



## 2018 Full Year Results Announcement 26 February 2019

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading and most innovative companies in Testing, Inspection and Certification, today announces the results for the year ended 31 December 2018 ("the period").

### Highlights

- Organic revenue growth accelerated through the year
- All four divisions contributed to revenue growth and organic margin improvement
- Margin increase of 116 bps
- Four acquisitions with €16 million revenue p.a. and strongly margin accretive
- Senior debt refinanced to extend maturities and diversify sources of financing
- 2018 full year results:
  - Revenue of €1,675.9 million, up 5.9% (organic<sup>1</sup> +4.9%)
  - Operating profit<sup>2</sup> of €170.8 million, up 19.4% (organic<sup>1</sup> +6.2%)
  - Operating profit<sup>2</sup> margin of 10.2%, up 116 bps (organic<sup>1</sup> +11 bps)
  - Operating cash flow<sup>2</sup> of €139.9 million, up 2.8%
  - Reported net profit €41.2 million, up 15.8%
  - Earnings per share<sup>2</sup> of €0.68, up 9.4%
- Board proposes a dividend of €0.15 per share, 15.4% up on prior year

1. Organic is stated at constant exchange rates

2. Adjusted operating profit, margin, cash flow, net profit and earnings per share are stated before Other results and amortisation of acquisition intangibles (see page 4)

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

*"I am pleased to report strong results for 2018. All four divisions grew well with organic revenue acceleration through the year in improving market conditions plus our market share growth. Both organic activity and the higher margin acquisitions led to strong organic and total reported operating profit growth.*

*Cash flow performed well with adjusted free cash flow growth of over 20% due to the increase in operating profit and lower interest and tax cash payments balancing the increase in working capital that arose from the revenue growth in the final quarter of the year in the Energy & Industry division.*

*We made four acquisitions in the year in three of the divisions, of excellent companies with high margins and at attractive prices. We expect to continue this track record of making strongly accretive acquisitions that are aligned to our strategy.*



*We successfully refinanced our senior debt in July which provides us with more flexible and secure borrowing extending the maturities and diversifying our sources of finance.*

*The adjusted earnings per share increased by over 9% reflecting the improved operating performance and the benefit of the acquisitions made in the previous two years. The Board will recommend a dividend of 15 cents per share, an increase of 15.4% on the prior year. This represents a payout ratio of 22% of Adjusted Net Profit in line with the strategy update we presented last year.*

*In 2018 we saw a return to organic revenue growth in our largest end market of oil and gas which now accounts for 36% of Group revenue. This was primarily as a result of our customers increasing spend in opex. Whilst we remain vigilant of potential changing customer spending behaviour that may arise from the current oil price volatility, at this time we are seeing continued growth in this opex segment and no further decrease on work from capex. The more cyclical capex exposed work now accounts for approximately 11% of Group revenue, less than half the level of 24% it was in 2014. However, our installed base retains our exposure to any capex recovery.*

*Our other end markets remain healthy. We are on track to grow the business in line with the strategy update we presented last year and we remain committed to deliver on the financial targets and capital allocation priorities. For this year, we expect the Group 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."*

## **Strategy Update presented in 2018**

On 27 February 2018, Applus+ presented to the market an update of the Group strategy for the period 2018 to 2020. This included financial targets and capital allocation priorities. The targets set for 2018 of Group organic revenue at constant exchange rates being expected to grow at mid-single digits and the adjusted operating profit margin to increase 70 to 100 basis points in 2018 (subsequently revised up to increase 100 to 120 basis points) was met. The Group remains on track to deliver the target of continued mid-single digit organic revenue growth and a further 20 to 30 basis points increase in the operating margin in both 2019 and 2020. Furthermore, the Group expects to generate strong cash flow from which it intends to propose an annual dividend of approximately 20% of adjusted net profit whilst targeting a net debt to EBITDA leverage ratio below 3.0 times and retaining capacity for acquisition spend in the range of €150 million per year.



## **Presentation and Webcast**

At 10.00 CET today, there will be a presentation to analysts on these results that can be followed live by audio or webcast.

To access the presentation by webcast, use the link:

<https://edge.media-server.com/m6/p/gpxo536w> or via the company website at [www.applus.com](http://www.applus.com) under Investor Relations/Financial Reports.

To listen by telephone dial one of the numbers below quoting the code **4158018**.

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

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

Headquartered in Spain, Applus+ operates in more than 70 countries and employs over 22,800 people. Applus+ operates through four global divisions, all of which operate under the Applus+ brand name. For the full year of 2018, Applus+ recorded revenue of €1,676 million and adjusted operating profit of €171 million.

Applus+ is listed on the Spanish stock exchanges (Mercado Continuo). The total number of shares is 143,018,430.

**ISIN: ES0105022000**

**Symbol: APPS-MC**

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

## FULL YEAR REPORT 2018

### Overview of Performance

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

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve month period and is stated at constant exchange rates, taking the current year average rates used for the income statements and applying them to the results in the prior period.

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

EUR Million	FY 2018			FY 2017			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
<b>Revenue</b>	<b>1,675.9</b>		<b>1,675.9</b>	<b>1,583.1</b>	<b>0.0</b>	<b>1,583.1</b>	<b>5.9%</b>
<b>Ebitda</b>	<b>218.0</b>	<b>0.0</b>	<b>218.0</b>	<b>187.3</b>	<b>(3.7)</b>	<b>183.6</b>	<b>16.4%</b>
<b>Operating Profit</b>	<b>170.8</b>	<b>(66.0)</b>	<b>104.8</b>	<b>143.0</b>	<b>(60.9)</b>	<b>82.2</b>	<b>19.4%</b>
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	
<b>Profit Before Taxes</b>	<b>153.5</b>	<b>(70.0)</b>	<b>83.5</b>	<b>122.2</b>	<b>(60.9)</b>	<b>61.3</b>	<b>25.6%</b>
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)	
<b>Net Profit</b>	<b>97.2</b>	<b>(56.0)</b>	<b>41.2</b>	<b>82.8</b>	<b>(47.2)</b>	<b>35.6</b>	<b>17.4%</b>
Number of Shares	143,018,430		143,018,430	133,267,174		133,267,174	
<b>EPS, in Euros</b>	<b>0.680</b>		<b>0.288</b>	<b>0.621</b>		<b>0.267</b>	<b>9.4%</b>
<i>Income Tax/PBT</i>	<i>(24.3)%</i>		<i>(27.9)%</i>	<i>(24.1)%</i>		<i>(28.9)%</i>	

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.



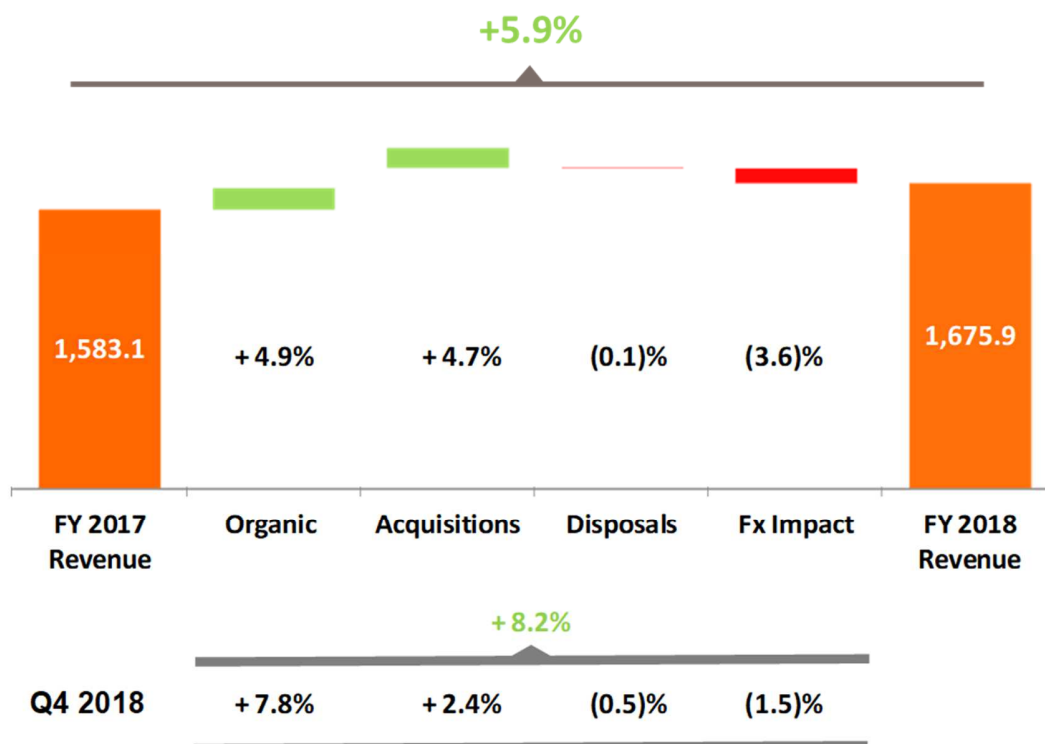
Other results of €3.9 million (2017: €nil) in the net financial expenses are the write-off of the brought forward un-amortised portion of arrangement fees for the previous debt that was refinanced in July of 2018.

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.

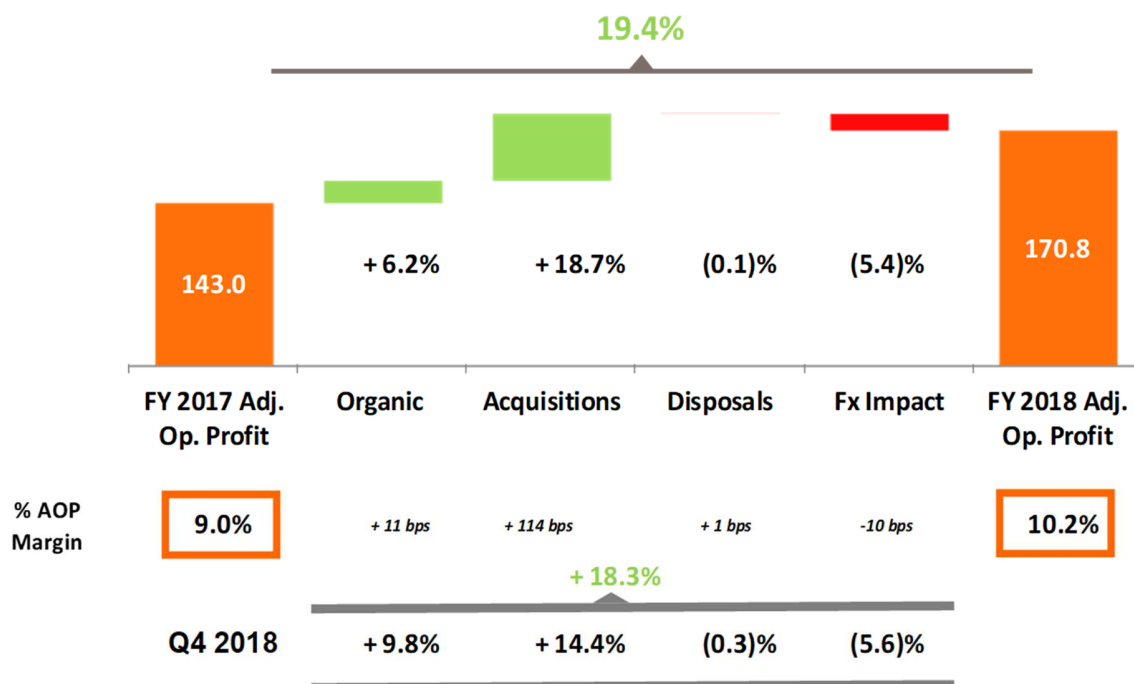
The revenue increase of 4.7% from acquisitions relates to the acquisitions made in the current and prior period for up to twelve months and the most material of which relates to the purchase in the last quarter of 2017 of 80% of the shares in Inversiones Finisterre, a company based in Spain with Statutory 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 by currency 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 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
<b>Adjusted EBITDA</b>	<b>218.0</b>	<b>187.3</b>	<b>16.4%</b>
(Increase) / decrease in working capital	(27.7)	(4.1)	
Capex - operational	(46.9)	(49.9)	
Capex - Net new vehicle stations	(3.5)	2.7	
<b>Adjusted Operating Cash Flow</b>	<b>139.9</b>	<b>136.0</b>	<b>2.8%</b>
<i>Cash Conversion rate</i>	64.2%	72.6%	
Taxes Paid	(24.0)	(32.5)	
Interest Paid	(7.5)	(15.8)	
<b>Adjusted Free Cash Flow</b>	<b>108.4</b>	<b>87.8</b>	<b>23.5%</b>
Extraordinaries & Others	(8.0)	(14.9)	
Applus+ Dividend	(18.6)	(16.9)	
Dividends to Minorities	(14.3)	(8.0)	
<b>Operating Cash Generated</b>	<b>67.5</b>	<b>48.0</b>	
Acquisitions	(43.8)	(95.9)	
<b>Cash b/Changes in Financing &amp; FX</b>	<b>23.7</b>	<b>(47.9)</b>	

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. 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 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 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 1<sup>st</sup> 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 accounting 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 Operating Profit 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 and US Private Placement 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.

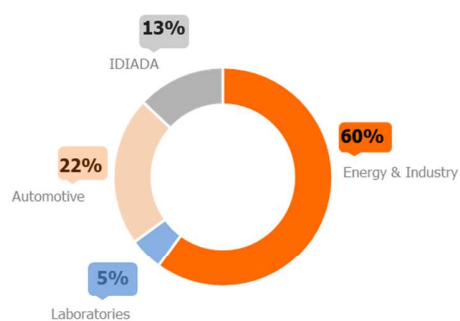
## Outlook

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.

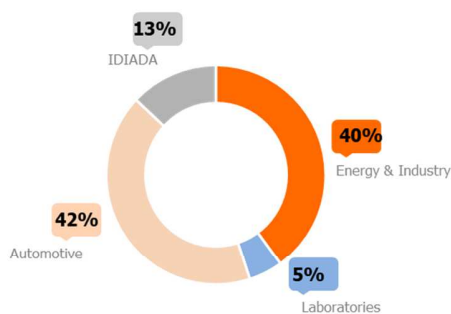
## Operating review by division

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

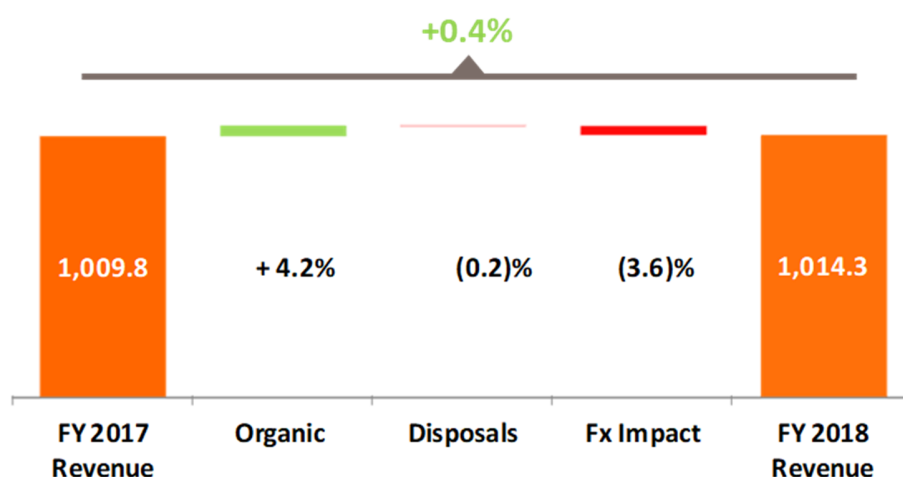


## Energy & Industry

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 and 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:

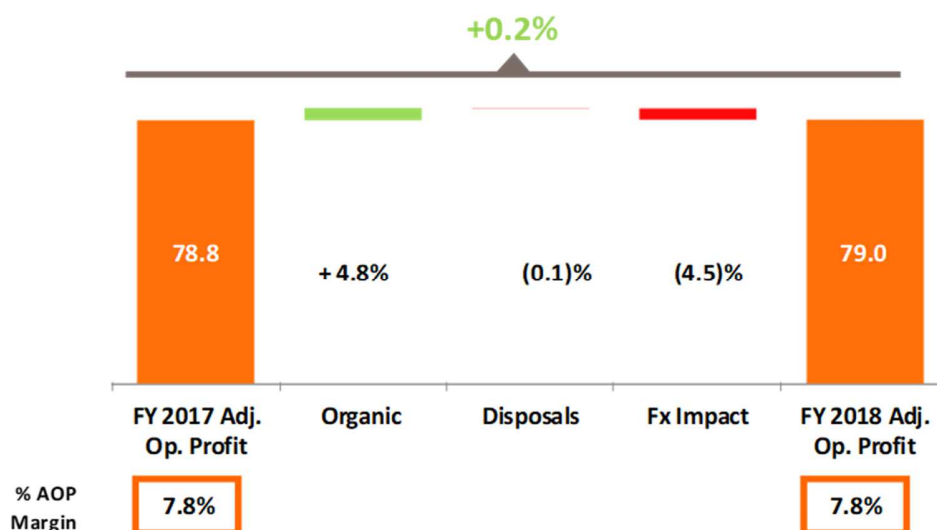


At constant exchange rates, organic revenue was up by 4.2%. Revenue was reduced by 0.2% from disposals made in the final quarter and currency translation reduced reported revenue by a further 3.6% mainly as a result of the weak US and Australian dollars against the Euro.

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 USD 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.



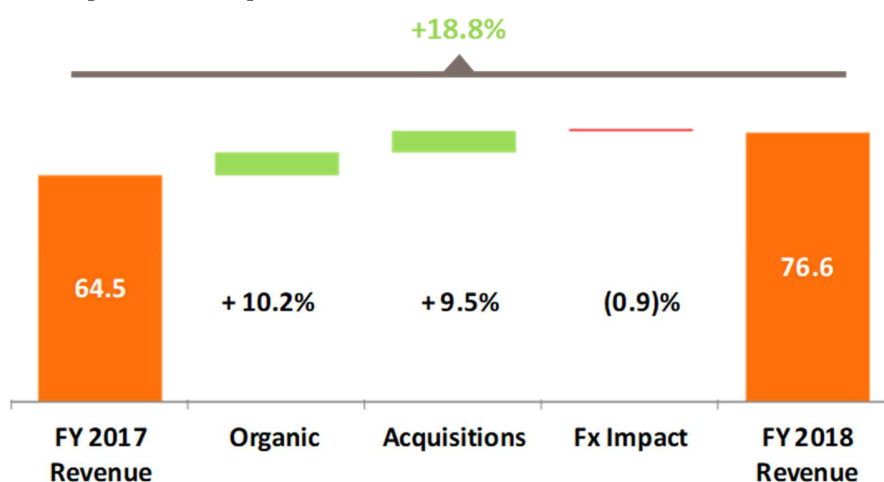
In Southern Europe, Africa, Middle East, Asia & Pacific accounting for 45% of the division of which the largest part are services to other end markets such as power, construction and telecom infrastructure had strong overall performance led by Spain, the Middle East and Oceania growing well in all end 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

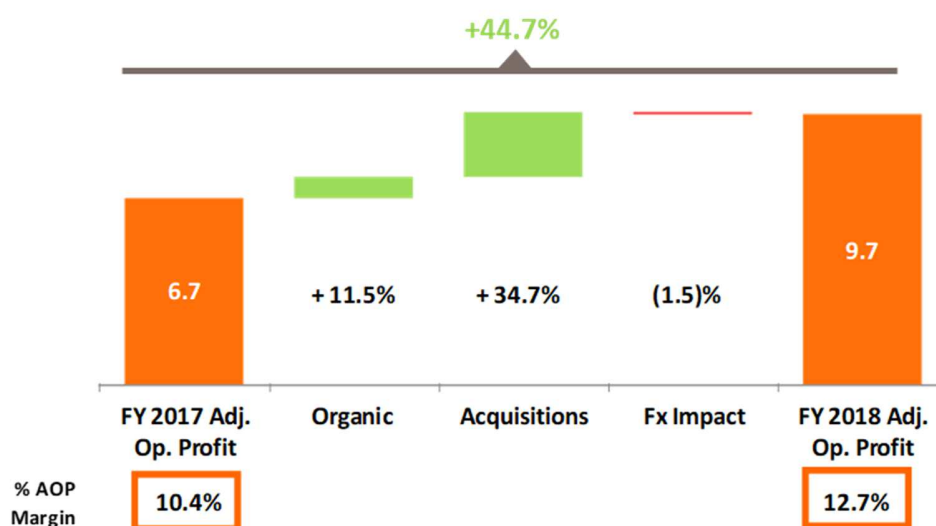


negative currency translation impact of 0.9% as a result of the weak USD against the Euro.

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 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 USD 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.

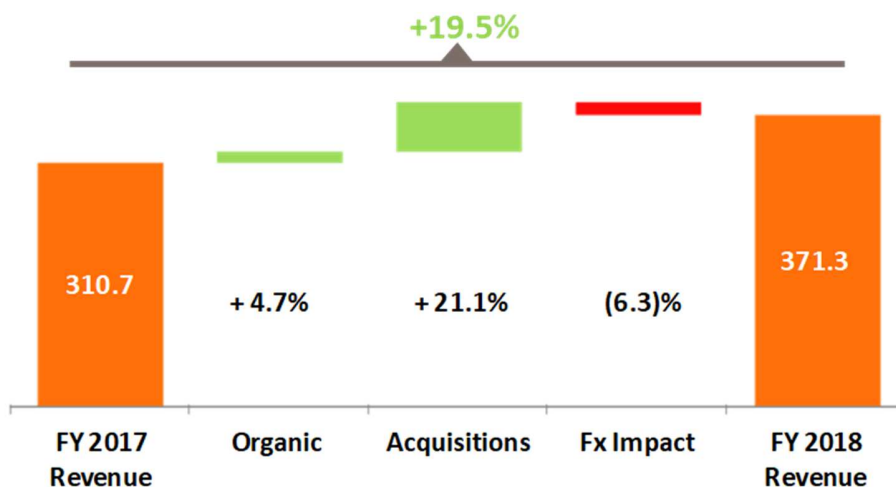
The increase in the adjusted operating profit margin was from the strong organic revenue growth plus the higher margin acquisitions.

## 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 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:

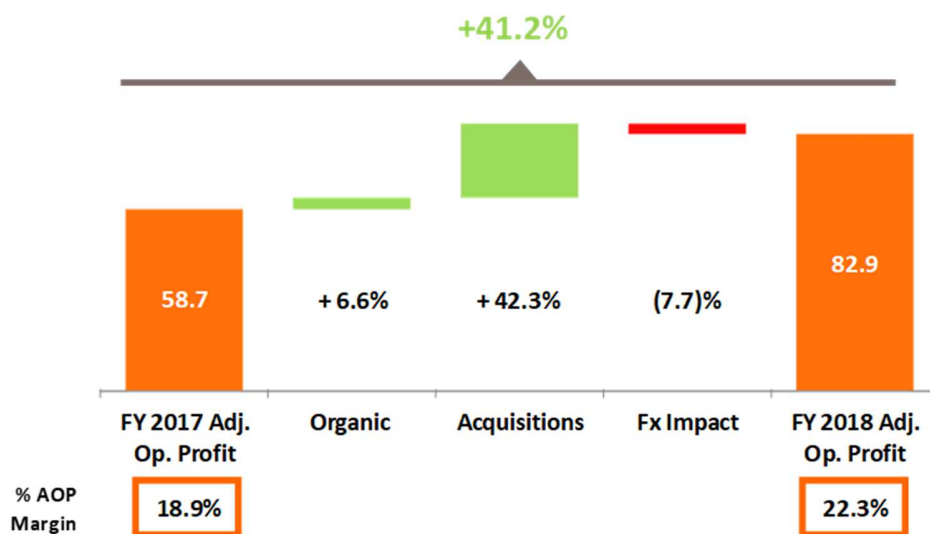


Revenue growth at constant exchange rates was 25.8% made up of organic revenue growth of 4.7% plus acquisition revenue of 21.1%. There was a negative currency translation impact of 6.3% as a result of the weak Argentinian peso and US dollar against the Euro.

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.

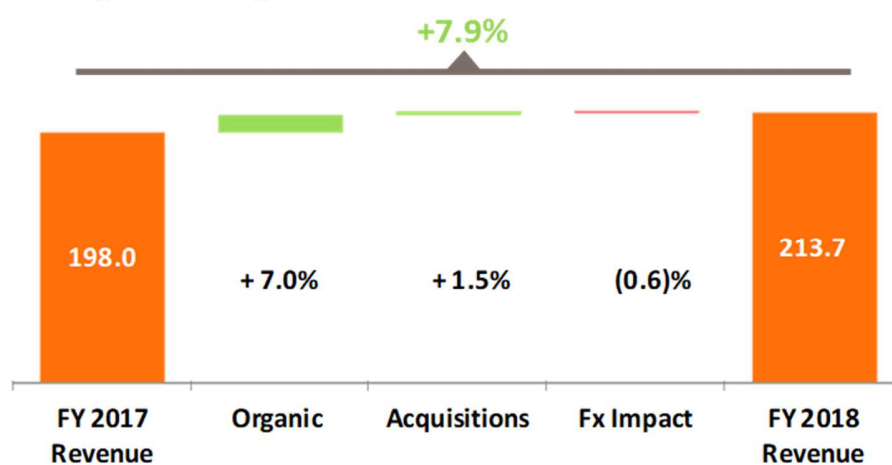
## IDIADA

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:

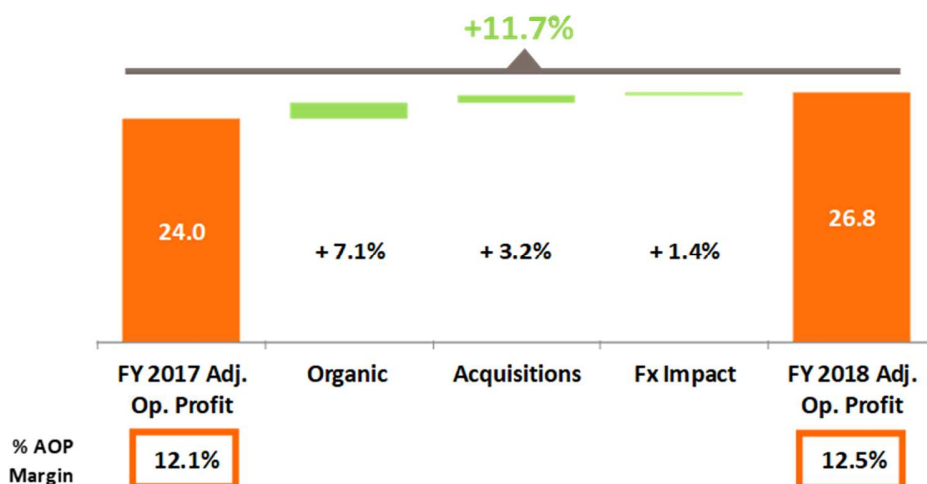


Revenue growth at constant exchange rates was 8.5% made up of organic revenue growth of 7.0% plus revenue from an acquisition during the year of 1.5%. There was a negative currency translation impact of 0.6%.

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 increasing slightly.

The organic revenue growth for the year was strong and this generated the 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).

End of 2018 Full Year Results Announcement. This summary announcement is taken from the Consolidated Financial Statements as at 31 December 2018.

This announcement is an extract and translation of the full year financial results announcement as filed with the Spanish regulator, Comisión Nacional del Mercado de Valores (CNMV). In cases of discrepancy, the Spanish version filed with the CNMV will prevail.