Applus+

2021 First Half Results Announcement
27 July 2021

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 half year ended 30 June 2021 ("the period").

Highlights

- Strong revenue and margin increase over 2020 and on track for full recovery next year
- Auto and Labs in line with pre COVID-19 levels whilst E&I and IDIADA making good progress
- Inorganic growth strategy: Four acquisitions closed year to date and good pipeline
- Strategic repositioning: Sustainable and continued diversification towards higher growth and margin end markets
- Leverage and liquidity are comfortably supporting the investment and growth strategy
- Outlook revised up
- H1 2021 Results:
  - Revenue of €843.0 million up 13.7% (organic[1] up 8.5%)
  - Operating profit[2] of €80.3 million up 133% (organic[1] up 119%)
  - Operating profit[2] margin of 9.5% (4.7% H1 2020)
  - Reported net profit €14.7 million (€169.9m loss H1 2020)
  - Free cash flow[2] of €41.7 million (down 52%)
  - Net debt/EBITDA[3] ratio of 2.7x and liquidity of €585 million

1. Organic is at constant exchange rates
2. Adjusted for Other results, amortisation of acquisition intangibles and impairment (page 4)
3. Excluding IFRS 16

Fernando Basabe, Chief Executive Officer of Applus+:

"The business has achieved a strong recovery in this second quarter and first half, when compared to the equivalent period last year that was significantly affected by coronavirus, also delivering good quarter on quarter sequential growth. This encouraging overall increase in revenue and profit is across most business lines.

The improvement in revenue coupled with the cost control and portfolio mix, has translated to a strong increase in the adjusted operating profit and margin which reached 10.3% in the second quarter.

We had a strong increase in EBITDA offset by a larger than normal working capital outflow resulting in good cash flow, albeit below the level generated last year. The

working capital outflow was as expected and due to the reversal of the strong inflow at the end of last year and the acceleration of revenue growth this year.

Liquidity is strong and leverage is reducing which is enabling us to continue our successful inorganic growth strategy which saw a further four completions this year including Enertis which provides services for Renewables and made just after the period end. Over the last 18 months that brings us to nine highly complementary acquisitions for consideration of over €300 million already delivering material synergies whilst accelerating the mix in our portfolio of businesses towards markets with higher growth and margins.

Based on the strong performance we have seen this first half and confidence we have for the remainder of the year, we have revised up our outlook for revenue growth to be in the mid-teens at constant exchange rates from both organic and acquisitions made to date and margin improving to close to 10%.

It is expected that by the end of next year, the business will be fully recovered on an underlying basis to pre-pandemic levels and this with a more sustainable and diversified portfolio that has higher growth and margins. The structural growth drivers in the testing, inspection and certification markets we operate in continue to be robust and our higher quality portfolio of businesses will ensure good long-term growth."

Presentation and Webcast

There will be a webcast and audio presentation on these results today at 10.00 am Central European Time. To access the webcast, use the link:
https://edge.media-server.com/mmc/p/63wrrhxr

To listen by telephone please first register in advance to receive an email with registration number, passcode and the telephone number to dial:
http://emea.directeventreg.com/registration/5391969

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About Applus+ Group

Applus+ is a worldwide leader in the testing, inspection and certification sector. It is a trusted partner, enhancing the quality and safety of its client's assets and infrastructures while safeguarding their operations. Its innovative approach, technical capabilities and highly skilled and motivated workforce of over 23,000 employees assure operational excellence across multiple sectors in more than 70 countries.

The Group offers a complete portfolio of solutions placing a strong emphasis on technological development, digitalisation and innovation, as well as having the latest knowledge of regulatory requirements.

The Group is committed to improving Environmental, Social and Governance (ESG) indicators. Applus+ helps clients reduce their environmental impact, improving the safety and sustainability of their products and assets, and it has been implementing measures to reduce its own environmental footprint and improve its social and governance measures since 2014, setting specific targets to be reached in 2021. These actions have attracted external recognition: an above-average score of "AA" from MSCI ESG Ratings, an above-average "B" rating from the CDP, a strong rating of 72/100 from Gaïa and the inclusion of Applus+ within the FTSE4Good Index Series of Ibex.

For the full year of 2020, Applus+ recorded revenue of €1,558 million, and an adjusted operating profit of €118 million. Headquartered in Spain, the company operates through four global divisions under the Applus+ brand. It is listed on the Spanish stock markets. The total number of shares is 143,018,430.

ISIN: ES0105022000
Symbol: APPS-MC

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

HALF YEAR REPORT 2021

Overview of performance

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

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

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

EUR Million	H1 2021			H1 2020			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	**843.0**	**0.0**	**843.0**	**741.2**	**0.0**	**741.2**	**13.7%**
Ebitda	**134.3**	**0.0**	**134.3**	**85.4**	**0.0**	**85.4**	**57.3%**
Operating Profit	**80.3**	**(34.5)**	**45.8**	**34.5**	**(196.4)**	**(161.9)**	**132.6%**
Net financial expenses	(11.4)	0.0	(11.4)	(11.6)	0.0	(11.6)	
Profit Before Taxes	**68.8**	**(34.5)**	**34.3**	**22.9**	**(196.4)**	**(173.6)**	**200.9%**
Current Income tax	(17.2)	5.9	(11.3)	(13.8)	7.5	(6.3)	
Extraordinary Income tax	0.0		0.0	0.0	17.0	17.0	
Non controlling interests	(8.3)	0.0	(8.3)	(7.0)	0.0	(7.0)	
Net Profit	**43.3**	**(28.6)**	**14.7**	**2.1**	**(171.9)**	**(169.9)**	
Number of Shares	143,018,430		143,018,430	143,018,430		143,018,430	
EPS, in Euros	**0.30**		**0.10**	**0.01**		**(1.19)**	
Income Tax/PBT	***(25.0)%***		***(32.9)%***	***(60.3)%***		***3.6%***	

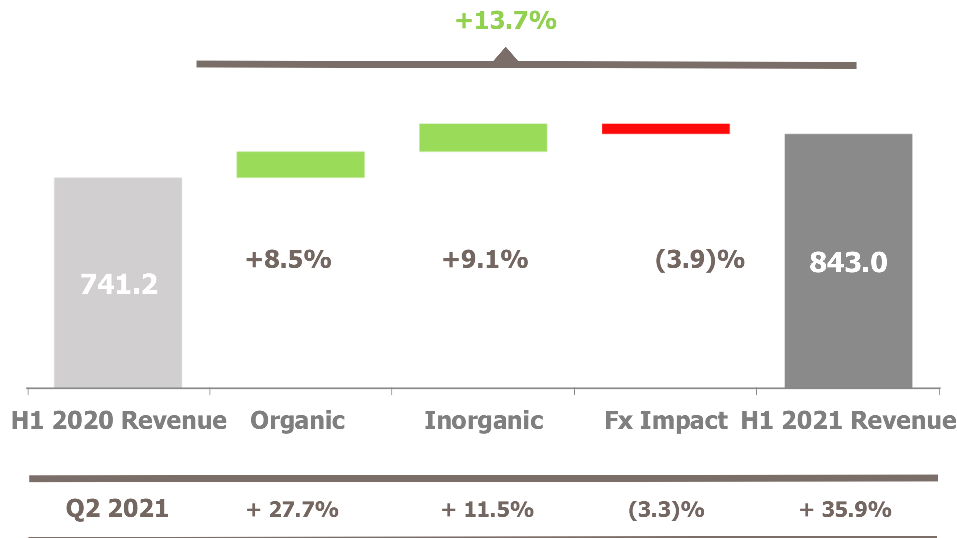
The figures shown in the table above are rounded to the nearest €0.1 million.

Other results of €34.5 million (H1 2020: €196.4m) in the Operating Profit represent amortisation of acquisition intangibles of €31.1 million (H1 2020: €29.2m) plus €3.4 million of transaction costs and other items (H1 2020: €2.2m). Tax of €5.9 million (H1 2020: €7.5m) relates to the tax impact on these Other results. In H1 2020 there was in addition an impairment of goodwill and non-current assets of €165.0 million and an associated reduction in the deferred tax liability of €17.0 million.

Revenue

Revenue increased by 13.7% to €843.0 million in the six-month period ended 30 June 2021 compared to the same period in the prior year.

The revenue bridge in € million for the half year is shown below and the change in revenue in percent for the second quarter of 2021 is shown below the waterfall chart.



The total revenue increase of 13.7% for the period was made up of an increase in organic revenue of 8.5%, the benefit of acquisitions made in the last twelve months of 9.1% and a negative currency translation impact of 3.9%.

In the second quarter, the total revenue was up 35.9% with the organic component of 27.7% plus the contribution from acquisitions of 11.5% less an unfavourable currency translation impact of 3.3%.

The second quarter of 2020 was the first full quarter period to be fully impacted by COVID-19 on the business. The organic revenue is recovering well with the recovery commencing from the third quarter of last year with gradual quarterly improvements in organic revenue change until this current second quarter of 2021 where there has been a material increase in organic revenue change due to the exceptionally soft comparable period.

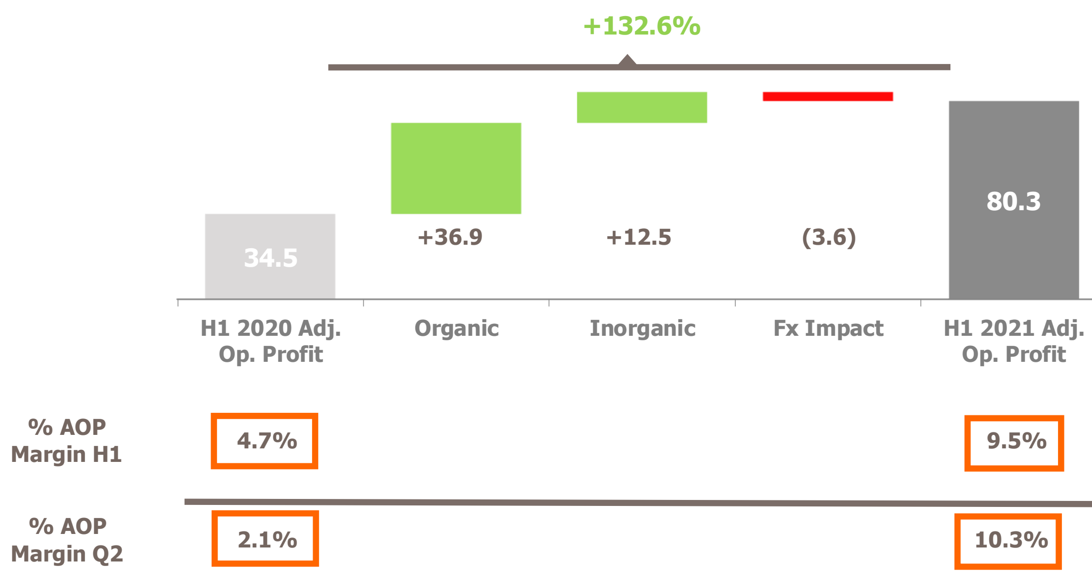
There has been a strong contribution from the acquisitions made in the last twelve months with these adding €65 million in revenue in the half year period or contributing 9% to the growth with these companies in fast growing and high margin businesses.

Compared to same half year period in 2019, before the impact of COVID-19, the business continues to be behind in both total revenue and organic revenue with the shortfall of the total revenue to the first half of 2019 being €33 million or 3.7% and 8.5% for organic revenue.

Adjusted Operating Profit

Adjusted operating profit increased by 132.6% to €80.3 million in the six-month period ended 30 June 2021 compared to the same period in the prior year.

The adjusted operating profit bridge for the half year in € million is shown below, including the amounts relating to organic revenue change, inorganic and the foreign exchange translation impact and the change in adjusted operating profit margin for the first half and for the second quarter of 2021 is shown below the waterfall chart.



The total adjusted operating profit increased from €34.5 million to €80.3 million or an amount of €45.8 million being 133% for the half year. This was made up of an increase in organic adjusted operating profit at constant exchange rates of €36.9 million, a contribution of €12.5 million from the acquisitions made in the previous twelve months, less €3.6 million relating to foreign exchange translation differences. Every division had a significantly higher adjusted operating profit in the first half of this year compared to last year. The margin in the first half of last year was 4.7% and this doubled to 9.5% in the first half of this year.

In the second quarter of last year, the total adjusted operating profit was severely impacted by COVID-19 and was €6.8 million giving a margin of 2.1%. With the

strong recovery in the business in this second quarter, the adjusted operating profit was €45.2 million giving a margin of 10.3%.

Compared to the same half year period in 2019, before the impact of COVID-19, the adjusted operating profit and margin are behind with the shortfall of the total adjusted operating profit to the first half of 2019 being €17.9 million or 18% and the margin in the first half of 2019 of 11.2% being higher than the 9.5% in the first half of 2021.

Other Financial Indicators

The statutory or reported operating profit was €45.8 million in the half year compared to a reported operating loss of €161.9 in the first half of 2020. The main reason for the significant increase in the reported profit from H1 2020 was due to a non-cash impairment charge of €165 million taken in the 2020 half year period as well as a significant recovery in the adjusted operating profit in the first half of 2021.

The net financial expense in the profit and loss was approximately flat at €11.4 million.

The profit before tax on an adjusted basis was €68.8 million compared to €22.9 million in H1 2020 and on a statutory basis was a profit of €34.3 million compared to a loss of €173.6 million. The adjusted profit before tax was three times higher than for the corresponding period last year due mainly to the higher adjusted operating profit. The statutory profit before tax was additionally significantly higher due to the impairment charge incurred in 2020.

The effective tax charge for the first half at €17.2 million was higher than the prior year first half of €13.8 million. This gave an effective tax rate of 25.0% being lower than the rate in the prior period of 60.3% and in-line with the rate in the first half of 2019 of 24.8%. The effective tax rate is expected to be similar at the end of the year. On a statutory basis, the reported tax was a charge of €11.3 million versus a credit of €10.7 million in the first half of last year. The statutory tax credit in the first half of last year was due to a release of the deferred tax liabilities of €17.0 million related to the impairment.

Non-controlling interests increased in the half year from €7.0 million in the first half of last year to €8.3 million in the first half of 2021. The increase of €1.3 million is mainly due to the higher profit generated in the minority interests.

The adjusted net profit was €43.3 million and the adjusted earnings per share was 0.30 cents for the first half period compared to €2.1 million and 0.01 cent in the first half of last year. The statutory or reported net profit was €14.7 million giving an earnings per share of 0.10 cents.

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Cash Flow and Debt

Cash flow generation is good at Applus+ although compared to the first half of last year the cash flow generation was lower mainly due to the working capital changes in the two periods that largely reflects the changing revenue trends experienced in the corresponding periods. In addition, the cash outflows relating to capital expenditure and taxes were much higher in the first half of this year reflecting the resumption of revenue and profit in the period.

	H1			
	2021	2020	Change	
Adjusted Ebitda	**134.3**	**85.4**	**48.9**	**57.3%**
Change in Working Capital	(52.3)	19.6		
Capex	(18.0)	(12.6)		
Adjusted Operating Cash Flow	**64.0**	**92.4**	**(28.4)**	**(30.8)%**
Taxes paid	(16.4)	(0.3)		
Interest paid	(5.8)	(5.2)		
Adjusted Free Cash Flow	**41.7**	**86.9**	**(45.2)**	**(52.0)%**
Extraordinaries & Others	(1.1)	(2.6)		
Dividends to Minorities	(8.1)	(3.4)		
Operating Cash Generated	**32.6**	**80.9**	**(48.3)**	**(59.7)%**
Acquisitions	(60.5)	(4.5)		
Cash b/Changes in Financing & FX	**(27.9)**	**76.4**		
Payments of lease liabilities (IFRS 16)	(29.6)	(26.9)		
Other changes in financing	15.2	137.5		
Currency translations	1.9	(3.8)		
Cash Increase	**(40.4)**	**183.1**		

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

The increase in working capital of €52.3 million is an unfavourable swing of €71.9 million compared to the first half of 2020 due to the change in revenue trend with the increase in revenue generated in the second quarter requiring working capital investment.

Net capital expenditure on expansion of existing and into new facilities was €18.0 million (H1 2020: €12.6m) which represented 2.1% (H1 2020: 1.7%) of Group revenue.

The increase in taxes paid of €16.1 million reflects the higher expected profits to be made in 2021 as well as last year benefiting from some tax refunds received and some permitted tax payment delays as part of the COVID-19 Government assistance schemes.

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Adjusted operating cash flow (after capital expenditure) of €64.0 million was 30.8% lower than for the same period last year when it was €92.4 million. After tax and interest paid, the adjusted free cash flow was €41.7 million, which was 52.0% lower than the first half last year when it was €86.9 million.

The cash outflow of €60.5 million for Acquisitions in the first half relates to the payments made to acquire Inecosa and Adícora from Iberdrola, IMA Dresden and SAFCO.

The final net cash decrease in the period was €40.4 million. This was from the operating cash generated of €32.6 million, less the cash outflow for acquisitions of €60.5 million, the payment or lease liabilities of €29.6 million (from the accounting standard of IFRS16) plus a net increase in the drawdown of borrowings of €15.2 million and a small currency translation difference of €1.9 million.

The financial leverage of the Group is reducing despite the investments made in acquisitions due to the strong increase in the last twelve months EBITDA. At the period end, measured as Net Debt to last twelve months Adjusted EBITDA was 2.7x (as defined by the bank covenant for the syndicated debt facilities), at a lower level to the position at 31 December 2020 when it was 3.0x and at 31 March 2021 when it was 2.9x and considerably lower than the leverage covenant. The next leverage covenant test is at 31 December 2021 and after a period of two tests where the covenant was relaxed, it has been reset back to 4.0x.

At the end of the first half, the amount of cash in the Group was €148.6 million and the undrawn committed facilities at the end of June was €436.4 million giving a total liquidity position of €585.1 million.

Liquidity	
Cash at 30 June 2021	148.6
Undrawn facilities	436.4
Available liquidity	**585.1**

The main borrowings of the Group consist of a bank facility (Term Loan and a revolving credit facility or RCF) that were placed in June 2018 of €600 million, a US private placement (USPP) facility amounting to €230 million placed in July 2018 plus a new USPP borrowing of €100 million placed in this first half period. The bank facility is from a syndicate of twelve banks and had an original maturity date of five years to June 2023 that has been extended by one year on two occasions as permitted under the loan agreement and so now has a maturity date of June 2025. The USPP is from two lenders and are for a term of seven, ten and now also fifteen years, maturing in July 2025, July 2028, June 2031 and June 2036.

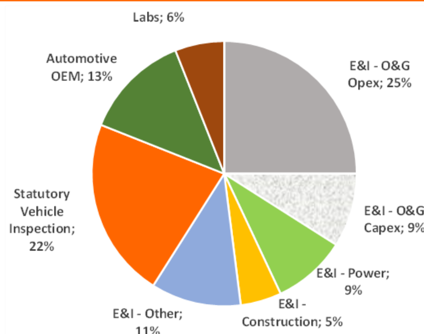
Acquisitions

Applus+ has always been active in investing in companies that add complementary services and end-markets and this has accelerated over the last 18 months with the acquisition of nine companies for a consideration of over €300 million. These bring to the Group an additional €190 million of annual revenue and are already delivering material synergies whilst accelerating the mix in the portfolio of businesses towards markets with higher growth and margins.

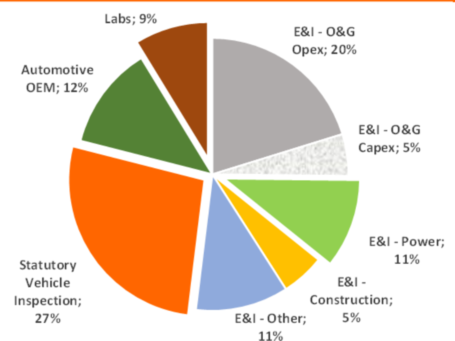
The return on capital employed of these nine acquisitions in the first year is 8.7% and over the next few years this is expected to increase.

Comparing the portfolio of revenue of the Group now including the pro-forma annual revenue of these acquisitions, to 2019 shows the improving mix of business lines with the more cyclical Oil & Gas businesses of which especially Oil & Gas Capex now being a much smaller part of the Group revenue at 5%, and even less in profit, compared to 9% in 2019. Laboratories division, Power within Energy & Industry division and Statutory Vehicle Inspection within Auto division, are all considerably higher.

2019 Portfolio Revenue



Pro-forma 2021 Portfolio Revenue



Outlook

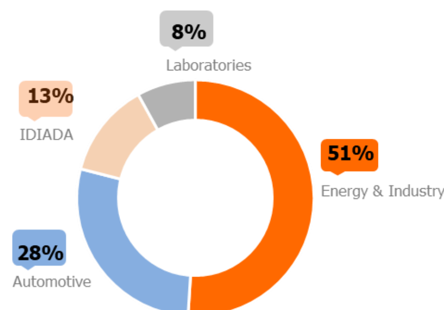
Based on the strong performance seen in the first half and the confidence for the remainder of the year, the outlook for the year has been revised up as revenue growth to be in the mid-teens at constant exchange rates from both organic and acquisitions made to date and margin improving to close to 10%. Furthermore, the inorganic growth strategy will continue to be followed, supported by the liquidity and leverage headroom.

For the longer term, the structural growth drivers in the testing, inspection and certification markets continue to be robust.

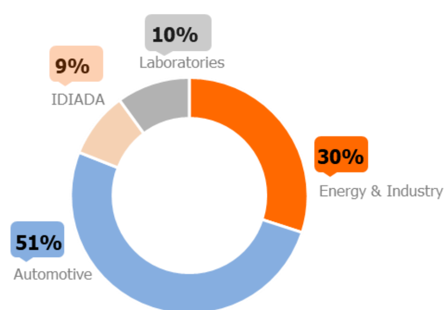
Operating review by division

The Group operates through four global business divisions: Energy & Industry Division, Automotive Division, IDIADA Division and Laboratories Division, and the respective shares of the revenue and adjusted operating profit for the first half of 2021 are shown below.

H1 2021 revenue split



H1 2021 adjusted operating profit split



Energy & Industry Division

The Energy & Industry Division is a leading global provider of 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 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 power, construction, aerospace, telecommunications and oil and gas.

The revenue in the division was €434.9 million and the adjusted operating profit was €28.4 million in the six-month period giving an adjusted operating profit margin of 6.5%.

	H1				
	2021	2020 CCY (1)	Change	Organic	Inorganic
Revenue	434.9	439.0	(0.9)%	*(2.0)%*	*1.1%*
Adj. Op. Profit	28.4	12.2	131.9%	*126.0%*	*5.9%*
% AOP Margin	*6.5%*	*2.8%*			

(1) Constant Currency (CCY). Figures stated at actual H1 2021 FX rates. FX Impact on Revenue is (3.8)% and on Adj. Op. Profit is (13.5)%

The revenue for the first half of 2020 restated at constant currency, was €439.0 million and the actual revenue for the first half of 2020 was €456.2 million. The difference of €17.2 million or 3.8% is from restating the prior period revenue using current exchange rates to be able to measure the growth at constant exchange rates and organic revenue growth at constant exchange rates. The negative currency impact was due to the euro being stronger against the other currencies consolidated for this division, which is primarily the US dollar, but also other South American currencies as well as some Middle Eastern and Asian currencies.

At constant exchange rates, the revenue reduced by 0.9% for the half year period, made up of an organic revenue decrease of 2.0% and an increase in revenue from acquisitions of 1.1%.

The increase in revenue from acquisitions of 1.1% relates to the purchase of Inecosa and Adícora in March 2021 and SAFCO, that although was signed in December last year, completed at the start of June 2021. The revenue from acquisitions will be considerably higher in the second half of the year which will include a full period of the acquisitions completed in the first half plus the acquisition of Enertis that completed at the start of July 2021.

In the second quarter of 2021, the revenue for the division was €232.6 million which was significantly higher than the revenue in the first quarter of €202.4 million, partly due to seasonality effects, but otherwise due to the improving market conditions and was also significantly higher than the reported revenue in the second quarter of 2020 of €207.9 million. The increase over the second quarter of 2020 was 15.1% at constant exchange rates, made up of an increase in organic revenue of 13.1% and an increase from acquisitions of 2.0%. The negative currency impact reduced the second quarter revenue by €5.8 million or 2.8% which was a lower impact than in the first quarter and at current rates, should continue to be a lower impact in the second half of the year.

The adjusted operating profit margin increased from 2.8% in the first half of last year at constant exchange rates to 6.5% resulting in an increase in adjusted operating profit of over 100%. This was mostly from the improvement in the underlying organic revenue generated as well as some benefit from the acquisitions which are at a higher margin than the division overall margin.

As reported, at actual exchange rates, the adjusted operating profit in the first half of last year was €14.2 million giving a margin of 3.1%. The negative currency translation impact has therefore reduced the margin by 30 basis points. It is expected that as the negative currency impact reduces in the second half the impact on the margin will also reduce.

The division is made up of several segments serving different end markets of which the Power segment that now makes up 18% of the division by revenue in this first half is growing strongly and is already above 2019 levels. This is coming from an increase in activity in power generation and power transport and distribution and especially from construction of wind power and other projects relating to renewable energy. Including the acquisition made just after the period end of Enertis, which primarily provides services for solar renewable energy, the proforma amount of Renewables within the Power segment is over a third and this is growing at double digits on an organic basis.

The largest segment of the division continues to be Oil & Gas Opex services which was 40% of the division revenue at the first half. This segment is down by 4% in the first half although had good growth in the second quarter following a sharp decline in the first quarter. Oil & Gas Capex which now accounts for 10% of the division revenue (and 5% of Group revenue) continues to suffer due to fewer new construction projects and was down in the first and second quarter of 2021 compared to the first and second quarter of 2020.

The Mediterranean and Latin American regions that together account for 30% of the division revenue are growing well and are above 2019 levels due to higher exposure to Power including Renewables end markets in these regions.

The significant margin improvement that was seen in the first half compared to last year is expected to continue with this reducing the shortfall in the margin compared to where it was pre-coronavirus.

The three acquisitions that have been completed so far this year add €55 million of revenue to the division on an annual basis at an overall margin above the division and are expected to grow revenue and profit strongly. The first acquisition that was completed this year was in Spain of two separate companies called Inecosa and Adícora which were bought from Iberdrola in March and provide services to the Power industry including for renewable power and green hydrogen manufacture and distribution. The second completed deal was that of SAFCO in Saudi Arabia that provides services to the fast-growing construction industry in the region. And the third acquisition closed so far this year was Enertis in Spain which provides services to the solar energy market as well as for energy storage.

The priority of this division is to accelerate the evolution of the portfolio of markets and services to be more resilient, fast growing and higher margin.

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Automotive Division

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 and is expected to carry out over 16 million vehicle inspections across Spain, Ireland, Denmark, Finland, Sweden, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador, Uruguay and Mexico in 2021. In the programme-managed services, a further 10 million inspections are delivered annually by third parties.

The revenue in the division was €234.8 million and the adjusted operating profit was €48.5 million in the six-month period giving an adjusted operating profit margin of 20.6%.

	H1				
	2021	2020 CCY (1)	Change	Organic	Inorganic
Revenue	**234.8**	**137.9**	**70.2%**	***41.8%***	***28.4%***
Adj. Op. Profit	**48.5**	**24.3**	**99.1%**	***61.1%***	***38.0%***
% AOP Margin	***20.6%***	***17.6%***			

(1) Constant Currency (CCY). Figures stated at actual H1 2021 FX rates. FX Impact on Revenue is (4.2)% and on Adj. Op. Profit is (5.7)%

The revenue for the first half of 2020 restated at constant currency, was €137.9 million and the actual revenue for the first half of 2020 was €144.0 million. The difference of €6.1 million or 4.2% is from restating the prior period revenue using current exchange rates to be able to measure the growth at constant exchange rates and organic revenue growth at constant exchange rates. The negative currency impact was due to the euro being stronger against the other currencies consolidated for this division, which is primarily the US dollar and some South American currencies.

At constant exchange rates, the revenue increased by 70.2% for the half year period, made up of an organic revenue increase of 41.8% and an increase in revenue from acquisitions of 28.4%. The increase in revenue from acquisitions of 28.4% relates to the purchase of Besikta in September last year.

In the second quarter of 2021, the revenue for the division was €117.3 million which was the same as the revenue from the first quarter of €117.5 million despite the first quarter benefiting from some post lockdown recovery from the previous year. The second quarter revenue was nevertheless significantly higher than the reported revenue in the second quarter of 2020 of €55.9 million. The increase over

the second quarter of 2020 was over 100% at constant exchange rates, made up of an increase in organic revenue of 80% and an increase from acquisitions of 38%. The negative currency impact reduced the second quarter revenue by €2.1 million or 3.8% which was a lower impact than in the first quarter and at current rates, should continue to be a lower impact in the second half of the year.

The adjusted operating profit margin increased from 17.6% in the first half of last year at constant exchange rates to 20.6% resulting in an increase in adjusted operating profit of 99%. This was mostly from the significant increase in the revenue generated compared to the prior period where many of the stations were closed for a long period of time.

As reported, at actual exchange rates, the adjusted operating profit in the first half of last year was €25.8 million giving a margin of 17.9%. The negative currency translation impact has therefore reduced the margin by 30 basis points. It is expected that as the negative currency impact reduces in the second half the impact on the margin will also reduce.

The division is performing well, although with the change in seasonality compared to last year, it is expected that the revenue for the year will be €440 million for the year at a similar margin to that achieved in the first half of the year.

The impact of COVID-19 has been to accelerate the digitalisation process especially with online booking and advance payments which has offset some of the lost efficiencies due to the additional cost and measures required to comply with health and safety to reduce the risk of infection.

The acquisition of Besikta Bilprovning in September last year which provides statutory vehicle inspection in Sweden, has been very successful with a strong contribution to the revenue and profit of the division and the expected synergies with the existing business coming through.

The contract held in the USA, in the state of Connecticut that generates approximately €6 million in annual revenue was not renewed and ends at in the last quarter of this year. A new small additional contract was won in the state of Jalisco, Mexico, to add to the first three that were awarded last year and this is expected to commence next year.

Applus+

IDIADA Division

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 and use the assets runs until September 2024 and although it is renewable in five-year periods until 2049, it has been decided that there will be no further extensions but a tender for a new 20 or 25 year concession.

IDIADA A.T. provides design, testing, engineering and homologation services to the world's leading vehicle manufacturers.

The revenue in the division was €107.3 million and the adjusted operating profit was €8.5 million in the six-month period giving an adjusted operating profit margin of 7.9%.

	H1				
	2021	2020 CCY (1)	Change	Organic	Inorganic
Revenue	**107.3**	**99.7**	**7.7%**	***7.7%***	***0.0%***
Adj. Op. Profit	**8.5**	**3.9**	**115.9%**	***115.9%***	***0.0%***
% AOP Margin	***7.9%***	***4.0%***			

(1) Constant Currency (CCY). Figures stated at actual H1 2021 FX rates. FX Impact on Revenue is (0.7)% and on Adj. Op. Profit is (0.9)%

The revenue for the first half of 2020 restated at constant currency, was €99.7 million and the actual revenue for the first half of 2020 was €100.3 million. The difference of €0.6 million or 0.7% is from restating the prior period revenue using current exchange rates to be able to measure the growth at constant exchange rates and organic revenue growth at constant exchange rates.

At constant exchange rates, the revenue increased by 7.7% for the half year period being all organic revenue increase.

In the second quarter of 2021, the revenue for the division was €56.5 million which was higher than the revenue from the first quarter of €50.8 million due to some seasonality effect as well as the good sequential growth in activity. The second quarter revenue was significantly higher than the reported revenue in the second quarter of 2020 of €42.1 million. The increase over the second quarter of 2020 was approximately 34% which was almost all organic at constant exchange rates, with a slight positive impact of currency of 0.2%.

The adjusted operating profit margin increased from 4.0% in the first half of last year at constant exchange rates to 7.9% resulting in an increase in adjusted

operating profit of over 100%. This was due to the significant increase in the revenue generated compared to the prior period where the business was severely affected by the coronavirus pandemic.

As reported, at actual exchange rates, the adjusted operating profit in the first half of last year was €4.0 million giving a margin of 4.0%.

The division is seeing a solid recovery in the business and it is on track to exceed 2019 levels by next year once it is expected the significant disruption from the coronavirus pandemic has reduced and the customers are more willing to travel from one country to another. The share of vehicles that are electric and hybrid has increased again compared to the amount of combustion engine cars and this is expected to continue increasing and the amount of testing and services provided for Advanced Driver Assistance Systems is also continuing to increase at a faster rate than others.

The Proving Ground in Catalonia, that in 2019 accounted for 19% of the division revenue and is the highest margin segment is where vehicles are put through their paces on the tracks, has been suffering the most from the effect of the pandemic due to the international customers reluctance to travel to the region, is now operating at 65% capacity utilisation with customers gradually returning due to the first-class facilities and expertise at the facilities.

The solid recovery of the business and the increased use of the Proving Ground is supporting the margin increase and it is expected that for the second half of the year, the margin continues to improve both sequentially and as an increase over the prior year with this increase being largely driven by increased use of the Proving Ground.

The focus on innovation continues to be important at IDIADA with good projects in a number of areas including a new proprietary 5G network that is required to test connected and self-driving vehicles. This was show-cased at the Mobile World Congress in Barcelona this year with a positive reception and has now been installed at the main facilities in Catalonia.

There is little news relating to the tender for the whole concession other than it has been delayed and it is now expected to be launched next year. The tender is for a new 20 or 25 year concession for when the current contract ends in September 2024 which has been for 20 years plus a five year extension. Once this tender has been awarded it will provide the operator a higher level of security than the five year extensions did.

Laboratories Division

The Laboratories Division provides testing, certification and development engineering services to improve the competitiveness of its clients' products and encourage innovation. The Division has a network of multidisciplinary laboratories in Europe, Asia and North America.

The state-of-the-art facilities and the technical knowledge of its experts allow it to offer high added-value services to a wide range of industries such as aerospace, automotive, electronics, IT and construction.

Since 2017, the Laboratories Division has acquired eleven companies and expanded its testing facilities to reinforce its position in the electrical & electronics, automotive components, fire protection, aerospace parts and calibration sectors.

The revenue in the division was €65.6 million and the adjusted operating profit was €9.7 million in the six-month period giving an adjusted operating profit margin of 14.9%.

	H1				
	2021	2020 CCY (1)	Change	Organic	Inorganic
Revenue	**65.6**	**40.2**	**63.1%**	***9.7%***	***53.4%***
Adj. Op. Profit	**9.7**	**3.7**	**163.1%**	***63.6%***	***99.5%***
% AOP Margin	***14.9%***	***9.2%***			

(1) Constant Currency (CCY). Figures stated at actual H1 2021 FX rates. FX Impact on Revenue is (1.2)% and on Adj. Op. Profit is (2.8)%

The revenue for the first half of 2020 restated at constant currency, was €40.2 million and the actual revenue for the first half of 2020 was €40.7 million. The difference of €0.5 million or 1.2% is from restating the prior period revenue using current exchange rates to be able to measure the growth at constant exchange rates and organic revenue growth at constant exchange rates.

At constant exchange rates, the revenue increased by 63.1% for the half year period of which 9.7% was organic revenue increase and over 50% was from acquisitions.

The increase in revenue from acquisitions of 53.4% relates to four purchases over the last twelve months. ZYX Metrology was a small acquisition and purchased in March 2020 and so contributed to only two months to the acquisition revenue, with remainder within organic revenue. Reliable Analysis and QPS were large acquisitions and were purchased at the end of September and November respectively and so contributed six months of revenue each. The last acquisition made by the Laboratories division was of IMA Dresden which was purchased at the end of May and so contributed one month to acquisition revenue. IMA Dresden

is a material testing laboratory in central Europe with annual revenue of approximately €25 million.

In the second quarter of 2021, the revenue for the division was €34.2 million which was around 10% higher than the revenue in the first quarter of €31.4 million, due to steadily improving market conditions as well as the further contribution from the acquisition of IMA Dresden. The second quarter revenue of 2021 was also significantly higher than the reported revenue in the second quarter of 2020 of €18.4 million, by 87.2% at constant exchange rates of which 21.3% was organic and 65.9% was inorganic. The negative currency impact in the second quarter was immaterial at €0.1 million and less than 1%.

The adjusted operating profit margin increased from 9.2% in the first half of last year at constant exchange rates to 14.9% resulting in an increase in adjusted operating profit of over 160%. This was due to both the underlying organic revenue as well as the benefit from the higher margin acquisitions.

As reported, at actual exchange rates, the adjusted operating profit in the first half of last year was €3.8 million giving a margin of 9.4%. The negative currency translation impact has therefore reduced the margin by 20 basis points.

The division had strong growth overall and the activity is in line with pre-COVID levels with the Electrical & Electronic segment that in the first half accounted for 39% of the division revenue performing particularly well in the Asia region which offset slower performance in Europe due to a shortage of micro-chips for cars and electronic devices resulting in a slow-down in testing for these products.

The next largest segment within the division is the Mechanical Labs accounting for 24% of the division revenue and this is temporarily suffering due to challenging conditions in the aerospace market which is a large part of this segment. The market is expected to recover next year.

The other segments including Construction and Metrology and calibration are performing strongly.

Laboratories had a strongly improving adjusted operating profit margin and the highest ever reported for the division at 14.9% and it is expected that this margin improvement will continue, resulting in a higher margin in the medium term.

Applus

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, impairment and transaction & integration costs
- **PPA Amortisation** corresponds to the Purchase Price Allocation related to acquisitions, allocated to intangible assets and amortised and Goodwill reduction for finite life concessions
- **Capex,** realised investments in property, plant & equipment or intangible assets
- **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 and pre-IFRS16.
- **Leverage**, calculated as Net Debt/LTM EBITDA as per bank covenant definition
- **AOP,** Adjusted Operating Profit
- **EPS**, Earnings per share
- **NDT**, Non-destructive testing
- **P.A.,** per annum
- **FX**, Foreign exchange
- **LTM**, Last twelve months
- **ROCE,** Adjusted Operating Profit / Capital Employed

End of 2021 Half Year Results Announcement. This announcement is a translation of the Spanish version which is extracted from the Interim Condensed Consolidated Financial Statements at 30 June 2021 and 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.