



2019 First Quarter Results Announcement 14 May 2019

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading and most innovative companies in Testing, Inspection and Certification, today announces the results for the first quarter ("quarter") ended 31 March 2019.

Highlights

- A strong start to 2019
- Revenue, profit and cash flow all performed well
- All four divisions delivered revenue growth and margin improvement
- Two small acquisitions in Labs division with accretive margins
- Q1 financial results
 - Revenue of €415.4 million, up 9.0% (organic¹ +7.6%)
 - Operating profit² of €38.4 million up 19.3% (organic¹ +17.5%)
 - Operating profit² margin of 9.3%, up 80bps (organic¹ +76bps)
 - Operating cash flow² of €58.4 million, up €25.9 million

1. Organic is at constant exchange rates and based on prior year proforma figures including IFRS16
2. Operating profit, margin and cash flow are stated before Other results and amortisation of acquisition intangibles (see page 4)

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

"The strong growth momentum from last year has continued into this year which is broadly based across all four divisions delivering good revenue, profit and margin increases in the first quarter. Organic revenue growth by division ranged from 6% to over 16% and the significant increase in the organic margin came from the two largest divisions of Energy & Industry and from Automotive which benefited from the timing of Easter.

Cash flow was strong in the quarter mainly due to the higher operating profit and the working capital inflow following the double digit revenue increase in Energy & Industry in the last quarter of 2018.

Following the four acquisitions made last year that are included within the inorganic revenue growth, we have made two further small acquisitions so far this year that have a combined annual revenue of €5 million at high margins. These are of business lines that are core to Applus+ and have been fully integrated into the Laboratories division where we will see good revenue and cost synergies arise. We expect to make more acquisitions during the year.

With regards to the Irish contract in the Automotive division that accounted for 4.7% of group revenue last year and is due to expire in June 2020, we have submitted our bid for the renewal of the contract and we expect to hear the outcome soon.



For the full year, and in light of the current market conditions, we expect the Group to continue delivering strong results with organic revenue growth at constant exchange rates to increase at mid-single digits. For the adjusted operating profit margin we are raising the guidance. We now expect the margin to increase by at least 30 basis points, on a consistent accounting policy basis, which was previously guided as an increase of between 20 to 30 basis points.”

Presentation and Webcast

There will be a webcast and audio presentation on these results today at 2.00 pm Central European Summer Time. To follow the presentation by webcast, use the link: <https://edge.media-server.com/m6/p/9b5v4o9o>

or via the company website at www.applus.com under Investor Relations/Financial Reports. To listen by telephone dial one of the numbers below quoting the access code **1193586**.

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About Applus+ Group

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

Headquartered in Spain, Applus+ operates in more than 70 countries and employs over 22,800 people. Applus+ operates through four global divisions, all of which



operate under the Applus+ brand name. For the full year of 2018, Applus+ recorded revenue of €1,676 million and adjusted operating profit of €171 million.

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

ISIN: ES0105022000

Symbol: APPS-MC

For more information go to www.applus.com/en

FIRST QUARTER REPORT 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 a significant impact on the presentation of the financial results. It supersedes IAS 17 and related interpretations. As a lessee, the main concept behind it is the recognition of all leases under a single balance sheet model similar to that in existence for finance leases. In summary it is the booking of the asset and the corresponding financial liability in the balance sheet and applying depreciation and a finance cost instead of an operating lease cost in the profit and loss account. There is a de-minimis limit where this does not apply. The Group has not restated prior periods but instead shows the comparative figures after the application of this standard (Proforma Q1 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 first quarter (Q1) 2018 figures after the application of IFRS 16 Leases (Proforma Q1 2018). The percentage increase of the Q1 2019 results to the Proforma Q1 2018 results are shown in the final column.

EUR Million	Q1 2019			Q1 2018			Proforma Q1 2018	+/- % Adj. Results PROF
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results		
Revenue	415.4		415.4	381.2	0.0	381.2	381.2	9.0%
Ebitda	63.0	0.0	63.0	42.4	0.0	42.4	54.6	15.4%
Operating Profit	38.4	(14.9)	23.5	30.3	(15.1)	15.3	32.2	19.3%
Net financial expenses	(5.4)	0.0	(5.4)	(5.5)	0.0	(5.5)	(7.5)	
Profit Before Taxes	33.1	(14.9)	18.1	24.8	(15.1)	9.7	24.8	33.5%

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

Adjustments of €14.9 million (Q1 2018: €15.1m) in the Operating Profit represent the amortisation of acquisition intangibles of €14.8 million (Q1 2018: €14.8m) and a charge for other items of €0.2 million (Q1 2018: €0.3m).

In the table below, a summary of the profit and loss is presented showing the impact on the presentation of these results due to the new accounting standard, IFRS 16 Leases.

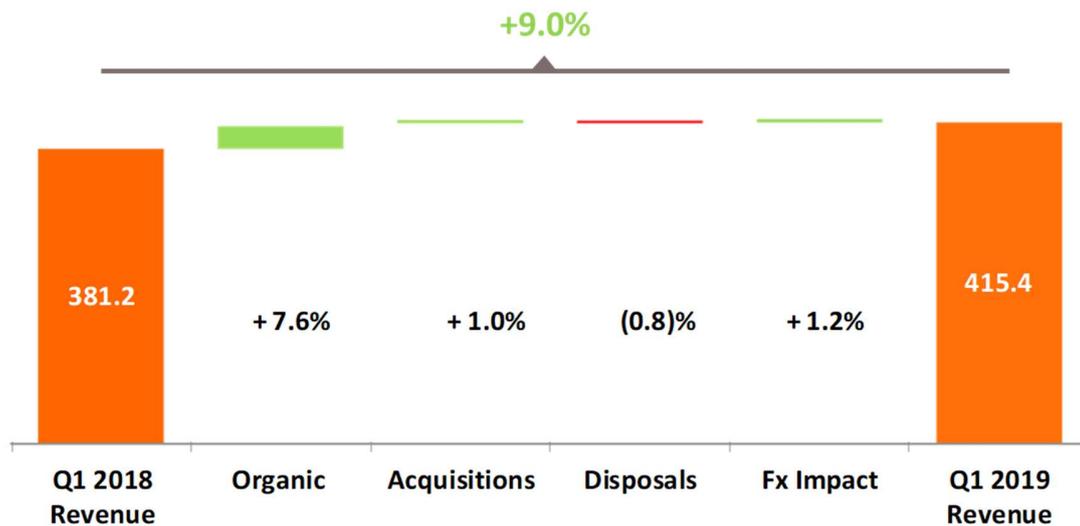
	Excluding IFRS 16			IFRS 16		Including IFRS 16		
	Q1			2019	2018	Q1		
	2019	2018	Change			2019	2018	2019
Revenue	415.4	381.2	9.0%			415.4	381.2	9.0%
Adj. EBITDA	49.1	42.4	15.7%	13.9	12.2	63.0	54.6	15.4%
<i>Ebitda margin</i>	<i>11.8%</i>	<i>11.1%</i>	<i>+ 69 bps</i>			<i>15.2%</i>	<i>14.3%</i>	<i>+ 84 bps</i>
D&A	(12.6)	(12.1)		(12.0)	(10.3)	(24.6)	(22.4)	
Adj. Operating Profit	36.5	30.3	20.3%	1.9	1.9	38.4	32.2	19.3%
<i>Adj.Op.Profit margin</i>	<i>8.8%</i>	<i>8.0%</i>	<i>+ 83 bps</i>			<i>9.3%</i>	<i>8.5%</i>	<i>+ 80 bps</i>
PPA Amortisation	(14.8)	(14.8)				(14.8)	(14.8)	
Other results	(0.2)	(0.3)				(0.2)	(0.3)	
Operating profit	21.6	15.3	41.3%	1.9	1.9	23.5	17.1	37.1%
Finance result	(3.5)	(5.5)		(1.9)	(1.9)	(5.4)	(7.5)	
Profit before tax	18.1	9.7	85.8%	0.1	(0.0)	18.1	9.7	87.1%

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

Revenue

Revenue for the three month period ended 31 March 2019 of €415.4 million was higher by 9.0% compared to the previous year.

The revenue growth bridge for the year in € million is shown below.

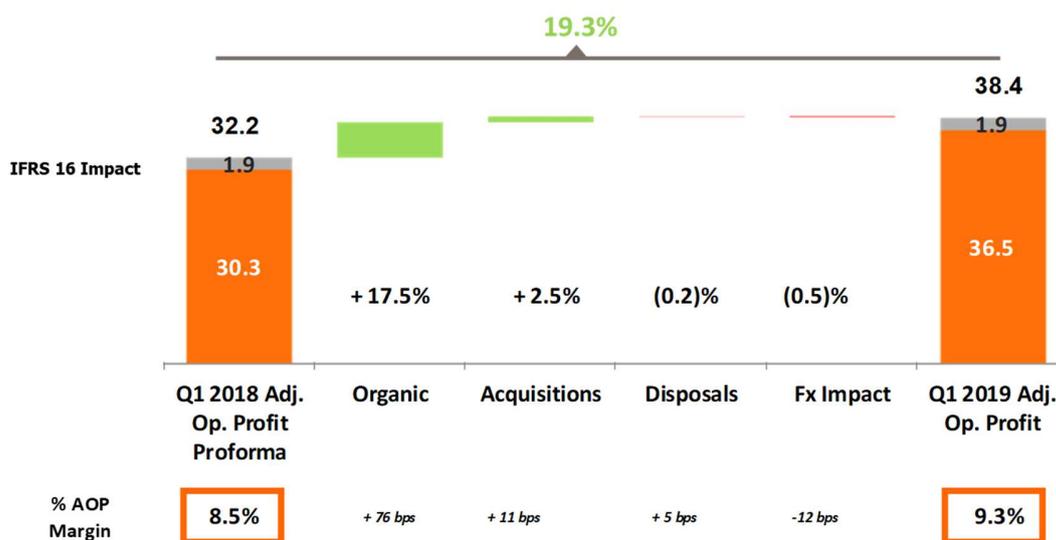


The total revenue increase of 9.0% for the quarter was made up of an increase in organic revenue at constant exchange rates of 7.6%, revenue from acquisitions made after the first quarter of 2018 and those made so far in 2019 of 1.0%, less the revenue from disposals of 0.8% and a positive currency translation impact of 1.2%.

All four divisions of the Group increased their revenue in the first quarter of the year with this coming mainly from each division's organic revenue growth. This was a continuation of the strong growth momentum from last year.

Adjusted Operating Profit

Adjusted operating profit for the first quarter, increased from Proforma Q1 2018 of €32.2 million to €38.4 million or 19.3%. The operating profit growth bridge for the quarter, including the impact of the IFRS 16 Leases accounting change, in € million is shown below.



Organic operating profit was up 17.5%, incremental profit from acquisitions was 2.5% less the operating profit from disposals of 0.2% and there was an unfavourable currency translation impact of 0.5%.

The adjusted operating profit margin was up 80 basis points to 9.3% for the three month period mostly due to an underlying organic margin improvement coming from the two largest divisions of Energy & Industry and from Automotive which benefited from the timing of Easter.

Other Financial Indicators

The net financial expense as reported under the new accounting standard IFRS 16 Leases, of €5.4 million in the quarter was lower than the Proforma Q1 2018 financial expense of €7.5 million due to a lower average amount of debt and a better mix of the currency of the borrowings in the quarter compared to the prior year.

The resulting adjusted profit before tax increased by 33.5% to €33.1 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 over 87% to €18.1 million on a proforma basis.

Cash Flow and Debt

The business generated strong cash flow in the first quarter of 2019 coming mainly from the increase in profit and a reduction in working capital. The reduction in working capital was due to the significant cash collection from the increase in receivables at year end following the high revenue growth in the final quarter of last year in the largest division of Energy & Industry.

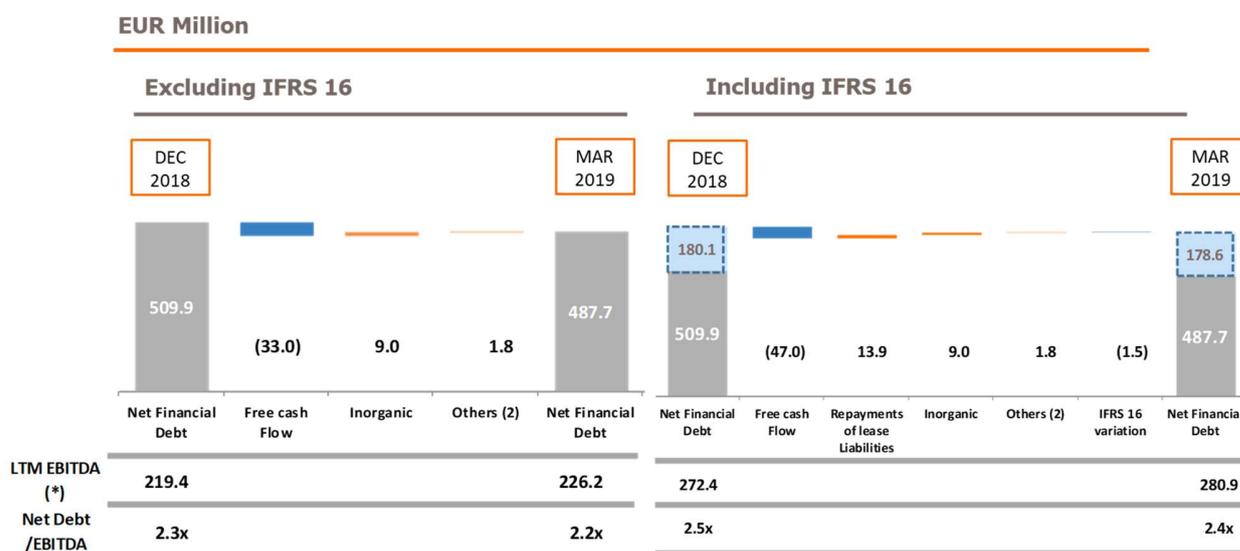
Adjusted operating cash flow (after capital expenditure) of €58.4 million was €25.9 million higher (79.9%) than the corresponding period, Proforma Q1 2018 of €32.5 million. After tax and interest paid, the adjusted free cash flow was €47.0 million which was €16.8 million higher (55.3%) than the corresponding period, Proforma Q1 2018 of €30.2 million.

In the table below, a summary of the cash flow is presented showing the impact on the presentation of these results due to the new accounting standard, IFRS 16 Leases.

	Excluding IFRS 16			IFRS 16		Including IFRS 16		
	Q1			2019	2018	Q1		
	2019	2018	Change			2019	2018 Proforma	Change
Adjusted EBITDA	49.1	42.4	15.7%	13.9	12.2	63.0	54.6	15.4%
Decrease/(increase) in working capital	5.6	(14.4)				5.6	(14.4)	
Capex	(10.3)	(7.8)		-	-	(10.3)	(7.8)	
Adjusted Operating Cash Flow	44.5	20.3	119.4%	13.9	12.2	58.4	32.5	79.9%
<i>Cash Conversion rate</i>	<i>90.6%</i>	<i>47.8%</i>				<i>92.7%</i>	<i>59.4%</i>	
Taxes Paid	(7.9)	0.7				(7.9)	0.7	
Interest Paid	(3.5)	(2.9)				(3.5)	(2.9)	
Adjusted Free Cash Flow	33.0	18.0	83.2%	13.9	12.2	47.0	30.2	55.3%
Extraordinaries & Others	1.0	1.6				1.0	1.6	
Dividends to Minorities	(5.0)	(0.5)				(5.0)	(0.5)	
Operating Cash Generated	29.0	19.1	51.4%	13.9	12.2	42.9	31.3	36.9%
Acquisitions	(9.0)	-				(9.0)	-	
Cash b/Changes in Financing & FX	19.9	19.1		13.9	12.2	33.9	31.3	
Changes in financing	(19.0)	(9.6)		(13.9)	(12.2)	(33.0)	(21.8)	
Currency translations	0.9	(2.7)				0.9	(2.7)	
Cash increase	1.8	6.8		-	-	1.8	6.8	

The financial leverage of the group at the quarter end, measured as Net Debt to last twelve months Adjusted EBITDA was 2.2x (as defined by the bank covenant for the syndicated debt facilities), at a lower level to the position at 31 December 2018 (2.3x).

The impact of including IFRS 16 Leases on the net debt position is to increase the opening net debt at 1 January 2019 by €180.1 million. The chart below shows the net debt change and the corresponding leverage calculation before applying IFRS 16 Leases "Excluding IFRS 16" and after the application of IFRS 16 Leases "Including IFRS 16".



The bank covenant is set at 4.0x under Frozen GAAP which is Excluding IFRS 16 and is tested every six months until the maturity of the debt.

Outlook

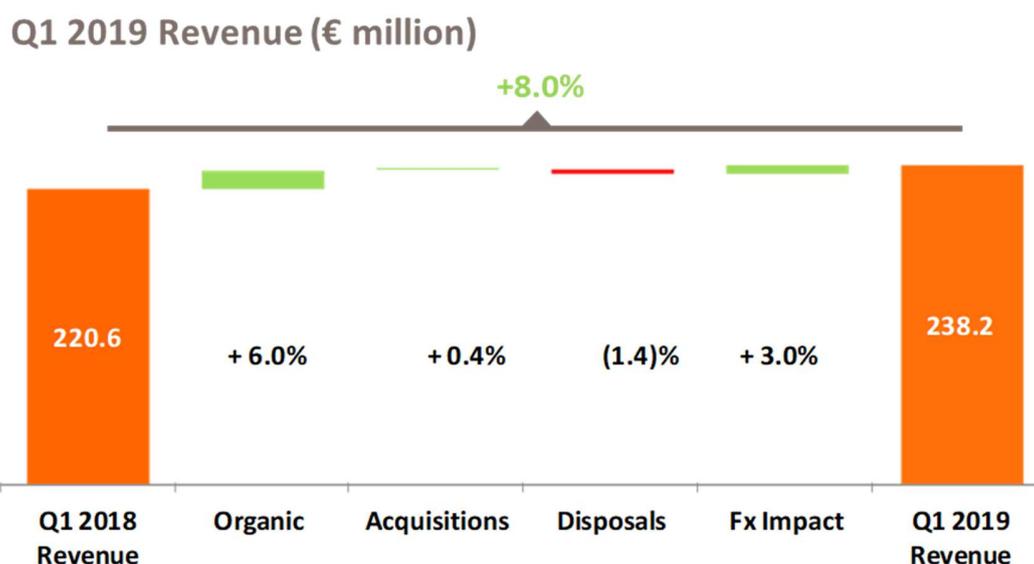
For the full year, and in light of the current market conditions, the Group is expected to continue delivering strong results with organic revenue growth at constant exchange rates to increase at mid-single digits. For the adjusted operating profit margin the guidance is raised. It is now expected that the margin will increase by at least 30 basis points, on a consistent accounting policy basis, which was previously guided as an increase of between 20 to 30 basis points.

Operating review by division

Energy & Industry Division

The Energy & Industry Division is a leading global provider of non-destructive testing, inspection, quality assurance and quality control, project management, vendor surveillance, certification, asset integrity services and technical staffing services. The teams are made up of engineers and technicians with specialist skills focused on assisting companies to develop and control industry processes, protect assets, infrastructure and increased operational and environmental safety. They provide services for different industries such as oil and gas, power, construction, mining, aerospace and telecommunications.

Revenue for Energy & Industry for the first quarter was €238.2 million, which was 8.0% higher than the first quarter last year. Revenue growth bridge:



At constant exchange rates, organic revenue was up by 6.0%. Revenue from the acquisition of the non-destructive testing business for the aerospace industry, Talon Test at the end of last year added 0.4% and there was 1.4% less revenue following the two disposals made in the final quarter of last year. Currency translation was positive in the first quarter mainly due to the stronger US dollar against the Euro and this added 3.0% to the reported revenue.

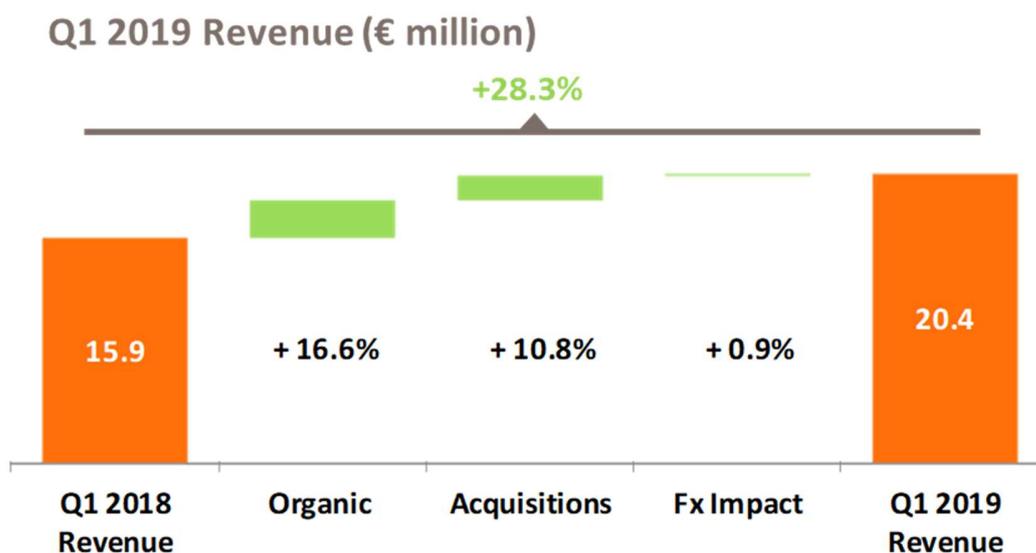
The good revenue growth trend in the Energy & Industry division that started in 2018 continued into the first quarter of 2019 mainly due to a strong performance from the power and aerospace end markets.

The strongest growth came from the three regions of Southern Europe that includes Spain, which in the first quarter was the division's largest country market and has a high exposure to power, construction and telecom infrastructure; the Middle East which is mostly oil and gas and; Latin America. The regions that are more dependent on the oil and gas market like North America and North Europe grew in the low single digits range despite North America having a tough comparison base following the end of several new construction projects this time last year. North Europe benefited from a positive mix effect due to more international capex and opex pipeline projects managed out of the region. Africa and some countries in the Asia Pacific region that are also more dependent on oil and gas, continued to decrease in the first quarter.

Laboratories

The Laboratories Division provides testing, certification and engineering services to improve product competitiveness and promote innovation. The division operates a network of multidisciplinary laboratories in Europe, Asia and North America. With its cutting-edge facilities and technical expertise, the services bring high added value to a wide range of industries, including aerospace, automotive, electronics, information technology and construction. In 2017, 2018 and so far in 2019, the Laboratories Division has acquired seven companies and expanded its testing facilities in order to reinforce its position in the automotive components, fire protection, aerospace parts and calibration sectors.

Revenue for the Laboratories division for the first quarter was €20.4 million, which was 28.3% higher than the first quarter last year. Revenue growth bridge:



The Laboratories Division at constant exchange rates had organic revenue growth of 16.6% for the quarter plus revenue from the last four acquisitions made this

year and last year of a further 10.8%. There was in addition a small currency benefit of 0.9% of revenue.

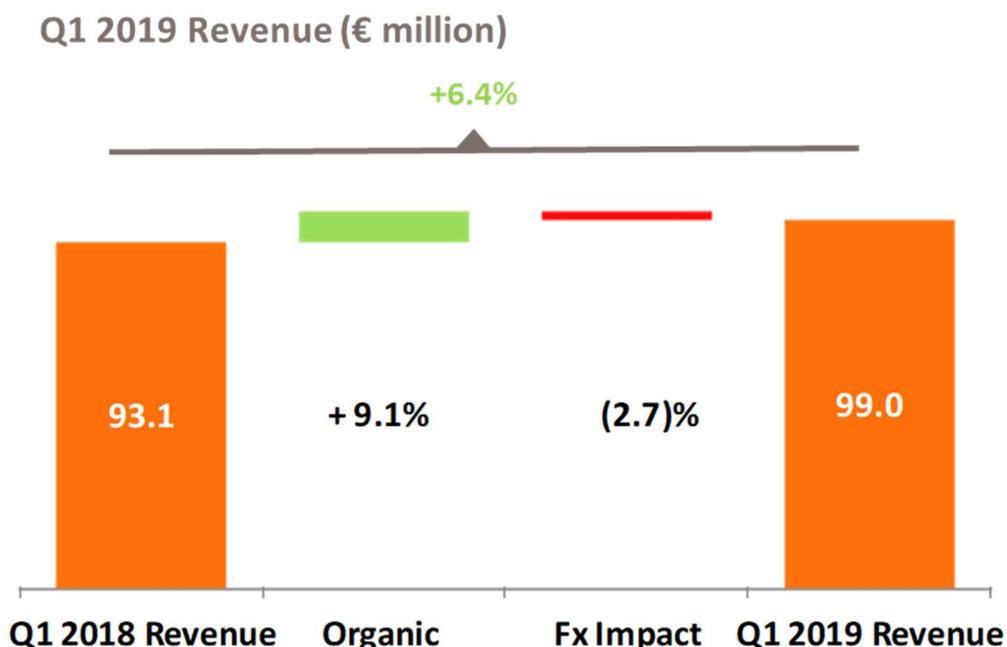
The high level of organic revenue growth was driven by a strong performance in several business lines including electromagnetic compatibility (EMC) testing for auto components, testing for construction and building materials and the metrology service line.

In March, the division made two small, highly strategic acquisitions with high margins. LEM is a metrology laboratory in Spain and A2M 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. Further acquisitions are in the process of being reviewed for this division.

Automotive

The Automotive Division is a leading provider of statutory vehicle inspection services globally. The division provides vehicle inspection and certification services across a number of jurisdictions where periodic vehicle inspections for compliance with technical safety and environmental specifications are mandatory. In 2018, from the 30 programmes held by the Group, 16 million vehicle inspections were carried out and programme managed a further 6.6 million inspections carried out by third parties across Spain, Ireland, Denmark, Finland, the United States, Argentina, Chile, Costa Rica, Andorra, Uruguay and Ecuador.

Revenue for the Automotive division for the first quarter was €99.0 million, which was 6.4% higher than the first quarter last year. Revenue growth bridge:





The Automotive Division at constant exchange rates had organic revenue growth of 9.1% for the quarter less the negative impact of currency of 2.7%.

The organic revenue growth of 9.1% was from good underlying revenue growth across the regions of mid single digits enhanced by the timing of Easter. The main Easter holiday period fell in the first quarter last year and was in the second quarter of this year resulting in more statutory vehicle inspections taking place in the first quarter of this year. The reverse will occur in the second quarter of 2019 with the growth rate expected to be lower than in the first quarter.

The main negative currency impact is from the weaker Argentinian peso against the euro. The revenue from the contracts based in Argentina continue to be consolidated under the hyperinflation accounting standard as explained in the 2018 full year results announcement. Excluding all the business generated in Argentina, the organic revenue growth would have been 7.1% and there would have been a positive currency impact of 1.0%.

The pipeline of further opportunities continues to build and a fourth contract was recently won in Ecuador. The annual revenue for the country after the ramp up of these four contracts is expected to be €4 million with good margins.

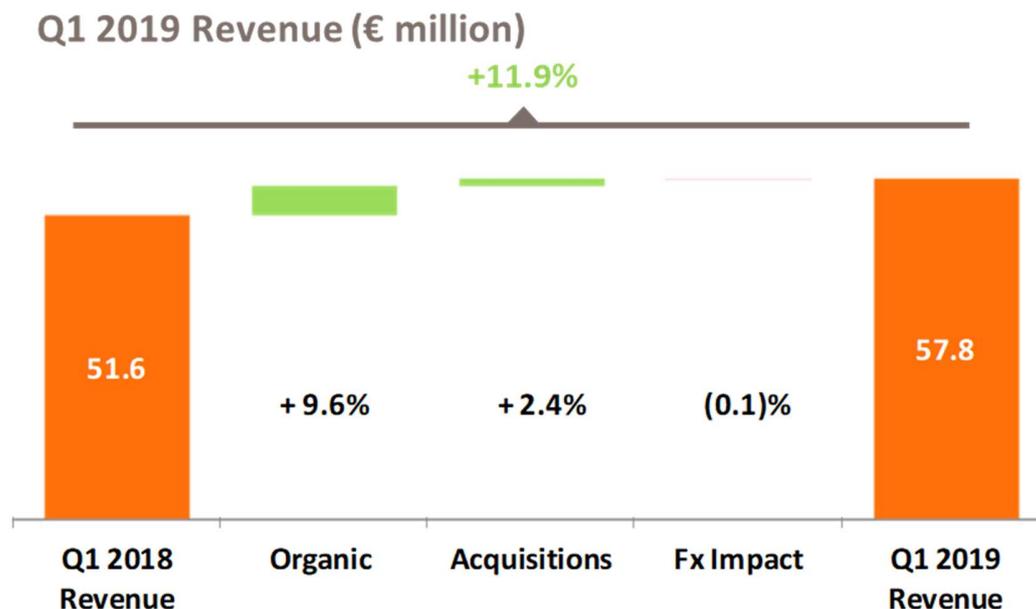
The largest single contract in this division is a statutory inspection programme in Ireland which accounted for 21% of the division revenue in full year 2018 (4.7% of Group revenue) and which after ten years is due to expire in June 2020. The Group presented a bid to win the renewal of the contract for a further ten years and the outcome of this bid is expected either this month or next.

IDIADA

IDIADA A.T. (80% owned by Applus+ and 20% by the Generalitat of Catalonia) has since 1999 been operating under an exclusive contract at the 331-hectare technology centre near Barcelona (owned by the Generalitat of Catalonia), which includes the most comprehensive independent proving ground, testing laboratories and vehicle development centre for motor vehicles in Europe. The contract runs until 2024 and is renewable until 2049.

This division provides services to the world's leading vehicle manufacturers for new product development activities in design, engineering, testing and homologation.

Revenue for the IDIADA division for the first quarter was €57.8 million, which was 11.9% higher than the first quarter last year. Revenue growth bridge:



The IDIADA Division at constant exchange rates had organic revenue growth of 9.6% for the quarter plus revenue of 2.4% from Karco Engineering, the crash testing business bought in California in the second quarter of last year.

The strong organic revenue growth came from all segments and countries due to the increased amount of testing to support the product research and development investments in the automotive industry.

The division continues to invest in facilities to add capacity and new services to meet the increased demand for testing and engineering support with a new track for Connected & Autonomous Vehicles in the process of being built in Spain.

End of announcement.

This announcement is a translation of the first quarter 2019 financial results announcement as filed with the Spanish regulator, Comisión Nacional del Mercado de Valores (CNMV). In cases of discrepancy, the Spanish version filed with the CNMV will prevail.