

Applus Services, S.A.

**Financial Statements for the year
ended 31 December 2017 and
Directors' Report, together with
Independent Auditor's Report**

*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 financial
statements originally issued in Spanish and prepared
in accordance with the regulatory financial reporting
framework applicable to the Company in Spain (see
Notes 2 and 15). In the event of a discrepancy, the
Spanish-language version prevails.*

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 financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 15). 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 2017, 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 2017, 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

Description

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 1,331 million and EUR 674 million, respectively, at 2017 year-end, this matter was determined to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures consisted, among others, of the measurement of the recoverable amount of the aforementioned ownership interests and loans performed by the Company's management, and verified 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 revenue growth rates with the latest approved strategic plans and budgets, and reviewed them for consistency with the historical information on the market situation, as well as assessing management's historical accuracy in the budgeting 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 accounting regulations.

Recoverability of deferred tax assets

Description

Notes 8.1 and 8.5 details the deferred tax assets amounting to EUR 36.2 million that are recognised in the balance sheet at year-end, corresponding to tax losses, tax credits and temporary differences amounting to EUR 28 million, EUR 4.4 million and EUR 3.8 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 projections of future taxable profits 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.

Procedures applied in the audit

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 tax legislation applicable, which was verified by 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 precision 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 legislation 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 2017, 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 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 in 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 2017 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, 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 23 February 2018.

Engagement Period

The Annual General Meeting held on 21 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

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



Raimon Ripoll Giralt

Raimon Ripoll Giralt
Registered in ROAC under no. 16874

23 February 2018

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 2017 (Thousands of Euros)

ASSETS	Notes	31/12/17	31/12/16	EQUITY AND LIABILITIES	Notes	31/12/17	31/12/16
NON-CURRENT ASSETS:							
Non-current investments in Group companies and associates-		1,675,455	1,558,255	EQUITY:		1,181,822	1,028,160
Equity instruments	5.1	1,639,224	1,520,066	SHAREHOLDERS' EQUITY:		1,181,822	1,028,160
Credits from companies	5.1 & 10.2	1,330,583	1,111,168	Share capital	6.1	14,302	13,002
Deferred tax assets	8.5	306,641	408,868	Share premium	6.2	449,391	313,525
	38,231	38,189	Reserves	6.2	688,256	677,733	
			Treasury shares	6.3	(1,185)	(2,537)	
			Profit for the year		31,059	285,737	
NON-CURRENT LIABILITIES:							
Non-current payables				498,740		543,992	
Non-current payables to Group companies and associates				461,081		460,785	
				35,679		82,307	
CURRENT LIABILITIES:							
Trade and other receivables-		378,022	344,827	CURRENT LIABILITIES:		375,176	331,530
Receivable from Group companies and associates	10.2	10,025	8,926	Current payables-		18,480	837
Corporate income tax receivables	8.1	1,351	1,249	Bank borrowings		16,460	837
Current investments in Group companies and associates-	5.2 & 10.2	8,674	7,677	Loans to Group companies and associates	10.2	354,790	322,977
Short-term credits to Group companies and associates		365,580	298,901	Trade and other payables-		-	
Other financial assets		365,472	284,511	Payable to suppliers			
Cash and cash equivalents	5.3	108	5,390	Sundry accounts payable		783	603
		2,677	35,800	Remittance Payable		1,430	7,766
				Tax payables		1,712	245
TOTAL ASSETS		2,053,737	1,902,882	TOTAL EQUITY AND LIABILITIES		2,053,737	1,902,882

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of financial position as at 31 December 2017.

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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 2017

(Thousands of Euros)

	Notes	2017	2016
CONTINUING OPERATIONS:			
Revenue-			
Services	9.1	69,831	62,657
Dividend revenue		3,373	3,300
Finance revenue to Group companies and associates	10.1	39,027	33,229
Staff costs-	9.2	27,431	28,128
Wages, salaries and similar expenses		(6,016)	(8,812)
Employee benefit costs		(5,841)	(8,645)
Other operating expenses-		(175)	(167)
Outside services		(2,381)	(2,302)
Taxes other than income tax		(2,142)	(2,089)
PROFIT FROM OPERATIONS		(239)	(213)
		61,434	51,543
Finance Income-			
From marketable securities and other financial instruments of third parties		49	85
Finance costs-		49	85
On debts to Group companies and associates	10.1	(30,741)	(28,045)
On debts to third parties		(19,209)	(16,859)
Exchange differences		(11,532)	(11,186)
		(5,828)	2,422
FINANCIAL LOSS		(36,520)	(25,538)
PROFIT BEFORE TAX		24,914	26,005
Corporate income tax		6,145	732
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		31,059	26,737
DISCONTINUED OPERATIONS:			
Profit for the year from discontinued operations net of tax		-	-
PROFIT FOR THE YEAR		31,059	26,737

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of profit or loss for 2017.

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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 2017

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	2017	2016
PROFIT PER INCOME STATEMENT (I)	31,059	26,737
Income and expense recognised directly in equity:		
Arising from cash flow hedges	-	-
Tax effect	-	-
Total Income and expense recognised directly in equity (II)	-	-
Transfers to profit or loss:		
Arising from cash flow hedges	-	-
Tax effect	-	-
Total transfers to profit or loss (III)	-	-
Total recognised income and expense (I+II+III)	31,059	26,737

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of recognised income and expense for 2017.

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APPLUS SERVICES, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR 2017 B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

	Share capital	Share premium	Reserves	Treasury shares	Profit (loss) for the year	Total
BALANCE AT BEGINNING OF 2016	13,002	313,525	665,986	(7,883)	34,783	1,009,393
Total recognised income and expense	-	-	-	-	26,737	26,737
Allocation of 2015 profit	-	-	17,881	-	(34,783)	(16,902)
Transactions with shareholders	-	-	-	-	-	8,932
- Transactions with treasury shares	-	-	3,686	5,046	-	-
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	-	-	9,635	-	(26,737)	(16,902)
Transactions with shareholders	-	-	-	-	-	-
- Capital increase (Note 6.1)	1,300	135,886	(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

The accompanying Notes 1 to 14 and Appendix 1 are an integral part of the statement of changes in total equity for 2017.



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APPLUS SERVICES, S.A.

STATEMENT OF CASH FLOWS FOR 2017

(Thousands of Euros)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES (I):			
Profit for the year before tax		43,799	23,589
Adjustments for-		24,914	28,005
Dividend revenue		(39,027)	(33,229)
Finance income		(27,480)	(26,128)
Finance costs		30,741	28,045
Exchange differences		5,828	(2,422)
Changes in working capital-			
Trade and other receivables		1,694	4,234
Trade and other payables		78	(382)
Other current liabilities		7,920	7,991
Other cash flows from operating activities-			
Dividends received		44,309	36,278
Interest paid		(29,074)	(26,651)
Interest received		32,042	17,213
Corporate Income tax paid		(1,718)	(3,114)
Other receivables and payables		(6,428)	(4,271)
CASH FLOWS FROM INVESTING ACTIVITIES (II):		(197,233)	19,876
Proceeds from disposal-			
Group companies and associates		83,433	38,163
Payments due to investment-			
Loans to Group companies and associates		(219,193)	(18,187)
Credits to Group companies and associates		(61,473)	-
CASH FLOWS FROM FINANCING ACTIVITIES (III):		117,063	(19,058)
Receipts and payments for equity instruments			
Equity shares	6	137,166	-
Payments for share issue costs		(2,234)	-
Proceeds and payments relating to financial liability instruments-			
Proceeds from issue of bank borrowings	7	16,253	-
Proceeds from issue of borrowings from Group companies and associates		47,181	58,845
Repayment of bank borrowings		-	(53,593)
Repayment and amortisation of borrowings with Group companies and associates		(60,003)	(7,408)
Other payments		(4,378)	-
Dividend payments and renumeration of other equity instruments-			
- Dividends		(16,902)	(16,902)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV):		3,248	1,975
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		(33,123)	26,462
Cash and cash equivalents at beginning of year		35,800	9,338
Cash and cash equivalents at end of year		2,677	35,800

The accompanying Notes 1 to 14 and Appendix I are an integral part of the statement of cash flows for 2017.



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.

Notes to the financial statements for the year ended 31 December 2017

1. Company activities

Applus Services, S.A. (formerly Applus Technologies Holding, S.L., "the Company") has been since 29 November 2007 the Parent of the Applus Group ("the Applus Group" or "the Group").

In 2017 the Company changed its registered office from its former location in Bellaterra-Cerdanyola del Vallès (Barcelona), Campus de la UAB, Ronda de la Font del Carme, s/n to its current location in Madrid, calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes.

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 107 et seq. of the Law 27/2014, of 27 November, of the Spanish 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 detail of the companies directly and indirectly owned by the Company is shown in Appendix I.

In view of the business activities carried 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 2017 were formally prepared by the Company's Directors 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.

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 2017. These financial statements, which were formulated by the Company's Directors, will be submitted for approval at the Annual General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2016 were approved at the Annual General Meeting held on 21 June 2017.

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 of the 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 2017 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.5. Comparative information

The information relating to 2017 contained in these notes to the financial statements is presented, for comparison purposes, with information relating to 2016.

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 2017 there were no changes in accounting policies with respect to those applied in 2016.

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 2016.

3. Proposal of allocation of profit

The proposed allocation of the Company's net profit, formulated by the Board of Directors and will be presented at the next Company's Annual General Meeting of the Shareholders, for 2017 is as follows:

	Thousands of Euros
Basis of distribution:	
Profit of the year	31,059
	31,059
Allocation of the profit:	
To dividends	18,592
To legal reserves	260
To unrestricted reserves	12,207
Total	31,059

The Company's Board of Directors will present a proposal at the next Shareholders Annual General Meeting, to distribute ordinary dividends allocated from the 2017 profit, amounting to EUR 18,592 thousand and corresponding to a gross dividend of EUR 0.13 per share.

4. Accounting policies

The principal accounting policies used by the Company in preparing its financial statements for 2017 and 2016, 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:

- 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.
- 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").

The effect of consolidation under IFRS, in comparison with the separate financial statements, would be to increase revenue and profit by EUR 1,513,263 thousand and EUR 4,523 thousands, respectively and a reduction in assets and reserves by EUR 49,682 thousands and EUR 397,772 thousands, respectively.

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 classed 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 giving rise to them cease to exist.

At 31 December 2017 the Company does not hold any financial derivative products.

Impairment of financial assets

At least at the end of each reporting period the Company tests financial assets not measured at fair value through profit or loss for impairment. 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.

Each year management prepares and updates its business plan by geographical market and line of business. The main components of this plan are: operating income and expense projections, investment projections and working capital projections. The business plan prepared by management includes the budget for 2018 together with the projections for 2019-2022.

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 Company 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.

Therefore, 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 using the market information available. The projections envisage growth in volume and improvements in the margins as a result of the organic growth which management expects for the coming years. Consequently, the possible acquisitions or mergers that might take place in the future were not taken into account 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, amortization and other results (hereinafter –EBITDA-) margins, 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:	2017	2016
Spain	7.4%-8.1%	7.0%-7.7%
Rest of Europe	5.7%-7.0%	5.6%-6.2%
US and Canada	6.5%-7,6%	5.8%-6.3%
Latin America	11.1%	11.4%

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 recognized 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 either 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 part of 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 in this connection.

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.
IDIADA Automotive Technology, S.A.	Ringal Invest, S.L.
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	

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 the outcome of the transaction can 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 close members of those persons' family. "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 2017 or 2016, the Company did not have any finance leases.

Operating leases

Lease income and expenses from operating leases are recognised in income on an accrual basis.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Company only holds certain items of transport equipment under operating leases, and the related expense incurred in 2017 amounted to EUR 26 thousand (2016: EUR 30 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 Group personnel subject to the achievement of certain financial targets in 2017.
- 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 2017 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 of the Group 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).
- d) Long-term special incentive plan, related to the Group Initial Public Offering (IPO) that consists of the delivery of RSUs (convertible into Parent's shares) to the Executive Director and certain Senior Executives based on a continuing service for a determined period of time. This plan has been completed with the last delivery made in May 2017 (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 2017 and 2016 were as follows (in thousands of euros):

	31/12/17	31/12/16
Equity investments in Group companies, jointly controlled entities and associates (Appendix I)	1,330,583	1,111,168
Credits (loans) to Group companies (Note 10.2)	308,641	408,898
Non-current investments in Group companies and associates (Note 10.2)	1,639,224	1,520,066

Equity investments in Group companies, jointly controlled entities and associates

The changes in 2017 and 2016 in "Equity investments in Group companies, jointly controlled entities and associates" were as follows (in thousands of euros):

2017

Categories	01/01/17	Acquisitions	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

2016

Categories	01/01/16	Acquisitions	31/12/16
Equity investments in Group companies, jointly controlled entities and associates	1,110,503	665	1,111,168
Total	1,110,503	665	1,111,168

The value of direct shareholdings at 31 December 2017 and 2016 are as follows (in thousands of euros):

Subsidiary	31/12/17	31/12/16
Applus Servicios Tecnológicos, S.L.U.	1,228,371	1,008,956
Azul Holding 2 S.à r.l.	102,212	102,212
Total equity investments in group companies, joint ventures and associates	1,330,583	1,111,168

In 2017 the Company made three shareholder contributions, which did not give rise to a capital increase, to the investee Applus Servicios Tecnológicos, S.L.U. for amounts of EUR 85 million, EUR 46 million and EUR 88 million.

The most significant information in relation to subsidiaries in which the Company had a direct ownership interest at 2017 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. Azul Holding 2, S.à r.l.	100% 100%	134,487 13	6,241 (32)	43,743 (44)	436,616 101,602	614,846 101,571	1,228,371 102,212
TOTAL		134,500	6,209	43,699	538,218	716,417	1,330,583

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 financial assets and current investments in Group companies and associates

The detail of the balances of "Current Financial Assets" and "Current Investments in Group Companies and Associates" at 31 December 2017 and 2016 is as follows (in thousands of euros):

Categories	31/12/17	31/12/16
Credits (loans) and receivables from Group companies	339,891	263,709
Short-term interest receivable from Group companies	25,581	30,802
Account receivable relating to dividends	108	5,390
Total current investments in Group companies and associates (Note 10.2)	365,580	299,901

5.3. Cash and cash equivalents

"Cash and Cash Equivalents" includes all cash recognised in current accounts, which amounted to EUR 822 thousand. The total balance on 31 December 2016 was EUR 2,172 thousand.

"Cash and Cash Equivalents" also includes balances receivable recognised as a result of a banking product arranged in 2015, the "Single Entity Cash Pooling Agreement", which allows the Company to obtain liquidity in eight different currencies and which amounted to EUR 1,855 thousand at 31 December 2017 (31 December 2016: EUR 4,557 thousand).

Also, in 2016 the Company held credit facilities with a balance of EUR 29,071 thousand due to the Company. At the end of 2017 these credit facilities had a balance of EUR 16,253 thousand due by the Company (Note 7).

At 31 December 2017 and 2016, 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 2017 and 2016 relate mainly to balances with Group companies for the provision of services by the Company.

The Company Directors consider that there was no significant credit risk at 31 December 2017 and 2016.

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.

c) Market risk:

Both the Company's cash and its bank borrowings are exposed to interest rate risk, which variations could have an effect on financial profit or loss and cash flows.

In 2017 the Company's Directors decided not to arrange interest rate hedges, although this is considered to be a significant risk that Company 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:

	2017	2016
Average interest rate	1.94%	1.82%
Average financial debt drawn (thousands of euros)	466,809	479,490

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%	2017	2016
Change in borrowing costs (thousands of euros)	2,334	2,397

c.2) Foreign currency risk:

The financial debt (syndicated loan) subject to foreign currency risk is denominated only in pounds sterling and is as follows:

	Thousands of Euros	
	2017	2016
Financial debt subject to foreign currency risk	22,699	23,879
Average financial debt drawn subject to foreign currency risk	22,918	24,535

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:

	2017		2016	
Change in exchange rate	0.50%	(0.50%)	0.50%	(0.50%)
Change in borrowing costs (thousands of euros)	115	(115)	123	(123)

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.

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 totaled EUR 137,166 thousand.

Therefore, at 31 December 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.

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.

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 2017:

	% share
Southeaestern Concentrated Value Limited,	14.48%
Threadneedle Asset Management Limited	8.20%
Norges Bank	4.53%
Harris Associates Investment Trust	4.61%
River Mercantile Group P.L.C.	3.06%

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 Limited Liability Companies Law, 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 2017 the balance of this reserve amount to EUR 2,600 thousand and it had not reached the legally required minimum (EUR 2,600 thousand at the end of 2016).

At 31 December 2017, the share premium reserves amounted to EUR 449,391 thousand (EUR 313,525 thousand at 31 December 2016) and it is fully available.

The Spanish Limited Liability Companies Law 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 2017, the Company 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 statement of financial position as at 31 December 2017 (see Note 4.12).

At 31 December 2016, the Company held a total of 290,450 treasury shares at an average cost of EUR 9.77 per share. The value of these treasury shares totalled EUR 2,837 thousand, which is recognised under "Treasury Shares" in the accompanying statement of financial position as at 31 December 2016 (see Note 4.12).

In March and May 2017 the Company delivered to the Executive Director, Senior Executives and certain executives of the Group a total of 577,706 shares (516,749 shares in 2016), in all cases in accordance with the schedule approved in the economic incentive plan arising from the IPO and in the new incentive plan granted in 2016 (see Note 10.3).

7. Non-current and current payables

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

	31/12/17	31/12/16
Bank borrowings	461,061	460,785
Total non-current payables	461,061	460,785
Credit facilities and other financial liabilities	16,253	2
Other interest	207	835
Total current payables	16,460	837
Total bank borrowings	477,521	461,622

Bank borrowings include the syndicated loan that bears interest at Euribor for tranches in Euros and Libor for tranches in foreign currencies plus a margin depending on the level of debt, which currently stands at 1.65% percentage points.

All tranches have a single maturity on 26 June 2020.

The financial structure of the syndicated loan in 2017 y 2016 is as follows:

2017

Tranche	Thousands of Euros			Maturity
	Limit	Drawn + capitalized	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	

2016

Tranche	Thousands of Euros			Maturity
	Limit	Drawn + capitalized	Drawn by the Group	
Facility A1	478,903	441,866	478,903	26/06/2020
Facility A2	192,372	-	192,372	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	-	(579)	65,034	
Accrued interest	-	835	974	
Debt arrangement expenses	-	(4,960)	(7,283)	
Total	845,733	461,620	754,458	

EUR 442 million has been drawn down from the Facility A1 tranche, and GBP 24 million has been drawn down from the Facility A3 tranche (approximately, EUR 22 million).

The syndicated loan agreement establishes the achievement of a financial ratio - consolidated net financial debt/consolidated EBITDA - that must not exceed the values set for each first half throughout the term of the loan and detailed below:

Up to 4.5 times until 30 June 2017 (inclusive)

Up to 4 times from 31 December 2017 (inclusive) until the maturity of the syndicated loan.

Therefore, on 31 December 2017, the financial leverage ratio must be lower than 4.0. The actual ratio based on the consolidated financial statements at 31 December 2017 is 2.4.

The Company's Directors expect the financial leverage ratio covenant to be met in the coming years.

The Company also has certain obligations under the financing agreement which relate mainly to disclosure requirements concerning its financial statements and negative undertakings to not to perform certain transactions without the lender's consent, such as certain mergers or changes of business activity (Note 12.2).

Shares of certain subsidiaries have been pledged to secure the syndicated loan.

The interest rates on "Credit facilities and other financial liabilities" are tied to Euribor and Libor, plus a margin.

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

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

2016

	2017	2018	2019	2020	Total
Bank borrowings	2	-	-	460,785	460,787
Short-term interest	835	-	-	-	835
Total	837	-	-	460,785	461,622

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 2017 and 2016 is as follows (in thousands of euros):

2017

	Tax assets	Tax liabilities
Non-current balances (Note 8.5):		
Deferred tax assets	3,848	-
Tax credits for tax loss carryforwards	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

2016

	Tax assets	Tax liabilities
Non-current balances (Note 8.5):		
Deferred tax assets	7,691	-
Tax credits for tax loss carry forwards	29,169	-
Withholding taxes and other tax credits	1,329	-
Total non-current balances	38,189	-
Current balances:		
Accrued social security taxes payable	-	10
VAT payable	-	135
Personal income tax withholdings payable	-	100
Income tax withholdings receivables	7,677	-
Total current balances	7,677	245

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):

	2017	2016
Accounting profit before tax	24,914	26,005
Permanent differences	(38,186)	(31,865)
Temporary differences	(18,182)	(21,808)
Tax loss	(31,454)	(27,668)
Tax profits from subsidiaries	66,754	63,307
Tax losses from subsidiaries	(6,010)	(4,457)
Tax base before tax consolidation adjustments	29,290	31,182
Offset of tax losses	(7,322)	(7,795)
Taxable profit	21,968	23,387
Tax charge	5,492	5,847
Offset of tax credits	(4,211)	(5,055)
Tax withholdings and prepayments	(6,181)	(4,571)
Corporate Income tax refundable (-) / payable(+)	(4,900)	(3,779)

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 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, 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, and other non-deductible expenses, amounting to EUR 841 thousand. 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.

The 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 2017 and 2016 is as follows (in thousands of euros):

	2017	2016
Accounting profit before tax	24,914	26,005
Permanent differences	(38,186)	(31,865)
Taxable accounting loss	(13,272)	(5,860)
Tax charge	(3,318)	(1,465)
Adjustments and recognitions/derecognition of tax credits and others	39	734
Deduction of unrecognised tax assets	(2,866)	(1)
Total corporate income tax expense (benefit) recognised in profit or loss	(6,145)	(732)

8.4. Breakdown of corporate income tax benefit (expense)

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

	Thousands of Euros	
	2017	2016
Current tax:		
Continuing operations	(4,187)	6,842
Discontinued operations	-	-
Deferred tax:		
Continuing operations	(1,958)	(7,574)
Discontinued operations	-	-
Total tax expense (benefit)	(6,145)	(732)

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. This expense was not recognized on the Company's statement of profit or loss.

At 31 December 2017 and 2016, the prior year's tax loss carryforwards of the company recognised in the accompanying statement of financial position were as follows:

2017

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

2016

	Thousands of Euros	
	Tax loss carryforwards	Tax asset recognised
2009	30,732	7,682
2010	51,715	12,929
2011	34,230	8,558
Total	116,677	29,169

Additionally, "Deferred Tax Assets" of the accompanying statement of financial position as at 31 December 2017 includes the deferred tax assets amounting to EUR 3,631 thousand (31 December 2016: EUR 6,297 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 217 thousand in 2017 and EUR 1,394 thousand in 2016.

Finally, "Deferred Tax Assets" includes EUR 4,380 thousand corresponding to the recognition of withholding taxes for domestic double taxation (EUR 1,329 thousand in 2016).

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 2017, which support their future recoverability, are as follows:

- The Budget for 2018 and the Group's business plan for 2019-2022 envisages profit for 2018 and subsequent years, sufficient in order to offset all the tax losses recognised (already considering the implications of the new Spanish tax regulation in Spain described before).
- In 2017 and 2016 the consolidated tax group in Spain obtained taxable income of EUR 29,290 and EUR 29,246 thousand which enabled it to use unrecognised tax losses from prior years amounting to EUR 2,306 and EUR 2,004 thousand, respectively.
- A mandate was issued by the Board Directors to Company's Executives to execute all of the initiatives envisaged in the business plan and it is considered highly probable that it will be met in light of the experience of prior years.

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 2017 and 2016 is as follows (in thousands of euros):

	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 2017 and 2016 is as follows (in thousands of euros):

Year	Description	31/12/17	31/12/16
2013	Domestic double taxation tax credit	21,656	25,647
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	2,893
2017	Domestic double taxation tax credit	5,021	-
	Total	39,213	37,080

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

Year	Description	31/12/17	31/12/16
2009	Specific activities taxation tax credit	868	978
2010	Specific activities taxation tax credit	1,033	1,024
2011	Specific activities taxation tax credit	1,118	1,118
2012	Specific activities taxation tax credit	1,600	1,616
2013	Specific activities taxation tax credit	1,161	1,151
2014	Specific activities taxation tax credit	1,477	1,401
2015	Specific activities taxation tax credit	1,138	1,239
2016	Specific activities taxation tax credit	1,153	-
	Total	9,548	8,527

8.7. Years open for review and tax audits

Under current 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 2017 year-end the Company has 2012 and subsequent years open for review by the tax authorities for all the 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 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 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 for 2017 and 2016 relates in full to transactions carried out with Group companies (see Note 10.1.).

The detail of the revenue for 2017 and 2016 is as follows (in thousands of euros):

	2017	2016
Dividend revenue	39,027	33,229
Finance revenue	27,431	26,128
Management fee revenue	3,373	3,300
Total	69,831	62,657

9.2. Staff costs

The detail of "Staff Costs" in the statement of profit or loss for 2017 and 2016 is as follows (in thousands of euros):

	2017	2016
Wages and salaries	5,841	8,645
Employer social security costs	107	104
Other employee benefit costs	68	63
Total	6,016	8,812

The average number of employees in 2017 and 2016, by category and gender, was as follows:

2017

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

2016

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 2017 and 2016 is as follows:

2017

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

2016

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

In 2017 and 2016, Applus Services, S.A. have not 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 2017 and 2016 is as follows:

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 RTD 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.	-	121	-	-
Velosi Certification Services L.L.C.	-	110	233	-
Other	-	515	657	-
Total	39,027	27,431	19,209	3,373

2016

	Thousands of Euros			
	Dividend revenue	Finance Income	Finance Cost	Services rendered
Applus Servicios Tecnológicos, S.L.U.	27,553	3,652	389	3,300
Azul Holding 2, S.à r.l.	5,676	7	-	-
Applus Iteuve Technology, S.L.U.		10,152	4,309	-
Arctosa Holding, B.V.		3,644	-	-
Röntgen Technische Dienst Holding, B.V.		2,408	4,647	-
Libertytown USA Finco, Inc.		1,889	-	-
Ringal Invest, S.L.U.		1,003	-	-
Libertytown Australia, PTY, Ltd.		789	-	-
SAST International, Ltd.		570	-	-
Velosi Europe, Ltd.		352	249	-
Velosi Industries Sdn Bhd.		348	-	-
Libertytown Applus Rtd Germany, GmbH.		336	-	-
Applus RTD Pty, Ltd.		271	1	-
Röntgen Technische Dienst, B.V.		167	918	-
Applus RTD Norway, As.		111	-	-
LGAI Technological Center, S.A.		69	1,574	-
Applus Norcontrol, S.L.U.		3	2,400	-
Applus Car Testing Services, Ltd.		-	837	-
Applus Iteuve Euskadi, S.A.U.		-	556	-
Novotec Consultores, S.A.U.		-	227	-
RTD Holding Deutschland, GmbH.		-	188	-
Applus Technologies, Inc.		-	160	-
Other		357	404	-
Total	33,229	26,128	16,859	3,300

On 29 June 2017, the subsidiary Applus Servicios Tecnológicos, S.L.U. approved the distribution of a dividend amounting to EUR 6,027 thousand out of profit for 2016. Subsequently, on 19 December 2017 this subsidiary approved the distribution of an interim dividend amounting to EUR 33,000 thousand out of profit for 2017.

On 28 June 2016, the subsidiary Applus Servicios Tecnológicos, S.L.U. declared a dividend totalling EUR 8,553 thousand with a charge to its profit for 2015. Subsequently, on 12 December 2016, the same subsidiary approved an interim dividend totalling EUR 19,000 thousand with a charge to its profit for 2016.

On 22 December 2016, the subsidiary Azul Holding 2, S.à r.l. declared a dividend totalling EUR 5,676 thousand with a charge to its profit for 2015.

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 Group companies 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 2017 and 2016 is as follows:

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 RTD Pty Ltd.	-	4,845	-	-	-	1
Röntgen Technische Dienst, B.V.	-	6,232	-	-	17,104	35
Applus Energy, S.L.	-	3,299	-	-	20	-
Applus RTD Norway, As.	-	4,476	-	-	-	-
John Davidson & Ass. Pty Ltd.	-	5,608	-	-	-	-
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. (México)	-	-	-	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 inspekitions-Gesellschaft, GmbH	-	3,120	-	-	-	-
Velosi Saudi Arabia Co Ltd.	-	2,239	-	-	-	-
Euskadi Holding, S.L.	-	1,579	-	-	1	-
Other	-	1,640	-	-	1,780	32
Total	308,641	365,472	108	35,679	354,790	1,351

2016

	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	15,779	-	-	-	-
Applus Iteuve Technology, S.L.U.	142,062	12,173	-	-	99,647	-
Röntgen Technische Dienst Holding, B.V.	36,714	36,717	-	55,000	27,740	-
Libertytown Usa Finco, Inc.	22,495	29,251	-	-	-	-
Libertytown Australia Pty, Ltd.	8,828	3,699	-	-	-	-
IDIADA Automotive Technology, S.A.	7,767	8	-	1,263	-	45
LGAI Technological Center, S.A.	2,346	22	-	24,724	18,820	13
Novotec Consultores, S.A.U.	623	-	-	-	7,730	-
Applus Norcontrol, S.L.U.	4	-	-	-	65,260	49
Applus Servicios Tecnológicos, S.L.U.	-	98,558	-	984	16,203	947
Ringal Invest, S.L.	-	26,186	-	251	-	-
Sast International Ltd.	-	18,239	-	-	-	-
Velosi Industries Sdn Bhd.	-	11,450	-	-	-	-
Velosi Europe Ltd.	-	10,063	-	-	6,620	-
Libertytown Applus Rtd Germany, GmbH.	-	9,073	-	-	-	142
Applus RTD Pty Ltd.	-	6,610	-	-	-	-
Röntgen Technische Dienst, B.V	-	5,411	-	-	21,344	32
Applus Energy, S.L.	-	2,851	-	-	-	-
Applus RTD Norway, As.	-	2,243	-	-	2	-
John Davidson & Ass. Pty Ltd.	-	1,366	-	-	-	-
Vantage NDT, B.V.	-	1,363	-	-	-	-
Norcontrol Guatemala, S.A.	-	1,153	-	-	-	-
Applus Norcontrol Peru, S.A.C.	-	747	-	-	-	-
Applus RTD Canada, Lp.	-	535	-	-	1,632	8
Azul Holding 2, S.à r.l.	-	264	5,390	-	-	-
K1 Kasastajat, OY	-	43	-	-	2,896	-
RTD Holding Deutschland, GmbH.	-	-	-	-	4,782	-
K1 Total, Oy	-	-	-	-	1,223	-
Applus Car Testing Service, Ltd.	-	-	-	-	22,525	-
Applus Iteuve Euskadi, S.A.U.	-	-	-	-	13,497	-
Applus Technologies, Inc.	-	-	-	-	3,742	5
Applus Norcontrol Panamá, S.A.	-	-	-	-	1,990	-
Applus RTD UK, Ltd.	-	-	-	-	1,893	-
Applus Velosi Canada Ltd.	-	-	-	-	1,660	-
Norcontrol Inspección, S.A. (México)	-	-	-	-	927	-
Autoservices Online, S.L.	-	-	-	22	514	-
Other	-	707	-	-	1,430	8
Total	408,898	294,511	5,390	82,307	322,077	1,249

"Short-term credits from Group companies" and "Short-term loans to Group companies " include accounts receivable and accounts payable to various Group companies arising from the Company's inclusion as the head of the consolidated tax group, accounts receivable amounting at 31 December 2017 to EUR 14,311 thousand and accounts payable amounting to 3,911 EUR thousand (2016: accounts receivable EUR 13,283 thousand and accounts payable EUR 2,583 thousand and, 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 146,370 thousand and EUR 337,200 thousand are recognised, respectively, in relation to the cash-pooling agreement maintained with the other Group companies (EUR 116,754 and EUR 298,357 thousand in 2016).

"Long-term credits to Group companies" includes loans with related parties, which have a maturity between 2019 and 2020.

Also, under "Other financial assets" are recognised the dividends receivable at the end of 2017 and 2016 (see Note 5.2).

The amount of these agreements was set based on a professional valuer's report 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 2017 and 2016 year-end is as follows:

a) Annual remuneration:

	Thousands of Euros					
	31/12/17			31/12/16		
	Executive Director	Members of the Board of Directors	Total	Executive Director	Members of the Board of Directors	Total
Fixed remuneration	650	-	650	650	-	650
Variable remuneration	325	-	325	325	-	325
Other items	40	-	40	41	-	41
Non-executive Chairman and Independent Directors	-	560	560	-	483	483
Corporate Social Security Committee	-	50	50	-	50	50
Appointments & Compensation Committee	-	70	70	-	56	56
Audit Committee	-	70	70	-	59	59
Total	1,015	750	1,765	1,016	648	1,664

In 2017 and 2016 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 Plan ("LTI"):

Additionally, on 22 June 2016 the Company's 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 (pursuant to IFRS 2), a degree of achievement of 60% of the Executive Director's fixed remuneration has been considered, with a three-year vesting period.

Executive Director	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	Total
Long-term incentive (PSUs):						
Number of PSUs delivered	44,931	36,449				81,380
PSU delivery date	July 16	February 17				
Share value on PSU delivery date (euros)	8.68	10.70				
Date of conversion into shares				February 19	February 20	
Number of PSUs convertible into shares				44,931	36,449	81,380

Impact on profit or loss	2016	2017	2018	2019	Total
Vesting period (months)	12 months	12 months	12 months	12 months	
Impact on profit or loss (thousands of euros)	130	260	260	130	780

c) Remuneration related to the Group's Initial Public Offering (IPO):

The Executive Director is a beneficiary of the Economic Incentive Plan remuneration system. This remuneration system comprised (i) a Cash-Settled Economic Incentive, paid in 2014; and (ii) the RSU-Settled Economic Incentive which consisted of the delivery free of charge of a certain number of RSUs. This plan was completed once the last delivery of shares in May 2017.

The impact on the statement of profit or loss relates to the gross number of RSUs multiplied by the value of the share when the plan was arranged (on IPO), i.e. EUR 14.5 per share. Therefore the annual cost in 2017 amounted to EUR 1,899 thousand (EUR 5,698 thousand in 2016). Any difference between the fair value and the purchase value of the shares is recognised in equity.

In accordance with the vesting schedule, on 9 May 2016 the executive director received 221,804 shares. This amount of 221,804 shares is the result of applying the withholding tax corresponding to the gross amount agreed upon of 392,990 RSUs convertible into shares.

At 31 December 2017, no loans or advances had been granted to the members of the Company's Board of Directors.

No material pension or life insurance obligations were incurred on behalf of the members of the 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 2017 for this insurance policy amounted to EUR 46 thousand (2016: EUR 46 thousand).

The Company's Board of Directors at 31 December 2017 is made up of 8 men and 1 woman (8 men and 1 woman at 31 December 2016).

Remuneration of and obligations to Senior Executives

At 1st January 2017, the Group has modified its organizational structure and has changed the definition of Senior Executives, as a consequence. Senior Executive is defined as the group of executives who were members of the Executive Committee in 2017, as defined in current accounting legislation.

The breakdown of the remuneration earned in 2017 and 2016 by the Company's Senior Executives is as follows:

a) Annual remuneration:

	Thousands of Euros	
	2017	2016
Fixed remuneration	630	502
Variable remuneration	226	168
Other items	80	76
Pension plans	17	13
Total	953	759

In 2017 and 2016 the Company's Senior Executives did not earn or receive any termination benefits.

In addition to the variable remuneration of EUR 226 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 2017 year-end three plans had been approved and ratified, as follows:

On 24 February 2015, the delivery of 15 thousand RSUs to Senior Executives was approved and ratified. The related shares will be delivered in March 2016 (30%), 2017 (30%) and 2018 (40%).

On 23 February 2016, the additional 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 additional 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.

Senior Executives	31/12/15	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	Total
Long-term incentive (RSUs)							
Number of RSUs delivered (*)	14,849	25,158	21,111				61,118
RSU delivery date	March 15	March 16	March 17				
Share value at RSU delivery date (euros)	10.18	7.13	10.70				
Date of conversion into shares		March 16	March 17	March 18	March 19		
Gross number of RSUs convertible into shares		4,455	12,002	19,820	16,397	8,444	61,118
Number of RSUs delivered (net of withholding tax) or cash equivalent (*)		2,958	11,248				14,206

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

Impact on profit or loss	2015	2016	2017	2018	2019	2020	Total
Vesting period (months)	10 months	12 months	12 months	12 months	12 months	2 months	
Impact on profit or loss (thousands of euros)	38	90	206	177	103	15	629

Based on the vesting schedule, Company Senior Executives received 11,248 shares in March 2017 (2,958 shares in March 2016). These 11,248 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 (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 time. 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	31/12/19	Total
RSUs + PSUs-settled long-term incentive Number of RSUs + PSUs delivered RSU + PSU delivery date Share value at RSU + PSU delivery date (euros)	24,962 October 16 8.68	20,253 February 17 10.70				45,215
Date of conversion into shares				February 19	February 20	
Number of PSUs convertible into shares				24,962	20,253	45,215

Impact on profit or loss	2016	2017	2018	2019	2020	Total
Vesting period (months)	12 months	12 months	12 months	12 months	2 months	
Impact on profit or loss (thousands of euros)	72	144	217	144	72	649

c) Remuneration in relation to the Group's Initial Public Offering:

Two Senior Executives of the Company were beneficiaries of the Economic Incentive Plan remuneration system until 2017. This remuneration system consisted of (i) the Cash-Settled Economic Incentive, paid in 2014; and (ii) the RSU-settled Economic Incentive, which consisted of the delivery free of charge of a certain number of RSUs. This plan was completed once the last delivery of shares in May 2017.

The impact on the statement of profit or loss relates to the gross number of RSUs multiplied by the value of the share when the plan was arranged (on IPO), i.e. EUR 14.5 per share. The annual cost in 2017 amounted to EUR 721 thousand (EUR 2,162 thousand in 2016).

In accordance with the vesting schedule, on 9 May 2017 the Company's Senior Executives received 96,597 shares under the terms of the Incentive Plan (85,555 shares in 2016). This amount of 96,597 shares is the result of applying to each executive the withholding tax corresponding to the gross amount agreed upon in the Incentive Plan of 149,111 RSUs convertible into shares on 9 May 2017.

In addition, 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 2017 and 2016 the Company's Senior Executives, were 2 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 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 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 Limited Liability Companies Law.

11. Foreign currency balances and transactions

At 31 December 2017, the Company had granted loans to Group companies in currencies other than the euro amounting to EUR 151,404 thousand (31 December 2016: EUR 155,519 thousand), and had received foreign currency loans amounting to EUR 129,659 thousand (31 December 2016: EUR 72,470 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 6,410 thousand at 31 December 2017 (31 December 2016: EUR 5,595 thousand) and finance costs in currencies other than the euro amounting to EUR 3,330 thousand (31 December 2016: EUR 2,020 thousand).

The loans granted to the Company relate mainly to loans with Group companies (see Note 10.2) arranged basically, in pounds sterling and US dollars.

12. Other disclosures

12.1. Fees paid to auditors

In 2017 and 2016, 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	
	2017	2016
Audit services	218	149
Other attest services	83	93
Total audit and related services	301	242
Tax counselling services	-	-
Other services	-	-
Total professional services	301	242

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 2017 and 2016, the Company's shares had not been pledged.

At 31 December 2017 and 2016, 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.

	2017	2016
	Days	
Average payment period to suppliers	38	49
Ratio of transactions settled	40	53
Ratio of transactions not yet settled	7	4
	Amount (thousands of euros)	
Total payments made	3,823	2,258
Total payments outstanding	182	199

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 2016).

However, most of this pending payment at year end has been paid during the first two months of the year 2018.

12.4. Amendment or extinguishment of agreements

In 2017 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 2018 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 2017.

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.

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 2017

Formally prepared by the directors of Applus Services, S.A. in relation to the year ended 31 December 2017.

Dear Shareholders:

We are pleased to submit to you this report on the Company's performance in 2017 and on its progress up to the present date.

Company performance and earnings

Revenue for the year has increased compared to 2016 mainly due to more dividends from Group companies received.

On the other hand, in May 2017 the remuneration related to the IPO called 'Economic Incentive Plan in RSUs' was concluded, significantly reducing personnel expenses, while in 2016 the plan's accrued expense was 12 months.

The company's financial result has been impacted by the negative effect of the exchange rate, mainly with the US dollar and to a lesser extent with the pound sterling

The Board will propose to shareholders at the Annual General Meeting a dividend of 13 cents per share (2016: 13 cents), in line with the previous year. This is equivalent to €18.6 million (2016: €16.9m).

The debt facilities entered into by the Group at the time of the IPO and refinanced in 2015 are sufficient to ensure good liquidity for the medium and longer term.

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.

Environment

In view of the Company's business activities, 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.

Research and development activities

The Company did not perform any research and development activities in 2017.

Treasury share transactions

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

At 31 December 2016, the Company held a total of 290,450 treasury shares at an average cost of EUR 9.77 per share. The value of these treasury shares amounted to EUR 2,837 thousand.

In March and May 2017 the Company delivered to the Executive Director, Senior Executives and certain executives of the Group a total of 577,706 shares, in all cases in accordance with the schedule approved in the economic incentive plan arising from the IPO and in the new incentive plan granted.

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 2017.

Significant events after the reporting period

No events have occurred since 31 December 2017 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.

	2017	2016
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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 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 2016).

Annual Corporate Governance Report

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

Annual Corporate Social Responsibility Report

The annual Corporate Social Responsibility report that is part of the management report can be consulted in the "Comisión Nacional de Mercado de Valores (CNMV)" and in the Applus Group web page.

www.cnmv.es

www.applus.com

Applus Services, S.A.

**Preparation of the Financial Statement and
Management report for the year ended 2017**

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 21 February 2018, 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 2017, which are included in the documents preceding this signature page and their annexes, all of them comparatively ordered. All the Directors have signed on this page the documents as mentioned above, except for Mr Richard Campbell Nelson who has not signed as he was not physically present at the Board Meeting in which the accounts have been approved. Nevertheless, Mr Nelson was present at the Board Meeting via videoconference and voted in favour of the approval of the accounts.

Madrid, 21 February 2018



D. Christopher Cole
Chairman



D. John Daniel Hofmeister
Director

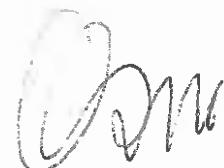
D. Richard Campbell Nelson
Director



Dña. María Cristina Henríquez de Luna Basagoiti
Director



D. Scott Cobb
Director



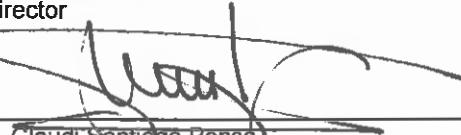
D. Ernesto Gerardo Mata López
Director



D. Fernando Basabe Armijo
Director



D. Nicolás Villén Jiménez
Director



D. Claudi Santiago Ponsa
Director

For identification purposes, all the pages of the financial statements and the management report for the year ended on 31 December 2017, as approved by the Board of Directors, are initialized by the Secretary of the Board of Directors, Mr. Vicente Conde Viñuelas.

Name	Registered office	Line of business	Ownership interest held by Group companies:	Method used to account the investment
Applus Servicios Técnicos, S.L.U	Azul Holding 2, S.à.r.l. Calle Campuzano 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	Holding company	100% Full consolidation	- Full consolidation
Applus Iteve Argentina, S.A.	Reconquista 661 – Piso 2, C 1009 Ciudad de Buenos Aires (Argentina)	Vehicle roadworthiness testing	100% Full consolidation	- Full consolidation
Applus Uruguay, S.A.	Jurisdicción de la Ciudad Autónoma de Buenos Aires	Vehicle roadworthiness testing	100% Full consolidation	- Full consolidation
Applus del Ecuador ApplusIteve, S.A.	Avda Patria nºE-4-41 Intersección Avda Amazonas edificio Patria Físic 10 Oficina 01, Pichincha, Quito.	Vehicle roadworthiness testing	100% Full consolidation	- Full consolidation
Applus Technologies, Inc.	Avda Patria nºE-4-41 Intersección Avda Amazonas edificio Patria Físic 10 Oficina 01, Pichincha, Quito.	Vehicle roadworthiness testing	100% Full consolidation	- Full consolidation
Janx Holding, Inc	3 Sugar Creek Center Blvd. Suite 800 Sugar Land, TX 77478	Certification services through non-destructive testing	-	- Full consolidation

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Name	Libertytown USA 1, Inc.	Libertytown USA Finco, Inc.	Applus Itauve 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 Campiego 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	L'Albonar, s/n PO BOX 20.42710 Sta Oliva. Tarragona (España)	Reconquista 6611 – Piso 2, C 1003 Ciudad de Buenos Aires (Argentina)	Manifeld Hochstättstrasse 2, 8505 Ingolstadt (Alemania)	Polygono A Granja, Parcelas 249-250, 38410 Portillo, Pontevedra (España)	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								
Method used to account the investment								

Full consolidation
 100%
 -
 Direct
 Indirect
 Method used to account the investment

Full consolidation
 100%
 -
 Full consolidation
 80%
 -
 Full consolidation
 100%
 -
 Full consolidation
 40%
 -
 Full consolidation
 100%
 -
 Full consolidation

2

Name	Applus Itauve Eustadi, S.A., Sociedad Unipersonal	Applus Revisiones Técnicas de Chile, S.A.	K1 Kasasijet, OY	Inspectio Técnica de vehicles i serveis, S.A.	K1 Total, Oy	Idiada Automotive Technology India PVT, Ltd
Registered office	Polígono Ugaldeguen I Parcela 8, 48710 Zamudio, Vizcaya (España)	Avenida Américo Vespucio 743 - Huachuraba, Santiago de Chile (Chile)	Korsolaisvej, 111 2610 Rødovre (Dinamarca)	Joukahainenkatu 6, 20520 Turku Finland	Ctra de Bixessarri s/n, Aixovall AD800 (Andorra)	Unit no. 206, 2nd Floor, Sai Radhe Building, Raja Bahadur Mill Road, off Kennedy Road, Pune 411 001 - India
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification
Ownership interest held by Group companies:						
Direct	-	100%	-	80%	-	-
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment						

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Name	Applus Euskadi Holding, S.L.U.	Applus Car Testing Service, Ltd.	Idiada Tecnología Automotiva, Ltda.	Idiada Automotive Technology UK, Ltd.	Applus Iteave Galicia, S.L.U.	Inversiones Finisterre, S.L.
Registered office	Jucheng Pioneer Park, Building 23, 3989 Xiu Pu Road, Nan Hui 201315 Shanghai (Pudong District) China	Polygono Ugaldeguen, 1 parcela 8, Zamudio, Vizcaya (España)	Cidade de São Bernardo do Campo, Estado de São Paulo, na Rua Continental, nº 334, Jardim do Mar, CEP 09750-060 (Brasil)	St Georges Way Bermuda Industrial Estates, 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 Espíritu Santo - Sada, A Coruña
Line of business	Engineering, testing and certification	Holding company	Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification	Holding company
Ownership interest held by Group companies:						
Direct	-	80%	-	100%	-	-
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	80%	100%
Method used to account the investment					Full consolidation	Full consolidation

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Name	Address	Line of business	Applus México, S.A. de C.V.	Riteve SjC, S.A.	LGAI Technological Center, S.A.	Applus Chile, S.A.	Applus Costa Rica, S.A.	Applus Norcontrol, S.L., Sociedad Unipersonal	Novotec Consultores, S.A., Sociedad Unipersonal
Supervisión y Control, S.A.U.	Ctra. N-VI, Km. 562,6 - 15168 Espíritu Santo - Sada, A Coruña Registered office	Lagunilla de Heredia, ciento cincuenta metros al este de la Bomba Texaco, Costa Rica	Campus de la UAB, Ronda de la Font del Carme, s/n, 08193 Bellaterra-Cerdanyola del Vallès, Barcelona (España)	Bvd. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F. (México)	Bldv. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F. (México)	Oficentro Ejecutivo La Sabana, Edificio 7, Primer piso, Local 2, San José	Ctra. Nacional VI-Km 582, 15168, Sada, A Coruña (España)	Oficentro Ejecutivo La Sabana, Edificio 7, Primer piso, Local 2, San José	Parque Empresarial Las Mercedes, C/Campozzo, 1, Ed.3, 28022, Madrid (España)
		Vehicle roadworthiness testing			Certification	Quality system audit and certification	Quality system audit and certification	Quality system audit and certification	Services related to quality and safety in industrial plants, buildings, etc.
		Ownership interest held by Group companies:				-	95%	95%	100% Full consolidation
		Direct	80%		44%	Full consolidation	Full consolidation	Full consolidation	
		Indirect							
		Method used to account the investment							

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Name	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.	Röntgen Technische Dienst Holding BV
Registered office	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A Y C, Ciudad del Saber, Clayton, Ciudad de Panamá (República de Panamá)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A Y C, Ciudad del Saber, Clayton, Ciudad de Panamá (República de Panamá)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Bvd. Manuel Avila Camacho 184, Piso 4-B, Col. Reforma Social, C.P. 11650 México, D.F. (México)	km 14.5 Carretera a El Salvador, Santa Catarina Pinula (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	Colonia Los Robles, Km. 8,500 Carrera 6 Masaya, Managua (Nicaragua)	Delftweg 144, 3046 NC Rotterdam (Holanda)
Line of business	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	Holding company
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	95%	Full consolidation	95%	Full consolidation	95%	95%	Full consolidation
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

2

Name	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.	Applus RTD USA, Inc.
Registered office	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	U Stadionu 89, 530 02 Pardubice (República Checa)	129 Rue Servient 69328 Lyon Cedex 03 (Francia)	Industriestraße 34 b, 44894 Bochum (Germany)	Deiphweg 144, 3046 NC Rotterdam (Holanda)	2600 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2, Canada	Wairi Boat Yard, 28 Wairi/Sapele Road, Wairi, Delta State (Nigeria)	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478
Line of business	Provision of training services	Certification services through non-destructive testing	Holding company	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing
Ownership interest held by Group companies:								
Direct	-	95%	-	100%	-	100%	-	-
Indirect		Full consolidation		Full consolidation		Full consolidation	Full consolidation	Full consolidation
Method used to account the investment								

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Owner
ship interest held by Group companies:
Direct
Indirect
Method used to account the investment

Name	RTD Holding Deutschland, GmbH	Applus RTD UK Holding, Ltd	Applus RTD PTE, Ltd (Singapore)	Applus Colombia, Ltda.	Applus (Shanghai) Quality Inspection Co., Ltd	Applus RTD Certification, B.V.	Applus RTD PTY, Ltd (Australia)	Applus RTD Norway, AS
Registered office	Industriestr. 34, D-44894, Bochum (Alemania)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	5211 Bukit Batok St 23, Unit 05-E, Singapore	Calle 17, num 69-48, Bogotá (Colombia)	Jucheng Industrial Park, Building 23, 38999 Xu Pu Rd, Nan Hui, Shanghai 201315 (China)	Deftweg 144, 30346 NC Rotterdam (Holanda)	94 Discovery Drive, Elara Lake WA 6163 (Australia)	Finnestadgallen 18, 4029 Stavanger (Norway)
Line of business	Holding company	Holding company	Certification services through non-destructive testing	Certification	Inspection services in quality processes, production processes, technical assistance and consultancy	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing
Ownership interest held by Group Companies:	Direct Indirect Method used to account the investment		Full consolidation	100%	100%	Full consolidation	95%	100% Full consolidation Full consolidation 100% Full consolidation Full consolidation

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Name	Arcosa 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.	Autoservices Online, S.L.U.
Registered office	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478	94 Discovery Drive, Bibra Lake WA 6163 (Australia)	Unit 2, Blocks C and D, West Mains Industrial Estate, Graingermouth, FK3 8YE, Scotland (UK)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	Udemicka 11, 851 01; Bratislava, Slovak Republic	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid
Line of business	Holding company	Holding company	Holding company	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing	Provision of advisory services and auditing in the energy sector	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
Ownership interest held by Group companies:								
Direct								
Indirect								
Method used to account the investment	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%

Name	Applus Management, S. de R.L. de C.V.	Applus RTD Germany GmbH	Applus Norcontrol Maroc, Sarl	Applus RTD Gulf DMCC.	Applus Engenharia de Qualidade, Ltda.	Applus -91 Gai Germany, GmbH	BK Werstoffschnick-Pruefelle Fur Werkstoffe, GmbH	Ringal Brasil Investimentos, Ltda.
Registered office:	Bvd. Manuel Avila Camacho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 México D.F., (Méjico)	Industrie Strasse 34 b, 44984 Buchum, Alemania	INDUSPARC Module N°11BD AHL LOGHI AM Route de Tit Mellil Chamin Terlaine 1016 Sidi Mounan 20400, Casablanca (Marrocos)	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petróvai, quadra 01, lote 10, Integrants da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brasil)	Zur Aumundswiede 1601, Swiss Tower Jumeirah Lake Towers, PO Box 337201, (Emiratos Árabes)	Zur Aumundswiede 2, 28279 Bremen, Germany	Zur Aumundswiede 2, 28279 Bremen, Germany	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petróvai, quadra 01, lote 10, Integrants da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brasil)
Line of business	Provision of professional, technical, administrative and human resources services	Holding company	Inspection, quality control and consultancy services	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification	Certification	Holding company
Ownership interest held by Group companies:	Direct Indirect	Full consolidation	100%	95%	100%	100%	95%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

81

Name	Registered office	Applus Norcontrol Peru, S.A.C.	Kleiner & Associates Inc.	John Davidson & Associates PTY, Ltd	JDA Wokman Limited	PT JDA Indonesia	Applus Norcontrol Consultoria e Ingeniería, SAS
Burek und Partner, Gbr.	Rua Petrópolis, quadra 01, lote 10, integrante da área B, nº 480, Bloco 2 - 1º andar, Bairro Distrito Industrial Marsil, EP 32400-000 Cidade de Ibirité, Estado de Minas Gerais (Brasil)	Avenida San Borja Sur Nro. 1170, Urb. San Borja, San Borja, Lima. Ibirite, Estado de Minas Gerais (Brasil)	3 Sugar Creek Center Blvd. Suite 800 Sugar Land, TX 77478	Unit 22, 23 Ashlan Queen Island, 4014, Australia	Unit 11, Section 53, Albipliment 15 & 16, Ume Street, Gordons, Port Moresby, National Capital District, Papua New Guinea	Plaza Aminata 9th floor, Jl. TB Simatupang Kav. 10, South Jakarta, Indonesia	Calle 17, n°m. 68-46 Bogotá (Colombia)
Certification							
Line of business							
Ownership interest held by Group companies:							
Direct	96%	100%	96%	100%	100%	100%	95%
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment							

1

Name	Applus Veleosi Mongolia, LLC	Applus Laboratories, AS.	Applus Arabia L.L.C	Applus II Melo Ambiente Portugal, Lda	Ringal Invest, S.L.U	Applus Vehosi DRC, Sari.	Ingeolog Consultores de Ingeniería y Sistemas, S.A.	Ingebig Servicios Generales, Ltda (Sergen)
Registered office	3a planta, San Business Centre, Sukhbaatar District, 8th Khoroo, Baga tolchu, Street 29 of Prime Minister Amar, Ulaanbaatar, Mongolia	Langmyra 11, 4344 Byne, Norway	Dammam, Kingdom of Saudi Arabia	Rua Hermano Neves n.º 18, escritório 7, freguesia do Lumiar, Concelho de Lisboa. Portugal	Calle Campezo 1, edificio 3, Parque Empresarial Los Mercados, Madrid	c/o Lambert S Djunga, Djunga & Ribeiro, 07 Avenida Lodja, Kinshasa/Gome, DRC	Alberto Henckel 2317, Santiago de Chile	Alberto Henckel 2317, Santiago de Chile
Line of business	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	Counselling and consulting services in the areas of engineering, infrastructure, environment, etc.	Provision of transport and rental of vehicles
Ownership interest held by Group companies:								
Direct	-	100%	-	95%	48%	-	100%	-
Indirect		Full consolidation		Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment								

28

Name	Ingeolog Guatemala Consultores de Ingeniería y Sistemas, S.A.	Ingeniería Consultores de Ingeniería, S.A.S.	Applus RTD USA Aerospace Holding, Inc.	X-RAY Industries, Inc.	Applus Laboratories USA, Inc.	Composite Inspection Solutions, LLC.	Applus Aerospace Industries, LLC.
Registered office	Ciudad de Guatemala	Calle 17 n.º 69-46 Bogotá (Colombia)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478	1981 Thunderbird, Troy Michigan USA 48084	615 S. DuPont Highway, Kent County, Dover, Delaware 19901, USA	28000 Mooney Avenue, Building #110, Punta Gorda Florida 33982 USA	28000 Mooney Avenue, Building #110, Punta Gorda Florida 33982 USA
Line of business	Counselling and consulting services in the areas of engineering, infrastructure, environment, etc.	Counselling and consulting services in the areas of engineering, infrastructure, environment, etc.	Holding company	X-ray metallurgical, management, retail manufacturing, equipment non-destructive; testing services	Certification	Holding company	Industrial contract and inspection services
Ownership interest held by Group companies:							
Direct	Full consolidation	100%	100%	100%	-	95%	95%
Indirect					Full consolidation	Full consolidation	Full consolidation
Method used to account the investment						87%	87%

8

Name	Applus RTD Lic.	NIRAY Services, Inc.	Applus RTD USA Services, Inc.	Applus Management Services, Inc.	Applus UK, Limited	Aerial Photography Specialist PTY, LTD	Applus RTD Canada Holding (2016), Inc.
Registered office	Khokhlovskiy side-street: 13, building 1, 109028 Moscow, Russian Federation	56A Head Street, Dundas, ON L9H 3H7 Canada	3 Sugar Creek Center Blvd, Suite 800 Sugar Land, TX 77478	3 Sugar Creek Center Blvd, Suite 800 Sugar Land, TX 77478	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	94 Discovery Drive, Elbora Lake WA, 6163 Australia	1300 - 1869 Upper Water Street Pundy's Wharf Tower II Halifax NS B3J 5R7 Canada
Line of business	Purchase of equipment and refills, Installation, repair and maintenance of the equipment, engineering services and development 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	Manufacture, repair, sale and services related to drones	Holding company
Ownership interest held by Group companies:	Direct Indirect Method used to account the investment	- 100% Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 100% Full consolidation

7

Name	SKC Inspection and Non Destructive Testing, Inc	SKC Engineering Ltd	Applus Norcontrol Asistencia Técnica, SAS	Applus Norcontrol Asistencia Técnica, SAS, S.R.L.	ACB Metrología, S.L.	Emillab, SRL	Applus RVIS, B.V.
Registered office	4529 Melrose Street, Port Alberni, BC V9Y1K7, Canada	19165 94th Avenue, City of Surrey British Columbia V4N 3S4	Plaza El Avellanito, Calle Dr. Jacinto Ignacio Marín No. 5 Local No. 08 Primer Piso, Ensanche Paraiso, Santo Domingo, República Dominicana	Via F.lli Solari 5/A 33020 Amaro(UD)-Italy	Pollígono Comarca I, Edificio Pasarela, 31160, ORKOIEN ~ Navarra, España	Delftweg 144, NC 3046 Rotterdam (The Netherlands)	
Line of business	Inspección y ensayos no destructivos	Ensure quality, training, inspection, proof and stability tests and preventive maintenance	Dielectric tests, inspections of cranes, stability tests and preventive maintenance	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 Method used to account the investment	- 100% Full consolidation	- 50% Full consolidation	- 95% Full consolidation	- 95% Full consolidation	- 95% Full consolidation	- 51% Full consolidation



Name	Aplus Servicios Interiales, S.A.S.	Tunel Safety Testing, S.A.	Aplus Brasil Investimentos, Ltda
Registered office	Callao 17 # 69 - 46, Bogotá, Colombia	LG Canto Experimental San Pedro de Ares s/n, Silerio 33189, Asturias Barros, nº 177, 6º andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, São Paulo (Brasil)	Rua Dom José da Barros, nº 177, 6º andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, São Paulo (Brasil)
Line of business	Inspection, quality control and consultancy services	Fire testing in tunnels, fire suppression product testing and fire training.	Holding company
Ownership interest held by Group companies:			
Direct	-	88%	-
Indirect	95%	Full consolidation	100%
Method used to account the investment			Full consolidation

2

Name	Velosi S.p.r.l.	SAST International Ltd	Velosi Asset Integrity Ltd	Velosi Africa (Luxembourg) S.à r.l.	Velosi Europe (Luxembourg) S.à r.l.	Velosi Poland Sp.z.o.o.	Velosi Europe Ltd
Registered office	7 rue Robert Stumper L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	Equity Trust House, 28-30 The Parade, St Helier, JE1 1EQ 1EQ Jersey, Channel Islands.	7 rue Robert Stumper L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	7 rue Robert Stumper L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	7 rue Robert Stumper L-2557-Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	00-203 Warsaw, ul. Bonifraterska 17, Vip, Poland, 00-201 Warsaw, Poland.	1 Woodside Business Park, Whitley Wood Lane, Reading, RG2 8LW, United Kingdom.
Line of business	Holding company	Provision of consultancy and engineering services	Provision of specialised asset integrity management services for the oil, gas and petrochemical industries at worldwide level	Holding company	Holding company	Publishing of other programmes	Provision of technical, engineering and industrial services
Ownership interest held by Group companies:	Direct Indirect Method used to account the investment	100% Full consolidation	100% Full consolidation	100% Full consolidation	100% Full consolidation	100% Full consolidation	100% Full consolidation

J

Name	Velosi Certification Bureau LTD	Inteo (UK) Ltd	Velosi International Italy Srl	Velosi-PC Srl	IES - Velosi Norge AS	Velosi TK Gorenler Hizmetleri Limited Şirketi	Velosi LLC	Velosi Malta LTD
Registered office	1 Woodside Business Park, Whitley Wood Lane, Reading, RG2 8JW, United Kingdom.	Brunel House, 5 Penrod Way, Heysham, Lancashire, LA3 2UZ, United Kingdom.	23807 Merate (CO), via De Gasperi, 113, Merate, Italy.	Via Cinqualelungo, 8 - 24044 Dalmine, Bergamo (BG), Italy.	Dilekoglu, 86, Post Box. 20280 N-5541 Kongsvinger, Kongsvinger, Norway.	1042 Cadde 1318 Sokak No.915 Ofis数, Arkeş, Azadlig Avenue 166, Apt 61, AZ1130 Baku, Azerbaijan.	Level 5, The Mall Complex, The Mall, Floriana, Malta.	
Line of business	Provision of technical, engineering and industrial services	Provision of consultancy, training and human resources services	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
Ownership interest held by Group companies:	Direct Indirect <small>(Method used to account for investment)</small>	Full consolidation	60%	80%	60%	80%	100%	100%
			Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

16

Name	Velosi Malta II Ltd	Applus Velosi Czech Republic s.r.o.	Velosi Turkmenistan	Velosi Industries Sdn Bhd	Velosi Specialised Inspection Sdn Bhd	Kurtec Tube Inspection Sdn Bhd	Kurtec Inspection Services Sdn Bhd	Velosi Plant Design Engineers Sdn Bhd
Registered office	Level 5, The Mall Complex, The Mall, Floriana, Malta.	Praha 9, Czekeřská 35/1334 - Czech Republic.	Ashgabat City, Kopetdag District, Turkmenbashi 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.	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur, Malaysia.
Line of business	Holding Company	Manufacturing, trade and services not listed in Appendix 3 of the Trade License Act/	No line of business	Investments, investment property and provision of engineering services	Provision of engineering and technical services	Provision of non-destructive testing (specialised NDT) services, inspection of guided wave long range ultrasonic testing (LUT) and remote visual inspection	Provision of specialised non-destructive testing (NDT) inspection and cleaning of pipes and tanks	Provision of consultancy and engineering services for the design of plants, construction and engineering and the investment that they possess
Ownership interest held by Group companies*		Direct Indirect Method used to account the investment	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%
								Full consolidation

Ownership interest held by Group companies*:
 Direct
 Indirect
 Method used to account the investment

8

Name	K2 Specialist Services Pte Ltd	Velosi Engineering Projects Pte Ltd	Velosi Energy Consultants Sdn Bhd	Velosi Energy Co Ltd	Velosi Management Consultancy Ltd Co.	Velosi Engineering Ltd Co.	Velosi Siam Co Ltd	Applus (Thailand) Company Limited
Registered office	521 Buak Bak Street 23 Unit 5E, Excel Building 658544, Singapore	Associated Sdn Bhd No. 152-3, 18A, Kompleks Maluri, Jalan Jejak, Taman Maluri, 55100 Kuala Lumpur, Malaysia.	Clo AGL Management	Level 12, 2B Hennesssey Road, Wanchai Hong Kong.	Unit No. 1, Al-Qusair, Talal Al-Doh Building, Sub of Prince Mohammad bin Fahd Road, Dhahran, 34247-3229, Kingdom of Saudi Arabia.	Room 2501-2503, World Center Block A, No. 18 Tao Lin Road, Pudong, Shanghai PRC 200135.	ZEN @ ZEN World Tower, Level 12, Zen World Tower, 4, 4/F Raydenni Road, Pathumwan, Bangkok, Thailand	208 Wireless Road Building 14th Floor Room 1401 (16), Lumpini, Pathumwan, Bangkok 10330, Thailand
Line of business	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 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	Provision of third-party inspection services	Provision of maintenance testing, being, examination or 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 management services, sales support, advisory and technical development services to related companies	Provision of consulting of Petroleum Engineering, mechanical engineering and consulting of business management	Provision of engineering and technical services	Provision of consulting of Petroleum Engineering, mechanical engineering and consulting of business management
Ownership interest held by Group companies:	Direct Indirect Method used to account the investment	- 100% Full consolidation	- 75% Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 60% Full consolidation	- 100% Full consolidation	- 49% Full consolidation 7% Full consolidation

✓

Name	Velosi Integrity & Safety Pakistan (Pvt) Ltd	Velosi Corporate Services Sdn Bhd	Velosi International Holding Company BSC (c)	Velosi Certification Services LLC	Velosi Certification WLL	PT Java Velosi Mandiri	Velosi Certification WLL	Velosi PromServices LLC
Registered office	Office No. 401, 4th Floor, Business Centre, Block 6, P.E.C.H.S. Society, 74000 Karauli, Pakistan.	C/o AGI Management Services Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur, Malaysia.	Flat 42, Building 1033, Road 3731, Block 337, Menara UMM Alhassan, Kingdom of Bahrain	# 201, Block B, Abu Dhabi Business Hub, ICAD-1, Mursifah, PO Box #27 Abu Dhabi, United Arab Emirates.	Block 9, Building 24, Office 2, Ground Floor, East Almrazi, Industrial Area, P.O. Box # 1588, Salimiyah – 22016, Kuwait.	Plaza Aminita 8th Floor, Jl. TB Simatupang Kav. 10, P.O. Box 3408, Doha, Qatar.	Building No 121340, First Floor, New Salain, C Ring Road, Office 2, 115035 Moscow, Russian Federation.	
Line of business	Provision of support engineering services, reliability centred maintenance, assessment of the safety/inegrity 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	Provision of construction project quality management system certification, quality management of the maintenance 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 oil and gas Industries
Ownership interest held by Group companies:	7%	70%	100%	100%	49%	24%	24%	10% Full consolidation
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Direct
Indirect

7

Nama	Velosi LLC	Velosi Bahrain WLL	Velosi LLC	Velosi Quality Management International LLC	Velosi CBL (M) Sdn Bhd	Velosi LLC	Velosi (B) Sdn Bhd	Velosi Certification Services LLC
Registered office	Yuzhno-Sakhalinsk, Kommunistskaya Prospect 32, Sult 610, Sakhalin, Russia.	Flat 11 Building 1033, Road 3721, Block 337, Menara 1 UMKC, Al Nassrani, Kingdom of Bahrain	Block no 227 Shulin Building, Post Box 231 Hamriya, Way no 2748, Oman.	205, Block B, Abu Dhabi Business Hub, ICD-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 Meluri, 55100 Kuala Lumpur, Malaysia.	Suite 22, Building 58, Ametry Block 6, Kazakhstan.	Lot 5211, Spg. 357, Jln Maulana, KA 2831 Kuala Belait, Negara Brunei Darussalam.	17 Chimkent Street, Mirzobod District, 100029 Tashkent, Uzbekistan.
Line of business	Holding Company	Equipment certification engineering and inspection control	Provision of industrial Inspection services, services for the management of facilities, quality and service issuance certificates	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 inspection, certification, monitoring and other types of business activity	
Ownership interest held by Group companies: Direct Indirect Method used to account the investment		- Full consolidation	- 100% Full consolidation	- 50% Equity method	- 49% Full consolidation	- 100% Full consolidation	- 80% Equity method	- 80% Full consolidation

7

Name	Vetosi Philippines Inc	Vetosi Ukraine LLC	Dijia & Furat Quality Assurance, LLC.	Aplus Korea Co, Ltd.	Steel Test (Ph) Ltd	Vetosi (Ghana) Ltd	Oman Inspection and Certification Services	Vetosi Angola Prestações de Serviços Ltda
Registered office	1004, 10F, Pagtibig WT Tower, Cebu Business Park, Ayala, Cebu City, Philippines.	5A, Pivarska Street, 03087 Kyiv, Ukraine.	Ramadan Area, District 623-S, No.1, Baghdad, Iraq.	108, Jin-ha, Seo-dong, Uju, Ulsan, Republic of Korea.	28 Senator Road, 1939 Vereeniging, Republic Of South Africa.	2nd Floor, Design House, Ring Road East, Accra.	PO Box 15, PC 105, Al Azizah, Sultanate of Oman.	Rua Maedé Nguashi 37, 3º apartamento 53, Malangá, Luanda, Angola
Line of business	Provision of business process outsourcing	Provision of ancillary services in the oil and natural gas industries	Provision of inspection, quality control and certification services	Provision of training and consulting for services related to technical engineering, hiring-out of manpower and materials and leasing of properties.	Pipe and steel thickness testing		Provision of non-destructive testing services (NDT), environmental and safety services (E&S), quality control and engineering services.	Provision of quality assurance and control, inspection, supply of technical manpower, certification and regulatory inspection, NDE specialised services and engineering
Ownership interest held by Group companies:	Direct Indirect Method used to account the investment	100% Full consolidation	100% Full consolidation	100% Full consolidation	66,60% Full consolidation	75% Full consolidation	49% Full consolidation	50% Equity method 44% Full consolidation

Z

Name	Vélozi Superintend Nigenia Ltd	Vélozi Uganda LTD	Vélozi SA (Pty) Ltd	Aplus Vélozi Egypt, LLC	Vélozi Mozambique LDA	Applus Vélozi Angola, Ltda.	Applus India Private Limited	K2 Do Brasil Services Ltda
Registered office	3A Alabi Street, Off Toyin Street, Ikeja - Lagos, Nigeria.	3rd Floor, Rhenzoni House, Plot 1, Lumumba Avenue, PO Box 10514 Kampala, Uganda.	1st Floor, AMR Building 1, Concorde Road East, Bedfordview 2008 Gauteng, South Africa.	SA Khaled ibn Al Walid Street, Sheraton Nozha Cairo, Egypt	Avenida Kim Il Sung 981 - Bairros Sonnenheld - Distrito Urbano 1, Maputo Cidade - Moçambique.	Rua Marechal Bôs Tilo, n.º 35-37 Piso 13, Fracalú B Edifício Econ. Angain	#5, 2-134, Beside SBH, Hyderabad, Kukatpally Hyderabad, Telangana, India 500072	Avenida Nossa Senhora da Gloria, 2.643, Cavalheiros, Macae - RJ, CEP27920-360, Macae, Brazil.
Line of business	Provision of services (quality assurance and control, general inspection, corrosion control and supply of labor) for the oil and gas industries	Provision of business consulting and management	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 [non-destructive trials, controlled quality inspections and asset integrity]	Provision of quality assurance and control, inspection, supply of technical manpower, certification and specialized services in NDT and engineering.	Provision of labor supply services for the oil and gas industries	Provision of updating, repair, modification and control of onshore and offshore oil facilities; insertion and development of design services, manufacture of components and machinery structures and supply of qualified labor
Ownership interest held by Group companies:	Direct Indirect Method used to account the investment	30%	100% Full consolidation	100% Full consolidation	100% Full consolidation	74% Full consolidation	49% Full consolidation	100% Full consolidation
								100% Full consolidation

7

Name	Appius Velosi America LLC	Appius Velosi Canada Ltd	Velosi Do Brasil Ltda	Midstream Technical Inspection Services, LLC	Applus K2 Americas, LLC	Velosi Australia Pty Ltd	QA Management Services Pty Ltd
Registered office	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478	2660 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2, Canada	Praia Do Flamengo 312, 9 Andar Parte Flamenego, Rio De Janeiro, Brazil.	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478	Unit 222/23 Ashton Place, Banks, Queensland, 4014, Australia	94 Discovery Drive, Bibra Lake, WA 6165, Australia
Line of business	Provision of labour 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	Producing 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 Method used to account the investment	- 100% Full consolidation	- 100% Full consolidation	- 98,00% Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 100% Full consolidation

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



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 balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and the explanatory notes) for 2017, prepared in accordance with the accounting policies applicable and approved by the Board of Directors at its meeting on 21 February 2018, 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, except for Mr Richard Campbell Nelson who has not signed as he was not physically present at the Board Meeting in which the accounts have been approved. Nevertheless, Mr Nelson was present at the Board Meeting via videoconference and voted in favour of the approval of the accounts.

Madrid, 21 February 2018


D. Christopher Cole
Chairman

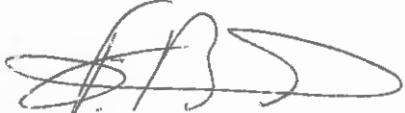

D. John Daniel Hofmeister
Director

D. Richard Campbell Nelson
Director

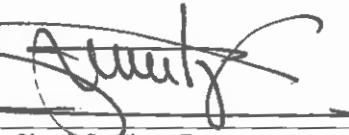

Dª. Maria Cristina Henríquez de Luna Basagoiti
Director


D. Scott Cobb
Director


D. Ernesto Gerardo Mata López
Director


D. Fernando Basabe Armijo
Director


D. Nicolás Villén Jiménez
Director


D. Claudi Santiago Ponsa
Director

Applus Services, S.A. and Subsidiaries

Consolidated Financial Statements for
the year ended 31 December 2017 and
Consolidated Directors' Report, together
with Independent Auditor's Report

*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.*

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 2017, 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 2017, 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.

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

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 554.9 million and EUR 581.9 million, respectively, at 31 December 2017.

These assets were primarily recognised in business combinations carried out by the Group both in prior years and in the current year. Also, the various CGUs identified correspond to the various business units managed by the Group (Energy & Industry, Auto, 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.

Procedures applied in the audit

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 revenue growth rates with the latest approved strategic plans and budgets, and reviewed them for consistency with the historical information on the market situation, as well as assessing 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

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 determination of the growth rates for sales and expenses that the various CGUs are expected to show, 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 on the basis of the economic situation in general and of that of each CGU in particular, in accordance with the risks specific to the various countries and to the business carried on.

Procedures applied in the audit

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 71.9 million that are recognised in the consolidated statement of financial position at year-end, corresponding to tax losses, tax credits and temporary differences amounting to EUR 40.7 million, EUR 12.6 million and EUR 18.6 million, respectively. Of this total, EUR 44.3 million relate to the Spanish tax group and EUR 27.6 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 110.3 million and EUR 54.2 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 precision 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 legislation are included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3.r and 20 to the consolidated financial statements.

Provisions for tax and litigation

Description

The Group operates in multiple tax and legal jurisdictions worldwide and 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 2017, 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 hired 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, it was considered to be a key audit matter.

Procedures applied in the audit

Our audit procedures to address this issue 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 of 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 legislation are included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3-I, 17, 20.f and 27 to the consolidated financial statements.

Accounting for the business combination carried out in the year

Description

As indicated in Note 2-b-e.1.1, in 2017 the Applus Group acquired the assets and liabilities of the Finisterre subgroup corresponding to administrative vehicle roadworthiness testing concessions in Galicia and Costa Rica. This transaction was considered by the Group to be a business combination. As a result, the Group performed the initial accounting for the business combination, as permitted by IFRS 3, Business Combinations, which led to the recognition of intangible assets and goodwill amounting to EUR 101.2 million and EUR 22.8 million, respectively.

This acquisition is a complex transaction which includes contractual agreements the recognition of which in the consolidated financial statements required the forming of significant judgements. Also, determining the fair value of the assets acquired and the liabilities assumed, and the goodwill arising on the acquisition date, required the use of valuation techniques, such as the estimation of discounted future cash flows, which require significant judgements and estimates to be made with respect to the assumptions considered. For the above reasons, we considered this matter to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the agreements entered into in the framework of this acquisition in order to verify the reasonableness of the accounting records associated with the agreements reached, as well as obtaining the analysis carried out by the Group for the provisional purchase price allocation, verifying the clerical accuracy of the calculations made and the reasonableness of the main assumptions considered therein, which include the duration of the aforementioned administrative concessions.

To this end, we analysed the consistency of the future cash flow projections with the business plans used in the framework of the acquisition and with the historical information of the business acquired. We involved our internal valuation experts in order to evaluate, mainly, the methodology employed by the Group in the analysis conducted and the discount rates considered.

We also performed audit procedures at the acquisition date to verify the operating cut-off and the way in which the assets and liabilities of the business acquired were accounted for.

Lastly, we evaluated whether the disclosures included in Note 2-b-e.1.1 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, 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 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, where appropriate, that the reference to the separate report on non-financial information has been included in the directors' report as required by 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 entity 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 report, "Annual Corporate Social Responsibility 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 directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 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 10 and 11, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

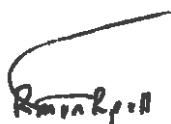
The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 23 February 2018.

Engagement Period

The Annual General Meeting held on 21 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

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



Raimon Ripoll Giralt
Registered in ROAC under no. 16874

23 February 2018

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 2017
(Thousands of Euros)

ASSETS	Notes	31/12/2017	31/12/2016	EQUITY AND LIABILITIES	Notes	31/12/2017	31/12/2016
NON-CURRENT ASSETS							
Goodwill	4	554,861	535,481	EQUITY			
Other intangible assets	5	581,897	533,587	Share capital	12.a	13,070	11,770
Property, plant and equipment	7	210,396	217,045	Share premium	12.b	449,391	313,525
Non-current financial assets	8	11,797	12,570	Retained earnings and other reserves		280,484	300,156
Deferred tax assets	20.3	71,933	87,199	Profit / (Loss) for the year attributable to the Parent		35,582	19,542
Total non-current assets		1,430,884	1,386,882	Treasury Shares	12.c	(1,186)	(2,837)
				Valuation adjustments-			
				Foreign currency translation reserve	12.e	(43,735)	(29,082)
				EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS			
				OF THE PARENT		743,606	613,084
				NON-CONTROLLING INTERESTS	13	51,357	44,500
				Total Equity		734,963	657,594
NON-CURRENT LIABILITIES							
				Long-term provisions	17 & 27.b	17,258	16,928
				Bank borrowings	14	597,519	757,914
				Other financial liabilities	15	27,349	23,527
				Deferred tax liabilities	20.4	161,992	164,849
				Other non-current liabilities	18	33,034	6,980
				Total non-current liabilities		837,152	970,168
CURRENT ASSETS							
Non-current assets held for sale	2.e.1.1	11,750	8,082	CURRENT LIABILITIES			
Inventories	9	8,146		351,943			
Trade and other receivables-	10	343,248		1,698	Short-term provisions	1,074	1,318
Trade and other receivables	10 & 28	3,969		25,519	Bank borrowings	29,385	27,086
Trade receivables from related companies	10	20,678		15,883	Trade and other payables	19	307,709
Other receivables	20.2	20,039		11,284	Trade payables from related companies	19 & 28	521
Corporate income tax assets				24,846	Corporate income tax liabilities	20.2	12,086
Other current assets	11	11		4,621	Other current liabilities	18	21,185
Current financial assets				188,224			9,283
Cash and cash equivalents				573,171	Total current liabilities	371,940	368,346
Total current assets				610,256	TOTAL EQUITY AND LIABILITIES	2,004,055	1,996,108
TOTAL ASSETS				2,004,055		2,004,055	1,996,108

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 2017.

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APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2017

(Thousands of Euros)

	Notes	2017	2016
CONTINUING OPERATIONS			
Revenue		1,583,094	1,586,496
Procurements		(180,926)	(216,974)
Staff costs	21.a	(861,574)	(840,391)
Other operating expenses		(356,986)	(352,324)
Operating Profit Before Depreciation, Amortization and Others		183,608	176,807
Depreciation and amortization charge	5 & 7	(94,381)	(94,362)
Impairment and gains or losses on disposal of non-current assets		1,192	108
Other results	21.b	(8,264)	(5,224)
OPERATING PROFIT		82,155	77,329
Financial Result	22	(21,468)	(18,566)
Share of profit of companies accounted for using the equity method		647	1,724
Profit / (Loss) before tax		61,334	60,487
Corporate income tax	20	(15,728)	(31,912)
Net Profit / (Loss) from continuing operations		45,606	28,575
PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX		-	-
NET CONSOLIDATED PROFIT / (LOSS)		45,606	28,575
Profit / (Loss) attributable to non-controlling interests	13	10,024	9,033
NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT		35,582	19,542
Profit / (Loss) per share (in euros per share)			
- Basic	12.d	0.267	0.150
- Diluted		0.267	0.150

The accompanying Notes 1 to 31 and Appendices I and II are an integral part
of the consolidated statement of profit or loss for 2017.

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APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2017
 (Thousands of Euros)

	2017	2016
NET CONSOLIDATED PROFIT:	45,606	28,575
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	(16,639)	5,114
Fair value gain on hedging instruments entered into for cash flow hedges	-	-
Income tax effect of other comprehensive income	-	-
2. Transfers to the statement of profit or loss:		
Other comprehensive result	(16,639)	5,114
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28,967	33,689
Total comprehensive income for the year attributable to:		
- The Parent	20,909	23,602
- Non-controlling interests	8,058	10,087
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28,967	33,689

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of comprehensive income for 2017.

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APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2017

(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 31/12/2015	11,770	313,525		281,617	38,244	(7,883)	(33,122)	47,145
Changes in the scope of consolidation				(39)				651,296
Allocation of 2015 profit			38,244	(38,244)			(284)	(303)
Dividends paid			(16,902)				(10,294)	
Treasury shares			4,757				(27,196)	
Other changes			(7,521)				9,803	
2016 comprehensive income				19,542		5,046		(9,695)
Balance at 31/12/2016	11,770	313,525		300,156	19,542	(2,837)	4,060	10,087
Changes in the scope of consolidation				(14,598)				657,594
Allocation of 2016 profit			19,542	(19,542)			5,997	(8,601)
Dividends paid			(16,902)				(7,135)	(24,038)
Treasury shares			2,834				4,485	
Capital increase			(1,717)				135,449	
Other changes			1,169				(62)	1,107
2017 comprehensive income				35,582			8,058	28,967
Balance at 31/12/2017	13,070	449,381		290,484	35,582	(1,188)	(14,673)	51,357
								754,963

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of changes in equity for 2017.

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APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017

(Thousands of Euros)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from operating activities before tax		61,334	60,487
Adjustments of items that do not give rise to operating cash flows			
Depreciation and amortisation charge	5 & 7	94,381	94,362
Changes in provisions and allowances		501	(5,229)
Financial result	22	21,468	18,586
Share of profit of companies accounted for using the equity method		(647)	(1,724)
Gains or losses on disposals of intangible and tangible assets		(1,192)	(108)
Profit from operations before changes in working capital (I)		175,845	166,354
Changes in working capital			
Changes in trade and other receivables	9	11,517	27,771
Changes in inventories		(84)	2,044
Changes in trade and other payables		(15,910)	17,494
Cash generated by changes in working capital (II)		(4,477)	47,309
Other cash flows from operating activities			
Other payments	17	(1,980)	(10,381)
Corporate income tax payments		(32,498)	(33,836)
Cash flows from operating activities (III)		(34,478)	(44,217)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)		136,890	169,446
CASH FLOWS FROM INVESTING ACTIVITIES:			
Business combination		5,559	-
Payments due to acquisition of subsidiaries and other non-current financial assets		(95,932)	(2,057)
Proceeds from disposal of subsidiaries		11,857	-
Payments due to acquisition of intangible and tangible assets		(59,032)	(53,736)
Net cash flows used in investing activities (B)		(137,548)	(55,793)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Equity shares		137,166	-
Payments for share issue costs		(2,234)	-
Interest received		1,339	1,339
Interest paid		(17,098)	(17,109)
Net changes in non-current financing (proceeds and payments)		(123,864)	(21,163)
Net changes in current financing (proceeds and payments)		(16,385)	(23,022)
Dividends		(16,902)	(16,902)
Dividends paid by Group companies to non-controlling interests		(7,969)	(7,180)
Net cash flows used in financing activities (C)		(45,947)	(84,037)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (D)		(12,408)	(3,829)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)		(59,013)	25,787
Cash and cash equivalents at beginning of year		188,224	162,437
Cash and cash equivalents at end of year		128,211	188,224

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2017.

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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 32). 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 2017

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.

In 2017 the Parent Company changed its registered office from its former location in Bellaterra-Cerdanyola del Vallès (Barcelona), Campus de la UAB, Ronda de la Font del Carme, s/n to its current location in Madrid, calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes.

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.

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 2017 were authorised for issue by the Parent's Directors at the Board of Directors Meeting held on 21 February 2018. The 2017 consolidated financial statements of the Group and the 2017 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 2016 were approved by the shareholders at the Parent's Annual General Meeting of 21 June 2017.

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 Limited Liability Companies Law and other Spanish corporate law applicable to the Group.

These consolidated financial statements for 2017 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 2017 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2016.

c) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's Directors who are responsible for the preparation of them in accordance with the applicable regulatory financial reporting framework (see section a) above) and for the internal control measures that they consider necessary to make it possible to prepare the consolidated financial statements free from material misstatement.

In the Group's consolidated financial statements for 2017, estimates were made by the Group Executive Committee and of the consolidated companies, 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.m)
- Income from pending to be billed services (see Note 3.s)
- Provisions and contingent liabilities (see Notes 3.l, 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 at 31 December 2017 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in 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 estimates 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.q.

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 2016.

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 were 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.

c) Changes in accounting policies and in disclosures of information effective in 2017

In 2017 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:	
Amendments to IAS 7, Disclosure Initiative (issued in January 2016)	Introduce additional disclosure requirements relating to financing activities.
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)	Clarification of the principles established for recognition of deferred tax assets for unrealised losses.
Not yet approved for use in the European Union:	
Improvements to IFRSs, 2014-2016 cycle: Clarification related to IFRS 12	The clarification in relation to the scope of IFRS 12 and its interaction with IFRS 5 enters into force in this period.

d) Accounting policies issued but not yet in force in 2017

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 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).
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.
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.

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 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 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
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 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 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
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 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
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
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification in relation to the gain or loss resulting from such transactions involving a business or assets.	No date has been set

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 15 Revenue from Contracts with Customers

IFRS 15 is the financial standard on the recognition of revenue from contracts with customers, which will supersede the following standards and interpretations currently in force: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue-Barter Transactions Involving Advertising Services.

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. 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 Group amended its revenue recognition policy in order to adapt it to the methods of applying IFRS 15 in its business activities, based on an analysis of the different types of contracts under which the Group operates in the Applus+ Energy & Industry, Applus+ Laboratories, Applus+ Automotive and Applus+ IDIADA operating segments.

On the basis of this analysis, the Group identified that certain contracts, such as the ones related to non-destructive tests or engineering and consulting projects, are performed as projects which address the use of labour and/or materials to provide one or more services that the customer has contracted, giving rise to one or several performance obligations, to the extent that they may be differentiated under the criteria defined in IFRS 15. In this case, revenue is recognised when each performance obligation is satisfied, on the basis of the costs incurred related to total costs (input method) through the recognition of "unbilled work in progress" (contract assets) to the extent that there is an enforceable right to payment for performance completed to date. Also, these contracts usually include invoices for milestones based on the satisfaction of the performance obligations, although no significant differences were detected between the price determined for each milestone and its fair value. Consequently, the Group has concluded that the performance obligations relating to this type of contract are satisfied over time and that the method currently used to measure progress towards complete satisfaction of the obligations will continue to be appropriate in accordance with IFRS 15.

In relation to the remaining contracts of the Group, including, *inter alia*, supplier inspections and vehicle roadworthiness testing and certification, the revenue arises from the provision of services with one single performance obligation which is satisfied at a specific point in time, whose price is determined in the contracts with the customers; accordingly, as a general rule, the recognition of revenue arising from these activities is not complex and occurs on satisfaction of the aforementioned performance obligation.

In conclusion, based on the new revenue recognition policy and the analysis conducted, the revenue recognition for each of the identified performance obligations is expected to be consistent with the Group's current practice and, accordingly, the application of IFRS 15 is not expected to have any other significant impact on the Group's financial position or performance.

IFRS 9 Financial Instruments

IFRS 9 will supersede IAS 39 and will affect both financial assets and financial liabilities, in three main phases: (i) Classification and measurement; (ii) impairment methodology; and (iii) hedge accounting. The Group performed a preliminary analysis of the impacts that IFRS 9 would have on the consolidated financial statements for the year ended 31 December 2017. The most significant conclusions drawn from the assessment made regarding the possible effects on the Group are as follows:

- *Classification and measurement of financial instruments*

The new 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 assets are classified in one of three measurement categories: (i) amortised cost; (ii) fair value through other comprehensive income (equity); or fair value through profit or loss.

The preliminary analysis did not disclose any significant changes in the classification and measurement of financial assets based on their characteristics and on the Group's current business model. The transition from the four current IAS 39 categories to the three new IFRS 9 categories will entail a change of nomenclature but will not have any impact on the measurement of the assets at the transition date.

- *Changes in the contractual cash flows of a financial liability without derecognition*

Under IFRS 9, when the contractual cash flows of a financial instrument are modified and the modifications do not result in the derecognition of the financial instrument, the entity shall adjust the carrying amount of the financial instrument at the date of the modification, maintaining the financial instrument's original effective interest rate and, therefore, recognising the difference in carrying amount in profit or loss at the date on which the terms and conditions of the financial instrument are modified. This IFRS 9 requirement has been discussed by the IFRIC and is expected to be addressed once again in 2018.

In this connection, in previous years the Group renegotiated its financial liabilities and these renegotiations were considered non-material under IAS 39; consequently, they did not require an adjustment to the carrying amount of the financial liabilities that were not derecognised. The treatment provided for under IFRS 9 requires a change in the carrying amount of the amortised cost of these financial liabilities. The approximate impact at the date of first-time application (1 January 2018) was estimated to be insignificant.

- *Impairment of financial assets*

The new standard replaces the current 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 has recognised write-downs on trade receivables. In addition, a preliminary estimate has been made, under the expected credit loss model, of the additional write-down required as a result of the application of the new model to write down the balances of the financial assets held at 1 January 2018. The results of the preliminary estimate show that the additional write-downs would not be significant.

IFRS 16 Leases

IFRS 16 will come into force in 2019 and will supersede IAS 17 and its 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 (depreciation of the right-of-use asset and a finance cost for the amortised cost of the liability will be recognised).

The Group is assessing the total effect that application of IFRS 16 will have on the consolidated financial statements. 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 commenced a project in order to analyse all the leases included within the scope of this standard and develop the financial reporting systems and the controls thereof for the appropriate accounting of lease arrangements. At the date of authorisation for issue of these consolidated financial statements, this project is in progress. The Group does not intend to apply this standard early and it considers that it will be applied through the modified retrospective method, i.e. retrospectively recognising the cumulative effect as an adjustment to the beginning balance of equity (reserves or as applicable) at the date of first-time application.

- e) *Changes in the scope of consolidation*

- e.1. *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.
 - Emilab, S.R.L.
 - AC6 Metrología, S.L.U.
 - Tunnel Safety Testing, S.A.
- Companies formed during 2017:
 - Applus Iteuve Galicia, S.L.U.
 - Applus Servicios Integrales, S.A.S.
 - Revisiones Técnicas Applus del Ecuador Applus Iteuve S.A.

e.1.1. 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 Spanish subsidiary Supervisión y Control, S.A.U. and the Costa Rican subsidiary Riteve SyC, S.A., both specialised in vehicle roadworthiness testing and over which the Finisterre Group holds direct and indirect ownership interests of 100% and 55%, respectively. These companies were incorporated in 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	22,799

In the provisional amounts recognised 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 consideration received as the contingent price of the transaction (not included in the cost of the business combination). This liability is recognised under "Other Current Liabilities" in the accompanying consolidated statement of financial position. The Parent's Directors consider that these assets will be disposed during the first quarter of 2018, but at the date of authorisation for issue of these consolidated financial statements, these assets were not disposed yet, and the related liability remained outstanding.

The revenue and net profit attributable to the business combination from the date of acquisition to 2017 year-end amounted to EUR 11,202 thousand and EUR 784 thousand, respectively. Had the aforementioned business combination occurred at the beginning of 2017, the revenue and profit for the year of the Finisterre Group would have been approximately EUR 75.1 million and approximately EUR 8.5 million, respectively.

Lastly, there is an agreement whereby a mechanism implemented through call and put options is established 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 recognised a liability for the present value of the estimated amount of this option of EUR 14.2 million, in accordance with IAS 32.23 (see Note 18).

• *Other acquisitions in 2017*

On February 2017, the Applus Group acquired the 100% of the company Primis, S.A., for a fixed amount of EUR 54 thousand. The company was integrated in Applus+Automotive division.

On April 2017, the Applus Group acquired the company Emilab, S.R.L. for a fixed amount of EUR 5,249 thousand. In addition, the agreement included an earn-out provision tied to certain financial goals 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 will prevail for the earn-out to amount to EUR 300 thousand and, accordingly, this amount was taken into account when determining the acquisition cost. The company was integrated in Applus+ Laboratories division.

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

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

Net assets and goodwill generated by the aforementioned acquisitions at the acquisition date are 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

At the date of authorisation for issue of these consolidated financial statements, the process to measure at fair value the assets and liabilities related to these acquisitions had not been completed and, accordingly, the value of the related goodwill is provisional. The Parent's directors consider that the process to measure the assets and liabilities and to allocate the goodwill will be completed in 2018, and that any adjustment will be applied retrospectively in accordance with IFRS 3, Business Combinations.

e.2. Inclusions in the scope of consolidation in 2016:

In 2016 the following companies were included in the scope of consolidation:

- Companies acquired in 2016:

- Aerial Photography Specialist PTY, Ltd.
- Applus Norcontrol República Dominicana, S.R.L.

- Companies formed during 2016:

- Applus Norcontrol Asistencia Técnica SAS
- Shandong Idiada Automotive Ang Tireproving Ground CO, Ltd.
- Applus India Private Limited
- Applus RVIS BV
- Vail Consultancy Services DMCC

e.2.1. Companies acquired in 2016

On 21 January 2016, the Applus Group acquired the Australian company Aerial Photography Specialist Pty, Ltd. for a fixed price of AUD 3,150 thousand (approximately EUR 1,982 thousand). In addition, the agreement included an earn-out provision tied to certain financial goals amounting to a maximum of AUD 6.85 million which the acquire would have to achieve in 2016, 2017, 2018 and 2019 (approximately EUR 4.31 million). The Group considered that conditions will prevail for the earn-out to amount to AUD 648 thousand (approximately EUR 408 thousand) and, accordingly, this amount was taken into account when determining the acquisition cost of the ownership interest.

The company was integrated in Applus+ Energy & Industry division.

The most significant information on this acquisition was as follows (in thousands of euros):

	Aerial Photography Specialist PTY, Ltd.
Non- current assets	107
Trade and other receivables	135
Cash and cash equivalents	32
Current liabilities	(137)
Value of assets and liabilities acquired	137
% of ownership	100%
Acquisition cost	2,390
Goodwill (Note 4)	2,253

On 18 August 2016, the Applus Group acquired the Dominican company Dual Constructora, S.R.L., changing its name to Applus Norcontrol República Dominicana S.R.L. This company was dormant at the time of its acquisition and it was integrated into the Applus+ Energy & Industry division.

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 and trademark licence agreements are measured based on the future royalty income stream from their use. Trademarks and trademark licence agreements are considered to have a finite useful life and are amortised over 25 years, with the exception of the trademark and trademark licence agreement 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 2017, "Property, Plant and Equipment" in the consolidated statement of financial position included EUR 12,959 thousand (31 December 2016: EUR 15,135 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 2018 and with the Group's strategic plan for 2019-2022 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 acquisitions or mergers that might take place in the future were not taken into account in the projections and impairment tests.

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

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

The classification of financial assets depends on their nature and purpose at the time of their initial recognition. All acquisitions and sales of financial assets are recognised and derecognised at the transaction date.

At 2017 year-end the only financial assets the Group had were held-to-maturity investments (see Notes 8 and 11) and loans and receivables (see Note 10).

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of a financial instrument. However, given the nature of the assets classified under "Financial Assets", they are generally recognised at their original acquisition cost, since they mature within 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, 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 bill discounting and the "recourse factoring".

Lastly, at least at each consolidated statement of financial position date, it is determined whether there is any indication that an asset or group of assets might have become impaired so that an impairment loss can be recognised or reversed in order to adjust the carrying amount of the assets to their fair value.

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 2017 and 2016 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.

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.

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 write-down is reversed.

i) Trade and other receivables

Trade and other receivables are recognised at their recoverable amount, i.e. reduced, as appropriate, by the adjustments required to cover balances of a certain age (generally more than one year old), in the event that they can reasonably be classified as doubtful receivables in the circumstances.

The heading also includes the balances of Projects in progress pending to be billed in relation to the execution of work to order for which a firm agreement generally exists.

j) Current financial assets, cash and cash equivalents

Current financial assets relate mainly to cash surpluses invested in short-term fixed-income securities that are generally held to maturity and are recognised at acquisition cost. Interest income is calculated on a time proportion basis in the year in which it accrues.

The balance of cash and cash equivalents recognised in the consolidated statement of financial position as at 31 December 2017 and 2016 includes the bank balances, available cash and the current financial assets maturing within three months.

k) 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.

l) 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.

m) 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 2017 the Group had not outstanding financial derivative products.

n) 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 2017.
- 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 2017 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 of 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 Notes 19 and 29).
- d) Long-term special incentive plan granted the Executive Director and certain Senior Executives, related to the Group Initial Public Offering (IPO) that consists of conferring RSUs (convertible into Parent's shares), based on a continuing service for a determined period of time. This plan has been completed with the last delivery made in May 2017 (see Notes 19 and 29).

a) 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.

p) Financial liabilities

Financial liabilities are classified into the following categories: financial liabilities at fair value through the consolidated statement of profit or loss and other financial liabilities. At 31 December 2017 the Group only has other financial liabilities.

Other financial liabilities (including loans and trade and other payables) are recognised at amortised cost using the effective interest method.

Effective interest method

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial instrument. The Group recognises trade payables at their nominal value, without any explicit interest accrual, since they mature within less than one year.

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

q) 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 2017 and 2016 is as follows (in thousands of euros):

Balances held in:	Foreign currency:	31/12/17	31/12/16
US Dollar	USD	433,165	510,103
Canadian Dollar	CAD	68,811	77,909
Pound Sterling	GBP	56,501	60,994
Danish Krone	DKK	53,367	55,555
Australian Dollar	AUD	45,688	49,636
Chilean Peso	CLP	43,197	48,978
Saudi Riyal	SAR	31,776	23,904
Colombian Peso	COP	29,610	30,741
Chinese Yuan	CNY	19,292	21,397
Qatari Riyal	QAR	18,368	22,319
United Arab Emirates Dirham	AED	16,516	22,249
Costa Rican Colon	CRC	16,158	246
Brazilian Real	BRL	15,862	16,469
Czech Koruna	CZK	15,231	14,068
Indonesian Rupiah	IDR	11,897	10,829
Norwegian Krone	NOK	9,957	8,462
Singapore Dollar	SGD	8,008	14,516
Argentine Peso	ARS	7,535	12,570
Mexican Peso	MXN	6,537	7,188
Uruguayan Peso	UYU	6,287	■
Guatemalan Quetzal	GTQ	5,972	5,545
Panamanian Balboa	PAB	5,329	5,073
Malaysian Ringgit	MYR	5,259	7,998
Others		35,248	38,582
Total		965,571	1,065,331

The average and closing rates used in the translation to euros of the balances held in foreign currency for years 2017 and 2016 are as follows:

1 Euro	Foreign currency:	2017		2016	
		Average rate	Closing rate	Average rate	Closing rate
Danish Krone	DKK	7.44	7.44	7.45	7.43
Norwegian Krone	NOK	9.32	9.88	9.30	9.04
Czech Koruna	CZK	26.34	25.67	27.02	27.01
United Arab Emirates Dirham	AED	4.14	4.34	4.07	3.82
Canadian Dollar	CAD	1.46	1.52	1.47	1.39
Singapore Dollar	SGD	1.56	1.59	1.53	1.50
US Dollar	USD	1.13	1.18	1.11	1.04
Papua New Guinean Kina	PGK	3.5	3.71	3.39	3.21
Pound Sterling	GBP	0.88	0.88	0.82	0.84
Argentine Peso	ARS	18.64	20.83	16.32	16.46
Chilean Peso	CLP	732.01	734.21	749.57	701.95
Colombian Peso	COP	3,327.79	3,511.24	3,381.81	3,111.39
Mexican Peso	MXN	21.27	22.74	20.63	21.24
Brazilian Real	BRL	3.6	3.89	3.87	3.48
Qatari Riyal	QAR	4.14	4.31	4.04	3.78
Malaysian Ringgit	MYR	4.85	4.83	4.57	4.64
Saudi Riyal	SAR	4.23	4.44	4.15	3.90
Indonesian Rupiah	IDR	15,060.24	16,077.17	14,727.54	13,947.00
Australian Dollar	AUD	1.47	1.54	1.49	1.43
Nuevo Sol	PEN	3.67	3.88	3.74	3.53
Kuwait Dinar	KWD	0.34	0.35	0.33	0.32
Guatemalan Quetzal	GTQ	8.28	8.68	8.43	7.76
Chinese Yuan	CNY	7.62	7.8	7.35	7.21

r) **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, Finland, the US and Germany.

s) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, value added tax (or equivalent tax) and other sales-related taxes.

Revenue associated with the rendering of services is also recognised by reference to the percentage of completion of the transaction at the consolidated statement of financial position date, provided the outcome of the transaction can be estimated reliably. In particular, revenue from projects in progress related to the multi-industry certification or engineering business is recognised by the Group on the basis of the percentage of completion of each individual project, giving rise to a balancing entry consisting of an asset for the difference between the amount billed and the amount yet to be billed for each project.

A part of the Group's activity consists of the execution of work under contract for which a firm agreement generally exists.

As regards work units completed for output, each year the Group recognises as profit or loss the difference between period output and the costs incurred during the year. Output each year is measured at the selling price of the units completed in the year that, since they are covered by the contract entered into with the owners, do not give rise to any reasonable doubts regarding their final billing.

t) 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.

u) Discontinued operations

A discontinued operation is a business segment that has been decided to abandon 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 2017 or 2016.

v) Segment information

The Parent's Directors considered the following five operating segments 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.

w) 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.

x) 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.

y) 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 by the Group companies.

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.

z) 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 2017 and 2016 is as follows:

Cash-generating unit	Thousands of Euros	
	31/12/17	31/12/16
Auto Spain (*)	170,972	170,972
Energy & Industry Northern Europe	102,303	102,303
Energy & Industry North America	89,986	96,997
IDIADA	56,229	56,390
Energy & Industry Seameap	41,831	43,301
Laboratories	37,999	32,251
Auto Finisterre	22,799	22,799
Energy & Industry Spain	10,338	10,338
Energy & Industry Latin America	8,160	8,690
Auto Denmark	6,843	6,835
Auto US (*)	6,141	6,141
Other	1,260	1,263
Total goodwill	554,861	535,481

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

The changes in 2017 and 2016 were as follows:

	Thousands of Euros
Balance at 1 January 2016	527,988
Changes in the scope of consolidation (Note 2.b.e.2)	2,253
Translation differences	5,240
Balance at 31 December 2016	535,481
Changes in the scope of consolidation (Note 2.b.e.1)	28,917
Translation differences	(9,537)
Balance at 31 December 2017	554,861

The changes in the scope of consolidation in 2017 relate 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.1.1). 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 are managed and reported separately.

The changes in the scope of consolidation in 2016, related mainly to the acquisition of the Australian company Aerial Photography Specialist Pty, Ltd. (see Note 2.b.e.2.1).

The assumptions used in the tests to determine the impairment recognised in 2017 and 2016 are detailed in Note 6.

5. Other intangible assets

The changes in 2017 and 2016 in intangible asset accounts and in the related accumulated amortisation and impairment losses were as follows:

	2017 - Thousands of Euros						
	Balance at 1 January 2017	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 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

	2016 - Thousands of Euros						Balance at 31 December 2016
	Balance at 1 January 2016	Changes in the scope of consolidation (Note 2.b.e.2)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	
Cost:							
Administrative concessions	112,165	-	-	-	-	-	112,165
Patents, licences and trademarks	272,677	13	2	-	4	29	272,725
Administrative authorisations	259,910	-	-	-	-	-	259,910
Customer portfolio	172,551	-	-	-	-	2,339	174,890
Computer software	61,254	-	7,110	(2,321)	135	944	67,122
Goodwill acquired	19,815	-	135	-	-	(1,182)	18,768
Asset usage rights	72,960	-	-	-	-	-	72,960
Other	35,673	29	2,652	(1,692)	(31)	(695)	35,936
Total cost	1,007,005	42	9,899	(4,013)	108	1,435	1,014,476
Accumulated amortisation:							
Administrative concessions	(64,934)	-	(6,268)	-	-	2	(71,200)
Patents, licences and trademarks	(85,654)	(6)	(12,570)	-	(4)	(29)	(98,263)
Administrative authorisations	(64,933)	-	(15,837)	-	-	-	(80,770)
Customer portfolio	(67,030)	-	(10,820)	-	-	(364)	(78,214)
Computer software	(51,127)	-	(4,793)	2,265	(64)	(678)	(54,397)
Goodwill acquired	(79)	-	-	-	-	1	(78)
Asset usage rights	(35,107)	-	(2,503)	-	(9)	-	(37,619)
Other	(18,710)	(18)	(4,235)	520	-	(53)	(22,496)
Total accumulated amortisation	(387,574)	(24)	(57,026)	2,785	(77)	(1,121)	(443,037)
Total impairment losses	(37,882)	-	-	-	-	-	(37,882)
Total net value	581,549	18	(47,127)	(1,228)	31	314	533,557

Identification and measurement of intangible assets in business combinations

In 2016 the Group's the measurement at fair value of the assets and liabilities of the SKC Group and Aerial Photography Specialist Pty, Ltd. on 30 November 2015 and 21 January 2016, respectively.

The assets and liabilities identified in the different business combinations of Applus Group are as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Administrative authorisations	259,910	259,910
Trademarks	254,624	254,624
Administrative concessions	193,510	102,319
Customer portfolio	170,800	174,531
Rights of use	57,515	57,515
Trademark licence agreement	16,939	16,939
Databases	273	273
Total allocation of goodwill to assets	953,571	866,111

In 2017, the amortisation charge associated with these revalued assets recognised in the accompanying consolidated statement of profit or loss amounted to EUR 50,123 thousand (2016: EUR 47,627 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 2017, the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, Galicia, the Basque Country, and Menorca), 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 North America, 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 and the Velosi trademark licence agreement. 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 (AVANCSA)") 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 2017 and 2016 are as follows:

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

	2016 -- 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	Others	Total
Cost:													
Administrative concessions	94,102	-	-	-	-	-	182	-	17,881	-	-	-	112,165
Patents, licences and trademarks	18,598	89,405	10,144	58,575	28,210	12,294	40,096	8,772	6,488	1	-	142	272,725
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	259,910
Customer portfolio and other	-	41,532	-	27,131	73,126	-	18,822	4,501	-	9,778	-	-	174,890
Computer software	3,860	7,766	13	5,048	784	6,097	6,919	3,875	8,049	2,500	1,941	20,270	67,122
Goodwill acquired	-	8,562	769	-	3,715	3,876	1,381	265	-	-	200	-	18,768
Asset usage rights	1,241	-	-	-	-	36,729	3	34,987	-	-	-	-	72,960
Other	1,072	11,529	590	29	-	15,296	3,583	1,711	1,180	4	942	-	35,936
Total cost	284,859	158,794	105,440	90,783	105,835	74,292	70,986	54,111	33,598	12,283	3,083	20,412	1,014,476
Accumulated amortisation:													
Administrative concessions	(60,644)	-	-	-	-	-	(182)	-	(10,374)	-	-	-	(71,200)
Patents, licences and trademarks	(6,763)	(29,843)	(3,486)	(22,877)	(10,250)	(4,480)	(14,700)	(3,187)	(2,534)	(1)	-	(142)	(98,263)
Administrative authorisations	(27,975)	-	(52,795)	-	-	-	-	-	-	-	-	-	(80,770)
Customer portfolio and other	-	(15,090)	-	(18,160)	(22,736)	-	(18,822)	(1,863)	-	(1,543)	-	-	(78,214)
Computer software	(3,288)	(5,798)	(13)	(2,622)	(692)	(4,556)	(6,244)	(3,065)	(6,123)	(1,710)	(1,890)	(18,396)	(54,397)
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	(78)
Asset usage rights	(1,247)	-	-	-	-	(15,165)	(3)	(21,204)	-	-	-	-	(37,619)
Other	(516)	(6,197)	(381)	(21)	-	(9,988)	(2,716)	(1,685)	(989)	(3)	-	-	(22,496)
Total accumulated amortisation	(100,433)	(56,928)	(56,675)	(43,680)	(33,678)	(34,189)	(42,738)	(31,011)	(20,020)	(3,257)	(1,890)	(18,538)	(443,037)
Total impairment (Note 6)	(7,051)	(16,744)	(8,115)	-	-	-	-	-	(5,972)	-	-	-	(37,882)
Total net value	177,375	85,122	40,650	47,103	72,157	40,103	28,248	23,100	7,606	9,026	1,193	1,874	533,557

Impairment of intangible assets

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

Other matters

At 31 December 2017, fully amortised intangible assets in use amounted to EUR 74,360 thousand (31 December 2016: EUR 64,836 thousand). The Group did not have any temporarily idle items at 31 December 2017 or 2016.

At 31 December 2017 and 2016, 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. The detail of the carrying amount of the assets subject to reversion at 31 December 2017 and 2016 is as follows:

	2017 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
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	77,762	(58,443)	19,319



	2016 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
Applus Iteuve Euskadi, S.A.U. LGAI Technological Center, S.A.	996 14,200	(996) (13,941)	- 259
Total	15,196	(14,937)	259

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 2017 and 2016.

When conducting the impairment test the Parent's Directors considered the impact of the current economic environment on their future estimates, specifically and mainly the actual and future estimates of oil prices, which could have a negative impact on the cash-generating units relating to the Applus+ Energy & Industry division. It is not considered that the other cash-generating units of the Group are affected by any commodity prices.

Impairment test assumptions

The key assumptions to determine fair value that were used to test for impairment in 2017 and 2016 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 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 2017 and 2016 by business and geographical area is as follows:

Business	2017		2016	
	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	5.7% - 7.4%	1.7% - 2.3%	5.6% - 7.0%	1.6% - 2.3%
Energy & Industry	7.0% - 11.1%	1.7% - 3.3%	6.2% - 11.4%	1.6% - 3.0%
Laboratories	7.7%	1.9%	7.0%	1.8%
IDIADA	9.0%	2.0%	8.3%	1.9%

Country/geographical area	2017		2016	
	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	7.4% - 8.1%	1.7%	7.0% - 7.7%	1.6%
Rest of Europe	5.7% - 7.0%	1.9% - 2.0%	5.6% - 6.2%	1.7% - 2.0%
US and Canada	6.5% - 7.6%	2.2% - 2.3%	5.8% - 6.3%	2.2% - 2.3%
Latin America	11.1%	3.1%	11.4%	3.0%

c) EBITDA projections:

EBITDA is defined as operating profit before depreciation, amortization and other results (hereinafter - EBITDA).

Group Executive Committee prepares and updates a Business Plan by geographical market 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 2018 budget approved by the Board of Directors of the Parent together with the projections for 2019-2022.

In order to calculate the recoverable amount of each asset the present value of its cash flows was determined using the budget and the Business Plan for 2019-2022 prepared by the Group Executive Committee.

The Business Plan and, consequently, the projections were prepared on the basis of past experience and on the best estimates available. Consequently, sales and margins reflect best estimates available on the developments expected 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 present 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 sales plan broken down mainly by industry, geographical area and customer. 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 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 2017 (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
177	87	Auto Spain	-	-
8,249	3,854	Auto Denmark	-	-
377	212	Auto Finland	(2,105)	(4,218)
-	-	Auto US	-	-
-	-	Energy & Industry Northern Europe	-	-
-	-	Energy & Industry North America	-	-
-	-	Energy & Industry Seameap	-	-
-	-	Energy & Industry Spain	-	-
-	-	Energy & Industry Latin America	-	-
-	-	IDIADA	-	-
-	-	Laboratories	-	-
8,803	4,153	Total	(2,105)	(4,218)

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
5,864	1,650	Auto Spain Auto Denmark Auto Finland Auto US Energy & Industry Northern Europe Energy & Industry North America Energy & Industry Seameap Energy & Industry Spain Energy & Industry Latin America IDIADA Laboratories	(514)	(3,106)
5,864	1,650	Total	(514)	(3,106)

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

+10% EBITDA	+5% EBITDA	Cash-generating unit	-5% EBITDA	-10% EBITDA
768	384	Auto Spain Auto Denmark Auto Finland Auto US Energy & Industry Northern Europe Energy & Industry North America Energy & Industry Seameap Energy & Industry Spain Energy & Industry Latin America IDIADA Laboratories	(727)	(1,970)
3,002	1,759			
719	385			
4,489	2,528	Total	(727)	(1,970)

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 perpetuity rate of return 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	Perpetuity rate of return (g) which would give rise to impairment
Auto Spain	15.8%	9.0%	<0
Auto Denmark	74.2%	23.0%	<0
Auto Finland	2.1%	6.3%	1.9%
Auto US	32.2%	10.1%	<0
Energy & Industry Northern Europe	30.8%	10.5%	<0
Energy & Industry North America	20.4%	9.6%	<0
Energy & Industry Seameap	17.8%	12.4%	<0
Energy & Industry Spain	55.5%	23.0%	<0
Energy & Industry Latin America	21.7%	15.2%	<0
IDIADA	39.9%	19.9%	<0
Laboratories	20.8%	10.8%	<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 2017 and 2016 in the various property, plant and equipment accounts and in the related accumulated amortisation and provision were as follows:

	2017 – Thousands of Euros						
	Balance at 1 January 2017	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 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 the course of construction	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 amortisation:							
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 amortisation	(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

	2016 – Thousands of Euros						
	Balance at 1 January 2016	Changes in the scope of consolidation (Note 2.b.e.2)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2016
Cost:							
Land and buildings	161,450	(1)	2,895	(772)	1,906	3,382	168,860
Plant and machinery	237,254	174	16,818	(10,989)	3,959	4,591	251,807
Other fixtures, tools and furniture	67,060	34	3,169	(699)	837	481	70,882
Other items of property, plant and equipment	71,660	136	6,355	(4,053)	628	2,151	76,877
Advances and property, plant and equipment in the course of construction	9,739	(30)	14,734	(45)	(7,105)	318	17,611
Grants	(149)	-	18	(432)	-	(1)	(564)
Total cost	547,014	313	43,989	(16,990)	225	10,922	585,473
Accumulated amortisation:							
Land and buildings	(56,003)	-	(5,434)	346	196	(633)	(61,528)
Plant and machinery	(157,670)	(131)	(21,439)	9,331	407	(3,544)	(173,046)
Other fixtures, tools and furniture	(51,350)	(10)	(3,775)	423	(172)	(378)	(55,262)
Other items of property, plant and equipment	(71,289)	(78)	(6,138)	3,457	(671)	(1,922)	(76,641)
Total accumulated amortisation	(336,312)	(219)	(36,786)	13,557	(240)	(6,477)	(366,477)
Total impairment	(1,495)	-	(550)	94	-	-	(1,951)
Total net value	209,207	94	6,653	(3,339)	(15)	4,445	217,045

In 2017 the additions are related to the Group's normal course of operations.

The changes in exchange rates gave rise to a negative impact on the cost of the assets (positive in prior year), 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 2017 amounted to EUR 206,066 thousand (31 December 2016: EUR 197,266 thousand). The Group did not have any temporarily idle items at 31 December 2017 or 2016.

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 2017 and 2016, 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 2017 and 2016 and no disbursements made or advances granted at 31 December 2017 or 2016.

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 carrying amount of the assets subject to reversion at 31 December 2017 and 2016 is as follows:

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

	2016 - Thousands of Euros		
	Gross cost	Accumulated depreciation/ Impairment	Carrying amount
IDIADA Automotive Technology, S.A.	45,634	(24,545)	21,089
Applus Iteuve Technology, S.L.U.	41,759	(38,330)	3,429
Applus Iteuve Euskadi, S.A.U.	2,431	(1,882)	549
Total	89,824	(64,757)	25,067

The detail of the main assets held by the Group under finance leases at 31 December 2017 and 2016 is as follows:

	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	11	9	7	-	-	-	5
Computer hardware	156	119	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	1,928	678	348	233	205	486	22

	2016 – Thousands of Euros							
	Lease payments paid 2016	Lease payments outstanding	2017	2018	2019	2020	Others	Value of purchase option
Land and buildings	102	1,359	158	157	158	158	728	-
Plant and machinery	82	33	17	9	7	-	-	6
Furniture	66	28	28	-	-	-	-	-
Computer hardware	102	234	106	128	-	-	-	17
Transport equipment	1,948	1,051	607	304	140	-	-	-
Total assets held under finance lease	2,300	2,705	916	598	305	158	728	23

At 31 December 2017 and 2016, 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 2017 and 2016 have been as follows:

	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
Investments in other companies	4,908	3,068	(3,670)	(369)	3,937
Non-current receivables	334	996	(314)	4	1,020
Deposits and guarantees	7,928	1,222	(1,244)	(466)	7,440
Impairment	(600)	-	-	-	(600)
Total	12,570	5,286	(5,228)	(831)	11,797

	2016 – Thousands of Euros				
	Balance at 1 January 2016	Additions or charge for the year	Disposals, transfers or dividend distribution	Change in exchange rate	Balance at 31 December 2016
Investments in other companies	5,489	1,729	(2,257)	(53)	4,908
Non-current receivables	448	69	(177)	(6)	334
Deposits and guarantees	8,629	1,215	(2,262)	346	7,928
Impairment	(600)	-	-	-	(600)
Total	13,966	3,013	(4,696)	287	12,570

Investments in other companies

In 2017 the Group recognised additions under "Investments in other companies" relating to the effect of associates accounted for using the equity method earning profits of EUR 647 thousand in 2017 (2016: EUR 1,724 thousand).

The main financial information on "Investments in Other Companies" at the end of 2017 and 2016 is as follows:

	2017 – Thousands of Euros			
	Velosi LLC	Velosi (B) Sdn Bhd	Oman Inspection and Certification Services, LLC	Total
Country	Oman	Brunei	Oman	
Percentage of ownership	50%	50%	50%	
Non-current assets	1,576	187	2	1,765
Current assets	12,691	1,903	1,171	15,765
Liabilities	(10,833)	(696)	(40)	(11,569)
Net assets	3,434	1,394	1,133	5,961
Revenue	16,611	1,972	176	18,759
Profit after tax	1,257	(53)	37	1,241
Value of the investment	1,743	696	567	3,006

	2016 – Thousands of Euros		
	Velosi LLC	Velosi (B) Sdn Bhd	Total
Country	Oman	Brunei	
Percentage of ownership	50%	50%	
Non-current assets	1,087	262	1,349
Current assets	18,461	1,997	20,458
Liabilities	(12,778)	(601)	(13,379)
Net assets	6,770	1,658	8,428
Revenue	43,059	2,567	45,626
Profit after tax	3,185	261	3,446
Value of the investment	3,285	827	4,112

Deposits and guarantees

At 31 December 2017, "Deposits and Guarantees" included EUR 3 million (2016: EUR 3.9 million) relating to restricted cash deposits to secure certain contracts entered into.

9. Inventories

The detail of the Group's inventories at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Goods held for resale	7,655	7,570
Raw materials and other supplies	491	492
Total inventories	8,146	8,062

These inventories relate mainly to X-Ray material used in non-destructive testing by the Energy & Industry division, reagents, fungibles and chemical compounds used in laboratory or field tests by the Laboratories division and spare parts and items used at the vehicle roadworthiness testing centres of the 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 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Trade receivables for sales and services	282,339	285,650
Work in progress	90,274	95,560
Provision for doubtful debts	(29,365)	(29,267)
Trade receivables for sales and services	343,248	351,943
Trade receivables from related companies (Note 28)	3,969	1,698
Other receivables	12,567	19,613
Other accounts receivable from public authorities	8,111	5,906
Total trade and other receivables	367,895	379,160

The Group's average collection period for services rendered was 50 days in 2017 (2016: 51 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	
	31/12/17	31/12/16
Not due	166,440	170,514
0-30 days	39,972	48,245
31-90 days	27,535	22,676
91-180 days	16,112	12,174
181-360 days	10,989	9,585
More than 360 days	21,291	22,456
Total trade receivables for sales and services	282,339	285,650
Provision for doubtful debts	(29,365)	(29,267)
Total trade receivables for sales and services, net	252,974	256,383

"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 Group Executive Committee considers that there is reasonable assurance of their billing (see Note 3.s).

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 Executive Committee 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, particularly in the industries with a higher risk of insolvency. In 2017 and 2016 particular attention has been paid to monitoring and recovering past-due receivables and a detailed analysis of customers with associated insolvency or default risks has been performed.

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 2017 and 2016 in the provision for doubtful debts are as follows:

	Thousands of Euros
Balance at 1 January 2016	27,843
Additions	6,880
Amounts used	(3,081)
Disposals	(2,747)
Effect of exchange rate changes	372
Balance at 31 December 2016	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

In 2017 the Group has derecognised EUR 3,617 thousand of provisioned accounts receivable (2016: EUR 2,747 thousand) as they have been considered to be uncollectible.

11. Current financial assets, cash and cash equivalents

Current financial assets

At 31 December 2017, the amount included as short-term deposits and guarantees amounting to EUR 4,239 thousand (31 December 2016: EUR 3,722 thousand) and other financial assets of EUR 20,607 thousand (31 December 2016: EUR 899 thousand), whose conversion to cash is expected to be within 12 months.

Cash and cash equivalents

At 31 December 2017 and 2016, 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.

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 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.

Therefore, at 31 December 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.

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.

Per the notifications of the number of shares submitted to the Spanish National Securities Market (CNMV), the shareholders owning significant direct and indirect interests in the share capital of the Parent representing more than 3% of the total share capital at 31 December 2017, were as follows:

	% share
Southeaestern Concentrated Value Limited	14.48%
Threadneedle Asset Management Limited	8.20%
Norges Bank	4.53%
Harris Associates Investment Trust	4.61%
River & Mercantile Group P.L.C.	3.06%

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.

Also, the tax on corporate transactions amounting to EUR 1,231 thousand relating to a capital increase performed on 29 November 2007 is recognised as a reduction of share capital at the consolidated tax group.

b) Reserves and share premium

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred 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 2017 the balance of this reserve amount to EUR 2,600 thousand and it had not reached the legally required minimum (EUR 2,600 thousand at the end of 2016).

At 31 December 2017 and 2016, the share premium reserves amounted to EUR 449,391 and EUR 313,525, respectively, thousand and it is fully available.

The Spanish Limited Liability Companies Law 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 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.z).

At 31 December 2016, the Group held a total of 290,450 treasury shares at an average cost of EUR 9.77 per share. The value of these treasury shares totalled EUR 2,837 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2016 (see Note 3.z).

In March and May 2017 the Group delivered to the Executive Director, Senior Executives and certain executives of the Group a total of 577,706 shares, (516,749 shares in 2016) in all cases in accordance with the schedule approved in the economic incentive plan arising from the IPO and in the new incentive 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 2017 and 2016 the profit per share is as follows:

	2017	2016
Number of shares	143,018,430	130,016,755
Average number of shares	133,267,174	130,016,755
Net consolidated profit attributable to the Parent (thousands of euros)	35,582	19,542
Number of treasury shares	112,744	290,450
Number of shares in circulation	143,018,430	130,016,755
Profit per share (in euros per share)		
- Basic	0.267	0.150
- Diluted	0.267	0.150

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 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Applus+ Energy & Industry	(7,274)	7,677
Applus+ Laboratories	(704)	388
Applus+ Automotive	(37,704)	(47,792)
Applus+ IDIADA	332	1,128
Other	1,615	9,537
Total	(43,735)	(29,062)

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 2017 and 2016 are as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Bank borrowings (Note 14)	626,904	785,000
Other financial liabilities (Note 15)	27,349	23,527
Current financial assets (Note 11)	(24,846)	(4,621)
Cash and cash equivalents	(129,211)	(188,224)
Net financial debt	500,196	615,682
Total equity	794,963	657,594
Leverage (Net financial debt / Net debt + Equity)	39%	48%

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 2017 and 2016 is as follows:

	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

	2016 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	13,771	738	14,509
IDIADA Automotive Technology, S.A. subgroup	7,654	3,574	11,228
Arctosa Holding B.V. subgroup	136	112	248
Velosi S.à r.l. subgroup	13,842	4,416	18,258
Applus Iteuve Technology, S.L.U. subgroup	64	193	257
Total non-controlling interests	35,467	9,033	44,500

The changes in "Non-Controlling Interests" in 2017 and 2016 are summarised as follows:

	Thousands of Euros	
	2017	2016
Beginning balance	44,500	47,145
Changes in the scope of consolidation (Note 2.b.e.)	5,997	(264)
Dividends	(7,136)	(10,294)
Translation differences	(1,966)	1,054
Other changes	(62)	(2,174)
Profit for the year	10,024	9,033
Ending balance	51,357	44,500

14. Bank borrowings

The detail, by maturity, of the bank borrowings in the accompanying consolidated statement of financial position at 31 December 2017 and 2016 is as follows:

	2017 - Thousands of Euros						
	Limit	Current maturity	Non-current maturity				
			2019	2020	2021	2022 onwards	Total
Syndicated loan	738,028	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	848,820	29,385	352	596,477	205	485	597,519

	2016 - Thousands of Euros						
	Limit	Current maturity	Non-current maturity				
			2018	2019	2020	2021 onwards	Total
Syndicated loan	845,733	974	-	-	753,484	-	753,484
Other loans	-	1,759	1,764	877	-	-	2,641
Credit facilities	123,127	23,437	-	-	-	-	-
Obligations under finance leases	-	916	598	305	158	728	1,789
Total	968,860	27,086	2,362	1,182	753,642	728	757,914

a) **Syndicated loan**

Syndicated loan bears interest at Euribor (for tranches in euros) / Libor (for tranches in foreign currency) plus a spread on the borrowed amount, which at the date of this report was 1.65%.

All the tranches have a single maturity of 26 June 2020.

The structure of the syndicated loan in 2017 and 2016 is as follows:

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	

2016

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A1	478,903	478,903	26/06/2020
Facility A2	192,372	192,372	26/06/2020
Facility A3	24,458	24,458	26/06/2020
Facility B	150,000	-	26/06/2020
Effect of exchange rate changes	-	65,034	
Interest	-	974	
Debt arrangement expenses	-	(7,283)	
Total	845,733	754,458	

EUR 479 million has been drawn down from the Facility A1 tranche, USD 118 million has been drawn down from the Facility A2 tranche (approximately, EUR 100 million) and GBP 20 million has been drawn down from the Facility A3 tranche (approximately, EUR 23 million).

No amount had been drawn down from the EUR 150 million Facility B tranche at 31 December 2017 and 31 December 2016.

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

The syndicated loan agreement contains a financial covenant relating to the achievement of a financial leverage ratio, defined as consolidated net financial debt/consolidated EBITDA that must not exceed the values set for each half year throughout the term of the loan and detailed below:

- Up to 4.5 times until 30 June 2017 (inclusive).
- Up to 4.0 times from 31 December 2017 (inclusive) until the maturity of the syndicated loan.

Therefore as at 31 December 2017, the financial leverage ratio must be lower than 4.0 times. The actual ratio based on the consolidated financial statements as at 31 December 2017 and using the definitions for net financial debt and consolidated EBITDA within the syndicated loan agreement is 2.4.

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

The Group also has certain obligations under the syndicated loan 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

Shares of certain Applus Group subsidiaries have been pledged to secure the syndicated loan.

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 15,443 thousand had been used at 2017 year-end (2016 year-end: EUR 14,828 thousand).

c) Disclosure for currency of bank borrowings

The detail of the main current and non-current bank borrowings at 31 December 2017 and 2016, by currency, is as follows:

	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

	2016 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	474,559	256,021	23,878	-	-	-	754,458
Other loans	-	-	57	4,343	-	-	4,400
Credit facilities	4,580	4,814	1,381	6,866	5,668	128	23,437
Finance leases	58	739	-	10	28	1,870	2,705
Total	479,197	261,574	25,316	11,219	5,696	1,998	785,000

15. Other non-current financial liabilities

The detail of the related headings in the accompanying consolidated statement of financial position at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Payable due to reversion	20,547	16,025
Other non-current financial liabilities	6,802	7,502
Total other non-current financial liabilities	27,349	23,527

"Payable due to reversion" for 2017 and 2016 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 16,025 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 2017 also includes provisions of EUR 4,522 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) the most significant financial risk for the Group.

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 2017 and 2016 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.

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

	2017	2016
Average interest rate	2.28%	2.12%
Average financial debt drawn (thousands of euros)	732,023	779,871

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%	2017	2016
Change in borrowing costs (thousands of euros)	3,660	3,899

c) Liquidity risk

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.

Hedging instruments arranged

At 31 December 2017, the Group does not have any hedging instruments arranged.

17. Non-current provisions

The detail of "Non-Current Provisions" in 2017 and 2016 is as follows (in thousands of euros):

	31/12/17	31/12/16
Long-term employee obligations	9,662	7,689
Other provisions	7,596	9,239
Non-Current provisions	17,258	16,928

The changes in "Non-Current Provisions" in 2017 and 2016 are as follows:

	Thousands of Euros
Balance at 1 January 2016	28,888
Additions	1,687
Amounts used	(4,657)
Finnish Tax Audit	(9,160)
Effect of exchange rate changes	170
Balance at 31 December 2016	16,928
Changes in the scope of consolidation (Note 2.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

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 4,972 thousand (2016: EUR 5,912 thousand) and to employees of the Energy & Industry Northern Europe cash-generating unit amounting to EUR 1,791 thousand (2016: 1,777 thousand) and to certain staff of the Finisterre cash-generating unit amounting to EUR 2,355 thousand (see Note 2.e.1.1).

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	
	31/12/17	31/12/16
Tax risks	2,118	5,955
Legal contingencies	2,929	2,929
Other provisions	2,549	355
Total	7,596	9,239

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 20.6.

The main legal contingencies covered by provisions are as follows:

- Litigation in progress due to alleged breach by one of the subsidiaries of an agreement with a third party. A provision of EUR 1,500 thousand was recognised relating to the risk estimated by the Directors and their legal advisers arising from the outcome of this litigation.
- An arbitral award ordering a Group subsidiary to pay USD 3,347 thousand to a third party and ordering a third party to pay USD 2,220 thousand to a Group subsidiary due to discrepancies in the final outcome of work performed on a project. The Group recognised a provision of EUR 1,429 thousand.

18. Other current and non-current liabilities

The detail of "Other Non-Current Liabilities" and "Other Current Liabilities" in 2017 and 2016 is as follows (in thousands of euros):

	31/12/17	31/12/16
Variable price of the acquisition of ownership interest payable at long term	19,846	1,933
Other non-current liabilities	13,188	5,017
Other non-current liabilities	33,034	6,950
Variable price of the acquisition of ownership interest payable at short term	13,716	1,339
Other current liabilities	7,469	7,944
Other current liabilities	21,185	9,283
Total other liabilities	54,219	16,233

"Variable price of the acquisition of ownership interest payable" includes the amounts payable for business combinations performed in 2017 and prior years in relation to contingency payouts and variable payouts (earn outs) which the Directors consider 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 Finisterre Group described in Note 2.b.e.1.1., there is an agreement whereby a mechanism implemented through call and put options is established 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 14.2 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.1.1.).

"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 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Trade and other payables	179,527	190,113
Trade and other payables with related companies (Note 28.b)	521	3
Remuneration payable	58,249	66,718
Tax payable	69,933	61,736
Total	308,230	318,570

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

The Group's average payment period in 2017 was 60 days (2016: 58 days).

"Remuneration Payable" mainly relates to ordinary remuneration payable as annual bonus, extra-pay and holidays accruals.

Additionally, "Remuneration Payable" includes the following amounts:

- a) EUR 1,775 thousand (31 December 2016: EUR 1,019 thousand) relating to the variable remuneration plan comprising the annual delivery of RSUs to certain executives and employees of the Group (see Note 29).
- b) EUR 745 thousand (31 December 2016: EUR 372 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.

	2017	2016
	Days	Days
Average payment period to suppliers	60	58
Ratio of transactions settled	61	60
Ratio of transactions not yet settled	52	43
	Thousands of Euros	Thousands of Euros
Total payments made	87,748	85,630
Total payments outstanding	7,677	4,407

The data shown in the table above relates exclusively to the Spanish companies. 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 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 2016).

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 2018.

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 2017 and 2016 is as follows (in thousands of euros):

	2017	2016
Current tax:		
For the year	26,117	27,951
Impact of Royal Decree-Law 3/2016	-	2,273
	26,117	30,224
Deferred tax:		
For the year	(5,218)	(7,402)
Impact of Royal Decree-Law 3/2016	(2,340)	9,090
Impact of US tax reform	(2,831)	
	(10,389)	1,688
Corporate Income tax expense	15,728	31,912

The detail of the changes in deferred taxes, recognised as corporate income tax expense/(benefit) in the consolidated statement of profit or loss in 2017 and 2016, is as follows (in thousands of euros):

	2017	2016
Tax credits for tax loss carry forwards		
US Tax Reform impact	3,900	-
Others	1,603	(1,032)
Withholding taxes and other unused tax credits	(929)	(194)
Temporary differences:		
Amortisation of intangible assets recognized at fair value	(11,667)	(11,043)
Finance costs - Spanish companies	2,795	4,947
Impact of Royal Decree-Law 3/2016	(2,340)	9,090
US Tax Reform impact	(6,731)	-
Others	2,980	(80)
Deferred corporate income tax expense (benefit)	(10,389)	1,688

The corporate income tax expense is calculated in 2017 and 2016 as follows (in thousands of euros):

	2017	2016
Profit before tax	61,334	60,487
Consolidated corporate income tax rate at 25%	15,334	15,122
Tax effect of:		
Differences due to corporate income tax rates in different countries	4,544	9,688
Tax-exempt income	-	(2,706)
Deduction of unrecognised tax assets and others	(2,142)	(1,555)
Changes in tax rates and laws and others	(2,008)	11,363
Corporate income tax expense	15,728	31,912

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 have recognised a revenue 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 2017 and 2016 is as follows (in thousands of euros):

	31/12/17	31/12/16
Current corporate income tax assets	20,039	15,893
Corporate income tax prepayments	20,039	15,893
Current corporate income tax liabilities	12,066	12,091
Corporate income tax payables	12,066	12,091

20.c Deferred tax assets

The detail of "Deferred Tax Assets" at the end of 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/17	31/12/16
Tax losses of Spanish companies	31,071	32,237
Tax losses of US companies	5,448	10,378
Tax losses of Other foreign companies	4,189	3,596
Tax credits for tax loss carry forwards	40,708	46,211
 Tax credits of Spanish companies	4,380	1,896
Tax credits and Withholding taxes of Foreign companies	8,254	9,809
Withholding taxes and other tax credits	12,634	11,705
 Temporary differences due to the non-deductibility of finance expenses as provided for in Royal Decree-Law 12/2012	3,631	6,297
Other temporary differences - Spanish companies	5,286	6,432
Temporary differences - Foreign companies	9,674	16,554
Total temporary differences	18,591	29,283
Total deferred tax assets	71,933	87,199

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 through the achievement of sufficient future profits.

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 2017, which support their future recoverability, are as follows:

- The Budget for 2018 and the Group's business plan for 2019-2022 envisages profit for 2018 and subsequent years, sufficient in order to offset all the tax losses recognised (already taking into account the implications of the new Spanish tax laws described in Note 20.1).
- In 2017 and 2016 the consolidated tax group in Spain obtained taxable income of EUR 29,290 and EUR 29,246 thousand which enabled it to use unrecognised tax losses from prior years amounting to EUR 2,306 and EUR 2,004 thousand, respectively.
- A mandate was issued by the Board of Directors to Group Executive Committee to execute all of the initiatives envisaged in the business plan and it is considered highly probable that it will be met in light of the experience of prior years.

The prior years' tax loss carryforwards of the companies at the end of 2017 and 2016 are as follows:

Year incurred	Thousands of Euros			
	2017		2016	
	Recognised	Not recognised	Recognised	Not recognised
2003	-	10	-	-
2004	-	41	-	11
2005	-	8,336	-	8,757
2007	5,205	21,288	5,211	23,457
2008	474	-	474	760
2009	28,724	433	33,388	239
2010	58,058	940	58,142	2,084
2011	43,527	1,927	47,529	3,147
2012	2,821	12,029	3,816	14,044
2013	2,156	5,747	2,156	6,761
2014	1,906	7,417	1,906	9,079
2015	8,575	14,021	9,369	17,636
2016	6,962	25,023	10,042	30,467
2017	6,946	13,072	-	-
Total	165,354	110,284	172,033	116,442

Most of the Group's tax losses belong to the Spanish companies' consolidated tax group (EUR 124,283 thousand recognised and EUR 29,831 thousand not recognised).

The detail of the Spanish companies' unused tax credits at the end of 2017 and 2016 is as follows:

Year	Thousands of Euros			
	2017		2016	
	Recognised	Not recognised	Recognised	Not recognised
2003		35		52
2004		42		63
2005		85	-	85
2006		243	-	246
2007		257	-	300
2008		-	9	730
2009		1,318	-	1,781
2010		1,884	-	1,876
2011		1,941	-	1,940
2012		2,388	-	2,311
2013	4,380	23,361	1,329	27,518
2014		6,504	-	6,407
2015		5,791	-	5,893
2016		5,280	558	2,893
2017	-	5,021	-	-
Total	4,380	54,150	1,896	52,095

Of the total recognised and unrecognised tax credits at 31 December 2017, EUR 14,068 thousand relate to incentives for certain activities (mainly investment in R&D+i expenditure), EUR 43,592 thousand relate to double taxation credits and EUR 870 thousand to the reinvestment of gains at 31 December 2017. Of the total recognised and unrecognised tax credits at 31 December 2016, EUR 13,342 thousand related to investment in R&D+i expenditure, EUR 38,975 thousand to double taxation credits and EUR 1,682 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 2017 and 2016 includes mainly the following:

	Thousands of Euros	
	31/12/17	31/12/16
Temporary differences associated with:		
recognition at fair value of the identifiable assets in acquisitions of business combinations	127,195	116,865
depreciation and amortisation and measurement of assets and goodwill	16,629	29,342
Royal Decree-Law 3/2016 (Note 20.1)	6,750	9,090
amortisation of goodwill paid in the acquisition of foreign companies by Spanish companies	4,814	4,158
other deferred tax liabilities	6,604	5,394
Total deferred tax liabilities	161,992	164,849

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	20%	Angola	30%
US	35% (*)	Germany	30%	United Arab Emirates	-
Finland	20%	Australia	30%	Luxembourg	21%
Ireland	12.5%	Italy	24%	Kuwait	15%
Canada	26.5%	Brazil	34%	Malaysia	24%
Norway	25%	Argentina	35%	Singapore	17%
Denmark	22%	Chile	25.5%	Qatar	10%
Netherlands	25%	Colombia	34%	Saudi Arabia	20%
Mexico	30%				

(*) 21% in 2018 and next years

20.f Years open for review and tax audits

The Spanish companies have 2012 and subsequent years open for review by the tax authorities for all of the 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 2017 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 2017, 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) Staff costs

The detail of "Staff Costs" in the accompanying consolidated statement of profit or loss in 2017 and 2016, is as follows:

	Thousands of Euros	
	2017	2016
Wages, salaries and similar expenses	674,982	672,957
Severances	7,731	3,507
Employee benefit costs	101,576	95,358
Other staff costs	77,285	68,569
Total	861,574	840,391

The average number of employees at the Group, by professional category and gender in 2017 and 2016, is as follows:

Professional category	Average number of employees		
	2017		
	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

Professional category	Average number of employees		
	2016		
	Men	Women	Total
Top management	129	21	150
Middle management	314	60	374
Supervisors	890	194	1,084
Operational employees & others	13,676	3,290	16,966
Total	15,009	3,565	18,574

Also, the distribution of the workforce, by gender and category, at the end of 2017 and 2016 is as follows:

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

Professional category	No. of employees end of year		
	2016		
	Men	Women	Total
Top management	130	20	150
Middle management	308	61	369
Supervisors	882	189	1,071
Operational employees & others	13,404	3,301	16,705
Total	14,724	3,571	18,295

b) Other results

The detail of the other results for 2017 and 2016 relates mainly to extraordinary termination benefits due to restructuring, start-up costs, and changes in fair value of considerations in business combinations.

c) Fees paid to auditors

In 2017 and 2016 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):

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	

2016

	Fees for services provided by the principal auditor	Fees charged by other audit firms
Audit services	1,954	360
Other attest services	226	-
Total audit and related services	2,180	360
Tax advice	166	
Other services	12	
Total professional services	2,358	

22. Financial result

The detail of the financial loss in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Finance Income:		
Other finance income by third parties	1,339	1,300
Exchange differences	-	993
Total finance income	1,339	2,293
Finance costs:		
Borrowing costs relating to syndicated loan (Note 14)	(16,858)	(16,826)
Other finance costs paid to third parties	(3,821)	(4,033)
Exchange differences	(2,128)	-
Total finance costs	(22,807)	(20,859)
Financial result	(21,468)	(18,566)

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 2017 or 2016.

24. Proposal of allocation of profit/loss

The proposed allocation of the Parent's net profit, formulated by the Board of Directors and will be presented at the next Parent's Annual General Meeting of the Shareholders, for 2017 is as follows:

	Thousands of Euros
Basis of allocation:	
Profit for the year	31,059
	31,059
Allocation:	
To dividends	18,592
To legal reserve	260
To unrestricted reserves	12,207
Total	31,059

The proposed dividend of EUR 18,592 thousand corresponds to a gross amount of EUR 0.13 per share.

25. Segmented information

At 31 December 2017, 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 four 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 2017 and 2016 is as follows (in thousands of euros):

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

2016

	Applus+ Energy &Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Others	Total
Revenue	1,052,586	60,734	293,335	179,629	212	1,586,496
Operating expenses	(972,831)	(54,669)	(235,972)	(157,390)	(24,486)	(1,445,348)
Adjusted Operating Profit	79,755	6,065	57,363	22,239	(24,274)	141,148
Amortisation of non-current assets identified in business combinations (Note 5)	(20,951)	(1,427)	(23,089)	(2,160)	-	(47,627)
Remuneration plans (Note 29)						(11,076)
Impairment and gains or losses on disposal of non-current assets and other results						(5,116)
Operating Profit						77,329

The Adjusted Operating Profit is the operating profit before the amortisation charge of the intangible assets allocated in the business combinations (see Note 5), the costs of the remuneration plans related to the Initial Public Offering (see Note 29) and the impairment and gains or losses on disposal of non-current assets and other results (see Note 21.b).

The remuneration plans include the charge of the historical management incentive plan as disclosed in the Initial Public Offering that are included under "Staff Costs" in the consolidated statement of Profit or Loss (see reconciliation in the Management Report). These remuneration plans relate mainly to the "Other" segment.

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 2017 and 2016 are as follows (in thousands of euros):

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
Non-current financial assets	8,707	424	1,811	645	210	11,797
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

2016

	Applus+ Energy &Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	261,629	32,251	183,948	56,390	1,263	535,481
Other intangible assets	241,655	23,100	226,824	40,106	1,872	533,557
Property, plant and equipment	81,715	11,184	100,475	23,353	318	217,045
Non-current financial assets	9,828	121	1,677	742	202	12,570
Deferred tax assets	33,379	929	9,535	1,418	41,938	87,199
Total non-current assets	628,206	67,585	522,459	122,009	45,593	1,385,852
Total liabilities	290,162	30,575	157,766	73,558	786,453	1,338,514

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

The additions to intangible assets and also to property, plant and equipment, by business segment, in 2017 and 2016 are as follows (in thousands of euros):

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Capex 2017	23,738	4,436	14,092	12,277	4,488	59,031
Capex 2016	24,303	3,801	13,482	10,685	1,463	53,734

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 2017 and 2016, were as follows:

	Thousands of Euros	
	2017	2016
Spain	311,284	292,581
Rest of Europe	440,701	440,380
US and Canada	338,747	321,623
Asia and Pacific	176,614	197,799
Middle East and Africa	174,579	190,163
Latin America	141,169	143,950
Total	1,583,094	1,586,496

The non-current assets, by geographical area, in 2017 and 2016, 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 2017	743,368	295,755	234,488	74,283	75,135	7,855	1,430,884
31 December 2016	648,432	313,859	275,904	87,464	51,743	8,450	1,385,852

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 royalties payable for the various concessions operated by the Group.

The expenses incurred by the Group in 2017 in relation to rent and royalties amounted to EUR 104,740 thousand (2016: EUR 103,301 thousand).

At the end of 2017 and 2016 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 royalties available to the Group:

Operating leases	2017	2016
Within one year	54,171	49,364
Between one and five years	82,139	142,335
After five years	53,280	17,952
Total	189,590	209,651

The accompanying table does not include the amounts of the royalties committed for the next few years that are subject to a percentage of the revenue or the investments made. In 2017 the expense relating to royalties totalled EUR 38,987 thousand (2016: EUR 40,946 thousand).

27. Obligations acquired and contingencies

a) Guarantees and obligations acquired

The Group had provided guarantees required by the business activities of the Group companies totalling EUR 102.6 million (31 December 2016: EUR 100.8 million), as shown in the following detail by business unit (in millions of euros):

Guarantees provided	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
31 December 2017	64.1	7.1	26.5	4.7	0.2	102.6
31 December 2016	65.8	6.7	22.8	5.3	0.2	100.8

There are guarantees included in Applus+ Laboratories, Applus+ Automotive and Applus+ IDIADA divisions amounting to EUR 18.3 million (31 December 2016: 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 UE Treaty, the Supreme Court confirmed in its judgments of 21 April and 6 May 2016 that the Catalan ITV regime and the authorizations 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 authorization of new roadworthiness testing centers 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 concessionaries, 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 TS judgments referred to above.

b.2 Other contingencies

Certain 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 2017.

At 2017 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 2017 and 2016 the Parent and its subsidiaries performed the following transactions with related companies:

	Thousands of Euros					
	2017			2016		
	Operating revenue	Procurements	Other expenses	Operating revenue	Procurements	Other expenses
Velosi L.L.C.	1,267	80	107	3,870	99	64
Velosi (B) Sdn Bhd	243	-	12	-	-	-
Oman Inspection and Certification Services, LLC.	6	500	-	-	-	-
Total	1,516	580	119	3,870	99	64

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 2017 and 2016 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	
	31/12/17	31/12/16
Velosi LLC	3,654	1,536
Velosi (B) Sdn Bhd	308	162
Oman Inspection and Certification Services, LLC.	7	-
Total	3,969	1,698

- b) Payables to related companies:

	Thousands of Euros	
	Trade and other payables to related companies	
	31/12/17	31/12/16
Velosi LLC	16	3
Velosi (B) Sdn Bhd	5	-
Oman Inspection and Certification Services, LLC.	500	-
Total	521	3

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 2017 and 2016 year-end is as follows:

a) Annual remuneration:

	Thousands of Euros					
	31/12/17			31/12/16		
	Executive Director	Members of the Board of Directors	Total	Executive Director	Members of the Board of Directors	Total
Fixed remuneration	650		650	650	-	650
Variable remuneration	325	-	325	325	-	325
Other items	40		40	41	-	41
Non Executive Chairman and Independent Directors	-	560	560	-	483	483
Corporate Social Security Committee	-	50	50	-	50	50
Appointments & Compensation Committee	-	70	70	-	56	56
Audit Committee	-	70	70	-	59	59
Total	1,015	750	1,765	1,016	648	1,664

In 2017 and 2016 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"):

Additionally, on 22 June 2016 the Parent's 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 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 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	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	Total
Long-term incentive (PSUs):						
Number of PSUs delivered	44,931	36,449				81,380
PSU delivery date	July 16	February 17				
Share value on PSU delivery date (euros)	8.68	10.70				
Date of conversion into shares				February 19	February 20	
Number of PSUs convertible into shares				44,931	36,449	81,380

Impact on profit or loss	2016	2017	2018	2019	Total
Vesting period (months)	12 months	12 months	12 months	12 months	
Impact on profit or loss (thousands of euros)	130	260	260	130	780

c) Remuneration related to the Group's Initial Public Offering (IPO):

The Executive Director was a beneficiary of the Economic Incentive Plan remuneration system. This remuneration system comprised (i) a Cash-Settled Economic Incentive, paid in 2014; and (ii) the RSU (Restricted Stock Units)-Settled Economic Incentive which consisted of the delivery free of charge of a certain number of RSUs. This plan was completed once the last delivery of shares in May 2017.

Pursuant to IFRS 2, the impact on the consolidated statement of profit or loss relates to the gross number of RSUs multiplied by the value of the share when the plan was arranged (on IPO), i.e. EUR 14.5 per share. Therefore the annual cost in 2017 amounted to EUR 1,899 thousand (EUR 5,698 thousand in 2016). Any difference between the fair value and the purchase value of the shares is recognised in equity.

In accordance with the vesting schedule, on 9 May 2017 the Executive Director received 221,804 shares. This amount of 221,804 shares is the result of applying the withholding tax to the gross amount agreed of 392,990 RSUs convertible into shares.

At 31 December 2017, no loans or advances had been granted to the members of the Parent's Board of Directors.

No material pension or life insurance obligations were incurred on behalf of 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 2017 for this insurance policy amounted to EUR 46 thousand (2016: EUR 46 thousand).

The Parent's Board of Directors at 31 December 2017 is made up of 8 men and 1 woman (8 men and 1 woman at 31 December 2016).

Remuneration of and obligations to Senior Executives

At 1st January 2017, the Group has modified its organizational structure and has changed the definition of Senior Executives, as a consequence. The internal auditor is considered as Senior Executives, 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 2017 and 2016 by the Group's Senior Executives is as follows:

a) Annual remuneration:

	Thousands of Euros	
	2017	2016
Fixed remuneration	3,428	2,220
Variable remuneration	1,109	786
Other items	546	282
Termination benefits	-	-
Pension plans	109	81
Total	5,192	3,369

In addition to the variable remuneration of EUR 1,109 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 Parent's Board of Directors. At 2017 year-end three plans had been approved and ratified, as follows:

On 24 February 2015, the delivery to Senior Executives of 67 thousand RSUs was approved and ratified. This amount relates to Senior Executives, as defined in 2015. The related shares will be delivered in March 2016 (30%), 2017 (30%) and 2018 (40%).

On 23 February 2016, the additional 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 additional 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.

Senior Executives	31/12/15	31/12/16	31/12/17	31/12/18	31/12/19	31/12/2020 31/12/20	Total
Long-term incentive (RSUs)							
Number of RSUs delivered (*)	67,220	106,594	85,350				259,164
RSU delivery date	March 15	March 16	March 17				
Share value at RSU delivery date (euros)	10.18	7.13	10.70				
Date of conversion into shares		March 16	March 17	March 18	March 19	March 20	
Gross number of RSUs convertible into shares		20,166	52,144	84,471	68,243	34,140	259,164
Number of RSUs delivered (net of withholding tax) or cash equivalent (*)		12,418	39,834				52,252

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

Impact on profit or loss	2015	2016	2017	2018	2019	2020	Total
Vesting period (months)	10 months	12 months	12 months	12 months	12 months	2 months	
Impact on profit or loss (thousands of euros)	171	395	842	698	414	61	2,582

Based on the vesting schedule, Group Senior Executives received 39,834 shares in March 2017 (12,418 shares in 2016). These 39,834 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. 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	Total
RSUs + PSUs-settled long-term incentive						
Number of RSUs + PSUs delivered	83,794	67,990				151,784
RSU + PSU delivery date	October 16	February 17				
Share value at RSU + PSU delivery date (euros)	8.68	10.70				
Date of conversion into shares				February 19	February 20	
Number of PSUs convertible into shares				83,794	67,990	151,784

Impact on profit or loss	2016	2017	2018	2019	Total
Vesting period (months)	12 months	12 months	12 months	12 months	
Impact on profit or loss (thousands of euros)	242	485	485	242	1,454

c) Remuneration in relation to the Group's Initial Public Offering:

Eight members of current Group Senior Executives were beneficiaries of the Economic Incentive Plan remuneration system until 2017. This remuneration system consisted of (i) the Cash-Settled Economic Incentive, paid in 2014; and (ii) the RSU-settled Economic Incentive, which consisted of the delivery free of charge of a certain number of RSUs. The plan expired with the last delivery of shares in May 2017.

Pursuant to IFRS 2, the impact on the consolidated statement of profit or loss relates to the gross number of RSUs multiplied by the value of the share when the plan was arranged (on IPO), i.e. EUR 14.5 per share. The annual cost in 2017 amounted 1.796 thousand of euros (5.387 thousand of euros in 2016).

In accordance with the vesting schedule, on 9 May 2017 the Group's executives received 230,973 shares under the terms of the Incentive Plan. The total of 230,973 shares is the result of applying the withholding tax corresponding to each executive to the gross amount agreed upon in the Incentive Plan of 463,256 RSUs.

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

At 31 December 2017 the Group's Senior Executive was composed of 15 men and 3 women (10 men and 1 woman at 31 December 2016).

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 Applius Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Limited Liability Companies Law.

30. Events after the reporting period

In 2018 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 2017.

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

Applus Services, S.A. and Subsidiaries

Management Report to the Consolidated Financial Statements for 2017

Dear Shareholders:

We are pleased to submit to you this report on the Group's performance in 2017 and on its progress up to the present date.

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 2017			FY 2016			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	1,583.3		1,583.1	1,586.5		1,586.5	(0.2)%
Ebitda	187.4	(3.7)	183.6	187.9	(33.3)	176.8	(0.3)%
Operating Profit	163.0	(60.9)	82.2	141.1	(63.8)	77.3	1.4%
Net financial expenses	(21.5)	0.0	(21.5)	(15.6)	0.0	(18.6)	
Share of profit of associates	0.6	0.0	0.6	1.7	0.0	1.7	
Profit Before Taxes	122.2	(60.9)	61.3	124.3	(63.8)	60.5	(1.7)%
Income tax	(29.4)	11.7	(17.7)	(31.6)	11.1	(20.5)	
Extraordinary Income tax	0.0	2.0	2.0	0.0	(11.4)	(11.4)	
Non-controlling interests	(10.0)	0.0	(10.0)	(9.0)	0.0	(9.0)	
Net Profit	62.8	(47.2)	35.6	83.7	(64.1)	19.5	(1.0)%
Number of Shares	133,267,174		133,267,174	130,016,755		130,016,755	
EPS, in Euros	0.621		0.267	0.644		0.150	(3.1)%
Income Tax/PBT	(24.1)%		(23.5)%	(25.4)%		(34.0)%	

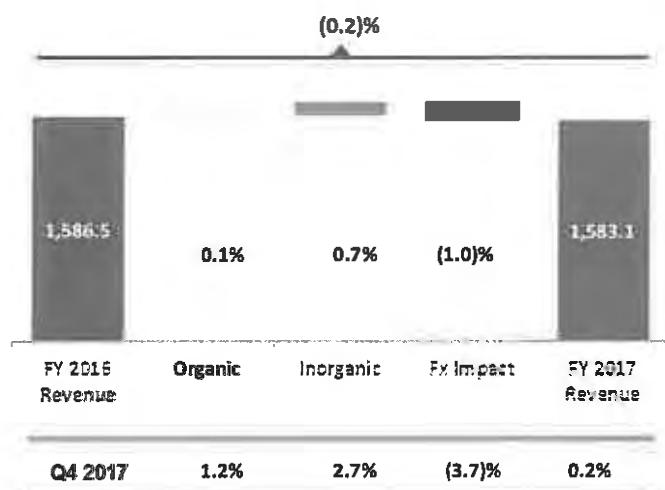
The figures shown in the table above are rounded to the nearest €0.1 million

Other results of €60.9 million (2016: €63.8m) in operating profit represent a €3.7 million (2016: €11.1m) charge in the historical management incentive plan as disclosed at the IPO affecting EBITDA, amortisation of acquisition intangibles of €50.1 million (2016: €47.6m), restructuring costs of €5.4 million (2016: €5.3m), transaction costs of €0.9 million (2016: nil) and other items that net to a loss of €0.8 million (2016: €0.2m gain). Tax of €11.7 million (2016: €11.1m) relates to the positive tax impact on Other results. There was a further Extraordinary tax income of €2.0 million in 2017 due to tax legislation changes in USA and in 2016 there was an Extraordinary tax charge of €11.4m due to tax legislation changes in Spain.

Revenue

Revenue for the year of €1,583.1 million was lower by 0.2% compared to the previous year.

Revenue bridge in € million:



At constant exchange rates, revenue was up by 0.8% made up of an organic revenue increase of 0.1% and a positive contribution from acquisitions of 0.7%. The negative impact of currency translation reduced reported revenue by 1.0% mainly as a result of the weak US dollar, British pound and Argentinian peso against the Euro.

In the final quarter of the year, revenue was up 0.2% from organic revenue growth of 1.2%, acquisition growth of 2.7% offset by negative currency impact of 3.7%. The organic revenue increase in the final quarter was the highest in the year and also the highest in the previous three years and follows a trend of gradually improving revenue throughout the year.

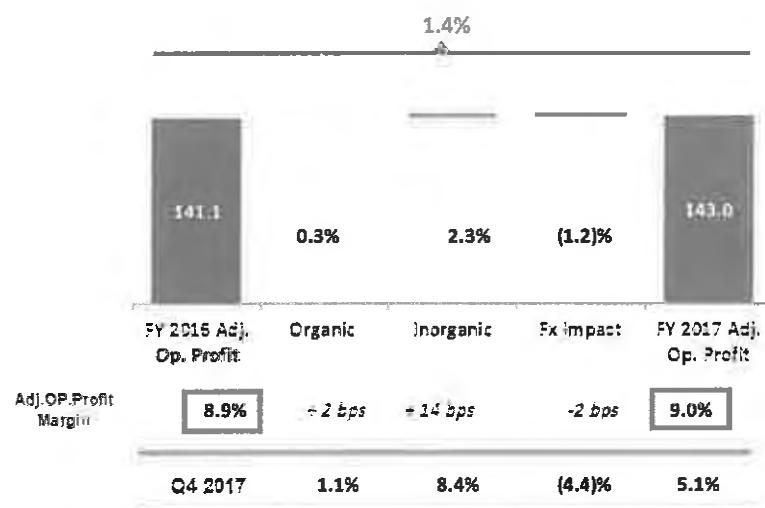
The flat organic revenue for the year was a result of a decline in the largest division of Energy & Industry that is highly exposed to the oil and gas industry where conditions have been challenging. The other divisions of the Group grew well and offset the decline in Energy & Industry.

Revenue of 0.7% in the year came from three acquisitions made in 2017 within the Group. In the Automotive division, the Group acquired an 80% stake in Inversiones Finisterre, a specialist vehicle inspections business with operations in Spain and Costa Rica, for €89 million. In addition, in the Laboratories division there were three small acquisitions.

Adjusted Operating Profit

Adjusted operating profit for the year was €143.0 million, an increase of 1.4% on the prior year.

Adjusted Operating Profit bridge in € million:



At constant exchange rates, adjusted operating profit increased by 2.6% made up of an organic increase of 0.3% plus a contribution from acquisitions of 2.3%. Operating profit was negatively impacted in the year to a similar degree as revenue at 1.2% as a result of the weaker foreign currencies against the Euro.

The resulting adjusted operating profit margin was 9.0%, which was up by 14 bps from 8.9% in the prior year. The margin increase was as a result of the higher margin revenue from the acquisitions whilst the organic margin performed well to remain level in a challenging environment faced by the Energy & Industry division in its oil and gas exposed business.

Other Financial Indicators

The reported operating profit was €82.2 million in the year, 6.2% higher than the prior period.

The net financial expense in the profit and loss increased to €21.5 million in 2017 from €18.6 million in 2016 due to a foreign exchange loss of €2.1 million in 2017 compared to a foreign exchange gain of €1.0 million in 2016. Excluding the movements in foreign exchange, the underlying interest charge was level with the prior year.

Profit before tax on an adjusted basis was 1.7% lower than the previous year at €122.2 million (2016: €124.3m) and the reported profit before tax was 1.4% higher than the previous year at €61.3 million (2016: €60.5m).

There was an extraordinary income tax benefit of €2.0 million related mainly to the change in US corporation taxes which has had the effect of reducing the Company's deferred tax liabilities on the balance sheet. In December 2016, the Spanish Government introduced new tax legislation accelerating the reversal of impairment losses on subsidiaries that were deductible before 2013. According to the new legislation, the Group must return these deductions to the tax authority in the next five years in equal proportions, commencing in 2016. The Group recognised in 2016 the total amount to return resulting in an €11.4 million charge in 2016 as a one-off exceptional tax expense to cancel the benefits received in previous years. No further expense is expected under this legislation.

Excluding these two impacts and the tax related to Other results, the effective tax charge and rate on the adjusted profit before tax was slightly lower than for the prior year. The effective tax charge was €29.4 million (2016: €31.6m) giving a rate of 24.1% (2016: 25.4%).

The adjusted net profit for the year fell 1.0% from €83.7 million in 2016 to €82.8 million in 2017 despite the increase in adjusted operating profit and lower adjusted operating tax, due to the higher net financial expenses, non-controlling interests as well as lower income from Associates. The reported net profit for the year increased by 82% to €35.6 million from €19.5 million mainly due to the one-off changes in the statutory tax charges in both years as a result of the legislation changes.

The adjusted earnings per share was €0.621 which was 3.5% lower than the prior year. This was due to the decrease in the adjusted net profit of 1.0% and a higher average share count for the year following the issuance of 10.0% additional share capital in an equity accelerated book build offering at the end of September 2017.

Cash Flow and Debt

The business continues to generate good cash flow with a cash conversion rate of 72.6% (2016: 95.1%).

Working capital increased €4.1 million corresponding to the flat revenue against 2016 when there was a working capital inflow of €44.6 million that following the revenue decline.

Net capital expenditure on expansion of existing and into new facilities was €47.2 million (2016: €53.7m) which represented 3.0% (2016: 3.4%) of Group revenue. This expenditure included the cost of acquiring new Automotive stations of €9.1 million (2016: €9.1m) less the proceeds from the disposals of old Automotive stations of €11.9 million (2016: nil). Excluding the net cost and proceeds of Automotive stations, the operational capital expenditure was €49.9 million (2016: €44.6m) and this represented 3.1% (2016: 2.8%) of Group revenue. The Group will continue to prioritise investing on capital items that produce good returns and expects this to continue at around 3% of revenue.

The adjusted operating cash flow was €136.0 million which was €42.7 million or 23.9% lower than that generated in 2016 and the adjusted free cash flow was €87.8 million, €41.3 million or 32.0% lower than that generated in 2016.

Net Debt, as defined by the Group's financial leverage covenant, reduced by €79.2 million to €523 million at the end of 2017. The reduction in the Net Debt was due to the good cash flow generated by the business plus the surplus cash following the €137.2 million from the cash proceeds of the equity accelerated book build offering, less the spend of €95.9 million on acquisitions in the year. The resulting financial leverage ratio calculated as Net Debt divided by EBITDA was 2.4x (2016: 3.2x).

In recognition of the good cash flow, comfortable financial leverage and future earnings and cash flow potential, the Board will propose to shareholders at the forthcoming Annual General Meeting, a dividend of 13 cents per share in line with the amount declared in the previous year. This is equivalent to €18.6 million (2016: €16.9m) and is 22.5% of the adjusted net income of €82.8 million (2016: €83.7m) 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.

Acquisition of Inversiones Finisterre and equity raise

On the 27th September 2017, the Group announced that it had agreed to acquire a majority stake in Inversiones Finisterre, a specialist statutory vehicle inspections business with operations in Spain and Costa Rica. The Group also announced an equity accelerated book build offering that raised €137 million by issuing 13 million shares, being 10% of the total number of shares at the time, at a price of €10.55 per share. The equity proceeds were used to finance the acquisition of 80% of Inversiones Finisterre that took place in November for €89 million with the surplus cash used to reduce the Group debt, reducing leverage and leaving the Group well positioned to make further acquisitions.

Inversiones Finisterre is a private company that manages four million vehicle inspections in Galicia and through a 55% subsidiary investment, in Costa Rica, under long term concession agreements with the respective Governments. The revenue from these concessions is highly visible and stable and in 2017 was €75 million with growth in the short to medium term expected to be in the low to mid-single digits. The acquisition is expected to be strongly earnings per share accretive from the first full year.

This acquisition reinforces the global leadership position of Applus+ in statutory vehicle inspections, increasing the annual inspection volume to 20 million vehicles under 28 separate programmes with a further two programmes currently in the process of being implemented.

Outlook

The outlook for the year is for the oil & gas business to continue improving and the other business lines to also continue with their positive trend resulting in mid single digit organic revenue growth at constant exchange rates. Including the benefit of the acquisitions recently made, the revenue growth is expected to be around high single digits at constant exchange rates with an adjusted operating profit margin increase of between 70 and 100 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 2017 revenue and adjusted operating profit are shown below.

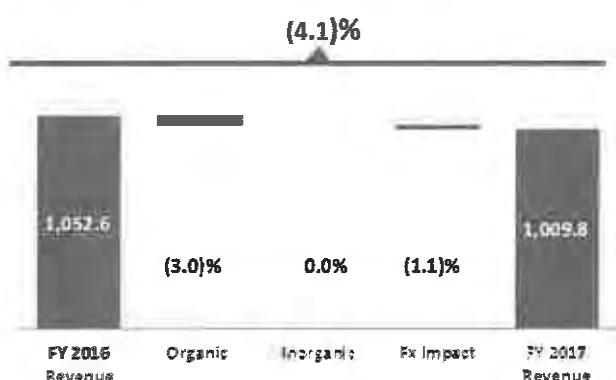


Energy & Industry

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 €1,009.8 million, which was lower by 4.1% compared to the previous year.

Revenue bridge in € million:

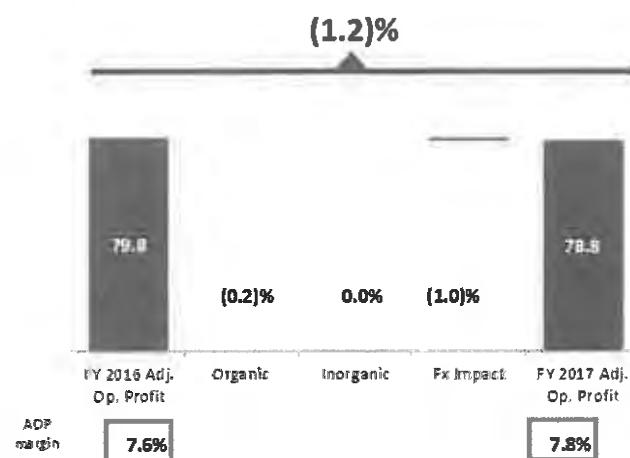


At constant exchange rates, organic revenue was down by 3.0%. The negative impact of currency translation reduced reported revenue by a further 1.1% mainly as a result of the weak US dollar and British pound against the Euro.

In the final quarter of the year, reported revenue was down by 6.3% due to the decline in organic revenue of 1.7% plus a negative currency impact of 4.6%. The organic revenue decline in the final quarter was the lowest quarterly decline in the year and follows a trend of gradually reducing decline over more than the last two years. This improving trend is expected to continue in 2018.

Adjusted operating profit for the year was €78.8 million, a decrease of €1.0 million or 1.2% on the prior year.

Adjusted Operating Profit bridge in € million:



At constant exchange rates, adjusted operating profit decreased by 1.2% made up of an organic decline of 0.2% plus a negative currency impact of 1.0%. The currency impact was in line with the currency impact on revenue.

The margin increased by 20 basis points in the year from 7.6% to 7.8%. The margin increase was mainly as a result of the successfully completed integration of the three former divisions that make up Energy & Industry and the resulting synergies and cost control in an environment of significant price pressure. Furthermore, the integration has opened up opportunities to cross-sell specialised services into new regions and package service offerings to clients in a more effective manner.

The part of the division that provides services to oil and gas infrastructure has faced challenging conditions for the last three years, although in some regions of the world, we saw an improvement in these conditions during the year and have returned to growth. Services to this end market fell at a high single digit rate for the year, with the trend moderating as the year progressed. The share of the division by revenue for oil and gas is now at around 60% coming down from 63% at the end of 2016.

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 well, continuing to grow at an average rate of mid-single digits. Opportunities to sell services for these industries in a wider range of countries have improved following the integration of the three former divisions that make up the Energy & Industry division.

North America accounting for over a quarter of the division by revenue in the year and mainly exposed to the upstream and pipeline oil and gas market was one of the strongest performing regions and grew well in the year with high single digit organic revenue growth in the second half. This improvement in revenue is due to an increase in call-out work for integrity and repairs and maintenance inspection and testing for new construction pipelines.

In Latin America accounting for 9% of the division by revenue and where there is a mix of services to different end markets, revenue declined in the year, mainly due to Colombia and Chile where there has been a general contraction in expenditure on new and existing infrastructure projects. Other countries in the region performed adequately, and encouragingly, Brazil and Mexico returned to growth.

In Northern Europe accounting for 19% of the division by revenue where there is a higher level of recurrent operational expenditure exposed business to the oil and gas industry, the revenue fell slightly in the year due to pricing pressure on the renewal of service contracts and reduced upstream work in the North Sea. The large international pipeline projects that are managed out of this region performed well.

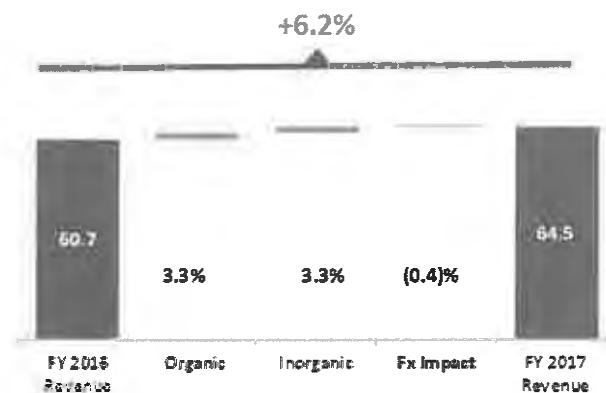
In Southern Europe, Africa, Middle East, Asia & Pacific accounting for 45% of the division by revenue in the period there was a mixed performance. In Africa and in Asia & Pacific, revenue decreased. There was a reduction in scope on a major African opex oil services contract that has reduced for the last two years. In Asia & Pacific, revenue was down due to the ending of some very large offshore capex contracts although this was mitigated by the commencement during the year of a large new seven year opex contract in Australia. In the Middle East revenue was up with a gain in market share. In Southern Europe growth was good driven by Power and Construction services in Spain.

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, the Laboratories Division acquired three 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 €64.5 million was 6.2% higher than the previous year.

Revenue bridge in € million:

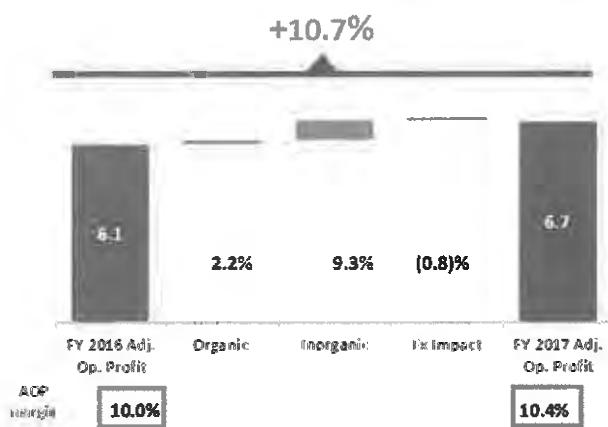


Revenue growth at constant exchange rates was 6.6% made up of organic revenue growth of 3.3% plus revenue from acquisitions of 3.3%. There was a negative currency translation impact of 0.4% as a result of the weak USD and Chinese renminbi against the Euro.

In the final quarter of the year, reported revenue was up 2.0% due to revenue from acquisitions of 5.7% less a decline in organic revenue of 2.7% plus a negative currency impact of 1.1%. The organic revenue decline in the final quarter was against a strong comparable growth period that had organic revenue growth of 19.4% as a result of a large one-off aerospace contract in the division in the final quarter of 2016.

Adjusted operating profit for the year was €6.7 million, an increase of 10.7% on the prior year resulting in a margin increase of 40 basis points to 10.4%.

Adjusted Operating Profit bridge in € million:



The Laboratories division had a good performance in the year that came from strong service delivery of projects in healthy market conditions. The division also made three acquisitions during the year that are performing well.

In the second quarter of 2017, an electrical and electronics testing laboratory in Italy called Emilab was bought that has €1.9 million of annual revenue. In the third quarter a laboratory providing metrology and calibration services was bought in Spain called AC6 with €1.5 million of additional annual revenue. In the final quarter, one further acquisition was made. Tunnel Safety Testing in Spain with annual revenues of approximately €0.5 million that assesses and simulates the effect of fires in tunnels using large scale models.

The Industrial Labs segment, accounting for half of the division revenue, grew at a low single digit organic rate which was against a very strong growth rate in the prior year. This segment includes services for the aerospace industry as well as electromagnetic compatibility for the Auto industry which grew strongly in the year.

Other parts of the division including Construction, IT, Metrology, System Certification continue performing well and growing between mid and high single digits.

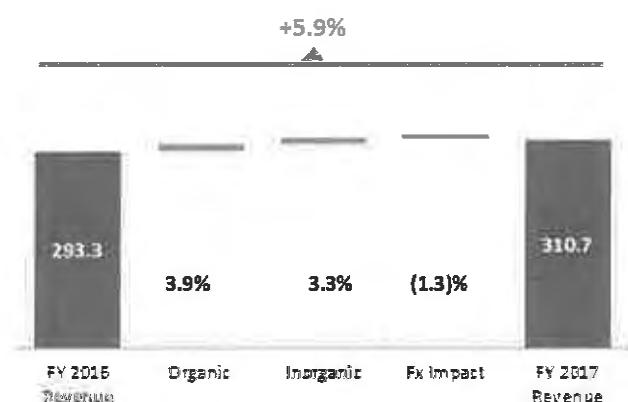
The increase in the adjusted operating profit margin was due to the higher margin acquisitions as well as good performance in the organic margin.

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. From the 28 programmes held by the Group, 15 million vehicle inspections were carried out in 2017 across Spain, Ireland, Denmark, Finland, the United States, Argentina, Chile, Costa Rica and Andorra and programme managed a further 5 million inspections carried out by third parties.

Revenue of €310.7 million was 5.9% higher than the previous year.

Revenue bridge in € million:



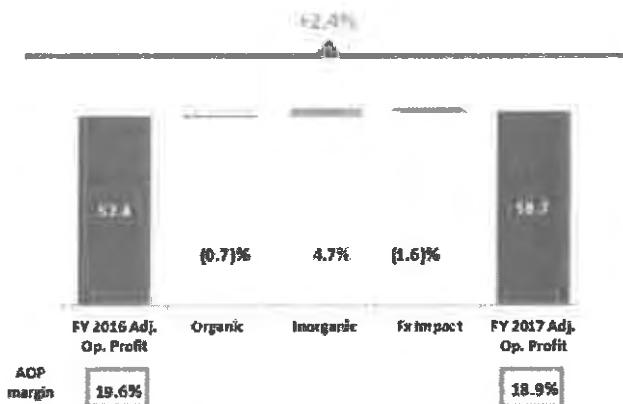
Revenue growth at constant exchange rates was 7.2% made up of organic revenue growth of 3.9% plus acquisition revenue of 3.3%. There was a negative currency translation impact of 1.3% as a result of the weak US dollar and Argentinian peso against the Euro.

In the final quarter of the year, reported revenue was up 19.0% due to organic revenue growth of 8.2%, plus revenue growth of 14.2% from the acquisition of Inversiones Finisterre less a currency impact of 3.4%.

The acquisition revenue in the year and in the final quarter of the year was from two months of consolidated revenue from the acquisition of Inversiones Finisterre which took place in November 2017.

Adjusted operating profit for the year was €58.7 million, an increase of 2.4% on the prior year resulting in a margin decrease of 70 basis points to 18.9%.

Adjusted Operating Profit bridge in € million:



At constant exchange rates, adjusted operating profit increased by 4.0% made up of an organic decline of 0.7% plus profit from the acquisition of Inversiones Finisterre of 4.7%. There was a negative currency impact of 1.6% for the year, slightly more than the impact on revenue.

Organic revenue growth at constant exchange rates was good in 2017 with an increase in the second half following the new contracts that started in the year. In the second half of 2017, a new contract started with Massachusetts and at the end of 2016 a new contract started in the City of Buenos Aires that supported the revenue growth in 2017. In addition there were renewals of a contract in Illinois and some contracts in Chile at the end of 2016. The acquisition of Inversiones Finisterre that was announced in September closed at the start of November and was included within the year's results. Inversiones Finisterre has two contracts in Galicia and Costa Rica and both have been successfully integrated into the division and are performing in line with the business plan.

The adjusted operating profit margin was down by 70 basis points. The increase in margin in the second half of 50 basis points was not enough to offset the decrease in the first half. The acquisition helped to increase the second half margin while the organic margin in the second half was almost flat on the second half of the prior year, and down considerably less than the first half margin. The pressure on the organic margin in the year was largely due to the cost of the ramp up of the new contract in Buenos Aires City as well as the ramp up and renewals of Illinois and various programmes in Chile.

In Spain, the performance was good with revenue up around mid single digits led by the liberalised contracts in Madrid and the Canary Islands.

The exclusive concession in Ireland, which is the largest one in the division by revenue, had lower revenue of around mid single digits as the car fleet was younger on average in 2017 compared to the previous year thereby reducing the number of cars requiring periodic inspection. This contract accounting for 21% of the division revenue on a proforma basis is scheduled to expire at the end of next year and the renewal tender process is expected to take place soon.

In the USA, the new contract in Massachusetts started well in the second half of the year and the incremental revenue from this contract offset the lower revenue on the Illinois contract. This new contract is for six years with the potential to extend for up to a total of 15 years with an anticipated revenue of €6 million per annum. The other key contracts of Washington and Connecticut performed well.

In Latin America, the new ten year contract in Buenos Aires City is contributing to the revenue growth in the region. There was lower revenue on the renewed Chile contracts while they continue to ramp up.

Revenue from the stations in Denmark grew well despite the competition and offset the revenue decline from Finland which continues to suffer from increased competition.

The recently awarded contracts in Ecuador and Uruguay are on track to commence in the second and third quarters of this year respectively. The Uruguay contract was expanded in scope in the middle of last year to be an eight year concession with a total expected revenue of €60 million with the possibility to extend by a further 4 years. The contract in Ecuador is in the city of Durán for ten years and has a total expected revenue of €11 million over the contract period.

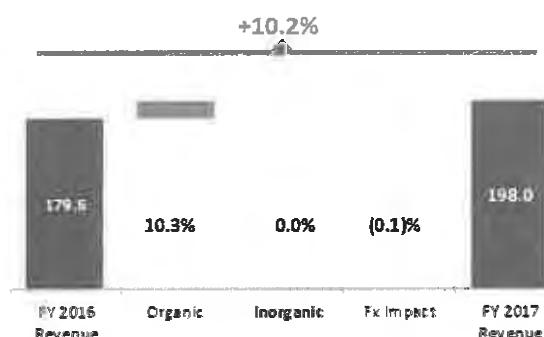
There is a pipeline of further opportunities that are being pursued.

IDIADA

With over 25 years of experience, the IDIADA Division supports the world's leading vehicle manufacturers in their product development activities by providing design, engineering, testing and homologation services. The division's 360-hectares main technical centre, located near Barcelona, includes the most comprehensive proving ground and laboratories for vehicle testing and development in Europe.

Revenue of €198.0 million for the year was 10.2% higher than the previous year.

Revenue bridge in € million:

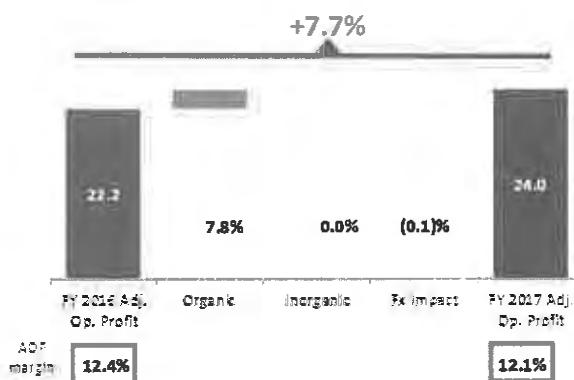


Organic revenue growth at constant exchange rates was 10.3% with a slight negative currency impact of 0.1%.

In the final quarter of the year, revenue was up 7.0% from an increase in organic revenue of 7.3% less a currency impact of 0.3%.

Adjusted operating profit for the year was €24.0 million, an increase of 7.7% on the prior year resulting in a margin decrease of 30 basis points to 12.1%.

Adjusted Operating Profit bridge in € million:



At constant exchange rates, organic adjusted operating profit increased by 7.8%.

The division had another year of double digit organic revenue growth with all business lines performing well and contributing to this growth. Body & Passive Safety accounting for 34% of the division revenue and Chassis & Powertrain accounting for 32%, both grew revenue in the double digits as a result of increased services for autonomous and electric vehicle and advance driver assistance systems. The Proving Ground (18%) grew at a mid single digit rate despite capacity constraints on some of the tracks. Homologation, or Type Approval certification at 16% of the division revenue, had strong growth following the introduction of the new EU vehicle fuel consumption and emissions standards plus an increase in regulatory requirements on other classes of vehicles.

The margin reduced due to the sales product mix and the increased cost of the investment in the facilities and people required to remain one of the premier testing facilities for the Auto industry.

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).

Treasury share transactions

At 31 December 2017, the Group owns 112,744 treasury shares at an average cost of 10.52 euros per share. The total value of the treasury shares amounts to 1,186 thousand euros.

At 31 December 2016, the Group owned or had arranged a total of 290,450 treasury shares at an average cost of 9.77 euros per share. The total value of the treasury shares amounts to 2,837 thousand euros.

In March and May 2017 the Group delivered to the Executive Director, Group management and other Group executives a total of 577,706 shares, within the approved calendar of the economic incentive plan derived from the IPO, as well as in the newly granted economic incentive plan.

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 2017 the Group has not acquired any financial derivative instruments.

Events after the reporting period

No events have occurred since 31 December 2017 other than those described in the notes to the accompanying consolidated financial statements.

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.

	2017	2016
	Days	
Average payment period to suppliers	60	58
Ratio of transactions settled	61	60
Ratio of transactions not yet settled	52	43
	thousands of Euros	
Total payments made	87,748	85,630
Total payments outstanding	7,677	4,407

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 2016).

Nevertheless, the major portion of this outstanding amount owed by Spanish societies at the end of 2017 has been paid in the first two months of 2018.

Non-Financial Information

Non-financial information is put forward in greater detail in the Annual Corporate Social Responsibility report, which is part of this Management Report. Said report has been prepared in compliance with Royal Decree-Law 18/2017 of November 24, which transposes Directive 2014/95 / EU of the European Parliament and the Council, of October 22, 2014, to the Spanish Commercial Code. This report has been prepared following the standards defined in the Global Reporting Initiative (GRI) guide.

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 the "Comisión Nacional del Mercado de Valores" (CNMV)'s webpage, as well as in the Applus Group webpage.

www.cnmv.es

www.applus.com

**Applus Services, S.A.
and Subsidiaries**

**Preparation of the Consolidated Financial Statements and
Management report for the year ended 2017**

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 21 February 2018, 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 2017, which are included in the documents preceding this signature page and their annexes, all of them correlative ordered. All the Directors have signed on this page the documents as mentioned above, except for Mr Richard Campbell Nelson who has not signed as he was not physically present at the Board Meeting in which the accounts have been approved. Nevertheless, Mr Nelson was present at the Board Meeting via videoconference and voted in favour of the approval of the accounts.

Madrid, 21 February 2018



Mr. Christopher Cole
Chairman



Mr. John Daniel Hofmeister
Director

Mr. Richard Campbell Nelson
Director



Ms. María Cristina Henríquez de Luna Basagoiti
Director



Mr. Scott Cobb
Director



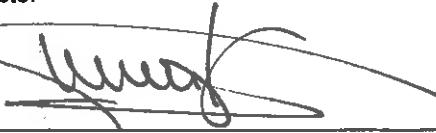
Mr. Ernesto Gerardo Mata López
Director



Mr. Fernando Basabe Armijo
Director



Mr. Nicolás Villén Jiménez
Director



Mr. Claudi-Santiago Ponsa
Director

For identification purposes, all the pages of the consolidated financial statements and the consolidated management report for the year ended on 31 December 2017, as approved by the Board of Directors, are initialized by the Secretary of the Board of Directors, Mr. Vicente Conde Viñuelas.

Name	Registered office	Line of business	Ownership interest held by Group companies:	Direct	Indirect	Method used to account the investment	Applus Technologies, Inc.	Applus Uruguay, S.A.	Applus Santa María del Buen Ayre, S.A.	Applus Ibeuve Argentina, S.A.	Applus Servicios Tecnológicos, S.L.U
Azul Holding 2, S.à.r.l.	7, rue Robert Stumper L-2567-Luxembourg (Grand Duchy of Luxembourg)	Holding company		-	100%	Full consolidation	-	100%	Full consolidation	Right and compliance of the obligations corresponding to public services concessions relating to the obligation Technical Verification of Vehicles	Vehicle roadworthiness testing
Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	Reconquista 661 – Piso 2, C 1003 Ciudad de Buenos Aires (Argentina)	Holding company		-	100%	Full consolidation	-	100%	Full consolidation	Vehicle roadworthiness testing	Vehicle roadworthiness testing
Applus Servicios Tecnológicos, S.L.U	Applus Ibeuve Argentina, S.A.	Applus Uruguay, S.A.	Applus Santa María del Buen Ayre, S.A.	Applus del Ecuador ApplusIbeuve, S.A.	Revisões Técnicas Applus del Ecuador ApplusIbeuve, S.A.	Applus Uruguay, S.A.	Applus Santa María del Buen Ayre, S.A.	Applus Ibeuve Argentina, S.A.	Applus Servicios Tecnológicos, Inc.	Janx Holding, Inc	3 Sugar Creek Center Blvd, Suite 800 Sugar Land, TX 77478

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 Fahrzeugechnik, GmbH.	CTAG-Idiada Safety Technology, S.L..	Applus Chile, S.A.
Registered office	6115, Dupont Highway, Kent County Dover, State of Delaware (USA)	6115, Dupont Highway, Kent County Dover, State of Delaware (USA)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	L'Albirmar, s/n PO BOX 20, 43710 Sta Oliva Tarragona (España)	Reconquistá 661 – Piso 2, C 1003 Ciudad de Buenos Aires (Argentina)	Manfred Hochstatter Strasse 2, 85055 Ingolstadt (Alemania)	Polygono A Granza, Parcelas 249-250, Pontevedra (España)	Avenida América Vespuccia 143 - 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								
Method used to account the investment								

Z
 Direct
 Indirect
 Method used to account the investment

Name	Applus Itzave Euskadi, S.A., Sociedad Unipersonal	Applus Revisiones Técnicas de Chile, S.A.	IDADA CZ, A/S	K1 Kasastajat, OY	Inspeció Tècnica de vehicles i serveis, S.A.	K1 Total, Oy	Idada Automotive Technology India PVT, Ltd
Registered office	Polygono Ugaldeguen I Parcela 8, 48710 Zamudio, Vizcaya (España)	Avenida Américo Vespucio 743 - Huechuraba - Santiago de Chile (Chile)	Korsolaisvej, 111 2610 Rodoviae (Dinamarca)	Pražská 320/8,500 04, Hradec Králové (Czech Republic)	Joukahaisenkatu 6, 20520 Turku Finland	Joukahaisenkatu 6, 20520 Turku Finland	Unit no. 206, 2nd Floor, Sai Radhe Building Raja Bahadur Mill Road, off Kennedy Road, Pune 411 001 - India
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
Ownership interest held by Group companies:							
Direct	-	-	-	-	-	-	-
Indirect	100%	100%	100%	80%	100%	50%	81%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

✓

Name	Shanghai IDADA Automotive Technology Services Co. Ltd	Applus Euskadi Holding, S.L.U.	Applus Car Testing Services, Ltd.	Iclada Tecnología Automotiva, Lda.	Idiada Automotive Technology UK, Ltd.	Shandong Idiada Automotive and tire proving ground Co, Ltd	Applus Ileuve Galicia, S.L.U.	Inversiones Finisterre, S.L.
Registered office	Juchang Pioneer Park, Building 23, 3999 Xu Pu Road, Nan Hui 201315 Shanghai (Pudong District) China	Polygono Ugeldeguren, 1 parcela 8, Zamudio, Vizcaya (España)	3026 Lakeside, Citywest Business Campus, Haas Road, Dublin 24, Ireland.	Cidade de São Bernardo do Campo, Estado de São Paulo, na Rua Continenal, nº 334, Jardim do Mar, CEP 08760-060 (Brasil)	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 Espíritu Santo - Sada, A Coruña	
Line of business	Engineering, testing and certification	Holding company		Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification	Holding company	Holding company
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	80%	100%	Full consolidation	100%	Full consolidation	80%	100%	80%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Line of business

Ownership interest held by Group companies:

Direct

Indirect

Method used to account the investment

28

Name	Supervisión y Control, S.A.U.	Riteve SyC, S.A.	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	Novotec Consultores, S.A., Sociedad Unipersonal
Registered office	Ctra. N-VI, Km. 582,6 - 15168 Espíritu Santo - Sadra, A Coruña	Lagunilla de Heredia, ciento cincuenta metros al este de la Bomba Texaco, Costa Rica	Campus de la UAB,Ronda de la Font del Camí, s/n, 08193 Bellaterra-Cerdanyola del Vallès. Barcelona (España)	Bvd. Manuel Avila Carracho 184, Piso 4-A, Col. Reforma Social, C.P. 11650 Mexico D.F. (Mexico)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Oficentro Ejecutivo La Sabana, Edificio 7, Primer piso, Local 2, San José	Ctra. Nacional VI-Km 582, 15168, Sadra, A Coruña (España)	Parque Empresarial Las Mercedes, C/Campozzo, 1. Ed. 3, 28022, Madrid (España)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing		Certification	Quality system audit and certification	Quality system audit and certification	Inspection, quality control and consultancy services	Services related to quality and safety in industrial plants, buildings, etc.
Ownership interest held by Group companies:								
Direct	-	80%	-	44%	-	95%	-	-
Indirect		Full consolidation		Full consolidation	Full consolidation	Full consolidation	Full consolidation	100% Full consolidation
Method used to account the investment								

18

Name	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.	Röntgen Technische Dienst Holding BV
Registered office	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber, Clayton, Ciudad de Panamá (República de Panamá)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber, Clayton, Ciudad de Panamá (República de Panamá)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Bvd. Manuel Avila Camacho 184, Piso 4-B, Col. Reforma Social, C.P. 11650 México, D.F. (México)	Km 14.5 Carretera a El Salvador, Santa Catarina Pinula (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	Colonia Los Robles, Km. 6, 500 Carrera 1A, Masaica, Managua (Nicaragua)	Delftweg 144, 3046 NC Rotterdam (Holanda)
Line of business	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	Holding company
Ownership interest held by Group companies:								
Direct	–	–	–	–	–	–	–	–
Indirect	95%	95%	Full consolidation	95%	95%	Full consolidation	95%	95%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Z

Name	Applus Centro de Capacitación, S.A.	RTD Quality Services, S.R.O	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.	Applus RTD USA, Inc.
Registered office	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	U Stadionu 89, 530 02 Pardubice (República Checa)	129 Rue Servient 69328 Lyon Cedex 03 (Francia)	Industriestraße 34 b, 44894 Bochum (Germany)	Delftweg 144 3046 NC Rotterdam (Holanda)	2600 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2, Canada	Wani Boat Yard, 28 Wani/Sapele Road, Wani, Delta State (Nigeria)	3 Sugar Creek Center Blvd, Suite 800 Sugar Land, TX 77478
Line of business	Provision of training services	Certification services through non-destructive testing	Holding company	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing
Ownership interest held by Group companies:								
Direct	-	95%	100%	100%	100%	100%	-	-
Indirect		Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment								

J

Name	RTD Holding Deutschland, GmbH	Applus RTD UK Holding, Ltd	Applus RTD PTE, Ltd (Singapore)	Applus Colombia, Ltda.	Applus (Shanghai) Co., Ltd	Applus RTD Certification, B.V.	Applus RTD PTY, Ltd (Australia)	Applus RTD Norway, AS
Registered office	Industriestrt. 34, D-44894, Bochum (Alemania)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	521 Bukit Batok St 23, Unit 05-E, Singapore	Calle 17, núm 69-46, Bogotá (Colombia)	Jucheng Industrial Park, Building 23, 33068 Xiu Pu Rd, Nan Hui, Shanghai 2011315 (China)	Delftweg 144, 3046 NC Rotterdam (Holanda)	94 Discovery Drive, Bribra Lake WA 6163 (Australia)	Finesstadgjellen 38, 4029 Stavanger (Norway)
Line of business	Holding company	Holding company	Certification services through non-destructive testing	Certification	Inspection services in quality processes, production processes, technical assistance and consultancy	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	-	-	-	-	-	-	-	-
Method used to account the investment	Full consolidation	100%	Full consolidation	100%	Full consolidation	95%	100%	100%
					Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	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.	Autoservices Online, S.L.U.
Registered office	Delftweg 144, 3046 NC Rotterdam (Holanda)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478	94 Discovery Drive, Billa Lake WA 6163 (Australia)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	Racławicka, 19, 41-506 Chorzów, Poland	Calle Campiego 1, edificio 3, Parque Empresarial Las Mercedes, Madrid	Udernická 11; 851 01; Bratislava, Slovak Republic	Calle Campiego 1, edificio 3, Parque Empresarial Las Mercedes, Madrid
Line of business	Holding company	Holding company	Holding company	Holding company	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification services through non-destructive testing	Provision of services related to the automotive sector and vehicle and road safety, training design, testing, engineering processes, homologation and certification, as well as technical audits of automotive establishments
Ownership interest held by Group companies:								
Direct								
Indirect								
Method used to account the investment								
	100%	100%	100%	100%	100%	100%	100%	100%
	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

8

Name	APP Management, S. de R.L. de C.V.	Libertytown Applus RTD Germany GmbH	Applus Norcontrol Maroc, Sarl	Applus RTD Gulf DMCC.	Applus Engenharia de Qualidade, Ltda.	Applus Igai Germany, GmbH	EK Wiersstofftechnik-Prüfstelle Für Werkstoffe, GmbH	Ringel Brasil Investimentos, Ltda.
Registered office	Bvd. Manuel Avila Camacho 154, Piso 4-A, Col. Reforma Social, C.P. 11860 Mexico D.F. (Mexico)	INDUSPARC Module N°11BD AHL LOGHLAM Route de Té Meill Chemin Terfifare 1015 Sidi Mounen 20400, Casablanca (Marruecos)	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lots 10, integrante da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brasil)	Zur Aumundswiede 1601, Swiss Tower, Jumeirah Lake Towers, PO Box 337201, (Emiratos Árabes)	Zur Aumundswiede 2, 28279 Bremen, Germany	Zur Aumundswiede 2, 28279 Bremen, Germany	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lots 10, integrante da área B, nº450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brasil)	
Line of business	Provision of professional, technical, administrative and human resources services	Holding company	Inspection, quality control and consultancy services	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification	Certification	Holding company
Ownership interest held by Group companies:								
Direct	-	100%	100%	95%	100%	100%	95%	-
Indirect		Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment								

Ownership interest held by Group companies:
 Direct
 Indirect
 Method used to account the investment

AS

Name	Burek und Partner, Gbr. Assinco-Assessoria Inspeção e Controle, Ltda	Applus Norcontrol Peru, S.A.C.	Kleiner & Associates Inc.	John Davidson & Associates PTY, Ltd	JDA Wokman Limited	PT JDA Indonesia	Applus Norcontrol Consultoria e Ingeniería, SAS
Registered office	Zur Aumundswiese 2, 28279 Bremen, Germany	Rua Petrópolis, quadra 01, lote 10, integrante da área B, nº 450, Bloco 2º 1º andar, Bairro Distrito Industrial Marsil, EP 32400-000 Cidade de Ibirá, Estado de Minas Gerais (Brasil)	Avenida San Borja Sur Nro. 1170, Urb. San Borja, San Borja, Lima, Ibirité, Estado de Minas Gerais (Brasil)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478	Unit 22, 23 Ashton Place, Benyo, Queensland, 4014, Australia	Unit 11, Section 53, Albion 15 & 16, Urne Street, Gardens, Port Moresby, National Capital District, Papua New Guinea	Plaza Aminita 8th floor Jl. TB Simatupang Kav. 10, South Jakarta, Indonesia
Line of business	Certification	Inspection, quality control and consultancy services	Certification services through non- destructive testing	Inspection, quality control and consultancy services	Provision of executive recruitment services	Provision of technical engineering and operational services, technical training and human resource development	Inspection, quality control and consultancy services in the industry and services sector
Ownership interest held by Group companies:							
Direct	-	-	-	-	-	-	-
Indirect	-	-	-	-	-	-	-
Method used to account the investment	98% Full consolidation	100% Full consolidation	96% Full consolidation	100% Full consolidation	100% Full consolidation	100% Full consolidation	95% Full consolidation

18

Name	Applus Velosi Mongolia, LLC	Applus Laboratories, AS.	Applus Arábia L.L.C	Applus Il Meto Ambiente Portugal, Lda	Ringal Invest, S.L.U	Applus Velosi DRC, S.r.l.	Ingelog Consultores de Ingeniería y Sistemas, S.A.	Ingegøring Services Generales, Ltda (Sergen)
Registered office	3a planta, San Business Centre, Sukhbataar District, 8th Khoroo, Baga Ioruul, Street 29 of Prime Minister Amar, Ulanbaatar, Mongolia	Langmyra 11, 4344 Brøne, Norway	Dammam, Kingdom of Saudi Arabia	Rua Hermano Neves n.º 18, escritório 7, freguesia do Lumiar, Concelho de Lisboa, Portugal	Calle Campaço 1, edificio 3, Parque Empresarial Las Mercades, Madrid	c/o Lambert S Djunga, Djungas & Risasi, 37 Avenida Lodja, Kinshasa/Gome, CRC	Alberto Henckel 2317, Santiago de Chile	Alberto Henckel 2317, Santiago de Chile
Line of business	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	Counselling and consulting services in the areas of engineering, infrastructure, environment, etc.	Provision of transport and rental of vehicles
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	Full consolidation	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	Ingeniería Guatemaña Consultores de Ingeniería y Sistemas, S.A.	Ingeniería Consultores de Ingeniería, S.A.S.	Ingeniería Consultores de Ingeniería, S.A.S.	Applus RTD USA Aerospace Holding, Inc.	X-RAY Industries, Inc.	Composite Inspection Solutions, LLC.	Applus Laboratories USA, Inc.	Arcadia Aerospace Industries, Lic.
Registered office	Ciudad de Guatemala Calle 17, num. 69-46 Bogotá (Colombia)	San José de Costa Rica, calle treinta y uno, avenidas nueve y once, Barrio Escalante	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478	1961 Thunderbird, Troy Michigan USA 48084	615 S. DuPont Highway, Kent County, Dover, Delaware 19901, USA	28000 Mooney Avenue, Building #110, Punta Gorda Florida 33982 USA	28000 Mooney Avenue, Building #110, Punta Gorda Florida 33982 USA
Line of business	Counseling and consulting services in the areas of engineering, infrastructure, environment, etc.	Counseling and consulting services in the areas of engineering, infrastructure, environment, etc.	Counseling and consulting services in the areas of engineering, infrastructure, environment, etc.	Holding company	X-ray metallurgical, management, retail equipment, equipment manufacturing, non-destructive testing services	Certification	Holding company	Industrial contract and inspection services
Ownership interest held by Group companies:				-	-	-	-	-
Direct	-	100%	100%	-	100%	100%	95%	87%
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment								

7

Name	Applus RTD Lic.	NRAY Services, Inc.	Applus RTD USA Services, Inc.	Applus Management Services, Inc.	Applus Aerospace UK Limited	Aerial Photography Specialist PTY, LTD	Applus RTD Canada Holding (2016), Inc.
Registered office	Khokholovskiy side-street 13, building 1, 109028 Moscow, Russian Federation	66A Head Street, Dundas, ON L9H 3H7 Canada	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77476	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77476	Unit 2, Blocks C and D, West Marine Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	94 Discovery Drive, Birra Lake WA 6163 Australia	1300 - 1369 Upper Water Street Pirity's Wharf Tower I Halifax NS B3J 3R7 Canada
Line of business	Purchase of equipment and refills, installation, repair and maintenance of the equipment, engineering services and development 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	-	100%	100%	-	-	-	-
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	100%	100%	100%
Method used to account the investment					Full consolidation	Full consolidation	Full consolidation

7

	SKC Inspection and Non Destructive Testing, Inc	SKC Engineering Ltd	Applus Norcontrol Asistencia Técnica, SAS	Applus Norcontrol S.R.L.	ACB Metrológia, S.L.	Emileb, SRL	Applus RVIS, B.V.
Registered office	4529 Melrose Street, Port Alberni, BC V9Y1K7, Canada	19165 94th Avenue, City of Surrey British Columbia V4N 3S4	Plaza El Avellano, Calla Dr. Jacinto Ignacio Márfor No. 5 Local No. 08 Primer Piso, Ensanche Paraiso, Santo Domingo, República Dominicana	Via Fili Solari 5/A, 330220 Amaro(UD)-Italy	Poliñgono Comarca I, Edificio Pasamala, 31160, ORKOIEN – Navarra. Espana	Delftweg 144, NC 3046 Rotterdam (The Netherlands)	
Line of business	Inspección y ensayos no destructivos	Ensure quality, training, inspection, proof and design and welding engineering services.	Dielectric tests, Inspections of cranes, stability tests and preventive maintenance	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	100%	100%	50%	95%	95%	95%	51%
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Method used to account the investment							

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Name	Applus Servicios Integrales, S.A.S.	Tunel Safety Testing, S.A.	Applus Brasil Investimentos, Ltda
Registered office	Calle 17 # 69 - 46, Bogotá, Colombia	LG Centro Experimental San Pedro de Ares s/n, Siero 33189, Asturias	Rua Dom José de Barros, nº 177, g andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, São Paulo (Brasil)
Line of business	Inspection, quality control and consultancy services	Fire testing in tunnels, fire suppression product testing and fire training.	Holding company
Ownership interest held by Group companies:	<p>Direct Indirect</p>	<p>- 95% Full consolidation</p>	<p>- 89% Full consolidation 100% Full consolidation</p>

7

Name	Line of business	Ownership interest held by Group companies:	Method used to account the investment	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%	Full consolidation
Velosi S.à r.l.	Holding company	Direct Indirect	Method used to account the investment	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%	Full consolidation	100%	Full consolidation
SAST International Ltd	Equity Trust House, 2B-30 The Parade, St Helier, JE1 1EQ Jersey, Channel Islands.	Velosi Asset Integrity Ltd	Equity Trust House, 2B-30 The Parade, St Helier, JE1 1EQ Jersey, Channel Islands.	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 Luxembourg S.à r.l.	Velosi Europe (Luxembourg) S.à r.l.	Velosi Poland Sp z.o.o.	Velosi Europe Ltd	Velosi Europe Ltd
Registered office	7, rue Robert Stumper L-2567 Luxembourg, Grand Duchy of Luxembourg, L-1651 Luxembourg, Luxembourg.			7, rue Robert Stumper L-2567 Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	7, rue Robert Stumper L-2567 Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	7, rue Robert Stumper L-2567 Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.		7, rue Robert Stumper L-2567 Luxembourg, Grand Duchy of Luxembourg, L-1653 Luxembourg, Luxembourg.	1 Woodliffe Business Park, Whitely Wood Lane, Reading, RG2 8LW, United Kingdom.	1 Woodliffe Business Park, Whitely Wood Lane, Reading, RG2 8LW, United Kingdom.		

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Name	Velosi Certification Bureau LTD	Intac (UK) Ltd	Velosi International Italy Srl	Velosi PSC Srl	IES - Velosi Norge AS	Velosi TK Gozalim Hizmetleri Limited Şirketi	Velosi LLC	Velosi Malta Ltd
Registered office	1 Woodgate Business Park, Whitley Wood Lane, Reading, RG2 8LW, United Kingdom.	Burial House, 9 Penrod Way, Heysham, Lancashire, LA3 2UZ, United Kingdom.	23807 Merata (LC), via De Gasperi, 113, Merate, Italy.	Via Cirquittentiero, 8 - 24044 Olginate, Bergamo (BG), Italy.	Delivereden, 86, Post Box, 2988 N-5541 Kolvere, Kongsvinger, Norway.	1042, Caddde 1319 Sokak No.9/5 Çevikler, Alikan, AZ1130 Bakı, Azerbaijan.	Level 5, The Mall Complex, The Mall, Floriana, Malta.	
Line of business	Provision of technical, engineering and industrial services	Provision of consultancy, training and human resources services	Provision of technical, engineering and industrial services	Quality control, maintenance and inspection	Quality control, maintenance and inspection	Provision of auxiliary services for oil and gas companies	Holding Company	
Ownership interest held by Group companies:								
Direct	Full consolidation	100%	60%	80%	80%	Full consolidation	100%	100%
Indirect								
Method used to account for investment								

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Name	Velosi Malta II Ltd	Applus Velosi Czech Republic, s.r.o.	Velosi Turkmenistan	Velosi Industries Sdn Bhd	Velosi Specialised Inspection Sdn Bhd	Kurtec Tube Inspection Sdn Bhd	Velosi Plant Design Engineers Sdn Bhd
Registration office	Level 5, The Mall Complex, The Mall, Floriana, Malta.	Prague 9, Orelník 35/1334 - Czech Republic.	Ashgabat City, Kopeitag District, Turkmenbashi, Avenue, No. 54, Turkmenistan.	C/o AGL Management Associates Sdn Bhd, No. 152-3-1BA, Kompleks Maluri, Jalan Jakarta, Taman Maluri, 55100 Kuala Lumpur, Malaysia.	C/o AGL Management Associates Sdn Bhd, No. 152-3-1BA, Kompleks Maluri, Jalan Jakarta, Taman Maluri, 55100 Kuala Lumpur, Malaysia.	C/o AGL Management Associates Sdn Bhd, No. 152-3-1BA, Kompleks Maluri, Jalan Jakarta, Taman Maluri, 55100 Kuala Lumpur, Malaysia.	C/o AGL Management Associates Sdn Bhd, No. 152-3-1BA, Kompleks Maluri, Jalan Jakarta, Taman Maluri, 55100 Kuala Lumpur, Malaysia.
Line of business	Holding Company	Manufacturing, trade and services not listed in Appendix 3 of the Trade License Actify	No line of business	Investments, Investment property and provision of engineering services	Provision of engineering and technical services	Provision of non-destructive testing (specialised NDT) services, inspection of guided wave long range ultrasonic testing (LUT) and remote visual Inspection	Provision of consultancy and engineering services for the design of plants, construction and engineering and the investment that they possess
Ownership interest held by Group companies:							
Direct	100%	Full consolidation	100%	Full consolidation	100%	Full consolidation	37%
Indirect							100%
Method used to account the investment							Full consolidation

Signature:
 Direct
 Indirect
 Method used to account the investment

J

Name	K2 Specialist Services Pte Ltd	Velosi Engineering Projects Pte Ltd	Velosi Energy Consultants Sdn Bhd	Velosi (Hk) Ltd	Velosi Saudi Arabia Co Ltd	Velosi Engineering Management Consultancy Ltd Co.	Velosi Stern Co Ltd	Appius (Thailand) Company Limited
Registered office	521 Buah Batuk Street 23 Unit 5E, Excel Building, Singapore 658544, Singapore	Clo AGC Management Asociates Sdn Pte. No. 152-3, 1BA, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur, Malaysia.	Unit No. 1 Al-Qasur, Tala'i Al-Doba Building, Sub of Prince Mohammad bin Fahd Road, Dhafran, 34241-3228, Kingdom of Saudi Arabia..	Room 2501-2503, World Center Block A, No. 15 Tse Lin Road, Pudong, Shanghai PRC 200135.	ZEN @ ZEN World Tower, Level 12, Zen World Tower, 4, 45 Rajdamnern Road, Pathumwan, Bangkok, 10330, Thailand	208 Wireless Road Building 14th Floor Room 1401 (16), Lumpini, Pathumwan, Bangkok 10330, Thailand		
Line of business	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 consultancy services for all engineering activities and the supply of local and foreign experts for the generation of oil and gas energy, mining, 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	Provision of maintenance testing, boring, 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 management services, sales support, advisory and business development services to related companies	Provision of consulting of Petroleum Engineering, technical consultation of mechanical engineering and consulting on business management	Provision of consulting of Petroleum Engineering, technical consultation of mechanical engineering and consulting on business management	Holding Company	Provision of engineering and technical services
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	-	-	-	-	-	-	-	-
Method used to account the investment	Full consolidation	75%	Full consolidation	100%	Full consolidation	100%	Full consolidation	Full consolidation

7

Name	Velosi Integrity & Safety Pakistan (Pvt) Ltd	Velosi Corporate Services Sdn Bhd	Velosi International Holding Company BSC (c)	Velosi Certification Services LLC	Velosi Certification WLL	PT Java Velosi Mandiri	Velosi Certification WLL	Velosi PromServices LLC
Registered office	Office No. 401, 4th Floor, Business Centre, Block 6, P.E.C.H.S. Society, 74000 Karachi, Pakistan.	C/o ACL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Menara UMM Alhassan, Taman Mawuri, 55100 Kuala Lumpur, Malaysia.	# 201, Block B, Abu Dhabi Business Hub, ICAD-1, P.O. Box # 427 Abu Dhabi, United Arab Emirates.	Block 9, Building 24, Office 21, Ground Floor, East Almarai Industrial Area, P.O. Box # 1588, Salimiyah - 22016, Kuwait.	Plaza Amritta 8th Floor, Jl. TB Simatupang Kav. 10, P.O. Box 3408, Doha, Qatar.	Building No 121340, First Floor, New Sebatia, C Ring Road, P.O. Box 3408, Doha, Qatar.	22/15, Building 9 1, 1st Flcor, Office 2, 115035 Moscow, Russian Federation.	
Line of business	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	Provision of a group of commercial, industrial and services companies	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 oil and gas industries
Ownership interest held by Group companies:								
Direct	-	7%	-	-	-	-	-	-
Indirect	Full consolidation	Full consolidation	Full consolidation	Full consolidation	49%	24%	24%	100%
Method used to account the investment							Full consolidation	Full consolidation

Ownership interest held by Group companies:
 Direct
 Indirect
 Method used to account the investment

2

Name	Velosi LLC	Velosi Bahrain WLL	Velosi LLC	Velosi Quality Management International LLC	Velosi CB&I (M) Sdn Bhd	Velosi LLC	Velosi (B) Sdn Bhd	Velosi Certification Services LLC
Registered office	Yuzhno-Sakhalinsk, Kommunistskaya Prospect 32, Suit 610, Sakhalin, Russia.	Flat 11, Building 1033, Road 3721, Block 337, Melembau / UMM Alhassan, Kingdom of Bahrain		205, Block B, Abu Dhabi Business Hub, ICAD-1, Musaffah, P.O Box 427 Abu Dhabi, United Arab Emirates.	Clin AG Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Majuri, Jalan 14/2, Abu Taman Majuri, 55100 Kuala Lumpur, Malaysia.	Suite 22, Building 56, Altinity Block 6, Kazakhstan.	Lot 5211, Sgg. 357, Jln Maulana, KA 2831 Kuala Brunei, Negara Brunei Darussalam.	17, Chimbent Street, Mirabod District, 100029 Tashkent, Uzbekistan.
Line of business	Holding Company		Equipment certification engineering and inspection controls	Provision of industrial Inspection services for the management of facilities, quality and service issuance certificates	Provision of certification, engineering and inspection, onsite and/or offshore services	Provision of equipment Inspection services	Provision of quality control and engineering services for the oil and gas industries	Provision of inspection, certification, monitoring and other types of business activity
Ownership interest held by Group companies: Direct Indirect Method used to account the investment		- 100% Full consolidation	- 100% Full consolidation	- 50% Equity method	- 49% Full consolidation	100% Full consolidation	80% Full consolidation Equity method	80% Full consolidation



Name	Velosi Philippines Inc	Velosi Ukraine LLC	Dilta & Furat Quality Assurance, LLC.	Applus Korea Co., Ltd.	Steel Test (Pty) Ltd	Velosi (Ghana) Ltd	Oman Inspection and Certification Services	Velosi/Angola Prestação de Serviços Ltda
Registered office	1004, 10F, Pagibig WT Tower, Cebu Business Park, Ayala Cebu City, Philippines.	5A Pianka Street, 03087 Kyiv, Ukraine.	Ramidian Area, District 623-S, No.1, Baghdad, Iraq.	108, Jin-ha, Seo-sang, Uiju, Ulsan, Republic of Korea.	28 Senator Rock Road, 1839 Vereeniging, Republic of South Africa.	2nd Floor, Design House, Ring Road East, Accra.	PO Box 15, PC 105, Al Azaha, Sultanate of Oman.	Rua Muien Nguabu 37, 5º apartamento 53, Melange, Luanda, Angola
Line of business	Provision of business process outsourcing	Provision of ancillary services in the oil and natural gas industries	Provision of training and consulting for services related to technical engineering, hiring-out of manpower and materials and leasing of properties.	Provision of quality control and certification services	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.	Provision of quality assurance and control, inspection, supply of technical manpower, certification and regulatory inspection, NDE specialised services and engineering
Ownership interest held by Group companies:	-	-	-	-	-	-	-	-
Direct	Full consolidation	100%	100%	Full consolidation	100%	Full consolidation	75%	49%
Indirect							Full consolidation	50%
Method used to account the investment							Equity method	44%

7

Name	Velosi Superintend Nigera Ltd	Velosi Uganda LTD	Velosi SA (Pty) Ltd	Applus Veloci Egypt, LLC	Veloci Mozambique LDA	Applus Veloci Angola, Lda.	Applus India Private Limited	K2 Do Brasil Services Ltda
Registered office	3A Alabi Street, Off Toyin Street, Ikeja - Lagos, Nigeria.	3rd Floor, AMR Building 1, Concorde Road East, Bedtowview, 2008 Gauteng, South Africa.	1st Floor, AMR Building 1, Plot 1 Lumumba Avenue, PO Box 0314 Kampala, Uganda.	Avenida Kim Il Sung, 981 - Balmo Sommerfeld Id - Distrito Urbano 1, Maputo Cidade - Moçambique.	Rua Marechal Birdo Tito, n° 35-37 Piso 13 Fracção B Edifício Escom Angola	#5, 2-134, Beside SEBH, Hydramagar Kukatpally Hyderabad, Telangana, India 500072	Avenida Nossa Senhora da Gloria, 2,843 - Cavaleiros, Minas - RJ, CEP 22760-360, Macaé, Brazil.	
Line of business	Provision of services (quality assurance and control, general inspection, correction control and supply of labor) for the oil and gas industries	Provision of business consulting and management	Provision of services related with the quality of the oil and gas industries	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 tests, controls, quality inspections and asset integrity	Provision of engineering consultancy in the oil sector, maritime business, power generation and mining, as well as management consulting	Provision of quality assurance and control, inspection, supply of technical manpower, certification and specialized services in NDT and engineering.	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 Method used to account the investment	- Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 74% Full consolidation	- 49% Full consolidation	- 100% Full consolidation	- 100% Full consolidation

7

Name	Applus Velsicol America LLC	Applus Velsicol Canada Ltd	Velsicol Do Brasil Ltda	Midstream Technical Inspection Services, LLC	Applus K2 Americas, LLC	Velsicol Australia Pty Ltd	QA Management Services Pty Ltd
Registered office	3 Sugar Creek Center Blvd Suite 600 Sugar Land, TX 77478	2630 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2, Canada	Praia Do Flamengo 312, 9 Andar Ponto Flamengo, Rio De Janeiro, Brazil.	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478	Unit 22/23 Ashton Place Banyo, Queensland 4014, Australia	84 Discovery Drive, BIBRA LAKE, WA 6163, Australia
Line of business	Provision of labor supply services to 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 Method Used to account the investment	- 100% Full consolidation	- 100% Full consolidation	- 98.00% Full consolidation	- 100% Full consolidation	- 100% Full consolidation	- 100% Full consolidation

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

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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.
Registered office	Douala, PO Box 15805, Atakwa, Cameroon	Cité Shell, Port-Gentil in Gabon, BP: 2 267, Gabon.	3rd floor, Kiganjo House, Rose Avenue Off Denis Pitt Road L.R No 1/1870, Nairobi P.O.Box: 50719 - 00200, Nairobi	11 Viscount, Road Bedfordview 2007, South Africa.
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
Ownership interest held by Group companies:	Direct Indirect	- 100%	- 75%	- 100% 100%

7

Name	VAIL Consultancy Services DMCC DMCC Business Centre - Level No 1 - Jewellery & Gemplex 3 Dubai - United Arab Emirates	Precision for Engineering Services, Project Management, Vocational Training and Importation of Man Power, LLC.	Velosi Jorsen Sdn Bhd (Brunei)	Idiada Automotive Technology Rus, LLC
Registered office	Al-Shamasiyah District Section No. 316 Street 15 house 371, Basra, Iraq	LOT 5211, Simpang 357, Jalan Maulana, Kuala Belait KA2931, Brunei Darussalam	Russian Federation, 603004, Nijniy Novgorod, prospect Lenina, 115	
Line of business	Onshore and offshore services of Oil and Gas	Buy, lease, ownership of personal property, intellectual property and the sale of said goods	Provision of non-destructive testing services (NDT), technological development and transformation and technical consulting.	Engineering, testing and certification
Ownership interest held by Group companies:	Direct Indirect	- 80%	- 100%	- 50% - 80%

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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 and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes) for 2017, prepared in accordance with applicable accounting policies and approved by the Board of Directors at its meeting on 21 February 2018, 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, except for Mr Richard Campbell Nelson who has not signed as he was not physically present at the Board Meeting in which the accounts have been approved. Nevertheless, Mr Nelson was present at the Board Meeting via videoconference and voted in favour of the approval of the accounts.

Madrid, 21 February 2018



D. Christopher Cole
Chairman



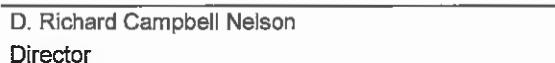
D. Ernesto Gerardo Mata López
Director



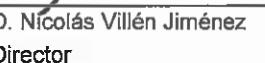
D. John Daniel Hofmeister
Director



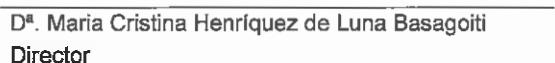
D. Fernando Basabe Armijo
Director



D. Richard Campbell Nelson
Director



D. Nicolás Villén Jiménez
Director



D. Maria Cristina Henriquez de Luna Basagoiti
Director



D. Scott Cobb
Director

D. Claudi Santiago Ponsa
Director

CORPORATE SOCIAL RESPONSIBILITY REPORT

Applus+

Parque Empresarial Las Mercedes
C/ Campezo, 1, Edificio 3
28022 Madrid

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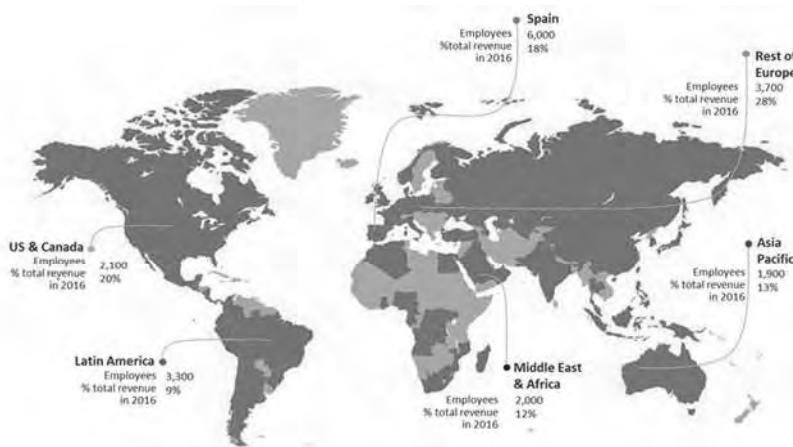
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1. Company description

1.1. Applus+ at a glance

Applus+ is a premier choice in testing, inspection and certification (TIC) services. Across the Group, our Divisions provide these services to national and multi-national companies in a diverse range of products, services and industry sectors.



- **COUNTRIES:** >70
- **EMPLOYEES:** 20,700
- **TOTAL REVENUE:** €1,583.1 million
- **ADJUSTED OPERATING PROFIT:** €143.0 million
- **ADJUSTED OPERATING CASH FLOW:** €136.0 million

OUR SECTORS

- Oil and gas
- Statutory vehicle inspection
- Automotive testing and engineering
- Power
- Civil infrastructures
- Construction
- Mining
- Aerospace
- Telecommunications
- Industrial manufacturing
- Electrical and electronic products
- IT products and smart devices
- Government and public organisations

OUR SERVICES

TESTING

Our wide range of leading and recognised laboratories determine the characteristics of industrial or consumer products. We also manage testing in clients' facilities (i.e. non-destructive testing-NDT).

INSPECTION

Our inspection and verification services are world leading and serve to verify that the assets, processes and services of our clients comply with regulatory or voluntary standards.

CERTIFICATION

Our certification services assure that client products, personnel or their management systems comply with given specifications.

ENGINEERING AND CONSULTING

Our engineering and consulting services are responsible for designing, developing and improving technical solutions to optimise products, services, facilities and systems.

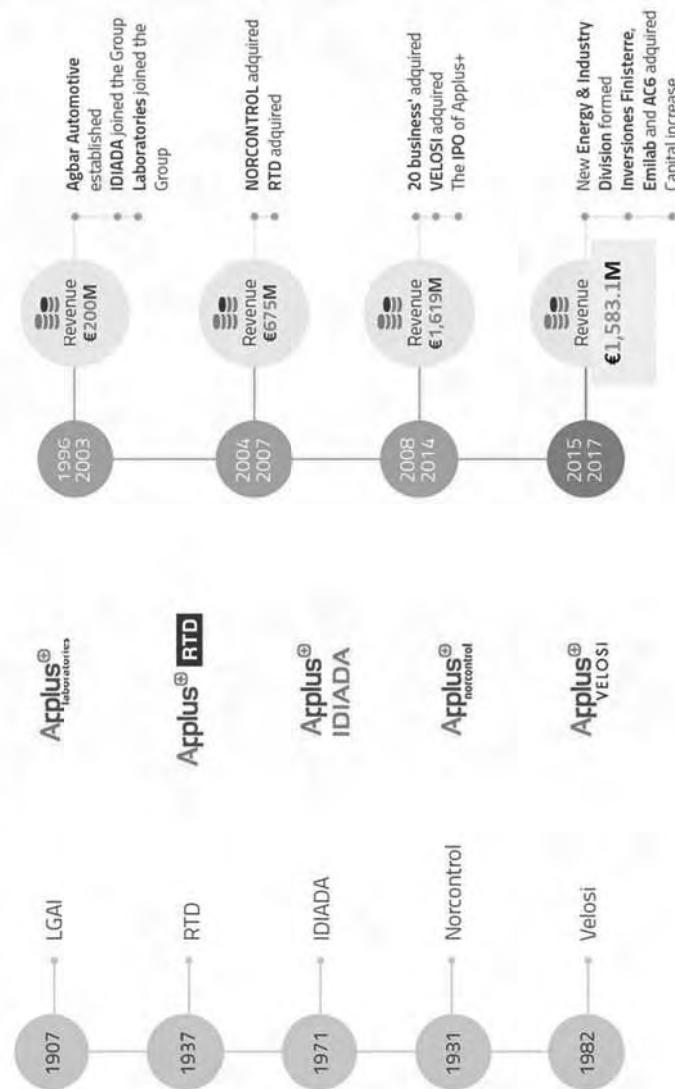
1.2. Our history

The company origins



Einstein's visit to the LGAI Laboratories in 1923.

Applus+ Group history



1.3. Business model

Progress requires supervision. The testing, inspection and certification (TIC) sector ensures this supervision, and the expertise at Applus+ positions us as the ideal partner for companies striving to progress.

Our clients face ever-increasing levels of operational complexity and increased scrutiny, with a need to continuously change as the result of globalisation and technological advances. These developments demand greater controls, more regulation and strict standards with independent oversight.

The Applus+ Group responds to these challenges of our industry sectors and regional markets by working with manufacturers, governments and industry associations to innovate processes and products. And our services' extensive range and scope allow our clients to take informed decisions for their businesses.

We have created a strong and sustainable business model by harnessing our collective knowledge, talent and innovations to deliver what clients require in TIC services: A Global Leader, A Trusted Partner and with Passion for Improvement.

These three pillars guide the business strategy across the Group's Divisions. The values within each pillar support our long-term growth in international markets by improving our new services and technology across our activity's industry sectors.

GLOBAL LEADER

What does Applus+ do?

Applus+ develops and deploys technical solutions across complex industry sectors to enhance operational efficiency, to improve product quality and to reduce risk for our clients and the public. These value-adding services have made Applus+ a technological reference point for bespoke TIC activities. With our portfolio of global accreditations, we reinforce our capabilities through internationally recognised competence, spreading global expertise with local market knowledge across five continents.

TECHNOLOGY

Applus+ leads the TIC sector in advancing technology for industrial practices, manufacturing processes and safety inspections. We design equipment for industry as technology evolves; we customise tools for our clients' challenges; and we integrate technological advances into our service portfolios. With this strategic focus, we add value to our service capabilities and create new processes to benefit our clients.

ACCREDITATIONS

Accreditations play a key role in the TIC sector. Our accredited services allow clients to access global markets and demonstrate our integrity and expertise across the sectors we serve. This expertise allows the Applus+ Group to develop enhanced-knowledge of industry-wide best practice as new standards come into force. As new manufacturing processes and products are developed, the Divisions at Applus+ secure new accreditations to support our clients' business.

HUMAN CAPABILITY

The engineers and technicians at Applus+ are our key asset. We develop their expertise and talent, and this commitment to training delivers specialised skillsets for our clients' projects. Clients also benefit from our workforce's specialist knowledge for each sector across the globe.

GLOBAL AND LOCAL

Applus+ provides local market knowledge supported by global resources across 70 countries in the world's key markets. Our management services support clients' operations when entering unfamiliar regions or sourcing from overseas, and we also guide their teams to develop the prerequisite understanding for success in new surroundings. We help our clients to deploy services to multiple countries at one time, supplying and integrating local teams for effective project management.

TRUSTED PARTNER

Why do clients choose Applus+?

Applus+ is a dynamic and responsive company, adapting our technical resources to our clients' projects. With teams of multi-disciplined problem-solvers, we offer services – from conventional applications to advanced solutions – to provide our clients with cost-effective answers. We underpin this work with values-driven practices. In doing so, we ensure that our ability to make decisions objectively and independently remains and we retain the trust of our clients.

FLEXIBILITY

Our teams work closely with the client to deliver unique solutions for new challenges. In each sector we serve, we evolve our technology and processes to bring more effective and efficient services to industry. As industries change, Applus+ has

the vision to integrate new procedures, adding greater scope to services and leading best practice in the sectors.

VERSATILITY

We retain our position as a partner of choice by adapting our service portfolio to our clients' projects. Each sector presents different challenges; and each new challenge demands unique skillsets. Our people's mindset and versatility allow Applus+ to orchestrate and deliver services with a comprehensive appreciation of our clients' requirements.

INTEGRITY

Across the Applus+ Group, our Divisions deliver services where international compliance, business ethics and social responsibility are paramount to our clients. We embed values-management into our operations, and our CSR Committee ensures we live by these values. Through strengthening ethical controls, we champion social responsibility and deliver sustainable growth.

IMPARTIALITY

The Applus+ Group is a publicly listed company, with diverse international shareholders, representing no single interests. The majority of our Board of Directors are independent members, and this impartiality underpins our activities. In the services we deliver, this independence safeguards the trust and probity required to verify, monitor and certify obligations between third parties and different agencies.

PASSION FOR IMPROVEMENT

How does Applus+ promote continuous improvement?

Applus+ strategically invests in innovation to ensure continuous improvement. Across our Divisions, we build best practice by working with companies, government legislators and industry associations to help develop better, industry-wide operations and standards. These challenges inspire and drive our teams, and we invest in their talent. Added to this commitment to people, our strong corporate social responsibility promotes the environmental and social expectations of all our stakeholders.

INNOVATION

Innovation sets us apart as a partner of choice. In each Division, our teams work with clients and sector agencies to innovate the services fulfilling with specifications they require. This focus drives our business. We pioneer new methods in the TIC sector as new technologies, products and manufacturing systems come to market. And our advances reduce cost and improve efficiencies while delivering a higher quality of service.

RESPONSIBILITY

We help clients protect their operations with our specialist skills and innovative tools to minimise hazards and keep people safe. Our advances in technology help to protect natural resources and reduce the environmental impacts from our clients' services and products. As a Group, Applus+ maintains strong dialogue with our diverse stakeholders through a governance model aligned to the principles of compliance, independence and transparency.

MOTIVATION

Our talented teams have a broad range of qualifications, specialist backgrounds and skills. Their work and dedication reinforces our reputation as a service partner of choice, so we support them to build upon their abilities. We promote opportunities for our people to master new tools and equipment, and offer a work place that matches their aspirations for professional development.

EXCELLENCE

Delivering better services, technology and skills drive the teams across Applus+. This motivation is essential to our clients and agencies for their requirement to meet ever-increasing safety standards, stringent quality levels and greater operational efficiency.

Our brand promise captures the essence of these pillars: ***TOGETHER BEYOND STANDARDS***

1.4. Our value chain



2. About this report

For the third year, the Applus+ Group's CSR Report follows the criteria, principles and contents defined in the **Global Reporting Initiative (GRI- G4)**, according to the "core-option".

The indicators in this report refer to all of the activities performed by the Applus+ Group in regions where the company's Divisions operate.

The information provided reflects the Group's operations and activities during 2017 (1st January – 31st December). To compare the data and show its yearly evolution, the report also presents the data for 2015 and 2016. Our CSR Report is published annually.

This year, we report by including five of the newly revised **GRI Standards**, in anticipation of these new requirements as from 1st July 2018.

GRI Standards requirement	CSR Report section
GRI 101 – Section 1 (Principles for defining report content) and Section 2 (Principles for defining report quality)	3.1 Our CSR Framework / Annex I: Principles underlying this report / 6. Definition of the report's contents
GRI 102 - Disclosure 102-44 Key topics and concerns raised	7.3.3 Key topics and concerns raised
GRI 102 - Disclosure 102-46 Defining report content and topic Boundaries	6. Definition of the report's contents /Annex I: Principles underlying this report
GRI 103 - Disclosure 103-1 Explanation of the material topic and its Boundary	6. Definition of the report's contents
GRI 103 - Disclosure 103-2 The management approach and its components	7. Our CSR commitment /7.3.3 Key topics and concerns raised

In respect of non-financial information and diversity, this report complies with the **Spanish Royal Decree-law 18/2017, 24th November** which implements **Directive 2014/95/EU, 22nd October 2014**. This Directive amends Directive 2013/34/EU of 26th June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Spanish Royal Decree-Law 18/2017	CSR Report section
First article. Two. "6"	1.1 Applus+ at a glance / 1.2 Our history / 1.4 Our value chain / 6.3.1 Identification and evaluation of impacts
First article. Two. "6.a)"	1.3 Business model
First article. Two. "6.b)"	6.3.1 Identification and evaluation of impacts / 7.3.3 Key topics and concerns raised / 7.2 Our people / 7.2.2 Safe people / 7.5 Sustainable performance
First article. Two. "6.c)"	7. Our CSR commitment
First article. Two. "6.d)"	6.3.1 Identification and evaluation of impacts
First article. Two. "6.e)"	GRI Indicators (7. Our CSR commitment)
Second Article. Three.	7.1.1 Corporate Governance

3. CSR Approach

3.1. Our CSR Framework

In 2017, Applus+ adopted the **United Nations Sustainable Development Goals (SDGs)** as a framework for designing our Corporate Social Responsibility (CSR) goals. The following **nine** of the UN's 17 SDG goals are relevant to the Applus+ Group's businesses:

3 GOOD HEALTH AND WELL-BEING



"Ensuring healthy lives and promoting the well-being for everyone at all ages is essential to sustainable development. Many more efforts are needed to fully eradicate a wide range of diseases and address many different persistent and emerging health issues."

5 GENDER EQUALITY



"Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world."

8 DECENT WORK AND ECONOMIC GROWTH



"A continued lack of decent work opportunities, insufficient investments and under-consumption lead to an erosion of the basic social contract underlying democratic societies: that all must share in progress. Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent working conditions are also required for the whole working-age population."

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



"Inclusive and sustainable industrial development is the primary source of income generation, allows for rapid and sustained increases in living standards for all people, and provides the technological solutions to environmentally sound industrialization. Technological progress is the foundation of efforts to achieve environmental objectives, such as increased resource and energy-efficiency. Without technology and innovation, industrialization will not happen, and without industrialisation, development will not happen."

10 REDUCED INEQUALITIES



"There is growing consensus that economic growth is not sufficient to reduce poverty if it is not inclusive and if it does not involve the three dimensions of sustainable development – economic, social and environmental. To reduce inequality, policies should be universal in principle paying attention to the needs of disadvantaged and marginalised populations."

**11 SUSTAINABLE CITIES
AND COMMUNITIES**



"Cities are hubs for ideas, commerce, culture, science, productivity, social development and much more. At their best, cities have enabled people to advance socially and economically. The challenges cities face can be overcome in ways that allow them to continue to thrive and grow, while improving resource use and reducing pollution and poverty."

**12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION**



"Sustainable consumption and production aims at "doing more and better with less," increasing net welfare gains from economic activities by reducing resource use, degradation and pollution along the whole lifecycle, while increasing quality of life."

13 CLIMATE ACTION



"Climate change is now affecting every country on every continent. It is disrupting national economies and affecting lives. People are experiencing the significant impacts of climate change, which include changing weather patterns, rising sea level, and more extreme weather events. Companies can be part of the solution by committing to decarbonise their operations and supply chains."

**17 PARTNERSHIPS
FOR THE GOALS**



"A successful sustainable development agenda requires partnerships between governments, the private sector and civil society. These inclusive partnerships built upon principles and values, a shared vision, and shared goals that place people and the planet at the centre, are needed at the global, regional, national and local level."

In interviews with **stakeholders**, they **highlighted six of nine SDGs goals** identified in our CSR reporting framework:

1 NO POVERTY



**3 GOOD HEALTH
AND WELL-BEING**



5 GENDER EQUALITY



**8 DECENT WORK AND
ECONOMIC GROWTH**



**10 REDUCED
INEQUALITIES**



**12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION**



3.2. Our CSR Policy

Our approach to CSR is expressed in **five pillars** that contain **at least two SDGs within each:**

17 PARTNERSHIPS FOR THE GOALS



8 DECENT WORK AND ECONOMIC GROWTH



CORPORATE GOVERNANCE AND BUSINESS ETHICS

- To implement the measures that fulfil our fiduciary duties, including measures related to transparency and the internal financial control and corporate-governance reporting, as well as risk-management or monitoring practices.
- To develop and implement global policies, such as anti-corruption to prevent wrongdoing.
- To ensure ethical behaviour is integrated across all business units through our *Code of Ethics*, the Corporate Social Responsibility Committee and the Chief Compliance Officer, and with the involvement of management.
- To promote impartiality, independence and integrity as the cornerstones of our *Code of Ethics*.

8 DECENT WORK AND ECONOMIC GROWTH



5 GENDER EQUALITY



OUR PEOPLE

- To encourage working conditions based on human and employment rights.
- To maintain a commitment to our *QHSE Policy* at the highest level and, to deploy effective health-and-safety programmes which promote awareness and involve all employees at Applus+.
- To strengthen management development.
- To develop specific training and internal-capacity programmes.
- To foster diversity amongst staff based on our *Non-Discrimination Policy*.

11 SUSTAINABLE CITIES AND COMMUNITIES



10 REDUCED INEQUALITIES



STAKEHOLDERS ENGAGEMENT

- To work to fulfil our clients' needs through high service-standards and high-quality procedures across all of our Divisions.
- To meet the communication requirements of the global investor community to allow for well-informed investment decisions.
- To strive to consider the demands of society.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



INNOVATION

- To foster and share innovation across all business units that embeds corporate social responsibility into our employees' technical expertise and into the services developed internally, as well as within our clients' operations.
- To create a working environment that nurtures innovation by organising initiatives to promote innovative thinking amongst employees.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



SUSTAINABLE PERFORMANCE

- To reduce potential environmental impact within the communities where our clients operate.
- To work to prevent, environmental impacts by implementing environmental-management systems based on international standards.

3.3. CSR Management

The **CSR Committee** conducts corporate social responsibility (CSR) at Applus+. Whilst this is not a mandatory committee in Spain, the Board decided to create this committee to be in line with international best practice. We appointed the Chairman of the Board to chair the committee, and the CEO is a member to ensure the committee's actions are embedded across the Group.

The committee members define the CSR goals and targets, as well as leading the initiatives and monitoring their application throughout the organisation. To develop these duties, the Committee partners with corporate managers.

The **corporate managers** undertake many aspects of the CSR process, including policy drafting, training, monitoring compliance and reporting on performance to the Committee.

The Board of Directors approves the *Corporate Social Responsibility Report*, and the CSR Committee coordinates the process for reporting non-financial information, in accordance with applicable regulations and international standards. This has allowed us to be prepared to comply with latest requirements in non-financial reporting.

All CSR monitoring is supervised and controlled by the **Internal Auditing Department**.

4. Letter from the Chairman and the CEO

INTRODUCTION

We are delighted to publish the Applus+ Group's third CSR Report and detail the active steps we have taken to spread our renewed practices across the Group.

In 2017, we strengthened our CSR policies and sustainability reporting following the Global Reporting Initiative GRI-G4, and with the early adoption of some revised GRI Standards in anticipation of the 1st July 2018 deadline. In addition, this year our CSR framework incorporates the United Nations' sustainability goals.

As part of this review, we also consulted with our stakeholders as we improved our CSR framework and integrated nine of the UNs sustainability goals to shape our policies. Through these discussions, our CSR policy framework now reflects a more shared perspective for growing our business sustainably and responsibly.

Acting responsibly and governing well requires our constant focus and engagement, which underpins our excellent progress and determination to continually improve.

To this aim, we would like to highlight our progress on the key areas upholding this commitment to developing our CSR vision.

CORPORATE GOVERNANCE AND BUSINESS ETHICS

In 2017, we made significant improvements in our corporate-governance model.

Spain introduced new company laws covering the disclosure of non-financial information and diversity in late 2017, and we value these changes that bring fresh outlooks to managing our Group.

We are therefore pleased to report that the Appointments & Compensations Committee and the Board have been paying close attention to promoting greater diversity of gender, age and experience on the Board.

Since our public listing in 2014, we have appointed three independent directors, and today, seven of the nine Board members are independent, one of whom is female. Our Board bring a wide range of different perspectives, experience and skills, and we will continue to seek this diversity in our merit-based appointments.

As stewards of a Group whose activities help protect clients' assets, public life and the environment, we embrace our responsibilities to ensure robust business ethics that prevent, detect and stop any behaviour contravening our well-established principles of conduct.

In 2017, we put in place the Compliance Management System control model to better mitigate risks at Group level, and the new internal procedures and policies are supported throughout our divisions with focused training-bulletins.

OUR PEOPLE

Providing a healthy, safe and motivating work environment is one of our priorities. In 2017, our actions reduced severity rate by 20% with no fatalities, although, at a global level, there was an increase in total accidents. This increase came mainly from vehicle accidents and other incidents requiring less than three days leave. As a result of this unfortunate increase in vehicle accidents, we set up specific training for defensive driving and put in place new safety controls.

These measures were in addition to our continual deployment of health and safety programmes, such as training, safety inspections and safety campaigns. We will work hard to further promote preventative and proactive behaviours against accidents and to reduce the accident rates.

To develop the Group's talent, we are enrolling our managers on the new Global Executive Development Programme to ensure they receive the training and support to reach their professional objectives. Over the next few years, approximately 100 managers from Applus+ will attend the programme.

In addition, in 2017 we completed our Global Commitment and Satisfaction Survey, which has been periodically carried out since 2007. This year, employees told us that they value the Applus+ Group's collaborative workplace, diversity and inclusion, along with our health and safety programmes. Importantly, our people feel their work contributes to their division's and Group's goals.

For this externally managed survey, more than 500 organisational units received feedback reports from the survey's results. This feedback will be used to create action plans to achieve our goal of constant improvement.

DIALOGUE WITH STAKEHOLDERS

As well as employee engagement, we have continued to ensure transparency through activities to engage wider stakeholders and investors.

Applus+ hosts a corporate governance road show for shareholders and proxy advisors every year in January. This dialogue, with the corporate governance departments of our top shareholders and at the non-executive director level, has helped improve transparency and gather personal feedback from investors.

This dialogue, as well as our active discussions prior to the Annual General Meeting (AGM), helped to increase the voting at the AGM to 68% of shareholders in 2017. This is above the Spanish average. We publish the AGM reports on our website, alongside the Chairman's speech, as recommended by the Spanish National Securities Market (CNMV).

INNOVATION

We invest in innovation to create value for our customers and our Group through the development of products, services and technical expertise. Innovation at Applus+ also makes a contribution to reducing the environmental impact of the sectors and clients we serve. Therefore, innovation for sustainability improves our competitive position, contributes to our performance and builds our reputation.

In 2017, we participated in 199 different projects for research and development, involving 761 people, with the majority in the automotive and oil and gas sectors. Our projects developed a range of new products and services within the different sectors, each addressing a variety of goals with a subsequent sustainability benefit. Two highlights include:

- Detect dangerous or hazardous equipment failures or breakdowns. Our advances to apply leading-edge technology to pipelines and storage facilities allow clients to reduce physical intervention, thereby lowering the risk for inspectors, costs and pre-inspection time.
- We researched the reduction of CO₂ emissions and impact throughout the lifecycle of aeroplanes; and led research proposals at the European regulatory level to control the emission of NO_x emitted by vehicles on the road.

Further in this report, we have listed many examples of these projects and how they have real world application and therefore a return on investment from a broad point of view.

To spread innovation, we worked with external bodies and participated in conferences to share our knowledge and learn from our peers.

ENVIRONMENT, SUSTAINABLE DEVELOPMENT AND SOCIAL CONTRIBUTION

As a service organisation, our consumption of natural resources and emissions are not substantial but nevertheless require managing. Energy and water consumptions and vehicle emissions are our most significant environmental impacts.

We therefore collect global indicators on these and implement global and local measures to control them. We deploy our environmental-management systems at a local level, and these are certified and periodically audited to meet the international ISO 14001 standard.

We are pleased to say that environmental data reported here covers 98% of our business, and we have reduced our energy index by 12% thanks to business integration activities and initiatives such as our project to renew light installations to low consumption.

In addition to reducing the Group's direct environmental impacts, our divisions' services lead to a reduction, either directly or indirectly, in the impacts of our clients' operations. Our services also help clients and sectors to improve workplace health and safety, protect the natural world and safeguard living ecosystems. We have detailed many examples of these projects and their sustainable contribution later in this report.

From a social perspective, we participate and assist those communities where we operate throughout our divisions. Apart from providing employment, transferring best practices and purchasing from local suppliers, we support numerous social causes across the world at a local level, either through direct financial contribution, sponsorship or active participation.

IN CONCLUSION

Our Corporate Social Responsibility is developing well at Applus+, although our journey of doing business better cannot stop.

With our knowledge and skills in technology and innovation, we can and do play an essential role in delivering sustainable contributions to society. Innovation in the services we offer our clients is also providing new growth areas for the Group by protecting the safety of assets and the well-being of people and their communities.

In addition, within our CSR framework, we add to the talent of our workforce, giving them opportunities for personal growth with new skills in a fair and diverse workplace. We promote business ethics throughout the company as a fundamental value in the services they deliver, while implementing best practice in the governance of our Group.

Clearly, CSR is fundamental to a sustainable world. Therefore, we would welcome your feedback on this progress we've made this year.

5. CSR Performance

5.1. CSR in figures

ECONOMIC PERFORMANCE

- REVENUE: €1,583.1 million
- ADJUSTED OPERATING PROFIT: €143.0 million

HUMAN CAPITAL

- EMPLOYEES: 20,700
- TRAINING HOURS: 750,000

SOCIETY

- COUNTRIES: >70
- LOCAL EMPLOYEES: 90%

INNOVATION

- HOURS INVESTED ON INNOVATION: 264,241
- EMPLOYEES INVOLVED (not full-time dedicated): 761

BUSINESS ETHICS

- ETHICS TRAINING: 100%
- NON-COMPLIANCE NOTIFICATIONS: 89 - 33% breached the Code of Ethics, and were addressed and closed.

ENVIRONMENT

- ENERGY CONSUMPTION: 796,144 GJ
- WATER CONSUMPTION: 679,029 m³

5.2. Our main CSR achievements

- Established **United Nations Sustainable Development Goals (SDGs)** as our **CSR Policy** framework to design our **CSR objectives** from 2017-2030.
- Approved **four new policies and a procedure** for dealing with compliance, anti-money laundering, supplier and customer management and regularize the operation of our communication channel for reporting any incidents of non-compliance.
- Extended our **Compliance Management System** for criminal risks **across the Group**.
- Maintained engagement and increased transparency through a governance road show and **Annual General Meeting (AGM) notifications**.
- Developed our first **Global Management Development Programme** for approximately 100 high-potential managers at Applus+ to participate over the next few years.
- Developed **methodologies and information systems** to respond to the **new GRI Standards** for the content requirements from 1st July 2018.

6. Definition of the report's contents

To define and develop the report's contents, Applus+ has covered and prioritised the topics in accordance with the principles of materiality, sustainability context, stakeholder inclusiveness, and completeness.

6.1. 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 influence directly the decisions of our stakeholders.

As with the past two years, Applus+ has conducted the materiality analysis, the CSR Committee delegated this task to an in-house team, which provides similar services to our clients.

To begin materiality analysis, the assessment **established which stakeholders to consult with the initial list of topics**.

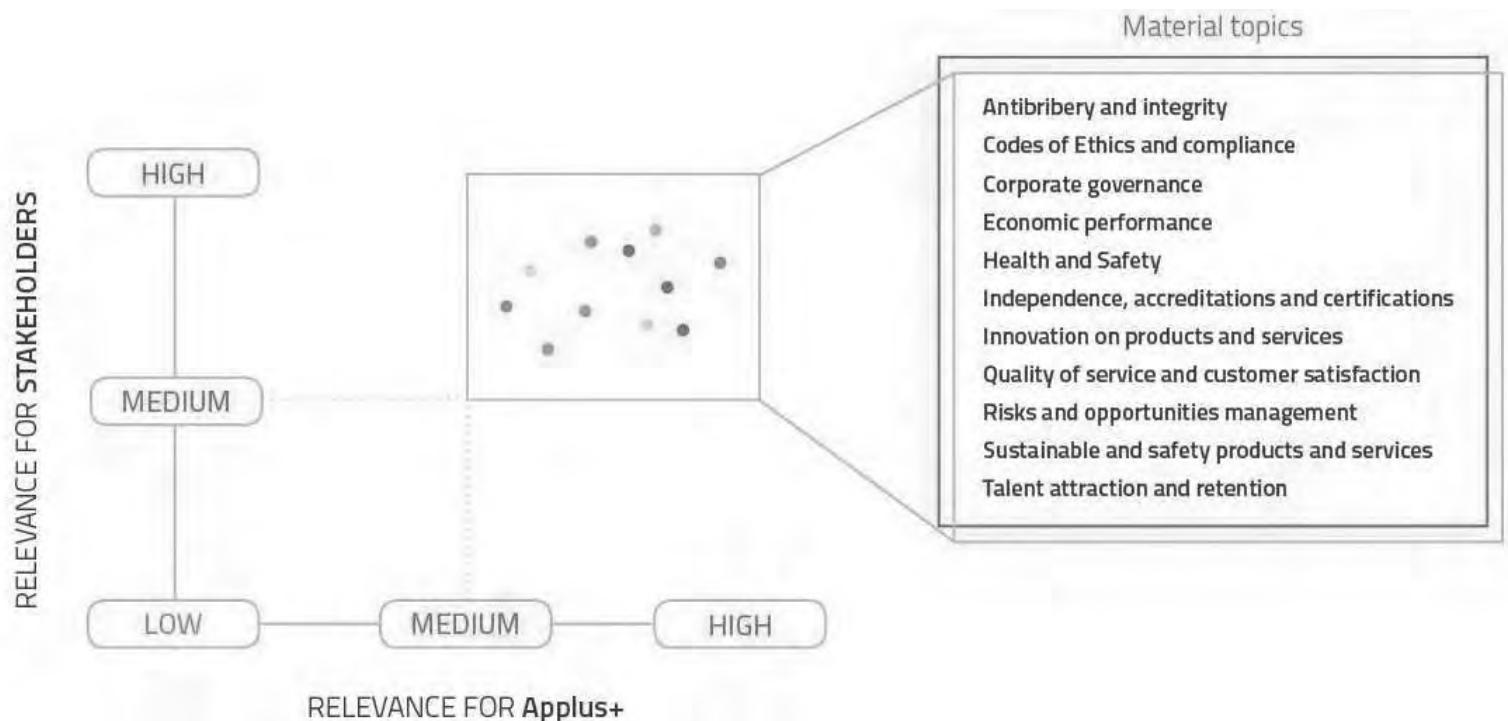
Under the principle of stakeholder inclusiveness, the Group Management Team and the in-house professionals' team identified the **key stakeholders** as:



To identify the topics, we **reviewed** the validity of the **previous year's 28 topics**. And by benchmarking against competitors and main sectors, we included four new topics and downgraded two to produce this year's **definitive list of 30 topics**.

Next, we consulted senior management to weight the **relevance of each topic**. Each topic was rated as high, medium or low in respect of its internal (Applus+) and external (stakeholders) importance. The **initial 30 topics** were refined to **11 material ones** and approved by the CSR Committee.

6.1.1. Materiality matrix



6.2. Prioritisation of material topics

We evaluated the **material topics** to reflect their **relative priority by assessing**:

- **Direct impacts** (principle of sustainability): the type and range of influence; and their relation to the UN's sustainability goals (SDGs).
- **Indirect impacts** (principle of completeness): those directly related to entities within our chain value.
- **The influence of these impacts on our stakeholders' assessments and decisions.**

6.2.1. Identification and evaluation of impacts

OUR DIRECT IMPACTS

To **identify our direct impacts**, we considered the issues intrinsic to the Group's commitments and management, as well as the concerns identified and published by different community experts. We assign a high, medium or low value based on our management focus and performance during 2017, to **determine the importance of these impacts**.

MATERIAL TOPIC	SIGNIFICANT IMPACTS	SDGs	LOCATION and TYPE
Anti-bribery and integrity	Compliance with government regulations	9, 17	G
	Good governance	5, 10, 17	G
	Good reputation	5, 10, 11, 12, 17	G
Codes of ethics and compliance	Fulfilment of human rights	3, 5, 10	G
	Removal of inequalities	5, 10	G
	Crime prevention	11, 17	L
Corporate governance	Non-compliance risks	9, 17	L
	Greater transparency, independence, and stakeholders' confidence.	17	G
	Increased confidence of investors and clients	8, 17	G
Economic performance	Job creation and increased local service contracts	3, 8	L
	Community development	8, 17	L
Health and Safety	Preventing occupational risks and eliminating accidents	3, 8	L
	Compliance with industry's regulation	11, 12	L
Independence, accreditations and certifications	Operational efficiency	9, 12	G
	Pollution reduction	11, 12, 13	G
	Improvement of quality standards for products, services and facilities	9, 12, 13	L
Quality of service and customer satisfaction	Brand value maintenance and improvement	9, 17	G
	Improvement of quality standards for products, services and facilities	8, 9	G
Risk and opportunities management	Contextualised business strategies	8, 9	L
	Risks reduction and take advantage of the opportunities	8, 9	L
Sustainable and safety products and services	Operational Eco-Efficiency	11, 12, 13	L
	Consumption (energy and water)	11, 13	L
	Climate change (emissions)	11, 13	G
Talent attraction and retention	Specialization, knowledge and experience	8, 9	G
	Quality-work environment	3, 8	G
	Community development	11, 17	L

L Local

G Global

Economic

Social

Environmental

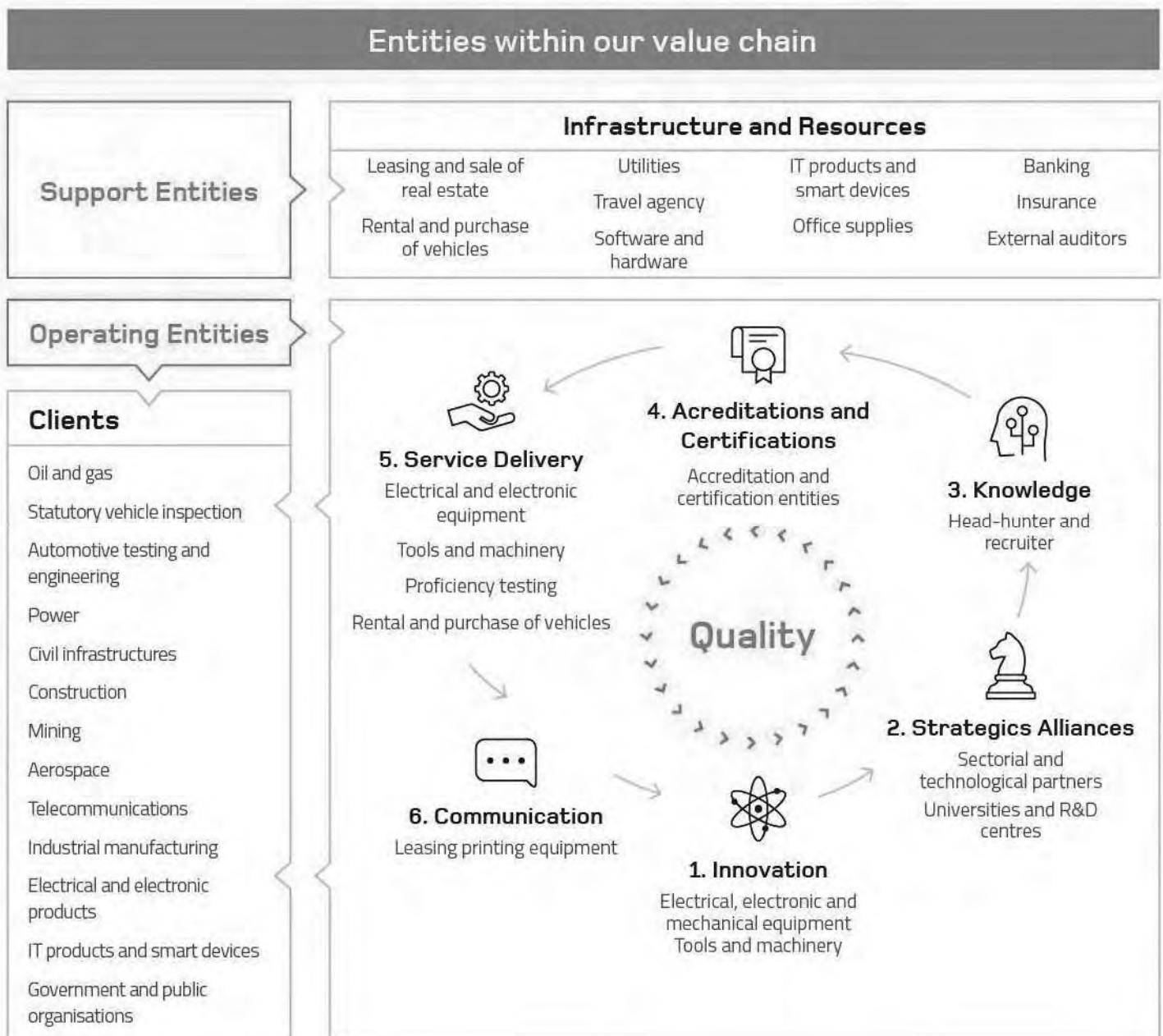
Business

Integrity

OUR INDIRECT IMPACTS

When assessing priority, we also considered both the direct impacts of our activities and **those to which we contribute**; this means the **direct impacts of entities that are involved within our value chain**.

Here you are a table that shows the entities involved in our value chain (see section 1.4)



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 sections**, as we did with the direct impacts:

- Economy
- Society
- Environment
- Business
- Integrity

To complete this, 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 assigned a high, medium or low value to each impact **based on a qualitative justification** of our contribution:

Applus+ Contribution			
MATERIAL TOPICS	ENTITIES' MAIN IMPACTS	CLIENTS	REST OF ENTITIES
	ECONOMY		
Economic performance	Job creation Community development Improvement of economic performance	Our services enhance their business development and sustainability. An optimal service and a reasonable price-service ratio generates 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.
	SOCIETY		
Codes of ethics and compliance	Fulfilment of Human Rights		
Health and Safety	Removal of inequalities		
Quality of service and customer satisfaction	Preventing occupational risks and eliminating 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.	
Talent attraction and retention	Quality work environment		
	Specialisation, knowledge and experience	We also contribute to improving the specialisation and knowledge of our clients' staff when we provide technological services or develop innovation projects.	
	Community development		
Quality of service and customer satisfaction	Application of good practices and standards of quality, safety and environment		
	ENVIRONMENT		
Sustainable and safety products and services	Operational eco-efficiency Consumption Climate change	Definitely, our services improve our client's sustainable performance. In addition, we reduce their environmental impact through the development and application of new services, in many cases, as a result 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.
	BUSINESS		
Innovation on products and services	Operational Eco-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.
	INTEGRITY		
Anti-bribery and integrity	Anti-bribery Good governance Good reputation Crime prevention	We comply with its codes. We apply our policies, and the values and principles of our <i>Code of Ethics</i> .	We have implemented a Compliance Management System for Criminal Risk (CMS) to support the application of the <i>Code's</i> principles related to the criminal acts. We have deployed internal controls at Group level to mitigate risks.
Independence, accreditations & certifications	Crime prevention	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.

Having evaluated our direct impacts and our contribution to the impacts of the stakeholders of our value chain, we cross-referenced both valuations to obtain the **significance of economic, environmental and social impacts**.

6.2.2. Priority matrix

Finally, we determined **how these impacts could influence stakeholders' assessments and decisions**. To do this, we assigned a high, medium and low score to the feedback we received during the interviews for determining materiality.

By cross-referencing the impacts' significance with the influence on stakeholders' decisions, we obtained the **relative priority of our material aspects**:



7. Our CSR commitment

7.1. Corporate governance and business ethics

7.1.1. Corporate governance

The Board of Directors has prioritised good governance since the Group became a publically listed company. Since 2014, the Board, independent executive officers and management teams have devoted time to evolve the Group's governance model and framework. This framework includes the *By-laws*, the *Regulations of the Board of Directors* and the policies approved, which included the *Directors' Selection Policy*, the *CSR Policy*, the *Policy on Communication & Contacts with Shareholders, Institutional Investors and Proxy Advisors*, and the *Remuneration Policy for the Directors*.

The Applus+ Group has been developing corporate governance by following **international best practice**:

- ✓ **Nine-member Board** to allow for a diversity of opinion and keep decision-making effective
- ✓ Chairman and CEO role-**separation**
- ✓ Seven out of nine (78%) **independent** Directors
- ✓ **Independent Chairman** of the Board
- ✓ Independently-led governance committees
- ✓ **Fully independent** Audit and Appointments and Compensation **Committees**
- ✓ **Broad diversity of skills and experience** to manage the Group's challenges and plan for the future, who include professionals from industry, academia, finance, law and human resources
- ✓ **First female** Board member in 2016 to begin our merit-based diversity aims
- ✓ Four out of nine Directors (44%) are international to Spain, bringing an **international outlook** for our **presence in 70 countries**.
- ✓ **Age diversity: the Board are between** 43 and 76 years-of-age (average: 63) to account for a rapidly changing business environment while preserving valuable knowledge and experience.

The Board of Directors ensures good governance through **three specialised Committees**: the Audit Committee, the Appointments and Compensation Committee and the Corporate Social Responsibility Committee.

Independent directors chair all three Committees, and only independent directors sit on the Audit Committee and the Appointments and Compensation Committee.

Our **CSR Committee**, which **is not mandatory in Spain**, is chaired by the Chairman of the Board, together with another non-executive independent director. The Chief Executive Officer sits on the committee to ensure policies and actions are embedded into the Group's strategy and day-to-day management. All three committees report quarterly to the Board and provide a yearly report on their progress.

The **key developments** in corporate governance during 2017 include:

- **Shareholder Engagement:** to gather valuable feedback from institutional investors and proxy advisors, we repeated our governance road show in 2017. The Board followed up these conversations at the AGM, which enjoyed greatly improved shareholder participation of up to 68.03% of share capital.
- **Changes to share capital:** Shareholders at the AGM approved a 5-year authorisation to increase share capital up to 50% of share capital with pre-emptive rights and 10% of share capital without pre-emptive rights. To meet the requirements of top international institutional investors, this 10% is more stringent than both the legal 50% limit in Spain and the widespread 20% market limit. The authorisation facilitated the acquisition of 80% of the shares in Inversiones Finisterre in September, through an Accelerated Book Build Offering (ABBO) of a 10% share capital increase.
- **Self-evaluation process:** The Board enhanced self-evaluation with one-on-one interviews with the Chairman, in addition to role-specific topics within the self-assessment questionnaires. The Board discussed leadership-succession strategy and cyber-security, and met with all of senior management across the Group.
- **National Securities Market Commission (CNMV, Spain) Review:** the Audit Committee reviewed and analysed the CNMV's Technical Guide on Audit Committees in Public Interest Entities to assess compliance; and assessed the company's adaptation to new requirements under recent Royal Decree-law 18/2017 of November 24th, in matters of non-financial information and diversity.
- **CSR Committee:** completed checks and balance on the recommendations for good corporate governance, submitting conclusions and proposals to the Board of Directors.

- **CSR Policy Renewal:** the CSR Committee adopted the United Nation's SDGs framework for CSR reporting and improved Health and Safety reporting procedures.
- **Compliance procedures and management:** a new *Compliance Management System* introduced new controls to mitigate criminal risks at Group level. In compliance management, the compliance function was re-defined with new support through enhanced annual training.
- **Registered office** changed to the Applus+ Group's operations in Madrid.

APPROACH TO DIVERSITY ON THE BOARD OF DIRECTORS

In December 2017, the Board was presented with the new requirements under **Spanish Royal Decree-law 18/2017 of November 24th** in matters of **non-financial information and diversity**. This included the Board's diversity policy under a new article of Company Law.

The Board of Directors at Applus+ is committed to promote diversity throughout the Group. We have company policies and regulations in place to prevent any gender discrimination from occurring in our selection processes:

- **Board's Regulations:** Art. 14.3 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 Directors."
- **Directors' Selection Policy:** Among its "**Objectives and Main Principles**", the policy highlights that "...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...**"

Thus, as a result of the application of these regulations:

- The Board appointed its **first female Director** in 2016.
- Four out of nine Directors (44%) come from outside Spain to **account for 70 countries** where Applus+ business is present.
- **Age range** of between 43 and 76 years-of-age (average: 63) to account for a rapidly changing business environment, while preserving valuable experience.

The following table reflects how diversity is ensured within the Applus+ Board of Directors:

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 and industrial manufacturing	President, and HR Group Director	Worldwide	Independent
Mr Ernesto Mata	Spain	Energy, infrastructure, consultancy and finance	President and Vice-president	Spain and Latin America	Independent
Mr Richard Nelson	UK	TIC	Chief Executive Officer	Worldwide	Independent
Mr Fernando Basabe	Spain	Finance and TIC	Chief Executive Officer	Worldwide	Executive
Mr Nicolás Villén	Spain	Infrastructure and pharma	Chief Executive Officer and Chief Financial Officer	Worldwide	Independent
Ms María Cristina Henríquez	Spain	Consumer and pharma	President and Managing Director, and Chief Financial Officer	Europe, Latin America, and Israel	Independent

Mr Scott Cobb	USA	Private equity	Managing Partner	Europe and worldwide	Proprietary
Mr Claudi Santiago	Spain	Oil and gas, and Private equity	Senior Vice-president, President, Chief Executive Officer, and Chief Operating Officer	Worldwide	Independent

7.1.2. Business ethics

For Applus+, business ethics are as important as the services provided. 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** bring credibility and build stakeholder confidence.

Applus+ guarantees compliance with the principles governing the conduct of our employees through a **specific regulatory framework**:

- The Applus+ **Code of Ethics** provides directors, employees and third parties with a strict code of conduct by setting out the values and commitments that govern their activities within the company. Each has a **dedicated communication channel** for reporting any incidents of possible non-compliance with our *Code of Ethics* (whistleblowing.channel@applus.com).

In 2017, there were **89 communications** received and opened for investigation of potential breaches. Out of the 89 communications received **79 have been closed in the year 2017** and **10 continue to be open** and are being investigated and managed by the Chief Compliance Officer. Out of the 89 cases there was **evidence found in 30 cases of irregular behavior** or with breaches of the *Code of Ethics* values and *Global Anti-corruption Policy and Procedure*, that resulted in some type of correction or disciplinary action.

Out of the 89 cases, **75 came from internal sources**, and **14 from external people** out of the Group. **67%** of the cases **used the formal communication channel** of the company to send the allegations, and the rest came in via the management team, audit process or other sources.

- To prevent, detect, investigate and remediate any corrupt act within the Group, we enforce the **Global Anti-corruption Policy and Procedure**. The Divisional Executive Vice-Presidents, under the leadership of the **CCO (Chief Compliance Officer)**, are responsible for monitoring Applus+ professionals and third parties to comply with the *Global Anti-corruption Policy and Procedure*.
- The Board of Directors extended the *Global Anticorruption Policy* framework in 2016, enforcing the **Compliance Management System (CMS) for criminal risks**. This included a specific *Criminal Risk Map* and an *Action plan*, which enables Applus+ to detect possible criminal offences under the Spanish Criminal Code, UK Bribery Act and the US Foreign Corrupt Practices Act.

In 2017, we reinforced and raised awareness for our **Code of Ethics** and the **Global Anti-corruption Policy and Procedure** (e.g. agents' management, gifts and hospitalities, etc.) with training bulletins. We also conducted training for new recruits as part of their **induction training**.

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 Auditing Department**.

In 2017, we **deployed the CMS control model** across our four Divisions and their subsidiaries **around the world**, and we further implemented our *Action plan*, approving the following internal procedures and policies:

- The *Compliance Terms of Reference Norm*
- The *Applus+ Whistleblowing Procedure*
- The *Anti-Money Laundering Policy*
- The *Suppliers Policy*
- The *Customer Policy*

7.2. Our people

The outstanding professionals at Applus+ are the distinguishing feature of our services. We have a **workforce of 20,700** worldwide, and we employ and train a wide range of specialist technicians, from young people developing their skills to qualified professionals furthering their specialism.

To support the success that their work brings, we prioritise and promote a **healthy, safe and motivating work-environment**, and encourage our employees to develop their personal and professional skills.

EMPLOYEES BY DIVISION			
REGION	2017	2016	2015
Energy & Industry Division	13,100	12,500	12,620
Automotive Division	4,400	3,500	3,400
IDIADA Division	2,400	2,200	1,980
Laboratories Division	800	800	700
TOTAL	20,700 ⁽¹⁾	19,000	18,700

⁽¹⁾ The increase is due to acquisitions made in the year, and mainly to Inversiones Finisterre.

EMPLOYEES BY REGION			
REGION	2017	2016	2015
Spain	6,800	6,000	5,700
Rest of Europe (ex. Spain)	3,500	3,700	3,630
USA and Canada	2,200	2,100	2,520
Latin America	4,200	3,300	3,080
Middle East and Africa	2,400	2,000	1,800
Asia Pacific	1,600	1,900	1,970
TOTAL	20,700	19,000	18,700

EMPLOYEES BY ORGANISATION LEVEL AND GENDER			
Level	2017		
	Male	Female	Total employees
TIER 1 and 2	84%	16%	1%
TIER 3	79%	21%	2%
TIER 4	82%	18%	7%
Operational employees and others	82%	18%	90%
TOTAL	82%	18%	100%

Local Human Resource teams have gathered the quantitative and qualitative data presented in this report, following the guidelines for the specific information requested by Corporate Human Resources.

To **verify and control** this process, the corporate team compared previous years' data to validate its consistency. This analysis also guarantees that the information reflects potential changes in the global economic situation, any labour market trends in the countries in which we operate and any specific changes in the TIC sector or our Divisional industry sectors.

7.2.1. Human Resources model and KPIs

During this year, we have **implemented a decentralised model of Human Resources**, which allows us to give more autonomy to our teams, resulting in improved efficiency. Decentralisation has demonstrated the flexibility of our management, allowing us to adapt more quickly to changes in the market and satisfy the needs of our customers and society.

HR KPIs	2017	2016
Voluntary turnover rate	15.4%	10.2%
Employees covered by collective bargaining	35% Countries: 21	37% Countries: 18
Internal promotion rate	70%	68%

We strive to provide a work environment based on respect, ethics, equality and diversity. Our ***Non-Discrimination Policy*** and our ***Code of Ethics*** guides our people to consider which behaviours are expected from them in their day-to-day performance, and in their relations and interactions between themselves and with our stakeholders.

In this respect, we can highlight **two actions** completed by Human Resources **at local level**:

- In **South Africa**, Applus+ has implemented several initiatives to **promote community development and, especially, to reduce inequalities**. These initiatives are related to ownership, management control, skills development, enterprise and supplier, and socio-economic development. Human Resources has been involved in various processes with actions to **implement ethnic shareholding and the inclusion of women in top management**.
- In **Colombia**, Applus+ has implemented a ***Corporate Social Responsibility Programme*** focused on the recruitment and professional development of personnel with disabilities. The programme was led by Human Resources team with the aim of **prioritising employees with disability status in administrative roles**, where there is equality of competencies between candidates. In addition, we are developing a plan to **incorporate and develop personnel from the military and police forces, who have suffered injuries because of the armed conflict**. These personnel tend to join Applus+ at entry-level positions and develop within the organisation.

This year, Applus+ has promoted ***Global Management Development Programme*** to support the long-term sustainability of our business, and we also ran the ***Global Employee Satisfaction Survey***, which we have periodically carried out since 2007 (further details below).

GLOBAL MANAGEMENT DEVELOPMENT PROGRAMME

Applus+ has been developing its **professional development model**. In addition to enhance individualised development plans focused on geographical or business environment, we now develop the potential of our people using a global development model.

This programme complements our individual development plans and aims to **stimulate innovation, foster knowledge-transfer** among teams and **promote a global, inclusive and diverse organisational culture**.

From the pool of high-potential managers, we selected **29 participants from 16 countries** to participate in the **first** round of our ***Global Management Development Programme***. Thirty-eight per cent of the participants are from our Spanish headquarters, and we are especially proud that 31% of attendees on our first programme will be women.

The first *Global Management Development Programme* will begin in the second quarter of 2018. The programme will have a **blended format**, where participants can foster the exchange of ideas and experiences. The project outcomes will be presented to the Applus + management team, and the programme aims to spread knowledge and create new synergies across the Divisions.

Over the **next three years, around 100 managers** at Applus+ will participate. The *Global Management Development Programme* will strengthen and develop our managers' skills for the future to ensure the Group's continuous development, success and sustainability.

GLOBAL EMPLOYEE SATISFACTION SURVEY

During **2017**, Applus+ carried out a *Global Employee Satisfaction Survey* amongst its employees. The satisfaction of our employees is key to maintaining the excellence services we provide and directly affects the company's results.

The survey results provide valuable information to enable **dialogue across the Divisions, encourage communication between teams and continuously improve**. When analysing the results, we benchmark different global industries to compare and evaluate our engagement and satisfaction in relation to other markets, collaborating with a recognised company with more than 40 year's experience surveying employees on satisfaction.

The results **highlighted particular** satisfaction in:

- **Collaboration**, defined as achieving results that would be difficult or unlikely to be achieved individually. Our employees value this cooperation and the possibility to generate synergies between different teams. In this category, Applus+ far exceeds the benchmark, confirming our collaborative relationships as a key cultural attribute within our growth.

In addition, employees gave **notable scores** in areas such as:

- **Performance management**: Applus+ employees felt their work had a direct impact on achieving the company's objectives.
- **Health and Safety**: Applus+ employees considered that their direct managers, as well as the company in general, provide the level of training and the necessary equipment to guarantee they can work safely.
- **Diversity and inclusion**: employees at Applus+ positively value our open environment and diversity within the company, such as gender, race, and religion.

More than **500 units across** the Group **received feedback** and shared these reports with their teams to establish on-going action plans for the company goal: the constant striving for excellence.

7.2.2. Safe people

OUR THREE MANAGEMENT PILLARS

- **Health and Safety Policy**, which applies to all Divisions and countries, was reviewed in 2017.
- **Health-and-safety programmes** at a local level, in accordance with the international OHSAS 18001 standard.
- **Golden Safety Rules programme** to eliminate or mitigate risks associated with the 11 activities, which have historically led to a wider range of serious incidents or injuries.

HEALTH AND SAFETY INDICATORS	2017	2016	2015
Number of occupational fatalities	0	0	0
Lost-time injuries rate ⁽¹⁾	0.98	0.71	0.79
Recordable cases rate ⁽²⁾	1.27	1.01	1.13

⁽¹⁾ Rate refers to the number of lost-time injuries occurring per 200,000 hours worked.

⁽²⁾ Rate refers to the total number of recordable cases for every 200,000 hours worked.

In 2017, our actions reduced severity rate by 20% with no fatalities, although, at a global level, there was an increase in total accidents. This increase came mainly from vehicle accidents and other accidents requiring less than three days leave. As a result of this unfortunate increase in vehicle accidents, we set up specific training for defensive driving and put in place new safety controls.

Local Health and Safety (H&S) teams in each country follow the H&S reporting policy and procedure and report H&S indicators through the corporate *Governance Risk Compliance Tool*. Corporate H&S monitor and analyse the reported quantitative and qualitative data, and the Internal Audit team, external certification bodies and clients **verify and control** H&S information.

TIME FOR SAFETY

In the year's final quarter, we celebrated our **fourth "Safety Day"** under the catchphrase "**Make time for safety**". 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.

AWARENESS AND MOTIVATION TOOLS

- This year, we launched a **new awareness campaign** under the banner "**Time for Safety**". The campaign included:
 - ✓ **Posters** to reinforce the Applus+ *Golden Safety Rules*. Themes have included: "Pay 'Loads' of Attention while Hoisting and Lifting", "Incorrect Posture", "Road Safety", "High Places", "Fatigue", "Clean and Tidy" and "Electrical Hazard". The bulletins were placed in the workforces' common areas.
 - ✓ Sent **emails** to all employees with specific messages about security, under the banner "**Lessons learned**".
 - ✓ Promoted and targeted **specific banners** in the Applus+ Global Intranet.
- **Safety awards** at a local level to value employees' ideas or actions to safeguard health and safety. These awards, which started several years ago in some countries, have been extended locally to more countries, for example: "**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 Plus en Seguridad**" ("Beyond the Call of Safety") in Spain.

In 2017, **localised** activities for **awareness** also included:

- Applus+ in **Brazil** joined the Brazil "**O Movimento Maio Amarelo**" ("May yellow movement"). This movement was created to highlight the **high rate of traffic deaths and injuries worldwide**. Each citizen, entity or company could use the "Yellow May" ribbon to raise awareness for actions in the month of May and throughout the year where possible.
- Applus+ staff in **Singapore, Korea and Brazil** took part in training workshops in our "**Stop before it stops us**" campaign to promote responsible behaviour. The campaign encourages employees to **stop performing tasks in the event of a safety concern** and reassess their work for a safer outcome.

AWARDS AND RECOGNITIONS

Our clients and partners have recognised the efforts we have made to prevent occupational risks and protect health:

- Applus+ in **UK** was awarded with the gold award by **RoSPA** (Royal Society for Prevention of Accidents) for a continuous focus on the **industry's associated risks**.
- Applus+ in **Peru** was awarded in the ninth edition of the recognition programme organised by **Pacífico Seguros** in August 2017. This year, Pacífico Seguros highlighted the work of 25 companies, which show **high standards in the prevention of occupational risks and health**.

7.2.3. Motivated and skilled people

Our employees are the essence of our services. To recognise this, Applus+ fosters a **competitive compensation system**, which is aligned to our sector.

In **Spain** Applus+ celebrated its **third edition** of "**Valoramos tu Plus**" ("Beyond the Call") programme. By implementing the good practices adopted by our employees, we acknowledge their excellent work at a global level, and we incorporate the resulting best practice into the routine of the company's operations.

How does it work?

1. Quarterly requests for applications are made for nominations
2. The heads of departments propose a candidate, demonstrating and explaining the reason for the nomination.
3. The 10 finalists are chosen in a voting process that evaluates the employees' best practice in respect to:



TRAINING PROGRAMMES

We invest in our people to ensure we provide quality across the Group's Divisions. We recognise the need for good professionals, and we value the talent they bring to Applus+. Moreover, since our people are fundamental to the Group, at Applus+ we take our responsibility seriously to provide training and qualification to our employees. In fact, we owe our prestige to these highly qualified people.

In 2017, we organised approximately **750,000 hours of training** including On-the-job training hours (averaging **36 hours per person**) to contribute to their life-long learning. As well as training related to new technical abilities, we also ran courses on quality management, languages, health and safety and the environment.

TRAINING PROGRAMMES	2017	2016	2015
Technical skills	51%	42%	46%
QHSE	30%	27%	33%
Language	6%	11%	10%
Other	13%	20%	11%

7.3. Stakeholders engagement

7.3.1. Market focus

We design and execute services covering the economic, environmental and social expectations of all 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.

During November, Applus+ was globally sent the campaign celebrating the **World Quality Day (WQD)**. To this purpose, an informative video was prepared encouraging people to be quality leaders.

CERTIFICATIONS

We deploy our **quality and environmental-management systems** at a local level, and these are certified and periodically audited in accordance with the international **ISO 9001 and ISO 14001** standards. In 2017, actions included:

- We adapted to the new requirements of the **ISO 9001:2015 and ISO 14001:2015** in some legal entities of the following offices: UK, Italy, UAE, Kuwait, Saudi Arabia, the USA, Canada, China, Thailand, Australia, Norway, Mongolia, Indonesia, Papua New Guinea, Angola, South Africa, Colombia and Spain.
- We have expanded our **ISO 14001:2015** scope (Environmental-management systems), including in Ireland.

ACCREDITATIONS

Applus+ maintains the necessary **accreditations** and validations in multiple jurisdictions across the globe, which assures the quality, safety and integrity of both our services and our clients' assets. This year, we acquired many new accreditations, amongst which are:

OIL AND GAS

- Applus+ in **Singapore** obtained **ISO 17025 SAC** (SAC Accreditation in **Advanced and Conventional NDT Services** to add to its growing list of internationally recognised certification.
- Applus+ in **Australia** joined **National Association of Testing Authorities (NATA)**. NATA represents Australia at high-level international forums related to laboratory, inspection body, reference material producer and proficiency testing service-provider accreditation practices and policies.

INDUSTRIAL MANUFACTURING

- Applus+ has been accredited as an **Inspection Entity for Environmental Monitoring and Control of Industrial Activities (ECMCA)** in the Valencia region, **Spain**. This accreditation follows ISO 17020 standard, which will serve as a basis for entities accredited by **ENAC** (Spanish accreditation body) to be registered in the Registry of ECMCAs for the Group's services in site-surveillance and field control.

CONSTRUCTION

- Applus+ in **Panama** has been accredited by the **Technical Board of Engineers and Architects**. The Technical Board governs the professional practice of engineers, architects and other related technicians in the Republic of Panama.

POWER

- Applus+ in **Korea** has been audited to provide **Global Wind Organisation (GWO) accredited courses for basic safety training for the global wind-turbine industry**. The training provides the basic skills to work safely and to meet emergency response requirements. The courses comprise four modules written and presented with reference to the unique challenges posed by working in the wind-turbine industry. With this service line, Applus+ is the **first GWO-accredited training provider in Korea**, and we deliver the course in both English and Korea to make the course accessible for many more clients.
- Applus+ has also been recognised for carrying out **ENplus tests**, dedicated to the **valuation of forest biomass**. Applus+ has obtained the accreditation according to the -ISO 17025 standard, and this recognises Applus+ as an ENplus-accredited test Laboratory.

IT PRODUCTS AND SMART DIVICES

- Applus+ in **Europe and China** achieved **AMEX Enabled accreditation** for **Express Pay type-approval on contactless terminals**. Applus+ is now ready to offer a complete Amex validation service to point-of-sale manufacturers and kernel developers.

ELECTRIC AND ELECTRONIC PRODUCTS

- Applus+ has been recognised and designated, by **US** Federal Communications Commission (FCC) to test Radio Frequency devices. Applus+ is now an **ISO 17025-accredited laboratory for testing Radio Frequency devices** (intentional radiators) to conform to FCC regulations, under Title 47 (telecommunications equipment) Part 15 full scope.

OTHERS

- During 2017, the new branch of Applus+ in **Albania** achieved the extension of accreditation OC-I/034 at the office in Tirana (Albania). This extension refers to **inspections based on the European Lift Directive** (Directive 2014/33/UE Lifts).

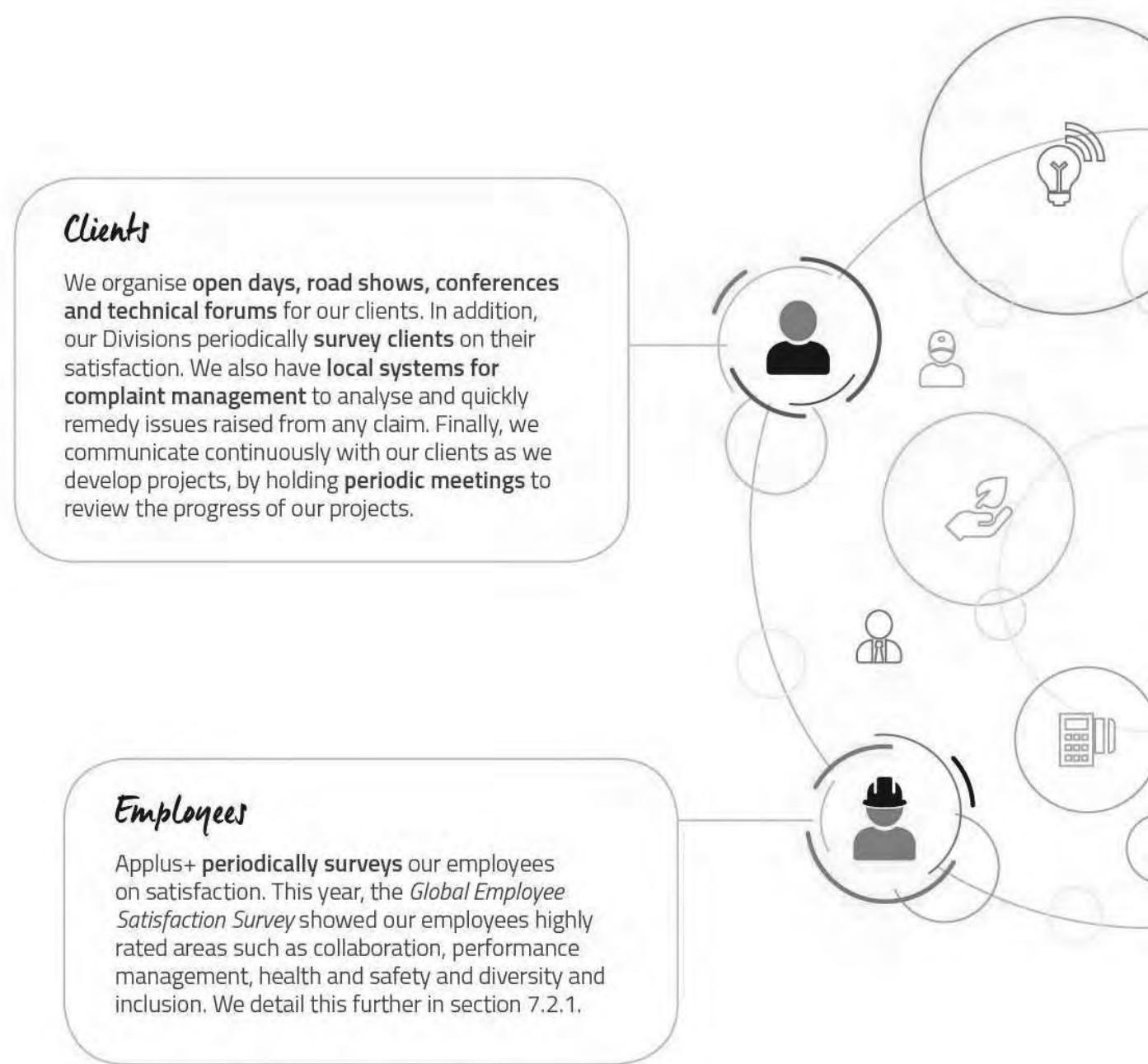
AWARDS AND RECOGNITIONS

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 the high quality of our services:

- Applus+ in **Ireland** was awarded with the **Go Best Service Award in National Car Testing Service (NCTS)** programme called "**Government Opportunities (GO) Excellence in Public Procurement Awards**". This award recognises and acknowledges the hard work by Applus+ employees to constantly improve the services offered annually to over two million people in Ireland.
- For the third time (2015, 2016 and 2017), Applus+ in **Denmark** has been nominated for **Best inspection station in Denmark** by the **Auto Awards**, which was voted by private customers, workshops and a jury.
- Applus+ in **China** has received the **2017 Visa Excellence Award**, recognising our Shanghai IT laboratory as the best device-laboratory 2016-2017. Visa representatives presented the award on the 9th June 2017, at the annual Visa Vendor Forum in San Francisco, which brings together clients, test tool providers and all the laboratories accredited by Visa.
- In the **Rio Pipeline Conference & Exhibition 2017** (held on 24-26 October 2017), the technical committee selected a **technical paper** prepared by Applus+, **which reviews our propriety IWEX imaging technology**.

7.3.2. 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.



Suppliers

Working with suppliers, Applus+ has a **vetting process** to ensure that external suppliers and partners adhere to our commitments to ethics, society and the environment. Currently, this vetting process covers 40% of all Applus+ suppliers.

We also develop supply-management 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.

Shareholders, investors and proxy advisor

Last year, we approved the **Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors** to promote our commitment to maintaining a good dialogue with the investor community. Our main communication channels with our shareholders are the following:

- **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.
- Our **website** at www.applus.com, Investor Relations can be contacted for information.

This year, we attended **153 meetings and conference calls**, of which **81** were **first contacts** with Applus+ since the IPO (Initial Public Offering) in May 2014. In addition, we attended **nine conferences** and **four road shows**.

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 development of new technologies worldwide.
- 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.
- **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 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**.

The Divisions at Applus+ also participate in **associations specialised in quality, CSR and ethics**:

- Several Applus+ Divisions joined the **UN Global Compact** group, committing to "Ten Principles" related to human rights, labour, the environment and anti-corruption.
- Applus+ works closely with the **European Standardization 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.
- We are also members of the **Club for Excellence in Management**, which is a not-for-profit business association. Applus+ has been a Primary Partner of the EFQM since 1994.
- 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**.

7.3.3. Key topics and concerns

KEY TOPICS AND CONCERNs	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH
Independence, accreditations and certifications	Public administration	- We maintain and obtain the accreditations and certifications required by government regulations and industrial standards to operate in the global market
	Investors	
	Civil society	
	Clients	
Health and Safety	Investors	- <i>QHSE Policy</i>
	Clients	- <i>Health-and-safety programmes</i> at a local level (OHSAS 18001 standard)
	Competitors	- <i>Golden Safety Rules programme</i>
	Sectors where we operate	- Local safety awards
	Civil society	- <i>Safety Day</i> and awareness campaigns
	Competitors	- Local awareness actions
Codes of Ethics and compliance	Financial markets	- <i>Code of Ethics</i>
	Suppliers	- <i>Compliance Management System for Criminal Risk (CMS)</i>

KEY TOPICS AND CONCERNs	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH
	Civil society	<ul style="list-style-type: none"> - <i>Global Anti-corruption Policy and Procedure</i> - <i>Compliance Terms of Reference Norm</i> - <i>Applus+ Whistleblowing Procedure</i> - <i>The Anti-Money Laundering Policy</i> - <i>The Suppliers Policy</i> - <i>The Customer Policy</i>
	Competitors	
	Sectors where we operate	
Corporate governance	Financial markets	<ul style="list-style-type: none"> - <i>By-Laws and Regulations of the Board of Directors.</i> - <i>Long Term Incentive Plan for the CEO (LTIP)</i> - <i>Directors' Selection Policy, and the Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors</i> - <i>Remuneration Policy for the Directors</i> - Implementation of the recommendations of the CNMV
	Suppliers	
	Investors	
	Civil society	
	Sectors where we operate	
Quality of service and customer satisfaction	Public administration	<ul style="list-style-type: none"> - <i>QHSE Policy</i> - Quality-management systems at a local level - Customer satisfaction surveys - Local complaint-management systems - <i>World Quality Day</i>
	Investors	
	Civil society	
	Clients	
	Competitors	
Anti-bribery and integrity	Suppliers	<ul style="list-style-type: none"> - <i>Code of Ethics</i> - <i>Compliance Management System for Criminal Risk (CMS)</i>
	Civil society	
	Competitors	
Sustainable and safety services	Sectors where we operate	<ul style="list-style-type: none"> - <i>QHSE Policy</i> - Environmental-management systems at a local level - Global or local awareness campaigns amongst our employees - Innovation projects development
Economic performance	Financial markets	<ul style="list-style-type: none"> - Annual account auditing - <i>Financial Statements Report</i> - <i>Corporate Governance Annual Report</i> - <i>Directors' Remuneration Report</i>
	Suppliers	
	Investors	
Talent attraction and retention	Employees	<ul style="list-style-type: none"> - <i>Code of Ethics</i> - <i>Non-Discrimination Policy</i> - <i>Global Management Development Programme</i> - <i>Global Employee Satisfaction Survey</i> - Annual training programmes - "Valoramos tu Plus" ("Beyond the Call") local programme - Competitive compensation system
	Financial markets	
	Suppliers	
	Investors	
	Civil society	
	Sectors where we operate	
Risks and opportunities management	Financial markets	
	Suppliers	
	Investors	
	Sectors where we operate	<ul style="list-style-type: none"> - <i>Risk Control and Management Model</i> - <i>Internal Audit process</i>
Innovation on products and services	Employees	
	Public administration	
	Investors	
	Civil society	
	Clients	
	Sectors where we operate	<ul style="list-style-type: none"> - <i>Innovation Report</i> - Innovation projects development - Continuous collaboration with universities, R&D centres and other innovating companies

7.3.4. Social contribution

DIRECT FINANCIAL CONTRIBUTION OR SPONSORSHIP

We become involved in many kinds of social initiatives to support disadvantaged groups; to contribute to care for life-threatening illness; and to promote safe and healthy lifestyles.

SUPPORTING DISADVANTAGED PEOPLE

- **Hogar San Ricardo** shelters **144 children and adults** with **different capacities, physical limitations and with cases of family abandonment**. During December and January 2017, Applus+ in **Chile** donated products such as nappies, dietary supplements, sugar, olive oil and pasta.
- In March 2017, Applus+ in the **UK** **sold the old furniture** from their Westwick office, **donating** the money to contribute to the **children's hospice EACH** (East Anglia's Children's Hospices).
- Applus+ in the **USA** is an active supporter of the **Center for Companies That Care AIM High** action programme. AIM High **facilitates relationships between companies and students in Chicago's low-income, inner-city neighbourhoods**. The programme's mission is to ensure 100% of participating students that graduate from high school enter college and gain the skills needed to succeed in tomorrow's workplace. Applus+ provides financial support, event sponsorship and employee volunteers and mentors.
- Major social contributions from Applus+ in **Panama** supported **children in rural and disadvantaged communities**, campaigning with our collaborators to raise funds for **toys and food bags** and organising a **Christmas party** for those communities.
- Applus+ in **México**, as a commitment to the Divisions' local communities, donated to the **communities affected by the earthquake in September 2017**. Our employees **collected basic supplies and delivered them to local, dispersed and remote villages**. We sent the donation of food, clothing and toys to localities in the State of Oaxaca and to the Paredón in the State of Chiapas. All of these communities suffered severe damage to their homes, and some communities have high levels of poverty.

CARING ABOUT LONG-TERM ILLNESS

- In October 2017, Applus+ in **Panama**, from its headquarters in Ciudad del Saber, commemorated **Cinta Rosada** (Pink Ribbon) **against breast cancer** to raise awareness for the early detection of breast cancer through the initiative "Vístete de Rosa" ("Get Dressed in Pink").
- Applus+ contributed to "**TV3 Marathon**" (Catalonia, **Spain**) to foster public engagement. During the event, Applus+ opened its vehicle-inspection centres in Barcelona on a public holiday. Applus+ donated the funds raised to **fight against infectious diseases**.
- Together with a key client, Applus+ in the **Netherlands** sponsored the **Cycling Race for Sophia Child's Hospital**. The money collected by Applus+ helps to research diseases, advance treatment methods and improve the patients' stay in hospital.
- Applus+ in **Korea** participated in the "**Rope for Hope**" charity event to support children who are fighting against incurable disease. Families and participants **dressed up as superheroes** and **descended from a 17-story building** to deliver a **positive message of hope to the children**: they can **overcome fear**. The children's families and volunteers participated and many had no prior abseiling experience. Applus+ provided all of the necessary safety training, equipment and rigging to make sure the abseiling heroes descended fearlessly and safely.

PROMOTING SAFE AND HEALTHY LIFESTYLES

- In 2017, Applus+ in **México** implemented the occupational health programme, integrating **activities focused on health care and disease prevention**. Amongst the activities were: a 5 km sports race; an eating habits contest "*One day without meat*"; psychological intervention "Emotional first-aid attention" to the employees affected in the earthquake of Mexico City; and a "Circuit of Health" for detecting eye and dental disease and for administrating vaccines for seasonal influenza.
- Applus+ in **Spain** ran several **road-safety awareness campaigns for children**. In 2017, Applus+ held **more than 15 events for children in Madrid, and the Canary Island** participated in "**Salón de la infancia**" ("Juniors' Hall"). In **Barcelona**, Applus+ with **Parc Motor School** taught children how to react to the most common risks on the road. With these campaigns, Applus+ pass on good road sense, habits, responsibility and civil attitudes for school children to avoid traffic accidents.

THE ROLE OF OUR INNOVATION PROJECTS

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. The following projects are an example of the social character of our innovation activity:

PROTECTION OF VULNERABLE ROAD USERS (VRU)

- Led by the Applus+, the project **PROSPECT (Proactive Safety for Pedestrians and Cyclists)** is a European Union funded road-safety programme with 17 participating partners. Together, they aim to improve the effectiveness of active VRU safety systems compared to current systems.

To do this, the project team is expanding the scope of accident scenarios covered and improving the overall performance of the system. They perform statistical accident studies and naturalistic urban observations, and study how to improve VRU sensing and advanced system control strategies.

SUSTAINABLE AND ECONOMICALLY VIABLE MOBILITY

- Applus+ is also leading **the C-MobILE** (Accelerating C-ITS Mobility Innovation and deployment in Europe) **project**, for **fully safe and efficient road transport without casualties and serious injuries on European roads**. The project team envisages a congestion-free, sustainable and economically viable mobility, minimising the environmental impact of road transport in **complex urban areas and for VRU**.

The C-MobILE project will run across Europe, evaluating research pilot sites to deployment locations of sustainable services supported by local authorities. Their research will develop a common approach to technology to ensure interoperability and the seamless availability of services. The project is funded under EU H2020 and 37 entities are participating, ranging from city councils and European organisations to companies and universities.

THE ROLE OF OUR PROJECTS AND SERVICES

REDRESSING THE SOCIAL AND ECONOMIC BALANCE

- Applus+ in **Australia**, is working in partnership with **Indigenous Workstars and a major oil company** to increase indigenous participation in our Australian businesses, specifically targeting our in-service contract on the Shell QGC Upstream assets. By sourcing candidates from local, traditional owner-groups in Queensland, Applus+ has created opportunities for five new indigenous team members in 2017. We provide new employees with on-the-job training and mentorship by senior Advanced Non-Destructive Testing (ANDT) technicians. The programme is expected to expand further in 2018.

Applus+ works closely with Indigenous Workstars to support new recruit activities and to provide cultural awareness guidance for our supervisors, managers and human resource teams. This environment to learn and advance is creating career pathways that **increase accessibility and participation for local and indigenous communities in our business and industry**.

- Contributing to **social equality and inclusion**, Applus+ in **South Africa** achieved **Level IV BBB-E** (Broad Based Black Economic Empowerment) **certification**. The BBB-E is an initiative by the South African government to **redress the apartheid-era** legacy of the **social and economic in-balance**.

Our local management have set up schemes, such as training and charitable donations to commit to using ethnically owned small medium enterprises (SME) as part of its supplier list. This accreditation allows Applus+ to tender for work with state-owned companies in the infrastructure, power and energy sectors.

- In **Saudi Arabia**, as part of our commitment to the **Saudi's 2030 Vision**, we developed the **Saudi National Inspection Training Programme**. This programme converts 59 Saudi National Inspection Engineers to Approved Inspection Engineers (Inspectors). This training shows that the partnership between Applus+ and our clients contributes to **professional development in society**.

ENSURING AND OPTIMISING THE PROPER USE OF RESOURCES

- Applus+ in **Panama** provides services to expand general education through the **construction of educational centres**. We aim to innovate the building of school infrastructure to guarantee access to basic and secondary education in targeted areas, constructing model schools, **supporting classrooms and expanding the current educational offer**.
- Applus+ in **Colombia** ensures **different contractors are in full compliance when providing multi-sectorial services for the Government of La Guajira** by carrying out an external supervisory role. Applus+ ensures the adequate use and allocation of resources for health services, education and food for children, agricultural, business and tourism, environmental, social and indigenous affairs, disaster management and socio-environmental emergencies.
- The "**Todos Somos Pacífico**" ("All of us are Pacific") plan has been set up by the **Colombian** government and is financed by the Word Bank and the Inter-American Development Bank. The plan aims to generate and strengthen the conditions for economic, social and environmental development by improving the conditions for the regional population and by **reducing the gaps in the social indicators between coastal populations and populations at the centre of the Colombian Pacific region**. The plan generates investment to promote peace and post-conflict management.

Within the framework of this plan, Applus+ develops technical, administrative, financial, legal, environmental and social supervision services to **implement electrification and modernisation of electricity networks** in Chocó, Valle del Cauca, Cauca and Nariño. These regions have the greatest needs for infrastructure and experiences fragile social and economic levels. Our actions will ensure the **proper use of resources** and **promote the regional inclusion in supplying personnel, goods and services**.

SOCIAL AND LABOUR INTEGRATION OF PEOPLE WITH FUNCTIONAL DIVERSITY

- One of the most outstanding actions carried out by the Automotive Division in Galicia (**Spain**) is the social and labour integration of people with functional diversity through the "**Son Capaces**" ("They are Capable") **project**. The Division pioneers this field and the project is considered as an example of coexistence that enriches our lives.

The Automotive Division in Galicia **currently has 20 colleagues with intellectual disabilities** occupying the position of porter, which is covered exclusively with people with this diversity function. Their supported employment includes orientation and individualised mentorship that is provided by job coaches and trainers in the workplace. The project has a period of training in the company prior to employment.

VOLUNTEER PROGRAM: "TO ROLL UP OUR SLEEVES"

"Arremangados" ("To 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 an internal contest, the different stations presented their projects for budgetary approval to develop them with **voluntary labour**.

This initiative, which started in 2016 as a pilot plan, celebrated its first **work in 2017**:

- To restore the area around the bus stop located on route 32 (San Miguel de Santo Domingo de Heredia station)
- To construct a **special cage** to give quality of life to a **small tapir** which was **blinded** prior to being rescued by a wildlife refuge (Marina de San Carlos station).
- To create a **playground of recycled tyres** in "Bajo Las Esperanzas" School of Pérez Zeledón town for 5 year-old children to help develop their fine-motor control and ensure their safe play (Pérez Zeledón station).

AWARDS AND RECOGNITIONS

The Automotive Division in Galicia (**Spain**) received the **2016 ANADE Foundation Award for Social Integration**, which recognises the work of the Division in favour of the group of people with disabilities, through its "**Son Capaces**" ("They are capable") project. The objective of this award is to recognise the continued work in favour of this group, entities or people working to improve the quality of life of these citizens, so special for their way of seeing life.

7.4. Innovation

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**.

OUR INNOVATION IN FIGURES

- Number of innovation projects: **199**
- Hours worked on innovation projects: **264,241**
- Employees involved (not full-time dedicated): **761**

During 2017, we carried out 199 innovation projects: 91 in the IDIADA Division; 64 in the Energy & Industry Division; 26 in the Laboratories Division; and 10 in the Automotive Division. In addition, we ran 8 information technology projects at the corporate level.

OUR INNOVATION PROJECTS

Our innovation projects have led to the developed a range of new products and services within different sectors, which addressed various sustainability goals.

OIL AND GAS

- As an important step to safeguarding assets, Applus+ has developed a new **fibre-optic monitoring system**. Fibre-optic monitoring increases spatial coverage for the data collection to **detect** pipeline movement and temperature changes caused by a **possible leak**. Potential problems can be **identified and rectified early to prevent possible environmental damages**.

- **DTI Trekscan for marine terminals inspection.** Marine terminals present very important operational challenges, when inspecting for safety. Our DTI Trekscan provides 100% inspection of both the pipe internal and external wall, and the technology contributes to **preventing leaks to the marine environment**.

INDUSTRIAL MANUFACTURING

- **ODORA+ Innovation Project: A new field procedure to measure odours.** Following 2 years of development, Applus+ has launched an alternative new service for measuring odours to measure the level of odours and any associated discomfort. This system takes measurements in situ and tests can be performed without processing in the laboratory. The new service **contributes** to society by providing a quick and flexible tool to **detect and quantify odours produced by industrial activities or urban pollution**.
- Applus+ in **Australia** has designed several systems for more environmentally-friendly inspections to allow non-contact inspections. The **LiDAR** (Light Detection and Ranging) **system on a drone** takes high-resolution 3D interactive models for measuring assets. In 2017, our engineers developed the external laser scanning, and air-ground interface inspection systems to measure corrosion.

These new systems contribute to **detecting damages** that could be **potentially dangerous for the environment**, and reduces physical intervention to **minimise risks for inspectors**.

AEROSPACE

- Applus+ is working on European R&D Projects to introduce **thermoplastic composites** in the **manufacturing of aeroplane structures**. Led by Applus+ funded by Clean Sky 2, **Project FORMIT** (Forming and Modular Integration of Thermoplastics) is adapting the Applus+ patented Glideforming manufacturing process to these new materials. Applus+ also partners in the European project **NHYTE** (New Hybrid Thermoplastic Composite Aerostructures manufactured by Out of Autoclave Continuous Automated Technologies) to develop testing and characterisation for manufacturing technologies using **hybrid thermoplastics**. These new materials **reduce CO₂ emissions and environmental impact** throughout the lifecycle of an aircraft thanks to:
- ✓ Manufacturing processes with reduced energy consumption by removing the need for autoclave curing
 - ✓ Lighter aerostructures and therefore less fuel consumption in flight
 - ✓ Easily recyclable material

MINING

- Applus+ in **Spain** has developed **an energy-valuation model** to obtain high-precision volume measurements of coalfields. To achieve this, Applus+ uses a novel tool called **Topodrone** to reduce the margin of error due to environmental or human factors during inspection. The method has led to **higher levels of coordination and safety** during the plants' activity, with quicker volume measurements, simpler collection of field samples for subsequent analysis and enhanced technician safety.

STATUTORY VEHICLE INSPECTION

- Through our membership of the Council of **CITA** (the International Motor Vehicle Inspection Committee), the Automotive Division significantly participates in the **SETII study** (Sustainable Emission Test for Diesel vehicles involving nitrous oxides). Their work aims to establish a system for periodic inspections of NOx emissions, based on the appropriate and commercially available tools. Applus+ is the only company undertaking comparative tests of testing equipment by means of a dynamometer, testing three different brands of equipment to compare the results. In 2017, we presented our conclusions to **establish proposals to control the emission of NOx emitted by vehicles** on the road.

Applus+ has also been working on other projects to study new procedures for inspecting vehicle emissions. Our work demonstrates our commitment, as a control entity, to ensure the robustness of new inspection methods. Our innovations for environmental protection and better industry standards include:

- ✓ **DYNAMIC EMISSIONS project** to study new procedures to **inspect vehicle emissions in load conditions**
- ✓ **With AECA-ITV**, the **OBD** (On-board diagnostics) project to **validate methods and control of vehicle emissions**.

IT PRODUCTS AND SMART DEVICES

- To guarantee security, privacy and control of vehicle information access, the IDIADA Division is researching and developing a new service to evaluate the **resilience of connected vehicle to the threats and possible cyber-attacks**. Called **CIVICO**, Applus+ project is funded by Minetur (Spain) with the support of the Automotive Cybersecurity LAB (ACLAB) of Eurecat.
- In the field **industrial of cyber-security**, Applus+ is working on the **INSYS** project to develop the **know-how and tools necessary for the cyber-security evaluation in industrial processes**. This project will provide answers to the emerging risks associated with the Industry 4.0 (new automation and data exchange in manufacturing technologies)

and with the Internet of Things (IoT) applications. To mitigate these risks, we are studying the innovative technology *Trusted Execution Environment* (TEE), which combines software and hardware security.

INNOVATION THROUGH COLLABORATION

The sharing of capacities and resources helps us to **increase our knowledge-base** and to **explore new technology solutions** for our clients. Continuing this work in 2017, Applus+ entered into agreements with **85 external bodies**: 42 at the Energy & Industry Division, 28 at the IDIADA Division and 15 at the Laboratories Division. Our collaboration covers a range of relationships, either to form consortiums for collaborative projects or for the eventual transfer of proprietary technology.

ACTIVITIES TO PROMOTE OUR INNOVATION WORK	2017	2016	2015
Technical events	93	93	78
Technical publications	50	74	53
Training sessions	87	133	38

In 2017, these events included:

- Applus+ organised the "**Body Efficiency Workshop**" (**24th March 2017**) to define the approaches, actions and roadmap for the strategies and new services for assisting the automotive sector's original equipment manufacturers (OEM) to reduce CO₂ emission levels. The event involved 30 high-level experts and we organised a variety of group sessions.
- Applus+ in **Spain** organised the **7th Annual Intercompany Meeting on Integrity of Oil and Gas Pipelines on November 13th** at our Bellaterra complex (Catalonia, Spain). The event was well attended from different companies in the sector and they shared knowledge and experience related to cathodic protection and inspection of buried metal structures. This exchange contributed to advancing knowledge to minimise environmental risks and to optimise preventive maintenance.
- Applus+ organised **several workshops** in **Australia** in 2017. These covered two series of **periodic sessions called "Lunch and Learn"**. One workshop focused on Advanced Non-Destructive Testing solutions, and the other focused on inspections using drones. We designed the workshops for inspection engineers from the relevant oil and gas companies. These events contribute to spreading our knowledge and experience and promote the use of advanced inspection solutions to prevent failures that could lead to severe environmental damage.

INTELLECTUAL PROPERTY

INTELLECTUAL PROPERTY	2017	2016	2015
Accumulated patents granted	71(*)	61	57
Accumulated patent families	35	35	32
New applications filed (for new and existing families)	7	6	15

(*)**13** of these patents **were granted in 2017**

AWARDS AND RECOGNITIONS

Our clients and commercial partners have also recognised our innovation activity:

- At the **Automobile Barcelona** (previously known as International Motor Show) in May 2017, the **XI Automobile Show Awards** were presented. These prizes reward work in various aspects of the automobile sector, and this edition focused on the work of companies in innovation, technology and vehicle development for the future. The "**Be Safe**" prize was awarded to IDIADA Division to recognise our activities in active and passive safety projects for our clients.
- In 2017, the Energy & Industry Division in **North Europe** was awarded the **Commercial Success Award** by a major oil and gas company for our CU24. The **CU24**, an innovation by Applus+, is an **HD camera mounted on a telescopic crane** that can inspect at heights up to 24m and down to -2m. The technology replaces people working at dangerous heights, while being ten times faster and generating considerable savings on pipe-racks inspections.

7.5. Sustainable performance

The direct **environmental impact of our company's activities** is **mainly related** to our **office activities and fieldwork**. Therefore, our approach to environmental management is focused on the most significant impacts: energy and water consumption and vehicle emissions.

ENVIRONMENTAL MANAGEMENT

We deploy our **environmental-management systems at a local level**, and these are certified and periodically audited in accordance with the international **ISO 14001** standard. At Applus+, we also fulfil our commitment to the environment by running **global or local awareness campaigns amongst our employees**:

- In 2017, Applus+ in **Panama** proposed a **game called "Integral Police"**, which consists of creating teams made up of active collaborators who monitor the negative activities towards the environment that the other collaborators may implement. A group of judges called "General Squadron" reward those activities that strengthen internal environmental programmes and which allow us to improve our work environment and be environmentally-friendly. With this initiative, we reinforced **the diffusion of our values and corporate policies**.
- As the world celebrated **Earth Hour** by switching off all non-essential lights on 25th March 2017, Applus+ in **United Arab Emirates** acknowledged this initiative by switching off the lights and non-essential electric equipment for one hour on 23rd March 2017.
- Applus+ in the **USA** participates annually on **Earth Day** by donating money to plant trees through the **Arbor Day Foundation**. In 2017, we raised the equivalent to 13,340 trees. The trees are planted in areas that have been stricken by natural disasters.

To optimise the design of global and local measures, and their implementation, we focus on minimising the environmental impact of our activities, and we collect **global indicators of energy, fuel, and water consumption**.

CONSUMPTION	Var. (%) ⁽³⁾	2017	2016	2015
Energy Index (GJ/ 1.000 €)	- 12.06	0.51(1)	0.58	0.77
Revenue (1.000 €) ⁽²⁾	-1.20	1,567,397.78	1,586,491.49	1,489,015.58
Total energy consumption (GJ)	- 13.47	796,144 ⁽¹⁾⁽²⁾	920,050 ⁽²⁾	1,146,542
Total water consumption (m³)	8.60	679,029 ⁽²⁾⁽⁴⁾	625,246 ⁽²⁾	N.A.

⁽¹⁾ The energy index and total energy consumption have decreased as a result of the reduction in liquid fuel consumption, closely linked to the volume and typology of the projects executed in 2017.
⁽²⁾ The reported scope covers 98% of the revenue and in 2016 covered 90% (for energy consumption) and 71 (for water consumption).
⁽³⁾ Variation between 2017 and 2016.
⁽⁴⁾ The increase in consumption comes from testing vehicles on the proving ground.

GHG EMISSIONS ⁽¹⁾	Var. (%) ⁽⁴⁾	2017	2016	2015
Scope 1 emissions (tCO₂)	- 17.30	41,954 ⁽²⁾	50,733	61,910
Scope 2 emissions (tCO₂)	4.85	19,155 ⁽³⁾	18,268	14,864

⁽¹⁾ Emissions calculated based on the GHG emission factors provided by the International Energy Agency.
⁽²⁾ Scope 1 emissions have decreased as a result of the reduction of liquid fuel consumption as indicated in note (1) of the previous table.
⁽³⁾ Scope 2 emissions have increased. There have been oscillations of consumption linked to operating variations in the different countries that have generally been compensated; however, new legal entities have been incorporated (up to 98% of the group, 90% in 2016) that only contribute with the water and electricity items in the 2017 reporting process.
⁽⁴⁾ Variation between 2017 and 2016.

Currently, the **verification and control** of these energy, water and fuel indicators is carried out by contrasting the information collected with the information included in the invoices of our suppliers.

Here are the **active steps** we have taken to **reduce emissions and energy consumption**:

- The Applus+ offices located in Bellaterra (Spain) are completing a **lights renewal project**, changing the current fluorescent lights for new and efficient LED lights. This change will **reduce CO₂ emissions by approximately 227 tons per year** and generate cost savings of up to €100,000 every year. The investment will be amortised in two and a half years.
- We have achieved a **progressive reduction of emissions** by **renewing our vehicle fleet** to more efficient models.
- We are conducting a **test of electric vehicles for the Applus+ fleet**, and we actively participate in the **EV100 initiative** with our main supplier. EV100 is a global initiative bringing together forward looking companies committed to accelerating the transition to electric vehicles (EVs) and making electric transport the new normal by 2030. The EV100 initiative has been launched by "°C", an **international non-profit** founded in 2004 with offices in London, Beijing, New Delhi and New York. The global aim of "°C" is a world of **under 2°C of global warming** without delay.
- Applus+ in **Galicia (Spain)** has developed a **Sustainable Mobility Plan** to reduce commuting accidents and increase vehicle sharing. The initiative proposes the use of public transport and includes "**BlablApplus+**", our new initiative designed for those employees who wish to share their vehicles to work. We assisted participants with bus schedules, stops and city bus maps for their commute and distributed the best-practice methodology to join the **BlablApplus+** service.

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 **our services** that **reduce the potential impacts** within our **clients' operations**.

AEROSPACE

- Collaborating the world's leading aircraft developers, our testing solutions innovate processes in design and manufacture and ensure **compliance with international standards and regulations**. Our innovation projects work on incorporating **new composites materials** into aircraft manufacturing systems to reduce the weight of aircraft and to improve fuel consumption. The results are leading to better **transport efficiency, reduced CO₂ emissions and lower environmental impacts**.

STATUTORY VEHICLE INSPECTION

- Applus+ performs **over 20 million regulatory vehicle inspection every year** in Europe, North America, Central America and South America, supporting safety for road-users and the public. Independent of manufacturers, our technical development teams design **new technology for emissions tests**, and we work closely with the testing sector to provide **new procedures for validating controls for vehicle pollutants**.

AUTOMOTIVE TESTING AND ENGINEERING

- Our engineering services are spearheading the innovation and integration of technology into **new powertrain and safety systems**. In 2017, we have developed a significant number of projects to **research alternative systems for electric vehicles**. Through these projects, we promote the **uptake of hybrid and electric vehicles** and contribute to **alternative fuel use**, which will **reduce the emissions from road transport** around the world.

OIL AND GAS

- Our clients operate in complex environments with high risks, and their assets and facilities therefore demand the best-adapted devices and techniques for preventative maintenance and fuel-leak reduction. Through our innovation projects, we provide our customers with **NDT technology to identify and rectify hazards early**. These services **assist in avoiding possible environmental damage to land and marine life**. Additionally, we provide other services focused on the prevention of pollution as **environmental risks analysis, preliminary assessments of soil contamination**, development of **carbon footprints** and **emissions analysis**.

POWER

- From conventional to renewable energy, Applus+ supports the energy sector with a wide range of independent inspections, audits and consultancy services. We **monitoring power networks** to ensure its proper operation and prevent environmental impacts. We provide our clients with preventative mechanisms to minimise the impact of their activities, such as **carbon and water footprints, environmental risks analysis and environmental impact assessments**. In the improvement stage, we also provide adapted services, for example **environmental management systems** and **good environmental practice** in the management and maintenance of facilities.

CONSTRUCTION

- Our inspection services provide **works, waste and energy audits** that focus on preventing pollution during the construction of new buildings and/or refurbishment works. We ensure **construction materials** comply with environmental and quality standards through **physical and chemical tests**. In addition, we develop **plans to manage and minimise waste** to prevent unwanted impacts during the construction phase. With refurbishment work,

we audit to **detect for asbestos and its subsequent disposal**. We also advise our clients how to improve the management of facilities at **machinery depots**, thereby avoiding pollution produced by machinery maintenance.

PROPERTY MANAGEMENT

In the completion of construction, we continue providing our environmental services, such as developing **plans for the sustainable use of water**. With a growing demand for greener buildings, our network of experts assists our clients to **maximise energy efficiency in buildings**. We advise our clients how to obtain the following **sustainable certifications: BREEAM, LEED and GREENLIGHT**. In addition, as **ESCO** (Energy Service Companies under the Directive 2006/32/CE) we propose a series of **measures for energy savings** in our client's facilities, including the replacement and investment in new equipment.

CIVIL INFRASTRUCTURE

- Our knowledge spans project management to procurement. Applus+ provides essential services for construction safety and environmental protection to minimise impacts and **ensure sustainability on large-scale civil building projects**. We offer clients the most **advanced tools in topographic services and environmental monitoring** to ensure the sustainable integration of the infrastructure within its setting. Through our **environmental monitoring services**, our network of experts carry out exhaustive monitoring of the measures included in the **works' environmental impact statements**. We also provide these services during the **restoration of the surroundings** after the work's completion **and** during the infrastructure's subsequent **operation**.

MINING

- Mining is an industry driven by the need to optimise recovery without compromising on safety, environmental sustainability and asset integrity. We are a strategic partner in the mining industry and provide testing, process engineering and production optimisation services. Among the services we provide to our clients are the **topographic studies**, or the **periodic sampling of water and soil** to ensure the absence of contamination as a result of the operation. When the mine is closed, we offer our clients **environmental monitoring services** to ensure the application of **restoration plans**, in this way we help our clients in the process of restoring land that has been mined to a natural or economically usable state.

INDUSTRIAL MANUFACTURING

- We assist industrial manufacturing companies to navigate the dynamics of change and to deploy cutting-edge solutions. We support manufacturers to **comply with industrial and environmental legislation**, both nationally and internationally. In addition, our technicians advise our clients how to minimise the environmental impact of their processes. Our services include: **environmental risks analysis, studies for the remediation of contaminated soils, and noise studies**. Additionally, we delivery **sampling waste water services and emissions analysis**, we provide **energy efficiency solutions** (ESCO), and we implement **environmental management systems**. Finally, we assist our clients to design and implement **integrated waste management systems** by the **life-cycle analysis** of their products and, within the framework of the Packaging and Packaging Waste Directive (PPWD), we prepare the **statements of packaging and packaging waste placed on the market** by our clients.

TELECOMMUNICATIONS

- Our network of experts at Applus+ help our clients to adapt to the next innovation challenges within the sector, such as cyber-security and network access to 5G or Internet of Things (IoT) technologies. We support our customers to integrate telecommunication installations into their surroundings; through **landscaping integration studies**; the development of **environmental impact assessments**; and the application of **good environmental practices** in the maintenance and management of these installations.

ELECTRICAL AND ELECTRONIC PRODUCTS

- We help our clients to design equipment or products that perform with a **lower energy consumption**, which enable them to obtain the **energy efficiency labelling** for their products, and ensure the compliance with the Directive on the restriction of the use of certain **hazardous substances in electrical and electronic equipment (RoHS)**. To promote waste reduction and materials recovery, we also assist our clients to **design and implement integrated waste management systems** by the **life-cycle analysis** of their products, according with the Directive on waste electrical and electronic equipment (**WEEE**).

GOVERNMENT AND PUBLIC ADMINISTRATIONS

- Applus+ works closely with governments and public administrations through a network of experts to help **design legal norms for the environmental regulation of all types of activities**. We guide sectors or other social agents to apply these regulations through the **development of specific guides**, and, as an **authorised agency** of several public administrations, we evaluate and ensure compliance with the current technical, industrial and environmental legislation. Through our services, we also help governments and public administrations improve the environmental

management of their public services and facilities, providing expertise on the **strategic environmental assessments** (SEA-Directive 2001/42/EC), **design** of specific **environmental indicators**, **sampling of environmental parameters**, implementation of **environmental management systems**, and through the identification of **new energy efficiency solutions**.

The Applus+ network of experts helps public administrations and companies to establish **joint plans** for the reduction of the amount of waste generated, to make effective the **use of waste to generate new materials** and to foster the **use of second-hand markets**. These plans respond to the **Circular Economy** strategy that the European Commission has launched.

In many cases, we generate benefits for both the community and the environment through the execution of a single project. For example, we develop an agroindustry project with the largest petroleum company in **Colombia**, as part of its **alternative energy development plan to** produce process and commercialise **alcohol fuel, based on sugarcane and its derivatives**.

Applus+ conducts independent **supervision for the construction of the ethanol fuel- production plant** called "El Alcaraván", and **ensures the inclusion of the community** through the provision of local products and services. The project generates a source of **direct employment and indirect income in the region**, making the **production of sugarcane** not only **profitable**, but also **sustainable**.

AWARDS AND RECOGNITIONS

Our clients and commercial partners have also recognised our commitment to the environment:

- The **Syndicate of Industrialists of Panama (SIP)** awarded Applus+ in **Panama** for the implementing best practices towards the environment. Applus+ has **incorporated the environmental dimension into the projects, from design to service provision**.
- Applus+ has received the recognition of the **Galician Programme of Sustainable Municipalities 2000-2020**. The award was recognition for our **commitment to the environment and to Galicia (Spain)**. The award also praised our valuable contribution and active participation in implementing this initiative throughout Galicia over the past 15 years.

8. Annexes

8.1. Annex I: Principles underlying this report

8.1.1. Principles for defining report content

STAKEHOLDER INCLUSIVENESS

The report's content draws from the outcomes of our stakeholder-engagement processes, which are undertaken specifically for the report (see "Materiality analysis" section). The outcomes inform decisions taken for the report and are consistent with the material topics included in the report (see "Definition of the report's contents" and "Key topics and concerns" sections).

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 "Our CSR Framework" section).

MATERIALITY

In defining material topics, Applus+ considers the following factors (see "Materiality analysis" section):

- 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

8.1.2. 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.

8.2. Annex II: GRI Table

SPECIFIC STANDARD DISCLOSURE		
STRATEGY AND ANALYSIS		
GRI CODE	SECTION	GRI INDICATOR
G4-1	Letter from the Chairman and CEO	Statement from the most senior decision-maker of the organisation.
ORGANISATION PROFILE		
GRI CODE	SECTION	GRI INDICATOR
G4-3	Applus+ at a glance	Name of the organisation.
G4-4	Applus+ at a glance	Primary bands, products and services.
G4-5	Applus+ Services, S.A. Parque Empresarial Las Mercedes Campezo, 1, Edif. 3, 4 ^a planta 28022 Madrid	Location of the organisation's headquarters.
G4-6	Reference to <i>Annual Report</i>	Number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.
G4-7	Applus+ Services S.A.	Nature of ownership and legal form of the organisation.
G4-8	Applus+ at a glance Identification and evaluation of impacts (Our indirect impacts)	Markets served by the organisation (including geographic breakdown, sectors served and types of customers and beneficiaries).
G4-9	Reference to <i>Financial Statements</i>	Scale of the organisation (number of employees, number of operations, net sales, capitalisation broken down in terms of debt and equity and quantity of products or services provided).

SPECIFIC STANDARD DISCLOSURE		
G4-10	Our people	Number of employees by employment contract and gender; number of permanent employees by employment type and gender; workforce by employees and supervised workers and by gender; workforce by region and gender.
G4-11	Human Resources model and KPIs	Percentage of total employees covered by collective bargaining agreements.
G4-12	Reference to <i>Annual Report</i>	Organisation's supply chain.
G4-13	Reference to <i>Annual Report</i>	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including changes in the location of, or changes in, operations including facility openings, closings and expansions; changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sectors organisations); changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.
G4-14	Corporate governance and business ethics	Report whether and how the precautionary approach or principle is addressed by the organisation.
G4-15	Market focus Dialogue with stakeholders	List of the externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.
G4-16	Dialogue with stakeholders	List of memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation participates somehow.
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
GRI CODE	SECTION	GRI INDICATOR
G4-17	Reference to <i>Annual Report</i>	List of all entities included in the organisation's consolidated financial statements or equivalent documents.
G4-18	Definition of the report's content	Explain the process for defining the report content and the Aspect Boundaries.
G4-19	Definition of the report's content	List of all the material Aspects identified in the process for defining report content.

SPECIFIC STANDARD DISCLOSURE		
GRI CODE	SECTION	GRI INDICATOR
G4-20	Definition of the report's content	Report the Aspect Boundary within the organisation for each material Aspect.
G4-21	Definition of the report's content	Report the Aspect Boundary within the organisation for each material Aspect.
G4-22	Without restatements	Report the effect of any restatements of information provided in previous reports- and the reasons for such restatements.
G4-23	Without significant changes	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.
STAKEHOLDER ENGAGEMENT		
GRI CODE	SECTION	GRI INDICATOR
G4-24	Materiality analysis	List of stakeholder groups engaged by the organisation.
G4-25	Materiality analysis	Report the basis for identification and selection of stakeholders with whom to engage.
G4-26	Dialogue with stakeholders	Organisation's approach to stakeholder engagement; e.g. frequency of engagement by type and by stakeholder group.
G4-27	Key topics and concerns	Key topics and concerns raised through stakeholder engagement and description of how the organisation has responded to those key topics and concerns.
REPORT PROFILE		
GRI CODE	SECTION	GRI INDICATOR
G4-28	About this report	Reporting period (such as fiscal or calendar year).
G4-29	May 2017	Date of most recent previous report (if any).
G4-30	About this report	Reporting cycle (such as annual, biennial, etc.)
G4-31	investors@applus.com	Provide the contact point for questions regarding the report or its contents.
G4-32	About this report	Report the "in accordance" option the organisation has chosen the GRI Content index for the chosen option, the reference to the External Assurance Report (if any).

SPECIFIC STANDARD DISCLOSURE		
GRI CODE	SECTION	GRI INDICATOR
G4-33	This is de 3 rd <i>CSR Report</i> and has not been submitted to external assurance	Organisation's policy and current practice with regard to seeking external assurance for the report.
GOVERNANCE		
GRI CODE	SECTION	GRI INDICATOR
G4-34	Reference to <i>Corporate Governance Report</i>	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.
ETHICS AND INTEGRITY		
GRI CODE	SECTION	GRI INDICATOR
G4-56	Corporate governance and business ethics Our people Business model	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.
ECONOMIC CATEGORY		
ECONOMIC PERFORMANCE		
GRI CODE	SECTION	GRI INDICATOR
G4-EC1	Reference to <i>Annual Report</i>	Direct economic value generated and distributed.
SOCIAL CATEGORY		
SUB CATEGORY LABOUR PRACTICES AND DECENT WORK		
OCCUPATIONAL HEALTH AND SAFETY		
GRI CODE	SECTION	GRI INDICATOR
G4-LA6	Safe people	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work related fatalities, by region and by gender.
SUB CATEGORY PRODUCT RESPONSIBILITY		
COMPLIANCE		
GRI CODE	SECTION	GRI INDICATOR

SPECIFIC STANDARD DISCLOSURE		
G4-PR9	0	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.
ENVIRONMENTAL CATEGORY		
ENERGY		
GRI CODE	SECTION	GRI INDICATOR
G4-EN3	Sustainable performance	Energy consumption within the organisation.
G4-EN5	Sustainable performance	Energy intensity.
EMISSIONS		
GRI CODE	SECTION	GRI INDICATOR
G4-EN15	Sustainable performance	Direct greenhouse gas (GHG) emissions (Scope 1).
G4-EN16	Sustainable performance	Energy indirect greenhouse gas (GHG) emissions (Scope 2).