

How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 25-year overall track record of investing in companies, working to make them better and serving our investors' needs.



Beginning in 2007, Carlyle professionals have worked with Applus+ to help it become one of the 10 largest companies in the testing, inspection and certification sector worldwide.

AT A GLANCE

Applus+

Industry: Technology & Business Services

Region/Country: Spain

Funds: Carlyle Europe Partners II, L.P.
Carlyle Europe Partners III, L.P.

Acquired: November 2007

Status: Current

About Applus+ and the Transaction

The Carlyle Group acquired Applus+, a global provider of testing, inspection and certification services, in November 2007. Headquartered in Barcelona, Applus+ is the eighth largest company in its industry with operations in over 60 countries across all continents. The Company has more than 350 offices and laboratories and employs 18,000 people globally. In 2012, Applus+ generated €1.5 billion of sales and €171 million of EBITDA.

Key Value Creation Metrics

- Transformed the Company into a global platform with leading positions and brands in its segments, being today the eighth largest player in the industry worldwide.
- Accelerated geographic expansion into North America and emerging markets through selective add-on and transformational acquisitions.
- Brought in new leadership, including CEO, and upgraded >75% of top management with world class, experienced professionals.
- Increased headcount from 8,400 employees at acquisition to over 18,000 employees as of December 31, 2012.
- More than doubled revenues and increased EBITDA by approximately 70% during the last five years despite global economic recession.

Global Platform with Leadership Positions and Well Regarded Brands

The Carlyle Group acquired Applus+ in November 2007. At the time, Applus+ was a non-core division of a group of Spanish corporates and generated over 50% of its revenues in Spain. Carlyle identified the potential to transform the Company into a global platform that could take advantage of the growing demand for testing, inspection and certification services globally. Today, Applus+ has global leadership positions across its three main verticals:

20% growth

With Carlyle's guidance, Applus+ has experienced significant growth. Sales have increased by 20% and EBITDA has grown by nearly 25% since its acquisition in 2007 through 2009. During this same period, total employment levels have also risen, increasing 19%.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$176 billion of assets under management across 114 funds and 76 fund of funds vehicles as of March 31, 2013. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,400 people in 34 offices across six continents.

Carlyle believes these selected case studies should be considered as a reflection of Carlyle's investment process, and references to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Carlyle's portfolio companies. The investments described in the selected case studies were not made by any single fund or other product and do not represent all of the investments purchased or sold by any fund or other product. The information provided in these case studies is for informational purposes only and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests in any fund or other product sponsored or managed by Carlyle or its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum, which will be furnished to qualified investors on a confidential basis at their request.

- **Industrial Inspection & Testing:** specialized testing, inspection and certification (“TIC”) services to support industrial customers to meet quality and safety standards. Services include non-destructive testing, vendor inspection, asset integrity management, certification and quality control. Applus+ is currently the second largest provider of TIC services for industrial customers worldwide and the largest global service supplier to clients in the Oil&Gas industry. It operates these markets with the Applus+ RTD, Applus+ Velosi, Applus+ Norcontrol and Applus+ Laboratories brands.
- **Statutory Vehicle Inspections:** inspection of private and commercial vehicles against technical, safety and environmental specifications. Inspecting over 14 million vehicles per year, Applus+ is today the second largest operator worldwide, benefiting from strong market positions in Spain, Ireland, Denmark, Finland, the United States and Latin America.
- **OEM Testing, Engineering & Homologation:** through its Idiada brand it services some of the world's leading vehicle manufacturers (OEMs) with design and engineering, safety assessment and certification. Applus+ operates the most advanced independent testing ground in Europe and has one of the largest teams of engineers specialized in the homologation of vehicles to country specific regulations.

Enhanced Management and Added Industry Expertise to the Board

With Carlyle's assistance, Applus+ recruited world class professionals with deep industry experience to strengthen key management positions. The Company attracted a CEO, CFO and Corporate Development Officer at corporate level and upgraded the top and mid management of its Industrial and Statutory Vehicle Inspection businesses. Today, Applus+ management team is recognized as one of the strongest in the industry.

Carlyle also appointed Richard Nelson to Applus+ board of directors in 2009. Mr. Nelson is a former Chairman and CEO of Intertek with more than 30 years of experience in the industry.

Executed a Successful Acquisition and Internationalization Strategy

The testing, inspection and certification industry is highly fragmented, with a large number of small and medium-sized operators with strong local presence that can benefit from integrating into global platforms such as Applus+, which provide more advanced technological solutions and products to its clients.

Carlyle identified the opportunity during due diligence and, alongside management, designed an ambitious plan aimed at increasing the Company's geographical footprint through targeted acquisitions, with a strong focus in North America and emerging markets. In order to execute on this strategy, Applus+ put together a Corporate Development team to support the sourcing and execution of acquisitions.

Since 2008, Applus+ has closed 20 acquisitions, representing a total investment of over €200 million. This has underpinned very strong growth in emerging markets and North America, which account today for 33% and 20% of revenues respectively.

Recognition of Applus+ as a leading brand has also resulted in the business winning tenders of statutory vehicle inspection programs in the Republic of Ireland and the states of Connecticut, Washington, Illinois and Ontario over the recent years.

Positioned the Business for Future Growth

While growing the business, management also focused on executing a number of initiatives to increase efficiency, reduce operating costs and enhance profitability in each of Applus+ business units. For instance, the Company streamlined corporate and division overheads, created a Purchasing Department to maximize group synergies and outsourced non-core back-office functions to allow more focus on value added activities.

Additionally, Applus+ invested substantial capital to create a solid platform: the Company reinforced its financial reporting tools, both at central and divisional level, to better track and manage profitability and cash flow generation. With Carlyle's assistance, Applus+ also developed an Internal Audit function and established new procedures to approve, execute and monitor acquisitions and investments. The Company also strengthened its procedures to meet FCPA and UK anti-bribery requirements.

The restructuring initiatives and investments undertaken by Applus+ during Carlyle's ownership have resulted in a well invested, solid and lean platform to support the strong growth anticipated for the coming years.