2023 First Quarter Trading Update
9 May 2023

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading and most innovative companies in Testing, Inspection and Certification, today releases a trading update for its first quarter ("quarter" or "Q1") ended 31 March 2023.

References to revenue, adjusted operating profit, margin and cash flow are on a continuing basis excluding the disposals recently made, unless otherwise stated.

Highlights
- Strong momentum in organic revenue growth
- Margin up 80 basis points due to the active portfolio strategy
- Solid cash flow generation, with comfortable leverage and liquidity
- Second 5% share buyback almost complete
- Outlook for full year maintained
- Strategic Plan targets on track including the 12% margin for 2024

Q1 financial results
- Revenue of €476.8 million, 10.2% higher (organic[1] +8.8%)
- Operating profit[2] of €47.9 million at a margin of 10.0%, +80 basis points
- Adjusted free cash flow[2] of €34 million, (Q1 2022: €42 million)
- Net debt/EBITDA[3] ratio 2.6x and liquidity of €476 million

2023 Outlook
- Mid to high single digit organic revenue growth
- Stable margin[2,4] on current portfolio
- Continued focus on portfolio mix quality improvement through further acquisitions and selected divestments

1. Organic is at constant exchange rates
2. Adjusted for Other Results, amortisation of acquisition intangibles and IDIADA Accelerated Depreciation (see page 10)
3. Excluding IFRS 16
4. Current portfolio is before the divestment of US Oil and Gas business

Joan Amigó, Chief Executive Officer of Applus+, said:

"We had a strong start to the year with demand for our services remaining robust across the board, and price increases successfully being applied to manage cost inflation. We delivered strong double digit organic revenue growth in three of our four divisions with Automotive still being impacted by the ending of the contract in Costa Rica in July last year.

Our operating profit margin of 10.0% for the first quarter of the year is 80 basis points above that reported in the first quarter of 2022. This was mainly due to the progress made in our portfolio mix strategy, including the recent agreement to sell *the Oil & Gas business in the USA. The underlying margin performed well due to the strong revenue growth and the cost efficiency plans taking effect, however this was more than offset by the ending of the Costa Rica contract.*

Given our strong start to the year I want to reiterate our confidence in meeting our 2023 financial outlook. After the completion of the disposal of our Oil & Gas business in the USA, which we expect to take place in the next few months, we will adjust our margin guidance upwards. We are fully on track to meet all the Strategic Plan targets for 2024, including the operating margin of 12%."

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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 (TIC) sector. It has a broad portfolio of services for customers in all types of industries to ensure that their assets and products meet quality, health & safety and environmental standards and regulations.

The company drives increasingly profitable revenue generation through its sustainability services supported by innovation and digitalisation at all levels and invests in the development of proprietary solutions. The Group strategy aligns with the global megatrends of Energy Transition, Electrification and Connectivity.

Headquartered in Spain and listed on the Spanish stock markets, Applus+ operates in more than 70 countries and employs over 26,000 people. For the full year of 2022, Applus+ reported revenue of €2,050 million, and an adjusted operating profit of €202 million. The total number of shares is 135,867,508.

Applus+

The Group is at the forefront of ESG best practices which is recognised by external ratings agencies.

S&P Global	Sustainalytics	Gaïa Rating	CDP	Standard Ethics	MSCI ESG Ratings	FTSE4Good
54/100	**13.3**	**70/100**	**B** Rating	**EE+**	**AA**	**Included**
Top 19%	Low Risk	Above average	Above average	Very Strong	Leader	

ISIN: ES0105022000
Symbol: APPS-MC

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

Discontinued operations and Proforma numbers

Revenue, adjusted operating profit, margin and other financial indicators, in 2023 are reported as required by the applicable accounting standards on a continuing basis, removing the amounts in the current year and in the comparable year for the two disposals recently made and the third disposal due to complete in the next few months. To allow for a cleaner comparison between the periods and to reflect the business performance on a continuing basis, the comparable financial indicators in 2022 are referred to as "proforma", and where appropriate the actual reported figures in 2022 may also be shown.

Within the Automotive division, the business and operations in Finland were sold in December 2022 which had revenue of €13.0 million in 2022 of which €3.0 million was in the first quarter.

The sale of the business of the Automotive division in the USA, with revenue in 2022 of €36.6 million of which €7.5 million was in the first quarter, was announced in December last year and the sale completed in February.

The disposal of the Oil & Gas business in the USA that is held within the Energy & Industry division was announced on the 30th March this year and the completion of this disposal is expected in the next few months. The revenue from this business was €101.8 million in 2022 of which €19.5 million was generated in the first quarter of 2022.

Appendix 2 has a table with the revenue by quarter of these discontinued operations.

Profit and Loss Overview

	Q1				
	2023	2022 Proforma	Change vs Proforma	2022 Reported	Change vs Reported
Revenue	**476.8**	**432.5**	**10.2%**	**462.4**	**3.1%**
Adj. Op. Profit b/AD [1]	**47.9**	**44.9**	**6.7%**	**42.7**	**12.0%**
Adj. Op. Profit margin b/AD [1]	***10.0%***	***10.4%***		***9.2%***	
Accelerated depreciation	(1.9)	(1.2)		(1.2)	
Adj. Operating Profit	**46.0**	**43.6**	**5.4%**	**41.5**	**10.9%**
Adj. Op. Profit margin	***9.7%***	***10.1%***		***9.0%***	
PPA Amortisation	(15.7)	(16.9)		(17.1)	
Other results	(4.4)	(0.9)		(0.6)	
Operating profit	**25.9**	**25.8**	**0.4%**	**23.8**	**8.8%**
Finance Results	(8.1)	(6.1)		(5.8)	
Profit before tax	**17.9**	**19.7**	**(9.5)%**	**18.0**	**(0.8)%**

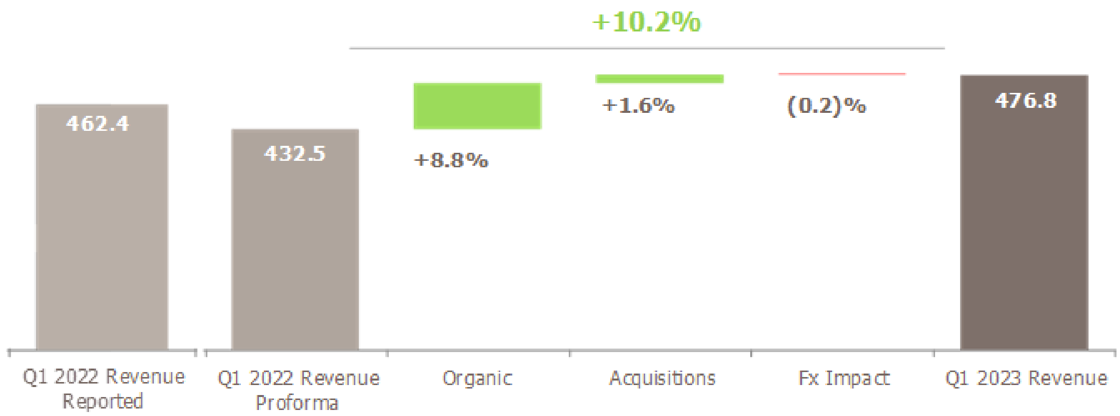
The figures shown in the table above are rounded to the nearest €0.1 million

1. AD is IDIADA accelerated depreciation to adapt assets useful life to contract/concession duration

Revenue

Revenue for the three-month period ending 31 March 2023 was €476.8 million which was 3.1% higher than the revenue of €462.4 million reported in the first quarter of last year and 10.2% higher compared to €432.5 million of proforma revenue, in the first quarter of last year.

The revenue bridge for the first quarter in € million is shown below.



The Q1 2022 Revenue Proforma was €29.9 million lower than the Q1 2022 Revenue Reported due to the discontinuation through disposal of three businesses.

The total revenue increase of 10.2% for the quarter was made up of an increase in organic revenue at constant exchange rates of 8.8%, a contribution in revenue from acquisitions made in the previous 12 months of 1.6% and a slightly negative currency translation impact of 0.2%.

It was a good start to the year with demand for services remaining robust across the board supplemented by price increases. There was strong double digit organic revenue growth in three of the four divisions with only Automotive having lower organic revenue due to the ending of the contract in Costa Rica in July last year.

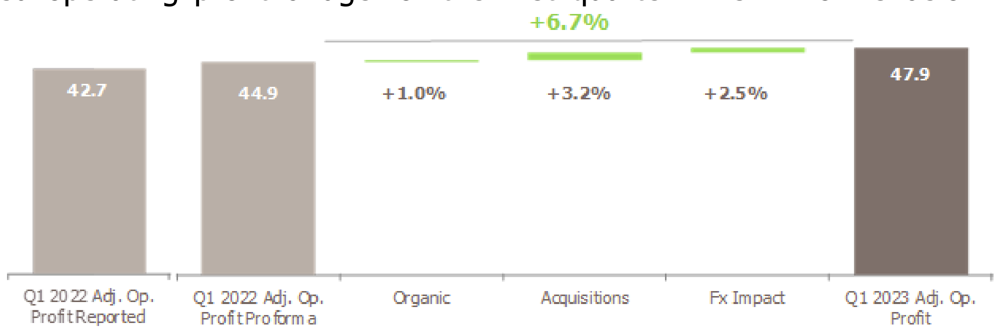
The 1.6% inorganic revenue growth relates to six acquisitions that closed in the previous 12 months with the most contribution coming from Riportico that closed in February of this year and K2 Ingeniería and Lightship, purchased last year.

Of the revenue in the first quarter of 2023, half was generated in the reporting currency of the Group (euro) and the other half in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 14%. The average exchange rate of the US dollar to euro was stronger in the first quarter of this year compared to the first quarter of last year giving a positive currency benefit, but this was offset by the revenue generated in other currencies in the Group which were on average weaker, with the net result of a slightly negative currency impact of 0.2% on revenue.

Adjusted Operating Profit

Adjusted operating profit for the three-month period ending 31 March 2023 was €47.9 million which was 12.0% higher than the adjusted operating profit of €42.7 million reported in the first quarter of last year and 6.7% higher compared to €44.9 million of proforma adjusted operating profit, in the first quarter last year.

The adjusted operating profit bridge for the first quarter in € million is below.



% Adj. Op. Profit Margin Q1 excl. IDIADA AD[1]	9.2%	10.4%	10.0%
% Adj. Op. Profit Margin	9.0%	10.1%	9.7%

1. AD is IDIADA accelerated depreciation to adapt assets useful life to contract/concession duration

The Q1 2022 Adjusted Operating Profit Proforma was €2.2 million higher than the Q1 2022 Adjusted Operating Profit Reported due to the discontinuation through disposal of three businesses.

Organic adjusted operating profit was up 1.0%, incremental profit from acquisitions was 3.2% and currency translation was a positive impact of 2.5%.

The adjusted operating profit margin was 10.0%, 80 basis points above the reported first quarter margin of 2022 and is 40 basis points below the equivalent proforma margin of 10.4% in Q1 2022.

The margin increase of 80 basis points compared to the reported first quarter margin in 2022 is due primarily to the disposals of the three businesses as described above. In aggregate these businesses had revenue in the first quarter of 2022 of €29.9 million and an adjusted operating loss of €2.2 million. The margin decrease of 40 basis points compared to the proforma results in 2022 was mainly due to the ending of the contract in Costa Rica in July 2022 which, alongside the ending of the Automotive contract in Alicante, will have a slightly higher negative impact in the second quarter after which the Costa Rica contract will annualize and therefore these contract ends will have less of an impact on the margin in the third and fourth quarters.

Other Financial Indicators

The reported operating profit was €25.9 million in the year compared to a reported operating profit of €25.8 million in the previous period. The reported operating profit is after deducting IDIADA Accelerated Depreciation of €1.9 million (Q1 2022: €1.2m), PPA Amortisation of €15.7 million (Q1 2022: €16.9m) and Other results of €4.4 million (Q1 2022: €0.9m) from the adjusted operating profit as detailed in Appendix 1.

The net financial expense in the profit and loss for the period was €8.1 million (Q1 2022: €6.1m), higher than the prior year due to the higher cost of debt in 2023 compared to 2022 from rising interest rates.

The profit before tax on an adjusted basis was €38.0 million compared to €37.6 million for the first quarter of 2022 and on a statutory basis was €17.9 million compared to a profit of €19.7 million in the first quarter of 2022. The adjusted profit before tax was slightly higher than for the corresponding period last year due to the higher adjusted operating profit.

Segmental Analysis

Breakdown of revenue in € million and the percentage growth for the first quarter of the year compared to the prior year first quarter.

Revenue	Actual 2023	Growths				Actual 2022 Proforma
		Organic	Inorganic	FX	Total	
Energy & Industry	249.8	11.2%	1.7%	0.2%	13.1%	220.8
Laboratories	55.1	15.0%	3.6%	0.2%	18.8%	46.4
Auto	100.3	(5.3)%	1.3%	(1.0)%	(5.0)%	105.6
Idiada	71.7	19.8%	0.0%	0.2%	20.0%	59.7
Total Revenue	**476.8**	**8.8%**	**1.6%**	**(0.2)%**	**10.2%**	**432.5**

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

Energy & Industry reported revenue of €249.8 million for the quarter, being just over half of the revenue of the Group and delivered very strong growth of 13.1% of which 11.2% was organic. There was high demand for services across the division and all regions with double digit growth in Australia, the Middle East and Latin America coming from increased construction projects for civil infrastructure, new power generation and distribution including renewables and strong demand for oil and gas infrastructure testing and inspection for Opex, while oil and gas Capex revenue decreased.

Laboratories had first quarter revenue of €55.1 million, which is now at 12% of the Group, and had very strong revenue growth of 18.8% of which 15.0% was organic. Strong growth continues due to the electrification and connectivity global mega-drivers with the business supporting manufacturers of electronic component and high voltage devices and the increased testing for cybersecurity in line with emerging threats and assurance requirements. China is performing particularly well, driven by testing for the electric vehicle industry especially as this time last year there was a negative impact from the lockdowns in Shanghai.

The Auto division with €100.3 million of revenue in the quarter or 21% of the Group revenue had a decrease in revenue of 5.0% of which 5.3% was an organic revenue decrease. The biggest impact on this division is from the ending of the contract in Costa Rica in July 2022 which in the first quarter of 2022 generated €9.4 million of revenue. Without this effect Auto would have grown organically by 6%. A similar or slightly higher negative impact will be seen in the second quarter due to Costa Rica plus the effect of the ending of the contract in February 2023 in Alicante. The rest of the division performed well on average with only Sweden having lower revenue in the first quarter compared to last year due to a changing competitive situation which normalises in the second quarter. There are no material contracts ending until December 2027 and the division continues to market in new regions where it is well positioned to be awarded new contracts.

The IDIADA division with €71.7 million of revenue or 15% of the Group in the first quarter delivered very strong revenue growth of 20.0% of which 19.8% was organic. This strong growth is a continuation of the performance from last year with high demand for testing electric engines, vehicle batteries, advanced driver assistance systems and full body electric and hybrid vehicles. The significant size one-off project that materially increased revenue last year has continued this first quarter and is expected to continue in the coming quarters, but at a reducing level of activity.

The tender for the concession to manage this business that ends in September 2024 continues to be awaited.

Segmental reporting changes

The aerospace testing business in the US that was in the Energy & Industry division in 2022 has been transferred to Laboratories as of the start of this year. The revenue related to this business was €25.5 million in 2022 of which €5.4 million was generated in the first quarter of 2022. The table below shows the revenue relating to this business in 2022 by quarter and the results reported in 2023, including in this first quarter, are amended to reflect this change and to allow for a truer comparison from period to period.

From E&I to Labs	2022 Revenue					
	Q1	Q2	H1	Q3	Q4	FY
Aerospace	5.4	6.2	11.6	6.9	7.0	25.5

Cash Flow and Net Debt

Cash flow generation was solid in the first quarter despite this being the seasonally weakest cash generation quarter of the year. The working capital increased by €21 million from the year end position due to the increase in revenue. The ratio of working capital to sales remained steady at around 5%. Capital expenditure on new assets (capex) was €12 million in the first three months. After tax and interest outflow, the adjusted free cash flow generation was €34 million compared to €42 million in the prior year´s first quarter.

Net debt at the quarter end was €876 million (€861 million at 31 December 2022). Net debt calculated using the debt covenant definitions (excluding the impact of IFRS16) was €686 million (€670 million at 31 December 2022). The available liquidity remains high, at €476 million.

The financial leverage of the Group at the end of March 2023, measured as Net Debt to last twelve months Adjusted EBITDA, was 2.6x (as defined by the debt covenants), lower than at the end of March 2021 when it was 2.8x and the same as the position at 31 December 2022 when it was 2.6x. The leverage covenant is set at 4.0x which is considerably higher than the current level and is tested twice per year at the end of June and December.

Second Share buyback programme

Following the successful conclusion of the first 5% share buyback programme fully executed in 2022, the Group is part way through a second 5% share buyback programme that commenced in November 2022 and is continuing.

In the first quarter of 2023, a total of 3.3 million shares were bought for a total cash outflow of €22.9 million. Including the shares purchased for this second share buyback programme from the 9th November 2022 and up to the 31st March 2023, 5.1 million shares have been bought for a total cost of €34.1 million, being 3.8% of the total issued share capital outstanding. The average price of these purchases was €6.62. The remaining 1.7 million shares to be bought back (or a further 1.2% of the total issued share capital) is expected to be achieved within this second quarter of 2023.

At the Annual General Meeting of shareholders, scheduled for the 8th of June 2023, the Board is expected to propose a resolution to cancel the entire 5.0% (or the % effectively acquired so far) of share capital purchased in this second buyback programme.

Outlook

The outlook for the full year remains unchanged. It is for organic revenue growth of mid to high single digits and a stable margin on the current portfolio of businesses, before adjusting for the disposal of the Oil & Gas operations in the USA and before IDIADA accelerated depreciation. The focus on portfolio mix quality improvement through further acquisitions and selected divestments continues.

After the completion of the disposal of the Oil & Gas business in the USA, which is expected to take place in the next few months, the margin guidance will be adjusted upwards.

Further out, the Group remains confident that it is on track to meet all the Strategic Plan targets for 2024, including the operating profit margin of 12%.

Appendix 1

Reconciliation of Adjusted to Statutory results

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 are adjusted for acquisitions or disposals (unless classified as discontinued operations), in the prior twelve-month period and are stated at constant exchange rates, taking the current year average rates used for the income statement and applying them to the results in the prior period.

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

	Q1 2023			Q1 2022 Proforma			
EUR Million	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	+/- % Adj. Results
Revenue	476.8	0.0	476.8	432.5	0.0	432.5	10.2%
Ebitda	75.2	0.0	75.2	69.9	0.0	69.9	7.6%
Operating Profit	46.0	(20.1)	25.9	43.6	(17.8)	25.8	5.4%
Net financial expenses	(8.1)	0.0	(8.1)	(6.1)	0.0	(6.1)	
Profit Before Taxes	38.0	(20.1)	17.9	37.6	(17.8)	19.7	1.1%

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

Other results of €20.1 million (Q1 2022: €17.8m) in the Operating Profit represent amortisation of acquisition intangibles of €15.7 million (Q1 2022: €16.9m) with the remaining €4.4 million relating to restructuring, transaction costs relating to acquisitions and other gains and losses.

Appendix 2

Revenue by quarter of the three discontinued operations

Discontinued Operations	2022 Revenue					
	Q1	Q2	H1	Q3	Q4	FY
Revenue Reported	**462.4**	**524.3**	**986.7**	**532.2**	**531.0**	**2,049.9**
Auto USA	(7.5)	(8.8)	(16.3)	(11.3)	(9.1)	(36.6)
Auto Finland	(3.0)	(3.7)	(6.7)	(3.6)	(2.7)	(13.0)
US Oil & Gas	(19.5)	(26.3)	(45.8)	(30.6)	(25.4)	(101.8)
Total discontinued	**(29.9)**	**(38.9)**	**(68.8)**	**(45.5)**	**(37.1)**	**(151.4)**
Revenue Proforma	**432.5**	**485.4**	**917.9**	**486.7**	**493.9**	**1,898.5**

Appendix 3

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.

- **Acquisition**, the benefit from acquisitions made in the previous twelve months
- **AD - IDIADA accelerated depreciation**, to adapt assets useful life to contract/concession duration
- **Adjusted measures** are stated before other results
- **AOP**, Adjusted Operating Profit
- **CAGR**, Compounded Annual Growth Rate
- **Capex**, realised investments in property, plant & equipment, or intangible assets
- **Cash conversion**, calculated as the ratio of EBITDA minus capex & change in working capital over EBITDA
- **EBITDA**, measure of earnings before interest, taxes, other results and depreciation and amortisation
- **EPS**, Earnings per share
- **EV**, Electrical Vehicle
- **FX**, Foreign exchange
- **FX impact**, The impact on the prior period revenue and adjusted operating profit from the restatement to current foreign exchange rates
- **Free Cash Flow**, operating cash generated after capex investment, working capital variation and tax & interest payments and before leases
- **Inorganic**, The revenue or adjusted operating profit relating to acquisitions and disposals (unless classified as discontinued operations) made in the previous twelve months

▪ **Leverage**, calculated as Net Debt/LTM EBITDA as per bank covenant definition
▪ **LTM**, Last twelve months
▪ **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
▪ **Net Profit**, measure of earnings operating profit after interest, taxes and minorities
▪ **Operating Profit**, measure of earnings before interest and taxes
▪ **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
▪ **P.A.**, per annum
▪ **PPA Amortisation** corresponds to the amortisation of the Purchase Price Allocation related to acquisitions, allocated to intangible assets and Goodwill reduction for finite life concessions
▪ **Proforma**, removing the impact of discontinued operations. For the avoidance of doubt, in these first quarter results this relates to the Automotive division business in Finland and the USA and the Energy & Industry division Oil & Gas business in the USA
▪ **ROCE**, Net Adjusted Operating Profit After Tax/Capital Employed excluding IFRS 16 lease adjustment. Net adjusted operating profit is proforma acquisitions and disposals, excluding IDIADA Accelerated Depreciation and at 25% tax rate
▪ **Statutory results,** consolidated results of the Group under IFRS regulation, as shown in the Consolidated Financial Statements
▪ **WC**, Working Capital

End of announcement

This announcement is a translation of the first quarter 2023 trading update 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.