPLE

Delivering and innovating TIC services requires specific technical knowledge and expertise in each industry sector. To develop and retain this talent, the Group filled 73% of our vacancies internally in 2018, and we increased our employees training by 30% up to 47 hours per person per year. This year was also the inaugural year of our Global Management Development Programme, for which 30 selected executives, from 17 countries, 20% of whom were women, strengthened their skills and acumen for the Group's future **leadership** by successfully completing the programme.

Our TIC services also rely on the judgement and dedication of our employees. Our technicians and engineers apply their skills in sectors that, by their very nature, require absolute levels of safe-working practices to mitigate the dangers when working in challenging conditions. Our employees' safety is paramount within the operations of each division, so we are profoundly sad to report a fatality at work within the Group in Honduras. Naturally, we have extended our support to the family and employees concerned, and a full investigation tested the robustness of safety practices and our training policies. We continue to reinforce our procedures to safeguard against these risks.

In addition, we continually refresh all of our policies and training efforts to instil a safety-first mind-set within our working practices. In 2018, this general approach has led to an overall reduction in yearly accidents rate by approximately 8%.

CORPORATE GOVERNANCE & BUSINESS ETHICS

The Group's good governance and CSR related policies are overseen by the Board of Directors with the valuable and specialised assistance of the Audit Committee and the Appointments and Remunerations Committee and the lead of the Corporate Social Responsibility Committee, each chaired by an independent director. We have maintained our annual corporate governance engagement campaign to contribute to the ongoing open dialogue with key investors and relevant proxy advisors ahead of our shareholders' Annual General Meeting.

In the area of compliance, the Group has drafted new policies deploying the Code *of Ethics* and the *Global Anticorruption Policy and Procedure,* training 100% of our employees on areas covering anti-bribery and anti-corruption, integrity and issues on conflict of interest. These policies also promoted our whistleblowing channel for suspected non-compliance to these codes, and our employees' positive engagement to the messages for reinforcing high ethical standards led to investigations into 104 potential breaches, with 44 irregularities detected and resolved.

The Group's industry sectors and day-to-day operations are driven by a diversity of skills, working practices and cultural settings. Correspondingly, the diversity of the Group's stewardship is therefore critical to bring the right balance of business perspectives, sectorial experience and management skills. The Board of Directors at Applus+ includes seven independent directors to meet these requirements, with a broad variety of skills, and we have welcomed a second woman to the Board following our policy of merit-based appointment.

STAKEHOLDER ENGAGEMENT

Stakeholder inclusiveness is fundamental to the way we govern the Group, so we engage continually with our stakeholder groups through specific policies to direct our actions with a mix of programmes for their specific needs.

For investors and shareholders, *our Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* sets out our commitment to transparency and dialogue, and our Vice-President of Investor Relations and management team attended 209 meetings and conference calls in 2018, along with 12 investors' conferences and 10 road shows, apart from the governance mentioned earlier.

Within the sectors our clients operate, our divisions actively participate in developing better safety, quality and technical standards through our membership of regulatory institutions in the Automotive, Oil and Gas, Aerospace, Telecommunications and Power industry sectors, detailed in section 8.1.

The Group is also actively developing policies that reduce impacts to the wider community in the area of quality, CSR and business ethics. In 2018, the Applus+ Group joined the Carbon Disclosure Project, and we continued our collaboration with associations to develop safe product and environmental standards, such as with the European Standardisation Committee (CEN).

INNOVATION

Innovation and its application is central to the services provided by our Group. Across all of the divisions' sectors, these advances contribute to, both directly and indirectly, safeguarding assets and personnel and reducing risk to the environment.

In 2018, our innovations continued to create value for the Group by helping our clients to reduce multi-faceted risks, increase operational efficiency and sustain the operations of their facilities. These include our applied technologies on a European project to develop infrastructure cybersecurity certification for smart technologies now being used at refineries, chemical facilities and power plants.

Our technical teams also collaborate with many international bodies and associations to apply their know-how and technology to new social challenges. In section 9, we present the wide array of new technologies and processes innovated across the divisions of Applus+, such as the IDIADA Division's participation in the European "Multi-Car Collision Avoidance" project to develop systems that will help reduce traffic accidents and personal injuries.

Each year, our focus on innovation generates new value for the Group, our clients, industry sectors and society. To support this strategy, the Group participated in 217 projects and our research and development led to 28 new patents granted in 2018.

ENVIRONMENTAL AND SOCIAL CONTRIBUTION

The services that the Group delivers generate low environmental impacts, and our main consumption remains related to vehicle emissions, during fieldwork, and energy and water use at our offices or laboratories.

To manage these, the Group has implemented our *Global Policy of QHSE*, developed to ISO 14001 standards, and we have dedicated tools to report and manage these key indicators across the Group. We also equip our employees with a *Guide of Best Environmental Practices* to promote sustainable working practices in energy, water and fuel consumption and we are happy to report the reduction by more than 6% of our energy intensity, and emissions intensity rates in 2018.

For our clients, the Group's services make a substantial contribution to developing sustainable business practices and safe facilities and products. In Section 10, we detail the positive impacts our services delivery to different industry sectors. These include helping society and business to reduce transport emissions, such as our contribution to developmental work on the European Clean Sky 2 programme to reduce emission by improving the aerodynamics of aircraft wings.

We are also proud of the variety of direct and indirect contributions we bring to the societies where our Group operates. This closeness to our communities allows local managers to champion employment policies for the social inclusion of less favoured groups. In Australia, we have created specific employment and training opportunities for indigenous communities, and, in Colombia, our *Semillas* ("Seed") programme welcomed 40 young students in 2018 to our training programme for technical and professional careers.

In 2018, our employees' kindness and generosity also assisted with many social causes, like our ribbon campaigns for cancer in Panama, and we are delighted to showcase our employees' passion and efforts in section 8.

CONCLUSION

The Group has made good progress in our social responsibility to develop management systems and programmes that deliver our critical services sustainably and ethically. These achievements are to be welcomed and recognised, although the loss of a colleague in 2018 also reminds us that our work and dedication requires constant vigilance and progress. We will strive to fulfil this obligation.

We thank the professionals working across the Applus+ Group for their values and commitment to the Group's good governance and their communities' welfare. Their talent drives the Group forward, and we will continue to invest in their skills. With this investment in our workforce, the Group's divisions keep on innovating to protect assets and contribute to the welfare of the public and of our environment.

We also express our gratitude to our shareholders, customers and other stakeholders for their continued support and trust in the Applus+ Group and in our services. Through your encouragement and our dialogue, we have continuously strengthened our CSR management in the past four years, and we therefore welcome and encourage your feedback to continue this progress together.

2. Company description

Applus+ at a glance

Applus+ is a premier choice in testing, inspection and certification (TIC) services. Across the Group, our divisions provide innovative services to national and multi-national companies in a diverse range of products, services and industry sectors.

A MARKET LEADER IN GLOBAL TIC SERVICES

GLOBAL PRESENCE

Applus⊕

Capital and shareholder structure (2)

5.073% Southeastern Concentrated Value Limited (1)

5.048% River & Mercantile Group P.L.C

4.993% Threadneedle Asset Management Limited

4.983% Norges Bank

3.018% Eric Bendahan (Eleva Capital SAS)

3.017% DWS Investment GmbH

(1) Southeastern Concentrated Value Limited was represented by one director on the Board of Applus+ Services S.A. until his resignation on 5th November 2018

(2) According to figures notified to CNMV at 31st December 2018

OUR DIVISIONS

ENERGY & INDUSTRY DIVISION

Services. Industrial and environmental inspection, technical assistance, non-destructive testing (NDT) and technical staffing.

Industries. Oil and gas, industrial manufacturing, power, telecommunications, construction and aerospace.

LABORATORIES DIVISION

Services. Industrial testing laboratories, engineering, certification and metrology services.

Industries. Aerospace, Auto, Construction, Energy, IT.

AUTOMOTIVE DIVISION

Services. Statutory vehicle inspection services for safety and emissions.

Industries. Government and public transport agencies.

IDIADA DIVISION

Services. Proving ground, design, engineering, testing and homologation services.

Industries. Automotive.

Applus+ BY INDUSTRY

36% Oil and gas

22% Statutory vehicle inspection

13% Automotive testing and engineering

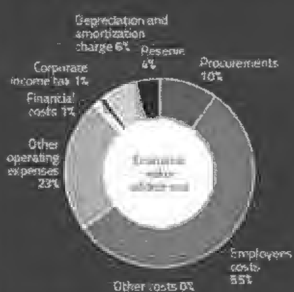
9% Power

4% Construction

3% Aerospace

Others 13% Total Revenue

Consolidated Annual accounts



EXPANSION OF DIVISIONS AND NEW BUSINESS LINES

ENERGY & INDUSTRY

Asset Integrity Management

Applus+ offers a comprehensive range of asset and facility integrity-management services in a wide variety of sectors to ensure that our clients' operations remain safe and reliable. We provide companies with **tailor-made solutions** for all their asset integrity challenges, helping our clients to **optimise** their **operations and maintenance** work while complying with the relevant national and international standards.

Preventing and responding to major industrial accidents

Applus+ **acquired Trámites, Informes y Proyectos (TIPs),** a company specialising in industrial safety and the environment. With this acquisition, the Energy & Industry Division has strengthened its engineering, industrial-consultancy and environmental-consultancy services, especially as a service provider for the **EU's Seveso Directive**, which covers the prevention of, preparedness for and response to **major industrial accidents.**

The Energy & Industry Division now has a wide-ranging service portfolio that includes services for studies and reports on industrial projects (risk analysis, major incidents, emergency planning, occupational health and safety, environmental-impact assessments, etc.), as well as issuing technical documentation such as operating permits.

International Certification for professional skills

Applus+ administers written and practical examinations to **certify lifting-equipment operators and riggers** across the **United Arab Emirates**. The company's Certification of Persons schemes complies with international standards and any specific requirements issued by U.A.E. government authorities. Through this service, Applus+ provides the recognition of the professional skills required for crane operators, forklift operators and riggers.

LABORATORIES

New materials characterisation services (USA)

The **acquisition** of **DatapointLabs** represents a technological leap for the division in the field of materials technology. DatapointLabs specialises in materials property characterisation for design and finite element **numerical simulation,** and develops **software tools** that enable the industry to tap into information about materials used more efficiently.

New IoT testing and certification services

The Laboratories Division has launched a number of new services to **verify the functionality, reliability and security of IoT (Internet of Things) solutions**. Solutions tested and certified by Applus+ can obtain the "IoT Certified" voluntary quality mark, a guarantee of quality to the end-user.

Electro-magnetic compatibility tests (EMC) on automotive components and vehicles

With the **acquisition of 3C Test Ltd in UK,** Applus+ operates cutting-edge facilities for carrying out EMC tests on both automotive components and vehicles.

AUTOMOTIVE

New laboratory for refrigerated vehicles inspections: Spain

Through our **Supervisión y Control, SAU Auto Company** in Galicia, Applus+ has set up a laboratory to carry out inspections under the **Agreement on the International Carriage of Perishable Foodstuffs (ATP).** This new capacity offers services to a wide range of vehicle manufacturers, bodybuilders and transport companies, while reducing the time and costs of inspections.

Expanding statutory-vehicle-inspections services: Ecuador and Uruguay

Applus+ won a contract with the **regional government of Durán to provide services in** statutory vehicle inspections, and the Group invested in the construction and equipping of our first statutory-vehicle-inspection station in **Ecuador**. In **Uruguay**, Applus+ was awarded the sole concession for statutory vehicle inspections on passenger vehicles and heavy-goods vehicles, operating under the jurisdiction of **the country's National Transport Directorate** (DNT).

IDIADA

Passive-safety vehicle engineering and testing services: California

Applus+ acquired **KARCO Engineering LLC**, a company based in Adelanto, **California**, which is operated through our IDIADA Division in the US. Karco's automotive research centre adds to the Division's capabilities for design evaluation, research support and homologation services in the US-regulated automotive sector.

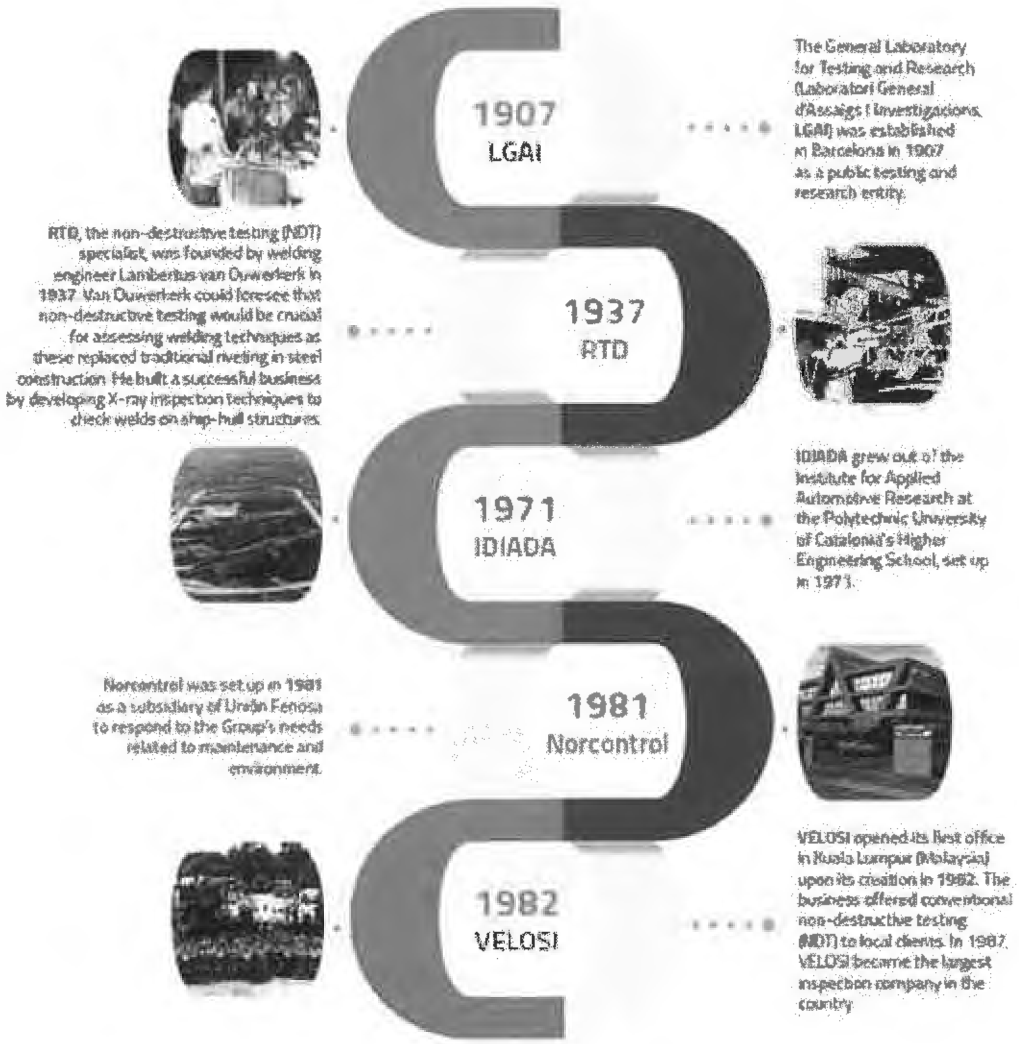
Construction of automotive test tracks: Spain and China

The IDIADA Division has the necessary resources for the testing and development of autonomous and connected vehicles. At the end of 2018, further investments included the **construction** of **specific test tracks** in **Spain** and **China**.

2.1. Our history

Our history

The Company's origins



The Applus+ Group's history

1996–2003

Applus+ IDIADA
Applus+ laboratories

- **Agbar Automotive** established
- **IDIADA** joined the Group
- **Laboratories** joined the Group

Revenue €200M

2004–2007

Applus+ norcontrol
Applus+ RTD

- **Norcontrol** joined the Group
- **RTD** joined the Group

Revenue €675M

2008–2014

Applus+ VELOSI

- **20 businesses** joined the Group
- **VELOSI** joined the Group
- Applus+ **IPO**

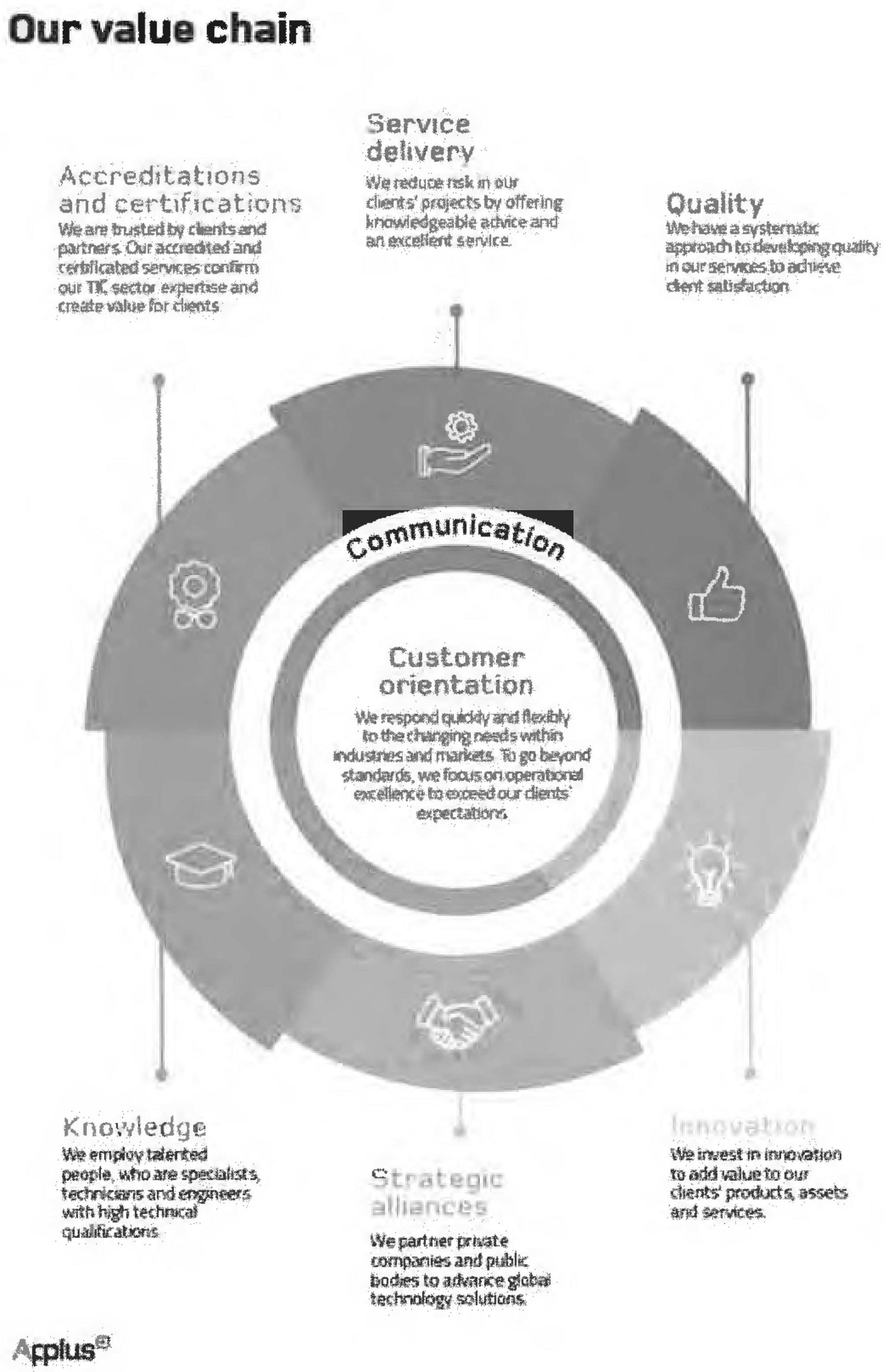
Revenue €1,619M

2015–2018

- New **Energy & Industry Division**
- 19 acquisitions including **Inversiones Finisterre**
- Capital increase

Revenue €1,675.9M

2.2. Our value chain



2.3. The TIC industry

TIC services encompass **many types** of **tasks**, including laboratory and on-site testing, management process audits, documentary checks, inspections across the entire supply chain and data-consistency verification. These activities may be carried out on the behalf of the **end-user** or **purchaser**, at the request of a manufacturer or on the behalf of **public** or **private authorities**.

TIC services are required at **every stage** of the **supply chain and** apply across **all industries**. The biggest markets are those relating to consumer products, followed by oil and gas, construction, chemicals and mining. The TIC market can be split into three **main regions**: **Europe, North America and Asia**. The Applus+ Group is present across all of these regions following our investments made over the past 15 years.

TIC MARKET: DRIVING FACTORS AND TRENDS

The TIC market depends on the administrative organisation of a country and type of industry being regulated, and in particular on **government's regulatory policies** or changes in **practices within industry** sectors. This is the case in China, where certain sectors are opening up gradually. Both factors may have a significant impact on the size of the market.

The **six main factors** driving **growth** in the TIC market are:

- The overall **growth** in the world **economy and** in international **trade**, which influences the expenditure volumes of the Group's clients;
- The **relevance** of the **control activities** for the manufacturer of a product or the operator of an asset. This tends to be fairly stable in the short term but increases over the long term due to **stricter standards and regulations**;
- **Increased use** of **tests and inspections** to facilitate and secure transactions and operations;
- **Subcontracting** by businesses;
- **Privatisation** by government bodies; and
- **Digitalisation** of the economy and of the services.

3. CSR approach

3.1. CSR framework

In 2017, Applus+ adopted the United Nations Sustainable Development Goals (SDGs) as a framework for designing its Corporate Social Responsibility (CSR) goals, and in 2018 we have continued developing and strengthening this framework. The following **nine** of the UN's 17 SDG goals are **the most relevant** to the Applus+ Group's businesses:

Our **stakeholders,** through **materiality analysis, ranked** their **key SDGs,** resulting in a similar list of goals:

3.2. CSR Policy

CSR Policy

Our approach to CSR is described in five pillars, each containing at least two SDGs.

OUR PEOPLE

- Foster working conditions based on effective Health and Safety programmes, as well as human and employment rights. Maintain our commitment to a *HSQE Policy* at the highest level, and deploy the policy across all divisions and countries, with specific programmes to increase awareness and involve all employees at Applus+ in health and safety issues.
- Provide a fair and competitive environment to enable professional development opportunities and skills-building for all employees at Applus+.
- Promote diversity amongst our staff based on *Global Anti-discrimination Policy* applicable at a global level.
- Train our professionals to develop their existing skills and acquire new abilities – both managerial and technical – through specific training and internal skills-building programmes.

STAKEHOLDER ENGAGEMENT

- Focus our business through a client-oriented strategy based on close communication with our clients.
- Implement procedures to maintain high service-standards to clients and high-quality procedures across all of our geographies and business units.
- Develop our services and business management (through ethics, innovation, safety and environmentally friendly conduct) to maintain our reputation as a trusted business partner at every stage.
- Develop our own Investors Relations Strategy to ensure communication complies with legal responsibilities and market practice, while allowing the global investor community to make informed investment decisions.
- Create communication channels to provide quick and effective responses to our stakeholders.

SUSTAINABLE PERFORMANCE

- Ensure active prevention and limitation of potential impacts on climate change and the environment caused by our operations.
- Observe a series of environmental rules focused on waste minimisation, emissions reduction and natural and clean-energy resource optimisation.
- Develop innovative services to help reduce the potential environmental impact of our clients' businesses in the communities where they operate.

Applus®

CORPORATE GOVERNANCE AND BUSINESS ETHICS

- We are sensitive to changes in the laws and trends for corporate governance, and we are committed to transparency as a key principle to managing a publicly listed company. Together with these permanent checks and balances, such view has driven us to achieve a solid governance model.
- The Group's commitment to business ethics is managed by the Board through the CSR Committee and the Chief Compliance Officer to ensure our *Code of Ethics* and associated policies are integrated across all of our business units, geographies and operations.
- We ensure disclosure and promote observance of our *Code of Ethics* across our divisions, suppliers and contractors. The Applus+ Group also has a zero tolerance against corruption and undertakes regular supervision of our activities in accordance with the *Global Anti-Corruption Policy*, which includes due diligence processes to evaluate ethical issues covering suppliers and partners.
- We integrate sustainable development criteria to drive positive social, economic and environmental behaviour throughout our value chain, with our stakeholders and in the communities in which we operate.

INNOVATION

- Promote and share innovation openly across all business units that embeds corporate social responsibility into our employees' technical expertise and into our internally-developed services, as well as within our clients' operations.
- Create a working environment that nurtures innovation supported through the resources to facilitate this progress.
- Integrate specific innovation programmes across business units, stimulating and organising initiatives to promote innovative thinking amongst employees.

Together beyond standards

3.3. CSR strategic lines

OUR PEOPLE

- Engage our people through periodic training and maintaining the **continuous monitoring** of the application of all our Group's policies and procedures related to the protection of **Human Rights, non-discrimination** and **equal opportunities.**
- Continue with the implementation and follow-up of the **action plans** designed to improve and increase the **satisfaction** and **commitment** of our **employees.**
- Launch in **2020** the **second promotion** of the ***Global Executive Development Programme*** to ensure the continuous development of our management team.
- Launch in **2019** the next **Employee Engagement Survey.**

CORPORATE GOVERNANCE AND BUSINESS ETHICS

- The Board of Directors shall keep on promoting **diversity** and embedding the 2020's goal for a 30% **women** representation
- Regarding our ***Compliance Management System for Criminal Risks (CMS),*** as best practice, we have recently updated our risk map analysis and introduced or adapted the mitigating controls in parallel to the issuance of a number of new policies and procedures. **Next year,** we will **review** our ***Supplier and Client Policies*** to **ensure** that they **comply** with the **new provisions** within the ***Conflict of Interest Policy*** approved in 2018**.**
- As key actions for **2019**, the Global Legal Department has drafted and will publish and distribute worldwide a new ***Competition Compliance Guidelines*** to develop a **training** aimed at the **entire organisation** and another key action will be to focus on the protection against unlawful acquisition, disclosure and use of **trade secrets** in light of the recent changes in the law and the new Policy and guidelines on **tenders**, together with in-house training.

STAKEHOLDER ENGAGEMENT

- Framing our social action in the **local communities** where we operate, and **promoting** the **autonomy** of our **local teams** to **implement specific programmes** for social action.
- **Progressively increase** the **percentage** of **suppliers covered** by our **vetting** and **verifying processes** until reaching 100% of our suppliers in the short term.
- To carry out **annually corporate governance road shows** to maintain our constructive dialogue held with institutional investors and proxy advisors, in line with our *Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.*

INNOVATION

- **Reinforce** year after year our **investment** and **dedication** in **innovation** to create technologies that promote **safety** and **quality of life** in our society.
- **Promote and share innovation** openly across all business units that **embeds corporate social responsibility** into our employees' technical expertise and into our internally-developed services, as well as within our clients' operations.

SUSTAINABLE PERFORMANCE

We focus our management efforts on the **minimisation** of our **energy** and **water consumption** and on the **reduction** of **emissions**:

- Maintaining the **progressive improvement** of these indicators by **reinforcing** our employees' involvement through new awareness campaigns.
- Designing **specific actions** on the **activities that cause** these impacts (mobility plans, periodic renewal of the vehicle fleet, lighting programming in offices, etc.).
- We consider that **changes** affecting the market **due to climate change** will be gradual; consequently, we will adapt and extend our services progressively to meet the needs of our clients.

4. CSR performance

4.1. Key figures

CSR performance

ECONOMIC PERFORMANCE

Revenue: 1,675.9 million

Adjusted operating profit 170.8 million

OUR PEOPLE

Training hours: 1,000,000+

22,852 Employees

CORPORATE GOVERNANCE AND BUSINESS ETHICS

86% Effective compliance ratio over CNMV's Code Recommendations

Ethics non-compliance notifications: 104 (44 breached the *Code of Ethics*, and were addressed and closed)

STAKEHOLDER ENGAGEMENT

Countries: 70+

Local employees: 88%

INNOVATION

Hours invested on innovation: 355,568

Employees involved (not full-time dedicated): 825

SUSTAINABLE PERFORMANCE

Energy consumption: 823,068 GJ

Water consumption: 692,734 m³

4.2. Our main CSR achievements

Our main CSR achievements

01

Closing of our successful First Global Management Development Programme with the participation of ***30 people*** from ***17 different countries***, which included 20% of women.

02

Deployment of more than 500 action plans designed on the outcomes of our employee satisfaction survey, with ***78% of the actions*** planned for 2018 being **implemented and** with a focus on those areas with potential for improvement.

03

Energy and water **global-consumption register and monitoring** at the Group through two new applications: ASM and ClickView. Reduction of our ***energy intensity rate by 6.4%***, our ***GHG emissions intensity rate by 6.3%*** and our ***water consumption by 1.4%***

04

Carbon Disclosure Project survey in **2018** was **rated B**, which represents an important improvement with regards to the previous year

05

Approved three new policies to internally regulate **conflict of interest** and to reinforce our commitment to **Human Rights** at divisional level

06

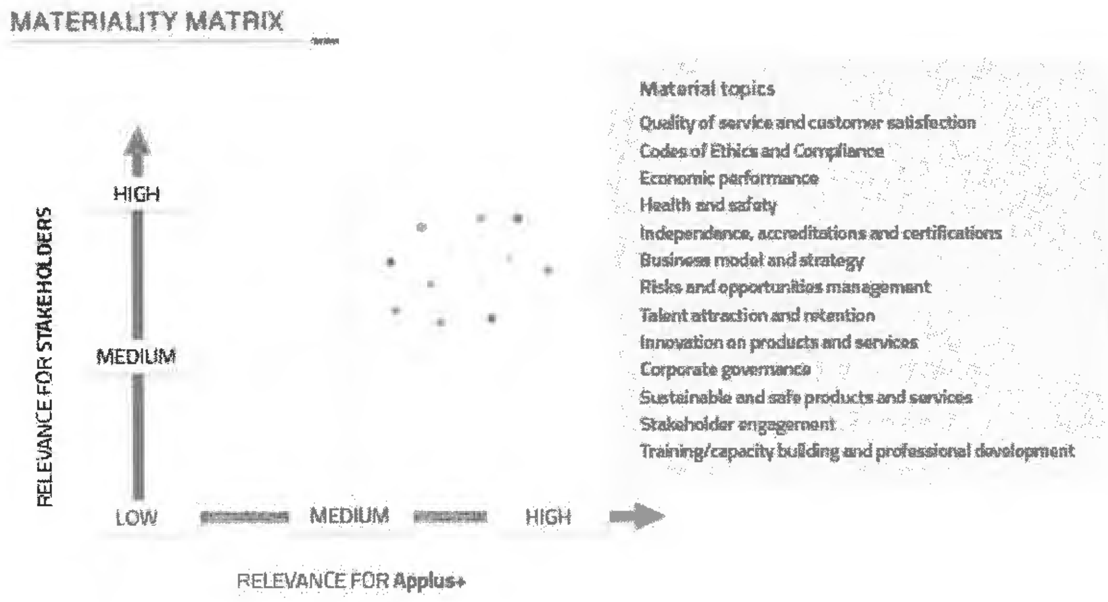
Designed and implemented a new procedure for the **management of individuals' rights under GDPR** *(General Data Protection Regulation)*

Applus®

Together beyond standards

4.3. Material topics

To define the relevant content for this report, we undertook a **materiality analysis** by following the **methodology described in Annex II**. The resulting **topics** were shown to be **material:**



These material topics formed the **starting point** to **identify and evaluate the impacts** described in the following section.

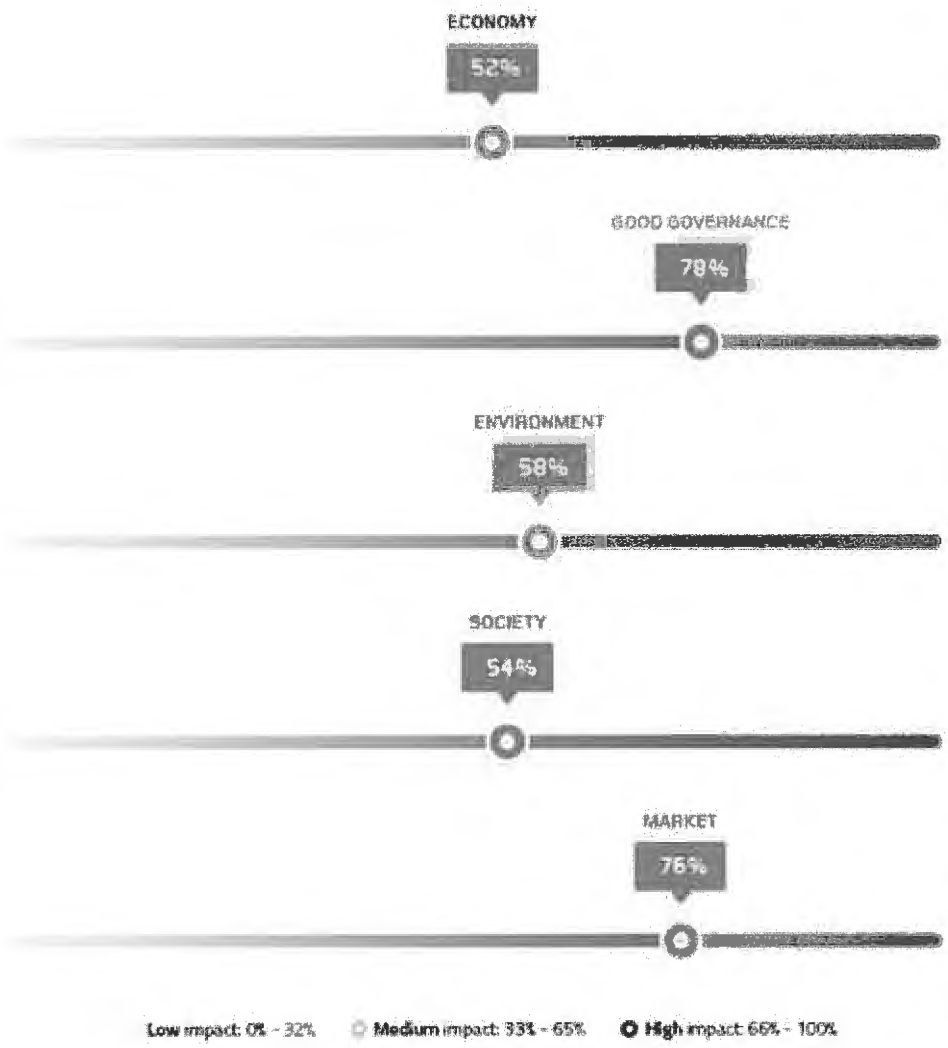
4.4. Impact evaluation

DIRECT IMPACTS

To identify and evaluate our direct impacts, we have considered **five areas relevant to** our business: economy, good governance, environment, society and market. We have established **three levels of impact**:

These levels represent the degree to which Applus+ can make a positive **contribution to improvements in the five relevant areas that are external to Applus+**. This means that our impact to the area is very positive when the impact is high, positive when the impact is medium and not very relevant when the impact is low.

The following graphics show the **results** of the evaluation covering our direct impacts, after applying the **methodology** detailed in **Annex IV.**



INDIRECT IMPACTS

The identification of impacts, and the subsequent evaluation process, also includes the qualitative evaluation of our indirect impacts. First, we evaluated **our contribution to the direct impacts of our value chain** (see previous item), and then we performed the evaluation through the **methodology** described in **Annex IV** of this report.

Below is the **result of the evaluation** of our indirect impacts:

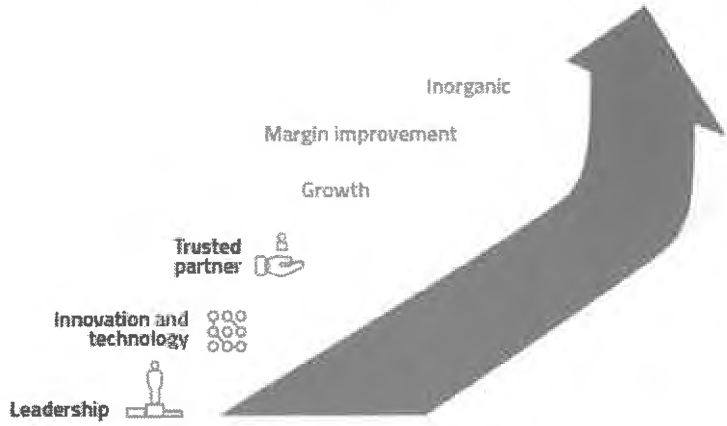
OUR VALUE CHAIN´S MAIN IMPACT AREAS	Applus+ CONTRIBUTION	
ECONOMY	**Clients**	**Rest of entities**
Improvement of economic performance	Our services enhance their business development and sustainability. An optimal service and a reasonable price-service ratio builds a relationship of trust that provides continuity to our commercial relationship, and gives us the opportunity to transfer our good practices. For some sectors (Statutory vehicle inspection, automotive testing and engineering or NDTs), we become drivers of improvement in defining work standards.	We collaborate in developing the business, social and economic environment when contracting products and services.
Job creation		
Community development		
GOOD GOVERNANCE	**Clients**	**Rest of entities**

OUR VALUE CHAIN´S MAIN IMPACT AREAS	Applus+ CONTRIBUTION	
Compliance with industry regulations	Our services to clients improve compliance with national and international regulations and standards.	We vet suppliers and require them to comply with national and international regulations.
Corporate governance Good reputation	We comply with their codes. We apply our policies, which include *Anti-Bribery Policy*, and the values and principles of our *Code of Ethics*.	We have implemented a *Compliance Management System for Criminal Risks (CMS)* to support the application of the Code's principles related to the criminal acts. We have deployed internal controls at group level to mitigate risks.
ENVIRONMENT	**Clients**	**Rest of entities**
Operational efficiency Consumption Climate change	Definitely, our services improve our clients' sustainable performance. In addition, we reduce their environmental impact through the development and application of new services, in many cases, because of our innovation projects.	We require suppliers in our vetting processes to meet environmental legislation in their work. In addition, we positively value the application of good environmental practices, or the implementation of environmental management systems complying with international standards.
SOCIETY	**Clients**	**Rest of entities**
Fulfilment of Human Rights and removal of inequalities Community development Specialisation, knowledge and experience Quality work environment Quality of services and customer satisfaction Preventing occupational risks and reducing accidents	Due to our position in our supply chain, our influence on social aspects is not significant. We apply our *Code of Ethics* and principles when we deliver customer services. However, in the case of the prevention of occupational risks, our contribution is significant because of the nature of our services. We also contribute to improving the specialisation and knowledge of our clients' staff when we provide technological services or develop innovation projects. Our processes and services, throughout the application of good practices and standards of quality, safety and environment reduce risks for our clients' people, assets and products.	We have strong vetting processes to ensure external suppliers and partners meet our commitment to ethics. These processes include verifying compliance with certain social aspects before contracting, especially those contracts connected with the prevention of occupational risks. Our goal is to cover 100% in the short term.
MARKET	**Clients**	**Rest of entities**
Operational efficiency Pollutant reduction	In developing and implementing innovation within projects, our aim is to improve our clients' processes, bring efficiency, reduce costs and prevent pollution.	We ask suppliers to be active in respecting the environment. Likewise, we require suppliers to provide us with innovative tools to optimise their services to us for improved efficiencies. These terms are set out in our technical descriptions for supplied services.

5. Economic performance

5.1. The Group's strategy 2018 - 2020

In **February 2018**, we updated the shareholders and equity analysts on the medium term strategy of each division and of the Group. This included **targets** for **financial performance** and **priorities** for **capital allocation** during the period of **2018 to 2020**. Below are the **key points** of our strategy:



The Group focused the 2018-2020 operational strategy on:

- **Leadership** – to be market leaders in our verticals.
- **Innovation and technology** – to offer the best technical solutions.
- **Trusted partner** – to build long-term relationships.

LEADERSHIP

Leadership provides **investment capacity**, drives **global coverage**, **attracts talent** and enhances **reputation** and **trust**. We provide mission-critical services to our customers and they choose the leading companies.

In our largest vertical of **oil and gas**, we are the **market leader for non-destructive testing**. In the broader **Energy & Industry Division**, we are the **second largest** in the **TIC market by revenue**. In our **Automotive Division**, we are number **two** in terms of the **number of inspections** carried out **directly by** the companies themselves. For the **IDIADA Division**, whose market is more fragmented and leadership is therefore harder to measure, we believe we have the **most advanced independent testing facility** for original equipment manufacturers. Our smallest division is the **Laboratories Division**, and they hold strong positions in certain areas and **leadership in some regional markets**.

INNOVATION AND TECHNOLOGY

To maintain this leadership position in our verticals, we continue to **invest in innovation and technology** and to always be able to offer the **best technical solutions**. We constantly seek to improve the performance efficiency of our services and the management of our business, and we drive this by **adopting the latest technology and practices** from within the **market** or from the **ideas and insights** originating from **our** own **teams**.

Every year, alongside our clients or government departments, Applus+ invests in innovation projects and files **patents** for the unique and proprietary solutions that our divisions' teams discover.

TRUSTED PARTNER

In the business of providing quality and technical assurance and reducing risks in operations, our **customers** and **partners** have to **trust us**. **Integrity** is therefore central to our business and practice, supporting the ability to consistently provide a **good service** and **value**. These aspects of service confidence have helped the Group to build and maintain **long-term relationships** with our clients.

We are proud to say that **over 70% of the revenue** from our top 100 clients (not including the Automotive Division) comes from **companies** which we have **worked** with for **over 10 years**.

With our **top 25 clients** in the **Energy & Industry Division**, we have Master Service Agreements with those that account for almost **three quarters of the revenue.** These MSA's are difficult to obtain, especially from the oil majors and blue chip clients, and this commitment demonstrates their trust in Applus+. And finally, for the **Automotive Division**, the **very high contract-renewal rates** show the strength of our client relationships.

FINANCIAL TARGETS AND CAPITAL ALLOCATION PRIORITIES FOR 2019 AND 2020

Financial targets were given for the period 2018 to 2020 at the time of the strategy update, and we are pleased to report that the **2018 targets** were **exceeded** and the explicit **guidance for 2019** reported within the 2018 results publication is **in line with** the **targets**. The **2020 target** for the Group to be able to **continue growing organic revenue at mid-single digits** at constant exchange rates, with the **adjusted operating profit margin** improving **by between 20 to 30 basis points** remains intact.

Furthermore, we expect cash flow to continue to be strong, with a **cash conversion rate** (adjusted operating cash flow as a ratio of adjusted EBITDA) of **about 70%,** from which we will continue to propose an **annual dividend** of **approximately 20%** of **adjusted net profit**. We target a **net debt to EBITDA leverage ratio below three times** and we retain **capacity for acquisition spend** in the **range** of **€150 million per year**.

5.2. Economy management approach

Managing the **financial results** of Applus+ Group is a task shared between the Board of Directors, the Group's CEO, the Corporate Financial Manager and the Vice-Presidents of the Group's four divisions. **Executive Committee meetings** are held periodically within the Group to analyse the financial results by divisions. The executive members attend these meetings, along with the directors of the corporate functional areas including: General Counsel, Chief Compliance Officer, Human Resources Vice-President, Business Development Vice-President, Internal Quality, Health and Safety Vice-President and the Investor Relations Vice-President.

RISK MANAGEMENT

The regulations of the Board of Directors (*arts. 7.2 and 39.7*) define the responsibilities of the Board of Directors and its Audit Committee, in the determination of the control and risk management policies, periodic monitoring, and evaluation of financial and non-financial risk that the Company is exposed to. During 2018, the Applus+ Group has defined a new *Risk Management Policy* and procedure, and has updated a **Risk Map** to identify any critical risks, from **strategic, operational, financial, fiscal and legal** points of view, that could affect the strategic objectives of the Group being met. The Risk Map includes all factors considered to be critical, and the assessment covers all of the Group's **lines of business**, the **geographical areas** where we operate and our **business divisions.** This includes any risk factors considered critical to the operations of the Group's business-supporting functions (finances, human resources, legal and fiscal). The Board will approve both measures in 2019.

To identify the critical risks, we **applied priority criteria** according to: the impact on turnover; the possibility of trade interruption resulting from an identified risk; and any possible damages to reputation in the event of an incident occurring.

As a listed company, the Applus+ Group has designed an **Internal Control System over the Financial Information (ICFR)** to mitigate the risk of any relevant errors occurring during the preparation of financial information. This system sets out **processes** for the Board of Directors, the Auditing Committee, the Management and the Group's personnel to carry out in order **to ensure** reasonable **security** in relation to the reliability of published financial information.

The **Board of Directors** is ultimately **responsible** for the existence and maintenance of the internal control system over the financial information (ICFR). This function has been **delegated to** the **Audit Committee.** In Section F of the *Annual Corporate Governance Report*, the model implemented is described in full.

An **external auditor reviews** the ICFR and its implementation **annually**. These reviews have been conducted since the Company was listed in 2014, and the conclusions have always been favourable.

The Applus+ Group's **consolidated annual accounts** are prepared in accordance with the **International Financial Reporting Standards**, as approved by the European Union (IFRS-EU) in accordance with the *EC Regulation 1602/2002* of the European Parliament and of the European Council.

Our consolidated annual accounts also follow all of the **mandatory accounting principles and standards and the valuation criteria**, and those of the Code of Commerce, the Capital Stock Companies Law and other applicable trade standards and regulations.

In this regard, the Group has an ***IFRS Manual*** **and a unique reporting package** with homogenous charts of accounts applicable to all dependent companies when recording transaction, making estimates and ultimately when preparing the financial reporting package.

TAX CONTRIBUTION

From an economic and financial point of view, the main breaches of laws and regulations that could lead the Group to be **exposed to sanctions** are **tax or fiscal breaches**. To prevent this, the Applus+ Group's **fiscal strategy** focuses on:

- Ensuring responsible **compliance** with prevailing tax laws while safeguarding the corporate interests;
- Following the **business strategy and values** of the Applus+ Group, which require strict observance of the law and the criteria set by regulatory agencies in the conduct of our business;
- Developing and implementing **best practices** in areas of tax governance; and
- Combining compliance with tax obligations with the commitment to **create value for shareholders.**

The fiscal strategy was **approved** by the **Board of Directors** since this responsibility cannot be delegated. Therefore, through a tool called ***Applus+ GRC***, the Group **monitors compliance** with our fiscal and tax obligations in all the countries where we operate.

The Applus+ Group has also defined **internal procedures** in the event of **inspection notifications**, which describe how the Corporate Fiscal Department must be informed and involved in order to minimise any possible ensuing sanctions. In the financial year ending on 31st December 2018, the Group received **no significant fiscal sanctions**.

The Applus+ Group gives priority to fulfilling its obligation to pay the taxes that are due in each territory in accordance with the applicable regulations. Income tax paid by the Group amounted to € 23,952,000 in 2018. The following table shows the breakdown of the *individual* profit before tax and the income tax actually paid by the Applus+ Group by region:

REGION	THOUSANDS OF EUROS	
	INDIVIDUAL PROFIT BEFORE TAX (*)	INCOME TAX PAID
	Thousands of Euros	Thousands of Euros
Spain	**62,170**	**6,745**
Rest of Europe	**25,633**	**6,580**
Netherlands	11,659	3,179
Rest of Europe (excluding Netherlands)	13,974	3,401
Middle East and Africa	**12,164**	**3,142**
US and Canada	**137**	**75**
Latin America	**24,137**	**5,651**
Costa Rica	13,997	5,572
Rest of Latin America	10,140	79
Asia Pacific	**6,854**	**1,759**
Total	**131,095**	**23,952**

(*)The individual profit before tax by region is net of dividends paid between legal entities within the group. The other main difference with the consolidated profit before tax is the annual amortisation charge associated with the intangible assets in business combinations.

6. Our people

6.1. Employment

At Applus+ we are aware that our professionals are one of the Group's most important assets. That is why we are committed to their professional development, through respect for and the promotion of the rights enshrined in benchmark international treaties and conventions relating to employment conditions, and by maintaining a close and transparent relationship with them in order to understand their needs and expectations.

With this objective in mind, we are currently reviewing the *Global Human Resources Policy*, which is aimed at all our professionals irrespective of the operating country. Once approved, the policy will consolidate all the rules implemented at corporate level. In addition, Corporate Human Resources Department has established the following milestones as objectives to further the Group's progress in employee management.

- Publicise the Group's main decision-making structures in the Human Resources area
- Mitigate financial risks in the Human Resources area (ICFR)
- Unify Applus+ employee welcome information; for example:
  - ➢ Dissemination of the Induction Manual, which contains information on the main policies applied globally;
  - ➢ Delivery of local handbooks containing all the Human Resources information of which employees must be informed pursuant to local legislation;
  - ➢ Unification of global employment clauses;
  - ➢ Development of local policies in the HR area to adapt to the local requirements of each operating environment and
  - ➢ Ensuring compliance with the provisions of the *Conflict of Interest Policy*, etc.

In the annex V of this report, we detail the data related to Human Resources.

DIVISION	EMPLOYEES
Energy & Industry	14,830
Automotive	4,538
IDIADA	2,519
Laboratories	965
Total	**22,852**

NUMBER OF EMPLOYEES PER REGION	2016	2017	2018
US & Canada	2,100	2,200	2,281
Latin America	3,300	4,200	5,337
Spain	6,000	6,800	7,523
Rest of Europe	3,700	3,500	3,285
Middle East & Africa	2,000	2,400	2,662
Asia Pacific	1,900	1,600	1,764
TOTAL	**19,000**	**20,700**	**22,852**

The voluntary turnover rate of employees decreased to 12% in the year. We are aware that the entry into operation of the action plans following the Global Satisfaction Survey had a significant impact on the motivation and commitment of our teams and, therefore, we would like to express our gratitude to you for your ongoing dedication.

The collective agreements and, in some cases, the local handbooks, govern the organisation and scheduling of work at each operations site as regards to everything related to annual working hours, breaks, paid leave of absence, etc.

The contract distribution by gender shows that 81.5% of women have permanent contracts, compared to 80.3% of men.

More than 500 employees benefited from maternity or paternity leave in 2018, and we expect them all to return to their positions when the leave ends. We wish all the best to those who voluntarily chose not to rejoin the company, in both their personal and professional lives.

At Applus+ we are committed to the work-life balance of our teams and that is why we provide flexibility strategies to ensure the balance between personal and family life is achieved. Worthy of mention among these measures is the possibility of adapting working hours to personal requirements. Globally, 15.3% of women benefit from part-time hours, as compared to 3.1% of men.

In 2018 absenteeism stood at 1.9% of hours worked.

The Applus+ Group has not implemented global measures regarding the right to labour disconnection. However, we comply with the provisions included in the applicable collective agreements and local regulations in this area.

Individual development plan

We facilitate geographical and functional mobility, which ensures we have highly motivated employees who are committed to developing their potential and endeavor to contribute to the Group's success every day. We also foster internal promotion for vacancies in management roles, with 73% of all positions filled internally in 2018.

GLOBAL SATISFACTION SURVEY

To ascertain our professionals' assessment of the working environment at the Applus+ Group, the Global Satisfaction Survey was conducted in 2017. This survey was sent to 80% of the Group's employees, and included employees representing all of our divisions in 60 countries. We greatly appreciate and value their participation, in view of the added difficulty generated by the activities carried on by our teams and their delocalisation.

Based on the responses obtained, in 2018 our efforts focused on the analysis and communication thereof. The objective of the third phase of the project was to establish action plans in areas with potential for improvement. As a result, we prepared around 500 action plans, of both a local and global nature, 78% of which have already been implemented. The plans focused mainly on the aspects assessed in the survey. The current level of implementation of the action plans is as follows:

Applus+

Implementation of EES Action Plans at End year 2018.		Number of Implemented Action Plans	Total of Actions Plans	%
Engagement	How the employee actively contributes to the company's success	38	46	83%
Collaboration	How the employees feel relationships work in the company	37	47	79%
Diversity & Inclusion	How the company treats personal differences and how the employees perceive them	36	42	86%
Empowerment - Autonomy	The influence the employee has over their work	28	36	78%
Enabling Infrestruture	How processes and tools provided by the company help employees to be as productive as possible	29	37	78%
Learning & Development	How the company cares about the learning and development of its workforce	52	71	73%
Performance Management	The understanding the employees have of their own and the companies' goals	23	37	62%
Reward and Recognition	The rewards and recognitions that the employee receives for their contribution to the company	77	98	79%
Safety	How safety issues are treated by the company and managers	45	50	90%
Supervision	How the employees see their manager and how s/he acts	55	70	79%
Talent & Sataffing	Workforce policies on attracting, retaining and promoting people	37	52	71%
Work-Life Balance	The balance between work and personal commitments	40	51	78%
	TOTAL	**497**	**637**	**78%**

Fostering satisfaction: Transversal Leadership Model

Based on the results of the Applus+ Group's Global Satisfaction Survey, we prepared an action plan at one of our divisions to define and implement a Transversal Leadership Model. The ultimate objective is to create a **Management Academy** at which all managers can receive ongoing training in the skills required to develop the **LEADERS** that the organisation desires.

To achieve this objective, the project has three major phases:

- **Phase 1. Definition of the Team Leadership Model:** to establish the appropriate direction of the project and, to this end, the behaviour and key competencies required of the organisation's leaders were detected.
- **Phase 2. Snapshot of the current leadership:** to learn how to increase management efficiency, work is currently being performed on the Talent Map. The current Talent Map, a survey of management of the organisation, will enable the identification of potential development requirements and an increase in precision in the strategic planning and management of talent, the objective of which is to determine the performance of each manager together with his/her potential for development.
- **Phase 3. Creation and design of development routes:** starting from the idea that "what can be measured can be achieved", this last phase will implement the development initiatives identified to foster the competencies and behaviour that the organisation considers to be key.

The Human Resources Department has provided all the support required, acting as a facilitator to implement the proposed initiatives, fostering the participation of all units, and performing systematic monitoring of the progress thereafter. At Applus+, we hope that implementation will enable the satisfaction and commitment of our employees to be increased, and that this will be reflected in enhanced participation and involvement in future surveys. All the above will contribute to the sustainable growth of our business, and to improving the culture and pillars on which our people development model is based.

6.1.1. Diversity and equal opportunity/ Non-discrimination

Establishing a working environment based on respect, ethics, equality and diversity is key in a company such as Applus+, characterised by its diversity and geographical dispersion. The Global Non-Discrimination Policy and the Code of Ethics provide guidelines for employees to aid their understanding of how they are expected to behave, both at work and in their relationships and interactions with each other and with our stakeholders.

The human capital of Applus+ is distributed across more than 70 countries, and includes a large number nationalities, cultures and religions, as well as gender and age diversity, which we feel makes a very positive contribution to the success of our business.

Accordingly, we have policies and procedures that prevent any type of discrimination on the grounds of race, religion, gender, marital status, disability, age, political or sexual orientation, intimidation, harassment and/or bullying in our selection processes, and in the management of our human capital, thereby ensuring that we treat people in a fair and respectful manner.

In addition to prevention, the Global Non-Discrimination Policy contains the commitments made by Applus+ to foster equal treatment and opportunities at the organisation:

- Ensure the availability of curricular and extracurricular activities for all employees.
- Include scenarios in the Training Plan that recognise discrimination as a factor that debases society and could affect anybody in the Group.
- Promote equality, by avoiding scenarios based on any type of discrimination and/or stereotype.
- Effectively notify all employees of this policy, through an induction process conducted when hiring new employees, through courses aimed at managers, and through the policy's application during employee selection.

- Make managers and all other employees responsible for the provisions of the Policy by means of an appropriate related training course.

In accordance with our activities and the environments in which we carry out our operations, at Applus+ we have adopted the following specific measures aimed at the prevention of any type of discrimination against the following most vulnerable groups:

- Pursuant to the legislative requirements of Organic Law 3/2007, for the effective equality of women and men in Spain, some of the companies within the Applus+ Group have equality plans to back up the commitments made in the policy. Beyond Spain, we have developed 26 equality plans, following the local legal requirements.
- We foster the economic development of the indigenous communities located in our operating environments and guarantee equal opportunities in terms of their access to jobs on offer at Applus+.
- To guarantee the integration of people with disabilities in the labour market, we have integration mechanisms in place at the Group and 227 employees (1%) of the people we employ globally have some kind of disability. In 2018, we started an assessment of accessibility of our buildings in all those countries where local regulations oblige us to assure so this. Once the results are received and analysed, we expect to develop an action plan with concrete measures to be applied in every building.

We are proud of our local contribution as a global employer with 88% of the employees being local on 31st December 2018.

At a local level, we design specific initiatives or plans to reinforce our commitment to the *Non-Discrimination Policy*. For example, the Energy & Industry Division in **Panama** celebrated **"The month of the Black Ethnicity"** in May 2018. The aim of this initiative was to eliminate the inequalities and attract and retain talent from this minority.

We continue collaborating with the ***BBBE-E's (Broad Based Black Economic Empowerment)*** initiative. The BBBE-E is an initiative by the **South African** government to redress the apartheid-era legacy of the social and economic imbalance. Applus+ in South Africa achieved Level IV BBBE-E certification.

6.1.2. Freedom of association and collective bargaining

As indicated in our *Code of Ethics*, at Applus+ we are committed to and foster freedom of association by working in conjunction with our employees' representatives, who are chosen in accordance with the labour legislation in force in each country.

Ensuring our clients can count on a motivated and committed labour force is vital for Applus+. Therefore, in order to respect the rights of employees we actively cooperate with trade union representatives in those countries that have collective bargaining agreements as stipulated by local legislation. In 2018, we signed or renewed 42 collective agreements and 49% of our professionals are currently covered by collective agreements.

The balance of these collective agreements include health and safety issues that demonstrate the company's commitment to our employees on Health and Safety issues.

We have employee information and consultation mechanisms that respect minimum prior notice periods as well as significant changes that might affect operations, while at all times complying with the existing labour legislation in each location.

The Group is operating in 21 countries where the collective agreements include committees, working councils or unions to advise, supervised or control health and safety actions or regulations.

6.1.3. Training and professional development

In 2018 we continued to rollout our professional development model through personalised development plans focused on the geographical or business environment.

In 2018 over one million hours were spent (an average of 47 hours per employee).

TRAINING[2]	2016	2017	2018
Training hours	390,000	750,000	1,065,640
Training hours by employee	21	36	47

Applus+ is committed to offer greater detail with regards to the scope of training programmes that its employees participate in and the disclosure of the type of training received, within each professional category.

PERCENTAGE OF TRAINING HOURS[2]	2016	2017	2018
Technical skills	42%	51%	68%
HSQE	27%	30%	16%
Language	11%	6%	5%
Other	20%	13%	11%

TRAINING	TIER 1, 2 & 3	TIER 4	OPERATIONAL EMPLOYEES & OTHERS	TOTAL
Training hours	12,995	13,169	1,039,476	1,065,640
% trainig hours	1.2%	1.2%	97.5%	100%

The retention and development of the best talent is vital in our business and a challenge when the current dynamism of the labour market is considered. Accordingly, we provide our employees with real opportunities for development, both personal and professional, through specific training initiatives, coaching, mentoring, etc.

For Applus+, ensuring that the services provided are performed with the greatest satisfaction guarantee is vital as we owe our reputation to our highly qualified personnel. Therefore, the success of our projects and our clients' satisfaction depend on our employees having the necessary training to carry out their functions safely, with the necessary technical knowledge and the practice of the appropriate management skills.

Accordingly, every year we strive to make a considerable investment to maintain the necessary certifications and accreditations at a local level.

Our training and development programmes are managed locally to ensure that these satisfy our clients' needs and expectations. Every location, country or region has the necessary expertise to guarantee that globally we meet the quality standards that Applus+ wants to offer its customers, maintaining local specialisation and the status of a trusted partner.

Having an online tool like ApplusNet, with which we are capable of reaching all locations where we provide services enables us to increase our action capability in relation to the training delivered locally. This tool enables global assessment and control while we maximise the required economic investment to keep our teams suitably trained.

We provide development opportunities through programmes that develop our teams' ability to innovate. This allows us to adapt to technological change, provide our customers with a competitive advantage and satisfy our personnel's development needs.

[2] The figures cover 91% of our employees.

At the end of 2017, a new intensive induction training for new employees was completely deployed worldwide. With the aim of optimising the initial training process for all new recruits and, easing the integration of new employees into the Group in 2019, this training will begin to be delivered through our global eLearning platform.

For Applus+ it is of vital importance to ensure our teams' professional and ethical integrity, which is why for yet another year we have made every effort to give all of our employees annual Code of Ethics training. In connection to this, it should be noted that all our new recruits receive Code of Ethics training that, through an integrated regulatory framework, establishes the values and commitments that govern their activities at the Group.

In addition, in 2018, we worked to guarantee data processing security, and accordingly, cybersecurity training was introduced in all the countries where we operate.

FOCUSED ON MANAGEMENT AND RETENTION OF TALENT

Guaranteeing the sustainability of the services rendered to our customers is key for Applus+. For this reason in 2018 the first Global Programme for Executive Development was introduced. It was designed exclusively for Applus+ in conjunction with one of the most renowned international business schools, combining training delivered by our executive team and by teachers of the highest academic level. With a blended learning format and focus on developing the management skills of thirty high potential candidates from 17 countries, this programme has contributed to the exchange of ideas and experiences, creating new synergies between various divisional teams st the Group.

In 2019 the first intake of this programme will end with a presentation to the Group's executive team on the final projects developed by the participants. These projects are focused on encouraging knowledge transfer between teams and stimulating innovation.

With the experience that this programme provided us, the second Global Programme for Executive Development intake will commence in 2020. We are certain that the launch of these programmes guarantees our teams' continuous development and the Group's future success and sustainability.

Another tool available to us to attract and retain the best talent is our remuneration policies. Employee remuneration is made up of a fixed portion and, for some professional categories, a variable portion. When setting our professional practitioners' remuneration, there are two stages:

- Starting work at Applus+: depending on the organisational level the individual is at, the starting remuneration is fixed at the relevant country or unit, in accordance with the Applus+ decision making structure. To guarantee the principle of equity in compensation, we have a dual internal and external control mechanism wherever it is needed. For certain levels we carry out an external review of remuneration offered in the market, to which is added an internal review to ensure that we respect all of the Group's current policies.
- Salary review: every year, as part of budget preparation and approval, a study is performed on whether a review should be carried out on the salaries we offer to our professional practitioners taking into account both internal and external factors (inflation, average salary, etc.). Once the budget is approved each country in which we operate presents a proposal of the salary increases that will be offered individually (statutory and discretionary, based on performance).

We strive to encourage and guarantee equal remuneration between the women and men who belong to the organisation and thus meet the equality and non-discrimination commitments contained in our *Code of Ethics and the Global Anti-Discrimination Policy*. At present, there is a gender pay gap[3] of -18%.

The remuneration data provided in Annex V solely considers our employees' base salary because, due to the peculiarity of our activities, allowances, overtime and bonus systems are closely linked to the projects performed, and therefore including them would distort the data provided for gender. On the other hand, to guarantee the comparability of the information, data regarding part-time and employees contracted for less than a year has been extrapolated to full-time employees for the whole year.

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[3] Salary gap, understood as the difference between the gross hourly wage of men and of women, expressed as a percentage of the gross hourly wage of men. It should be noted that the calculation of this indicator is not adjusted to the individual characteristics and may explain part of the salary differences between men and women.

The remuneration setting process follows the applicable legal provisions in each country where Applus+ operates at all times. In those countries where, by law or cultural practice, this is required, such as is the case in the Netherlands, this process includes the cooperation and opinion of workers' representatives.

OBTAINMENT OF TOP EMPLOYERS IN SPAIN CERTIFICATION

We are proud to announce that Applus+ in Spain has been certified as a Top Employer by the Top Employers Institute Certification Programme.

At Applus+, we make every effort to offer the best work environment and to improve it every day so that all our employees feel part of our *Together Beyond Standards* project.

This certification is the result of the analysis and audit, carried out at Applus+ in Spain, of the following ten aspects: talent strategy, workforce planning, talent acquisition, incorporation, learning and development; performance management, leadership development; career and succession management; compensation and benefits; and culture.

This certification makes us stand out as part of a global community of forward-looking organisations and encourages us to continue to strive for best practices for our people. In addition, the recognition further reinforces our commitment to improve our business results.

We contribute to the promotion of employment through different initiatives such as our participation at university fairs in Spain or the "seeds" programme in Colombia that facilitates the incorporation of young people into the labour market, as well as the hiring of indigenous people in Australia.

6.2. Fulfilment of Human Rights

As part of our commitment to the UN Global Compact's ten principles, Applus+ seeks to support and respect the protection of internationally proclaimed human rights (Principle 1); and to make sure that we are not complicit in human rights abuses (Principle 2).

The Applus+ Group's commitment to respecting Human Rights is reflected within the policies and procedures followed by the Group. These include our *CSR Policy, Code of Ethics, Non-Discrimination Policy, Suppliers Policy, Global Anticorruption Policy and Procedure and HSQE Policy.* In respect to human rights, among other rights, the policies' content cover:

- Equity and non-discrimination
- Dignity
- Work and favourable conditions of work
- Equal pay for equal work
- Forming and joining trade unions
- Education (through our training programmes)
- Health and safety
- Indigenous people's rights
- Children's rights

These policies foresee mechanisms to ensure its fulfilment by the employees and, in case any of their provisions are broken, enforce disciplinary and corrective measures through appropriate channels.

In respect to other human rights, the delivery of our services requires employees with high levels of education and specialisation. Therefore, the modern slavery and child labour regulations governing our activities, in all the countries where we operate, are not considered as potential human rights issues for the Group.

Nonetheless, all of our offices must abide by local legislation relating to minimum working/school-leaving age, with a non-compliance procedure for our management at all levels to immediately pursue in the event of any potential issues or breaches. Moreover, the Group's practices are designed to prohibit actions that restrict personal freedom, such as the withholding of passports, visas or work permits. Conversely, any perceived notion of such activities occurring would be rejected and remedied quickly and comprehensively.

In accordance with the UN Guiding Principles on Business and Human Rights, where business enterprises identify that they have caused or contributed to adverse impacts on human rights, entities should provide or cooperate in their remediation through legitimate processes. To facilitate this requirement, the Applus+ Group operates a Whistleblowing Channel, and the Group **has not confirmed any complaints** regarding human rights violations.

HUMAN PROTECTION POLICY (ENERGY & INDUSTRY DIVISION)

In 2018, the Energy & Industry Division approved a **Human Protection Policy** to reinforce our commitment to protect human rights. This policy sets guidelines regarding **four fundamental rights** of the division's employees:

- We ensure all employees are paid an **acceptable wage** that meets local minimum-wage legislation, ensuring remuneration levels that allow for housing and sustenance.
- All offices are required to abide by local legislation relating to **minimum working/school-leaving age.** In addition, we have formal procedures for work experience, internship or apprenticeship programmes to ensure the welfare of the individuals joining these schemes.
- We ensure that the **hours worked by employees** are safe and comply with contractual and local legislative requirements. Therefore, both our management and employees ensure the hours worked do not lead to fatigue nor threaten the safety of the employee and those around them.
- We are committed to supporting the elimination of **modern slavery and human trafficking** and the Group fully meets the obligations under all relevant legislative requirements (e.g. *Modern Slavery Act 2015* in the UK).

6.3. Occupational health and safety

MANAGEMENT PILLARS

The Applus+ Group has **five internal documents** that form the basis of our safety and health management:

- ***Global QHSE Policy***: this policy applies to all employees at Applus+ associated with the business of the Applus+ Group and our legal entities. The policy establishes the framework for the QHSE management at the Applus+ Group. In addition, the policy includes specifications for our different divisions.

  The Applus+ *QHSE Policy* provides our services with quality, safety and health and environmental criteria to ensure that the organisation's objectives are achieved efficiently, effectively, safely and sustainably.

  Through this policy, the Group reinforces our commitment to effective QHSE management at all levels of the organisation by empowering key personnel and providing sufficient resources to meet the Group's required standards.
- **H&S Corporate Guidelines,** this document provide detailed guidelines related to all the minimum requirements to stablish health and safety programmes, through which, our organisation can control our Occupational Health and Safety risks, and improve our Health and Safety performance
- **Health and Safety Programmes**: these apply at the local level and in accordance with the international OHSAS 18001 standard. These programmes are certified by third parties in more than 30 countries and include Safety Recognitions Awards.
- **Health and Safety Reporting Procedure**: this document develops the Group's reporting processes regarding HSE indicators per legal entity.
- **Golden Safety Rules Programme:** delivered to eliminate and reduce the risks associated with the 11 activities that have historically caused a greater number of injuries or serious incidents.

  Among these Applus+ Golden Safety Rules, in **FOUNDATIONS –THE FUNDAMENTALS**, Applus+ values the right to stop work when it is considered unsafe by employees, and shows the commitment of Applus+ management to support everyone in their right to exercise their **Stop Work Authority**.

Hazard identification and risk assessment

The hazard identification and risk assessment is done and made known to the workforce prior to commencement of work and reviewed periodically for any relevant changes in working conditions.

These hazard identification and risk assessment cover offices, sites and all of services or activities that we provide:

- Following legal requirements, codes of practice, manufacturers' recommendations and third party requirements
- Using a Risk Ranking Matrix method or other methods, consider the possible results of someone being exposed to a hazard and the likelihood of this occurring
- Following the hierarchy of control, a systematic approach to select control measures for the actions resulting from risk assessments.

There are internal controls implemented at local level to ensure that these requirements are met such as internal and external audits conducted by customers or third parties such as certification bodies. The outcomes of these audit processes together with incident investigations, incident reports, lessons learned, hazardous observations and field inspections help us to continuously improve the management and our performance.

Incidents investigation

Applus+ has established documented procedures, at divisional or local/country level to control of incident reporting and incident investigations. The incident evaluation and corrective action process provides a systematic approach to investigation, analysis, and review of all incidents involving the Group.

We use different methodologies to investigate the cases according to the criticality or complexity of the case. The aim of the investigation process is to determine the root cause of the incident to define the appropriate action plan; and to ensure that we will be able to avoid reoccurrences. In the cases where the potential and consequences are relevant, we draft "lessons learnt" that are shared across the organisation.

All incidents and non-conformities are monitored and controlled to establish the corresponding action plan including corrective and/or preventive actions.

REPORTING SYSTEM

The scope of this reporting system includes the Group's worldwide activities, and must be followed by the Group's entire management, including corporate and all business divisions. The principal purpose of the data's collection is to **analyse the Group's global HSE performance**; to develop the prevention culture across the organisation; and to reduce the business risk.

The data collection includes leading and lagging indicators, which are recorded and monitored monthly. A report is submitted to QHSE Corporate by the country's HSE representatives on a periodic basis as follows:

- **HSE Monthly Reporting**: legal entities are required to provide their health and safety incident data through the tool GRC Suit.
- **HSE Quarterly Training Records**: divisions are requested to provide their HSE training records to the QHSE Corporate Department.

Data is reported for all operations per legal entity and on a country basis. The reporting of this data is done through the ***Governance Risk Compliance (GRC)*** **tool.**

This information is consolidated by the QHSE Corporate Department. In addition, the department **monitors and analyses** the quantitative and qualitative data received, while the Internal Audit team, the external certification bodies and the clients **verify and control** the security and safety information.

The outcome of this process is monitored by the Group's management to evaluate the performance of Applus+, and to identify any activities where focused efforts must be made for improvements. The Board of Directors also periodically reviews the process.

The company fosters the communication of incidents and any other issues related to hazardous observations and improvements suggestions with the objective of having a preventive approach instead of a corrective approach. Applus+ aims to be a learning organization that not blame their people but promote good attitudes and lessons learnt across the Group.

Moreover, preventing health and safety risks and respecting employees' rights is one of our *Code of Ethics'* rules of conduct, and therefore, any questions, doubts or infringement of these rules must be communicated through our Whistleblowing Channel.

HEALTH AND SAFETY INDICATORS	2016	2017	2018
Fatalities	0	0	1
Total recordable cases frequency (based on 200,000 working hours)	1.0	1.2	1.1
Severity (LWD based on 1,000 working hours)	0.14	0.12	0.16
Professional illness[4]	0	0	--

We are profoundly sad to report a fatality at work within the Group in Honduras. Naturally, we have extended our support to the family and employees concerned, and a full investigation tested the robustness of safety practices and our training policies. We continue to reinforce our procedures to safeguard against these risks.

Overall, Applus+ performance in 2018 has improved reducing the accident rate by 10%.

The table below shows the contribution by gender to the frequency of total recordable cases at Applus+. Accidents suffered from women are about 11% of total accidents rate, which is lower than the percentage of women at Applus+. Concerning the severity, the rate is also below:

CONTRIBUTION BY GENDER TO ACCIDENT RATES		
2018	Male	Female
Total recordable cases frequency (basis on 200,000 working hours)	1.0	0.1
Severity (LWD basis on 1,000 working hours)	0.13	0.02

In 2018 there was one male fatality.

TRAINING

HSE Induction training is an essential process for all new employees. Applus+ ensures that everyone is familiar with its HSE programmes, understand its procedures and act or behave in accordance with their training.

The HSE induction training encompasses face-to-face and on-line sessions, and employees complete this before starting work or always within the first month of their arrival. The induction training is documented and registered.

Awareness and motivation tools

In the year's final quarter, we celebrated our fifth **Safety Day** under the catchphrase *"Safety is the first step"*. Across the Group's divisions and regions, management and employees participated in the Safety Day to engage in presentations, debates, workshops and games. These activities reinforce our best practice in health and safety by increasing knowledge and awareness.

Additionally, this year we have continued with the awareness campaign under the banner **"Time for Safety"**. In 2018, the campaign included:

- **Published bulletins** to reinforce the Applus+ Golden Safety Rules and additional issues such as: *"Use handrails when going up or down the stairs"*, *"Healthy eating"*, *"Protect yourself from extreme heat"*, *"Be physically active"* and *"Protect yourself from cold"*.
- Shared **"Lessons learnt"** across the Group to avoid reoccurrences of incidents or accidents.
- Promoted and targeted **specific banners** on the Applus+ Global Intranet.
- **Safety awards** at local level to value employees' ideas or actions, which safeguard health and safety.

[4] Professional illness according to Spanish legislation

The safety awards started several years ago, and here are examples of some countries that continue to celebrate these awards: Applus+ ACE Award programme in the USA, Canada, Middle East, Oceania and North Europe; Good Catch programme in USA, Canada, Singapore and Brazil; and Valoramos Tu + en Seguridad ("Beyond the Call of Safety") in Spain.

The awards recognise the efforts made by our employees in the area of health and safety. These were set up for the company to focus attention on the prevention of occupational risk, both within Applus+ itself and within our clients' companies.

In addition, other local initiatives promote and help to improve our health and safety awareness. For instance, in **Panama**, Applus+ ran courses on training for **Road Safety and Defensive Driving**. This training was geared towards employees assigned to activities that require the driving of vehicles and with the aim of increasing their road safety.

AWARDS AND RECOGNITIONS

Our clients and partners have recognised our efforts to prevent occupational risks and protect health:

- The **Association of Chemists in Castilla-La Mancha (Spain)** gave Applus+ a double award on 15th May in the **"*Clodoaldo Jiménez* awards"**. These awards recognise the exemplary work done for institutions, personalities, companies and preventive resources. Applus+ was awarded for our work in occupational risks prevention.
- In April 2018, Applus+ was selected as the **"Prelude Contractor of the Month"**. The Prelude Project developed the first deployment of a **major oil company's** Floating Liquefied Natural Gas **(FLNG) technology** in **Broome, Western Australia.**

  The Applus+ team was awarded the "Prelude Contractor of the Month" due to safe and secure **storage, handling and labelling** of **radioactive sources**, as well as for the excellent use of protection barricades and signage to **demarcate radioactive areas**. As well as gaining this deserved recognition for their proactive approach to safety, the team was awarded a monetary prize, which was donated to the Cancer Council (Australia).

7. Corporate governance and business ethics

7.1. Corporate structure

Our efforts to improve the good governance of our Group respond to the following objectives:

- Improving ECONOMIC EFFICENCY
- Driving VALUE CREATION
- Increasing TRUST FOR INVESTORS

Over the past four years, the Board of Director's commitment to good governance has resulted in the strengthening of procedures to provide greater transparency and ensure a long-term vision though sustainable actions.

The Board has continued to promote good-governance practice through the core rules of governance of the Group (the By-laws, the Regulations of the General Shareholders Meeting, the Regulations of the Board of Directors, and the Internal Regulations for Conduct in the Securities Markets) and by approving the following policies:

- *Corporate Social Responsibility Policy*
- *Remuneration Policy for the Directors*
- *Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.*
- *Directors' Selection Policy.*

In 2019, the Board of Directors will also approve a new ***Policy on Risk Management***.

Being a listed company, good governance has proven to be even more relevant to our shareholders and stakeholders and has indeed contributed to build trust and credibility in Applus+ long-term vision. A yearly corporate governance engagement campaign, to which the Board and senior management devote time and efforts, have been dramatically useful to understand investors and proxy advisors' expectations, driving Applus+ to evolve our governance model towards best-in class standards.

The Board of Directors has also set up three dedicated committees, each focusing on specific relevant areas and assisting the Board to ensure its continuous oversight and improvement: the Audit Committee, the Appointments and Compensations Committee and, finally, the Corporate Social Responsibility Committee. The latter is not mandatory under Spanish law, but was indeed the Board's decision to effectively strengthen and promote the Applus+ approach over the long-term.

This governance structure also reflects the Group's commitment to international best practices in corporate governance. Another trait worth mentioning is its size (currently at nine members and with a possible increase, subject to shareholders' approval, towards a slightly higher number to gain flexibility). The reasonable size of the Board provides for diversity of opinion while keeping decision-making efficient.

The proportion of independent Directors is also an overriding concern to the Board:

- Throughout 2018, seven Directors out of nine were independent;
- The Board is chaired by an independent Chairman with separation from the Chief Executive Officer (CEO);
- All Committees are chaired by independent Directors;
- All three committees are composed of at least a majority of independent Directors; and
- The Audit and the Appointments and Compensations Committees are fully composed of independent Directors.

To govern in a rapidly changing business environment, the Board composition also reflects the broad diversity of skills and experience required to meet the Group's challenges. Indeed, current selection processes focus on increasing such diversity with particular focus on gender and age.

The Applus+ Board of Directors

The Board effectively assumes the responsibility for the supervision, management, control, and representation of Applus+ and, as the core of its mission, approves the strategy and the specific organisation for its implementation, as well as supervises and controls the completion of the objectives by the management and the observance of the corporate purpose and interests.

The Board of Directors reports to the General Shareholders' Meeting.

The Audit Committee

The main function of the Audit Committee is to support the Board of Directors in all its tasks of surveillance, through regular review of the process of preparing the economic and financial information, the function of the internal audit and the independence of the external auditor together with the risk management oversight.

The Appointments and Compensations Committee

The Committee reports to the Board on proposals for the appointment of Executive and Nominee Directors and it proposes the appointment of Independent Directors after due selection process. Another main area of activity for the Committee is to propose changes to the Board for the Remuneration Policy for Directors and thereafter ensure compliance with the policy, upon its approval by the AGM, and approve the compensation of senior managers. Additionally, the Committee reports annually on the duties performed by the Chairman, the CEO and the Senior Management and it examines their development and succession plans.

The Corporate Social Responsibility Committee

The CSR Committee promotes the Group's CSR strategy, ensuring the effective adoption and implementation of the *CSR Policy*, our *Code of Ethics* and other good governance practices. In addition, this Committee coordinates each of the processes on reporting non-financial information. Exceptionally, the Chief Executive Officer sits on the CSR Committee to ensure that policies and defined actions are fully embedded into the Group's strategy and day-to-day management.

All three Committees report quarterly to the Board of Directors in full and provide a yearly report on their progress.

The **Internal Audit Department supervises** and **controls CSR monitoring**. Applus+ is committed to monitor, evaluate and share its CSR efforts to keep continuously improving using internal controls and audits. We **regularly review** our **global CSR strategy and policy** and **support internal structures** to ensure effective CSR performance improvement across our business operations, in a respectful manner to local marketplaces and cultures.

Monitoring of each of the **CSR strategic lines –** and the activities in which they are deployed – is regularly performed through a **specific** set of **KPIs.**

7.2. Corporate governance

The ACGR shows an **overall good level of compliance** by Applus+, moreover for a medium cap company, with over 64 of the Code's Recommendations in total (of which 8 are not applicable), 48 are fully complied which means an effective compliance ratio of 85.7% and 8 are partially complied or explained.

The main developments in corporate governance during 2018 include:

- **Shareholder engagement**: in view of the constructive dialogue held with institutional investors and proxy advisors, in 2018 we carried out a new corporate-governance engagement campaign in line with our Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors. As a result of the company's efforts to involve shareholders in governance at Applus+, shareholders offered an increasing widespread support to the Board's proposals with a participation at **Annual General Meeting (AGM) 2018 of 72.25%** of share capital (Vs. 68.03% at AGM 2017 and 66.36% at AGM 2016).
- The Board discussed and approved a reviewed **strategy** as presented in February to investors and examined leadership succession and cyber-security; meetings with first line of Management Team in the Group were regularly included in the agenda.
- **Selection process to fill two vacancies**: focusing on gender and age diversity and therefore prioritising with the support of an external consultant, female profiles.
- **Self-evaluation process**: the Board enhanced self-evaluation process with one-on-one interviews with the Chairman, in addition to specific topics within the self-assessment questionnaires.

- The Audit Committee **analysed changes in applicable regulations**:
  - The *CNMV's Technical Guide on Audit Committees in Public Interest Entities*, to assess compliance;
  - Company's adaptation to new requirements under the recent Spanish Royal Decree-law 18/2017 of November 24th, in matters of non-financial information and diversity, thereafter proposing changes to the Board Regulations as approved at its December meeting; and
  - New rules on market abuse, proposing to the Board to maintain the Internal Regulations for Conduct as best practice.
- The CSR Committee continued to review and follow-up on the level of the achievement of good corporate governance recommendations, submitting conclusions and proposals to the Board of Directors. Likewise, the Committee adopted the United Nations' SDGs framework for CSR reporting and improved health and safety reporting procedures and lead the process for non-financial information and diversity reporting. With regard to Ethics and Compliance, the *Compliance Management System for Criminal Risks* launched in 2017 was globally implemented and a review of the current risk map analysis with every business and corporate head was performed to keep-up to date risk assessment and subsequent effective controls. Ongoing training has also been preserved.

7.2.1. Approach to diversity on the Board of Directors

The Board of Directors at Applus+ is committed to promote diversity and company policies and regulations to prevent any discrimination in our selection processes:

- *Article 14.3* of the Board's Regulations stipulates that "the Board of Directors shall ensure that the appointment procedures of its members promote gender diversity and a diversity of experiences and knowledge and have no implied bias that might entail any discrimination and, in particular, that they facilitate the selection of female Director."
- *Applus+ Directors' Selection Policy* states the following objective and main principle: "The selection procedures shall be aimed at achieving an adequate balance on the Board of Directors as a whole. The Applus+ Board of Directors shall ensure that the selection procedures favours diversity in gender, experience and knowledge and that they do not suffer from implicit bias that might imply any discrimination and in particular, that might make it more difficult for the selection of female candidates, promoting an increase of women's presence on the Board in view of best corporate governance practices and in line with the specific analysis of the Company's needs performed by the Board of Directors."

As a result of its commitment towards ensuring diversity as a whole, the Board appointed its first female Director in 2016 and its composition in terms of origin and age range is built to account both for the more than 70 countries where Applus+ business is present and for a rapidly changing business environment, while preserving valuable experience.

NAME	NATIONALITY	EXECUTIVE INDUSTRY EXPERIENCE	FUNCTIONAL EXPERIENCE	PRIMARY GEOGRAPHIC EXPERIENCE	CATEGORY
Mr Christopher Cole	UK	Engineering	Chief Executive Officer	Worldwide	Independent
Mr John Daniel Hofmeister	USA	Energy Industrial manufacturing	President HR Group Director	Worldwide	Independent
Mr Ernesto Mata	Spain	Energy Infrastructure Consultancy Finance	President Vice-President	Spain and Latin America	Independent
Mr Richard Nelson	UK	TIC	Chief Executive Officer	Worldwide	Independent
Mr Fernando Basabe	Spain	Finance TIC	Chief Executive Officer	Worldwide	Executive
Mr Nicolás Villén	Spain	Infrastructure Pharmaceutical	Chief Executive Officer Chief Financial Officer	Worldwide	Independent
Ms María Cristina Henríquez	Spain	Consumer Pharmaceutical	President and Managing Director Chief Financial Officer	Europe, Latin America, and Israel	Independent
Mrs. María José Esteruelas	Spain	Energy Infrastructure	Executive Vice-President Chief Executive Officer	North America and Latin America	Independent

The above chart shows the current directorship; in August 2018, Mr. Claudi Santiago left from the Board of Directors due to an increase in his other professional commitments. Thereafter, in November, Mr. Scott Cobb also left his seat due to the reduction of the shareholding of Southeastern Concentrated Value, the shareholder whom Mr. Cobb represented as a proprietary Director in Applus+.

The selection processes developed in 2018 to cover vacancies are definitively seeking to enhance diversity at the board, both in skills and experience and, importantly, gender and age. Indeed, at its 20th February meeting the Board has appointed Mrs. Esteruelas as independent Director.

7.2.2. Remuneration to the Board of Directors

On 31 May 2018 the remuneration policy for the directors of Applus Services, S.A. for 2018-2020 was approved. This document regulates the remuneration received by the members of the Board of Directors and the specific remuneration and contractual elements that apply to the directors who perform executive functions. Although they are dealt with in detail in the Annual Remuneration Report for 2018, the main elements that govern the remuneration of Board members are as follows:

- Board remuneration

The Board's remuneration is made up of a fixed emolument, resolved on individually at the Annual General Meeting, based on the functions and responsibilities attributed to each director, membership of Board committees and other objective circumstances that it might consider relevant. Under no circumstances can this remuneration exceed € 1,500,000.

Travel and subsistence expenses associated with attendance at Board and Board committee meetings are fully reimbursed, provided that they are duly supported. The Company also has third-party liability insurance for its directors under market conditions.

- Remuneration of the directors for performance of executive functions

Remuneration applicable to directors who perform executive functions in the organisation is governed by the policy on a separate basis. It is made up of a fixed portion and another variable portion tied to the attainment of targets and a long-term incentive plan following best practices.

7.3. Business ethics

Applus+ is aware that business ethics drive **value generation**, improves our **economic performance**, helps to **build trust** in our teams and increases our stakeholders and investors trust. Accordingly, it is critical for us to ensure its effective and efficient governance and integration into our business operations and daily agenda.

Therefore, the Group has an ethics model, which commits to robust compliance and evolves with on-going reviews. This model, and its underlying ethical values, brings credibility and builds stakeholder confidence. Applus+ guarantees compliance with the principles governing the conduct of our employees through a specific regulatory framework.

Our *Code of Ethics*, which outlines the **values, principles and rules of conduct,** is available in **23 languages** to all members of the governing body, professionals, business partners and other interest groups all around the world, and these set out the values and commitments that guide our workforce's activities:

CODE OF ETHICS' CONTENT	
Respecting dignity at the workplace	Social responsibility, sponsoring and donations
Preventing health and safety risks and respecting employees' rights	Veracity of information and record keeping
Data protection and privacy	Confidential and non-public information
Environmental protection	Integrity in our services
Market competition and consumers	Conflicts of interest
Fighting against corruption in Applus+	Use of Applus+ resources

The revision of the ***Code of Ethics*** introduced these main following **changes** in **2018**:

- Alignment of definitions **used in recently approved documents** (*Criminal Compliance System Handbook, Applus+ Whistleblowing Procedure, Compliance Terms of Reference*) such as Applus, professionals and third parties.
- Clarification that the *Code of Ethics* **applies** to all professionals and they must sign agreement to it. Flexibility added to the training.
- Alignment of the role of the Chief Compliance Officer (CCO) per last documents approved and published regarding **disciplinary measures**
- Highlighting the ***Applus+ Whistleblowing Procedure***
- Inclusion of the request to use the corporate email for professional communications, if provided with one

In order to ensure that all professionals comply **with the ethical standards**, throughout the year **new hires** must go through a **training session** on the ***Code of Ethics*** and the ***Global Anticorruption Policy and Procedure***, signing an agreement where they state that they know, understand and comply with them. It is also mandatory for our **suppliers** and **third parties** to **sign and comply** with the standards described on our *Code of Ethics* and the *Global Anticorruption Policy and Procedure* when contracting with Applus+. Furthermore, all **our professionals** must go through an **annual training** that includes the most relevant issues on ethical standards as well as those subject to modifications during last year. In **2018,** the **training** included **issues** related to:

- Anti-bribery and Anti-corruption (Managers only)
- Integrity
- Conflict of interest
- Health and Safety
- Appropriate use of IT tools

In 2018, 100% of the existing employees were trained related to the *Code of Ethics* in the annual training period. The new employees are being trained during the induction period according to the Compliance's guidelines.

The compliance with our *Code of Ethics* is essential for us. Therefore, the recruiting and selection procedure for directors considers their merits, capacity and commitment with the Code's values. The degree of fulfilment of the obligations listed above is taken into account both in their performance evaluation and promotion decisions, as well as in the determination of their remuneration.

In addition to the *Code of Ethics*, our compliance model also includes *a* ***Whistleblowing Channel*** available for everybody in the section of Applus+ website (*http://www.applus.com/en/aboutUs/ethicsAndCompliance /communication-channel*). Our stakeholders can **raise any** doubts or notify any indication or suspicion on any act or breach that **may violate** the rules of this ***Code*** **or** any other **Applus+ internal regulations**.

Moreover, the reporting parties will find available on this **webpage**, all the information regarding the **minimum required identifying data**. These data are our commitments in terms of confidentiality, anonymity and against any kind of harassment or retaliation; as well as the process of managing, processing and resolving complaints by the Chief Compliance Officer.

In 2018, there were **125 communications received** and out of these, **104** were opened for **investigation of potential breaches** of which **90** have been **closed** in the year **2018** and **12 continue open** and are being investigated and managed by the Chief Compliance Officer (CCO). Out of the 90 cases investigated there was **evidence found in 44 cases** of irregular behaviour or breaches of the *Code of Ethics* values and/or the *Global Anticorruption Policy and Procedure* that resulted in some type of **correction or disciplinary action.**

Out of the 125 communications, **92** came from **internal sources** and **33** from **external people** out of the Group. **82%** of the cases **used** the **formal communication channels** of the Group to send the allegations, **12% contacted someone** from the **management team**, and the **rest** came in via **audit process or other** sources.

During 2018, the Group made several **acquisitions** and completed the **integration** of the companies **acquired** during **2017**. These acquisitions resulted in an **increase** of **frequency** of **reporting** due to the higher volume of the Group, but in absolute terms, the **trend has improved.**

COMPLIANCE MANAGEMENT SYSTEM (CMS)

In **2015**, the Board of Directors approved the **Compliance Management System for Criminal Risks (CMS)**, which was launched in **2016**. The implementation of this system enables the Group to detect possible criminal offences under the Spanish Criminal Code, UK Bribery Act and the US Foreign Corrupt Practices Act.

In **2018**, we developed the following new internal regulations:

- *Group's Policy on the use of IT Facilities.*
- *Global Conflict of Interest Policy.*
- *Applus+ Sanctions & Export Control Policy.*

We improved and updated **several existing policies** and internal procedures including: *Code of Ethics and Anti-Corruption Procedure, Compliance Terms of Reference, Criminal Compliance System Handbook, A+ Whistleblowing Channel Procedure, Anti-money-laundering procedure, Treasury Policy, Anti-Discrimination Policy.*

The ***Compliance Handbook*** details the **procedures** to be followed on crime prevention and sets out the **content** and **periodicity** of **reporting** to the **CSR Committee**:

- **Quarterly**: progress on the implementation of these policies in all countries where we operate; and

- **Yearly:** annual activity report, which includes all activities and investigations carried out and the action plan for the coming year.

Due to the newness of these policies and procedures, in **2018,** the Corporate Compliance Department at Applus+ has focused their efforts globally on **ensuring** that the policies are **implemented** across all divisions and regions.

Our *Code of Ethics*, the *Global Anti-corruption Policy and Procedure* and the *CMS* are included in the scope of the **periodic controls** carried out **by** the **Internal Audit Department**.

7.3.1. Corruption and bribery

To prevent, detect, investigate and remediate any corrupt act within the Group, we have a ***Global Anti-corruption Policy and Procedure***. The **divisional Executive Vice-Presidents**, under the **leadership** of the **Chief Compliance Officer (CCO**, are responsible for **monitoring** that professionals at Applus+ and third parties comply with the *Global Anti-corruption Policy and Procedure*.

These **documents describe** all the **prohibited** and **controlled conducts** in Applus+, including:

- **Bribery and corruption**: *Active and Passive Bribery and Corruption, Facilitation Payments and Influence Peddling.*
- **Requirements** applying to **gifts and hospitality** given or received by Applus+ professionals and third parties in the context of its businesses.
- **Political Donations.**
- **Charitable Donations.**
- ***Conflict of Interest Policy.***

The ***Code of Ethics*** expressly **prohibits** any kind of **contribution to political parties or trade unions** in name of Applus+ all around the world. Furthermore, any sponsorship or donation must be legitimate, formalised and authorised according to the *Global Anti-corruption Procedure*.

In 2018, we have contributed to foundations and non-profit entities valued at €164,437.

The Global Anticorruption Procedure also regulates the relation with suppliers, third parties, venture partners and consortium partners, as well as the process of Mergers & Acquisitions, in order to prevent any potential corruption-related cases.

To continue improving our compliance model, in **2018**, we have developed a ***Policy on Conflicts of Interest*** that regulates the principles and rules to identify, prevent and manage potential conflict of interest situations involving our employees. Derived from its adoption, we are **currently reviewing** our ***Suppliers and Clients Policies*** to ensure that they include and align with these new provisions.

Any questions, doubts or infringement of these rules can be communicated through our Whistleblowing Channel.

7.3.2. Market competition

At Applus+, we believe that **innovation** and **compliance with antitrust** and **unfair competition laws** are the basis for economic growth, and therefore these constitute **one of the values** covered by our ***Code of Ethics***.

Our **sector** is characterized by an **intense competition** amongst organisations, whether on private tenders or public ones and specifically under contracts where tariffs may be regulated such as in vehicle inspection. There are specific lines of internal review and approval for instance with regards to **public bidding processes, consortiums, trade associations membership** ensuring the involvement of Applus+ Corporate Legal Department as applicable.

Employees can access the decision making process defined for the whole organisation through the intranet, and such process includes a mention to the **projects, operations or dealings** with competitors being **subject** to **Chief Executive Officer's approval**.

The **Executive Committee** members and the global **Legal team** are **trained** in this matter, however, as key actions for **2019** and being an area in which regulators have increased focus, the Corporate Legal Department is expected to issue the ***Competition Compliance Guidelines*** and to develop further **training** to the **wider**

organisation. Moreover, related training materials such as on public bidding do include a section on best practices under antitrust rules.

In **2018**, no proceeding has been initiated against Applus+, **nor** has Applus+ been served with **claims for unfair or monopolistic or unfair competition practices**. Correspondingly, **no sanction** has been **imposed**, pecuniary or not, due to the practices described.

8. Stakeholder engagement

Under the principle of stakeholder inclusiveness, the Group´s management team and the in-house professionals' team identified the **key stakeholders** as:

- Sectors where we operate.
- Investors.
- Employees.
- Clients.
- Public administration.
- Financial markets.
- Competitors.
- Sustainable stock market indexes.
- Suppliers.
- Civil society.

8.1. Dialogue with stakeholders

DIALOGUE WITH STAKEHOLDERS

In our approach to stakeholder inclusiveness, we concentrate on **organisations or individuals** who we consider significantly **affected by our services** and **on actions** that can **affect our ability** to successfully run our **business**. To improve our responses to their expectations and needs, we continue consolidating and improving our communication channels with them.

Clients

We organise **open days, road shows, conferences and technical forums** for our clients. In addition, our divisions periodically **survey clients** on their satisfaction. We also have **local systems for complaint management** to analyse and quickly remedy issues raised from any claim. Finally, we communicate continuously with our clients as we develop projects, by holding **periodic meetings** to review the progress of our projects. In 2018, we received **590 customer complaints** of which **487** are already **closed** and the remaining are in progress.

Employees

We **survey** our **employees** on satisfaction periodically to identify improvements covering areas such as teamwork, empowerment, engagement, and recognition.

All of our professionals have the Group's **whistleblowing channel** available to them to pass on questions or suggestions, or report any infringement of anything set out in any of the Human Resources policies. In addition, infringements or incidents can be delivered through **local Human Resource managers** who, in the event of receiving information about any possible violation that might affect the *Code of Ethics*, must forward the report to the Chief Compliance Officer, so these communications can be processed through the channels provided.

In 2018, we received **35 communications** relating to employment issues that, after analysis by the Chief Compliance Officer, were considered not to be in breach of the principles and obligations contained in the *Code of Ethics*, or any other of our policies and procedures, and the complaints were placed on file.

Shareholders, investors and proxy advisors

Our ***Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*** promotes our commitment to maintaining a good dialogue with the investor community. Our main communication channels with our shareholders are:

- **Investor Relations Vice-President**, who is exclusively dedicated to managing communications with the investment community;
- An **annual** institutional investor and proxy advisor road show, where the largest investors are invited to meet with our senior management and a non-executive independent Director;
- The shareholders' **Annual General Meeting (AGM)**, where we provide a platform for those wishing to participate, either personally or through representation; and
- Our **website** at *www.applus.com*, where our Investor Relations can be contacted for information.

This year, we attended **209 meetings and conference calls**, of which **126** were **first contacts** with Applus+ since the Group's Initial Public Offering (IPO) in May 2014. In addition, we attended **12 investor's conferences** and **10 road shows**.

Suppliers

Working with suppliers, the Group has a **vetting process** to ensure that external suppliers and partners adhere to our commitments to ethics, society and the environment.

We also develop supply-management practices through our membership in the **Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE)**. This organisation shares experience, publishes information, imparts knowledge and conducts research on issues related to purchases in Spain.

Together beyond standards

OTHER STAKEHOLDERS

Our involvement in organisations and associations allows us to foresee new regulatory changes and to understand the needs of the stakeholders, who are linked to those organisations' or associations' activities. In the principal **sectors in which we operate** and for the **activities and services we provide**, we are members of:

- The **International Federation of Automotive Engineering Societies (FISITA)**. A non-profit organisation that acts as the global voice for the automotive industry. FISITA members share knowledge on automotive engineering and contribute to the worldwide development of new technologies.
- The **Spanish Association of Defence, Aerospace and Space Technology Companies (TEDAE)**, representing and promoting its members' interest both nationally and internationally.
- **European Telecommunications Standards Institute (ETSI)**. An organisation that produces globally applicable standards for information and communications technologies, including fixed, mobile, radio, broadcast, internet and aeronautical. Applus+ is actively involved in the development of new test standards.
- **Pipeline Research Council International (PRCI)**, which is a community of the world's leading pipeline companies and their vendors, service providers, equipment manufacturers and other organisations supporting this industry sector.
- **European Strategy on Cooperative Intelligent Transport Systems (C-ITS)** adopted by the European Commission in 2016, which is a milestone initiative towards cooperative, connected and automated vehicles and mobility. The C-ITS's objective is to facilitate the convergence of investments and regulatory frameworks across the EU to realise the deployment of mature C-ITS services in 2019 and beyond.
- Applus+ is a member of **ASTM International**. Over 12,000 ASTM standards operate globally. ASTM standards enhance performance and bring confidence when purchasing goods or services. ASTM harnesses the expertise of over 30,000 members to create consensus and improve performance in **manufacturing and materials, products and processes, systems and services.**
- Applus+ is a member of **CITA (International Motor Vehicle Inspection Committee)** and is represented in all working groups: **WG1** (Safety Systems), **WG2** (environmental protection systems assessment), **WG3** (training and quality outcomes of inspections), **WG4** (continuous compliance) and **WG5** (information systems).

The divisions at Applus+ also participate in **associations specialised in quality, CSR and ethics**:

- Since **2015 several Applus+ subsidiaries** was joined the **UN Global Compact**, committing to "Ten Principles" related to human rights, labour, the environment and anti-corruption. In **2018**, all the **Applus+ Group** joined the UN Global Compact.
- Applus+ works closely with the **European Standardisation Committee (CEN).** European Standards (ENs) are based on a consensus, which reflects the **economic and social interests of 34 CEN Member countries,** channelled through their national standardisation organisations.
- At **FORÉTICA** – a leading association for corporate social responsibility and sustainability businesses and professionals in Spain and Latin America.
- Applus+ is a patron of the **ADCOR Foundation** (Disabled adults from A Coruña), which is a non-profit organisation dedicated to improving the lives of **adults in situations of dependency.**
- In **2017**, Applus+ joined the **CDP (Carbon Disclosure Project),** with our reporting we were **scored "C"**. The CDP is a non-profit organisation that directs the global disclosure system for investors, companies, cities, states and regions in order to manage their impact on the environment. In **2018,** we **reported again** and Applus+ was **rated** as **"B"** improving **2 levels in one year**.

8.1.1. Key topics and concerns

As part of the Group's materiality analysis, our **stakeholders** ranked their key topics and concerns. The results below show how our stakeholders **prioritised topics,** and the components or elements of our management linked to them:

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH	Section in the CSR report
1. Quality of service and customer satisfaction SDG: 12. Responsible consumption and production	Public administration Society Clients Competitors Financial market Suppliers Employees	• *QHSE Policy* • Quality-management systems at a local level • Customer satisfaction surveys • Local complaint-management systems • World Quality Day	*8.1 Dialogue with stakeholders* *8.2 Market focus*
2. Codes of Ethics and Compliance SDGs: 5. Gender equality; 8. Decent work and economic growth; and 10. Reduced inequalities	Public administration Society Clients Competitors Financial market Employees	• *Code of Ethics* • *Compliance Management System for Criminal Risks (CMS)* • *Global Anti-corruption Policy and Procedure* • *Compliance Terms of Reference Norm* • *Applus+ Whistleblowing Procedure* • *The Anti-Money Laundering Policy* • *The Suppliers Policy* • *The Customer Policy* • Blocks of Control: Compliance – Monitored by Compliance and SCIIF – Monitored by Internal Audit • Active and Passive Bribery and Corruption, Facilitation Payments and Influence Peddling • Gifts and hospitalities requirements. • Political Donations • Charitable Donations	*7.3 Business Ethics*
3. Talent attraction and retention SDGs: 5. Gender equality; 8. Decent work and economic growth; and 10. Reduced inequalities	Investors Society Clients Competitors Financial market Suppliers Employees	• *Code of Ethics* • *Non-Discrimination Policy* • Global Management Development Programme • Global periodic survey of employee • satisfaction • Annual training programmes • *Human Protection Policy* (Energy & Industry Division) • Competitive compensation system	*6.1 Employment* *6.2 Fulfilment of Human Rights*
4. Health and Safety SDG: 3. Good health and wellbeing	Public administration Society Clients Competitors	• *QHSE Policy* • Health-and-safety programmes at a local level (OHSAS 18001 standard) • *Health and Safety Group's guidelines*	*6.3 Occupational health and safety*

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH	Section in the CSR report
	Suppliers	• *Health and Safety Reporting Procedure* • *Golden Safety Rules programme* • Local safety awards • Safety Day and awareness campaigns • Local awareness actions	
5. Business model and strategy SDGs: 8. Decent work and economic growth; and 17. Partnerships for the goals	Investors Sectors where we operate Competitors Financial market Suppliers	• *Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* • Implementation of the recommendations of the CNMV • Risk Control and Management Model • *Global conflict of interest Policy* • Strategy 2018-2020	*2. Company Description* *5. Economic performance* *7.2 Corporate Governance* *7.3 Business ethics* *8. 1 Dialogue with stakeholders*
6. Risks and opportunities management SDG: 8. Decent work and economic growth	Investors Society Competitors Financial market Employees	• Risk Control and Management Model • Internal Audit process	*5.2 Economy management approach* *6.3 Occupational health and safety* *7.1 Corporate structure* *7.3 Business ethics-Compliance Management system* *8.2.1 Purchase management10.3 Social management approach* *8.3 Climate-change related issues*
7. Economic performance SDG: 1. No poverty	Investors Competitors Financial market Suppliers Employees	• Annual account audit • Financial Statements Report • Corporate Governance Annual Report • Directors' Remuneration Report • Internal Audit process	*5. Economic performance* *7.1 Corporate structure*
8. Independence, accreditations and certifications SDG: 9. Industry, innovation and infrastructure	Public administration Clients Competitors Financial market	• We maintain and obtain the accreditations and certifications required by government regulations and industrial standards to operate in the global market	*6.3 Occupational health and safety* *8.2 Market focus* *10.1 Environmental management approach*
9. Stakeholder engagement SDGs: 10. Reduce inequalities; and 11.	Investors Society Suppliers	• *QHSE Policy* • Quality and environment-management systems at a local level	*6.2 Fulfilment of Human Rights* *6.3 Occupational health and safety*

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH	Section in the CSR report
Sustainable cities and communities	Employees	• Health-and-safety programmes at a local level (OHSAS 18001 standard) • Human Protection Policy (Energy & Industry Division) • Global Compact • Carbon Disclosure Programme • *Global Procurement Policy and Procedures*	*8.1 Stakeholder engagement* *8.2 Market focus* *10.1 Environmental management approach* *8.2.1 Purchase management*
10. Corporate governance SDG: 8. Decent work and economic growth; and 17. Partnerships for the goals	Public administration Investors Sectors where we operate Financial market	• By-Laws and Regulations of the Board of Directors • Long Term Incentive Plan for the CEO (LTIP) • *Directors' Selection Policy* • *Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* • *Remuneration Policy for the Directors* • Implementation of the recommendations of the CNMV	*7. Corporate governance* *8. Stakeholder engagement*
11. Sustainable and safety products and services SDG: 12. Responsible consumption and production; and 13. Climate action	Society Financial market Suppliers	• *QHSE Policy* • Environmental-management systems at a local level • Global or local awareness campaigns amongst our employees • Innovation projects development • Carbon Disclosure Programme • *Global Procurement Policy and Procedures*	*6.3 Occupational health and safety* *8.1 Dialogue with Stakeholder* *8.2 Market focus* *10.1 Environmental management approach* *8.2.1 Purchase management* *9 Innovation* *10.4 Climate Change related issues*
12. Training/skills building and professional development SDGs: 5. Gender equality; and 8. Decent work and economic growth	Clients Competitors Suppliers Employees	• Global Management Development Programme • Annual training programmes	*6.1.3 Training and professional development* *7.3 Business ethics*
13. Innovation of products and services SDG: 3. Good health and wellbeing; 9. Industry, innovation and infrastructure; and 12. Responsible consumption and production	Clients Competitors Employees	• Innovation Report • Innovation projects development • Continuous collaboration with universities, R&D centres and other innovating companies	*9 Innovation*

8.2. Market focus

We design and execute services covering the economic, environmental and social expectations of all of our stakeholders. Our **passion for improvement** drives us to go **beyond standards** for our clients, and we fulfil this motivation with a sense of **eagerness** and **creativity**.

QUALITY

We deploy our **quality management systems** at a **local level** in **more** than **30 countries**. These systems are certified and periodically audited in accordance with the international **ISO 9001 standard.**

During November, the Group ran a global campaign to celebrate the "**World Quality Day" (WQD).** As part of the programme, employees at Applus+ watched an informative video to promote ideas on how to build good working-relationships through best practice in communication, and apply these steps when working on clients' projects to continuously enhance the quality in the delivery of the Group's services.

CERTIFICATIONS

Our certifications confirm the Group's expertise and create value for clients, while reaffirming the trust held by our clients and partners. In 2018, we acquired many new accreditations, amongst which are:

In **Latin America**, Applus+ obtained the following certifications:

- **RUC qualification** (*Registro Único de Contratistas*) from the **Colombian Security Council**.
- **SICEP-Ingelog** and **SICEP-Norcontrol**: work methodology focused on **mining**.
- **DNVGL-CP-0484**: homologation of **NDT services** at **offshore platforms** and **on classified projects.**

Smog Data Acquisition Device (DADdy)

The California Bureau of Automotive Repair - BAR (**California - USA**) recertified officially our Smog DADdy Data Acquisition Device for its **use on** the **California Smog Check programme.**

ACCREDITATIONS

Applus+ maintains the necessary accreditations and homologations in **multiple jurisdictions across the globe**, which assures the quality, safety and integrity of both our services and our clients' assets. In 2018, we acquired many new accreditations, amongst which are:

Lift operator

Applus+ obtained the **DAC 17024 - Lifting operator certification**. With this certification, we are enable to deliver this service in the **United Arab Emirates** for construction, oil and gas, real estate and transport, which will enhance our cranes and lifting equipment business.

Asset inspections

In the **United Arab Emirates**, Applus+ obtained **ISO 17020 certification** (Conformity assessment - requirements for the operation of various types of bodies performing inspections), enabling the Group to pursue opportunities in real estate, facilities management and the hospitality sector.

Marine inspection services

In **Australia** and **Latin America**, Applus+ has been accepted for certification by the **DNV-GL classification society** as an approved service supplier. By gaining this certification, the Energy & Industry Division is able to **expand** its portfolio of **marine inspection services** aimed at the oil and gas, defence and maritime industries. This latest certification adds to our existing Lloyds Register and ABS certifications.

Human exposure to electromagnetic fields

Applus+ was accredited to undertake electromagnetic compatibility testing and evaluations of human exposure to electromagnetic fields, under **UNE-EN ISO/IEC 17025:2005**. This reference standard is applied by test and calibration laboratories. Applus+ will carry out these tests in zones which house **electrical infrastructure and may generate significant power-frequency electromagnetic fields (50Hz).**

Chemical products storage

Applus + is the **only Authorised Inspection Organisation** in **Spain which is** able to certify the alternative technical solutions of the regulation of chemical products storage (APQ). This means that we make risk assessments; we analyse the technical solutions required under APQ legislation and we certify installations comply with the legal regulations.

Certification of wireless products in Canada

Applus+ has been named Foreign Certification Body (CAB Identifier ES0001) by the **Canadian Department of Innovation, Science and Economic Development (ISED)**, formerly Industry Canada (IC). From now on, Applus+ will be able to carry out the mandatory wireless-products certification process to access the Canadian market. Canada's conformity processes involve product testing and certification by a testing laboratory accredited for **ISO/IEC 17025** and a certification body accredited for **ISO/IEC 17065** that has been recognised by ISED.

Cybersecurity services in China

Applus+ extended its cybersecurity services to China. This accreditation recognises the Applus+ **Shanghai** laboratory's expertise in undertaking evaluations in line with the **Common Criteria** methodology. Common Criteria is the sector's **most widely recognised standard**, with applicability **to** a wide range of **IT industries and products**.

AWARDS AND RECOGNITIONS

Our passion for improvement continually drives Applus+ towards an **excellence** that allows us to **exceed** the **expectations** of our **clients**. In recognition of this motivation, both our customers and our commercial partners rewarded our services for high quality:

- For the **fourth** consecutive year since 2015, the IDIADA Division in Denmark has been nominated for **"Best Inspection Station"** in **Denmark** by the Auto Awards, as voted for by private customers, workshops and a jury panel.
- **Awards** by **major oil companies:**
  - Applus+ recently released the **PU12**, a new remote tool to visually inspect complex pipe racks used in on-plot piping systems. Our engineers developed the PU12 in response to the need to **inspect on-plot piping safely and efficiently**, and their innovation won an award in **Rotterdam** from a major oil company.
  - Applus+ was selected for a **"Quality Award,"** following our excellent performance and contribution to the **Majnoon Oilfield Project** in **Iraq**.
  - In **Saudi Arabia**, seven engineers from Applus+ were awarded **Certificates of Appreciation** in recognition of their "outstanding contribution" to the construction works as part of the **Master Gas System Phase-I Pipeline Project**. For this project, we supplied a team of highly qualified technicians who carried out thousands of inspection visits at various sites across the world.
- Applus+ in **Panama** received recognition from a **major power company** for **reaching** the **goal proposed** by the client to perform more than 10,000 measurements, thus contributing to improving the quality of energy supply to end-users.
- **Other acknowledgments:**
  - The **NTSEL** - National Traffic Safety and Environment Laboratory (**Japan**) **extended** the scope of our designations in the field of **vehicle emissions**.
  - The **VSCC** - Vehicle Safety Certification Center (**Taiwan**) **extended** the scope of our designations in the field of **vehicle safety**.

- We obtained the designation by the **Spanish Approval Authority (MINCOTUR)** for the *UN Regulations 136, 139,140, 141* on **active safety systems** and the European Regulation (EU) 2017/2400 for **heavy-duty CO_2 emissions**.

8.2.1. Purchase management

The Company prioritises procurement practice since it is not a negligible amount of Group's expenditure. To this aim, the Applus+ Group has a dedicated procurement department to manage its purchase costs efficiently. Our **Corporate Purchasing Department** is responsible for the Group's entire spend (excluding payrolls), including policies for suppliers, processes and procedures, and they ensure that objectives are met while allowing the company and our employees to meet their business needs.

The Department's **management objectives** ensure that our policies are deployed in every country correctly and the processes and procedures are sufficiently efficient to generate cost-savings. To do that, the Corporate Purchasing Department works as a matrix organisation, where there is a **corporate team** overseeing the whole function, and **divisional/regional/country teams** are responsible for functional reporting and dependence on procurement. **Annually,** the Department conducts a **procurement plan at all levels** (Corporate, Divisional, Regional and Country), which allows the Group to review and follow its procurement objectives.

Global Procurement Policy and Procedures and ***Suppliers Policy*** are framework policies at the corporate level that are further developed and implemented at regional or country level. These corporate policies set out the guidelines on the content and state the minimum requirements for the **local policies**. The Corporate Purchasing Department reviews and approves these local policies.

The ***Global Procurement Policy*** applies to all purchase commitments made on behalf of the Applus+ Group and includes all employees authorised to purchase goods and services associated with the business of the Applus+ Group and our legal entities.

With the application of our procurement procedures, we aim to **achieve excellence** by simple and homogeneous processes that optimise cost-efficiencies and provide our employees with the most suitable purchase options. In addition, our procurement policies are developed to allow our employees to carry out their **work safely** and **efficiently**, whilst applying **cost insights**, **process optimisation** and our **corporate responsibility requirements.**

All purchase processes are aligned to our ***Code of Ethics*** and rules of conduct, and employees at Applus+ and suppliers must comply with our ***Global Anti-corruption Policy***.

Within the Applus+ Group's practices is the definition and submitting of specifications, requirements, etc. in a manner that will permit **fair and equitable consideration** of all **tenders qualified.**

Each member of the Applus+ Group's entity management and purchasing teams are responsible for assuring that the entity does not knowingly enter into any purchase commitment that could result in a **conflict of interest**. To resolve questions about what may constitute a conflict of interest, our employees seek guidance from the Local Chief Financial Officer (CFO) or the Purchasing Manager.

Finally, our ***Global Procurement Policy*** includes the guidelines to meet, inter alia, the following **purposes**:

- Strengthen the **integrity and confidence** in the purchasing process within Applus+ Group;
- Consider the **environmental, health and safety and social impacts** of our purchases;
- Ensure that the Applus+ Group **complies** with all regulatory and funding **obligations**; and
- Ensure goods and services are **procured by approved suppliers.**

SUPPLY CHAIN MANAGEMENT

In addition, Applus+ has a ***Supplier Policy***. This policy sets the framework of the **basic standards** that Applus+ requires from our suppliers, and we apply this to all existing suppliers and potential new suppliers of products or services to Applus+. The policy outlines the process for **initially becoming** an approved supplier to Applus+, and details the Group's **performance monitoring system.**

Correct and efficient supply chain management is a key issue of our procurement management. An efficient supply chain management permit the Group to offer our employees in a timely manner, the products or services to **meet** our **final customer's needs**.

We develop our supply-chain management processes to be as efficiency as possible in order to **avoid supply risks.** To support this, we **strengthen local suppliers** (orders made within the same country), which optimises delivery times, reduces costs and allows us to have the necessary local support in place to react to unforeseen events.

Our purchasing model plays a vital role in **appropriate** supply-chain **planning,** and we therefore implement an operational model based on the correct segmentation of materials and on a classification and control of the different types of purchases, such as: common, contractor, one-off, special entity, intercompany or strategic.

Once a new supplier is selected, we initiate the **qualification process**. To pass this, each local entity must define their own supplier-qualification process, and the potential supplier is required to comply to the ***Code of Ethics***, the Group's **Compliance regulations and HSQE requirements as a minimum.** All suppliers subject to qualification according to global and/or local requirements must acknowledge that Applus+ reserves the rights to make further audits or checks, and commit to facilitate access and information to the auditors and observers agreed.

SUPPLIER ASSESSMENT

Suppliers undergo **periodic performance evaluation** to update their classification; monitor and assess their performance and compliance with the company's standards; and improve key supplier processes that may affect the Group or division's operations.

The Group's **local entities** must **define the evaluation methodology for their suppliers**, which defines the criteria for the rating and the definition of the criteria for being removed from the supplier list. To complete this, our *Supplier Policy* recommends covering the following **type of evaluations**:

- **Evaluation when receiving goods/services.**
- **On-demand evaluation**: An open evaluation, performed whenever needed, in which the operational department is offered the possibility of carrying out an assessment of a vendor, whether it is a general comment and/or an incident.
- **Periodic evaluation**: At least **annually**, an evaluation performed to assess performance and to monitor compliance to **Company's standards.**

The **Corporate Purchase Department** supervises global procurement practices, and the **Internal Audit Department** supervises and controls the monitoring of them. In 2018, the Internal Audit Department has audited 19 legal entities compliance with Global Procurement Policy and Procedures and Suppliers Policy.

8.3. Social management approach

SOCIOECONOMIC AND ENVIRONMENTAL COMPLIANCE

Applus+ has an overriding concern about its impacts on the social contexts where it operates, and its *Code of Ethics* includes a considerable number of references to compliance with **applicable laws in various fields.**

Given that Applus+ has presence in more than **70 countries** and is subject to a **wide** and **complex range** of **laws**, regulations, conventions, treaties, codes and recommendations with global, national, sub-national, regional, and local reach, and that all those texts may be subject to interpretation, its **compliance record** is **positive.**

Applus+ **ensures compliance** through a **mix of processes and ownership**, which include from its top management, local management and corporate departments, such as Legal, HR, Finance, HSQE, and Compliance (always including in-house and external advice) each focusing on its area of expertise and responsibility.

PUBLIC POLICY

The Applus+ Group participates in numerous **technical groups** to develop regulations, and in **professional associations** to establish dialogue with stakeholders that promotes the development and implementation of technological and legislative policies. These policies **guarantee greater security and reliability of the products and services**.

In addition, and as part of our activity to identify and understand our **stakeholder's needs**, we maintain a dialogue with public stakeholders, such as **unions** or **organisations** on an ongoing basis.

Finally, Applus+ **explicitly forbids monetary contributions** to **parties and/or political representatives**.

INFORMATION SECURITY MANAGEMENT

Managing any business today requires the **protection** of **personal data** generated across a vast array of **day-to-day business operations**, which rely on different data-processing activities. Acting on these considerations, Applus+ will always strive to protect individual's privacy, and their corresponding fundamental rights when processing their personal data.

Personal data protection and privacy is one of the values upheld within our *Code of Ethics*, and, therefore, all of our professionals must respect the basic rules stated therein, even where laws related to **data protection vary** in the **different countries where we operate.**

In light of the **EU General Data Protection Regulation (GDPR) enforcement on 25th May 2018**, redefining the way organisations across the EU approach data privacy and so as to adapt to these new requirements, our Corporate Legal department has been working since October 2017 in a **GDPR implementation project** (with the support of other areas and with a cross business divisions and EU wide scope), consisting of the following actions:

- **Gap analysis** between the current situation and the model to comply with the new EU requirements.
- **Compliance documentation** and **data inventory.**
- **Due diligence on key data processing**: as part of this process, we visited our European subsidiaries for Automotive, Energy & Industry, Laboratories and IDIADA Divisions in Spain, Portugal, Ireland, UK, Denmark, Finland, the Netherlands, Germany, Italy and Czech Republic. We held meetings (supported by a local external counsel) together with the business areas in order to analyse GDPR impact on each business, understand the personal data processed by each of them (HR, IT, HSQE, Finance, Operations) and determine which policies and procedures could be maintained or had to be adapted in order to comply with the GDPR.
- **Templates adaptation.**
- **Implementation** of materials and additional **measures**:
    - Approval of **three new policies and one procedure**:
        - *Applus+ Data Protection Policy*
        - *Applus+ Policy and Procedure for Management of Individual Rights*
        - *Applus+ Data Breach Policy*
- **Additional lines in the DLA (Decision Level Authority)** that define the decision-making process within the Group.
    - **Specific materials and measures** for Human Resources, clients, internet users, third parties, and suppliers (privacy statements in contracts, notices when collecting personal data from third parties, etc.).
- On a regular basis, we provide training (online and on-site) to raise awareness among our employees on personal data matters and regulatory compliance and we monitor the implementation of the measures described above with the assistance of the Internal Audit function. In 2018, we had **face-to-face trainings** in Spain, Ireland, Finland, Denmark, The Netherlands and UK. In addition, we held **videoconference meetings** with the Czech Republic, Germany and Italy. Attendees on our **data protection courses** included personnel from IT, Human Resources, Finance, Operations and HSQE departments.

In addition, the Applus+ Group has **appointed a data protection team** responsible for enforcing the implementation of GDPR and for managing any doubts raised over data protection. The Corporate Legal Department, with whom the team hold periodic follow-up meetings, coordinates these managers and establishes the action plan for each of them to follow.

Considering the deadlines and resources allocated, and the decentralisation of its business model, Applus+ made a major effort on implementing the GDPR in those **businesses/areas** presenting **major risks** in terms of personal data protection, such as, the **automotive business** (B2C- Business to consumer) and the **employees' personal data** management. The **Chief Executive Officer (CEO), Executive Committee** and **Audit Committee** receive periodic updates on GDPR compliance model and key processes' status.

For our operations **outside** the **European Union**, unless they process personal data of a subject located in the EU, they are not bound by the policies and procedures stated above, but by **applicable local legislation**.

All our stakeholders can exercise the rights recognised by the law (rights to be informed, access, rectification, erasure, restrict processing, data portability, to object and rights in relation to automated decision making and profiling). They can send complaints concerning their personal data through our **Whistleblowing Channel**, data privacy **corporate email address** (*dataprivacy@applus.com*) *or* the division/regional Applus+ email addresses provided for this purpose (only for European Union).

Furthermore, the policies and procedures developed include the **communication and notification procedures** to be followed when identifying any breach on data security, or receiving a requirement to exercise personal data rights' by an individual.

Information security is also preserved through the *Applus+* ***Group Policy on the use of IT resources*** and the **confidentiality clauses** included in the **contracts** we sign with our **employees** and **clients** (confidentiality clauses and NDAs). In the case of the **IDIADA Division**, the ***Information Technologies General Policy.***

In the case of the **IDIADA Division**, we may add the ***Information Technologies General Policy.*** Moreover, we have **extra security measures** in place in our Laboratories and IDIADA Divisions' Headquarters located in **Spain,** which ensure our commitment with the confidentiality and security of the products and services we develop for our clients. External visitors are subject to a **face-to-face access control**, receive an **identification card** at the entrance and must be accompanied at all times by any Applus+ worker. Additionally, all **new accesses**, must **sign a confidentiality agreement** (this requirement also applies when 6 months have elapsed since the last visit). **Employees** are also provided with an **identification card**, configured, when necessary, with access permissions to restricted areas such as IT (a personal code is also required), automotive, aeronautics and fine chemicals.

In **2018**, we have not suffered **any material leak, theft or loss of information** in any case, as well as **no claim or complaint** has been served in relation to information security or data protection. However, Applus+ has answered to the **more** than **4,000 rights' exercise requirements received** (mostly focused on our vehicle inspection activities in Spain) through the channels mentioned above.

To reinforce our commitment, **next year** Applus+ efforts on information security will be **enhanced** through **privacy and confidentiality increased focus**, where we foresee to develop several initiatives. On its hand, the GDPR compliance remains obviously in place.

SUPPLIER SOCIAL ASSESSMENT

Applus+ extends its *Code of Ethics* to their suppliers. It sets out the rules of conduct for our suppliers including current labour and social legislation, and our ***Global Anti-corruption Policy*** complements these rules.

Our **supplier social management** has **two main objectives**:

- **Compliance** by both contracting parties with the **rules of ethical conduct** and **anti-corruption** to ensure that the relationship with our suppliers is based on legality, efficiency and transparency.
- **Guarantee** that all **products** and **services delivered** by the supplier comply with the quality and safety standards required in accordance with principles of business ethics and transparent management.

To ensure this, the **Corporate Purchasing Department reinforces control** in **contracting operations** to minimise complaints and legal procedures in relation to our suppliers, and the **Internal Audit Department** includes contracting operations between its **supervision and control** functions.

Our **compliance model** also includes a ***Whistleblowing Channel*** available for everybody in the section of Applus+ website (http://www.applus.com/en/aboutUs/ethicsAndCompliance /communication-channel).

8.3.1. Our social contribution

The Applus+ Group deploys our social commitment at local level. Our presence in the communities where we develop our operations allows us to **create close relationships** with local communities. This close relationship facilitates the identification of their needs, thereby ensuring the **social benefit** of the **initiatives we promote** or support.

ECONOMIC GROWTH AND SOCIAL EMPLOYMENT CREATION

One of our most relevant commitments is the creation of employment and the economic growth of the communities in which we operate. This commitment is supported both by our percentage of **local hiring (94% of the workforce in 2018)** and by our percentage of **local suppliers (81%)**[5] **.**

Our **decentralised model of human resource management** allows more autonomy for our teams, resulting in improved efficiency that satisfies the needs of our customers, and facilitates the design and implementation of **specific social responsibility programmes.** Examples of our social recruitment programmes at a local level include:

- **Preferential selection of candidates (Colombia)**

In **Colombia**, Applus+ has continued our *Corporate Social Responsibility Programme* focused on the recruitment and professional development of **local personnel with disabilities.** The programme is led by the Human Resources team to prioritise employees with disability status in administrative roles, where there is equality of competencies between candidates. At the same, Applus+ also operates a programme to recruit and develop personnel from the **military and police forces, who have suffered injuries because of armed conflict.** These personnel tend to join Applus+ at entry-level positions and develop within the organisation.

- **The "Semillas" programme: promoting social inclusion (Colombia)**

With the aim of developing new talent and **facilitating the recruitment of young people into the job market**, The HR Department at Applus+ in Colombia launched their "*Semillas*" ("Seeds") programme. This programme provides students with the opportunity to support Applus+ professionals across the various offices within the Group.

This programme is aimed at young people who are considering technical and professional careers. The scheme welcomes those looking to undertake a **traineeship at Applus+**, as well as those still in full-time education, with a view to them **returning to Applus+ for a traineeship on completion of their studies**. In 2018, approximately **40 students** took part in the programme.

These type of initiatives strengthen our ties with the local educational community and help young people to develop their skills by promoting inclusion and access to the job market.

- **Recruitment of indigenous employees (Australia)**

The Applus+ Group is working with **Indigenous Workstars**, a local recruitment company for indigenous workers within a contract for testing and inspection. Working in the energy exploration and production sector, we have collaborated with a major oil company in Australia to **create employment opportunities for the indigenous community**.

Our collaboration with this major oil company and Indigenous Workstars has enabled us to set participation targets and to define KPIs. During last year, **20% of all employees involved** in the project **were employed** from the local indigenous community.

- **Recruitment of people with functional diversity (Spain)**

The Automotive Division in Galicia (**Spain**) continues with their social and labour programme to integrate people with functional diversity through the ***Son Capaces* ("They are capable") Project**. The Division currently has **20 colleagues** with intellectual disabilities, **occupying the position of porter**, and covered exclusively with people with this diversity function. Their employment support **includes** orientation and individualised **mentorship** that is provided by job coaches and trainers in the workplace. The project also has a period of training in the company prior to employment. We are now expanding this program to other regions of Spain with the aim of becoming a benchmark in this kind of programmes.

SOCIAL CAUSES

During 2018, the Applus+ Group supported numerous **social causes across our divisions.**

DIRECT FINANCIAL CONTRIBUTION OR SPONSORSHIP:

[5] This figure is limited scope to countries covered in SAP.

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➢ **AIM high programme at the Automotive Division (US)**

Applus+ provides **financial support and event sponsorship** to **Companies that Care**, a Chicago-based non-profit organisation that channels the power of Chicago and its businesses to address tenacious social issues, improving the lives of individuals, families and communities.

One of their community initiatives is the AIM High programme, a long-term, structured university-completion and workforce-development programme that aims to increase university-graduation rates among the youth in ethnic minorities. To achieve this, a group of **Applus+ employees mentor local high-school students** to provide them with leadership and support. This includes regular contact with the students via email, text and face-to-face meetings.

Mentors also participate in **larger career and job-shadowing events**. Even when the students graduate from high school, the mentoring team at Applus+ will continue to provide support and guidance as the students continue through university.

➢ **Social programme (Costa Rica)**

***Arremangados* ("Roll up our sleeves")** is the name of the Automotive Division's programme in Costa Rica through which **employees identify** and promote **social welfare projects** for their neighbouring communities. In this internal contest, the different stations presented their projects for **budgetary approval** to **develop** with **voluntary labour**.

This initiative, which started in 2016 as a pilot plan, celebrated its second year's work in 2018. This year, **four schools and one community hall** have benefited. These types of initiatives help us integrate into our local communities and culture, support our coexistence and facilitate the identification of opportunities for mutual development.

WE EDUCATE FOR THE UPTAKE OF NEW TECHNOLOGY

➢ **Teaching next year's talent at the Energy & Industry Division (The Netherlands)**

A technical expert at the **Energy & Industry Division** in the Netherlands makes regular visits to a **secondary school** to talk to engineering students about non-destructive testing (NDT), a field in which the engineer has 40 years of experience.

By giving students the opportunity to draw on the expertise of an Applus+ professional, these sessions help to deepen their knowledge of weld inspection. Our technical expert offers a **practical approach to standard NDT methodology**, aiming to interest the students in this field.

➢ **Petroleum Club: Next Generation Programme (Australia)**

Applus+ was involved with the Petroleum Club Next Generation Open Day in July. The open day was an opportunity for **STEM (Science, Technology, Engineering & Mathematics) students** from across Western Australia to gather together and gain an **insight into the oil and gas industry**. Applus+ displayed the Automated Universal Scanner (AUS) educating the students on inspection and testing techniques, and providing them with the opportunity to get hands on with technology. Applus+ was proud to assist with educating youth and contributing to the development of the next generation of professionals.

WE SUPPORT DISADVANTAGED GROUPS

➢ **Helping one another after Hurricane Harvey: Energy & Industry Division (US)**

In the wake of Hurricane Harvey, many people in the Houston and surrounding areas were left devastated, with the homes and personal property of some completely destroyed. Many clients of Applus+ and their employees were affected, so Applus+ rolled out a number of **initiatives to help normality return** in the area as quickly as possible.

We arranged for an **assistance group** to help **move affected employees out of their flooded houses,** and we **collected money** for affected employees. Applus+ also developed an **employee assistance programme** for employees who had lost some or all of their property.

Some **clients** in the area were also affected, with critical infrastructure damaged by the storm. Applus+ made every **effort to continue operations** and even **mobilised immediate inspections** of pipeline infrastructure to help reassure our customers that their assets were safe for continued operation.

➢ Supporting local community celebrations (Panama)

Every year, Applus+ employees and associates in Panama organise a **charity event** to mark either **Christmas or Epiphany**, to which they invite **underprivileged members** of a **local community**.

This year, it was the turn of **Bajo Bonito**, a community located in **Panama's Capira District**, and we hosted **130 children at a party especially for them**. A variety of activities took place over the course of several months to raise funds and attracting donations. In addition, employees sponsored children from the community and organised the party – everything from the logistics of getting everyone involved through to the decorations, entertainment and gifts.

➢ Bicycles donation (Spain)

Applus+ in A Coruña (Spain) launched an initiative together with the **SEUR Foundation**. The main objective of the campaign was to **donate unwanted bicycles to people who need them the most**. This project, in addition to being aware to the environment, runs with the collaboration of **people with disabilities** who carry out **repairs** to the **bicycles.** The scope of this campaign will be extended throughout **Spain, Portugal** and **Andorra,** and the bikes can be delivered to the SEUR stores attached to the project.

WE CARE FOR LIFE-THREATENING ILLNESS

➢ Blood donation (Middle East and Spain)

Applus+ in the Middle East organised a **Blood Donation Event** on 17th January 2018. The rapid growth for the demand of blood is proportionate to the fast-growing population of the United Arab Emirates and their **expanding healthcare facilities.** We collaborated with the **Abu Dhabi Blood Bank**, and **25 employees** participated in the donation. These blood-donation initiatives have also been carried out at **two Spanish offices in Barcelona** and **A Coruña.**

➢ Moustache donation for men´s health (Australia)

Seven team members from **Applus+,** working at the **Woodside Karratha Gas Plant** (Western Australia), **donated their moustaches** to **Movember Foundation** to raise money for **men's health.** They stopped shaving on 1st November until the end of the month, when they shaved their moustaches for donations.

Additionally, our employees **also raised donations from their friends, family and colleagues** for the foundation. Relatives and friends made these donations to support each employee's candidatures for "the best moustache"

The **Movember Foundation** is a global charity for men's health, addressing the factors that can lead to men experiencing physical and mental health issues and dying too young.

➢ "Plugs for a new life" (Spain)

Applus+ in A Coruña (Spain) launched an initiative together with the **SEUR Foundation** called: "Plugs for a new life", with the objective to **help children with serious health problems.**

➢ "Pink and Light Blue Ribbon" (Panama)

In October 2018, Applus + in Panama ran an initiative, promoted by the Ministry of Health (Minsa), for the **"Pink and Light Blue Ribbon" campaign,** as part of the month for the **prevention and early diagnosis** of **breast and prostate cancer**. The campaign seeks to raise awareness among the population about the importance of achieving comprehensive control of cancer, including prevention, early detection, diagnosis, rehabilitation treatment and palliative care.

WE PROMOTE SAFE AND HEALTHY LIFESTYLES

➢ Informative campaigns and motorcyclists responsible (Costa Rica)

Applus+ informative campaigns are targeted actions to raise awareness of specific public issues. For example, they have promoted the installation and use of **Child Restraint Systems in vehicles** and the need to closely **supervise school transportation.** These topics in Costa Rica currently require more knowledge or awareness from the country's citizens.

The Motorcyclist Responsible Programme was developed during 2018 to educate motorcyclists and to provide them with the **tools to prevent accidents**. Currently, motorcyclists represent the highest rate of deaths on the roads in Costa Rica, so we were pleased that the event attracted approximately **1,500 motorcyclists** to participate in these life-saving activities.

➢ Training for students, private companies and authorities (Costa Rica)

We develop training through **three programmes**:

- ***Aprendamos con Bumper*** **("Let's learn with Bumper"** – Bumper is a pet-**)** is targeted to school students to promote **values** and **concepts** about **road safety** using board games, bingo or puppet shows. This program covers around **2,000 students** from **more** than **20 schools.**
- For **teenagers** at high school, who are about to **become drivers**, Applus+ has developed the programme ***Soy Autorresponsable*** **("I am Self-responsible").** This interactive mobile application teaches the concept of "Having the keys of a vehicle is having a responsibility", and our employees supporting the programme visited **15 high schools** in 2018.
- Through **Technical Education programmes,** Applus+ provides **training talks** at public institutions, private companies or associations, where we present a variety of topics such as preventive maintenance, technical revision, effective driving, etc. Especially important are the training talks aimed at **traffic police, security police and Judicial Investigation Bureau (OIJ)**, which covers for example vehicle identification, fraud attempts and fake vehicle-inspection certificates. Each year, Applus+ runs approximately **25 courses.**

9. Innovation

OUR INNOVATION IN FIGURES

YEAR	2017	2018
NUMBER OF INNOVATION PROJECTS (Total and per division)	Total: 199	Total: **217**
	IDIADA Division: 91 Energy & Industry Division: 64 Laboratories Division: 26 Automotive Division: 10	IDIADA Division:121 Energy & Industry Division:43 Laboratories Division:28 Automotive Division:15
NUMBER OF INFORMATION TECHNOLOGY PROJECTS AT THE CORPORATE LEVEL	**8**	**10**

EMPLOYEES AND HOURS	2016	2017	2018
Employees involved (not full-time dedication)	713	761	**825**
Hours worked on innovation projects	295,800	264,241	**355,568**

9.1. Our innovation projects

We invest in innovation to **create value** for our customers through the development of products, services and technical expertise. Our innovative approach generates **efficiency improvements**, as well as new revenue streams, which **benefit our Company**, our **clients**, **society** and the **environment**.

SOCIAL CONTRIBUTION

Our greatest social contribution is to actively participate in the process of **creating the methods, technologies and infrastructures** required to **improve** the **safety and quality of life** in our society. Our knowledge and skills in technological development play an essential role in our social contribution. The following projects are an example of the **social character** of our **innovation activity**:

- **ICM: International Climbing Robot**

Applus+ in **Oceania** has developed a **modular system for internal and external inspection of stainless steel assets.** The system features a crawler with various remote visual cameras and inspection technologies, which can travel along non-ferromagnetic assets. This development demonstrates the capabilities of Applus+ to develop and deliver **innovative and safe inspection systems** that meet and exceed the needs of our customers.

- **MuCCA: Multicar Collision Avoidance**

The IDIADA Division will participate in the Multi-Car Collision Avoidance (MuCCA) European Project. This project will develop a **multi-car collision avoidance system** that aims to **reduce** the **occurrence** and **consequences (injuries and damage)** of **multi-car collisions on motorways.** The technologies developed and used will be very similar to those to be included within a fully autonomous vehicle, including sensor systems, machine learning, vehicle-to-vehicle communications and vehicle control systems. This project will contribute to **increasing road safety**, especially by **addressing** one of the **challenges of autonomous driving.**

- **PIONEERS: Protective Innovations of New Equipment for Enhanced Rider-Safety**

The main objectives of the European PIONEERS project (Protective Innovations of New Equipment for Enhanced Rider Safety) are: to develop a deep understanding of the injuries sustained by **Powered Two Wheelers** (i.e. motorcycles) **users**; to **improve the performance of safety systems** (Personal Protective Equipment and on-board systems); to develop better test and assessment methods; and to increase the use rate of personal protection equipment.

Applus+ is **leading** this **project with 16 partners**, which will contribute to the **increase** in the **safety of for motorcyclists**.

- **NANOFACTURING: Manufacturing of pharmaceutical nanoparticles for medical applications**

Our Laboratories Division has successfully developed **two routes of synthesis** to scale up ligands, or binding-molecules, for the **production of nanoparticles** used in pharmaceutical applications, which focuses on the **treatment of certain diseases.**

Their work, carried out within the **European Union's H2020 NANOFACTURING research project**, has allowed for the development and supply of these ligands in an appropriate quantity for further trials in the project. Thanks to this project, the Laboratories Division has entered into the field of manufacturing pharmaceutical nanoparticles for medical applications.

- **ICCF – ERNCIP Laboratories: Cybersecurity**

The Laboratories Division participates in a European project to develop a **cybersecurity certification scheme** for **industrial automation and control system** applied on **critical infrastructures.** The project, part of the European Reference Network for Critical Infrastructure Protection (ERNCIP), will propose an initial set of common European requirements that will help foster certification for cybersecurity on industrial automation and control systems in Europe.

Applus+ Laboratories is participating through **Spain's National Exercise Team (NET).** The regulations focuses on automation and control systems at **refineries, chemical plants, power plants, pipelines** and other critical infrastructures.

- **Weld distortion: Safer assets**

Distortion is a common problem in the **fabrication of welded structures**. A usual mitigation approach involves defining an intermittent weld sequence - a process that is extremely difficult to define. Applus+ in **North America** has developed a solution to this problem, which defines the **best weld sequence based on Sequential Rigidity Calculation using simulation tools,** such as FEA analysis (finite elements). This enables the designer to **optimise** a complex **weld design without relying on intuition or experience on similar work.** The new technique (provisional patent pending) allows structures to be welded more efficiently without distortion and therefore guaranteeing better safety of assets.

- **Appwatcher: Technology information automated update**

Applus+ has designed and developed the AppWatcher+ system, a **web-based tool** for monitoring **technology on the internet that** systematically detects, collects and organises any **news** related to the **technological interests** of the **different areas** of the company.

The tool has been successfully implemented at **IDIADA Division** and in **Corporate Innovation Area**, allowing updates on relevant information that assists our employees to make **more informed decisions** and to **reduce risks.**

ENVIRONMENTAL PROTECTION

Our innovation projects have led to the development of a range of new products and services within different sectors, which addressed **various sustainability goals**:

- **OBD Auto: air quality preservation**

From May 2018, the Automotive Division has implemented an On Board Diagnostic (OBD) system for **monitoring potential engine malfunctions related to excessive emission pollutants.** The statutory-vehicle-inspection facilities at Applus+ have integrated this new system into their day-to-day procedures and guidelines for inspections using our specialised proprietary software called P1s.

This new system **fulfils mandatory regulations** and reinforces our commitment, as an inspection company, to guarantee an excellent service to both the users and the contracting administration in the **key environmental area of air-quality preservation.**

➢ **GEOAPP: Digital solution for paper reduction**

In previous years, the Energy & Industry Division has been successfully developing and implementing a **paper reduction plan for the inspections and site activities**. Within the framework of the mobility innovation, many solutions have already been implemented, although there are specific areas still highly dependent of the paper records, such as **geotechnical data capture and the associated reports**.

This activity generates a great deal of paperwork, and the complexity of measures and structure of reports make digitalisation specially challenging. As a **digital solution**, Applus+ has started developing our **GEOAPP,** to solve steps within the **geotechnical monitoring process, which reduces time on geotechnical surveys and at pits for field-data collection** in areas already explored. This applied-technology **saves costs and paper and reduces the potential environmental impact of site visits.**

➢ **ECVET-Lab: Best environmental practices for European laboratories**

The **ECVET** is the European Credit system for Vocational Education and Training. The **European Project ECVET-Lab** (funded through the support of the European Commission's Erasmus+ Programme) was led by **NOVOTEC** and finalised in September 2018.

The project had **three main objectives**:

- ➢ To gather and disseminate **best environmental practices** for laboratories;
- ➢ To develop an **online ECVET1 qualification course** on improving environmental management , specifically for laboratories technicians in Europe; and
- ➢ To present a **new qualification standard** that demonstrates **best environmental practices** for the existing VET programmes for laboratory technicians across Europe.

The project has been developed with the collaboration of more than **40 organisations, which** includes laboratories, Universities and VET centres from 13 countries from European Union. In the **project´s final conference,** hosted by EUROLAB (European Federation of National Associations of Measurement, Testing and Analytical Laboratories) in Brussels, ECVET-Lab **project consortia presented**:

- ➢ **ECVET-Lab Guide of Environmental Best Practices.**
- ➢ **ECVET-Lab Qualification Standard of Ecolab technician.**
- ➢ A free **Online Training Course across the ECVET-Lab IT** training-course **platform,** on which participants can gain this new qualification. The training course is available in English, Polish, Greek and Spanish.

➢ **ADDAPTTA SEALS Laboratories: Fuel-consumption and CO_2 emissions´ reduction in aviation**

ADDAPTTA SEALS is an **R&D Project,** funded by **European Clean Sky 2 programme**, to **optimise the profile of rubber seals on aircraft wings** to **increase their aerodynamics**. The project is developing a new concept in rubber production by **using** the **3D-printing technology** to produce the better-performance seals, at a lower cost.

The new rubber seals optimise the wing's aerodynamics which **reduces fuel consumption**, **the CO_2 emissions** and the overall environmental impact of air transport. Deploying our expertise in materials testing and homologation, the Laboratories Division **validates** the **seals manufactured by this innovative 3D-printing process.**

AWARDS AND RECOGNITIONS

Our **clients** and **commercial partners** have also **recognised our innovation** activity:

- In **Spain,** the jury panel of the **TIC Galicia Awards** gave Applus+ the prize for the **Best tractor company of innovation projects.** This award recognises our commitment and confidence in the Galician start-up for the technological development of innovation projects.
- Applus+ has been recognised for the **Best international paper at Congress SAE Brazil 2018**, for its paper "Tracking 3D technology for HIC calculation and restraint systems improvements", which is a pressing topic in the field of safety improvements for automotive passengers.
- In June, Applus+ in the **Netherlands** was invited to receive the **"Latest Gadget" award,** from the Measurement Technology Department of Europe's largest refinery, for its **innovative use of**

thermographic research. The award followed a trial project, which successfully convinced the client of the benefit of thermographic research. This research is **currently applied** daily in a large-scale Corrosion Under Insulation **(CUI) project.**

9.2. Innovation through collaboration

Sharing capacities and resources helps us to **increase** our **knowledge base** and to **explore new technology solutions** for our clients.

AGREEMENTS	2017	2018
Number of **agreements with external bodies** (Total and per division)	Total: 85	Total: **101**
	IDIADA Division: 28 Energy & Industry Division: 42 Laboratories Division: 15 Automotive Division: 0	IDIADA Division: **29** Energy & Industry Division: **50** Laboratories Division: **19** Automotive Division: **3**

ACTIVITIES TO PROMOTE OUR INNOVATION WORK	2016	2017	2018
Technical events	93	93	**85**
Technical publications	74	50	**55**
Training sessions	133	87	**68** (*)

*(*) The number of **training sessions** depends on the **changes** in **regulations, standards** or **new testing, inspection or certification procedures** that have to be communicated to the clients. Our experts provide tailor-made training for their clients and market needs, and this training is **not recurrent year after year** and is **not constant** in **each region**. The fluctuation does **not indicate** that the trend is necessarily **downward** since the figure may be higher the following year.*

Below we show some examples of our **technical events** and **other collaborative activities** in the field of innovation:

➢ Participation in FISEVI – CITA: Accident prevention, road safety and pollution

The Automotive Division, whose activity has a direct role to play in road safety, has participated, through **CITA** (International Motor Vehicle Inspection Committee), in the **3rd International Child Road Safety Forum (FISEVI)**, in **CABA, Argentina.** Applus+ participated as a **support sponsor and** provided **a speaker,** who presented the benefits of our inspection business in the field of accident prevention, road safety and pollution in their speech **"More safe vehicles, the role of technical vehicle inspection"**. FISEVI is an initiative to establish a dialogue among the stakeholders that have a role in road safety, such as governments, international organisations, civil and road engineers, health workers, teachers, among others.

➢ Presentation of the SENIOR project: Road safety for older road users

SENIORS (Safety Enhancing Innovations for Older Road Users) European project has investigated and assessed the **injury reduction** that can be achieved through **innovative tools and safety systems,** aiming to better protect **elderly** car occupants and external road users, such as **pedestrians, cyclists and e-bike riders**.

The project closed with a final event in **September 2018** in **Athens** (Greece). The event was organised by the IDIADA Division, and was attended by more than **50 automotive safety experts**, including many industry representatives and other fellow researchers.

➢ The 7th International Cycling Safety Conference: Safety and mobility aspects

The International Cycling Safety Conference (ICSC) is a **forum for researchers and experts in** the field of **cycling safety** to exchange their knowledge and bring up **new research topics or safety solutions**. The initiative was started by the Netherland's the Ministry of Infrastructure and the Environment, TNO, Fietsberaad (Dutch Centre of expertise on bicycle policy), SWOV and Delft University of Technology.

The IDIADA Division participated at the **seventh edition** of the conference, held in **Barcelona** (Spain) in **October 2018**. The topics at the conference covered an array of **safety and mobility aspects**, encompassing: cycling mobility, bicycle 'accidentology', cycling behaviour, safety of children and young bicyclists, E-bikes, devices to improve safety, road design, infrastructure, urban elements and traffic regulation, bicycle-motor vehicle interactions, driver behaviour, active safety systems and automated vehicles.

- **FORM Forum: European road mobility**

The IDIADA Division participated in **FORM Forum** (The Future Of Road Mobility Forum), a conference organised by **EARPA** - the association of automotive R&D organisations.

This Forum brought together researchers, professionals and practitioners from industry and government for a productive and rewarding exchange of insights, experiences, achievements and perspectives on **current and future developments** in the **European road mobility and automotive area**. The theme of **2018's FORM** Forum, held in **Brussels** in **October**, was **"The future of road mobility; research with impact".**

- **Seminars in Oceania: Solutions for oil and gas inspection and maintenance**

The Energy & Industry Division in **Oceania** has organised a series of events for our clients to present the most promising and advanced **technologies and solutions** for a better **inspection and maintenance** of the **oil and gas** premises. Through practical sessions, our team offered our insight and expertise during themes entitled **"ANDT and Engineering Lunch and Learn"**, **"UAV Lunch and Learn"** and **"ECA Show and Tell"**.

The new technologies presented covered the **use of Drones** to contribute to the better detection of defects and to minimize the **risks** for the **inspectors and** the **environment**, caused by potential accidents and leakages in the infrastructures.

- **PRCI event: IWEX demonstration**

The Energy & Industry Division in **Texas** (North America) demonstrated our IWEX technology in the PRCI Technology Development Center (TDC) Open House on 31st **May 2018**.

PRCI Technical Programme Associate Members discussed and demonstrated various **ILI (In-line inspection)** and **non-destructive evaluation (NDE) technologies and solutions**, which contribute to minimising potential environmental damages caused by leakages at oil and gas premises.

- **7th Annual Meeting of Companies on the Integrity of Oil and Gas Pipelines**

Applus+ in **Spain** held on 13th November the 7th Annual Meeting for companies on the integrity of oil and gas pipelines at our facilities in Bellaterra (Spain). This meeting had an extensive participation of different companies in the sector, and in the forum, they presented and shared experiences related to **cathodic protection and the inspection of buried metal structures**. This exchange of information **helps** advance **knowledge to minimise environmental risks** and **optimise preventive maintenance.**

9.3. Intellectual property

INTELLECTUAL PROPERTY	2016	2017	2018
Accumulated patents granted	61	71	**80 (*)**
Accumulated patent families	35	35	**31**
New applications filed (for new and existing families)	6	7	**11**

*During **2018 (*)**, **28 new** granted **patents** have been incorporated into Applus+ patent portfolio (17 of them coming from the **validation** of a **European patent** in **17 countries**, and **two** of them **due** to **a company acquisition**), with an **increase** of **two patent families**.*

In patent families, there has been a **decrease** of **19** granted **patents belonging** to **six patent families. Twelve** of them **expired** and **seven** were **abandoned** in order to **optimise value – cost – business** opportunity within the patent portfolio.

Consequently, the **net increase** in the accumulated patent portfolio has been **only nine patents**, giving a **total** portfolio with **80** patents granted, and the number of **active patent families** has **decreased** from 35 **to 31**.

10. Sustainable performance

10.1. Environmental management approach

ENVIRONMENTAL ASPECTS OF OUR ACTIVITIES

The **direct environmental impact** of our company's activities is mainly related to our **office activities and fieldwork.** Therefore, we focus our management and prevention efforts on these activities and on their most significant environmental impacts: **energy** and **water consumption**, and **vehicle emissions**.

We extend our management framework to the **generation of waste** with respect to the activities developed by the **IDIADA and Laboratories Divisions.** These divisions generate additional waste to urban waste or urban waste, and this requires specific storage and management conditions (hazardous waste, inert waste, etc.), so we focus our efforts on the control and improvement of its management.

In the same way, and only in the case of the **IDIADA Division**, we include **discharges** in our management framework, since a significant part of the water consumption of the Division's facilities in Tarragona (Spain) is used for the operation of some test tracks.

The activities of the Applus+ Group do **not** generate **direct impacts on biodiversity.** In fact, some of the services provided to our clients aim at minimising and controlling the impacts their activities have upon ecosystems.

GLOBAL POLICY AND ENVIRONMENTAL MANAGEMENT SYSTEMS

The ***Global Policy of QHSE*** integrates the *Group's Environmental Policy* with the *Quality, Health and Safety policies.* This policy applies to all employees at Applus+ or those associated with the business of the Applus+ Group and its legal entities.

With this Policy, Applus+ reinforces its commitment to manage its possible environmental impacts effectively by empowering key personnel and by providing sufficient resources to meet the requirements of the Applus+ Group's standards, giving priority to a preventive approach as opposed to the corrective approach when developing QHSE processes.

To deploy the policy, we implement **environmental-management systems at the local level**. The systems are periodically **certified and audited** in accordance with the international standard **ISO 14001**. In 2017, we adapted the new requirements of the ISO 14001:2015 standard to our management systems. At present **close to 30 countries** have legal entities with certified environmental management systems such as: United Kingdom, Italy, United Arab Emirates, Kuwait, Saudi Arabia, USA. USA, Canada, China, Thailand, Australia, Norway, Mongolia, Indonesia, Papua New Guinea, Angola, South Africa, Colombia, Spain, and Ireland.

In addition to these environmental management systems, the Group has a ***Guide of Best Environmental Practices*** applicable to all employees at the offices of Applus+. This guide includes best practices for the management of waste, the consumption of materials and the consumption of energy and fuel. In 2018, we launched a **new awareness campaign** under the banner ***"Because it's the little things that count"*** to reinforce these best practices.

This is a campaign in which we converted some environmental indicators to other magnitudes of immediate interest for our employees (number of rounds around the world, number of football fields, etc.) and includes some "curiosities". All with the aim of increasing the environmental awareness of our employees and improve the deployment of best practices in the development of our activities.

ENVIRONMENTAL DATA MANAGEMENT

The Applus+ Group has **two applications to manage**, control and verify energy, water and fuel indicators.

- **Applus+ Site Management (ASM)**

The local and regional QHSE officers **register data** on the environmental indicators of each region using this tool. In the case of consumption, the tool collects the invoices as **evidence of information reported**, and these documents are key to validating and verifying the reported indicator.

The tool sends **periodical reminders** to ensure that users report in every reporting period on time.

After the information of the indicators has been completed, the **QHSE Corporate Department verifies** the reliability and veracity of the information by contrasting the information reported with the information included on the invoices of our suppliers. The process concludes when the QHSE Corporate Department has **validated** the information provided by the local and regional QHSE officers within the ASM tool. Consumption Database is **transferred to the QlickView tool**.

QlickView

Using this tool, the QHSE Corporate Department can **monitor progress of the reporting process** and, simultaneously, **consolidate** the **data globally**. QlickView can visualise the information by region, country, office, etc., which facilitates **detailed analysis** of the indicators' evolution.

The Internal **Audit Department supervises and controls the monitoring** of the policy and processes described in this section.

SUPPLIER ENVIRONMENTAL ASSESSMENT

The Corporate Purchasing Department is **governed** by the quality and environmental **guidelines** defined by the **Corporate HSQE Department**, and included in our ***HSQE Policy***. In the selection and qualification of our suppliers, the Corporate Purchasing Department integrates the Group's **mandatory HSQE** requirements **within** its **supplier management process**.

To meet the requirements set by the Corporate HSQE Department, the Corporate Purchasing Department ensures that there are **adequate processes** in place and that **suppliers** comply with requirements established by the *HSQE Policy*.

The Supplier, within the **approval process**, must **know and adhere** to our ***HSQE Policy***. In the **initial evaluation** of our suppliers, we **positively value** those who have implemented and certified an Environmental Management System according to **ISO 14001** or the European regulation **EMAS**.

The **adhesion** to our ***HSQE Policy,*** and the consideration of the **environmental management systems** implementation in their selection and qualification, currently cover **60%** about our **total suppliers**.

10.2. Energy and emissions

The consumption of energy and its emission are the **relevant impacts of our activity**. The Applus+ Group´s **Guide of Best Environmental Practices** includes a set of guidelines to reduce energy and fuel consumption. These guidelines are applicable to all employees across the Applus+ Group.

In respect to energy consumption, the guide includes best practices for the **use of IT equipment** (computers, printers, etc.) and for the **regulation of lighting** and **office temperature**.

CONSUMPTION from no renewable sources (*)	2018	2017	2016[6]
Total Energy Consumption (GJ)	823,068	796,144	920,050
Fuel consumption (Diesel and gasoline) (GJ)	541,547	515,521	617,480
Electricity consumption	205,698	193,304	184,943
Heating consumption	75,823	87,288	117,627
Cooling consumption	0	0	0
Steam consumption	0	0	0
TOTAL ENERGY CONSUMPTION (GJ)	**823,068**	**796,144**	**920,050**

(*) Source of the conversion factors used: IPPC Guidelines for National GHG Inventories (AR4).

6 In 2016 the reported scope covered energy consumption for 90% of the legal entities consolidated at the time.

Fuel is the more important source of energy consumption. Within Applus+, it is directly related to our business activity when we carried out services at customer's sites. The fuel consumption comes from non-renewable sources. The types fuel used are diesel and gasoline.

The increase of approximately 5% of fuel from the previous year is mainly due to the increase in operations, new acquisitions such as "Inversiones Finisterre" and the inclusion of Oman in the reporting's scope. However, there is a reduction of the heating consumption using the same scope as 2017. Electricity consumption is remains steady from the previous year and the increase comes from new acquisitions. The total energy consumption increases due to new acquisitions, so using the same scope that 2017, it keeps steady because the increase of fuel is compensated for the reduction of heating.

CONSUMPTION (*)	2018	2017	2016
Energy Intensity (GJ/N. employees)	36.0	38.5	53.8[7]

(*)Source of the conversion factors used: IPPC Guidelines for National GHG Inventories (AR4).

Employees is the metric that Applus+ selected to calculate the ratio of energy intensity. The type of energy included in the intensity ratio are all sources of consumption within the organisation (fuel, electricity, heating...). With regards to the Energy index, it decreases, by third consecutive year, 6.3%, which shows a positive trend.

We have designed our inventory including the main sources of energy and water consumption, and have created an online platform called ASM where all energy and water usage data are reported, so we can monitor the performance year after year and establish goals and programmes to improve it.

The organisational boundaries to measure the GRI indicators are the number of legal entities reporting their financial statements and we measure the intensity of emissions with regards to their revenue.

The assumptions made are mainly based on the ownership and accountability for the meters: if the meters are shared with other companies or the owner of the facility is assuming the accountability for the consumptions, then this data will not be included in our total count of usage.

Calculations have been made for 12 months; for pragmatic reasons the consumption period requested runs from 1st November 2017 until 31st October 2018.

In addition to these impacts, vehicle-fuel **consumption** is one of our main sources of emissions. The Applus+ Group´s **Guide of Best Environmental Practices** includes guidelines related to the three main elements that can reduce fuel consumption: use of the vehicle (route planning, use of air conditioning and heating, etc.), maintenance and driving style (changing gears, speed, etc.).

To obtain the information on the emissions Applus+ use the Greenhouse Gas Protocol as a guidance. The rest of the criteria, methodologies and boundaries are described above. The source of the emission factors and the global warming potential (GWP) rates used come from IPPC Guidelines for National GHG Inventories (AR4).

EMISSIONS(*)	2018	2017	2016
Scope 1 (t CO_2 eq)	**43,392.21**	**41,953.83**	**61,910[7]**
Scope 2 (t CO_2 eq)	**20,050.69**	**19,155.13**	**14,864[7]**

(*)Gases included in the calculation are CO2, CH4 y N2O. Applus+ has not biogenic CO2 emissions.

Applus has chosen 2017 as a base year because this year was the first in which we had a high representative degree of complicated information throughout the company (98%).

Total Scope 1 and Scope 2 have increased by 3.4% and 4.7% respectively in respect to 2017, mainly due to the new acquisitions, such as "Inversiones Finisterre" among others. Actually, the emissions' intensity decreased by 6.3% from 2017.

[7] In 2016 the reported scope covered energy consumption for 90% of the legal entities consolidated at the time.

GHG EMISSIONS(*)	2018	2017	2016[8]
GHG Emissions intensity ratio (GJ/N. Employees)	**1.90**	**2.03**	**2.45**

(*) Criteria, methodologies, Global Warming Potential rates (GWP), boundaries, types of gases, assumptions are as described in the previous page.

ACTIONS AND INITIATIVES TO REDUCE ENERGY CONSUMPTION

➢ **Light Renewal Project at Barcelona´s HQ and other offices**

A light renewal project is being completed at Applus+ in **Bellaterra** (**Barcelona**) to replace the current fluorescent lights with LED lights. In anticipation of this change, we estimate that our CO_2 emissions will be **reduced** by approximately **304 tons per year and €27,000 per year will be saved**.

Similarly, a number of energy saving measures are being taken at Applus+ in Sada (A Coruña). To reduce electrical costs, all aluminium frame windows have been replaced with **windows featuring a thermal bridge break**. In addition, the lights in the laboratory have been **replaced by LEDs**, progressing our short-term goal of a complete renewal with LED throughout the building.

➢ **The world celebrated Earth Hour**

As the world celebrated Earth Hour by **switching off all non-essential lights on 24th March 2018**, Applus+ in **Middle East** acknowledged this initiative by switching off lights and non-essential electric equipment for one hour on 22nd March 2018. The offices in the **United Arab Emirates, Saudi Arabia** and **Oman** participated in the event this year.

The main idea behind the participation was to **help our staff aware to be energy-conscious at all times**, not just for one hour in a year, and encourage our employees to adopt energy-saving practices in their daily lives.

10.3. Waste, water and effluents

WASTE MANAGEMENT

Our office activities generate **urban waste** and **other types similar to urban waste**. All offices across the Group must follow the guidelines established in the **Guide of Best Environmental Practices** regarding waste management as well as the local regulations. Additionally, employees who provide services at client's facilities must apply these best practices for the management of the waste generated through our services.

The rule of the **3Rs (reduce, recycle, reuse)** provides the framework of the management guidelines included in the Guide. In offices at Applus+, the segregation of waste is mandatory when the country has a public or private infrastructure for selective recycling and treatment. The office and centre managers are responsible for providing the necessary resources to comply with these management guidelines, as well as for monitoring their application.

The *Guide of Best Environmental Practices* establishes, with the aim of **reducing** the **consumption** of **paper, toner and ink**, some action guidelines:

- Using **both sides of the page** when printing or photocopying documents, and the use **electronic mail or fax in** internal and external **communications.**
- **Restricting the number of copies** of the documents to be filed **and** the amount of **printed drafts** by giving priority to the storage of electronic files in the first instance, and by reviewing documents on screen in the second.

Additionally, the **IDIADA and Laboratories Divisions** generate **hazardous waste and other** types of waste that, **by** their **characteristic, require a specific management** [e.g. tyres (IDIADA Division) or fire resistance tests waste (Laboratories Division).

The IDIADA and Laboratories' activities that generate **these types of waste** are concentrated **in Spain**. The management control of this hazardous or specific waste is **focus on ensuring strict compliance** with the

[8,8] In 2016 the reported scope covered energy consumption for 90% of the legal entities consolidated at the time.

regulations applicable. As a rule, the hazardous or specific waste generated in both divisions is managed throughout **duly authorised companies.**

Because of compliance with the applicable legislation, the centres and facilities of these Divisions **record the type** and **quantity of hazardous waste** generated, as well as the **documentary evidences** necessary to verify the traceability of **their management.**

- **Collaboration in the initiatives of our clients**

Applus+ in **Abu Dhabi** participated in a **"Clean-Up Campaign"**. The company, who manages **ports in Abu Dhabi** to promote environmental and sustainability awareness, organised the clean-up campaign. The clean-up drive was organised near the ports surrounding areas and volunteers from Applus+ scattered across the site to **collect waste,** equipped with **biodegradable trash bags and protective clothing.** These campaigns help maintain hygiene and cleanliness in the community and promote recycling as an integral part in promoting environmental sustainability.

WATER CONSUMPTION AND EFFLUENTS

The Applus+ Group quantifies the water consumption within the organisation using same boundaries than the consolidated financial figures.

WATER WITHDRAWAL	2018	2017	2016
Total water collected (ML)	692.7	679.0	625.2[9]

The water consumption's increase comes from new acquisitions, which represents about 28 ML. Actually the company has reduced its water consumption by 1.4% in 2018.

The water withdrawn at Applus+comes from groundwater and third-party water. With the exception of IDIADA Division, the rest of divisions use clean drinking and sanitation water. IDIADA is the **only division** of the Group that **uses water in the development of its activities at** its facilities **in Tarragona** (Spain). At these facilities, the Division consumes about 500,000**m³ of water per year**, of which 40% is used to irrigate green areas and hedgerows, and the water left to perform tests on **four tracks**: two braking-tracks, one wet-handling track and one fatigue track, which uses water as part of their operation (for tests). Actually, their consumption is slightly lower than the previous year due to an efficiency plan to recover water that they are implementing. We hope to see the improvement in following years.

The sources of water come from **three groundwater wells (in IDIADA) as well as municipal water supplier.** Water consumption was 436ML from the three groundwater wells and the rest of water (approximately 257ML) comes from the local water supplier. The Division has the corresponding **administrative authorisation** to extract water from these three wells.

The water is extracted from the wells to a **5,000m³ main tank** using a pump, from where it is distributed to the **four accumulation tanks** at the track sides (**one tank per track**). The tracks' longitudinal gutters collect the spilled water and a common collector recirculates the water to the main tank for reuse. It is a closed circuit in which **85% of the water used on the testing tracks is reused**, with the remaining 15% of volume lost to filtering or evaporation.

The type of **spill generated** on the tracks does **not** require the installation of **grease-hydrocarbon separators.** In fact, the water recirculated has **only a filtering treatment** before being returned to the main tank.

In respect to water-**quality controls**, the **pH and chlorine** levels of the water in the **main tank** and the accumulation tanks are **continuously analysed.** The main tank has **an osmosis treatment**, so the conductivity (water hardness) is also analysed continuously. In addition, the Division analyses the **organic and chemical parameters** of the **five water deposits twice a year.**

[9] The reported scope in 2016 covered water consumption for 71% of the legal entities consolidated at the time.

10.4. Climate-change related issues

Applus+ has a **procedure** for **identifying and managing** the Group's exposure to **these risks and opportunities.** The procedure's scope applies to environmental issues, including climate-related issues. The identification and evaluation of risks and opportunities cover the Group's **internal and external context,** and assesses any possible operational impacts, and how these may affect the Group's achieving our goals across the short, medium or long term.

In 2018, Applus+ identified and evaluated different types of climate-related risks and opportunities, following the **methodology** described in **Annex IV.** The **outcome of the evaluation analysis** showed that the identified **risks** were **not relevant to the Group's operations.** Moreover, the results show that a number of these risks are **actually clear opportunities** for our business:

Reputation

Reputational risk is of **vital importance** to Applus+ due to the **nature of** our **business.** In the TIC business sector, the Group's operations and services must demonstrate professionalism, impartiality and transparency to give confidence to all of our stakeholders. However, our reputational risk in this case plays a minor role. In fact, our employees mainly work at our clients' sites to perform **inspection, testing or certification** activities on our clients' assets and processes, so the **possible reputational impacts** would be **linked to our client's activities** but not to the services we provide.

Technology

The technologies we use **are clean** and will not be affected by climate-related issues. They basically use **electrical** power (test machines, test bench, etc.) to perform mechanical, electrical, vibration and electro-magnetic compatibility tests. In these technologies, the electrical **sources** may **change,** although this will **not affect** our operations **in a relevant way.** We also do tests with radioactive sources; however, we are developing the application of new technologies that will reduce the use of these energy sources.

Physical risks

We did **not** foresee any physical risks that could be **significant** to the Group in respect to our **geographical locations.** The Group has **small operations** in countries that could be affected by **severe atmospheric phenomena** due to climate change, such as India, Pakistan, Afghanistan, South East Asia, North Africa, Peru, Mexico, Colombia, Ukraine and Papua New Guinea. Therefore, any issue, even if it happened in more of one country at the same time, would **not** have a **relevant financial impact** on our operations.

Legal compliance

We did **not foresee relevant legal risks** due to the **nature of** our **services** (testing, inspection and certification). The main purpose for addressing these risks is to reduce the risks of **legal breaches**, and we have established the **suitable controls** to manage these risks.

Within this risk, we identified a specific risk related to the **obligations to increasingly report on climate-change related issues.** In this respect, we considered this risk low because we have implemented an **internal plan** for **gathering and following-up** our energy consumptions. The plan's processes will increase in scope year by year, and **include new management tools** to manage this process, such as our ASM (Applus+ Site Management).

In addition, we also considered this specific risk in **light of the clients' operations because** our clients could substantively **increase** the **scope** of the **services that they require**. Conversely, for the Group, this risk is low compared to the **opportunities** that could emerge to **develop services** that assist our client's to achieve legal compliance in their sectors.

Current and emerging regulations

We did **not consider** the current or emerging regulations as a **relevant risk** due to the **nature of our activities,** which are services. We are **not** a **big contributor to CO_2 emissions** or other climate-related impacts. Our main CO_2 contribution is related to business travel, for which the rate is **1.7t CO_2e per employee.** Additionally, the Group's **vehicle fleet,** which could be affected by emerging regulation, is **renewed regularly** and changes will be gradual, so we did not consider our vehicle emissions to be a relevant risk.

In addition, we considered this risk from a **business perspective**, and we concluded that this risk was **an opportunity** to develop **new services** that could strengthen our position in emission-related testing and help our customers to meet new regulations.

Market

The **services** we provide in testing, inspection and certification are **cross-sectorial**. We are currently **exposed** to the **oil and gas** market. However, our exposure to this sector has increasingly reduced **from 53% to 36% of revenues over** the last **four years** because the Group has diversified the markets where we offer TIC services.

We consider changes that can affect the oil and gas market due to climate change will be gradual. Consequently, we will be able to adapt and extend the services that we provide to other market sectors. The approach that we have taken is **diversification,** and, in our view, this presents **more of an opportunity** than a risk.

In addition, the **extension of services to new markets** within in our current portfolio, and the new services being developed, will compensate this effect.

GLOBAL ENERGETY TRANSITION: AN OPPORTUNITY ACROSS OUR BUSINESS

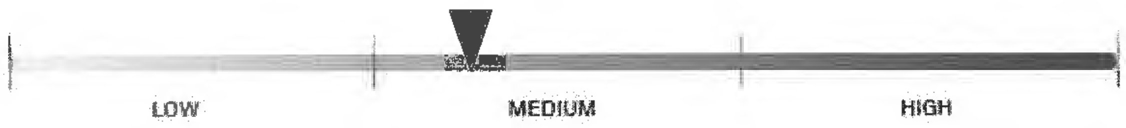
From the analysis described above, we identified the **global energy transition** as an **opportunity** to **access new markets** and strengthen our **position** in **emerging markets**.

Global energy transition will affect the **oil and gas** industry, and although this may affect part of our business, the change will be an opportunity for Applus+ to support the sector in **adapting** their **industry** during **this transition process.**

Importantly, the transition process will **increase** our **market share** in **the power and automotive** (electric/hybrid) sectors and both of these sectors will benefit from the global energy transition. This opportunity will compensate the risks identified.

This energy transition means a **change** in the **basis of the economy**, moving from the contemporary economy based on fossil fuel resources to a sustainable economy by means of renewable energy, energy efficiency and sustainable development.

The **evaluation process performed** by Applus+ showed that this opportunity had a **medium impact**:



Global energy transition could represent an **increase** of our **revenues** in services we provide to the **power** sector, in the next years. These benefits will come from our support to the power sector with a **wide range** of independent **inspections, audits and consultancy services.**

Those **services and** the **management actions** describe in the next paragraphs applies not just to this opportunity. In fact, this is a **global process** embedded in our business that includes services for other sectors as well as services that we are going to implement in the short to mid-term. Therefore, it is **difficult** to **segregate** the **costs** related to specific sectors as power or automotive.

Opportunity management

The Group **has been working on a diversification plan,** and, consequently, the revenue generated from the oil and gas industry has been reduced from 53% to 36%, in favour of other sectors over the last four years. In addition, the Group has drafted the **2018-2020 Strategic Plan**, which is deployed throughout each division. Throughout the report, we will show examples of the Group's divisional diversification in 2018.

Delivering our strategy

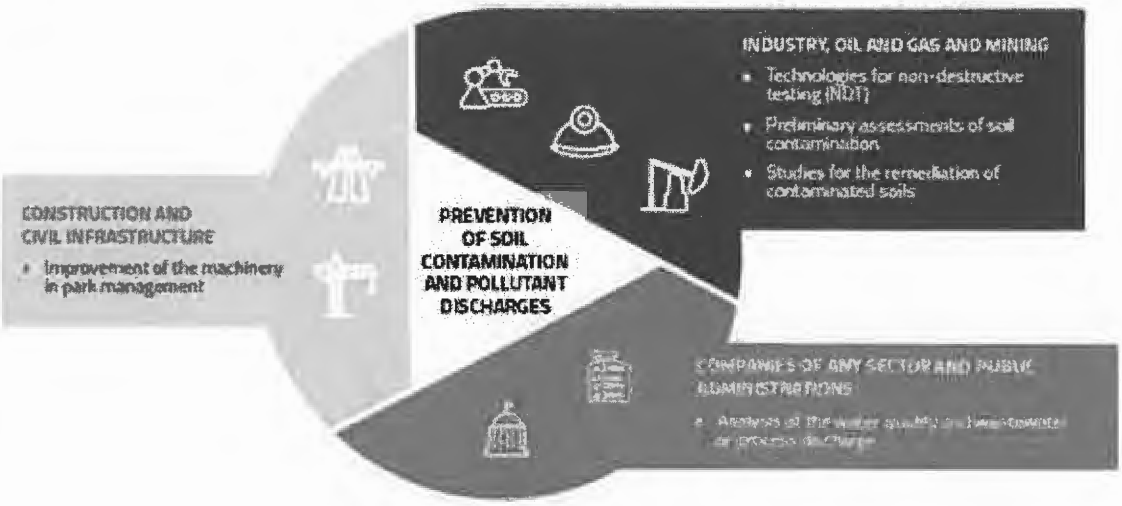
We will deliver our strategic plan by pursuing the opportunity to **enhance** the **services** we provide to the **power** sector, **and extend these services across geographies** to grow our other regions' portfolios. For example, these extensions will include services for power-network monitoring to ensure their proper operation and to prevent environmental impacts; preventive mechanisms to minimise impacts of power producers' activities (carbon or water footprints); and environmental risk analysis or environmental impact assessments.

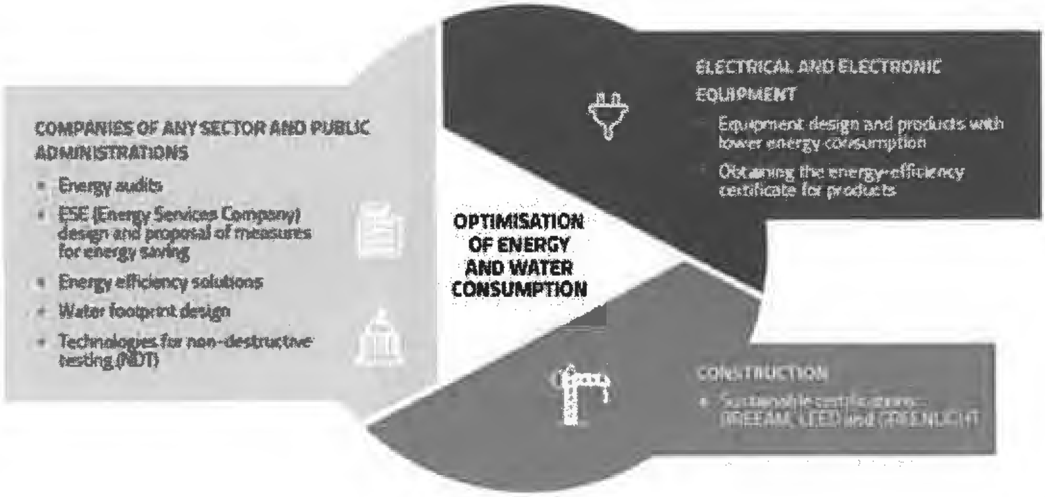
We have defined **plans to extend services** that the Group currently provides in some geographical areas to other regions, including the monitoring of tenders from other sectors and geographical areas and specific commercial plans at country level to introduce our services in other sectors. We have also defined **internal programmes** to **train and share capabilities.** These plans include the Group's current services and new ones.

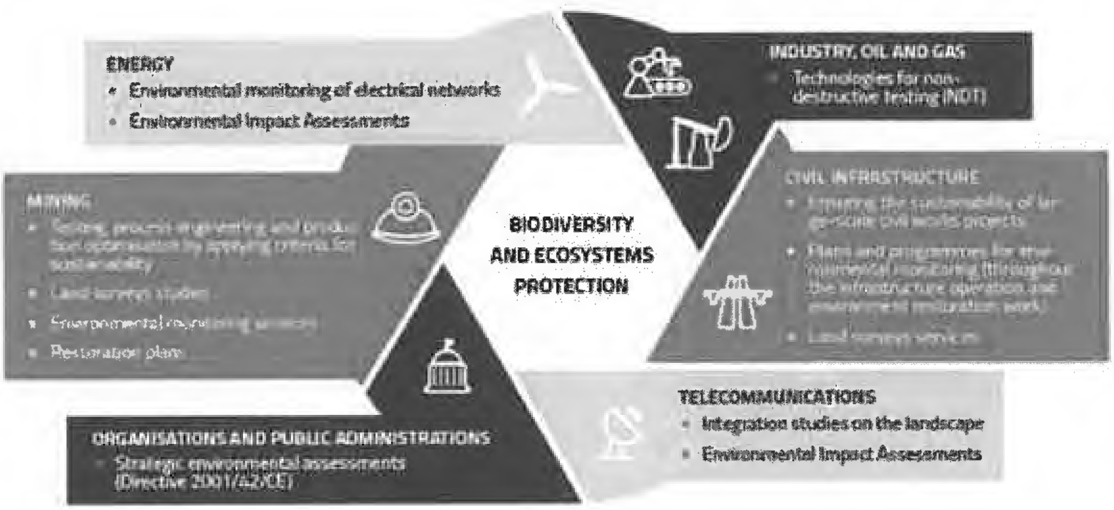
10.5. The role of our projects and services

THE ROLE OF OUR PROJECTS AND SERVICES

Beyond the internal control of our direct environmental impacts, the Applus+ Group's **key contribution** to the environment is the **services our divisions provide** to our clients that **lead** to a **reduction**, either directly or indirectly, in their **potential operational impacts**.




COMPANIES OF ANY SECTOR AND PUBLIC ADMINISTRATIONS
Energy audits
ESE (Energy Services Company) design and proposal of measures for energy saving
Energy efficiency solutions
Water footprint design
Technologies for non-destructive testing (NDT)
OPTIMISATION OF ENERGY AND WATER CONSUMPTION
ELECTRICAL AND ELECTRONIC EQUIPMENT
Equipment design and products with lower energy consumption
Obtaining the energy-efficiency certificate for products
CONSTRUCTION
Sustainable certifications: BREEAM, LEED and GREENLIGHT


ENERGY
Environmental monitoring of electrical networks
Environmental Impact Assessments
INDUSTRY, OIL AND GAS
Technologies for non-destructive testing (NDT)
MINING
Restoration plans
BIODIVERSITY AND ECOSYSTEMS PROTECTION
CIVIL INFRASTRUCTURE
ORGANISATIONS AND PUBLIC ADMINISTRATIONS
Strategic environmental assessments
TELECOMMUNICATIONS
Integration studies on the landscape
Environmental Impact Assesements


INDUSTRY
ORGANISATIONS AND PUBLIC ADMINISTRATIONS
• Design and development of joint plans for the circular-economy strategies implementation
MINIMISATION OF WASTE AND OPTIMISATION OF MANAGEMENT
CONSTRUCTION
• Physical and chemical testing on construction materials to ensure environmental standards
ELECTRICAL AND ELECTRONIC EQUIPMENT
Analysis of the equipment's life-cycle
Design and implementation of integrated waste-management systems
Application of restrictions on the use of certain dangerous substances in the manufacture of equipment


ORGANISATIONS AND PUBLIC ADMINISTRATIONS
• Advice to the public administrations in the development of regulations and design of guides to facilitate their application
• Design of environmental indicators
CERTIFICATION AND VERIFICATION OF MANAGEMENT MODELS
COMPANIES OF ANY SECTOR
Advice for compliance with applicable national and international regulations
Implementation of Environmental Management Systems
Application of good environmental practices in facilities and offices
Conducting environmental risk analysis
Design of environmental indicators
Authorized control body of a large number of public administrations
Verification and validation of clean development projects (CDMs)

10.5.1. Our environmental contribution

Below, we show some **examples** of the **environmental projects and services** and their application:

➢ **Tyre collection**

This campaign is permanent; the Automotive Division places tyre-**collection points** to reduce the problems in **Costa Rica** caused by disused tyres, for example, breeding grounds for **Dengue and Zica** diseases. This campaign, supported by the Ministry of Health, includes a **compensation program** called **"Ecolones"**, which allows the participants to obtain points for the tyres delivered, which can be exchanged at affiliated businesses. Thanks to this campaign, **more than 3,000 tyres** have been collected **from the two collection points currently active**.

➢ **Emission and noise testing for a public transport agency**

Applus+ in **Denmark** has won a four-year contract to carry out **emission and noise testing for a public transport agency for buses** in Denmark.

These emission and noise tests are ground-breaking in Denmark, and the tests are carried out while the vehicle is driving at 80 km/h. Applus+ is becoming a **pioneer in the "on-road, real testing" of emission and noise**, which ensures that the test results are as close to real time readings as possible.

➢ **Environmental Impact Study**

Applus+ in Panama carried out the environmental impact study (EIA) at the **Mufas Patio for a major gas company**. The project set out to quantify the **reduction** of the **social impacts** produced, and to verify the development of the necessary activities to **comply with the measures included in the Environmental Management Plan**. Applus+ prepares and delivers the Compliance Report required by the National Environmental Authority (ANAM) in the Republic of Panama.

AWARDS AND RECOGNITIONS

Our clients and commercial partners have also recognised our commitment to the environment:

- Applus+ has received an **Honorific mention at SIMEA 2018 - 26th International Symposium of Automotive Engineering**, in the category "Project and Technology of vehicle", for its work in connectivity services for automotive-mobility applications, which will contribute to **more efficient mobility, with a lower environmental impact**.
- Applus+ was **awarded** for a new project in **Bahrain**. The scope of work includes conducting **energy audits** and proposing/designing **energy efficiency solutions** for various facilities and structures in the Kingdom of Bahrain. This will include government buildings (schools, hospitals and municipal buildings), sewage and pumping networks, industrial plants and commercial buildings (shopping centres and hotels).
- Other **recognitions**:
    - ➢ Applus+ in **Spain** was selected for **another European Investment Bank (**EIB) **Framework Agreement**. This shortlist concerns the **consortium** led by **NTU International A/S** for the following project: European Investment Bank, Call for Tenders PC-1426, Consultancy Services for the Urban Development, Water and Solid Waste Sectors, Lot 1 - Urban Development. The project scope includes **urban regeneration, social housing, tourism and** the **circular economy.** The agreement will cover all EIB countries from the following regions: the EU, Enlargement Countries, EU Eastern Neighbours, FEMIP1, ACP2, ALA4 and South Africa.

11. Annexes

11.1. Annex I: Principles underlying this report

11.1.1. Principles for defining report content

STAKEHOLDERS INCLUSIVENESS

The report's content draws from the outcomes of our stakeholder-engagement processes, which are undertaken specifically for the report (see Annex II [Materiality Analysis]). The outcomes inform decisions taken for the report and are consistent with the material topics included in the report (see Annex II and *section 8.1.1, Key topics and concerns*).

SUSTAINABILITY CONTEXT

Applus+ presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognised sectorial, local, regional or global instruments (see *section 3. CSR Approach*).

MATERIALITY

In defining the material topics, Applus+ considers the following factors (see Annex II [Materiality Analysis]):

- Reasonably estimable economic, environmental, and/or social impacts, identified by expert bodies with recognised credentials.
- The interests and expectations of stakeholders specifically invested in the organisation, such as employees and shareholders. Broader economic, social, and/or environmental interests and topics raised by stakeholders, such as suppliers and civil society. The main topics and future challenges for a sector, as identified by peers and competitors.
- Laws, regulations, international agreements, or voluntary agreements of strategic significance to the organisation and its stakeholders.
- Key organisational values, policies, strategies, operational management systems, goals and targets.
- The core competencies of the organisation and the manner in which they can contribute to sustainable development.
- Consequences for the organisation related to its impacts on the economy, the environment and/or society (for example, risks to our business model or reputation).
- Material topics are appropriately prioritised in this report.

COMPLETENESS

Comprehensiveness mainly covers the following dimensions:

- List of material topics covered in the report.
- Coverage of the theme and time.

11.1.2. Principles for defining report quality

ACCURACY

- The report indicates the data that have been measured. The measurements for data, and bases for calculations, are adequately described, and can be replicated with similar results. The margin of error for quantitative data is not sufficient to substantially influence the ability of stakeholders to reach appropriate and informed conclusions.
- The report indicates which data have been estimated, and the underlying assumptions and techniques used for the estimation, or where that information can be found.
- The qualitative statements in the report are consistent with other reported information and other available evidence.

BALANCE

- The report covers both favourable and unfavourable results and topics. The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.
- The emphasis on the various topics in the report reflects their relative priority.

CLARITY

- The report contains the level of information required by stakeholders, but avoids excessive and unnecessary detail. Stakeholders can find the specific information they want without unreasonable effort through tables of contents, maps, links or other aids.
- The report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and includes explanations (where necessary) in the relevant section.
- The information in the report is available to stakeholders.

COMPARABILITY

- The report and its information can be compared on a year-to-year basis. The reporting of the organisation's performance can be compared with appropriate benchmarks.
- Any significant variation between reporting periods in the list of material topics, topic boundaries, length of reporting period or information covered in the report can be identified and explained.
- When they are available, the report utilises the generally accepted protocols for compiling, measuring and presenting information.

RELIABILITY

- The organisation can identify the original sources of the information in the report.
- The organisation can provide reliable evidence to support assumptions or complex calculations.
- Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error.

TIMELINESS

- Information in the report has been disclosed while it is recent and relative to the reporting period.
- The information in the report clearly indicates the time period to which it relates, when it will be updated, and when the latest updates were made, and separately identifies any restatements of previous disclosures along with the reasons for restatement.

11.2. Annex II: Definition of the report´s content

To define and develop this report, Applus+ has **covered and prioritised the topics** in accordance with the principles of materiality, sustainability context, stakeholder inclusiveness and completeness.

11.2.1. Materiality analysis

We assign relevance to these topics, or **materiality**, based on their importance concerning the economic, environmental or social impact of our organisation; or because the topics directly influence the decisions of our stakeholders.

As with the past three years, Applus+ has conducted the materiality analysis, and the CSR Committee delegated this task to an in-house team, which provides similar services to our clients.

To begin materiality analysis, the stakeholders included and the topics from last year have been **reviewed**. After this revision, the **stakeholders** identified the same as in the previous year:

- Public administration
- Clients
- Competitors
- Employees
- Investors
- Financial market
- Sectors where we operate
- Suppliers
- Society

To identify the topics, we **reviewed** the **validity** of the **previous year's 30 topics** by **benchmarking** against **three competitors** and **four companies** from different sectors in which Applus+ operates. Oil, gas, automotive, aerospace and power sectors were considered. At the same time, the topics included in the **Dow Jones Sustainability Index (DJSI)** and in the **FTSE4GOOD** were also taken into account as a global benchmark.

Following this assessment, the inclusion of **any additional** topic was considered, and the **anti-bribery and integrity topic** was **integrated into** the **code of ethics and compliance** topic. As a result, we produced a **definitive list** of **29 topics**.

We established the **materiality and relative priority** of each topic via **two paths**:

- Firstly, we consulted the ranking of the topics published by our **competitors**, **companies** from different **sectors in which Applus+ operates** and **stock exchange indices of sustainability**. As part of this inquiry, we also considered the **ratings** for the economic, environmental and social issues published in the **RobecoSAM** Corporate Sustainability Assessment.
- **Secondly,** we consulted **management team.** Personal interviews were held, in which the management team rated each topic as high, medium or low with regards to its **internal importance (Applus+)** and its **external importance**, that is, for those stakeholders not considered in the previous inquiry: public administration, clients, employees, investors, financial markets, suppliers and society.

By cross-referencing the importance for Applus+ with the stakeholders' importance, we determined the **materiality matrix,** and we obtained our **material topics list prioritized** with: **13 material aspects**, ten aspects with a medium importance and six of them with low importance.

Three new topics have been added to our list of material topics this year. These topics are:

- Business model and strategy.
- Stakeholder engagement.
- Training/capacity building and professional development.

MATERIALITY MATRIX

11.3. Annex III: Economic Value Added (EVA)

EVA consolidated (thousands of Euros)	2016	2017	2018
Economic value generated (thousands of Euros)	**1.590.621**	**1,586,272**	**1,676,234**
Revenue	1,586,496	1,583,094	1,675,942
Profit/Income equity method	1,724	647	13
Financial Income	2,293	1,339	2,510
Results on disposals of non-current assets	108	1,192	(2,231)
Economic value distributed (thousands of Euros)	**1,467,684**	**1,446,285**	**1,509,706**
Procurements	216,974	180,926	159,242
Staff costs	840,391	861,574	919,205
Other operating expenses	352,324	356,986	379,524
Other costs	5,224	8,264	4,646
Financial costs	20,859	22,807	23,739
Corporate income tax	31,912	15,728	23,350
Economic value retained (thousands of Euros)	**94,362**	**94,381**	**106,334**
Depreciation and amortization charge	94,362	94,381	106,334

11.4. Annex IV: Methodology for the evaluation of impacts

11.4.1. Direct impacts

We have structured the process of identification and evaluation of our direct impacts in **five areas**: economy, good governance, environment, society and market.

To carry out an objective evaluation of our direct impact on the five areas, we have developed a methodology based on the identification of the **main performance indicators of each area**. Then, we have applied **weights from 0% to 100% to** the **indicators** of each area based on the following criteria:

- Material topics prioritisation by stakeholders.
- Material topics prioritisation by our Company.

In doing so, we **weight** the **indicators' values** in respect to the importance that both Applus+ and the stakeholders give them within the corresponding area. After considering our stakeholders expectations when assigning a weighting, we **incorporate** the **external context** of our Company as one more element of the evaluation process.

Finally, we **calculate** the **indicators' value** by establishing a **scale from one to five** for each one. We assigned **quantitative criteria to** the indicators **levels,** according to its **historical performance** in our company and by taking into account the **framework** established by the **expectations** of our internal and external stakeholders.

The **indicators selected** for each area are:

ECONOMY

- **Indicators**: Revenue trend, AOP trend, trend in the number of employees and proportion of spending on local suppliers.

GOOD GOVERNANCE

- **Indicators:** Complaints/sanctions on economic obligations, unfair competition, Human Rights or corruption, percentage of implementation of CNMV recommendations, percentage of independent Directors and management of risks and opportunities.

ENVIRONMENT

- **Indicators:** Complaints/penalties for legal breach, energy-consumption reduction, emissions reduction, positioning in the Carbon Disclosure Program (CDP), application of environmental criteria in the selection of suppliers and water-consumption reduction.

SOCIETY

Employees

- **Indicators:** Voluntary turnover rate, employee satisfaction index, accident-rate variation, increase in employee training hours/year, increase in the percentage of women employed, trend in Code of Ethics breaches.

Local communities

- **Indicators:** Percentage of local hiring, percentage of suppliers evaluated regarding compliance with the Company's ethical and conduct standards.

MARKET

- **Indicators:** Complaints/sanctions for breach of Testing Inspection and Certification (TIC) legislation and confidentiality, increase of hours dedicated to innovation, recurring clients' percentage considering a period of more than 10 years, increase of agreements with external organisations (innovation).

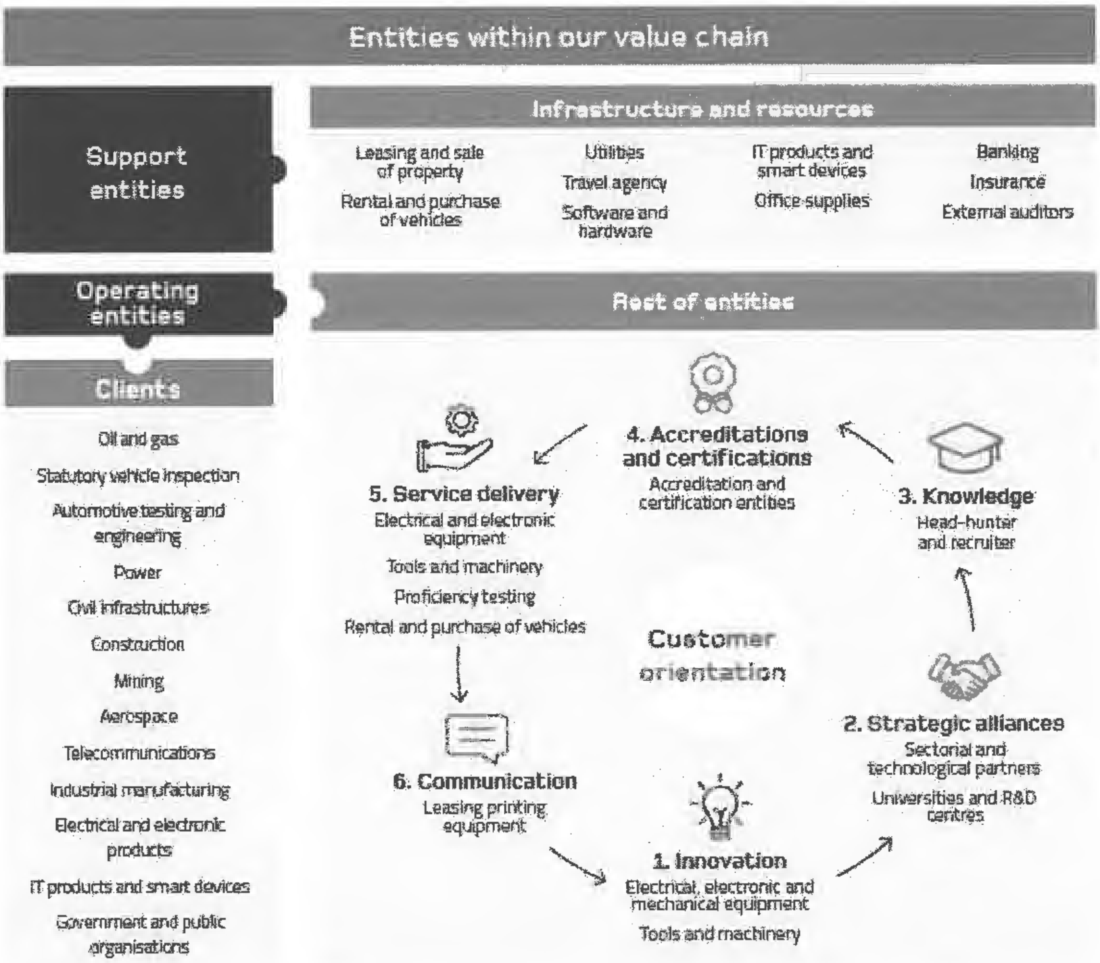
The **assignment** and **ranking of percentages** allowed us to establish **three levels** of **direct impact** in the context of our company:

- **Low Impact**: 0% - 32%
- **Medium Impact**: 33% - 65%
- **High Impact**: 66% - 100%

The **impact level** of **our performance in each area** was calculated by assigning the quantitative criterion (scale) corresponded under the **indicators value** in **2018**.

11.4.2. Indirect impacts

The table below shows the **entities involved in our value chain**:



To assess our contribution to the impacts across the entities involved in our value chain, we identified and **grouped the entities' main impacts into five areas**, as we did with the direct impacts: economy, good governance, environment, society and market.

To complete the evaluation, we **separated the entities** into **two large groups**: **our clients** and the **rest of entities**. We established these based on our ability to either directly control or influence their decisions.

When assessing the magnitude of our contribution to the impacts identified, we have **limited quantitative information** because of the Group's **extensive global presence**; our **decentralised contracting of services;** and our responsibility for **client confidentiality.** Therefore, we perform a **qualitative evaluation** through the argumentation and **justification** of **our contribution**.

11.5. Annex V: Data related to Human Resources

ORGANISATIONAL LEVEL	NUMBER OF EMPLOYEES
Tier 1, 2 & 3	580
Tier 4	1,241
Operational employees & Others	21,031
Total general	**22,852**

Tier 1: Managers who report directly to Applus+ Group CEO
Tier 2: Managers who report directly to Tier 1 (Corporate areas directors, Regionals, Business unit area managers or Country managers if they report directly to Tier 1)
Tier 3: Managers who report directly to Tier 2 (Corporate areas managers, Heads of departments, Regionals, Business unit area managers or Country managers, Key account managers, Business line managers (if they report directly to Tier 2)
Others: Any other employee not included in the categories detailed above

NUMBER OF EMPLOYEES BY GENDER	2016	2017	2018
Overall employees	81% M – 19% F	82% M – 18% F	81% M – 19% F
Management	83% M – 17% F	Tier 1 and 2 84% M- 16% F Tier 3 79% M - 21% F	Tier 1 and 2 86% M- 14% F Tier 3 83% M - 17% F

REGION	REGION/COUNTRY	GENDER	TIER 1, 2 & 3	TIER 4	OPERATIONAL EMPLOYEES & OTHERS	TOTAL
Asia Pacific	**Australia**	M-Male	22	26	360	408
		F-Female	3	4	45	52
	Other countries	M-Male	51	76	902	1,029
		F-Female	14	17	244	275
Latam	**Brazil**	M-Male	10	18	412	440
		F-Female	3	5	60	68
	Chile	M-Male	2	49	558	609
		F-Female	0	14	170	184
	Colombia	M-Male	1	8	1,263	1,272
		F-Female	0	1	462	463
	Guatemala	M-Male	0	4	441	445
		F-Female	0	3	46	49
	Panama	M-Male	0		419	419
		F-Female	0		171	171

REGION	REGION/COUNTRY	GENDER	TIER 1, 2 & 3	TIER 4	OPERATIONAL EMPLOYEES & OTHERS	TOTAL
	Other countries	M-Male	16	112	883	1,011
		F-Female	3	13	190	206
ME & Africa	Oman	M-Male	13	9	488	510
		F-Female	0		13	13
	Qatar	M-Male	0	10	426	436
		F-Female	0	1	29	30
	Saudi Arabia	M-Male	13	35	987	1,035
		F-Female	0		3	3
	Other countries	M-Male	30	13	541	584
		F-Female	3	3	45	51
Rest of Europe	Germany	M-Male	14	21	402	437
		F-Female	1	2	70	73
	Ireland	M-Male	18		620	638
		F-Female	3	1	149	153
	Netherlands	M-Male	14	34	478	526
		F-Female	1	2	59	62
	Other countries	M-Male	72	130	1,000	1,202
		F-Female	15	9	170	194
Spain	Spain	M-Male	134	315	5,152	5,601
		F-Female	27	107	1,788	1,922
USA & Canada	USA & Canada	M-Male	76	146	1,650	1,872
		F-Female	21	53	335	409
Total			580	1,241	21,031	22,852

REGION	REGION/COUNTRY	MALE <30 YEARS OLD	FEMALE <30 YEARS OLD	MALE 30≥YEARS OLD<50	FEMALE 30≥YEARS OLD<50	MALE ≥50 YEARS OLD	FEMALE ≥50 YEARS OLD
Asia Pacific	Australia	44	9	301	35	83	8
	Other countries	183	82	550	172	75	13
Latam	Brazil	73	36	313	29	53	3
	Chile	159	49	318	103	71	59
	Colombia	319	190	750	227	102	9
	Guatemala	248	35	191	19	4	1
	Panama	284	129	119	40	18	1
	Other countries	461	81	464	109	82	12
ME & Africa	Oman	126	4	301	9	83	0
	Saudi Arabia	326	3	569	5	92	0
	Other countries	76	6	425	32	32	3
Rest of Europe	Germany	38	12	255	38	143	23
	Ireland	76	13	413	96	152	40
	Netherlands	61	9	302	34	163	19
	Other countries	230	43	655	99	324	35
Spain	Spain	1,132	263	3,512	1,397	865	240
USA & Canada	USA & Canada	406	76	984	218	477	121
Total		4,242	1,040	10,422	2,662	2,819	587

GENDER	MALE			FEMALE		
AGE	<30 years old	30≥years old<50	≥50 years old	<30 years old	30≥years old<50	≥50 years old
NUMBER OF DISMISALS	289	714	234	74	135	35

(*) The figures cover 94% of Applus+ employees

GENDER	MALE		FEMALE		TOTAL	
ORGANIZATIONAL LEVEL	Tier 2 & Tier 3	Others	Tier 2 & Tier 3	Others	Dismissals	%
NUMBER OF DISMISALS	26	1,211	14	230	1,481	8.4%

( ) The figures cover 94% of Applus+ employees*

	2016	2017	2018
Voluntarily Turnover	10.2%	15.4%	12.0%

(*) The figures cover 98% of Applus+ employees

REGION	REGION/COUNTRY	GENDER	PERMANENT	NO-PERMANENT	TOTAL
Asia Pacific	Australia	M-Male	226	182	408
		F-Female	40	12	52
	Other countries	M-Male	573	456	1,029
		F-Female	191	84	275
Latam	Brazil	M-Male	436	4	440
		F-Female	66	2	68
	Chile	M-Male	609		609
		F-Female	184		184
	Colombia	M-Male	1,272		1,272
		F-Female	463		463
	Guatemala	M-Male	390	55	445
		F-Female	46	3	49
	Panama	M-Male	228	191	419
		F-Female	88	83	171
	Other countries	M-Male	674	337	1,011
		F-Female	153	53	206
ME & Africa	Oman	M-Male	272	238	510
		F-Female	13		13
	Qatar	M-Male	120	316	436
		F-Female	25	5	30
	Saudi Arabia	M-Male	1,033	2	1,035
		F-Female	3		3
	Other countries	M-Male	313	271	584
		F-Female	39	12	51
Rest of Europe	Germany	M-Male	400	37	437
		F-Female	70	3	73
	Ireland	M-Male	605	33	638
		F-Female	114	39	153
	Netherlands	M-Male	469	57	526
		F-Female	50	12	62
	Other countries	M-Male	1,091	111	1,202
		F-Female	175	19	194

REGION	REGION/COUNTRY	GENDER	PERMANENT	NO-PERMANENT	TOTAL
Spain	Spain	M-Male	4,248	1,353	5,601
		F-Female	1,448	474	1,922
USA & Canada	USA & Canada	M-Male	1,871	1	1,872
		F-Female	402	7	409
TOTAL			18,400	4,452	22,852

Parental Leave by gender		Total number of employees who enjoyed parental leave within the period		From these employees, total number who returned to work in the reporting period after parental leave ended		% Return		Employees
		Male	Female	Male	Female	Male	Female	
Asia Pacific	Australia	8	3	8	3	100%	100%	460
	Other countries	5	12	5	11	100%	92%	249
Latam	Brazil	7	7	7	7	100%	100%	508
	Chile	0	1	0	0		0%	793
	Colombia	15	20	11	18	73%	90%	1,735
	Guatemala	0	2	0	1		50%	494
	Panama	4	6	4	6	100%	100%	590
	Other countries	4	9	4	8	100%	89%	1,146
ME & Africa	Oman	0	1	0	1		100%	523
	Qatar	0	1	0	1		100%	466
	Saudi Arabia	3	2	3	1	100%	50%	992
	Other countries	2	0	2	0	100%		335
Rest of Europe	Germany	26	9	23	5	88%	56%	510
	Ireland	19	9	19	9	100%	100%	791
	Netherlands	12	1	12	1	100%	100%	588
	Other countries	26	13	26	3	100%	23%	1,158
Spain	Spain	185	65	176	59	95%	91%	7,517
USA & Canada	USA & Canada	41	7	32	7	78%	100%	2,281
TOTAL		357	168	332	141	93%	84%	21,136

( ) The figures cover 92% of our employees*

Applus+

REGION	REGION/COUNTRY	GENDER	FULL TIME	PART TIME	TOTAL
Asia Pacific	Australia	M-Male	366	42	408
		F-Female	42	10	52
	Other countries	M-Male	1,022	7	1,029
		F-Female	272	3	275
Latam	Brazil	M-Male	430	10	440
		F-Female	52	16	68
	Chile	M-Male	609		609
		F-Female	184		184
	Colombia	M-Male	1,202	70	1,272
		F-Female	431	32	463
	Guatemala	M-Male	445		445
		F-Female	49		49
	Panama	M-Male	419		419
		F-Female	171		171
	Other countries	M-Male	1,011		1,011
		F-Female	206		206
ME & Africa	Oman	M-Male	510		510
		F-Female	13		13
	Qatar	M-Male	435	1	436
		F-Female	29	1	30
	Saudi Arabia	M-Male	1,034	1	1,035
		F-Female	3		3
	Other countries	M-Male	561	23	584
		F-Female	47	4	51
Rest of Europe	Germany	M-Male	425	12	437
		F-Female	42	31	73
	Ireland	M-Male	633	5	638
		F-Female	117	36	153
	Netherlands	M-Male	507	19	526
		F-Female	29	33	62
	Other countries	M-Male	1,148	54	1,202
		F-Female	149	45	194
Spain	Spain	M-Male	5,406	195	5,601

REGION	REGION/COUNTRY	GENDER	FULL TIME	PART TIME	TOTAL
		F-Female	1.505	417	1,922
USA & Canada	USA & Canada	M-Male	1,735	137	1,872
		F-Female	368	41	409
Total			21,607	1,245	22,852

Internal promotion rate	2016	2017	2018
Management positions Tier 1, 2 y 3	68%	70%	73%

% LOCAL EMPLOYEES		
2016	2017	2018
89%	90%	88%

Region	Region/Country	Employees covered by Collective Agreements	% Employees covered by Collective Agreements
Asia Pacific	Australia	118	26
	Asia Pacific	18	1
Latam	Brazil	401	79
	Chile	118	15
	Other countries	233	19
ME & Africa	Other countries	34	5
Rest of Europe	Germany	346	68
	Ireland	750	95
	Netherlands	580	99
	Other countries	563	40
Spain	Spain	7,332	97
USA & Canada	USA & Canada	627	27
Total		11,120	49%

% Employees covered by Collective Agreements		
2016	2017	2018
37%	35%	49%

Number of employees with Benefits		Life insurance		Health care		Educational Allowance		Disability and invalidity coverage		Parental leave		Retirement provision		Stock ownership		Others	
		Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time
Asia Pacific	Australia	0	0	0	0	0	0	0	0	10	1	524	56	0	0	0	0
	Other countries	42	0	42	0	0	0	1	0	17	0	0	0	0	0	0	0
Latam	Brazil	545	62	526	62	0	0	0	0	14	0	0	0	1	0	98	28
	Chile	35	0	44	0	0	0	0	0	1	0	0	0	0	0	5	0
	Colombia	1,557	126	61	0	1	0	28	0	35	0	4	0	1	0	1	0
	Guatemala	0	0	0	0	0	0	0	0	0	2	0	0	1	0	0	0
	Panama	301	0	4	0	1	0	0	0	9	1	0	0	1	0	0	0
	Other countries	30	172	8	341	5	0	0	0	10	3	0	0	3	0	86	0
ME & Africa	Oman	288	235	288	235	2	0	0	0	1	0	0	0	1	0	0	0
	Qatar	150	333	150	333	0	0	0	0	1	0	0	0	0	0	0	0
	Saudi Arabia	0	0	984	10	0	0	1	0	5	0	1	0	0	0	0	0
	Other countries	306	6	316	11	0	0	0	0	2	0	1	0	4	0	0	0
Rest of Europe	Germany	0	0	336	1	0	0	0	0	30	5	35	2	0	0	69	1
	Ireland	805	91	23	0	0	0	15	0	22	6	467	44	1	0	287	0
	Netherlands	0	0	0	0	0	0	0	0	13	0	0	0	0	0	0	0
	Other countries	904	94	640	72	0	0	19	2	38	1	436	20	1	0	279	0
Spain	Spain	134	0	363	4	3	0	1,026	445	205	45	67	0	59	0	148	8
USA & Canada	USA & Canada	2,924	6	2,857	1	11	0	610	1	48	0	2,923	219	8	0	0	0
		8,021	1,125	6,642	1,070	23	0	1,700	448	461	64	4,458	341	81	0	973	37

Life insurance	Employees who had life insurance as a benefit. In Spain most of the Collective agreements have this due to business trips.
Health care	Employees who had Health care as a benefit.
Educational Allowance	Employees who enjoyed specific training programmes as Masters, PhD, etc.
Disability and invalidity coverage	Employees who enjoyed disability or invalidity coverage.
Parental leave	Employees who enjoyed parental leave.
Retirement provision	Employees who received monetary assignations in their retirement plans on top of the local regulations
Stock ownership	Employees who received RSUs
Others	Employees who received any other benefit.

(*)The figures cover 92% of our employees

Ratio: Annual Compensation of the highest-paid individual compared to the AVG Compensation W/O the highest paid individual.

Annual Comparison ratio		Ratio
Asia Pacific	**Australia**	2.6
	Other countries	4.6
Latam	**Brazil**	5.5
	Chile	6.4
	Colombia	11.8
	Guatemala	5.7
	Panama	6.0
	Other countries	11.7
ME & Africa	**Oman**	6.3
	Qatar	8.3
	Saudi Arabia	5.6
	Other countries	13.1
Rest of Europe	**Germany**	3.5
	Ireland	4.4
	Netherlands	4.1
	Other countries	5.7
Spain	**Spain**	5.6
USA & Canada	**USA & Canada**	7.3

Executive Committee in Spain not included

(*) *The figures cover 92% of our employees*

Minimum salary within the Region/Country by law: minimum salary by law provided by HR local teams.
Minimum salary within the Region/Country (Applus+): minimum salary received by an employee within the region/country.
Minimum salary gap by Gender (Applus+): gap between male and female minimum salary as a percentage of male minimum salary.
% Δ Minimum salary: gap between the minimum salary paid in Applus+ and the minimum salary by law, compared to the latter if available.
% Δ AVG salary: gap between the average salary in the Applus+ and the published average salary, compared to the latter if available.

Ratio of minimum salary & AVG salary by law within the country compared to the local country		Minimum salary within the Region/Country by law		Minimum salary within the Region/Country (Applus+)		Minimum salary gap by Gender (Applus+)	% Δ Minimum salary		% Δ AVG salary	
		Male	Female	Male	Female		Male	Female	Male	Female
Asia Pacific	Australia	20,208	20,208	31,183	23,370	-25%	54%	16%	8%	21%
	Other countries	3,161	3,161	5,538	5,231	-6%	75%	65%	93%	29%
Latam	Brazil	2,943	2,943	2,973	2,973	0%	1%	1%	8%	5%
	Chile	4,511	4,511	4,704	4,704	0%	4%	4%	137%	105%
	Colombia	2,670	2,670	2,670	2,670	0%	0%	0%		
	Guatemala	4,634	4,634	4,765	4,635	-3%	3%	0%		
	Panama	5,619	5,619	7,712	7,712	0%	37%	37%		
	Other countries	1,398	1,398	3,608	2,534	-30%	158%	81%	59%	43%
ME & Africa	Oman			3,432	9,336	172%				
	Qatar			2,815	8,563	204%				
	Saudi Arabia	8,460	8,460	8,460	10,669	26%	0%	26%	-1%	
	Other countries			2,903	3,302	14%				
Rest of Europe	Germany	17,004	17,004	21,598	22,815	6%	27%	34%	23%	49%
	Ireland	19,367	19,367	25,723	25,723	0%	33%	33%	0%	0%
	Netherlands	20,661	20,661	24,630	24,630	0%	19%	19%		
	Other countries	7,635	7,635	9,007	9,382	4%	18%	23%	60%	18%

Ratio of minimum salary & AVG salary by law within the country compared to the local country		Minimum salary within the Region/Country by law		Minimum salary within the Region/Country (Applus+)		Minimum salary gap by Gender (Applus+)	% Δ Minimum salary		% Δ AVG salary	
		Male	Female	Male	Female		Male	Female	Male	Female
Spain	**Spain**	8,831	8,831	10,303	10,303	0%	17%	17%		
USA & Canada	**USA & Canada**	12,739	12,739	12,739	12,739	0%	0%	0%	79%	46%

( ) The figures cover 92% of our employees*

Salary gap by organisation level (€)																	
Level 1, 2 & 3		Level 4		Level 5		Level 6		AVG Salary		Salary gap by Gender	Δ Level 1, 2 & 3 - Level 4		Δ Level 4 - Level 5		Δ Level 5 - Level 6	
Male	Female	Male	Female	Male	Female	Male	Female	Male	Female		Male	Female	Male	Female	Male	Female
60,605	50,153	33,306	26,022	28,483	23,208	16,714	18,628	29,612	24,218	-18%	82%	93%	17%	12%	70%	25%

Salary gap by age (€)					
<30 years old		30≥years old<50		≥50 years old	
Male	Female	Male	Female	Male	Female
18,147	15,289	29,990	25,360	43,614	34,414

<30 years old	30≥years old<50	>=50 years old
-16%	-15%	-21%

The remuneration data provided solely considers our employees' base salary. The variable remuneration, once analysis performed, for SAUDI ARABIA, QATAR, NETHERLANDS, GERMANY, SPAIN, IRELAND, COLOMBIA Y BRAZIL is about 18.85% of the total remuneration of these countries.

11.6. Annex VI: Cross references table: GRI and Global Compact

GENERAL CONTENTS			
GRI Indicator	**DEFINITION**	**CSR Report 2018**	**UN Global Compact**
101	Foundation	Annex I Principles underlying this report	
102-1 102-5	Name of the organisation Legal form	Applus Services, S.A	Organization's profile and operational context
102-2	Activities, brands, products, and services	2. Company description (Applus+ at a glance)	
102-3	Location of headquarters	Applus Services, S.A. head offices: ➢ Parque Empresarial Las Mercedes Campezo, 1, Edif. 3, 4ª planta 28022 Madrid ➢ Campus UAB – Ronda de la Font del Carme, s/n 08193 Bellaterra – Barcelona	
102-4	Location of operations	2. Company description (Applus+ at a glance)	
102-5	Ownership		
102-6	Markets served		
102-7	Scale of the organisation		Principle 6
102-8	Information on employees and other workers	6.1 Employment	Principle 6
102-9	Supply chain	11.4.2 Indirect impacts	
102-10	Significant changes to the organisation and its supply chain	Applus+ has not been organizational changes during 2018 8.2.1 Purchase management	

GENERAL CONTENTS			
GRI Indicator	**DEFINITION**	**CSR Report 2018**	**UN Global Compact**
102-11	Precautionary Principle or approach	11.1 Environmental management approach	
102-12	External initiatives	3 .1 CSR framework 8.1 Dialogue with stakeholders	Sustainability context
102-13	Membership of associations	8.1 Dialogue with stakeholders	
102-14	Statement from senior decision-maker	1. Letter from the Chairman and CEO	Statement by the Chief Executive
102-16	Values, principles, standards, and norms of behaviour	7.3 Business ethics	Principle 10 Decision-making processes
102-18	Mechanisms for advice and concerns about ethics	7.1 Corporate structure	Decision-making processes
102-40	List of stakeholder groups	8. Stakeholder engagement	
102-41	Collective bargaining agreements	6.1 Employment	
102-42	Identifying and selecting stakeholders	11.2 Annex II: Definition of the report's content	Stakeholder engagement
102-43	Approach to stakeholder engagement	8.1 Dialogue with stakeholders Annex II: Definition of the report's content	
102-44 103-2	Key topics and concerns raised The management approach and components	8.1.1 Key topics and concerns	Commitments, strategies or policies, and management systems to integrate the principles
102-45	Entities included in the consolidated financial statements	Annual Accounts (Annex 1)	
102-46	Defining report content and topic Boundaries	11.2 Annex II: Definition of the report´s content	

GENERAL CONTENTS			
GRI Indicator	**DEFINITION**	**CSR Report 2018**	**UN Global Compact**
102-47	List of material topics	11.2.2 Annex II: Proritisation of material topics	
102-48	Restatements of information	No restatements of information	
102-49	Changes in reporting	11.2. Annex II: Definition of the report´s content	
102-50	Reporting period	January 1st to December 31st	
102-51	Data of most recent report	February, 2018	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	teresa.sanfeliu@applus.com	
102-54	Claims of reporting in accordance with the GRI Standards	11.5. Annex V: Cross references table: GRI and Global Compact 11.6. Annex VI: Cross references table: Law 11/2018t	
102-55	GRI content index	Included	
102-56	External Assurance		
103-3 103-1	Evaluation of the management approach Explanation of the material topic and its boundary	Sections: 6, 7, 8, 9, 10 and 11	Completeness Practical actions description and measurement of outcomes
		2. Company description	
		3.3 CSR strategic lines	Practical actions description
		4.1 Key figures	Measurement of outcomes

GENERAL CONTENTS			
GRI Indicator	DEFINITION	CSR Report 2018	UN Global Compact
		4.4 CSR's impacts evaluation (related to 11.4 Annex IV: Methodology for the evaluation of impacts)	

ECONOMIC TOPICS				
MANAGEMENT APPROACH	GRI Indicator	DEFINITION	CSR Report 2018 (Sections)	UN Global Compact
ECONOMIC PERFORMANCE	201-2	Direct economic value generated and distributed	2. Company description (Applus+ at a glance)	
MARKET PRESENCE	202-2	Proportion of seniors management hired from the local community	6.1 Employment Annex V. Data related to Human Resources	Principle 6
INDIRECT ECONOMIC IMPACTS	203-2	Significant indirect economic impacts	4.4 CSR impacts 8.3.1 Our social contribution	
PROCUREMENT PRACTICES	204-1	Proportion of spending on local suppliers	8.3.1 Our social contribution	
ANTI-CORRUPTION	205-2	Communication and training about anti-corruption policies and procedures	100% of the employees have been communicated about anticorruption policies and procedures. 100% of existing employees to September 30th 2018 have been trained. However, employees hired during last quarter of the year are being trained during the annual training period ending	Principle 10

Applus+

ECONOMIC TOPICS				
MANAGEMENT APPROACH	**GRI Indicator**	**DEFINITION**	**CSR Report 2018 (Sections)**	**UN Global Compact**
			on February 28th, 2019 (except in Spain, where all new hires were trained before signing the contract in 2018).	
ANTI-COMPETITIVE BEHAVIOR	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	7.3.2 Market competition	Principle 10

ENVIRONMENTAL TOPICS				
MANAGEMENT APPROACH	**GRI Indicator**	**DEFINITION**	**CSR Report 2018 (Sections)**	**UN Global Compact**
ENVIRONMENT			10.1 Environmental management approach	Principle 7 Principle 8
MATERIALS	Finally, due to the nature of our activity, all environmental impacts derived from activities inherent to the manufacturing processes (use of raw materials or products, packaging, freight forwarding, etc.) are excluded from our management framework.			Principle 7 Principle 8
ENERGY	302-1	Energy consumption within the organisation	10.2 Energy and emissions	Principle 7 Principle 8 Principle 9
	302-3	Energy intensity		
WATER	303-3	Water withdrawal by source	10.3 Waste, water and effluents	Principle 7 Principle 8 Principle 9
BIODIVERSITY	The activities of Applus+ do not generate direct impacts on biodiversity, on the contrary, most of our services help our clients to minimize the impacts of their activities (see section 12.4.1 Our environmental contribution)			Principle 8

ENVIRONMENTAL TOPICS				
MANAGEMENT APPROACH	**GRI Indicator**	**DEFINITION**	**CSR Report 2018 (Sections)**	**UN Global Compact**
EMISSIONS	305-1	Direct (Scope 1) GHG emissions	10.2 Energy and emissions	Principle 7
	305-2	Energy indirect (Scope 2) GHG emissions		Principle 7
	305-4	GHG emissions intensity		
ENVIRONMENTAL COMPLIANCE	307-1	Non-compliance with environmental laws and regulations	Due to the Group's activities, it does not have any liabilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the Group's equity, financial position and results (note 23 of the CCAA).	Principle 8
SUPPLIER ENVIRONMENTAL ASSESMENT	308-1	New suppliers that were screened using environmental criteria	In 2018 43%[10] of new suppliers were screened using environmental and social criteria.	Principle 8
INNOVATION			9.0 Innovation	Principle 9
PROYECTS AND SERVICES			10.5 The role of our projects and services	Principle 9

[10] This figure is limited scope to countries covered in SAP (34 out of 75)

SOCIAL TOPICS					
MANAGEMENT APPROACH	**CSR Report 2018 (Sections)**	**GRI Indicator**	**DEFINITION**	**CSR Report 2018 (Sections)**	**UN Global Compact**
EMPLOYMENT		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.1 Employment Annex V. Data related to Human Resources	Principle 6
LABOR/ MANAGEMENT RELATIONS		402-1	Minimum notice periods regarding operational changes	6.1.2 Freedom of association and collective bargaining	Principle 3
OCCUPATIONAL HEALTH AND SAFETY		403-2	Hazard identification, risk assessment, and incident investigation	6.3 Occupational health and safety	Principle 1
TRAINING AND EDUCATION		404-1	Average hours of training per year per employee	6.1.3 Training and professional development	Principle 6
DIVERSITY AND EQUAL OPPORTUNITY		405-1	Diversity of governance bodies and employees	6.1.1Non-discrimination, diversity and equal opportunity	Principle 6
NON-DISCRIMINATION		406-1	Incidents of discrimination and corrective actions taken	No incidents have been identified	Principle 6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		407-1	Operations and suppliers in which the right to freedom, of association and collective bargaining may be at risk	No operations and suppliers in which the right to freedom, of association and collective bargaining may be at risk here have been identified	Principle 3
CHILD LABOR	These topics are not considered potential Human Rights issues for Applus+, since its activities required higher levels of education and specialization. Even so, we stablish the necessary internal policies and controls to avoid these type of bad practices (see section 8.2 Fulfilment of Human Rights).				Principle 5
FORCED OR COMPULSORY LABOR					Principle 4

SOCIAL TOPICS					
MANAGEMENT APPROACH	CSR Report 2018 (Sections)	GRI Indicator	DEFINITION	CSR Report 2018 (Sections)	UN Global Compact
SECURITY PRACTICES	This topic does not apply to Applus+, our organisation does not outsource this type of services to the development of its projects and services.				Principle 1
RIGHTS OF INDIGENOUS PEOPLES		411-1	Incidents of violations involving rights of indigenous peoples	6.2 Fulfilment of Human Rights	Principle 1
HUMAN RIGHTS ASSESSMENT		412-2	Employee training on human rights policies or procedures	100% of existing employees to September 30th 2018 have been trained on Human Rights as part of the training on the Code of Ethics. However, employees hired during last quarter of the year are being trained during the annual training period ending on February 28th, 2019 (except in Spain, where all new hires were trained before signing the contract in 2018).	Principle 1 Principle 2
LOCAL COMMUNITIES		413-1	Operations with local community engagement, impact assessments, and development programmes	8.3.1 Our social contribution 9.1 Our innovation projects	Principle 1
SUPPLIER SOCIAL ASSESSMENT		414-1	New suppliers that were screened using social criteria	In 2018 43%[11] of new suppliers were screened using	

[11] This figure is limited scope to countries covered in SAP (34 out of 75)

SOCIAL TOPICS					
MANAGEMENT APPROACH	**CSR Report 2018 (Sections)**	**GRI Indicator**	**DEFINITION**	**CSR Report 2018 (Sections)**	**UN Global Compact**
				environmental and social criteria.	
PUBLIC POLICY		415-1	Political contributions	Applus+ explicit forbids monetary contributions to parties and/or political representatives	Principle 10
CUSTOMER HEALTH SAFETY	Due to the nature of Applus+ activity, all issues derived from activities inherent to the manufacturing processes (use of raw materials or products, packaging, freight forwarding, etc.) are excluded from its management framework.				
MARKETING AND LABELING					Principle 7 Principle 8
CUSTOMER PRIVACY		418-1	Substantiated complaints concerning breaches of customer	8.3 Social management approach	
SOCIOECONOMIC COMPLIANCE		419-1	Non-compliance with laws and regulations in the social and economic area	Company has not been subject to any material payment nor imposition of significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.	

11.7. Annex VII: Cross references table: Spanish Law 11/2018

Spanish Law contents		Standard	CSR Report
Business model	Description of the group's business model	GRI 102-2 Activities, brands, products, and services	2. Company description (Applus+ at a glance)
		GRI 102-4 Location of operations	
		GRI 102-6 Markets served	
		GRI 102-7 Scale of the organisation	
Information on environmental matters	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns Sections: 7, 8, 9 and 10
		GRI 103-3 Evaluation of the management approach	
	Risk principles	GRI 102-1 Name of the organisation	Applus Services, S.A 10.1 Environmental management approach 10.4 Climate Change related issues
	General	GRI 307-1 Non-compliance with environmental laws and regulations	Due to the Group's activities, it does not have any liabilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the Group's equity, financial position and results (note 23 of the CCAA). 11.1 Environmental management approach
		GRI 102-11 Precautionary Principle or approach	
	Contamination	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns
	Circular economy and waste prevention and management	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns

Spanish Law contents		Standard	CSR Report
Information on environmental matters	Sustainable use of resources	GRI 303-1 Water withdrawal GRI 103-2 The management approach and its components GRI 102-2 Activities, brands, products, and services GRI 302-1 Energy consumption within the organization GRI 302-3 Energy intensity	10.3 Waste, water and effluents 8.1.1 Key topics and concerns 2. Company description (Applus+ at a glance) 10.2 Energy and emissions
	Climate Change	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Energy indirect (Scope 2) GHG emissions GRI 305-4 GHG emissions intensity GRI 103-2 The management approach and its components	10.2 Energy and emissions 8.1.1 Key topics and concerns 10.4 Climate change related issues
	Protection of biodiversity	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns
Information on social and personnel matters	Policies	GRI 103-2 The management approach and its components GRI 103-3 Evaluation of the management approach	8.1.1 Key topics and concerns Sections: 6, 7, 8, 9, and 10
	Risk principles	GRI 103-3 Evaluation of the management approach	Sections: 6, 7, 8, 9, 10 and 11

Spanish Law contents		Standard	CSR Report
Information on social and personnel matters	Employment	GRI 102-7 Scale of the organization GRI 102-8 Information on employees and other workers GRI 405-1 Diversity of governance bodies and employees GRI 102-8 Information on employees and other workers GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees GRI 405-1 Diversity of governance bodies and employees	2. Company description (Applus+ at a glance) Annex V. Data related to Human Resources 6.1 Employment 6.1.1 Non-discrimination, diversity and equal opportunity
	Work organisation	GRI 102-8 Information on employees and other workers GRI 103-2 The management approach and its components	6.1 Employment 8.1.1 Key topics and concerns Annex V. Data related to Human Resources
	Health and safety	GRI 103-2 The management approach and its components GRI 403-2 Hazard identification, risk assessment, and incident investigation	8.1.1 Key topics and concerns 6.3 Occupational health and safety
	Company relations	GRI 102-43 Approach to stakeholder engagement	8.1 Dialogue with stakeholders Annex II: Definition of the report's content Annex V. Data related to Human Resources
		GRI 402-1 Minimum notice periods regarding operational changes	6.1.2 Freedom of association and collective bargaining
		GRI 102-41 Collective bargaining agreements	6.1 Employment
	Training	GRI 103-2 The management approach and its components GRI 404-1 Average hours of training per year per employee	8.1.1 Key topics and concerns 6.1.3 Training and professional development Annex V. Data related to Human Resources

Spanish Law contents		Standard	CSR Report
	Accessibility	GRI 103-2 The management approach and its components	6.1 Employment 8.1.1 Key topics and concerns Annex V. Data related to Human Resources

Spanish Law contents		Standard	CSR Report
Information on social and personnel matters	Equality	GRI 103-2 The management approach and its components	6.1 Employment 8.1.1 Key topics and concerns Annex V. Data related to Human Resources
		GRI 103-2 The management approach and its components	
		GRI 406-1 Incidents of discrimination and corrective actions taken	No incidents have been identified
Information on the respect of human rights	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns Annex V. Data related to Human Resources Sections: 6, 7 and 8 7.3 Business ethics
		GRI 103-3 Evaluation of the management approach	
		GRI 412-2 Employee training on human rights policies or procedures	
	Risk principles	GRI 103-3 Evaluation of the management approach	Sections: 6, 7, 8, 9, 10 and 11
	Human Rights	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 6.2 Fulfilment of Human Rights 8.3 Social management approach
		GRI 411-1 Incidents of violations involving rights of indigenous peoples	
		GRI 419-1 Non-compliance with laws and regulations in the social and economic area	
		GRI 103-2 The management approach and its components	
Information relating to combating bribery and corruption	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 7.3 Business ethics
		GRI 103-3 Evaluation of the management approach	
		GRI 205-2 Communication and training about anti-corruption policies and procedures	

Spanish Law contents		Standard	CSR Report
Information relating to combating bribery and corruption	Risk principles	GRI 103-3 Evaluation of the management approach	7.3 Business ethics
	Bribery and corruption	GRI 103-2 The management approach and its components	7.3 Business ethics 8.1.1 Key topics and concerns
		GRI 203-2 Significant indirect economic impacts	4.4 CSR impacts 8.3.1 Our social contribution
		GRI 415-1 Political contributions	Applus+ explicit forbids monetary contributions to parties and/or political representatives
Information on the company	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns Sections: 6, 7, 8, 9, 10 and 11
		GRI 103-3 Evaluation of the management approach	
	Risk principles	GRI 103-3 Evaluation of the management approach	Sections: 6, 7, 8, 9, 10 and 11
	The company's commitment to sustainable development	GRI 203-2 Significant indirect economic impacts	4.4 CSR impacts 8.3.1 Our social contribution 9.1 Our innovation projects 8.1 Dialogue with stakeholders Annex II: Definition of the report's content
		GRI 204-1 Proportion of spending on local suppliers	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 203-2 Significant indirect economic impacts	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 102-43Approach to stakeholder engagement	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 102-13 Membership of associations	

Spanish Law contents		Standard	CSR Report
Information on the company	Subcontracting and suppliers	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 11.4.2 Indirect impacts 8.2.1 Purchase management
		GRI 102-9 Supply chain	
		GRI 308-1 New suppliers that were screened using environmental criteria	
	Consumers	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 8.1 Dialogue with stakeholders 8.3 Social management approach (The number of complaints covered Energy & Industry, Laboratories, IDIADA Division and Auto Spain Division)
		GRI 418-1 Substantiated complaints concerning breaches of customer	
	Tax information	GRI 103-3 Evaluation of the management approach	Sections: 5and 11 Subsidies are not relevant for Applus+ with the exception of those granted to perform R&D projects