

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

Consolidated Financial Statements  
for the year ended  
31 December 2019 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

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#### 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 2019, 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 2019, 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.

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#### 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 609.2 million and EUR 474.3 million, respectively, at 31 December 2019.

These assets were primarily recognised in business combinations carried out by the Group both in prior years. Also, the various CGUs identified correspond to the various business units managed by the Group (Energy & Industry, Automotive, IDIADA and Laboratories) in each of the defined geographical areas in which it carries on its activity.

If there are any indications of impairment, and at least at each year-end, Group management tests these assets for impairment using discounted cash flow-based valuation techniques to determine the recoverable amount thereof.

The performance of this impairment test was considered to be a key matter in our audit, given the magnitude of these assets and that management's assessment in this respect is an estimation process that includes a high level of judgements and assumptions, such as the setting of sales and expenses growth rates expected to be experienced by the various

#### Procedures applied in the audit

Our audit procedures to address this matter included, mainly, the evaluation of the reasonableness of the cash flow projections and of the discount rates by conducting a critical analysis of the key assumptions of the models used. In particular, we compared the revenue growth rates with the latest approved strategic plans and budgets, reviewing them for consistency with the historical information on the market situation, and we also evaluated management's historical accuracy in the budgeting process.

Also, we evaluated 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.

In addition, we evaluated 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 evaluate the reasonableness of the models and key assumptions used by the Applus Group.

## Impairment of goodwill and other intangible assets

### Description

CGUs, investments in non-current and current assets, as well as other assumptions obtained from the Group's strategic plan. Also, a discount rate is determined by taking into account the economic situation in general and that of each CGU in particular, on the basis of the risks specific to the various countries and to the business carried on.

### Procedures applied in the audit

Lastly, we also evaluated whether Notes 3-d and 6 to the accompanying consolidated financial statements contained 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 65.5 million that are recognised in the consolidated statement of financial position at 2019 year-end, corresponding to tax losses, tax credits and temporary differences amounting to EUR 28.6 million, EUR 12.7 million and EUR 24.2 million, respectively.

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 89.4 million and EUR 55.6 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.

Also, we evaluated 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 evaluation of the historical accuracy of management in the process of preparing projections of tax bases, comparing the actual figures for the year with the projections made in the preceding year.

## Recovery of deferred tax assets

### Description

### Procedures applied in the audit

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

## Provisions for tax and litigation

### Description

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

Note 17 to the accompanying consolidated financial statements includes a detail of the specific provisions for tax, legal matters, litigation and claims recognised at 31 December 2019, together with other disclosures related to these items.

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

### Procedures applied in the audit

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

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

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## **Other Information: Consolidated Directors' Report**

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

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

- a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the non-financial information described in section a) above was presented in the separate report, "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, was included in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

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## **Responsibilities of the Directors and the 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.

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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#### **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 21 February 2020.

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#### **Engagement Period**

The Annual General Meeting held on 30 May 2019 appointed us as the Group's auditors for a period of one year from the year ended 31 December 2018, i.e., for 2019.

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

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



Ana Torrens Borrás  
Registered in ROAC under no. 17762

21 February 2020

## 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.

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### 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 Financial Statements  
for the year ended 31 December 2019,  
and Consolidated Director's Report  
together with Independent Auditor's Report

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



## APPLUS SERVICES, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Thousands of Euros)

ASSETS	Notes	31/12/2019	31/12/2018	EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
<b>NON-CURRENT ASSETS</b>				<b>EQUITY</b>			
Goodwill	4	609.245	591.338	Share capital and reserves-			
Other intangible assets	5	474.321	518.861	Share capital	12.a	13.070	13.070
Right of use assets	26.a	152.934	-	Share premium	12.b	449.391	449.391
Property, plant and equipment	7	226.734	220.574	Retained earnings and other reserves		305.354	304.018
Investments accounted for using the equity method		686	724	Profit / (Loss) for the year attributable to the Parent		55.650	41.208
Non-current financial assets	8	30.000	27.520	Treasury Shares	12.c	(4.102)	(3.405)
Deferred tax assets	20.c	65.505	66.738	Valuation adjustments-			
Total non-current assets		1.559.425	1.425.755	Foreign currency translation reserve	12.e	(43.435)	(48.079)
				<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>		775.928	756.203
				<b>NON-CONTROLLING INTERESTS</b>	13	48.527	54.682
				Total Equity		824.455	810.885
				<b>NON-CURRENT LIABILITIES</b>			
				Long-term provisions	17 & 27.b	26.900	23.364
				Obligations and bank borrowings	14	545.894	606.461
				Obligations under leases	26.a	124.500	-
				Other financial liabilities	15	25.993	24.532
				Deferred tax liabilities	20.d	137.412	151.015
				Other non-current liabilities	18	29.477	37.076
				Total non-current liabilities		890.176	842.448
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Inventories	9	8.494	8.140	Short-term provisions		2.535	1.788
Trade and other receivables-				Obligations and bank borrowings	14	59.193	9.983
Trade and other receivables	10	387.715	374.418	Obligations under leases	26.a	45.674	-
Trade receivables from related companies	10 & 28	233	72	Trade and other payables	19	330.039	307.936
Other receivables	10	25.333	16.513	Trade payables from related companies	19 & 28	3	3
Corporate income tax assets	20.b	23.391	19.024	Corporate income tax liabilities	20.b	13.802	14.798
Other current assets		10.905	11.532	Other current liabilities	18	6.688	9.629
Current financial assets	11	11.909	9.698	Total current liabilities		457.934	344.137
Cash and cash equivalents		145.160	132.318	<b>TOTAL EQUITY AND LIABILITIES</b>		2.172.565	1.997.470
Total current assets		613.140	571.715				
<b>TOTAL ASSETS</b>		<b>2.172.565</b>	<b>1.997.470</b>				

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 2019.

**APPLUS SERVICES, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2019**  
(Thousands of Euros)

	Notes	2019	2018
<b>CONTINUING OPERATIONS</b>			
Revenue	21.a	1.777.944	1.675.942
Procurements		(156.517)	(159.242)
Staff costs	21.b	(979.371)	(919.205)
Other operating expenses		(345.561)	(379.524)
<b>Operating Profit Before Depreciation, Amortization and Others</b>		<b>296.495</b>	<b>217.971</b>
Depreciation and amortization charge	5, 7 & 26.b	(158.487)	(106.334)
Other results	21.c	(7.206)	(6.877)
<b>OPERATING PROFIT</b>		<b>130.802</b>	<b>104.760</b>
Financial Result	22 & 26.b	(23.897)	(21.229)
Share of profit of companies accounted for using the equity method		-	13
<b>Profit / (Loss) before tax</b>		<b>106.905</b>	<b>83.544</b>
Corporate income tax	20	(30.376)	(23.350)
<b>Net Profit / (Loss) from continuing operations</b>		<b>76.529</b>	<b>60.194</b>
<b>PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX</b>		-	-
<b>NET CONSOLIDATED PROFIT / (LOSS)</b>		<b>76.529</b>	<b>60.194</b>
Profit / (Loss) attributable to non-controlling interests	13	20.879	18.986
<b>NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT</b>		<b>55.650</b>	<b>41.208</b>
<b>Profit / (Loss) per share (in euros per share)</b>			
- Basic	12.d	0,390	0,288
- Diluted		0,390	0,288

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of profit or loss for 2019.

## APPLUS SERVICES, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2019

(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
<b>Balance at 31/12/2017</b>	13.070	449.391	290.484	35.582	(1.186)	(43.735)	51.357	794.963
Impact of IFRS 9 adoption	-	-	(4.514)	-	-	-	-	(4.514)
<b>Balance at 01/01/2018</b>	13.070	449.391	285.970	35.582	(1.186)	(43.735)	51.357	790.449
Changes in the scope of consolidation	-	-	(694)	-	-	-	(978)	(1.672)
Allocation of 2017 profit	-	-	35.582	(35.582)	-	-	-	-
Dividends paid	-	-	(18.591)	-	-	-	(14.818)	(33.409)
Treasury shares	-	-	(328)	-	(2.219)	-	-	(2.547)
Other changes	-	-	2.079	-	-	-	(125)	1.954
2018 comprehensive income	-	-	-	41.208	-	(4.344)	19.246	56.110
<b>Balance at 31/12/2018</b>	13.070	449.391	304.018	41.208	(3.405)	(48.079)	54.682	810.885
Impact of IFRS 16 adoption	-	-	(13.444)	-	-	-	(550)	(13.994)
<b>Balance at 01/01/2019</b>	13.070	449.391	290.574	41.208	(3.405)	(48.079)	54.132	796.891
Changes in the scope of consolidation	-	-	(7.287)	-	-	-	(1.252)	(8.539)
Allocation of 2018 profit	-	-	41.208	(41.208)	-	-	-	-
Dividends paid	-	-	(21.453)	-	-	-	(25.518)	(46.971)
Treasury shares	-	-	(540)	-	(697)	-	-	(1.237)
Other changes	-	-	2.852	-	-	-	1	2.853
2019 comprehensive income	-	-	-	55.650	-	4.644	21.164	81.458
<b>Balance at 31/12/2019</b>	13.070	449.391	305.354	55.650	(4.102)	(43.435)	48.527	824.455

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of changes in equity for 2019.

## APPLUS SERVICES, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2019

(Thousands of Euros)

	2019	2018
<b>NET CONSOLIDATED PROFIT:</b>	<b>76.529</b>	<b>60.194</b>
<b>1. Other comprehensive income:</b>		
a) Items that will not be transferred to profit or loss	-	-
b) Items that could be transferred to profit or loss:		
Exchange differences on translating foreign operations	4.929	(4.084)
<b>2. Transfers to the statement of profit or loss:</b>	-	-
<b>Other comprehensive result</b>	<b>4.929</b>	<b>(4.084)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>81.458</b>	<b>56.110</b>
<b>Total comprehensive income for the year attributable to:</b>		
- The Parent	60.294	36.864
- Non-controlling interests	21.164	19.246
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>81.458</b>	<b>56.110</b>

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of comprehensive income for 2019.

**APPLUS SERVICES, S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2019**

(Thousands of Euros)

	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit from operating activities before tax		106.905	83.544
<b>Adjustments of items that do not give rise to operating cash flows</b>			
Depreciation and amortisation charge	5 & 7	158.487	106.334
Changes in provisions and allowances		346	(1.954)
Financial result	22	23.897	21.229
Share of profit of companies accounted for using the equity method		-	(13)
Gains or losses on disposals of intangible and tangible assets		(3.038)	2.231
<b>Profit from operations before changes in working capital (I)</b>		<b>286.597</b>	<b>211.371</b>
<b>Changes in working capital</b>			
Changes in trade and other receivables		(21.572)	(27.702)
Changes in inventories	9	(354)	6
Changes in trade and other payables		25.959	(584)
<b>Cash generated by changes in working capital (II)</b>		<b>4.033</b>	<b>(28.280)</b>
<b>Other cash flows from operating activities</b>			
Other payments	17.b	(982)	-
Corporate Income tax payments		(41.346)	(23.952)
<b>Cash flows from operating activities (III)</b>		<b>(42.328)</b>	<b>(23.952)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)</b>		<b>248.302</b>	<b>159.139</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Business combination		2.021	3.818
Payments due to acquisition of subsidiaries and other non-current financial assets		(35.676)	(43.762)
Proceeds from disposal of subsidiaries		13.107	935
Payments due to acquisition of intangible and tangible assets		(70.720)	(51.335)
<b>Net cash flows used in investing activities (B)</b>		<b>(91.268)</b>	<b>(90.344)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Interest received		1.638	2.510
Interest paid		(11.856)	(10.056)
Net changes in non-current financing (proceeds and payments)		(78.140)	(14.425)
Net changes in current financing (proceeds and payments)		43.950	(8.511)
Net payment of lease liabilities	26.c	(55.593)	-
Dividends		(21.453)	(18.591)
Dividends paid by Group companies to non-controlling interests		(23.832)	(14.313)
<b>Net cash flows used in financing activities (C)</b>		<b>(145.286)</b>	<b>(63.386)</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES (D)</b>		<b>1.094</b>	<b>(2.302)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>		<b>12.842</b>	<b>3.107</b>
Cash and cash equivalents at beginning of year		132.318	129.211
Cash and cash equivalents at end of year		145.160	132.318

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2019.

Consolidated statement of financial position as at 31 December 2019

Consolidated statement of profit or loss for 2019

Consolidated statement of comprehensive income for 2019

Consolidated statement of changes in equity for 2019

Consolidated statement of cash flows for 2019

Explanatory notes to the consolidated financial statements for 2019

1. GROUP ACTIVITIES.....	4
2. BASIS OF PRESENTATION AND BASIS OF CONSOLIDATION .....	5
3. ACCOUNTING AND VALUATION POLICIES.....	15
4. GOODWILL.....	29
5. OTHER INTANGIBLE ASSETS .....	30
6. IMPAIRMENT OF ASSETS.....	35
7. PROPERTY, PLANT AND EQUIPMENT .....	38
8. NON-CURRENT FINANCIAL ASSETS.....	40
9. INVENTORIES.....	40
10. TRADE RECEIVABLES FOR SALES AND SERVICES, TRADE RECEIVABLES FROM RELATED COMPANIES AND OTHER RECEIVABLES.....	41
11. CURRENT FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS.....	42
12. EQUITY.....	43
13. NON-CONTROLLING INTERESTS .....	45
14. OBLIGATIONS AND BANK BORROWINGS.....	46
15. OTHER NON-CURRENT FINANCIAL LIABILITIES.....	49
16. FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS.....	49
17. NON-CURRENT PROVISIONS .....	51
18. OTHER CURRENT AND NON-CURRENT LIABILITIES.....	53
19. TRADE AND OTHER PAYABLES .....	53

20. CORPORATE INCOME TAX.....	54
21. OPERATING INCOME AND EXPENSES .....	59
22. FINANCIAL RESULT .....	61
23. INFORMATION ON THE ENVIRONMENT .....	61
24. PROPOSAL OF ALLOCATION OF PROFIT/LOSS .....	62
25. SEGMENTED INFORMATION.....	62
26. LEASES .....	65
27. OBLIGATIONS ACQUIRED AND CONTINGENCIES .....	67
28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	68
29. DISCLOSURES ON THE BOARD OF DIRECTORS AND THE SENIOR EXECUTIVES.....	69
30. EVENTS AFTER THE REPORTING PERIOD .....	72
31. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH.....	72

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

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

### **Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

#### **1. Group activities**

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

The Parent's Company purpose is as follows:

- To provide services in relation to the transport sector and vehicle and highway safety (engineering processes, design, testing, approval and certification of used cars), as well as technical inspections in sectors other than the automotive sector, with a blanket exclusion of activities that are covered by special legislation.
- The technical audits of all types of installations for technical inspection or control of vehicles located anywhere in Spain or abroad, as well as any other type of technical inspection other than vehicles.
- The production and execution of studies and projects in relation to the previously mentioned activities: economic, industrial, property, information technology, market surveys and research, as well as the supervision, direction and provision of services and advice in the execution thereof. Provision of services, advice, administration, operation and management, whether technical, fiscal, legal or commercial.
- Business intermediation services, both locally and abroad.
- To provide all types of inspection services and quality and quantity control, regulatory inspection, collaboration with administration, consultancy, audit, certification, approval, personnel training and qualification, and technical assistance in general in order to improve the organization and management of quality, safety and environmental aspects.
- To carry out studies, works, measurements, tests, analyses and controls, in laboratories or in situ, and such other professional methods and actions considered necessary or advisable, in particular those related to manufacturing materials, equipment, products and installations, in the fields of mechanics, electricity, electronics and information technology, transport and communications, administrative organization and office automation, mining, food, environment, construction and civil works, performed during the stages of design, planning, manufacturing, construction and assembly and commissioning, maintenance and production for all types of companies and entities, both public and private, as well as before the Central State Administration, the Administrations of Autonomous Communities, Provinces and Municipalities, and all types of agencies, institutions and users, whether within the country or abroad.

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

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

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

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

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

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

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

## **2. Basis of presentation and basis of consolidation**

### ***2.a Basis of presentation of the consolidated financial statements***

#### ***a) Basis of presentation***

These consolidated financial statements for 2019 were approved by the Parent's Directors at the Board of Directors Meeting held on 21 February 2020. The 2019 consolidated financial statements of the Group and the 2019 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 2018 were approved by the shareholders at the Parent's Annual General Meeting of 30 May 2019.

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

These consolidated financial statements for 2019 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 2019 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2018.

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

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

In the Group's consolidated financial statements for 2019, estimates were made by the Group Management, later ratified by their Directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate mainly to the following:

- The measurement of goodwill (see Notes 3.a and 4)
- The impairment losses on certain assets (see Notes 3.d and 6)
- The recovery of deferred tax assets (see Note 20)
- The right-of-use assets and obligations under leases (see Note 26)
- The useful life of the property, plant and equipment and intangible assets (see Notes 3.b and 3.c)
- The assumptions used in measuring the recoverable amount of the financial instruments and the assets and liabilities in the business combinations (see Notes 3.e and 3.k)
- Income from pending to be billed services (see Note 3.q)
- Provisions and contingent liabilities (see Notes 3.j, 17 and 27)
- Corporate income tax and deferred tax assets and liabilities (see Note 20)

Although these estimates were made on the basis of the best information available as of 31 December 2019 on the events analysed, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in the related consolidated statement of profit or loss or consolidated statement of changes in equity, as appropriate.

**d) Presentation and functional currency**

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

**e) Changes in accounting policies**

In preparing the accompanying consolidated financial statements no changes in accounting policies were identified that would have made it necessary to restate the amounts included in the consolidated financial statements for 2018.

**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 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.

The share of non-controlling interests is reflected in:

- 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- between 20% and 50% of the voting power of the subsidiary.

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

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

At 31 December 2019, the Group only held, as an associate, an ownership interest of 30% in the investee Velosi (B) Sdn Bhd, domiciled in Brunei, the assets, liabilities, revenue and profit or loss of which were not significant.

**c) Changes in accounting policies and in disclosures of information effective in 2019**

In 2019 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements. The following standards were applied in these consolidated financial statements but did not have a significant impact on the presentation hereof or the disclosures herein, except the entry into force of IFRS 16 detailed below:

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
<b>Approved for use in the European Union:</b>		
<b>New standards:</b>		
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
<b>Amendments and/or interpretations:</b>		
Amendment to IFRS 9 Early cancellation with negative compensation features (published October 2017)	This amendment will permit the measurement at amortised cost of certain financial assets that can be cancelled early for an amount less than the outstanding amount of principal and interest on that principal.	1 January 2019
IFRIC 23 Uncertainty over tax treatment (published June 2017)	This interpretation clarifies how to apply the recording and measurement criteria in IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity.	1 January 2019
Amendment to IAS 28 Long-term interest in associates and joint ventures (published October 2017)	It clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019
IFRS 3 Business Combinations - Annual Improvement Cycle 2015-2017 (published December 2017)	Acquisition of control over a business previously registered as a joint venture.	1 January 2019

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
<b>Amendments and/or interpretations:</b>		
IFRS 11 Joint Ventures - Annual Improvement Cycle 2015-2017 (published December 2017)	Acquisition of joint control over a joint operation, which constitutes a business.	1 January 2019
IAS 12 Income Tax - Annual Improvement Cycle 2015-2017 (published December 2017)	Recognition of the tax impact of the remuneration of financial instruments classified as equity.	1 January 2019
IAS 23 Borrowing Costs - Annual Improvement Cycle 2015-2017 (published December 2017)	Capitalization of interest on specific outstanding financing of a ready-to-use asset.	1 January 2019
Amendment to IAS 19 Modification, reduction or liquidation of a plan (published in February 2018)	Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a defined benefit plan is modified, reduced or settled.	1 January 2019

Effective from 1 January 2019, the Group has applied the new IFRS 16, Leases. The application of this new accounting standard gave rise to impacts on the Group's financial situation and results.

#### *IFRS 16, Leases*

IFRS 16 superseded IAS 17 and the associated interpretations, and was applied by the Applus Group for the first time on 1 January 2019. IFRS 16 changes the accounting model applied by lessees to leases (with certain exceptions). The new model consists of recognising in the balance sheet a liability (equal to the present value of the lease payments to be made over the lease term and considered to be highly likely) and a right-of-use asset that is initially measured as an amount equal to the liability plus other items (such as the capitalisation of initial direct costs). In addition, it changes the recognition method for the lease expense in the previous operating leases. What was previously an operating expense becomes a depreciation charge for the asset and a finance cost in relation to the liability recognised. Also, the expense is generally recognised on a diminishing-balance basis rather than a straight-line basis. Additionally, the cash flows from operating activities increase as a result of the increase in the gross profit from operations, offset by a decrease in the cash flows from financing activities of the same amount, since the repayment of the principal portion of the lease liabilities is classified as cash flows from financing activities and, therefore, the cash flows as a whole were not affected.

The Parent's Directors analysed all the leases falling within the scope of this standard, and considered those leases with a value of less than USD 5 thousand, with a term of less than a year according to the standard or variable rents to be exceptions, which were, therefore, excluded from the scope of the standard. Additionally, financial reporting systems and the controls therein have been developed in order to recognise the leases appropriately.

At the date of transition, a decision was made to apply the modified retrospective approach, i.e. retroactively by recognising the cumulative effect as an adjustment to the opening balance of equity at the date of initial application. Thus, a lease liability at the date of initial application was recognised for leases previously classified as operating leases under IAS 17 for an amount of EUR 181 million, measured in accordance with the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Also, right-of-use assets were recognised amounting to EUR 162 million at the date of initial application in accordance with their carrying amount as if the standard had been applied from the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Therefore, a negative impact of EUR 14 million, net of the related tax effect, was recognised in the Group's equity, including the portion attributable to non-controlling interests and the deferred tax effect associated amounting EUR 4 million. The average incremental interest rate at the date of initial application was an average of 3.39%.

The difference between the non-cancellable minimum lease payments recognised in the notes to the consolidated financial statements for the year ended 31 December 2018 and the liability recognised as a result of the entry into force of IFRS 16 is mainly a result of the identification of leases which are exempt since they relate to leases of low-value assets or to short-term leases, the application of a discount rate in the valuation of the aforementioned lease obligations and the consideration of renewals of certain leases arising from the analysis conducted in relation to the lease term estimate.

In order to determine the lease term, the Group considered whether or not the leases contain unilateral termination and/or renewal clauses that entitle the Group to terminate the leases early or to extend them. In this connection, among other matters, the costs related to terminating the leases were taken into account in determining the likelihood of the renewal thereof.

Lastly, for the purposes of presentation in the consolidated balance sheet, the Group will present right-of-use assets separately from other assets. Lease liabilities are also presented separately under current and non-current liabilities. Note 26 to the accompanying consolidated financial statements includes the most relevant information on leases for a proper understanding thereof.

**d) Accounting policies issued but not yet in force in 2019**

At the date of 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 these 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:
<b>Amendments and/or interpretations:</b>		
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of 'materiality' included in the conceptual framework.	1 January 2020
Amendments to IFRS 9, IAS 39, IFRS 7 Interest Rate Benchmark Reform (published on September 2019)	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest Rate Benchmark in progress Reform.	1 January 2020
<b>Not yet approved for use in the European Union <sup>(1)</sup></b>		
<b>New standards:</b>		
IFRS 17 Insurance Contracts (published May 2017) <sup>(2)</sup>	Supersedes IFRS 4. It sets out the principles for recording, measuring, presenting and disaggregating insurance contracts so that the entity provides relevant and reliable information that enables users of the information to determine the effect that contracts have on the financial statements.	1 January 2021

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
<b>Amendments and/or interpretations:</b>		
Amendment to IFRS 3 Definition of business (published October 2018)	Clarifications to the definition of business.	1 January 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements) (issued on 23 January 2020)	Presentation of Financial Statements - Classification of liabilities as current or non-current.	1 January 2020

(1) The status of approval of the standards by the European Union can be consulted on the EFRAG website.

(2) The IASB has proposed to defer the effective date of this IFRS to 1 January 2022 (Exposure Draft Amendments to IFRS 17 issued 26 June 2019).

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.

#### **e) Changes in the scope of consolidation**

##### **e.1. Inclusions in the scope of consolidation in 2019:**

The companies included in the scope of consolidation in 2019 are as follows:

- Companies acquired in 2019:
  - Laboratorio de Ensayos Metrológicos, S.L.
  - A2M Industrie SAS
  - LEM Laboratorios y Asistencia Técnica Limitada
  - Servicios SEFF, S.A.
- Companies incorporated during 2019:
  - Applus Tanzania Limited
  - IDIADA Safety Technology, GmbH (subsequently CTAG - IDIADA Safety Technology Germany, GmbH)
  - Inversiones y Certificaciones Integrales SyC, S.A.
  - Applus Iteuve Brasil Participações Lda
  - Applus Inspection Services Ireland, Ltd
  - TIC Investments Chile SpA
  - IDIADA Automotive Technology Mexico
  - Applus and Partner Engineering Consultancy
  - Applus Fomento de Control, S.A.

### e.1.1. Companies acquired in 2019

On 28 February 2019, the Applus Group acquired Laboratorio de Ensayos Metrológicos, S.L. for EUR 2.7 million. The company has been integrated into the Applus + Laboratories division.

On 20 March 2019, the Applus Group acquired A2M Industrie SAS for EUR 6.4 million. Additionally, the agreement includes an earn-out tied to certain financial targets to be achieved in 2019, 2020 and 2021. The Group considers that the targets will be achieved for the earn-out which amount to EUR 0.5 million and, accordingly, this amount has been considered in determining the acquisition cost. The company has been integrated into the Applus+ Laboratories division.

On 28 October 2019, the Applus Group acquired LEM Laboratorios and Asistencia Técnica Limitada and Servicios SEFF, S.A. for CLP 7,468.5 million (EUR 8.9 million at the acquisition date). The agreement also includes an earn-out provision tied to certain financial targets to be achieved in 2018, 2019, 2020 and 2021. The Group considers that the earn-out will amount to CLP 1,970.1 million (EUR 2.4 million at the acquisition date) and, accordingly, this amount was taken into account when determining the cost of the acquisition. These companies were included in the Applus+ Energy & Industry division.

The provisional registration of these 3 acquisitions includes a detail of the acquired net assets and of the provisional goodwill at the acquisition date (in thousands of euros):

	Laboratorio de Ensayos Metrológicos S.L.	A2M Industrie, SAS	LEM Laboratorios y Asistencia Técnica Limitada & Servicios SEFF, S.A. (Chile)	Total
Non- current assets	267	1,416	5,188	6,871
Inventories	-	47	75	122
Trade and other receivables	718	730	2,552	4,000
Cash and cash equivalents	395	1,173	998	2,566
Non- current liabilities	(64)	(1,071)	(155)	(1,290)
Current liabilities	(628)	(521)	(7,654)	(8,803)
<b>Value of assets and liabilities acquired</b>	<b>688</b>	<b>1,774</b>	<b>1,004</b>	<b>3,466</b>
<b>% of ownership</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>Value of assets and liabilities acquired after minorities</b>	<b>688</b>	<b>1,774</b>	<b>1,004</b>	<b>3,466</b>
<b>Acquisition cost</b>	<b>3,217</b>	<b>7,390</b>	<b>8,914</b>	<b>19,521</b>
<b>Goodwill (Note 4)</b>	<b>2,529</b>	<b>5,616</b>	<b>7,910</b>	<b>16,055</b>

There are no significant differences between the fair values of the net assets acquired included in the detail above with respect to the respective carrying amounts at which they had been previously recognised.

### e.2. Exclusions from the scope of consolidation in 2019:

On January 2019, Velosi Asia (Luxembourg), Sarl. sold 70% of the shares of Velosi Asset Integrity & Safety (PVT) for USD 3.2 million (EUR 2.8 million), which did not have a material effect on the Group's consolidated statement of profit or loss.

On November 2019, the dormant company RTD France Holding, S.A.S. was liquidated.

Lastly, in 2019 the Group acquired non-controlling interests, which had a negative impact on consolidated reserves, amounting to EUR 6.8 million.

### **e.3. Inclusions in the scope of consolidation in 2018:**

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

- Companies acquired in 2018:
  - 3C Test Limited
  - Applus Idiada Karco Engineering, L.L.C.
  - DatapointLabs, Llc.
  - DatapointLabs India, Inc.
  - Matereality, Llc.
  - Talon Test Laboratories (Phoenix) Inc.
  - Talon Test Laboratories Incorporated
- Other companies acquired for the integration of its activity:
  - M 607 ITV, S.L.
  - Trámites, Informes, Proyectos, Seguridad y Medio Ambiente, S.L.U.
  - MacCormack Calibración, S.L.
  - Technical Inspection Services, Ltd.
- Companies incorporated during 2018:
  - Velosi Asia Kish
  - Applus Japan KK
  - Applus Mozambique Limitada
  - Applus Middle East Engineering Consultancy, LLC
  - SARL Apcontrol Energie et Industrie Algerie
  - IDIADA Automotive Technology, LLC
  - IDIADA Homologation Technical Service, S.L.

#### **e.3.1. Companies acquired in 2018**

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

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

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

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

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

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

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

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

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

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

	3C Test Limited.	Applus Idiada Karco Engineering, LLC.	Datapointlabs Group	Talon (*)	M 607 ITV, S.L.	Trámites, informes, proyectos, seguridad y medio ambiente, S.L.U.	Maccormack Calibración, S.L.	Technical Inspection Services, Ltd.	Total
non-current assets	1,182	269	125	1,783	435	49	67	206	4,116
trade and other receivables	985	782	1,162	246	23	157	122	180	3,657
cash and cash equivalents	1,294	21	904	21	(23)	1	189	335	2,742
non-current liabilities	(171)	-	-	-	(567)	(30)	(21)	(27)	(816)
current liabilities	(566)	(117)	(1,434)	(97)	(28)	(105)	(37)	(84)	(2,468)
<b>value of assets and liabilities acquired</b>	<b>2,724</b>	<b>955</b>	<b>757</b>	<b>1,953</b>	<b>(160)</b>	<b>72</b>	<b>320</b>	<b>610</b>	<b>7,231</b>
<b>percentage of ownership</b>	<b>100%</b>	<b>67%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>value of assets and liabilities acquired after minorities</b>	<b>2,724</b>	<b>640</b>	<b>757</b>	<b>1,953</b>	<b>(160)</b>	<b>72</b>	<b>320</b>	<b>610</b>	<b>6,916</b>
<b>acquisition cost</b>	<b>13,387</b>	<b>4,574</b>	<b>10,320</b>	<b>8,001</b>	<b>1,497</b>	<b>1,298</b>	<b>770</b>	<b>1,314</b>	<b>41,161</b>
<b>goodwill (Note 4)</b>	<b>10,663</b>	<b>3,934</b>	<b>9,563</b>	<b>6,048</b>	<b>1,657</b>	<b>1,226</b>	<b>450</b>	<b>704</b>	<b>34,245</b>

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

There are no significant differences between the fair values of the net assets acquired included in the detail above with respect to the respective carrying amounts at which they had been previously recognised.

According to IFRS 3, the accounting process for acquisitions made in the previous financial year has been completed in 2019. No significant changes have been made.

### **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.

In addition, 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 the consolidated statement of 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 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 Catalonia, these administrative authorisations are amortised on a straight-line basis over the authorisation term which ends in 2035. In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in 10 years and, therefore, it is being amortised over this period, until 2020.
- Trademarks are measured based on the future royalty income stream from their use. Trademarks are considered to have a finite useful life and are amortised over 25 years, with the exception of the trademark associated with the Velosi Group, which are being amortised over 10 years.
- Customer portfolios are amortised over the life of the agreements entered into with the customers.
- Asset usage rights relate to machinery and fixtures used by the Group in the performance of its business activity and are subject to reversal. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.
- Computer software is amortised on a straight-line basis. 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.

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 as other results.

**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 could increase 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 are based on reasonable and well-founded assumptions and were prepared in accordance with the Group's budget for 2020 and with the Group's strategy for the following years 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 the evolution of organic revenue and margins of the business that the Group Executive Committee expects for the coming years. Consequently, the possible changes in the scope of consolidation that might take place in the future were not taken into account in the projection or in the impairment tests performed.

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

#### **e) Financial assets**

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

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

The Group basically holds financial assets measured at amortised cost, which give rise on specified dates to cash flows that are solely payments of principal and interest. Any financial assets from which the Group expects to collect both contractual cash flows and cash flows from their sale (such as those which are factored (see Note 14.b) are measured at fair value through other comprehensive income (equity). All other financial assets are measured at fair value through profit or loss.

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

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

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



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

**f) Information on the environment**

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

In view of the Group's business activity, at 31 December 2019 and 2018 it did not have any significant assets of this nature.

**g) Leases**

The Group assesses whether a contract is or contains a lease, at inception of it. The Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (less than USD 5 thousand) and variable rents. For these exceptions, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the payments that are not executed at the commencement date, discounted by using the implicit rate. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.d. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the consolidated statement of profit or loss.

Additionally, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

#### ***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.

***j) Government grants***

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

- a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.
- b) Refundable grants: while they are refundable, they are recognised as a non-current liability.
- c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

***j) Provisions and contingent liabilities***

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

- Provisions:

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

- Contingent liabilities:

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

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

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

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

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

**k) *Derivative financial instruments and hedge accounting***

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

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

At the end of 2019 the Group had not outstanding financial derivative products.

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

*Defined contribution plans*

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

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

*Defined benefit plans*

All the post-employment benefit plans that may not be considered as defined contribution plans are 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.

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 2019.
- b) Annual variable remuneration plan granted to the Executive Directors, certain executives and employees of the Group consisting of the delivery of RSUs (convertible into Parent's shares). This remuneration plan is approved annually and is convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. At 2019 year-end three plans have been approved and ratified (see Notes 19 and 29).
- c) "Long-term Incentive" plan granted to the Executive Directors and certain Senior Executives of the Group, that consists on the delivery of Performance Stock Units (PSUs), in the case of the Executive General Director, and Restricted Stock Units (RSUs) and PSUs in the case of the Executive Financial Director and Senior Executives. Both PSUs and RSUs are convertible into Parent's shares within three years of the grant date. First conversion into shares took place in February 2019 and corresponded to the first plan granted in 2016. (see Notes 19 and 29).

**m) Debts and current/non-current classification**

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

**n) Financial liabilities**

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

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

Effective interest method

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

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

**o) Transactions in currencies other than the Euro**

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

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

1. Translation of balances in foreign currencies to the subsidiaries' functional currencies:
  - Monetary assets and liabilities denominated in foreign currencies are translated by applying the exchange rates prevailing at the closing date.
  - Any resulting gains or losses are recognised directly in the consolidated statement of profit or loss.
2. Translation to euros of the financial statements of the subsidiaries whose functional currency is not the euro:
  - Assets and liabilities are translated by applying the exchange rates prevailing at the closing date.
  - Income, expenses and cash flows are translated at the average exchange rates for the year.
  - Equity is translated at the historical exchange rates.
  - Exchange differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying consolidated statement of financial position.
  - The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Foreign Exchange Rate Changes".

The detail of the equivalent euro value of the main assets in foreign currency held by the Group at 31 December 2019 and 2018 is as follows (in thousands of euros):

Balances held in:	Foreign currency:	31/12/2019	31/12/2018
US Dollar	USD	489,536	463,884
Canadian Dollar	CAD	90,457	74,399
Danish Krone	DKK	64,489	52,987
Chilean Peso	CLP	59,271	39,406
Pound Sterling	GBP	45,839	54,555
Australian Dollar	AUD	45,272	42,901
Saudi Riyal	SAR	35,886	28,742
Colombian Peso	COP	26,814	25,259
Malaysian Ringgit	MYR	22,700	17,266
Czech Koruna	CZK	21,522	15,544
Chinese Yuan	CNY	19,807	16,429
Qatari Riyal	QAR	19,495	21,953
Brazilian Real	BRL	15,138	14,902
Omani Riyal	OMR	14,774	12,699
Papua New Guinean Kina	PGK	14,175	9,014
Indonesian Rupiah	IDR	13,237	11,101
Norwegian Krone	NOK	12,927	11,329
United Arab Emirates Dirham	AED	12,238	7,733
Costa Rican Colon	CRC	11,841	10,922
Panamanian Balboa	PAB	9,256	11,258
Guatemalan Quetzal	GTQ	8,832	8,923
Mexican Peso	MXN	8,546	6,194
Singapore Dollar	SGD	7,864	7,381
Argentine Peso	ARS	6,518	4,713
Peruvian Nuevo sol	PEN	6,197	5,175
Uruguayan Peso	UYU	5,807	7,363
Kuwait Dinars	KWD	4,571	5,544
Others		12,915	19,631
<b>Total</b>		<b>1,105,924</b>	<b>1,007,207</b>

The average and closing rates used in the translation to euros of the balances held in foreign currency for years 2019 and 2018 are as follows:

1 Euro	Foreign currency:	2019		2018	
		Average rate	Closing rate	Average rate	Closing rate
Danish Krone	DKK	7.47	7.47	7.45	7.47
Norwegian Krone	NOK	9.85	9.98	9.59	9.92
Czech Koruna	CZK	25.67	25.41	25.63	25.76
United Arab Emirates Dirham	AED	4.11	4.08	4.34	4.20
Canadian Dollar	CAD	1.49	1.46	1.53	1.53
Singapore Dollar	SGD	1.53	1.51	1.59	1.56
US Dollar	USD	1.12	1.11	1.18	1.14
Papua New Guinean Kina	PGK	3.70	3.68	3.79	3.72
Pound Sterling	GBP	0.88	0.85	0.88	0.90
Argentine Peso	ARS	n/a	66.43	n/a	43.62
Chilean Peso	CLP	784.79	837.86	755.63	785.42
Colombian Peso	COP	3,669.83	3,682.00	3,478.26	3,660.32
Mexican Peso	MXN	21.54	21.02	22.69	22.87
Brazilian Real	BRL	4.41	4.53	4.30	4.43
Qatari Riyal	QAR	4.10	4.08	4.31	4.16
Malaysian Ringgit	MYR	4.64	4.60	4.76	4.75
Saudi Riyal	SAR	4.20	4.17	4.43	4.27
Indonesian Rupiah	IDR	15,834.60	15,550.00	16,778.52	16,501.65
Australian Dollar	AUD	1.61	1.62	1.58	1.60
Peruvian Nuevo Sol	PEN	3.73	3.71	3.88	3.81
Kuwait Dinars	KWD	0.34	0.33	0.36	0.35
Guatemalan Quetzal	GTQ	8.61	8.53	8.87	8.79
Chinese Yuan	CNY	7.72	7.79	7.80	7.84

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

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

In 2019 an impact arose against reserves arising from the difference, amounting to approximately EUR 2,447 thousand positive between the value of the equity reported at the end of the previous year and the restated value for the same year of the Argentine subsidiaries (2018: EUR 2,085 thousand positive).

As per the application of IAS 29 and IAS 21, the statement of profit or loss has been impacted by a higher financial expense in 2019 of EUR 2,135 thousand (2018: EUR 1,419 thousand) under "Financial Profit / (Loss) - Gains or Losses on the Net Monetary Position".

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for those associated with investments in subsidiaries, branches and associates, or with a share in a joint venture, when the Group can control when to revert the temporary difference and it is considered probable that it will not be reverted in the foreseeable future. At the end of 2019 and 2018, no deferred tax liabilities had been recognised in accordance with IAS 12.39, since the Group controls the timing of the reversal of such temporary differences and the temporary difference is unlikely to be reversed in the foreseeable future, or because these liabilities are not significant due to the Group's policy of repatriating the dividends of subsidiaries, branches and associates.

Deferred tax assets are recognised for temporary differences, tax credits for tax losses carry forwards 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 Income Tax group 238/08 and VAT group 0036/11 of which Applus Services, S.A. is the Parent.

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

#### **q) Revenue recognition**

In general, the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

No costs incurred in winning contracts with customers were capitalised in 2019 and 2018 as the related amounts were not material.

**r) Expense recognition**

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

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

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

**s) Discontinued operations**

A discontinued operation is a business segment that has been decided to be abandoned and/or disposed 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 2019 or 2018.

**t) Segment information**

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

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

- They engage in business activities from which they may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same group),
- Their operating results are regularly reviewed by Senior Executives, which takes the operating and management decisions relating to the group in order to decide about resources to be allocated to the segment and to assess its performance; and
- Discrete financial information is available.

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

**u) Consolidated statement of cash flows**

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

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.
- Effect of foreign exchange rate changes: effect of foreign exchange rate changes on cash and cash equivalents.

**v) Equity**

The share capital is represented by ordinary shares.

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

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

**w) Earnings per share**

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

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

**x) Treasury shares**

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

#### 4. Goodwill

The detail, by cash-generating unit, of the goodwill at the end of 2019 and 2018 is as follows:

Cash-generating unit	Thousands of Euros	
	31/12/2019	31/12/2018
Auto Spain (*)	172,629	172,629
Energy & Industry Northern Europe	103,035	102,997
Energy & Industry North America	99,400	97,758
IDIADA	60,178	60,110
Energy & Industry Seameap	42,362	42,130
Laboratories	67,917	59,483
Auto Finisterre (*)	22,929	22,929
Energy & Industry Latin America	14,993	7,498
Energy & Industry Spain	11,564	11,564
Auto Denmark	6,843	6,843
Auto US (*)	6,141	6,141
Other	1,254	1,256
<b>Total goodwill</b>	<b>609,245</b>	<b>591,338</b>

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

The changes in 2019 and 2018 were as follows:

	Thousands of Euros
<b>Balance at 1 January 2018</b>	<b>554,861</b>
Changes in the scope of consolidation (Note 2.b.e.3.)	34,245
Translation differences	2,232
<b>Balance at 31 December 2018</b>	<b>591,338</b>
Changes in the scope of consolidation (Note 2.b.e.1.)	16,055
Translation differences	1,852
<b>Balance at 31 December 2019</b>	<b>609,245</b>

The main changes in the scope of consolidation in 2019 relate mainly to the acquisition of Laboratorio de Ensayos Metrológicos, S.L., A2M Industrie SAS, LEM Laboratorios y Asistencia Técnica Limitada and Servicios SEFF, S.A. (see Note 2.b.e.1.1.).

The main changes in the scope of consolidation in 2018 relate mainly to the acquisition of 3C Test Limited, Applus Idiada Karco Engineering, L.L.C., Datapointlabs Group, Talon Test Laboratories (Phoenix) Inc. and Talon Test Laboratories Incorporated (see Note 2.b.e.3.1.).

The main assumptions used in the tests to determine the impairment recognised in 2019 and 2018 are detailed in Note 6.

## 5. Other intangible assets

The changes in 2019 and 2018 in intangible asset accounts and in the related accumulated amortisation and impairment losses were as follows:

	2019 - Thousands of Euros						
	Balance at 1 January 2019	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 2019
<b>Cost:</b>							
Administrative concessions	264,221	-	905	(5,812)	441	1,823	261,578
Patents, licences and trademarks	272,653	59	-	(1)	-	59	272,770
Administrative authorisations	259,910	-	267	-	7,412	2	267,591
Customer portfolio	171,419	-	-	-	-	352	171,771
Computer software	77,089	50	6,573	(1,143)	5,815	445	88,829
Goodwill acquired	17,868	230	-	-	-	644	18,742
Asset usage rights	72,442	-	-	-	-	-	72,442
Other	43,586	-	5,429	(321)	1,301	139	50,134
<b>Total cost</b>	<b>1,179,188</b>	<b>339</b>	<b>13,174</b>	<b>(7,277)</b>	<b>14,969</b>	<b>3,464</b>	<b>1,203,857</b>
<b>Accumulated amortisation:</b>							
Administrative concessions	(156,219)	-	(22,761)	5,099	-	(994)	(174,875)
Patents, licences and trademarks	(123,329)	(59)	(12,568)	1	-	(54)	(136,009)
Administrative authorisations	(112,446)	-	(16,450)	-	(621)	33	(129,484)
Customer portfolio	(94,980)	-	(7,060)	-	-	(80)	(102,120)
Computer software	(63,366)	27	(6,333)	1,136	(63)	(332)	(68,931)
Goodwill acquired	(77)	-	-	-	-	(1)	(78)
Asset usage rights	(42,058)	-	(4,883)	-	-	7	(46,934)
Other	(29,970)	-	(3,216)	-	13	(50)	(33,223)
<b>Total accumulated amortisation</b>	<b>(622,445)</b>	<b>(32)</b>	<b>(73,271)</b>	<b>6,236</b>	<b>(671)</b>	<b>(1,471)</b>	<b>(691,654)</b>
<b>Total impairment losses</b>	<b>(37,882)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,882)</b>
<b>Total net value</b>	<b>518,861</b>	<b>307</b>	<b>(60,097)</b>	<b>(1,041)</b>	<b>14,298</b>	<b>1,993</b>	<b>474,321</b>

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

#### **Identification and measurement of intangible assets in business combinations**

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

	Thousands of Euros	
	31/12/2019	31/12/2018
Administrative authorisations	259,910	259,910
Trademarks	254,622	254,622
Administrative concessions	193,510	193,510
Customer portfolio	171,242	170,902
Rights of use	57,516	57,516
Trademark licence agreement	16,939	16,939
Databases	273	273
<b>Total allocation of goodwill to assets</b>	<b>954,012</b>	<b>953,672</b>

In 2019, the amortisation charge associated with these revalued assets recognised in the accompanying consolidated statement of profit or loss amounted to EUR 59,078 thousand (2018: EUR 59,163 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 Catalonia 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 2019, the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, Galicia and the Basque Country), Ireland, Argentina, Chile and Costa Rica. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates until 2030.

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

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

- Patents, licences and trademarks:

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

- Customer portfolio:

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

- Asset usage rights:

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

### Intangible assets by cash-generating unit

The detail, by cash-generating unit, of the intangible assets at year-end 2019 and 2018 are as follows:

	2019 – 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
<b>Cost:</b>														
Administrative concessions	92,659	-	-	-	-	-	182	-	12,735	-	-	156,002	-	261,578
Patents, licences and trademarks	18,598	89,449	10,163	58,565	28,210	12,294	40,096	8,834	6,418	1	-	-	142	272,770
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	7,681	267,591
Customer portfolio and other	-	41,532	-	27,147	71,840	-	18,822	4,142	-	8,288	-	-	-	171,771
Computer software	4,754	9,326	295	4,166	2,411	8,041	8,021	5,027	10,524	2,860	2,060	1,176	30,168	88,829
Goodwill acquired	-	8,419	769	-	3,714	3,826	1,381	265	-	-	368	-	-	18,742
Asset usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	72,442
Other	545	16,904	852	452	2,763	19,837	4,143	2,493	1,102	-	937	106	-	50,134
<b>Total cost</b>	<b>283,265</b>	<b>165,630</b>	<b>106,003</b>	<b>90,330</b>	<b>108,938</b>	<b>80,727</b>	<b>72,648</b>	<b>55,748</b>	<b>30,779</b>	<b>11,149</b>	<b>3,365</b>	<b>157,284</b>	<b>37,991</b>	<b>1,203,857</b>
<b>Accumulated amortisation:</b>														
Administrative concessions	(73,483)	-	-	-	-	-	(182)	-	(6,761)	-	-	(94,449)	-	(174,875)
Patents, licences and trademarks	(8,994)	(37,973)	(4,500)	(37,649)	(13,635)	(5,951)	(19,487)	(4,300)	(3,377)	(1)	-	-	(142)	(136,009)
Administrative authorisations	(49,766)	-	(78,517)	-	-	-	-	-	-	-	-	-	(1,201)	(129,484)
Customer portfolio and other	-	(20,074)	-	(22,947)	(34,959)	-	(18,822)	(2,332)	-	(2,986)	-	-	-	(102,120)
Computer software	(4,206)	(6,579)	(237)	(3,213)	(1,162)	(6,730)	(7,261)	(4,236)	(7,665)	(2,384)	(2,008)	(1,034)	(22,216)	(68,931)
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	-	(78)
Asset usage rights	(723)	-	-	-	-	(22,577)	(3)	(23,631)	-	-	-	-	-	(46,934)
Other	(522)	(9,894)	(645)	(58)	-	(15,188)	(3,636)	(2,178)	(1,102)	-	-	-	-	(33,223)
<b>Total accumulated amortisation</b>	<b>(137,694)</b>	<b>(74,520)</b>	<b>(83,899)</b>	<b>(63,867)</b>	<b>(49,756)</b>	<b>(50,446)</b>	<b>(49,462)</b>	<b>(36,684)</b>	<b>(18,905)</b>	<b>(5,371)</b>	<b>(2,008)</b>	<b>(95,483)</b>	<b>(23,559)</b>	<b>(691,654)</b>
<b>Total impairment (Note 6)</b>	<b>(7,051)</b>	<b>(16,744)</b>	<b>(8,115)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,972)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,882)</b>
<b>Total net value</b>	<b>138,520</b>	<b>74,366</b>	<b>13,989</b>	<b>26,463</b>	<b>59,182</b>	<b>30,281</b>	<b>23,186</b>	<b>19,064</b>	<b>5,902</b>	<b>5,778</b>	<b>1,357</b>	<b>61,801</b>	<b>14,432</b>	<b>474,321</b>

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

### Impairment of intangible assets

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

### Other matters

At 31 December 2019, fully amortised intangible assets in use amounted to EUR 92,620 thousand (31 December 2018: EUR 87,136 thousand). The Group did not have any temporarily idle items at 31 December 2019 or 2018.

At 31 December 2019 and 2018, 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 or at the end of the existing contract, without considering those arisen from the business combination. The detail of the carrying amount of the assets subject to reversion at 31 December 2019 and 2018 is as follows:

	2019 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
Applus Iteuve Technology, S.L.	3	(3)	-
Applus Iteuve Euskadi, S.A.U.	478	(478)	-
LGAI Technological Center, S.A.	14,200	(13,970)	230
Supervisión y Control, S.A.U.	40,170	(35,834)	4,336
Riteve SyC, S.A.	24,404	(24,404)	-
<b>Total</b>	<b>79,255</b>	<b>(74,689)</b>	<b>4,566</b>

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

## **6. Impairment of assets**

The method used by the Group to test impairment makes a distinction between assets/cash-generating units (CGUs) with indefinite and finite lives. Projections with a five-year horizon and a perpetual return from the sixth year onwards are mainly used for businesses with indefinite lives. Projections adjusted to the actual duration of the arrangement are used for assets related to the performance of services or concessions with a finite useful life.

In both cases, the projections are based on reasonable and well-founded assumptions, which were prepared in accordance with the Applus+ Group's business plan on the basis of past experience and of the best estimates available at the date of the related impairment tests based on the evolution of organic revenue and occasionally improvements in margins that management of the Parent projects for the coming years. As a result, the projections and impairment tests do not take into account possible acquisitions or mergers that might occur in the future.

In accordance with IAS 36, the Recoverable Amount of the Group's CGUs was estimated based on the Value in Use. The only exception corresponds to CGU Finisterre which estimation is based on fair value.

The Value in Use by CGU has been determined based on the present value of the cash flows that will foreseeably be generated in the future. For this purpose, the discounted free cash flow ("DCF") method was applied based on the projections expressed in the currency in which each CGU operates.

The DCF method discounts the present value of the future free cash flows at a discount rate (weighted average cost of capital or "WACC") which reflects the time value of money and the risks associated with the aforementioned expected cash flows.

### Impairment test assumptions

The key assumptions to determine fair value that were used to test for impairment in 2019 and 2018 were as follows:

a) Perpetuity growth rate:

To calculate the terminal value, the value of the CGU must be estimated using the going concern basis of accounting. For this purpose the Group applies the "Gordon-Shapiro" model, which estimates the residual value as a sustainable, perpetual return with a constant growth rate. The growth envisaged in each industry in the geographical area in which the Group operates will foreseeably be very similar to the expected growth rate in that geographical area, given that the industries in which it operates correspond to the base industries that are most representative of each geographical area and which largely determine the area's performance. The data were obtained from the long-term inflation forecasts.

b) Discount rate:

The WACC method was used to calculate the discount rates, based on the following assumptions:

- The time value of money or risk-free rate of each country or geographical area (weighted average of the main countries in which the Group operates in those geographical areas), which is based on the yield of ten-year sovereign bonds in the respective country (or the weighted average of the geographical area).
- The estimated risk premium, considering the estimated betas of comparable companies in the industries and a market risk premium for each country, which are observable variables both after taxes.
- The average financing structures and conditions of comparable companies in the industry.

The detail of the discount rate ("WACC") and of the perpetuity growth rate in 2019 and 2018 by business and geographical area is as follows

Business	2019		2018	
	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")
Auto	7.5 - 16.5%	1.5% - 3.0%	7.5% - 18.1%	1.9% - 2.9%
Energy & Industry	9.1% - 14.8%	1.5% - 3.1%	9.6% - 15.9%	1.9% - 3.1%
Laboratories	9.4%	1.7%	10.1%	2.0%
IDIADA	11.3%	1.7%	11.4%	2.0%

Country/geographical area	2019		2018	
	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")
Spain	9.4% - 11.5%	1.5% - 1.7%	9.6% - 11.4%	1.9% - 2.0%
Rest of Europe	7.5% - 9.5%	1.6% - 1.9%	7.5% - 9.6%	1.9% - 2.0%
US and Canada	8.4% - 10.7%	2.3%	10.0% - 11.4%	2.2%
Latin America	14.8% - 16.5%	3% - 3.1%	15.9% - 18.1%	2.9% - 3.1%

c) Income and expense projections:

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

In order to calculate the Recoverable Amount of each asset the present value of its cash flows was determined using the budget for 2020 and the Business Plan for the next years prepared by the Group Executive Committee.

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

The Group Executive Committee has performed an impairment test for every CGU and it was not considered necessary to recognise any impairment losses in 2018 or 2019.

**Sensitivity analysis**

The maximum buffer of the key assumptions (percentage decrease in EBITDA, increase in WACC before tax and changes in the perpetuity growth rate) that would make the carrying amount equal to the recoverable amount is as follows:

Cash-generating unit	Cash Flows reduction	WACC before taxes	Discount Rate (g)
Auto Spain	27.4%	16.5%	< 0%
Auto Finisterre	11.0%	15.8%	< 0%
Auto Denmark	61.8%	21.5%	< 0%
Auto Finland	13.8%	8.4%	0.8%
Auto US	51.7%	37.3%	< 0%
Energy & Industry Northern Europe	23.4%	12.1%	< 0%
Energy & Industry North America	7.0%	9.8%	1.2%
Energy & Industry Seameap	54.1%	24.3%	< 0%
Energy & Industry Spain	55.1 %	27.4%	< 0%
Energy & Industry Latin America	12.5%	16.8%	< 0%
IDIADA	10.7 %	16.5%	< 0%
Laboratories	18.8 %	12.3%	< 0%

The Parent's directors consider that, in view of the existing buffers as compared with the values used in the 2019 tests, no possible future negative impact on the Group's activities would significantly affect the impairment of the net assets associated with the CGUs.

## 7. Property, plant and equipment

The changes in 2019 and 2018 in the various property, plant and equipment accounts and in the related accumulated depreciation and provision were as follows:

	2019 – Thousands of Euros						
	Balance at 1 January 2019	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 2019
<b>Cost:</b>							
Land and buildings	170,572	4,635	2,614	(14,438)	(1,182)	108	162,309
Plant and machinery	292,313	3,448	23,345	(2,856)	10,415	2,743	329,408
Other fixtures, tools and furniture	72,479	634	7,096	(686)	2,386	240	82,149
Other items of property, plant and equipment	82,118	3,575	5,537	(21,173)	236	6,597	76,890
Advances and property, plant and equipment in progress	22,158	138	18,945	(234)	(26,941)	98	14,164
Grants	(698)	-	9	(345)	(2)	-	(1,036)
<b>Total cost</b>	<b>638,942</b>	<b>12,430</b>	<b>57,546</b>	<b>(39,732)</b>	<b>(15,088)</b>	<b>9,786</b>	<b>663,884</b>
<b>Accumulated depreciation:</b>							
Land and buildings	(69,935)	(454)	(5,059)	3,415	1,602	(288)	(70,719)
Plant and machinery	(207,940)	(3,148)	(22,070)	2,446	16	(2,772)	(233,468)
Other fixtures, tools and furniture	(58,909)	(141)	(3,066)	1,939	(580)	(191)	(60,948)
Other items of property, plant and equipment	(79,484)	(1,276)	(5,881)	20,275	(248)	(920)	(67,534)
<b>Total accumulated depreciation</b>	<b>(416,268)</b>	<b>(5,019)</b>	<b>(36,076)</b>	<b>28,075</b>	<b>790</b>	<b>(4,171)</b>	<b>(432,669)</b>
<b>Total impairment</b>	<b>(2,100)</b>	<b>-</b>	<b>(1,750)</b>	<b>583</b>	<b>-</b>	<b>(1,214)</b>	<b>(4,481)</b>
<b>Total net value</b>	<b>220,574</b>	<b>7,411</b>	<b>19,720</b>	<b>(11,074)</b>	<b>(14,298)</b>	<b>4,401</b>	<b>226,734</b>

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

In 2019 the additions are related to the Group's normal course of operations.

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2019 amounted to EUR 264,023 thousand (31 December 2018: EUR 251,462 thousand). The Group did not have any temporarily idle items at 31 December 2019 or 2018.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject.

At 31 December 2019 and 2018, 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 2019 and 2018 and no disbursements made or advances granted at 31 December 2019 or 2018.

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 or at the end of the applicable agreement pursuant to the terms and conditions thereof. The detail of the net cost of the assets subject to reversion at 31 December 2019 and 2018 is as follows:

	2019 - Thousands of Euros		
	Gross cost	Accumulated depreciation/ Impairment	Net Cost
IDIADA Automotive Technology, S.A.	74,488	(39,997)	34,491
Applus Iteuve Technology, S.L.U.	37,670	(35,685)	1,985
Applus Uruguay, S.A.	5,502	(1,031)	4,471
Applus Iteuve Euskadi, S.A.U.	2,323	(2,020)	303
<b>Total</b>	<b>119,983</b>	<b>(78,733)</b>	<b>41,250</b>

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

At 31 December 2019 and 2018, 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 2019 and 2018 have been as follows:

	2019 – Thousands of Euros				
	Balance at 1 January 2019	Additions or charge for the year	Disposals, transfers or dividend distribution	Change in exchange rate	Balance at 31 December 2019
Non-current receivables	18,768	2,309	(1,338)	659	20,398
Deposits and guarantees	9,352	1,301	(1,092)	44	9,605
Impairment	(600)	-	597	-	(3)
<b>Total</b>	<b>27,520</b>	<b>3,610</b>	<b>(1,833)</b>	<b>703</b>	<b>30,000</b>

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

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

#### Deposits and guarantees

At 31 December 2019, "Deposits and Guarantees" included EUR 5.1 million (2018: EUR 4.4 million) relating to restricted cash deposits to secure certain contracts entered into.

### 9. Inventories

The detail of the Group's inventories at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Goods held for resale	8,040	7,535
Raw materials and other supplies	454	605
<b>Total inventories</b>	<b>8,494</b>	<b>8,140</b>

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.

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 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Trade receivables for sales and services	302,038	298,910
Work in progress	110,510	103,081
Provision for doubtful debts	(24,833)	(27,573)
<b>Trade receivables for sales and services</b>	<b>387,715</b>	<b>374,418</b>
Trade receivables from related companies (Note 28)	233	72
Other receivables	18,005	9,505
Other accounts receivable from public authorities	7,328	7,008
<b>Total trade and other receivables</b>	<b>413,281</b>	<b>391,003</b>

The Group's average collection period for services rendered was 56 days in 2019 (2018: 58 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	
	31/12/2019	31/12/2018
Not due	188,869	189,543
0-30 days	41,947	46,431
31-90 days	30,203	22,719
91-180 days	12,696	10,954
181-360 days	11,469	7,720
More than 360 days	16,854	21,543
<b>Total trade receivables for sales and services</b>	<b>302,038</b>	<b>298,910</b>
<b>Provision for doubtful debts</b>	<b>(24,833)</b>	<b>(27,573)</b>
<b>Total trade receivables for sales and services, net</b>	<b>277,205</b>	<b>271,337</b>

As indicated in Note 3.q in relation to the recognition of revenue from contracts with customers (IFRS 15), for contracts in which performance obligations are measured over time, the difference between the revenue recognised for services rendered and the amounts actually billed to the customer is analysed systematically on a contract-by-contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under "Trade Receivables for Sales and Services - Amounts to be Billed for Projects in Progress" for amounts which the Parent's Directors consider are reasonably certain to be ultimately billed, whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under "Current Trade and Other Payables - Amounts Billed in Advance by work in progress" (see Note 19). In 2019 there were no significant changes in the aforementioned line items as a result of business combinations or significant adjustments to the measurement of the stage of completion, transaction prices or the contracts that would have a significant impact on the revenue recognised in the year.

### Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's credit risk is therefore mainly attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, estimated by Group Executive Committee based on prior experience and its assessment of the current economic environment.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of customers, divisions, markets and geographical areas.

However, the Group's Finance Management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts.

The Group has established a customer acceptance policy based on the periodic evaluation of liquidity and solvency risks and the establishment of credit limits for its debtors. The Group also periodically analyses the age of its trade receivables in order to cover possible bad debts.

The changes in "Allowance for Doubtful Debts", in accordance with the expected credit loss model, in 2019 and 2018 were as follows:

	Thousands of Euros
<b>Balance at 1 January 2018</b>	<b>35,398</b>
Additions	7,235
Amounts used	(8,130)
Disposals	(7,438)
Effect of exchange rate changes	508
<b>Balance at 31 December 2018</b>	<b>27,573</b>
Additions	10,692
Amounts used	(5,992)
Disposals	(7,666)
Effect of exchange rate changes	226
<b>Balance at 31 December 2019</b>	<b>24,833</b>

## **11. Current financial assets, cash and cash equivalents**

### Current financial assets

At 31 December 2019, the amount included as short-term deposits and guarantees amounting to EUR 1,902 thousand (31 December 2018: EUR 2,269 thousand) and other financial assets of EUR 10,007 thousand (31 December 2018: EUR 7,429 thousand), whose conversion to cash is expected to be within 12 months.

In 2019 the Group provided a deposit of EUR 8,572 thousand in relation to the purchase agreement of the company Iteuve Canarias, S.L.. Such acquisition is expected to be accomplished in the first months of 2020 after the approval from the Spanish National Markets and Competition Commission (CNMC). The Parent's Directors considers that the terms and conditions of the agreement will be achieved in the near term.

### Cash and cash equivalents

At 31 December 2019 and 2018, the amount classified as "Cash and Cash Equivalents" in the accompanying consolidated statement of financial position related in full to cash, and to financial assets readily convertible into known amounts of cash subject to an insignificant risk of change in value and maturity less than 3 months.

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

## **12. Equity**

### **a) Share capital**

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

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

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

Therefore, at 31 December 2019 and 2018, the Parent's share capital is represented by 143,018,430 fully subscribed and paid-up common shares of EUR 0.10 par value each.

As per the notifications submitted to the Spanish National Securities Market (CNMV), the shareholders owning significant direct or indirect interests in the share capital of the Parent representing more than 3% of the total share capital as of 31 December 2019, were as follows:

	% share
River & Mercantile Group P.L.C	5.048%
Threadneedle Asset Management Limited	4.993%
Norges Bank	4.983%
DWS Investment S.A.	3.476%

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

### **b) Reserves and share premium**

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

At the end of 2019 the balance of this reserve amounts to EUR 2,860 thousand and it had reached the legally required minimum (EUR 2,860 thousand at the end of 2018).

At 31 December 2019 and 2018, the share premium reserves amounted to EUR 449,391 thousand and it is fully available.

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

### **c) Treasury shares**

At 31 December 2019, the Group held a total of 343,849 treasury shares at an average cost of EUR 11.93 per share. The value of these treasury shares totalled EUR 4,102 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2019 (see Note 3.x).

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

**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 2019 and 2018 the profit per share is as follows:

	2019	2018
Number of shares at year end	143,018,430	143,018,430
Average number of shares during the year	143,018,430	143,018,430
Net consolidated profit attributable to the Parent (thousands of euros)	55,650	41,208
Number of treasury shares	343,849	283,400
Number of shares in circulation	142,674,581	142,735,030
Total number of shares	143,018,430	143,018,430
Profit per share (in euros per share)		
- Basic	0.390	0.288
- Diluted	0.390	0.288

There are no financial instruments that could dilute significantly 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 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Applus+ Energy & Industry	(6,869)	(9,666)
Applus+ Laboratories	233	(395)
Applus+ Automotive	(41,530)	(40,410)
Applus+ IDIADA	115	15
Other	4,616	2,377
<b>Total</b>	<b>(43,435)</b>	<b>(48,079)</b>

**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 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Bank borrowings (Note 14)	605,087	616,444
Other financial liabilities (Note 15)	25,993	24,532
Current financial assets (Note 11)	(11,909)	(9,698)
Cash and cash equivalents	(145,160)	(132,318)
<b>Net financial debt</b>	<b>474,011</b>	<b>498,960</b>
<b>Total equity</b>	<b>824,455</b>	<b>810,885</b>
<b>Leverage (Net financial debt / Net debt + Equity)</b>	<b>37%</b>	<b>38%</b>

**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 2019 and 2018 is as follows:

	2019 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	14,159	2,166	16,325
IDIADA Automotive Technology, S.A. subgroup	9,126	4,273	13,399
Arctosa Holding B.V. subgroup	1	(169)	(168)
Velosi S.à r.l. subgroup	6,998	5,201	12,199
Applus Iteuve Technology, S.L.U. subgroup	(2,636)	9,408	6,772
<b>Total non-controlling interests</b>	<b>27,648</b>	<b>20,879</b>	<b>48,527</b>

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

The changes in "Non-Controlling Interests" in 2019 and 2018 are summarised as follows:

	Thousands of Euros	
	2019	2018
<b>Beginning balance</b>	<b>54,682</b>	<b>51,357</b>
Changes in the scope of consolidation (Note 2.b.e.)	(1,252)	(978)
Dividends	(25,518)	(14,818)
Translation differences	285	260
Other changes	(549)	(125)
Profit for the year	20,879	18,986
<b>Ending balance</b>	<b>48,527</b>	<b>54,682</b>

#### 14. Obligations and bank borrowings

The detail, by maturity, of the obligations and bank borrowings in the accompanying consolidated statement of financial position at 31 December 2019 and 2018 are as follows:

	2019 - Thousands of Euros						Total
	Limit	Short Term Drawn	Long Term Drawn				
			2021	2022	2023	2024 onwards	
Facility A "Term Loan"	200,000	-	-	-	-	200,000	200,000
Facility B "Revolving Credit Facility"	400,000	-	-	-	-	115,000	115,000
US Private Placement lenders	230,000	-	-	-	-	230,000	230,000
Accrued interests	-	2,808	-	-	-	-	2,808
Debt Arrangement fees	-	(976)	(973)	(973)	(539)	(301)	(3,762)
Other loans	-	461	243	216	211	76	1,207
Credit facilities	146,067	54,397	-	-	-	-	54,397
Obligations under finance leases	-	2,503	1,438	842	534	120	5,437
<b>Total</b>	<b>976,067</b>	<b>59,193</b>	<b>708</b>	<b>85</b>	<b>206</b>	<b>544,895</b>	<b>605,087</b>

	2018 - Thousands of Euros						Total
	Limit	Short Term Drawn	Long Term Drawn				
			2020	2021	2022	2023 onwards	
Facility A "Term Loan"	200,000	-	-	-	-	200,000	200,000
Facility B "Revolving Credit Facility"	400,000	-	-	-	-	180,000	180,000
US Private Placement lenders	230,000	-	-	-	-	230,000	230,000
Accrued interests	-	3,096	-	-	-	-	3,096
Debt Arrangement fees	-	(973)	(975)	(973)	(973)	(840)	(4,734)
Other loans	-	10	-	-	-	-	10
Credit facilities	125,322	7,604	-	-	-	-	7,604
Obligations under finance leases	-	246	93	72	32	25	468
<b>Total</b>	<b>955,322</b>	<b>9,983</b>	<b>(882)</b>	<b>(901)</b>	<b>(941)</b>	<b>609,185</b>	<b>616,444</b>

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

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

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

**a) Syndicated loan and private placement debt**

The syndicated loan bears interest at Euribor for tranches in euros and at Libor for tranches in foreign currency (currently not drawn down) plus a spread based on a leverage grid for each Facility.

All the tranches had a single maturity at 27 June 2023, which may be extended for a total of two additional years at the end of the first and second years. On 27 June 2019 all tranches have been extended to 27 June 2024.

The private placement debt was placed from two US institutional investors. The structure includes a tranche of EUR 150 million maturing on 27 June 2025 and a tranche of EUR 80 million maturing on 27 June 2028.

The Group debt structure in 2019 and 2018 is as follows:

**2019**

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A "Term Loan"	200,000	200,000	27/06/2024
Facility B "Revolving Credit Facility"	400,000	115,000	27/06/2024
US Private Placement lenders - 7 years	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	27/06/2028
Accrued Interests	-	2,808	
Debt arrangement expenses	-	(3,762)	
<b>Total</b>	<b>830,000</b>	<b>544,046</b>	

2018

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

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

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

At 31 December 2019, the ratio calculated on the basis of the contractually established definitions of net consolidated debt and consolidated EBITDA, was 2.0x.

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

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

*a.2) Guarantees given*

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

**b) Credit facilities and other loans**

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

The Group entered into a non-recourse factoring agreement to sell outstanding receivables from customers for up to a maximum of EUR 20 million bearing interest at the market rate, of which EUR 11,590 thousand had been used at 2019 year-end (2018 year-end: EUR 15,619 thousand).

**c) Disclosure for currency of obligations and bank borrowings**

The detail of the main current and non-current obligations and bank borrowings at 31 December 2019 and 2018, by currency, is as follows:

	2019 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	314,046	-	-	-	-	-	<b>314,046</b>
US Private Placement	230,000	-	-	-	-	-	<b>230,000</b>
Others loans	935	-	-	-	-	272	<b>1,207</b>
Credit facilities	51,547	68	8	765	1,967	42	<b>54,397</b>
Finance leases	57	5,108	100	-	-	172	<b>5,437</b>
<b>Total</b>	<b>596,585</b>	<b>5,176</b>	<b>108</b>	<b>765</b>	<b>1,967</b>	<b>486</b>	<b>605,087</b>

	2018 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	378,362	-	-	-	-	-	<b>378,362</b>
US Private Placement	230,000	-	-	-	-	-	<b>230,000</b>
Others loans	10	-	-	-	-	-	<b>10</b>
Credit facilities	2,522	21	2	367	4,464	228	<b>7,604</b>
Finance leases	-	104	158	-	-	206	<b>468</b>
<b>Total</b>	<b>610,894</b>	<b>125</b>	<b>160</b>	<b>367</b>	<b>4,464</b>	<b>434</b>	<b>616,444</b>

**15. Other non-current financial liabilities**

The detail at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Payable due to reversion	18,999	19,204
Other non-current financial liabilities	6,994	5,328
<b>Total other non-current financial liabilities</b>	<b>25,993</b>	<b>24,532</b>

"Payable due to reversion" for 2019 and 2018 essentially includes the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres (see Note 27.b). The payment period relating to these guarantees will not be known until the process described in Note 27.b has been completed.

"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 2021 and 2027.

**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 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*

Group Executive Committee, based on activity in countries outside the eurozone, monitors the changes in the various currencies in which it operates and assesses the foreign currency risk that could affect its financial statements. Normally, the operations in each of the countries where the Group operates, both income and expenses are in local currency so foreign currency risk only impacts Equity.

To manage foreign currency risk, the Group takes the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

In relation to foreign currency risk, the estimated sensitivity in the Group's consolidated statements of profit or loss for 2019 and 2018 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 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.

As part of the debt refinancing process, a private debt placement was taken at a fixed rate of interest. Private Placement Debt represented 42% of total drawn debt at 31 December 2019.

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

	2019	2018
Average interest rate	1.97%	2.09%
Average financial debt drawn (thousands of euros)	606,055	642,759

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:

	2019		2018	
	+0.50%	-0.50%	+0.50%	-0.50%
Change in interest rate				
Change in borrowing costs (thousands of euros)	1,880	(1,880)	2,669	(2,669)

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 the end of 2019 and 2018, the Group does not have any hedging instruments arranged.

**17. Non-current provisions**

The detail of "Non-Current Provisions" in 2019 and 2018 year end is as follows (in thousands of euros):

	31/12/2019	31/12/2018
Long-term employee obligations	12,999	11,255
Other provisions	13,901	12,109
<b>Non-Current provisions</b>	<b>26,900</b>	<b>23,364</b>

The changes in "Non-Current Provisions" in 2019 and 2018 are as follows:

	Thousands of Euros
<b>Balance at 1 January 2018</b>	<b>17,258</b>
Changes in the scope of consolidation (Note 2.b.e)	874
Additions	6,705
Amounts used	(3,226)
Effect of exchange rate changes	1,753
<b>Balance at 31 December 2018</b>	<b>23,364</b>
Changes in the scope of consolidation (Note 2.b.e)	(32)
Additions	5,421
Amounts used	(2,034)
Effect of exchange rate changes	181
<b>Balance at 31 December 2019</b>	<b>26,900</b>

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:*

In 2019, long term employee obligations contain, mainly, benefits to certain employees of the Energy & Industry Seameap cash-generating unit amounting to EUR 8,749 thousand (2018: EUR 7,188 thousand) and to employees of the Energy & Industry Northern Europe cash-generating unit amounting to EUR 1,553 thousand (2018: EUR 1,401 thousand) and to certain staff of the Finisterre cash-generating unit amounting to EUR 2,526 thousand (2018: EUR 2,520 thousand).

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	
	31/12/2019	31/12/2018
Tax risks	3,318	3,318
Legal contingencies	2,455	2,929
Other provisions	8,128	5,862
<b>Total</b>	<b>13,901</b>	<b>12,109</b>

The tax contingencies covered by provisions are described in Note 20.f. since, at 31 December 2019, no changes had occurred in the estimates made by management, these provisions were not re-estimated, and neither were they re-estimated as a result of the adoption of IFRIC 23.

Legal contingencies balance has not changed significantly during last years.

## 18. Other non-current and current liabilities

The detail of "Other Non-Current Liabilities" and "Other Current Liabilities" in 2019 and 2018 is as follows (in thousands of Euros):

	31/12/2019	31/12/2018
Variable price of the acquisition of ownership interest payable at long term	18,863	17,195
Other non-current liabilities	10,614	19,881
<b>Other non-current liabilities</b>	<b>29,477</b>	<b>37,076</b>
Variable price of the acquisition of ownership interest payable at short term	1,124	3,166
Other current liabilities	5,564	6,463
<b>Other current liabilities</b>	<b>6,688</b>	<b>9,629</b>
<b>Total other liabilities</b>	<b>36,165</b>	<b>46,705</b>

"Variable price of the acquisition of ownership interest payable" includes the amounts payable for business combinations performed in 2019 and prior years in relation to contingency payouts and variable payouts (earn outs), which the Parent's Directors consider will comply with the related payment terms and conditions and should therefore be paid. The aforementioned amounts are classified as current and non-current in accordance with the date scheduled for their payment.

In relation to the acquisition of 80% of Inversiones Finisterre, S.L., performed in 2017, there is an agreement where a call and put options are granted for the potential acquisition of the remaining 20% of the Finisterre Group from July 2022, subject to the occurrence of certain events. The Applus Group has recognised a liability for the present value of the estimated amount of this option of EUR 14.8 million (2018: EUR 14.7 million) in "Variable price of the acquisition of ownership interest payable at long term", in accordance with IAS 32.23.

"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 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Trade and other payables	186,571	177,183
Trade and other payables with related companies (Note 28.b)	3	3
Remuneration payable	68,883	64,098
Tax payable	74,585	66,655
<b>Total</b>	<b>330,042</b>	<b>307,939</b>

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

The Group's average payment period in 2019 was 60 days (2018: 60 days).

"Remuneration Payable" mainly relates to ordinary remuneration payable which includes the annual bonus and other remunerations payable such as extra-pay and holidays accruals.

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). 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.

	2019	2018
	Days	
Average payment period to suppliers	60	60
Ratio of transactions settled	61	61
Ratio of transactions not yet settled	52	53
	Thousands of Euros	
Total payments made	170,835	156,667
Total payments outstanding	19,320	27,681

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

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

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

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December 2004, on combating late payment in commercial transactions, is 30 days. This period may be extended by an agreement between the parties, but under no circumstances should be superior to 60 natural days (same legal period in 2018).

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 2020.

## **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 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
<b>Current tax:</b>		
For the year	38,236	29,115
	<b>38,236</b>	<b>29,115</b>
<b>Deferred tax:</b>		
For the year	(5,224)	(3,515)
Impact of Royal Decree-Law 3/2016	(2,636)	(2,250)
	<b>(7,860)</b>	<b>(5,765)</b>
<b>Corporate Income tax expense</b>	<b>30,376</b>	<b>23,350</b>

The detail of the changes in deferred taxes, recognised as corporate income tax expense/(benefit) in the consolidated statement of profit or loss in 2019 and 2018, is as follows (in thousands of euros):

	2019	2018
Tax credits for tax loss carry forwards	9,880	2,247
Withholding taxes and other unused tax credits	(263)	234
Temporary differences:		
Amortisation of intangible assets	(13,358)	(13,978)
Finance costs - Spanish companies	106	3,525
Impact of Royal Decree-Law 3/2016	(2,636)	(2,250)
IFRS 16 impact	210	
Others	(1,799)	4,457
<b>Deferred corporate income tax expense/(benefit)</b>	<b>(7,860)</b>	<b>(5,765)</b>

The corporate income tax expense is calculated in 2019 and 2018 as follows (in thousands of euros):

	2019	2018
<b>Profit before tax</b>	<b>106,905</b>	<b>83,544</b>
<b>Consolidated corporate income tax rate at 25%</b>	<b>26,726</b>	<b>20,886</b>
Tax effect of:		
Differences due to corporate income tax rates in different countries	15,664	6,219
Deduction of unrecognised tax assets and others	(12,014)	(3,755)
<b>Corporate income tax expense</b>	<b>30,376</b>	<b>23,350</b>

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.

## 20.b Current corporate income tax assets and liabilities

The detail of the current corporate income tax receivables and payables at the end of 2019 and 2018 is as follows (in thousands of euros):

	31/12/2019	31/12/2018
<b>Current corporate income tax assets</b>	<b>23,391</b>	<b>19,024</b>
Corporate income tax prepayments	<b>23,391</b>	<b>19,024</b>
<b>Current corporate income tax liabilities</b>	<b>13,802</b>	<b>14,798</b>
Corporate income tax payables	<b>13,802</b>	<b>14,798</b>

## 20.c Deferred tax assets

The detail of Deferred Tax Assets at the end of 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Tax losses of Spanish companies	25,641	29,303
Tax losses of US companies	108	4,449
Tax losses of other foreign companies	2,832	4,709
<b>Tax credits for tax loss carry forwards</b>	<b>28,581</b>	<b>38,461</b>
Tax credits of Spanish companies	4,380	4,380
Tax credits and Withholding taxes of foreign companies	8,283	8,020
<b>Withholding taxes and other tax credits</b>	<b>12,663</b>	<b>12,400</b>
Temporary differences due to the non-deductibility of financial expenses as provided for in Royal Decree-Law 12/2012	-	106
Other temporary differences - Spanish companies	6,225	3,014
Temporary differences - foreign companies	13,887	12,757
Temporary differences – IFRS 16	4,149	-
<b>Total temporary differences</b>	<b>24,261</b>	<b>15,877</b>
<b>Total deferred tax assets</b>	<b>65,505</b>	<b>66,738</b>

The deferred tax assets indicated above were recognised because the Parent's Directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

At the end of each year the Parent's Directors analyse the recoverability of the deferred tax assets and only recognise those that they consider will probably be recovered over a time period of less than ten years.

The factors taken into consideration by the Parent's Directors to recognise as a deferred tax asset, including tax credit for tax loss carry forwards, withholding taxes, and tax credits for temporary differences at 31 December 2019, which support their future recoverability, are as follows:

- In 2019 and 2018 the consolidated tax group in Spain obtained taxable income of EUR 88,550 and EUR 48,696 thousand which enabled it to use unrecognised tax losses from prior years amounting to EUR 6,152 and EUR 2,540 thousand, respectively.

The prior years' tax loss carry forwards of the companies at the end of 2019 and 2018 are as follows:

Year incurred	Thousands of Euros			
	2019		2018	
	Recognised	Not recognised	Recognised	Not recognised
2005	-	8,336	-	8,336
2007	5,205	17,684	5,205	18,866
2008	474	-	474	-
2009	7,005	190	21,378	277
2010	57,460	189	57,460	486
2011	38,563	980	38,562	1,040
2012	-	1,916	1,143	3,213
2013	-	1,557	2,796	3,841
2014	429	6,403	4,501	5,232
2015	-	5,541	8,805	10,801
2016	-	10,929	7,507	21,967
2017	-	12,840	4,294	15,226
2018	-	11,387	930	9,990
2019	-	11,464	-	-
<b>Total</b>	<b>109,136</b>	<b>89,416</b>	<b>153,055</b>	<b>99,275</b>

The recognised tax losses from the Spanish consolidated tax group are EUR 102,564 thousand recognised and EUR 26,133 thousand not recognised.

The detail of the Spanish companies' unused tax credits at the end of 2019 and 2018 is as follows:

Year	Thousands of Euros			
	2019		2018	
	Recognised	Not recognised	Recognised	Not recognised
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	13
2006	-	7	-	241
2007	-	5	-	246
2008	-	-	-	-
2009	-	322	-	-
2010	-	1,035	-	1,598
2011	-	1,426	-	1,855
2012	-	2,410	-	2,417
2013	4,380	15,287	4,380	21,099
2014	-	6,504	-	6,504
2015	-	5,791	-	5,791
2016	-	5,164	-	5,316
2017	-	6,190	-	6,666
2018	-	5,312	-	4,995
2019	-	6,145	-	-
<b>Total</b>	<b>4,380</b>	<b>55,598</b>	<b>4,380</b>	<b>56,741</b>

Of the total recognised and unrecognised tax credits at 31 December 2019, EUR 13,346 thousand relate to incentives for certain activities (mainly investment in R&D+i expenditure), EUR 46,390 thousand relate to double taxation credits and EUR 242 thousand to the reinvestment of gains. Of the total recognised and unrecognised tax credits at 31 December 2018, EUR 14,001 thousand related to incentives for certain activities (mainly investment in R&D+i expenditure), EUR 46,621 thousand related to double taxation credits and EUR 499 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 2019 and 2018 includes mainly the following:

	Thousands of Euros	
	31/12/2019	31/12/2018
<b>Temporary differences associated with:</b>		
Recognition at fair value of the identifiable assets in acquisitions of business combinations	99,952	113,238
Depreciation and amortisation and measurement of assets and goodwill	20,482	17,745
Royal Decree-Law 3/2016 (Note 20.a)	1,864	4,500
Amortisation of goodwill paid in the acquisition of foreign companies by Spanish companies	6,164	5,489
Other deferred tax liabilities	8,950	10,043
<b>Total deferred tax liabilities</b>	<b>137,412</b>	<b>151,015</b>

#### 20.e Corporate Income Tax rates applicable to the Group

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

Country	Tax rate	Country	Tax rate	Country	Tax rate
Spain	25%	UK	19%	Angola	30%
US	21%	Germany	30%	United Arab Emirates	-
Finland	20%	Australia	30%	Luxembourg	24.9%
Ireland	12.5%	Italy	24%	Kuwait	15%
Canada	26.5%	Brazil	34%	Malaysia	24%
Norway	22%	Argentina	30%	Singapore	17%
Denmark	22%	Chile	27%	Qatar	10%
Netherlands	25%	Colombia	33%	Saudi Arabia	20%
Mexico	30%	Oman	15%	Costa Rica	30%

#### 20.f Years open for review and tax audits

In 2019 tax audits were commenced by the Spanish tax authorities at certain Spanish companies part of Income Tax group 238/08 and VAT group 0036/11 in relation to the following taxes: Income tax (2014 to 2017), VAT (2015 to 2017) and income tax withholdings and prepayments (2015 to 2017). The tax audits are at the documentation submission phase. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. However, the possible tax contingencies are not expected to have a significant impact on the Group's equity position. In addition, at 2019 year-end consolidated tax groups had the statute of limitations tolled for 2012 for income tax and 2013 and 2014 for VAT.

The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries and all those ongoing tax audits. The Parent's Directors do not expect any additional significant liabilities to arise in the event of a tax audit.

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

## **21. Operating income and expenses**

### **a) Revenue**

The Group obtains its income from contracts with customers in which it transfers goods or services according to the following categories, as per Group's managerial structure, and according to the criteria detailed in Note 3.q.

	Thousands of Euros	
	2019	2018
Applus+ Energy & Industry	1,059,334	1,014,255
Applus+ Laboratories	92,967	76,649
Applus+ Automotive	385,443	371,309
Applus+ IDIADA	240,145	213,684
Others	55	45
<b>Total</b>	<b>1,777,944</b>	<b>1,675,942</b>

Substantially all of the Group's revenue relates to contracts with customers which generally include set prices. The revenue of the Automotive division of Applus+ includes mainly revenue from contracts with customers in which the performance obligations are satisfied at a specific point in time (when the technical inspections of the vehicles are conducted), while the revenue of the Applus+ Energy & Industry, Applus+ Laboratories and Applus+ IDIADA divisions also includes contracts in which revenue is recognised over time in relation to the satisfaction of the performance obligations of the various projects performed.

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

### **b) Staff costs**

The detail of "Staff Costs" in the accompanying consolidated statement of profit or loss in 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Wages, salaries and similar expenses	775,110	727,309
Severances	4,504	4,267
Employee benefit costs	111,185	109,664
Other staff costs	88,572	77,965
<b>Total</b>	<b>979,371</b>	<b>919,205</b>

The average number of employees at the Group, by professional category and gender in 2019 and 2018, is as follows:

Professional category	Average number of employees		
	2019		
	Men	Women	Total
Top management	140	23	163
Middle management	426	82	508
Supervisors	998	233	1,231
Operational employees & others	16,426	4,048	20,474
<b>Total</b>	<b>17,990</b>	<b>4,386</b>	<b>22,376</b>

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

Also, the distribution of the workforce, by gender and category, at the end of 2019 and 2018 is as follows:

Professional category	No. of employees end of year		
	2019		
	Men	Women	Total
Top management	84	21	105
Middle management	276	82	358
Supervisors	610	158	768
Operational employees & others	17,522	4,298	21,820
<b>Total</b>	<b>18,492</b>	<b>4,559</b>	<b>23,051</b>

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

c) **Other results**

The detail of the other results for 2019 and 2018 relates mainly to extraordinary termination benefits due to restructuring, start-up costs, changes in fair value of considerations in business combinations and impairment and gains or losses on disposal of non-current assets.

d) **Fees paid to auditors**

In 2019 and 2018 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):

**2019**

Description	Fees for services provided by the principal auditor	Fees charged by other audit firms
Audit services	1,905	335
Other attest services	248	-
<b>Total audit and related services</b>	<b>2,153</b>	<b>335</b>
Tax advice	205	
Other services	9	
<b>Total professional services</b>	<b>2,367</b>	

**2018**

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

**22. Financial result**

The detail by nature of the financial result in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
<b>Finance income:</b>		
Other finance income by third parties	1,638	2,510
<b>Total finance income</b>	<b>1,638</b>	<b>2,510</b>
<b>Finance costs:</b>		
Borrowing costs relating to syndicated loan and US Private Placement	(10,057)	(15,697)
Other finance costs paid to third parties (*)	(5,311)	(6,440)
Interest expense on lease liabilities	(7,683)	-
Exchange differences	(349)	(183)
<b>Total finance costs</b>	<b>(23,400)</b>	<b>(22,320)</b>
Gains or losses on the net monetary position (see Note 3.o)	(2,135)	(1,419)
<b>Financial result</b>	<b>(23,897)</b>	<b>(21,229)</b>

(\*) In 2018 it includes accelerated amortisation of arrangements expenses for the previous debt (EUR 3,945 thousand).

### 23. Information on the environment

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

The Parent's Directors consider that the environmental risks which might arise from its business activities are minimal and, in any event, adequately covered, and that no additional liabilities will arise in connection with these risks. The Group did not incur significant expenses or receive environment-related grants in 2019 or 2018.

### 24. Proposal of allocation of profit

The proposed allocation of the Parent's net profit, formulated by the Board of Directors that will be presented at the next Parent's Annual General Meeting of the Shareholders, for 2019 is as follows:

	Thousands of Euros
<b>Basis of allocation:</b>	
Profit for the year	50,803
	<b>50,803</b>
<b>Allocation:</b>	
To dividends	31,464
To unrestricted reserves	19,339
<b>Total</b>	<b>50,803</b>

The proposed dividend of EUR 31,464 thousand corresponds to a gross amount of EUR 0.22 per share.

### 25. Segmented information

At 31 December 2019, the Group operates through four operating divisions and a holding division, each of which is considered to be a segment for financial reporting purposes.

The main fourth operating segments are as follows:

- Applus+ Energy & Industry provides non-destructive testing, quality control and accreditation services, project management, supplier inspection, facility inspection and asset certification and integrity services. It also provides qualified staff recruitment and hiring services for the oil and gas, aircraft, energy, mining, telecommunications and construction industries.
- Applus+ Laboratories offers a wide range of laboratory testing, system certification, product development services across various industries and electronic payment systems, including the aerospace and industrial sectors.
- Applus+ Automotive offers mandatory vehicle roadworthiness testing services, verifying vehicles' compliance with safety and emissions regulations in force in the various countries in which it operates.
- Applus+ IDIADA offers design, engineering, testing and certification services mainly to car manufacturers.

**a) Financial information by segment:**

The financial information, by segment, in the consolidated statement of profit or loss for 2019 and 2018 is as follows (in thousands of euros):

**2019**

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Revenue	1,059,334	92,967	385,443	240,145	55	<b>1,777,944</b>
Operating expenses	(970,283)	(79,499)	(293,405)	(209,555)	(28,116)	<b>(1,580,858)</b>
<b>Adjusted Operating Profit</b>	<b>89,051</b>	<b>13,468</b>	<b>92,038</b>	<b>30,590</b>	<b>(28,061)</b>	<b>197,086</b>
Amortisation of non-current assets identified in business combinations (Note 5)	(17,049)	(1,427)	(36,042)	(4,560)	-	<b>(59,078)</b>
Other results						<b>(7,206)</b>
<b>Operating Profit</b>						<b>130,802</b>

**2018**

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

The Adjusted Operating Profit is the operating profit before the amortisation charge of the intangible assets allocated in the business combinations (PPA) (see Note 5), and other results (see Note 21.c).

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 Parent company who manages bank borrowings (see Note 14).

The current, non-current assets and liabilities, by business segment, at the end of 2019 and 2018 are as follows (in thousands of euros):

2019

	Applus+ Energy & Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	271,354	67,917	208,542	60,178	1,254	609,245
Other intangible assets	188,976	19,062	221,568	30,282	14,433	474,321
Rights of use	53,179	20,833	38,554	38,970	1,398	152,934
Property, plant and equipment	88,127	20,501	77,746	40,103	257	226,734
Investments accounted for using the equity method	686	-	-	-	-	686
Non-current financial assets	23,374	699	4,986	1,010	(69)	30,000
Deferred tax assets	23,458	2,018	7,377	1,946	30,706	65,505
<b>Total non-current assets</b>	<b>649,154</b>	<b>131,030</b>	<b>558,773</b>	<b>172,489</b>	<b>47,979</b>	<b>1,559,425</b>
<b>Total current assets</b>	<b>422,724</b>	<b>38,567</b>	<b>47,095</b>	<b>95,021</b>	<b>9,733</b>	<b>613,140</b>
<b>Total liabilities</b>	<b>308,229</b>	<b>63,980</b>	<b>222,197</b>	<b>127,423</b>	<b>626,281</b>	<b>1,348,110</b>

2018

	Applus+ Energy & Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	261,947	59,483	208,542	60,110	1,256	591,338
Other intangible assets	200,419	20,563	260,481	34,732	2,666	518,861
Property, plant and equipment	78,891	14,169	90,374	33,220	3,920	220,574
Investments accounted for using the equity method	724	-	-	-	-	724
Non-current financial assets	21,088	678	4,673	879	202	27,520
Deferred tax assets	26,284	739	4,909	1,054	33,752	66,738
<b>Total non-current assets</b>	<b>589,353</b>	<b>95,632</b>	<b>568,979</b>	<b>129,995</b>	<b>41,796</b>	<b>1,425,755</b>
<b>Total current assets</b>	<b>390,172</b>	<b>37,655</b>	<b>34,551</b>	<b>101,642</b>	<b>7,695</b>	<b>571,715</b>
<b>Total liabilities</b>	<b>241,200</b>	<b>35,152</b>	<b>177,010</b>	<b>91,621</b>	<b>641,602</b>	<b>1,186,585</b>

The additions to intangible assets and also to property, plant and equipment, by business segment, in 2019 and 2018 are as follows (in thousands of euros):

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
<b>Capex 2019</b>	25,980	9,462	16,122	16,577	2,579	70,720
<b>Capex 2018</b>	21,934	4,642	9,279	13,219	2,261	51,335

**b) Financial information by geographic segment:**

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

The sales, by geographical area, in 2019 and 2018, were as follows:

	Thousands of Euros	
	2019	2018
Spain	403,938	372,844
Rest of Europe	464,517	451,612
US and Canada	339,991	328,308
Asia and Pacific	201,098	171,240
Middle East and Africa	175,031	179,065
Latin America	193,369	172,873
<b>Total</b>	<b>1,777,944</b>	<b>1,675,942</b>

The non-current assets, by geographical area, in 2019 and 2018, 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
<b>31 December 2019</b>	787,956	321,003	257,721	87,156	87,476	18,113	<b>1,559,425</b>
<b>31 December 2018</b>	740,322	279,742	245,190	83,353	69,595	7,553	<b>1,425,755</b>

**26. Leases**

**a) Amounts recognised in the consolidated statement of financial position**

The amounts related to operating leases recognised in the consolidated statement of financial position as at 31 December 2019 are as follows:

Rights of use

	Thousands of Euros	
	Net value	
	31/12/19	01/01/19
<b>Rights of use</b>		
Offices	87,695	87,541
Rights of use of facilities (fixed levies)	32,570	37,272
Vehicles	21,753	27,524
Machinery	6,463	4,345
Land	3,072	2,863
Hardware	1,381	2,381
<b>Total</b>	<b>152,934</b>	<b>161,926</b>

### Lease liabilities

	Thousands of Euros	
	31/12/19	01/01/19
<b>Maturity analysis - lease-related cash flows (not discounted)</b>		
Within one year	49,101	53,797
Between one and five years	107,606	111,771
More than five years	22,066	44,581
<b>Total lease-related cash flows (not discounted)</b>	<b>178,773</b>	<b>210,149</b>

	Thousands of Euros	
	31/12/19	01/01/19
<b>Lease liabilities</b>		
Current	45,674	50,059
Non-current	124,500	131,071
<b>Total</b>	<b>170,174</b>	<b>181,130</b>

#### **b) Amounts recognised in the consolidated statement of profit or loss**

At 31 December 2019, the amounts related to leases recognised in the consolidated statement of profit or loss are as follows: amortisation of the right-of-use assets for an amount of EUR 47,390 thousand, basically offices and vehicles; finance costs on lease liabilities for an amount of EUR 7,683 thousand (Note 22); and operating expenses related to leases of low-value assets not considered in a short-term, short-term leases and, variable lease payments not included in the measurement of lease liabilities, for an amount of EUR 58,254 thousand, which correspond, basically, to auto stations' variable rent levies of the Automotive division for an amount of EUR 34,827 thousand.

In 2019, the consolidated EBITDA impact corresponds to minor operating lease expenses amounting EUR 55,593 thousand.

#### **c) Amounts recognised in the consolidated statement of cash flows**

In the period ended at 31 December 2019, the total amount of cash outflows relating to leases amounted to EUR 55,593 thousand.

#### **d) Leases in which the Group acts as lessee**

All amounts recognised in the consolidated statement of financial position relate to leases in which the Group acts as lessee.

The main rights of use assets of the Group include two levies of surface rights of Applus+ Laboratories in Bellaterra and Applus+ IDIADA in L'Albornar (Catalonia, Spain) with maturities 2033 and 2024 respectively.

In 2019, the Group has not recognised gains or losses arising from sale and leaseback transactions.

## 27. Obligations acquired and contingencies

### a) Guarantees and obligations acquired

The Group has guarantees required by the business activities of the Group companies amounting to EUR 105.1 million (31 December 2018: EUR 100.3 million), as shown in the following detail by segment (in millions of euros):

Guarantees provided	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
31 December 2019	59.7	7.7	31.6	5.9	0.2	105.1
31 December 2018	60.2	8.0	27.0	4.9	0.2	100.3

There are guarantees included in Applus+ Laboratories, Applus Automotive and Applus+ IDIADA divisions amounting to EUR 18.3 million (31 December 2018: EUR 18.3 million) provided to the Catalonia Autonomous Community Government in connection with the incorporation of the subsidiaries IDIADA Automotive Technology, S.A. and LGAI Technological Center, S.A and with the management of vehicle roadworthiness testing service.

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

The Group also has certain obligations and guarantees under the financing agreement (see Notes 14.a.1 and 14.a.2). These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, refrain from performing certain transactions without the consent of the lender, such as certain mergers, changes of business activity, share redemptions, and the financial obligation to achieve certain financial ratios, among others.

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

### b) Contingencies

#### b.1. Auto Catalonia

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

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

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

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

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

#### *b.2. Other contingencies*

Two subsidiaries of the Group are facing a number of lawsuits from former employees regarding the amount of hours of over-time worked. In any case, the impact of these lawsuits would not be significant for the attached consolidated financial statements. The Parent Company’s Directors consider that the outcome of all above proceedings will not entail material additional liabilities to those in the consolidated financial statements at 31 December 2019.

At 2019 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 2019 and 2018 the Parent and its subsidiaries performed the following transactions with related companies:

	Thousands of Euros					
	2019			2018		
	Operating revenue	Procurements	Other expenses	Operating revenue	Procurements	Other expenses
Velosi (B) Sdn Bhd	46	-	-	-	-	-
<b>Total</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The transactions with related companies correspond to commercial transactions.

Balances with related companies

a) Receivables from related companies:

	Thousands of Euros	
	Trade receivables from related companies	
	31/12/2019	31/12/2018
Velosi (B) Sdn Bhd	233	72
<b>Total</b>	<b>233</b>	<b>72</b>

b) Payables to related companies:

	Thousands of Euros	
	Trade and other payables to related companies	
	31/12/2019	31/12/2018
Velosi (B) Sdn Bhd	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

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

During 2019 and 2018 there have been no transactions and there no significant amounts outstanding at year end with significant shareholders.

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

### *Remuneration of and obligations to the Board of Directors*

At the Annual General Meeting held on 30 May 2019, the Shareholders resolved to expand the Board of Directors to comprise 10 members by ratifying the appointment of two new independent Directors and appointing a new Executive Director.

The detail of the remuneration (social benefits included) earned by the Executive Directors and by the different members of the Parent's Board of Directors at 2019 and 2018 year-end is as follows:

#### a) Annual remuneration:

	Thousands of Euros					
	31/12/2019			31/12/2018		
	Executive Directors	Members of the Board of Directors	Total	Executive Director	Members of the Board of Directors	Total
Fixed remuneration	1,075	-	1,075	750	-	750
Variable remuneration	775	-	775	600	-	600
Other items	81	-	81	37	-	37
Non Executive Chairman and Independent Directors	-	646	646	-	588	588
Corporate Social Security Committee	-	50	50	-	50	50
Appointments & Compensation Committee	-	70	70	-	66	66
Audit Committee	-	84	84	-	70	70
<b>Total</b>	<b>1,931</b>	<b>850</b>	<b>2,781</b>	<b>1,387</b>	<b>774</b>	<b>2,161</b>

The fixed remuneration of the Executive Directors includes a portion in the form of RSUs amounting to EUR 58 thousand per year. In February 2017, 2018 and 2019, 5,451, 5,159 and 5,838 RSUs, respectively, were granted. These RSUs will be convertible to shares three years after the date on which they were granted. In February 2019 the Group effected delivery of 3,948 net shares relating to the plan granted in February 2016.

60.55% of the Executive Directors' variable remuneration is given in cash, with the rest comprising RSUs convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. These RSUs amounted to EUR 140 thousand in the year. At 2019 year-end, 3 RSU plans were in force, having been granted in March 2017, 2018 and 2019 for 7,886, 7,425 and 30,607 RSUs, respectively. In March 2019 the Group effected delivery of 5,802 net shares.

The plans in force at the end of the year in relation to the RSUs granted in 2017, 2018 and 2019 can be consulted in the Remuneration Report.

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

Under the remuneration policy in force, the Executive Directors shall annually receive PSUs (performance stock units) that are convertible into shares of the Parent three years after the date on which they are granted. The expense recognised in 2019 in this connection amounted to EUR 488 thousand. At 2019 year-end, three PSU plans were in force, having been granted in 2017, 2018 and 2019 for 41,900, 44,964 and 50,874 PSUs, respectively. The detail of the PSU plans in force can be consulted in the Remuneration Report. In February 2019 the Group effected delivery of 23,826 net shares relating to the plan granted in February 2016.

In 2019 the Executive Directors and the members of the Board of Directors did not earn or receive any termination benefits.

The pension plan benefits earned by the Executive Directors in 2019 amounted to EUR 45 thousand.

At 31 December 2019, no loans or advances had been granted to the members of the Parent's Board of Directors.

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 Parent's Directors are included among the insureds of this policy. The premium paid in 2019 for this insurance policy amounted to EUR 75 thousand (2018: EUR 70 thousand).

The Parent's Board of Directors at 31 December 2019 is made up of 7 men and 3 women (31 December 2018: 6 men and 1 woman).

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

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

Remuneration of and obligations to Senior Executives

Senior Executives are considered to be those who make up the Group's Executive Committee. For the purposes of information on remuneration the internal auditor is also included, as defined in current accounting legislation and, in particular, in the Report of the Special Working Group on the Good Governance of Listed Companies published by the Spanish National Securities Market Commission (CNMV) on 16 May 2006.

The breakdown of the remuneration earned in 2019 and 2018 by the Group's Senior Executives is as follows:

a) Annual remuneration:

	Thousands of Euros	
	2019	2018
Fixed remuneration	3,936	3,254
Variable remuneration	2,055	1,993
Other items	610	651
Termination benefits	-	378
Pension plans	146	99
<b>Total</b>	<b>6,747</b>	<b>6,375</b>

The fixed remuneration of certain Senior Executives includes a portion in RSUs amounting to EUR 305 thousand, which are convertible to shares three years after the date on which they are granted. The plans in force at the end of 2019 relate to shares granted in February 2017, 2018 and 2019 for 28,539, 27,007 and 30,557 RSUs, respectively. In February 2019 the Group effected delivery of 20,937 net shares relating to the plan granted in February 2016.

58.04% of the Senior Executives' variable remuneration is given in cash, with the rest comprising RSUs convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. The RSU plans in force at the end of 2019 relate to the RSUs granted in February 2017, 2018 and 2019 for 76,879, 78,673 and 86,313 RSUs, respectively. In March 2019 the Group effected delivery of 55,347 net shares relating to the plans granted in 2016 (40%), 2017 (30%) and 2018 (30%). EUR 865 thousand were charged to the consolidated statement of profit or loss for 2019 in this connection.

b) Multiannual remuneration and long-term incentive in PSUs:

Under the current remuneration policy, certain of the Group's Senior Executives annually receive PSUs (performance stock units) that are convertible into shares of the Parent three years after the date on which they are granted. The expense recognised in this connection amounted to EUR 339 thousand in 2019. The PSU plans in force at the end of 2019 relate to the PSUs granted in February 2017, 2018 and 2019 for 28,539, 27,007 and 40,560 PSUs, respectively. In February 2019 the Group effected delivery of 16,750 net shares relating to the plan granted in February 2016.

Also, the Group has life insurance obligations to certain Senior Executives; the related expense is included under "Other Items" in the tables above.

The Group's Senior Executives, not counting the internal auditor, comprised 16 men and 3 women at 31 December 2019 (31 December 2018: 14 men and 3 women).

### **30. Events after the reporting period**

In 2020 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 2019 additional to the already mentioned in previous notes.

### **31. Explanation added for translation to English**

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

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

## Applus Services, S.A. and Subsidiaries

### Management Report to the Consolidated Financial Statements for 2019

#### 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.

On 1 January 2019, a new accounting standard, IFRS 16 Leases, took effect and this has had an impact on the presentation of the financial results. It supersedes IAS 17 and related interpretations. As a lessee, the main concept behind it is the recognition of all leases under a single balance sheet model similar to that in existence for finance leases. In summary it is the booking of the asset and the corresponding financial liability in the balance sheet and applying depreciation and a finance cost instead of an operating lease cost in the profit and loss account. There is a de-minimis limit where this does not apply. The Group has not restated prior periods but instead shows the comparative figures after the application of this standard (Proforma 2018) to allow a meaningful comparison to be made.

In the table below, the adjusted results are presented alongside the statutory results with an additional column showing the comparative 2018 figures after the application of IFRS 16 Leases (Proforma 2018). The percentage increase of the 2019 results to the Proforma 2018 results are shown in the final column.

EUR Million	FY 2019			FY 2018			Proforma FY 2018	+/- % Adj. Results PROF
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results		
Revenue	1,777.9	0.0	1,777.9	1,675.9	0.0	1,675.9	1,675.9	6.1%
Ebitda	296.5	0.0	296.5	218.0	0.0	218.0	270.4	9.7%
Operating Profit	197.1	(66.3)	130.8	170.8	(66.0)	104.8	178.7	10.3%
Net financial expenses	(23.9)	0.0	(23.9)	(17.3)	(3.9)	(21.2)	(24.8)	
Profit Before Taxes	173.2	(66.3)	106.9	153.5	(70.0)	83.5	153.9	12.5%
Income tax	(43.7)	13.4	(30.4)	(37.3)	14.0	(23.4)	(37.5)	
Non controlling interests	(20.9)	0.0	(20.9)	(19.0)	0.0	(19.0)	(19.0)	
Net Profit	108.6	(52.9)	55.7	97.2	(56.0)	41.2	97.4	11.5%
Number of Shares	143,018,430		143,018,430	143,018,430		143,018,430	143,018,430	
EPS, in Euros	0.76		0.39	0.68		0.29	0.68	11.5%
Income Tax/PBT	(25.2)%		(28.4)%	(24.3)%		(28.0)%	(24.4)%	

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

Other results of €66.3 million (2018: €66.0m) in the Operating Profit represent amortisation of acquisition intangibles of €59.1 million (2018: €59.2m); severance costs on restructuring of €4.1 million (2018: €2.9m); transaction costs relating to acquisitions of €0.9 million (2018: €1.0m) and; other gains and losses that net to a charge of €2.2 million (2018: €3.0m).

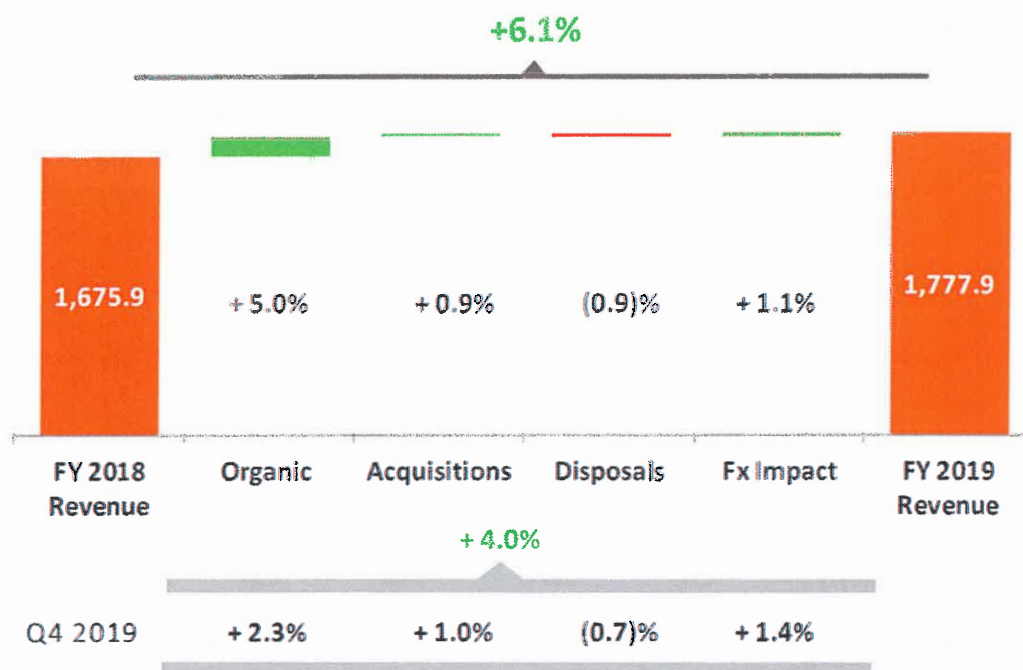
In the prior year there were also Other results of €3.9 million in the net financial expenses being the write-off of the brought forward un-amortised portion of arrangement fees for the previous debt that was refinanced in July of 2018.

Tax of €13.4 million (2018: €14.0m) relates to the positive tax impact on these Other results.

## Revenue

Revenue for 2019 of €1,777.9 million was higher by 6.1% compared to the previous year.

The revenue growth bridge for the year in € million is shown below and the growth percentage figures for the last quarter of 2019 are shown below the waterfall chart.



The total revenue increase of 6.1% for the year was made up of an increase in organic revenue at constant exchange rates of 5.0%, revenue from acquisitions of 0.9%, less the revenue from disposals of 0.9% and a favourable currency translation impact of 1.1%.

In the final quarter of the year, total revenue was up 4.0% from organic revenue growth of 2.3%, acquisition growth of 1.0%, less revenue on disposals of 0.7% and a positive currency impact of 1.4%. The organic revenue increase in the final quarter was lower than in the previous quarters in the year due to the comparable period having the strongest quarterly organic revenue growth. The average organic revenue growth of the final quarters of 2018 and 2019 combined of 5% was in line with the average of each of the previous three quarters of 2018 and 2019 combined, showing that the underlying organic revenue growth of the Group continues at a steady mid single digit rate.

The organic revenue growth for the year came from all four divisions of the Group, with organic revenue growth of between 3.2% at the lowest and 11.5% at the highest.

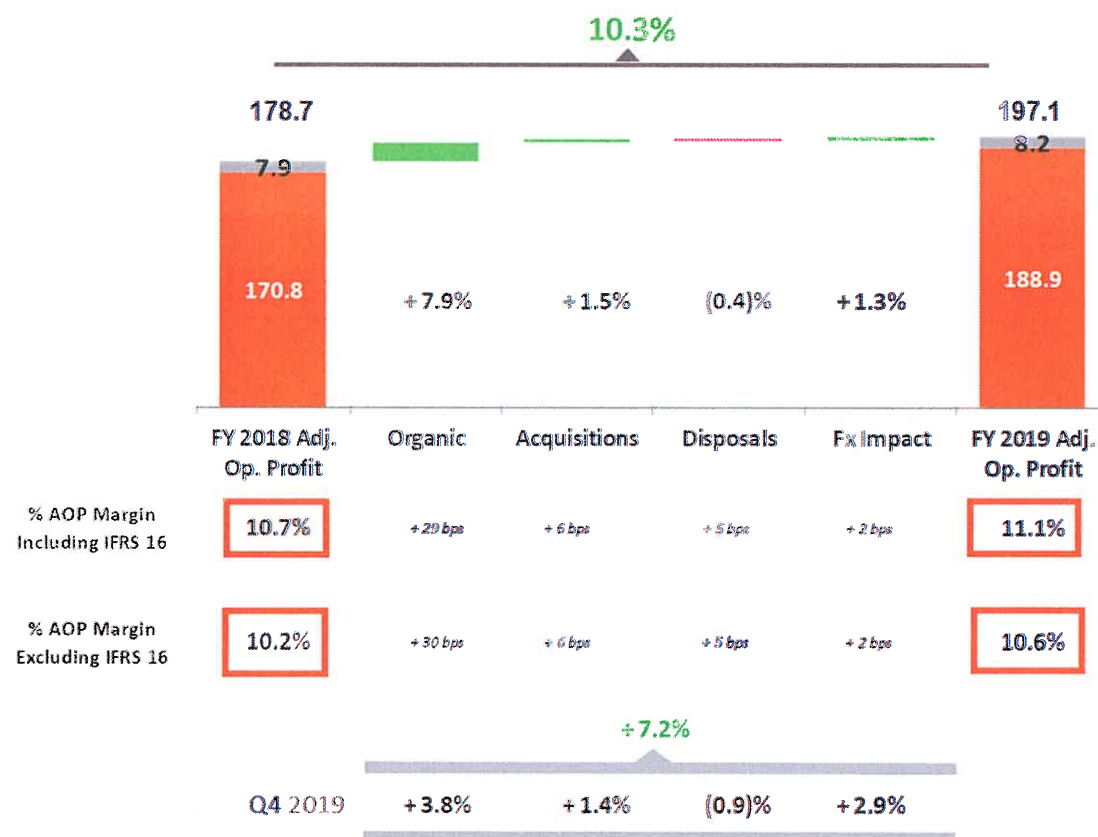


The revenue increase of 0.9% from acquisitions relates to the seven acquisitions made in the current and prior period for up to twelve months. The largest acquisition was of LEM in Chile in the final quarter of the year which is a construction materials testing and inspection company in the mining and construction sector that currently generates €8 million of revenue per annum. There was also a reduction in revenue of 0.9% in the year relating to the disposals of non-strategic businesses at the end of 2018.

Of the revenue in 2019, 46% was generated in the reporting currency of the Group which is the euro and 54% in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 25%. The average exchange rate of the US dollar to the euro in 2019 compared to 2018 strengthened by 5.6% with some other key currencies also strengthening and others weakening against the euro. This US dollar strengthening was the main reason for the positive currency impact of 1.1%.

### Adjusted Operating Profit

Adjusted operating profit for the year increased from Proforma 2018 of €178.7 million to €197.1 million, or 10.3%. The operating profit growth bridge for the period, including the impact of the IFRS 16 Leases accounting change, in € million is shown below. The growth percentage figures for the last quarter of 2019 is shown below the waterfall chart.



The adjusted operating profit as previously reported for 2018 was €170.8 million but with the application of IFRS16 to the prior period, the adjusted operating profit would have been €7.9 million higher to a Proforma 2018 of €178.7 million.

The total adjusted operating profit increase of 10.3% on a proforma basis for the year was made up of an increase in organic adjusted operating profit at constant exchange rates of 7.9%, acquisitions of 1.5%, less disposals of 0.4% and a favourable currency translation impact of 1.3%. Adjusted operating profit was positively impacted by currency in the year to a slightly greater degree as revenue.

In the final quarter of the year, total adjusted operating profit was €48.6 million up 7.2% proforma from the prior year final quarter coming from organic growth of 3.8%, the contribution from acquisitions of 1.4% less disposals of 0.9% and a positive currency impact of 2.9%.

The organic adjusted operating profit growth for the year came from all four divisions, each with growth of between 5.8% at the lowest and 13.0% at the highest.

The resulting adjusted operating profit margin was 11.1%. As reported the prior year adjusted operating profit margin was 10.2%. The increase in the adjusted operating profit margin on a proforma basis was 42 basis points from 10.7% in the prior year. The margin calculated excluding the impact of the new accounting standard, IFRS16, would have been 10.6% which is 43 basis points higher than the prior period margin of 10.2%.

The margin increase of 42 basis points was from both organic (+29 basis points) as a result of operating leverage and a favourable divisional mix with the higher margin businesses growing the fastest as well as smaller contributions in margin from the acquisitions (+6 basis points), disposals (+5 basis points) and currency changes (+2 basis points).

### **Other Financial Indicators**

The statutory operating profit was €130.8 million in the year, 16.1% higher than the Proforma 2018 statutory operating profit of €112.7 million.

The net financial expense as reported under the new accounting standard IFRS 16 Leases, of €23.9 million in the period was lower than the Proforma 2018 financial expense of €24.8 million due to a lower average amount of debt and a better mix of the currency of the borrowings in the period compared to the prior year.

The resulting adjusted profit before tax increased by 12.5% to €173.2 million on a proforma basis as a result of the higher adjusted operating profit and lower financial expense. The statutory profit before tax increased by 27.4% to €106.9 million on a proforma basis.

The effective tax charge (headline tax) for the year at €43.7 million was higher than the prior year of €37.5 million, on a proforma basis, due to the increased profit before tax. This gave an effective tax rate of 25.2% being slightly higher than the rate in the prior period of 24.4%. The reported tax charge was €30.4 million and this rate on the reported profit before tax was 28.4% similar to the prior year.

Non-controlling interests increased from €19.0 million in 2018 to €20.9 million in 2019. The increase of €1.9 million or 10% in the period is mainly due to the strong growth in the minority interests in IDIADA, Automotive (Galicia and Costa Rica) and Energy & Industry (Middle East) divisions.

The adjusted net profit and the adjusted earnings per share each increased by 11.5%. The adjusted net profit was €108.6 million compared to a Proforma 2018 amount of €97.4 million and the adjusted earnings per share was 0.76 euros compared to 0.68 euros in the prior year.

### **Cash Flow and Debt**

The business continues to generate strong cash flow which in 2019 was generated mainly from the increase in profit and low working capital change offset by higher outflows from capex, taxes, interest and dividend payments.

A summary of cash flow for the year is shown in the table below using both the accounting policies including and excluding the impact of IFRS 16 Leases. The percentage increase of the 2019 results to the Proforma 2018 results are shown in the final column.



EUR Million

	Excluding IFRS 16				Including IFRS 16		
	FY		IFRS 16		FY		
	2019	2018	2019	2018	2019	2018 Proforma	Change
Adjusted EBITDA <sup>(1)</sup>	240.9	218.0	55.6	52.4	296.5	270.4	9.7%
Increase in working capital	0.1	(27.7)			0.1	(27.7)	
Capex	(57.6)	(50.4)			(57.6)	(50.4)	
<b>Adjusted Operating Cash Flow</b>	<b>183.4</b>	<b>139.9</b>	<b>55.6</b>	<b>52.4</b>	<b>239.0</b>	<b>192.3</b>	<b>24.3%</b>
<i>Cash Conversion rate</i>	<i>76.1%</i>	<i>64.2%</i>			<i>80.6%</i>	<i>71.1%</i>	
Taxes Paid	(41.3)	(24.0)			(41.3)	(24.0)	
Interest Paid	(10.2)	(7.5)			(10.2)	(7.5)	
<b>Adjusted Free Cash Flow</b>	<b>131.8</b>	<b>108.4</b>	<b>55.6</b>	<b>52.4</b>	<b>187.4</b>	<b>160.8</b>	<b>16.6%</b>
Extraordinaries & Others	(4.9)	(8.0)			(4.9)	(8.0)	
Applus+ Dividend	(21.5)	(18.6)			(21.5)	(18.6)	
Dividends to Minorities	(23.8)	(14.3)			(23.8)	(14.3)	
<b>Operating Cash Generated</b>	<b>81.6</b>	<b>67.5</b>	<b>55.6</b>	<b>52.4</b>	<b>137.2</b>	<b>119.9</b>	<b>14.4%</b>
Acquisitions	(35.7)	(43.8)			(35.7)	(43.8)	
Cash b/Changes in Financing & FX	45.9	23.7	55.6	52.4	101.5	76.1	
Changes in financing	(31.2)	(14.8)	(55.6)	(52.4)	(86.8)	(67.2)	
Treasury Shares	(3.0)	(3.6)			(3.0)	(3.6)	
Currency translations	1.1	(2.3)			1.1	(2.3)	
Cash increase	12.8	3.1	-	-	12.8	3.1	

(1) Adjusted EBITDA is stated as Operating Profit before depreciation, amortisation and Other results

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

The Adjusted EBITDA as previously reported in 2018 was €218.0 million. The prior period Adjusted EBITDA is increased by €52.4 million relating to the IFRS 16 adjustment for the payment of lease liabilities to give a Proforma Adjusted EBITDA for 2018 of €270.4 million as shown in the table above. The increase of €26.1 million, or a 9.7% increase, in Adjusted EBITDA on a proforma basis to €296.5 million alongside the reduction of €27.8 million improvement in the working capital position, was the main driver for the strong cash generation in the period.

The decrease in working capital of €0.1 million was €27.8 million lower than the increase in working capital in 2018 largely due to the significant cash collection in the first quarter of 2019 from the increase in receivables at year end following the high revenue growth in the final quarter of 2018 in the largest division of Energy & Industry.

Net capital expenditure on expansion of existing and into new facilities was €57.6 million (2018: €50.4m) which represented 3.2% (2018: 3.0%) of Group revenue. The reason for the increase in absolute and proportional capex spending was due to some one-off expansions of capacity in the Laboratories division in the fast growing electromagnetic compatibility sector and the building of a new connected and autonomous proving ground in IDIADA. The Group will continue to prioritise investing on capital items that produce good returns.

The resulting adjusted operating cash flow of €239.0 million was up €46.7 million or 24.3% over that generated in Proforma 2018 and this corresponded to a cash conversion rate of 80.6% (Proforma 2018: 71.1%).

There was an increase in the tax and interest cash outflows in the year resulting in the increase in the adjusted free cash flow at 16.6% being lower than the increase in adjusted operating cash flow.

Tax was higher due to some tax refunds from the payment in advance system in some countries being received during the year of 2018 and were still due for repayment in the 2019 year. The interest cash outflow was higher despite the interest charge in the income statement being lower than the prior year, due to the timing changes of interest payments for the last debt refinancing in July 2018 resulting in some interest being paid later in 2019 instead of 2018.

There was an increase in the Dividend distributions. The dividend payout declared for the 2018 full year profits to the Applus+ Group shareholders increased to 15 cents a share from 13 cents a share the prior year and this was paid in one go in July resulting in the increase in the cash payment to €21.5 million from €18.6 million.

Dividends to Minorities of €23.8 million was a significant increase from the €14.3 million in the previous year due mainly to the distribution to shareholders of the 20% minority holding in Inversiones Finisterre that had its first full year of consolidated profit in the Group in 2018 paid out as a dividend in 2019 as well as some advance payment relating to the current year.

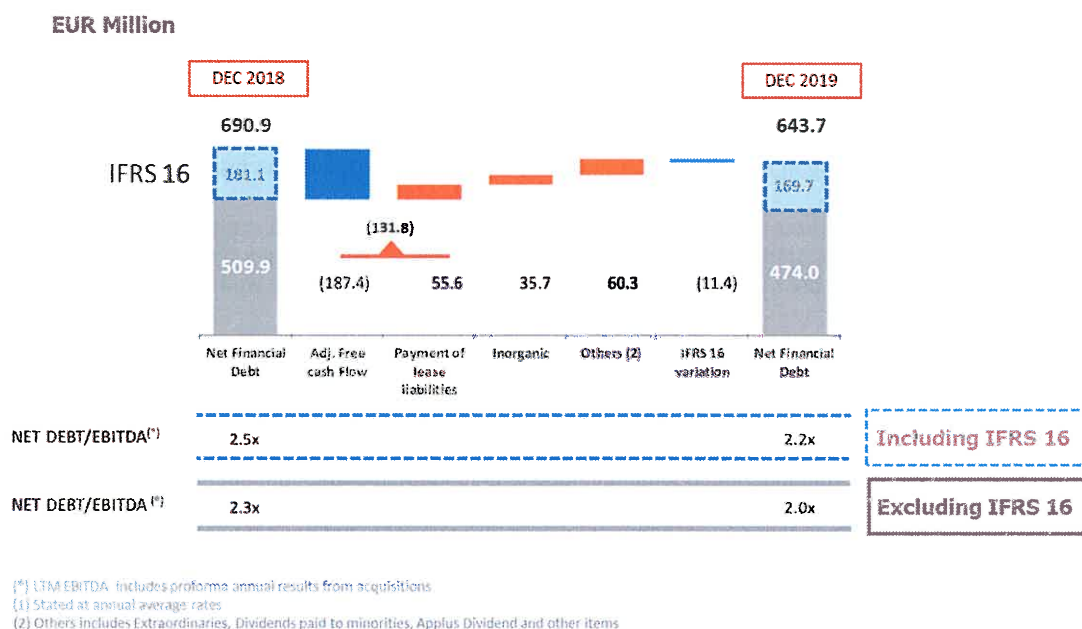
The cash outflow for Acquisitions relates to the three made in the year of Laboratorios de Ensayos Metrológicos in Spain, A2M Industries in France and LEM in Chile plus deferred consideration on acquisitions made in previous years and a deposit made for the acquisition of ITV Canarias within the Automotive division, which is pending approval by the CNMC, the Spanish competitions authority.

Net Debt was €643.7 million at the end of the year which is €47.2 million lower than the Proforma Net Debt position at the end of 2018. The reduction in the Net Debt was due to the strong free cash flow generated by the business less the spend of €35.7 million on acquisitions in the year as well as other items including the payment of a dividend to the shareholders of the Group. The resulting financial leverage of the Group, measured as Net Debt to last twelve months Adjusted EBITDA was 2.2x which was lower than at the end of the previous year on a Proforma basis (2.5x).

The impact of including IFRS 16 Leases on the Net Debt position is to increase the opening Net Debt at 1 January 2019 by €181.1 million. The chart below shows the Net Debt change in the period and the corresponding leverage calculation after the application of IFRS 16 Leases "Including IFRS 16" and before applying IFRS 16 Leases "Excluding IFRS 16". The leverage bank covenant for the syndicated debt facilities and US private placement are based on a "frozen GAAP" basis and so using the accounting standards in force prior to the change to IFRS16 (Excluding IFRS16). The leverage ratio calculated as defined by the bank covenant was 2.0x at a lower level to the position at 31 December 2018 (2.3x) and considerably lower than the covenant that is set at 4.0x.



## FY 2019. Net Debt – as defined by bank covenant<sub>1</sub>



In recognition of the strong cash flow, comfortable financial leverage and favourable future earnings and cash flow potential, the Board will propose to shareholders at the forthcoming Annual General Meeting, a dividend of 22 cents per share, an increase of 47.4% on the amount of 15 cents per share declared and paid for the previous year. This is equivalent to €31.5 million (2018: €21.5m) and is 29.0% (2018: 22.1%) of the adjusted net income of €108.6 million as shown in the summary financial results table. The Board will continue to review the appropriate dividend level going forward.

### Strategy Update presented in 2018

On 27 February 2018, Applus+ presented to the market an update of the Group strategy for the period 2018 to 2020. This included financial targets and capital allocation policies.

The targets set for Group organic revenue at constant rates, margin improvement, cash conversion rate, leverage and dividend distribution have been successfully achieved as shown in the table below.

Target 2018-2020		Actual 2018-2019 <sup>(1)</sup>	
Organic Revenue	Annual growth of mid single digit	5%	✓
Adjusted operating Profit	Margin improvement of 70-100 bps in 2018 and 20-30 in 2019 and 2020	Up 160 bps	✓✓
Operating Cash Flow	Cash conversion rate above 70%	70%	✓
Leverage	Below 3x	2.0x	✓✓
Dividends	Maintain dividend at 20% of Adjusted Net profit	29% <sup>(2)</sup>	✓✓
M&A	Acquisition capacity in the range of €150 million per annum	80M€	✓

✓ Slightly below    ✓ Met    ✓✓ Exceed

- (1) Revenue is average annual growth over 2 years and margins exclude IFRS 16 impact  
(2) Dividend to be proposed to shareholders

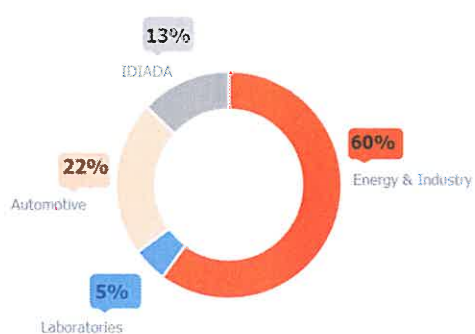
## Outlook

In 2020 the organic revenue growth at constant exchange rates is expected to increase at mid-single digits and despite having already achieved the medium term margin target, it is expected that the margin will increase a further 10 to 30 basis points.

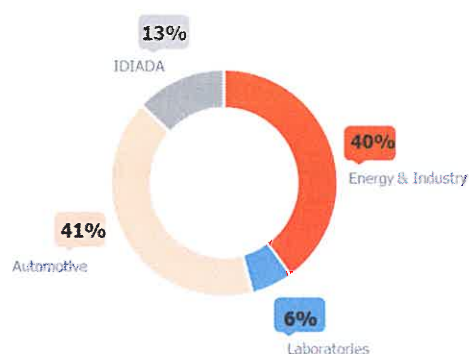
## Operating review by division

The Group operates through four global business divisions: Energy & Industry Division, Automotive Division, IDIADA Division and Laboratories Division, and the respective shares of 2019 revenue and adjusted operating profit are shown below.

FY 2019 revenue split



FY 2019 adjusted operating profit split



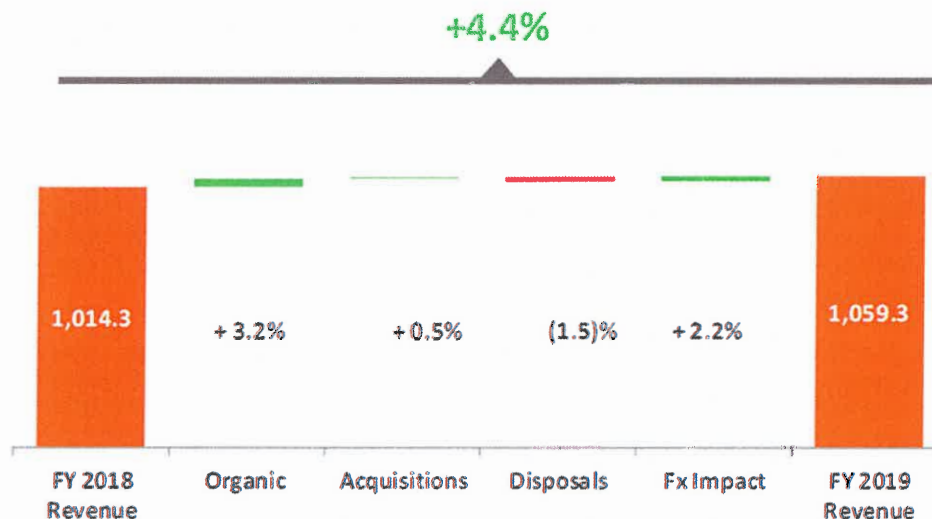
### Energy & Industry

The Energy & Industry Division is a world leader in non-destructive testing, industrial and environmental inspection, quality assurance and quality control, engineering and consultancy, vendor surveillance, certification and asset-integrity services.

The Division designs and deploys proprietary technology and industry know-how across diverse sectors, helping our clients to develop and control industry processes, protect assets and increase operational and environmental safety. The services are provided for a wide range of industries including oil and gas, power, construction, mining, aerospace and telecommunications.

Revenue for Energy & Industry for the year was €1,059.3 million, which was higher by 4.4% compared to the previous year.

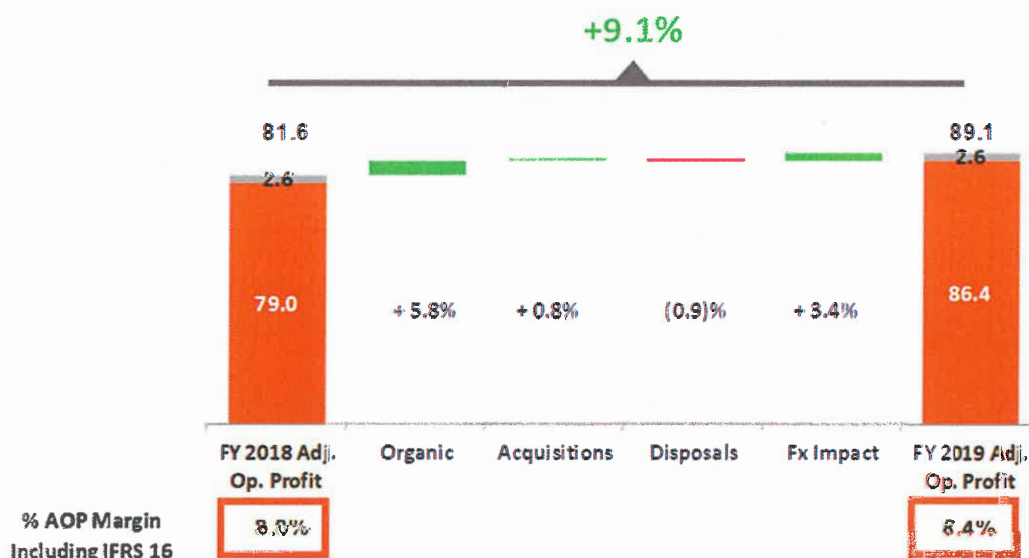
Revenue growth bridge in € million:



For the second consecutive year, there was good revenue growth in the division led by organic revenue growth. Organic revenue at constant exchange rates increased by 3.2%. Additional revenue of 0.5% related to the acquisitions made in 2018 and 2019 and reduced revenue came from the disposals made in the final quarter of 2018. Currency translation increased reported revenue by 2.2% mainly as a result of the stronger US dollar against the Euro.

In the final quarter of the year, reported revenue was higher by 0.2% due to a decrease in organic revenue of 1.2%, the revenue from acquisitions of 1.0% less the revenue from disposals of 1.1% and a positive impact from currency translation of 1.5%. The organic revenue decrease in the final quarter was against a corresponding period of the highest quarterly increase for several years (Q4 2018 +11.5%) and the average of the two periods' organic revenue growth of 5.1% is at a strong underlying rate.

The adjusted operating profit for the year increased on a proforma basis by 9.1% to €89.1 million. The operating profit growth bridge for the period, including the impact of the IFRS 16 Leases accounting change, in € million is shown below.



The adjusted operating profit as previously reported in 2018 was €79.0 million but with the application of IFRS16 to the 2018 reported adjusted operating profit would increase it by €2.6 million to a Proforma 2018 of €81.6 million.

At constant exchange rates, organic adjusted operating profit increased by 5.8% being more than the organic revenue increase. There was a contribution from acquisitions of 0.8% and a reduction in operating profit from disposals of 0.9% and a positive currency impact of 3.4%. The currency impact on operating profit was more than the currency impact on revenue due to the mix of revenue and profit by currency.

The adjusted operating profit margin increased by 40 basis points from 8.0% for Proforma 2018 to 8.4% in 2019 with each of the separate components of acquisitions, disposals and currency adding to the margin, but the majority of this increase came from the organic revenue. The improvement in the organic margin was due to good cost control taking effect, a reduced amount of price deflation impacting the revenue and some operational leverage coming through the business.

In the second half of 2019, the Group made an acquisition in Chile of a company that has several laboratories in the north of the country engaged in testing and inspection of materials to support civil engineering projects in mining, construction and the industrial sector. The company is expected to generate over €8 million of revenue per annum at a margin higher than the division and Group. The business will be integrated into the Latin American region which has complementary services in Chile and similar services in other countries. As this business was consolidated for only two months in 2019 it contributed only 0.2% points of the acquisition revenue for the division in the year with the remainder coming from the one acquisition made in 2018 up to the first anniversary of their purchases. The revenue decrease likewise came from disposals made in 2018 up to the anniversary of the disposals.

The business that services the end markets of Power, Construction, Aerospace, Mining and Telecom and account for 42% of the division revenue grew strongly at high single digits in the year benefiting from geographic expansion of these services.

The business that services Oil & Gas recurrent operational expenditure (Opex) accounting for 43% of the division revenue performed well in 2019.

The business that services the more cyclical Oil & Gas new investment (Capex) end market and accounting for 15% of the division, was down in 2019 due to a lack of large infrastructure investment spending in this market, especially in the United States, but it remains well positioned to benefit from any market recovery.

By region, there was strong growth in the Mediterranean, which comprises of mainly Spain plus North Africa and Italy and accounting for 18% of division revenue, Asia Pacific accounting for 14% of which Australia is the largest and Latin America accounting for 11%.

Northern Europe accounting for 17% of division revenue returned to growth in 2019, but the Africa-Middle East region being 15% of division revenue, was down due to continued reduction in work scope and revenue from a large oil inspection manpower services contract in Angola.

North America with 25% of the division revenue was down due to the decrease in Oil & Gas Capex services and this was despite a good performance in Oil & Gas Opex services and the Aerospace testing business.

### **Laboratories**

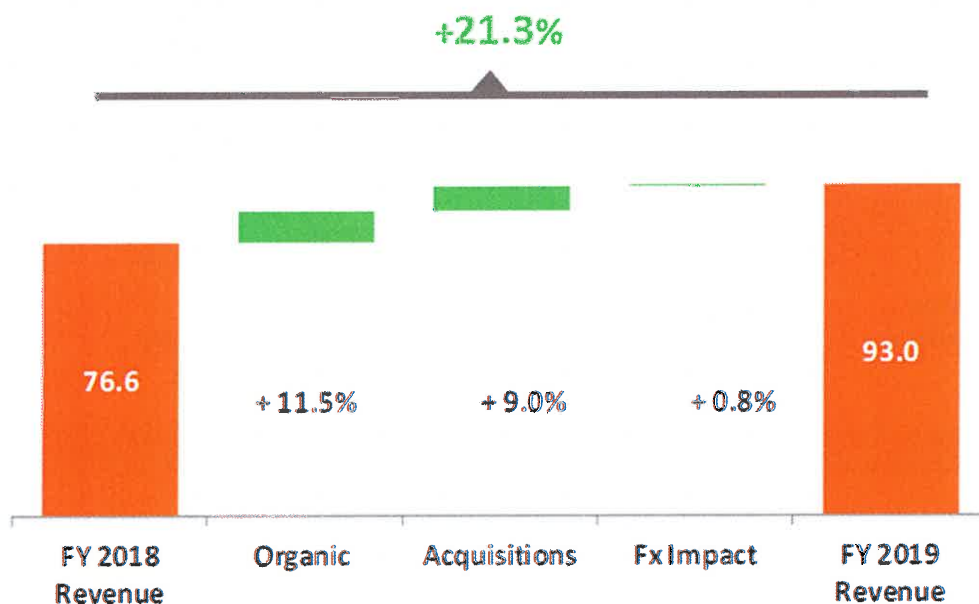
The Laboratories Division provides testing, certification and engineering services to improve product competitiveness and promote innovation. The Division operates a network of multidisciplinary laboratories in Europe, Asia and North America.

With cutting-edge facilities and technical expertise, the Division's services add high value to a wide range of industries, including aerospace, automotive, electronics, information technology and construction.

In 2019, the Laboratories Division acquired two companies, a materials testing laboratory in France and a metrology company in Spain to add to the five purchased in the previous two years.

Revenue for Laboratories division for the year of €93.0 million was 21.3% higher than the previous year.

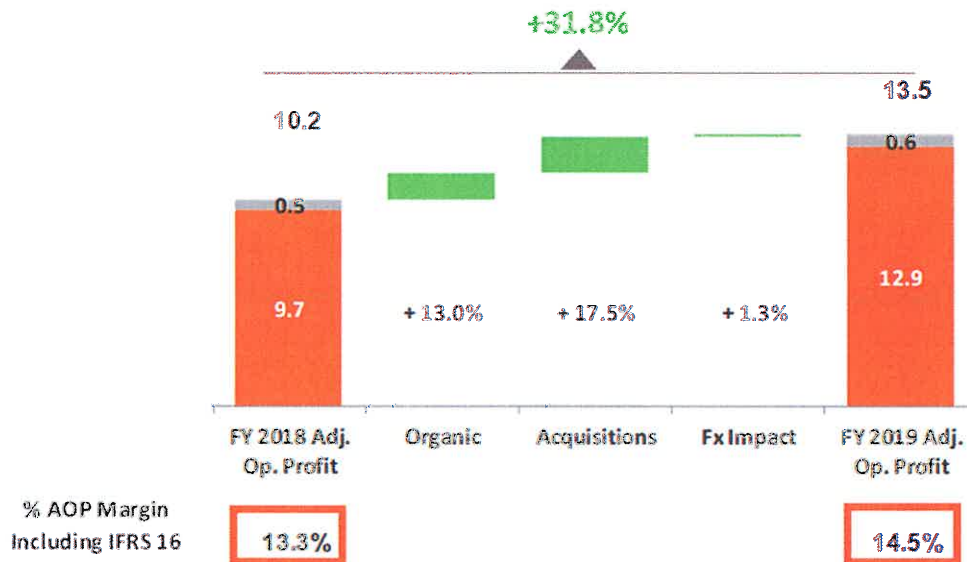
Revenue growth bridge in € million:



For the second consecutive year, there was double digit organic revenue growth which in 2019 was 11.5%. Further growth from the five acquisitions made in 2018 and 2019 added 9.0% of revenue and there was a small positive currency benefit of 0.8% as a result of the stronger USD against the Euro.

In the final quarter of the year, reported revenue was up 16.8% coming from organic revenue growth of 9.3%, revenue from acquisitions of 6.5% plus a positive currency impact of 1.0%.

The adjusted operating profit for the year increased on a proforma basis by 31.8% to €13.5 million. The operating profit growth bridge for the period, including the impact of the IFRS 16 Leases accounting change, in € million is shown below.



The adjusted operating profit as previously reported in 2018 was €9.7 million but with the application of IFRS16 to the 2018 reported adjusted operating profit would increase it by €0.5 million to a Proforma 2018 of €10.2 million.

At constant exchange rates, organic adjusted operating profit increased by 13.0% being more than the organic revenue increase. There was a contribution from acquisitions of 17.5% and a positive currency impact of 1.3%. The currency impact on operating profit was more than the currency impact on revenue due to the mix of revenue and profit by currency.

The adjusted operating profit margin increased significantly by 120 basis points from 13.3% for Proforma 2018 to 14.5% in 2019 with each of the separate components of acquisitions and currency adding to the margin, but the majority of this increase came from the organic revenue growth. The improvement in the organic margin was due to mix of services, cost control and operational leverage.

There were two acquisitions made in the year. LEM which is a metrology laboratory in Spain and A2M Industries which is a materials testing laboratory mainly for the aerospace and nuclear industries in France. The combined annual revenue for these two laboratories is €5 million per annum. The performance of these acquisitions have overall been above expectations. In the last three years, the Laboratories Division has made seven acquisitions in total with a combined revenue of €19 million per annum at accretive margins and bought at single digit EBITDA multiples and this has expanded its testing facilities in order to reinforce its position in the automotive components, fire protection, aerospace parts and calibration sectors. The momentum and scale of acquisitions for the Laboratories division is expected to increase.

All four key business units of the division performed well supported by the organic build-out and acquisitions to create regional networks of laboratories giving customers enhanced service and supporting growth. The four key business units are: Industry (includes aerospace and electrical and electromagnetic compatibility testing for the electronics and automotive sector); Construction (includes fire and structural testing of building materials); IT (includes electronic payment system protocol testing and approval) and; Metrology (includes calibration and measuring instruments).

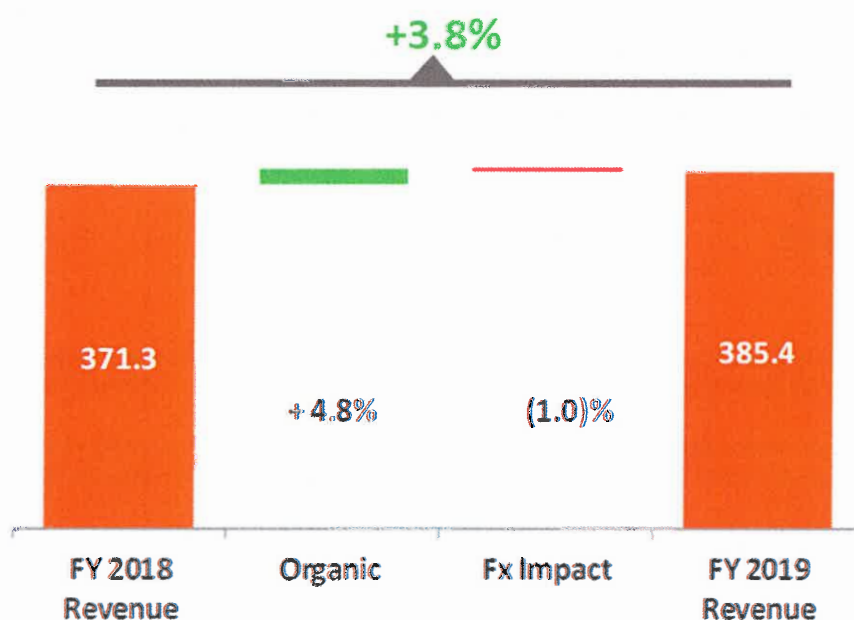
## Automotive

The Automotive Division delivers statutory-vehicle-inspection services globally. The Division's programmes inspect vehicles in jurisdictions where transport and systems must comply with statutory technical-safety and environmental regulations.

The Division operates 30-plus programmes, carrying out over 20 million vehicle inspections across Spain, Ireland, Denmark, Finland, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador and Uruguay in 2019. In the programme-managed services, a further 6 million inspections were delivered by third parties.

Revenue of €385.4 million was 3.8% higher than the previous year.

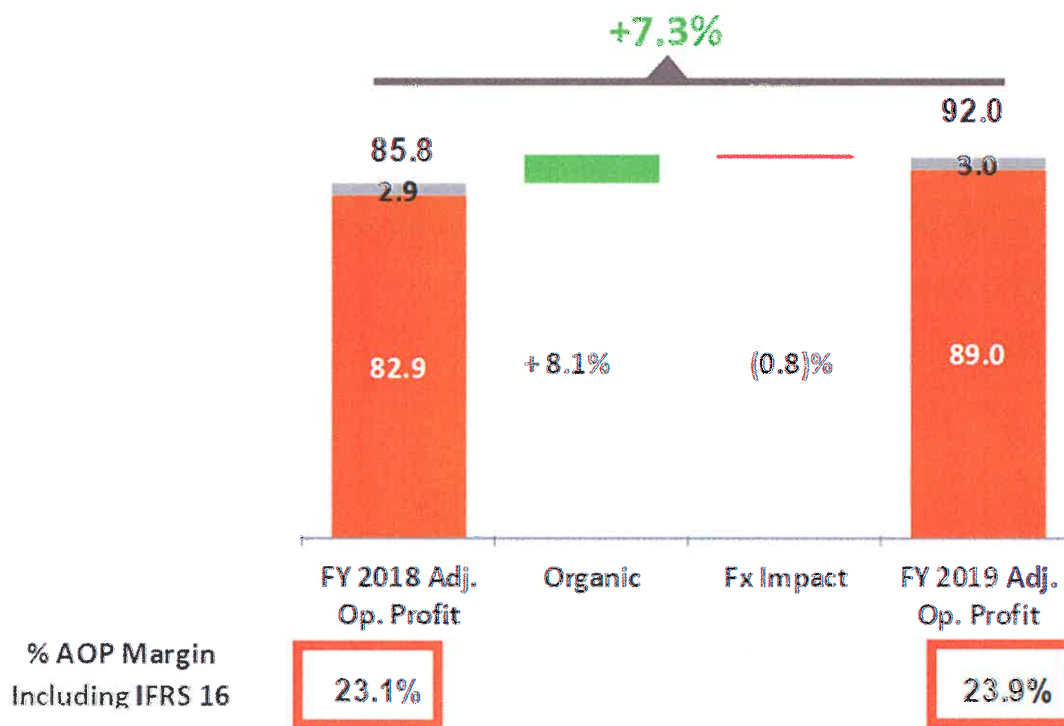
Revenue growth bridge in € million:



For the second consecutive year there was good underlying growth of mid single digit organic revenue which in 2019 was 4.8%. There was a negative currency translation impact of 1.0% as a result of the weak Argentinian peso against the Euro partly offset by the stronger USD.

In the final quarter of the year, reported revenue was up 8.9% of which organic revenue growth was 6.8% and there was 2.1% benefit from currency. The organic revenue acceleration in the final quarter was against a corresponding period of flat organic revenue growth.

The adjusted operating profit for the year increased on a proforma basis by 7.3% to €92.0 million. The operating profit growth bridge for the period, including the impact of the IFRS 16 Leases accounting change, in € million is shown below.



The adjusted operating profit as previously reported in 2018 was €82.9 million but with the application of IFRS16 to the 2018 reported adjusted operating profit would increase it by €2.9 million to a Proforma 2018 of €85.8 million.

At constant exchange rates, organic adjusted operating profit increased by 8.1% being more than the organic revenue increase. Similar to revenue, there was also a negative currency translation impact of 0.8% on the adjusted operating profit.

There was excellent growth in the operating profit margin of 80 basis points from 23.1% for Proforma 2018 to 23.9% in 2019 with almost all of this being organic margin improvement. This was due to the operational leverage and a positive mix of growth.

The recently won contracts in Uruguay, Argentina, Ecuador and Chile ramped up in the year and the largest contract of the division accounting for 21% of 2019 revenue was renewed with the Government of Ireland for another ten years, starting in July of this year under new conditions. Following the successful renewal of the Irish contract, the Group continues with its very strong renewal track record, not having not lost any re-tenders in the last ten years.

An agreement was made recently to acquire ITV Canarias which has three wholly owned stations plus one 50% owned station in the Canary Islands, all operating under the liberalised regime and the acquisition is expected to close in March. This company is well managed and has stations in complementary locations to the Applus+ network of stations on the Islands and it currently generates €4 million of revenue at a high margin with good opportunities for marketing and cost synergies.

The contract in Washington with €7.7 million revenue in 2019 has terminated after being introduced by the state in the 1980's due to high levels of pollution in the cities which this programme successfully helped to reduce.

By region, there was low single digit revenue growth in Spain. Most of the regions grew with Canary Islands, Galicia and Madrid the leading contributors to this growth rate.

Northern Europe was flat. Growth in Ireland offset the decrease in revenue from the contracts in the Nordic countries.

USA had low single digit revenue growth with good performance from all contracts.

In Latin America, there was a strong performance in Costa Rica, Uruguay, Argentina and Chile although some of the new Ecuador contracts ramped up slowly.

There is a healthy pipeline of opportunities which are mostly in the USA and in Latin America.

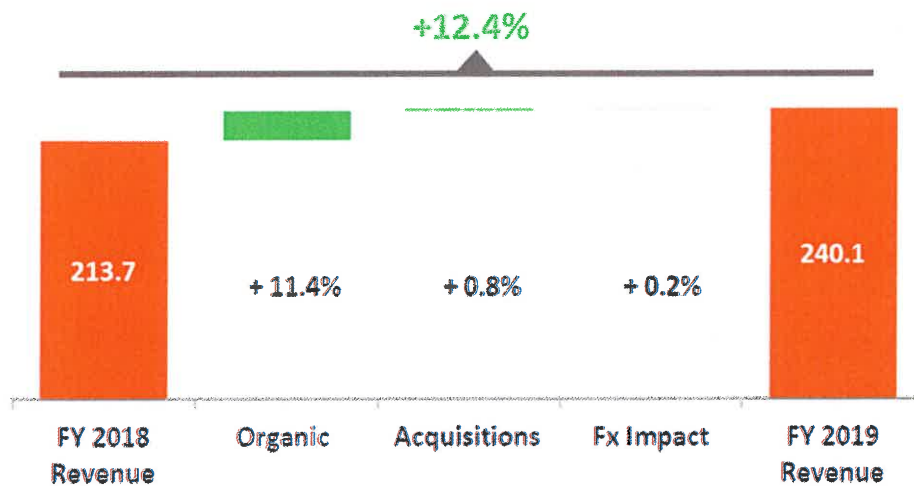
### IDIADA

IDIADA A.T. (80% owned by Applus+ and 20% by the Government of Catalonia) has been operating under an exclusive contract from the 351-hectare technology centre near Barcelona (owned by the Government of Catalonia) since 1999. The contract to operate the business runs until 2024 and is renewable in five year periods until 2049.

IDIADA A.T. provides services to the world's leading vehicle manufacturers for new product development activities in design, engineering, testing and homologation.

Revenue of €240.1 million for the year was 12.4% higher than the previous year.

Revenue growth bridge in € million:

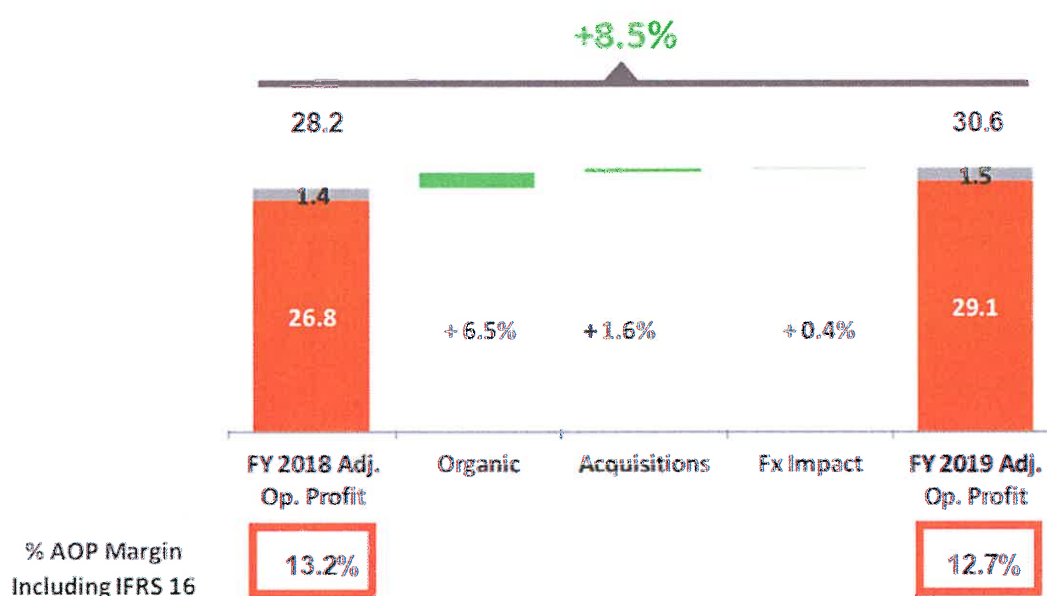


There was double digit organic revenue growth of 11.4%. Further growth from the acquisition of Karco made in 2018 added 0.8% of revenue and there was a small positive currency benefit of 0.2%.

In the final quarter of the year, reported revenue was up 10.0% coming from organic revenue growth of 9.7% plus a positive currency impact of 0.3%.



The adjusted operating profit for the year increased on a proforma basis by 8.5% to €30.6 million. The operating profit growth bridge for the period, including the impact of the IFRS 16 Leases accounting change, in € million is shown below.



The adjusted operating profit as previously reported in 2018 was €26.8 million but with the application of IFRS16 to the 2018 reported adjusted operating profit would increase it by €1.4 million to a Proforma 2018 of €28.2 million.

At constant exchange rates, organic adjusted operating profit increased by 6.5%. There was a contribution from acquisitions of 1.6% and a positive currency impact of 0.4%.

The adjusted operating profit margin decreased by 50 basis points from 13.2% for Proforma 2018 to 12.7% in 2019. The majority of this decrease was organic as a result of the faster depreciation of assets as the term of the current five year renewed contract with the Government of Catalonia ends in 2024.

The strong organic revenue growth was led by electric and autonomous vehicles, ADAS (advance driver assistance systems), WLTP (EU emission standard) and the increase in outsourcing of testing by car manufacturers.

In 2019, IDIADA made investments in the laboratory testing facilities and also for new tracks in Spain and in China, driving simulators in Spain and the purchase of the assets of a passive safety testing laboratory in Frankfurt. These investments add capacity to sustain growth in the business.

## Alternative Performance Metrics

Applus' financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others based on the Group's disclosure model referred to as Alternative Performance Metrics

- **EBITDA**, measure of earnings before interest, taxes, depreciation and amortisation
- **Operating Profit**, measure of earnings before interest and taxes
- **Adjusted** measures are stated before other results
- **Other results** are those impacts corrected from the relevant measures to provide a better understanding of the underlying results of the Group, for example: amortisation of acquisition intangibles, restructuring and transaction & integration costs
- **PPA** correspond to the Purchase Price Allocation referred to acquisitions, allocated to intangible assets and amortised
- **Capex**, realized investments in property, plant & equipment or intangible assets
- **Proforma** figures for 2018 include IFRS 16 estimated impact
- **Operating Cash Flow**, operating cash generated after capex investment and working capital variation
  
- **Free Cash Flow**, operating cash generated after capex investment, working capital variation and tax & interest payments
- **Net Debt**, current and non current financial debt, other institutional debt less cash. As per bank covenant definition, calculated at annual average exchange rates
- **Leverage**, calculated as Net Debt/LTM Ebitda as per bank covenant definition
- **EPS**, Earnings per share
- **NDT**, Non destructive testing
- **P.A.**, per annum
- **FX**, Foreign exchange
- **LTM**, Last twelve months



## **Main risks facing the Group**

The main business risks facing the Group are those typical of the businesses and countries in which it operates and of the current macroeconomic environment. The Group actively manages the main risks and considers that the controls designed and implemented to that effect are effective in mitigating the impact of these risks when they materialise.

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

Management is focused on the identification of risks, the determination of tolerance to each risk, the hedging of financial risks, and the control of the hedging relationships established.

The Group's policy hedges all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable. The main financial risks to which the Group is exposed and the practices established are detailed in the corresponding notes to the consolidated financial statements.

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

## **Research and Development activities**

Innovation is one of the pillars of the CSR policy of the Applus Group. In the Corporate Social Responsibility Report (which is part of this consolidated management report can be consulted in the subsequent annexes of this report. They are also available in Applus Group webpage and in the "Comisión Nacional del Mercado de Valores" (CNMV)'s webpage) all the issues related to Research and Development activities are described in detail.

## **Treasury share transactions**

At 31 December 2019, the Group held a total of 343,849 treasury shares at an average cost of EUR 11.93 per share. The value of these treasury shares totalled EUR 4,102 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2019 (see Note 3.x).

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

## **Events after the reporting period**

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

## **Use of financial instruments**

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

## **Disclosures on the payment periods to suppliers**

The Group companies with tax residence in Spain adapted their payment periods in line with Additional Provision Three "Disclosure Obligation" of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December). 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.

	2019	2018
	Days	
Average payment period to suppliers	60	60
Ratio of transactions settled	61	61
Ratio of transactions not yet settled	52	53
	Thousands of Euros	
Total payments made	170,835	156,667
Total payments outstanding	19,320	27,681

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

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

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

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December 2004, on combating late payment in commercial transactions, is 30 days. This period may be extended by an agreement between the parties, but under no circumstances should be superior to 60 natural days (same legal period in 2018).

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 2020.

#### **Non-Financial Information**

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

#### **Annual Corporate Governance Report**

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

[www.applus.com](http://www.applus.com)

[www.cnmv.es](http://www.cnmv.es)



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

**Preparation of the Consolidated Financial Statements and  
Management report for the year ended 2019**

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 2020, 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 2019, which are included in the documents preceding this signature page and their annexes, all of them correlatively ordered.

Barcelona, 21 February 2020



Mr. Christopher Cole  
Chairman



Mr. Ernesto Gerardo Mata López  
Director



Mr. John Daniel Hofmeister  
Director



Mr. Fernando Basabe Armijo  
Director



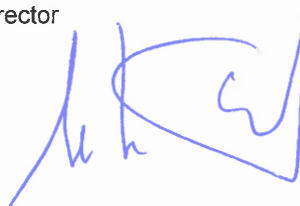
Mr. Richard Campbell Nelson  
Director



Mr. Nicolás Villén Jiménez  
Director



Ms. Maria Cristina Henríquez de Luna Basagoiti  
Director



Ms. María José Esteruelas  
Director



Ms. Essimari Kairisto  
Director



Mr. Joan Amigó i Casas  
Director

For identification purposes, all the pages of the consolidated financial statements and the consolidated management report for the year ended on 31 December 2019, as approved by the Board of Directors, are initialized by the Secretary of the Board of Directors, Mr. Vicente Conde Viñuelas.

Appendix I - Companies included in the scope of consolidation

Name	Applus Servicios Tecnológicos, S.L.U	Azul Holding2, S.à.r.l.	Applus Iteuve Argentina, S.A.	Applus Santa María del Buen Ayre, S.A.	Applus Uruguay, S.A.	Revisiones Técnicas Applus del Ecuador Applusiteuve, S.A.	Applus Iteuve Brasil Serviços LTDA	Applus Technologies, Inc.
Registered office	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	7, rue Robert Stümper   L 2557-Luxembourg (Luxembourg)	Reconquista 661 – Piso 2, C 1003 Ciudad de Buenos Aires (Argentina)	Jurisdicción de la Ciudad autónoma de Buenos Aires (Argentina)	Guayabos nº 1718, escritorio 505 Montevideo (Uruguay)	Avda Patria nºE4-41 Intersección Avda Amazonas edificio Patria Piso 10 Oficina 01, Pichincha, Quito (Ecuador)	Avenida Paulista 726, Cj. 1207, 12º andar, Sala 36, Sao Paulo (Brazil)	615, Dupont Highway, Kent County Dover, State of Delaware (USA)
Line of business	Holding company	Holding company	Vehicle roadworthiness testing	Right and compliance of the obligations corresponding to public services concessions relating to the obligatory Technical Verification of Vehicles	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Holding company	Vehicle roadworthiness testing
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	100%	100%	-	-	-	-	-	-
Indirect	-	-	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

7



Name	Applus Chile, S.A.	Applus Iteuve Euskadi, S.A., Sociedad Unipersonal	Applus Revisiones Técnicas de Chile, S.A.	Applus Danmark, A/S	IDIADA CZ, A.S.	K1 Kasastajat, OY	Inspecció Tècnica de vehicles i serveis, S.A.	Idiada Automotive Technology India PVT, Ltd
Registered office	Avenida Américo Vespucio 743 - Huechuraba - Santiago de Chile (Chile)	Poligono Ugaldeguren I Parcela 8, 48710 Zamudio, Vizcaya (Spain)	Avenida Américo Vespucio 743 - Huechuraba - Santiago de Chile (Chile)	Høje Taastrup Boulevard 23, 2th, 2630 Taastrup (Denmark)	Pražska 320/8,500 04, Hradec Králové (Czech Republic)	Joukahaisenkatu 6,20520 Turku Finland	Ctra de Bixessarri s/n, Aixovall AD600 (Andorra)	Unit no. 206, 2nd Floor, Sai Rache Building Raja Bahadur Mill Road, off Kennedy Road, Pune 411 001 (India)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	80%	100%	50%	80%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation





Name	Supervisión y Control, S.A.U.	RITEVE SyC, S.A.	Inspecciones y Avalúos SyC, S.A.	Idiada Automotive Technology Rus, LLC	Applus Idiada Karco Engineering, LLC	IDIADA Automotive Technology USA, LLC	CTAG - Idiada Safety Technology Germany, GmbH	Inversiones y Certificaciones Integrales SyC, S.A.
Registered office	Ctra. N-VI, Km. 582,6 - 15168 Espiritu Santo - Sada, A Coruña (Spain)	Lagunilla de Heredia, ciento cincuenta metros al este de la Bomba Texaco (Costa Rica)	Heredia, Cantón Central, Distrito Ulloa, Lagunilla, 150 metros este de la Bomba Uno (Costa Rica)	Russian Federation, 603004, Nijniy Novgorod, prospect Lenina, 115 (Russia).	9270 Holly Road. 92301 Adelanto. California (USA)	9270 Holly Road, Adelanto, CA 92301 (USA).	Manfred-Hochstatter-Straße 2, 85055 Ingolstadt (Germany)	Heredia-Heredia Ulloa, exactamente en Lagunilla, cien metros este de la Bomba Uno, edificio a mano derecha color blanco (Costa Rica)
Line of business	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Vehicle roadworthiness testing	Engineering, testing and certification	Engineering, testing and certification	Engineering, testing and certification	Engineering, testing and certification	Business and management services advice
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	80%	44%	100%	80%	67%	80%	40%	89%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



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 (Panama)	Calle Jacinto Palacios Cobos, Edificio 223, piso 3, locales A y C, Ciudad del Saber, Clayton, Ciudad de Panamá (Panama)	Alberto Henckel 2317, Providencia, Santiago de Chile (Chile)	Bldv. Manuel Avila Camacho 184, Piso 4-B, Col. Reforma Social, C.P. 11650 México, D.F (Mexico)	Km 14,5 Carretera a El Salvador, Santa Catarina Pinula (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)	Colonia Los Robles, Km. 6,500 Carretera Masaya, Managua (Nicaragua)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)
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	Inspection, quality control and consultancy services	Inspection, quality control and consultancy services	Holding company
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	95%	95%	95%	95%	96%	95%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	Applus RTD UK Holding, Ltd	Applus RTD PTE, Ltd (Singapore)	Applus Colombia, Ltda.	Applus (Shanghai) Quality Inspection Co, Ltd	Applus RTD Certification, B.V.	Applus PTY, Ltd (Australia)	Applus RTD Norway, AS	Arctosa Holding, B.V.
Registered office	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK38YE, Scotland (UK)	521 Bukit Batok St 23, Unit 05-E, Singapore (Singapore)	Calle 17, núm 69-46, Bogotá (Colombia)	Jucheng Industrial Park, Building 23, 3999 Xiu Pu Rd, Nan Hui, Shanghai 201315 (China)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)	Finnestadgeilen 38, 4029 Stavanger (Norway)	Delftweg 144, 3046 NC Rotterdam (The Netherlands)
Line of business	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	Holding company
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	95%	95%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	Libertytown Applus RTD Germany GmbH	Applus Norcontrol Maroc, Sarl	Applus RTD Gulf DMCC.	Applus Qualitec Serviços de Engenharia, Ltda.	Applus Lgai Germany, GmbH	BK Werstofftechnik-Prüfstelle Für Werkstoffe, GmbH	Ringal Brasil Investimentos, Ltda.	Assinco-Assesoria Inspeção e Controle, Ltda
Registered office	Industrie Strasse 34 b, 44894 Bochum (Germany)	INDUSPARC Module N°11BD AHL LOGHLAM Route de Tit Mellil Chemin Tertiaire 1015 Sidi Moumen 20400, Casablanca (Morocco)	16th Floor, Office 1601, Swiss Tower, Jumeirah Lake Towers, PO Box 337201, (United Arab Emirates)	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lote 10, integrante da área B, n°450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brazil)	Zur Aumundswiede 2, 28279 Bremen (Germany)	Zur Aumundswiede 2, 28279 Bremen (Germany)	Cidade de Ibirité, Estado de Minas Gerais, na Rua Petrovale, quadra 01, lote 10, integrante da área B, n°450, Bairro Distrito Industrial Marsil, CEP 32.400-000 (Brazil)	Rua Petrovale, quadra 01, lote 10, integrante da área B, n° 450, Bloco 2 - 1º andar, Bairro Distrito Industrial Marsil, EP 32400-000 Cidade de Ibirité, Estado de Minas Gerais (Brazil)
Line of business	Holding company	Inspection, quality control and consultancy services	Certification services through non-destructive testing	Certification services through non-destructive testing	Certification	Certification	Holding company	Inspection, quality control and consultancy services
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	95%	100%	100%	95%	95%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	Applus Arabia L.L.C	Applus II Meio Ambiente Portugal, Lda	Ringal Invest, S.L.U	Applus Velosi DRC, Sari.	Ingelog Consultores de Ingeniería y Sistemas, S.A.	Ingelog Servicios Generales, Ltda (Sergen)	Ingelog Guatemala Consultores de Ingeniería y Sistemas, S.A.	Ingeandina Consultores de Ingeniería, S.A.S.
Registered office	Dammam (Saudi Arabia)	Complexo Petroquímico, Monte Feio, 7520-954 Sines (Portugal)	Calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, Madrid (Spain)	Lubumbashi, Avenue Lumumba, N. 1163, Quartier Industriel, Commune Kampemba (Congo)	Alberto Henckel 2317, Santiago de Chile (Chile)	Alberto Henckel 2317, Santiago de Chile (Chile)	Ciudad de Guatemala (Guatemala)	Calle 17, núm. 69-46 Bogotá (Colombia)
Line of business	Certification	Inspection, quality control and consultancy services	Holding company	Provision of permanent contract services	Counseling and consulting services in the areas of engineering, infrastructure, environment, etc.	Provision of transport and rental of vehicles	Counseling and consulting services in the areas of engineering, infrastructure, environment, etc.	Counseling and consulting services in the areas of engineering, infrastructure, environment, etc.
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	48%	95%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

2



Name	Applus RTD USA Services, Inc.	Libertytown USA 3, Inc.	Applus Management Services, Inc.	Applus Aerospace UK, Limited	Aerial Photography Specialist PTY, LTD	Applus RTD Canada Holding (2016), Inc.	SKC Inspection and Non Destructive Testing, Inc	SKC Engineering Ltd
Registered office	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	94 Discovery Drive, Bibra Lake WA 6163 (Australia)	1300 - 1969 Upper Water Street Purdy's Wharf Tower II Halifax NS B3J 3R7 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)	19165 94TH Avenue, Surrey BC, V4N 3S4 (Canada)
Line of business	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	Holding company	Inspection and non-destructive testing	Ensure quality, training, inspection, proof and design and welding engineering services.
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	3C Test Limited	DatapointLabs, Llc.	DatapointLabs India, Inc.	Matereality, Llc.	Technical Inspection Services, Ltd	Applus Middle East Engineering Consultancy, LLC	SARL Apcontrol Energie et Industrie Algerie	Talon Test Laboratories (Phoenix) Inc.
Registered office	Silverstone Technology Park, Silverstone Circuit, Silverstone, Towcester, Northamptonshire, NN12 8GX (UK)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	95 Brown Rd. #102 Ithaca, NY 14850 (USA)	Unit 21, Hither Green Industrial Estate, Clevedon, North Somerset, BS21 6XU (UK)	Office 201, Abu Dhabi Business Hub, Building B, Mussafah (United Arab Emirates)	Planta 12 Centre Commercial et d'Affaires El Qods, Chéraga, Argel (Algeria)	5002 South 40th Street, Unit F, Phoenix, Arizona (USA)
Line of business	Electromagnetic compatibility (EMC) and electrical tests, especially for the automotive sector.	Materials characterization laboratory specialized in providing properties for numerical simulation.	Materials characterization laboratory specialized in providing properties for numerical simulation.	Development of IT solutions for the properties of materials, management and storage.	Certification by non-destructive testing services	Industrial support and consulting	Production of technical control devices and appliances for the calibration of machinery, mechanical testing and measurement, oil services, management consulting, hydrocarbon analysis, environmental prevention and cleaning programs	Non-destructive testing services
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	95%	95%	95%	95%	100%	49%	49%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	TIC Investments Chile SpA	Applus Brasil Investimentos, Ltda
Registered office	Avenida Huaytiquina N°1601, ciudad de Calama (Chile)	Rua Dom José de Barros, nº 177, 6º andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, Sao Paulo (Brazil)
Line of business	Holding company	Holding company
Active / Inactive	Active	Active
Ownership interest held by Group companies:		
Direct	-	-
Indirect	100%	100%
Method used to account the investment	Full consolidation	Full consolidation



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



Name	Velosi Saudi Arabia Co Ltd	Velosi Engineering Management Consultancy (Shanghai) Ltd Co.	Velosi Siam Co Ltd	Applus (Thailand) Company Limited	Velosi Corporate Services Sdn Bhd	Velosi International Holding Company BSC (c)	Velosi Certification Services LLC	Velosi Certification WLL
Registered office	Unit No. 1, Al-Qusur, Talal Al-Doha Building, Sub of Prince Mohammad bin Fahd Road, Dhahran, 34247-3229 (Saudi Arabia).	Room 1304, Shengkang LiaoShi Building No. 738 Shang Cheng Road Pudong, Shanghai PRC, 200120 (China).	ZEN @ ZEN World Tower, Level 12, Zen World Tower, 4, 4/5 Rajdamri Road, Pathumwan, Bangkok, 10330 (Thailand).	208 Wireless Road Building 14th Floor Room 1401 (16), Lumpini, Pathumwan, Bangkok 10330 (Thailand).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	Flat 42, Building 1033, Road 3731, Block 337, Menama/UMM Alhassam (Bahrain)	#201, Block B, Abu Dhabi Business Hub, ICAD-1, Mussafah, PO Box 427 Abu Dhabi (United Arab Emirates).	Block 9, Building 24, Office 21, Ground Floor, East Ahmadi, Industrial Area, P O Box # 1589, Salmiya – 22016 (Kuwait).
Line of business	Provision of maintenance testing, fixing, examination of the welding and quality control for the pipes, machinery, equipment and other buildings in oil, gas and petrochemical facilities and to issue related certificates	Provision of consulting of Petroleum Engineering, technical consultation of mechanical engineering and consulting of business management	Holding company	Provision of engineering and technical services	Provision of 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 services, management system certification, quality management of the maintenance of existing facilities and equipment and mandatory inspection services	Provision of industrial consultancy
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	60%	100%	100%	74%	100%	100%	49%	24%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	Applus Kazakhstan LLC	Velosi (B) Sdn Bhd	Velosi Certification Services LLC	Velosi Philippines Inc	Velosi Ukraine LLC	Dijia & Furat Quality Assurance, LLC.	Applus Korea Co, Ltd.	Oman Inspection and Certification Services
Registered office	Building #31A, Akzhal lane, Atyrau, Atyrau Oblast, postal code 060002 (Kazakhstan).	Lot 5211, Spg. 357, Jln Maulana, KA 2931 Kuala Belait, Negara Brunei Darussalam (Brunei).	17, Chimkent Street, Mirobod District, 100029 Tashkent (Uzbekistan).	1004, 10F, Pagibig WT Tower, Cebu Business Park, Ayala, Cebu City (Philippines).	5A Piterska Street, 03087 Kyiv (Ukraine).	Ramadan Area, District 623-S, No.1, Baghdad (Iraq).	108, Jin-ha, Seo-sang, Ulsan (Republic of Korea).	P.O. Box 15, South Alkhuawir, Bawshar, Muscat Governorate (Oman)
Line of business	Provision of services in the area of industrial safety	Provision of quality control and engineering services for the oil and gas industries	Provision of inspection, certification, monitoring and other types of business activity	Provision of inspection, quality control, certification and business process outsourcing	Provision of auxiliary services in the oil and natural gas industries	Provision of quality control and training services	Provision of training and consulting for services related to technical engineering, hiring-out of manpower and materials and leasing of properties.	Provision of non-destructive testing services (NDT), environmental and safety services (HSE), quality control and engineering services.
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	80%	30%	80%	100%	100%	100%	67%	50%
Method used to account the investment	Full consolidation	Equity method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation



Name	Steel Test Secunda (PTY). LTD.	Applus Velosi Egypt, LLC	Velosi Mozambique LDA	Applus Velosi Angola, Lda.	Applus India Private Limited	Applus Mozambique Limitada	K2 Do Brasil Services Ltda	Applus Velosi America LLC
Registered office	11 Viscount, Road Bedfordview 2007, (Republic of South Africa).	27, Ali El-Gendy St., Nasr City, Cairo (Egypt).	Avenida Kim Il Sung, 961 - Bairro Sommershield - Distrito Urbano 1, Maputo Cidade (Mozambique).	Condominio Mirantes de Talatona, Rua das Acacias, casa B13, Luanda (Angola).	#402, Vijaysri Nivas, Prakash Nagar, Begumpet, Hyderabad – 500 016. Telenagana (India)	Paulo Samuel Kankhomba Avenue, number 3,371, Maputo City (Mozambique).	Avenida Nossa Senhora da Gloria, 2.643, Cavaleiros, Macae - RJ, CEP27920-360, Macae (Brazil).	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).
Line of business	Inspection of pipes and steel thickness	Provision of engineering consultancy in the oil sector, the maritime business, power generation and mining, as well as management consulting	Provision of consultancy services and technical assistance in the oil and gas industries, such as labor force services, and other specialized services in non-destructive trials, controls, quality inspections and asset integrity	Provision of quality assurance and control, inspection, supply of technical manpower, certification and specialised services in NDT and engineering.	Provision of labor supply services for the oil and gas industries	Provision of consulting and technical assistance services in the oil and gas industry, man power services, NDT specialized tests, controls and quality inspections and provision of asset integrity services	Provision of updating, repair, modification and control of onshore and offshore oil facilities, inspection and development of design services, manufacture of components and machinery structures and supply of qualified labor	Provision of labor supply services for the oil and gas industries
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	74%	49%	100%	49%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Integración global	Full consolidation	Full consolidation

Name	Applus Velosi Canada Ltd	Midstream Technical Inspection Services, LLC	Applus K2 America, LLC	Velosi Australia Pty Ltd	QA Management Services Pty Ltd
Registered office	2600 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2 (Canada)	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478 (USA).	3 Sugar Creek Center Blvd, Suite 600 Sugar Land, TX 77478 (USA).	Unit 9, 783 Kingsford Smith Drive, Eagle Farm, Queensland 4009 (Australia)	Unit 9, 783 Kingsford Smith Drive, Eagle Farm, Queensland 4009 (Australia)
Line of business	Provision of labor supply services for the oil and gas industries	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
Active / Inactive	Active	Active	Active	Active	Active
Ownership interest held by Group companies:					
Direct	-	-	-	-	-
Indirect	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

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

Appendix II - Out of the scope of consolidation

Name	Velosi Turkmenistan	Velosi Services L.L.C. (Russia)	Velosi Cameroun Sarl	Applus Velosi Kenya Limited	Velosi Do Brasil Ltda	Idiada Homologation Technical Service, S.L.U.
Registered office	Ashgabat City, Kopetdag District, Turkmenbashi, Avenue, No. 54 (Turkmenistan).	Kommunistichesky prospect, 32, suit 610, Yuzhno-Sakhalinsk, Sakhalin Region (Russia).	Douala, PO Box 15805, Akwa (Cameroon)	3rd floor, Kiganjo House, Rose Avenue Off Denis Pritt Road L.R No 1/1870, Nairobi P.O.Box 50719 - 00200, Nairobi (Kenya).	Praia Do Flamengo 312, 9 Andar Parte Flamengo, Rio De Janeiro (Brazil).	L'Albomar s/n 43710 Santa Oliva - Tarragona (Spain).
Line of business	No line of business	No line of business	No line of business	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	No line of business	Engineering, testing and certification
Active / Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive
Ownership interest held by Group companies:						
Direct	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	98%	80%

Name	Velosi Asia Kish (Iran)	VAIL Consultancy Services DMCC	Precision for Engineering Services, Project Management, Vocational Training and Importation of Man Power, LLC.	Velosi Jorson Sdn Bhd (Brunei)
Registered office	No. 7, Second Floor, Block B28, Pars Commercial Complex, South-West of the Port Area (Iran).	DMCC Business Centre - Level No 1 - Jewellery & Gemplex 3 Dubai (United Arab Emirates).	Al-Shamasiyah District Section No. 316 Street 15 house 3711, Basra (Iraq)	LOT 5211. Simpang 357, Jalan Maulana, Kuala Belait KA2931, Brunei Darussalam (Brunei).
Line of business	No line of business	No line of business	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.
Active / Inactive	Inactive	Inactive	Inactive	Active
Ownership interest held by Group companies:				
Direct	-	-	-	-
Indirect	97%	80%	100%	15%

The members of the Board of Directors of Applus Services, S.A. declare that, to the best of their knowledge, the consolidated financial statements of Applus Services, S.A. and subsidiaries (comprising consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes) for the year ended at 31 December 2019, prepared in accordance with applicable accounting policies and approved by the Board of Directors at its meeting on 21 February 2020, present fairly the equity, financial position and results of Applus Services, S.A. and the subsidiaries included in the scope of consolidation, taken as a whole, and that the management report accompanying such consolidated financial statements includes a fair analysis of the business' evolution, results and the financial position of Applus Services, S.A and the subsidiaries included in the scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties they face. All the Directors have signed on this page to certify the above mentioned.

Barcelona, 21 February 2020



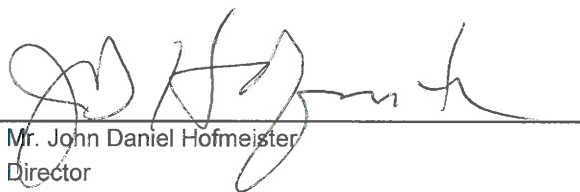
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Mr. Christopher Cole  
Chairman



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Mr. Ernesto Gerardo Mata López  
Director



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Mr. John Daniel Hofmeister  
Director



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Mr. Fernando Basabe Armijo  
Director



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Mr. Richard Campbell Nelson  
Director



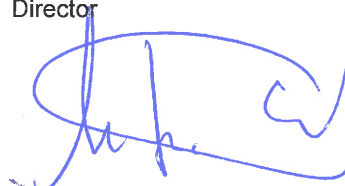
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Mr. Nicolás Villén Jiménez  
Director



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Ms. Maria Cristina Henríquez de Luna Basagoiti  
Director



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Ms. Maria José Esteruelas  
Director



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Ms. Essimari Kairisto  
Director



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Mr. Joan Amigó i Casas  
Director