Applus+

2020 Full Year Results Announcement

23 February 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 year ended 31 December 2020 ("the period").

Highlights

- A challenging year due to Coronavirus
- Prioritised people´s health, liquidity, adapting costs customer´s requirements and advancing the use of technology
- Second half recovery led by the Automotive division
- Double-digit operating profit margin in the second half
- Outstanding cash generation with available liquidity remaining high
- Strategic portfolio evolution towards higher growth and margin businesses. Six acquisitions announced with €136 million of annual revenue, for €250 million
- Good progress in ESG as recognised by our ratings
- 2020 full year results:
    - Revenue of €1,557.6 million down 12.4% (organic[1] -11.8%)
    - Operating profit[2] of €118.4 million down 39.9% (organic[1] -38.7%)
    - Operating profit[2] margin of 7.6% (11.1% in 2019)
    - Free cash flow[2] of €226.2 million up 20.7%
    - Earnings per share[2] of €0.33 down from €0.76
    - Net Debt/EBITDA ratio[3] of 3.0x and liquidity of €546 million
- Board proposes to resume dividend with €0.15 per share

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

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

"The year will be remembered by us at Applus+ not only for the toll that the coronavirus exacted on people and businesses, but also for the commitment and courage of our employees and their determination to work in the face of adversity. Whilst ensuring the protection of our people, we facilitated a safe work environment so that they could continue to support our customers especially with essential testing and inspection services. I have been impressed and really pleased with their response to the pandemic. Inevitably, our business was materially impacted and despite an encouraging recovery in the second half, it was not enough to avoid lower revenue and profit compared to the prior year.

After the significant fall in revenue and profit in the second quarter of the year, we saw a second half recovery with gradual improvement from the third to fourth

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quarter and a double-digit operating profit margin in the second half led by the recovery in our Automotive division.

Our proactive management of the Group´s financial resources resulted in an exceptionally strong year for cash flow and liquidity. Our strong financial position, allowed us to resume our acquisition strategy in the final quarter of the year purchasing four highly strategic, margin and earnings accretive companies that further aligns the Group towards higher growth and margin business lines. These were in addition to the two acquisitions made in the first quarter. We continue to see many opportunities and are confident of continued success, whilst remaining disciplined on price.

However, the adjusted earnings per share fell to €0.33 and statutory earnings per share was negative due to the one-off impairment taken at the first half of the year with no further impairments taken since.

Following the cancellation of the payment of the 2019 dividend, the Board will recommend to shareholders the resumption of the dividend at 15 cents per share which is the same amount as was paid last. Looking forward, we will aim to increase the dividend payment on an annual basis.

It has also been another year in which we have made good progress in our environmental, social and governance (ESG) elements with a strengthened foundation for continued future improvements.

Whilst there remains considerable uncertainty in every country and in our end markets, we are providing guidance that assumes conditions today remain the same and improve in the second half of the year. In 2021 we expect total revenue to grow by at least double digits at constant exchange rates from both organic and acquisitions already made and for the margin to improve to close to 10%. We will also continue to make acquisitions supported by the liquidity and leverage headroom.

Applus+ will continue to do what it does best. We will provide superior safety and quality services to our broad range of customers all around the world. These requirements continue to see rising demand due to more scrutiny and regulation over ever more complex and variety of products, infrastructure and assets. We will continue to allocate the excess cash flow we generate to supporting the organic revenue growth of the business, supplementing this with acquisitions that tilt and diversify the business towards the higher margin and longer term more sustainable revenue generating streams."

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/d8vujpve

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/3227289

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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 23,000 people. Applus+ operates through four global divisions, all of which operate under the Applus+ brand name. For the full year of 2020, Applus+ recorded revenue of €1,558 million and adjusted operating profit of €118 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

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FULL YEAR REPORT 2020

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	FY 2020			FY 2019			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	**1,557.6**	**0.0**	**1,557.6**	**1,777.9**	**0.0**	**1,777.9**	**(12.4)%**
Ebitda	**218.4**	**0.0**	**218.4**	**296.5**	**0.0**	**296.5**	**(26.3)%**
Operating Profit	**118.4**	**(235.8)**	**(117.4)**	**197.1**	**(66.3)**	**130.8**	**(39.9)%**
Net financial expenses	(24.8)	0.0	(24.8)	(23.9)	0.0	(23.9)	
Profit Before Taxes	**93.6**	**(235.8)**	**(142.3)**	**173.2**	**(66.3)**	**106.9**	**(46.0)%**
Income tax	(29.4)	13.9	(15.5)	(43.7)	13.4	(30.4)	
Extraordinary Income tax	0.0	16.7	16.7	0.0	0.0	0.0	
Non controlling interests	(17.2)	0.0	(17.2)	(20.9)	0.0	(20.9)	
Net Profit	**47.0**	**(205.2)**	**(158.2)**	**108.6**	**(52.9)**	**55.7**	**(56.7)%**
Number of Shares	143,018,430		143,018,430	143,018,430		143,018,430	
EPS, in Euros	**0.33**		**(1.11)**	**0.76**		**0.39**	**(56.7)%**
Income Tax/PBT	*(31.4)%*		*(0.8)%*	*(25.2)%*		*(28.4)%*	

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

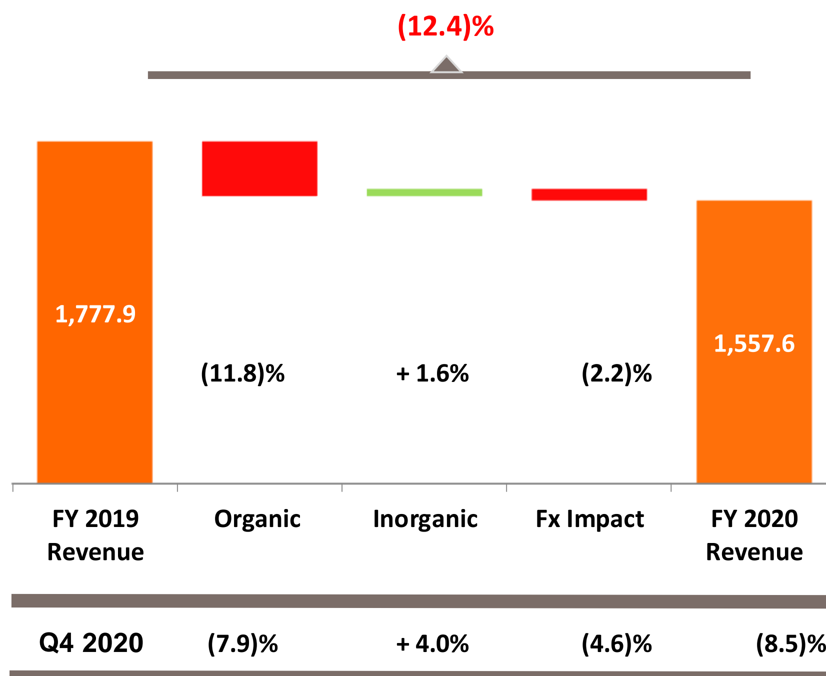
Other results of €235.8 million (2019: €66.3m) in the Operating Profit represent impairment of goodwill and non-current assets of €165.0 million (2019: nil), amortisation of acquisition intangibles of €58.4 million (2019: €59.1m); severance costs on restructuring of €8.1 million (2019: €4.1m); transaction costs relating to acquisitions of €3.5 million (2019: €0.9m) and; other gains and losses that net to a charge of €0.8 million (2019: €2.2m).

A reduction in the deferred tax liability is booked against these Other results of which €16.7 million (2019: nil) booked against the impairment of €165.0 million and €13.9 million (2019: €13.4m) relates to the remainder of the Other results.

Revenue

Revenue for 2020 of €1,557.6 million was lower by 12.4% compared to the previous year.

The revenue bridge for the year in € million is shown below and the change in the percentage figures for the last quarter of 2020 are shown below the waterfall chart.



The total revenue decrease of 12.4% for the year was made up of a decrease in organic revenue at constant exchange rates of 11.8%, the addition of revenue from acquisitions (Inorganic) of 1.6% and an unfavourable currency translation impact of 2.2%.

In the final quarter of the year, the total revenue was €410.2 million. This was a decrease of 8.5% from the prior year´s final quarter revenue of €448.1 million. This was made up of an organic revenue decrease of 7.9%, a negative currency impact of 4.6% with a 4.0% increase in revenue from acquisitions. The organic revenue decrease in the final quarter was slightly less than in the previous two quarters showing the gradual recovery of the business.

All four divisions of the Group had a decrease in organic revenue in the year with only the Laboratories division reporting flat total revenue in 2020 compared to 2019 due to the organic revenue decrease being the same as the additional revenue from the acquisitions made, less the currency impact.

The revenue increase of 1.6% from acquisitions relates to a partial year of revenue from three acquisitions made in 2019 until they had been owned for twelve months

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plus revenue from five of the six acquisitions signed for in 2020 from the date of acquisition to the end of the year. The sixth acquisition signed for in 2020 had not closed by the end of the year.

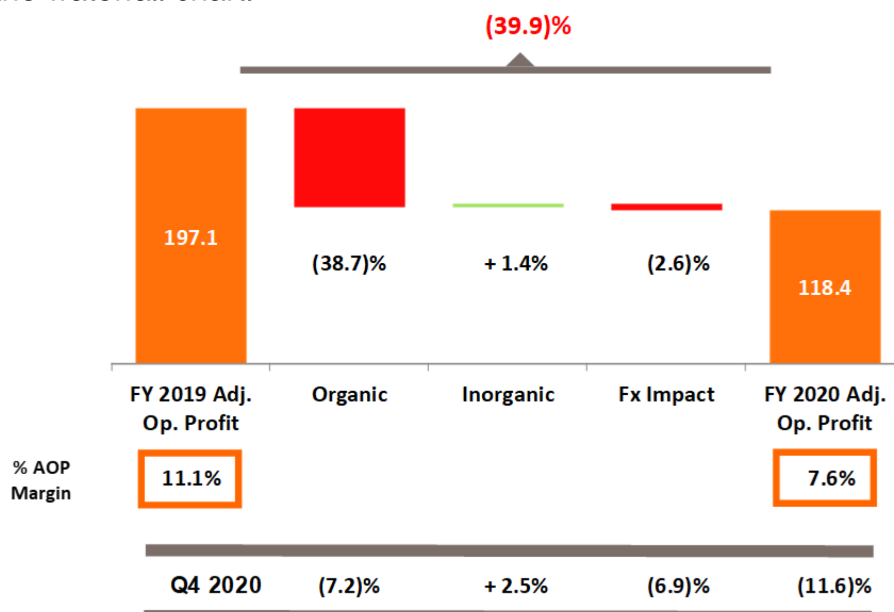
The largest acquisition was of Besikta, a statutory vehicle inspection business in Sweden that closed during November and currently generates approximately €62 million of annual revenue.

Of the revenue in 2020, 47% was generated in the reporting currency of the Group which is the euro and 53% in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 24%. The exchange rates changed materially during the year with the US dollar rate used for the translation of the profit and loss in the first half being 2.5% stronger against the Euro and the second half was 5.9% weaker. A similar trend was seen with the Canadian dollar. This resulted in the average exchange rate of the US dollar to the euro for the full year of 2020 compared to 2019 weakening by 1.8% with some other key currencies weakening even more against the euro and this resulted in an unfavourable foreign exchange impact on the revenue and adjusted operating profit for the year and in the final quarter.

Adjusted Operating Profit

Adjusted operating profit for 2020 of €118.4 million was lower by 39.9% compared to the previous year.

The adjusted operating profit bridge for the year in € million is shown below and the change in the percentage figures for the last quarter of 2020 are shown below the waterfall chart.



The total adjusted operating profit decrease of 39.9% for the year was made up of a decrease in organic adjusted operating profit at constant exchange rates of 38.7%, acquisitions (Inorganic) of 1.4% and an unfavourable currency translation impact of 2.6%.

In the final quarter of the year, the total adjusted operating profit was €43.0 million a decrease of 11.6% from the prior year final quarter of €48.6 million. This was made up of a decrease in the organic component of 7.2%, a significant negative foreign currency impact of 6.9% with the addition of 2.5% from acquisitions.

The adjusted operating profit decrease in the period came from all four divisions due to the significant fall in revenue especially in the first half of the year. With tight cost control and the benefit of the various Government cost protection measures, the fall in profit from the significant reduction in revenue was mitigated so that each division reported positive adjusted operating profit for the period with the second half profit being considerably higher than the first half at more than twice as much on both an organic and total reported basis.

The resulting adjusted operating profit margin for the year was 7.6%, significantly lower than the margin of 11.1% in the prior year. The second half margin was nevertheless in double digits at 10.3% being 70 basis points lower than the second half margin in 2019 which was 11.0%.

Other Financial Indicators

The reported operating loss was €117.4 million in the year compared to a reported operating profit of €130.8 million in the previous period. The main reason for the extent of the loss was due to the non-cash impairment charge of €165.0 million taken in the first half year period. See below for a further description of the one-off impairment charge.

The net financial expense in the profit and loss for the period was €24.8 million, €0.9 million higher than the previous period expense of €23.9 million mainly due to the cost of the increase in bank facilities taken out to increase the liquidity and the fees for securing higher leverage covenant levels for the December 2020 and June 2021 tests.

The profit before tax on an adjusted basis was €93.6 million compared to €173.2 million in 2019 and on a statutory basis was a loss of €142.3 million compared to a profit of €106.9 million in 2019. The adjusted profit before tax was significantly lower than for the corresponding period last year due mainly to the lower adjusted operating profit. The statutory loss before tax was additionally significantly greater due to the impairment charge.

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The effective tax charge for the year was €29.4 million which was lower than the prior year of €43.7 million. This gave an effective tax rate of 31.4% being higher than the rate in the prior period of 25.2%. This increase is due to some operations having losses in the year which is not normally the case and where no deferred tax assets have been recognised against these losses. On a statutory basis, the reported tax was a credit of €1.2 million compared to a charge of €30.4 million in the prior year. The tax credit in the profit and loss account was due to a release of the deferred tax liabilities of €16.7 million related to the one-off impairment.

Non-controlling interests decreased from €20.9 million in 2019 to €17.2 million in 2020. The decrease of €3.7 million or almost 18% in the period is mainly due to the lower profit from the minority interests, especially within IDIADA and Energy & Industry (Middle East) divisions.

The adjusted net profit was €47.0 million (2019: €108.6m) and the adjusted earnings per share was 0.33 euros (or 33 cents) (2019: 0.76 euros) for the year. The statutory or reported net position was a net loss of €158.2 million due to the non-cash impairment charge of €165.0 million as well as the regular non-cash intangible asset amortisation of €58.4 million and €12.4 million of other results, less the reduction in the deferred tax thereon.

Cash Flow and Debt

The business generated exceptionally strong cash flow in 2020 mainly due to the decrease in the level of working capital by €86.1 million from the year end position compared to the flat movement in working capital in the prior year. Additionally, capex and taxes outflows were considerably lower than last year.

The decrease in working capital was due to the lower revenue in the year, better debt collection of receivables and due to a step up in capital expenditure in the final quarter where payment is made after year end.

This significant working capital inflow more than compensated for the reduction in Adjusted EBITDA of €78.1 million from €296.5 million last year to €218.4 million in 2020.

Net capital expenditure on expansion of existing and into new facilities was lower than the prior year at €50.2 million (2019: €57.6m) due to the lower activity requiring investments despite investments made for the renewed Automotive contracts in Ireland and Aragon. This capex expenditure represented 3.2% (2019: 3.2%) of Group revenue, the same level as last year.

Adjusted operating cash flow (after capital expenditure) was €254.2 million being €15.2 million or 6.4% higher than for the prior year period last year and this corresponded to a cash conversion rate of 116.4% (2019: 80.6%).

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The decrease in taxes paid of €24.6 million from €41.3 million paid in 2019 to €16.7 million paid in 2020 was due to the lower amount of advance payments of corporation tax due to expected lower profits, some tax refunds received in the first half of the year and some permitted tax payment delays as part of the COVID-19 Government assistance schemes.

	FY			
	2020	2019	Change	
Adjusted EBITDA	**218.4**	**296.5**	**(78.1)**	**(26.3)%**
Change in Working Capital	86.1	0.1		
Capex	(50.2)	(57.6)		
Adjusted Operating Cash Flow	**254.2**	**239.0**	**15.2**	**6.4%**
Cash Conversion rate	*116.4%*	*80.6%*		
Taxes Paid	(16.7)	(41.3)		
Interest Paid	(11.4)	(10.2)		
Adjusted Free Cash Flow	**226.2**	**187.4**	**38.7**	**20.7%**
Extraordinaries & Others	(2.3)	(4.9)		
Applus+ Dividend	-	(21.5)		
Dividends to Minorities	(11.5)	(23.8)		
Operating Cash Generated	**212.4**	**137.2**	**75.2**	**54.8%**
Acquisitions	(216.8)	(35.7)		
Cash b/Changes in Financing & FX	**(4.4)**	**101.5**		
Payments of lease liabilities (IFRS 16)	(53.0)	(55.6)		
Other Changes in financing	113.7	(31.2)		
Treasury Shares	(1.3)	(3.0)		
Currency translations	(10.8)	1.1		
Cash increase	**44.3**	**12.8**		

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

Adjusted Free Cash Flow was €226.2 million being €38.7 million or 20.7% higher than for the previous year.

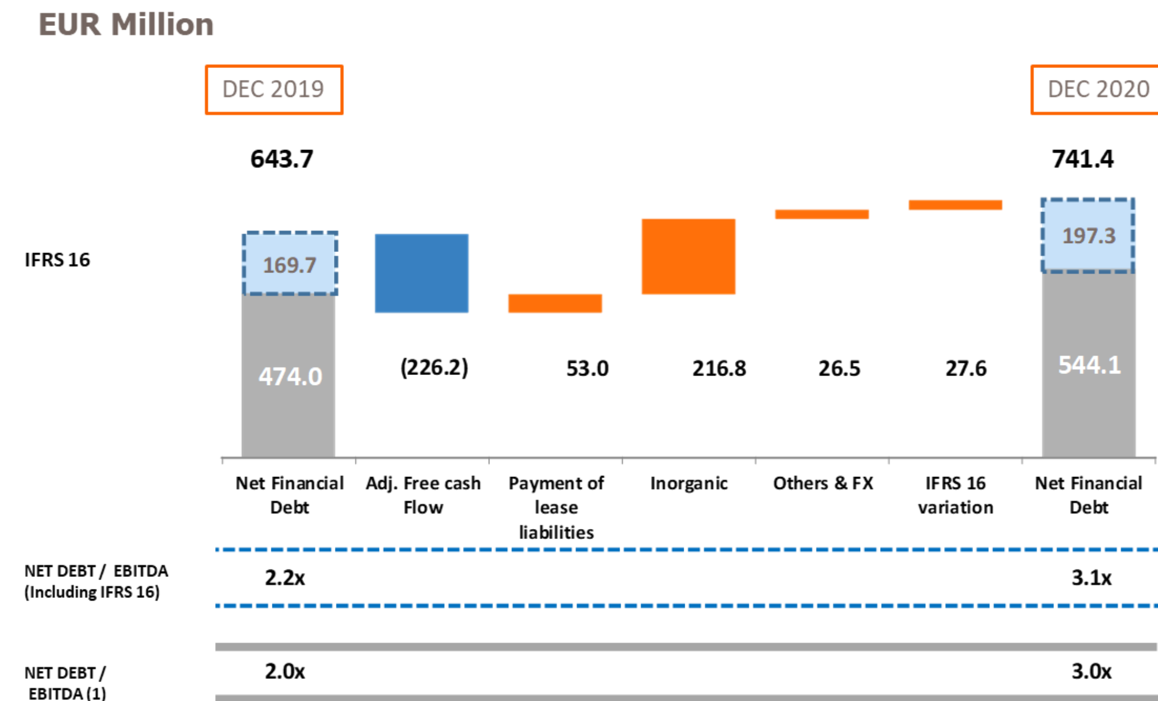
There was a decrease in the dividend distributions made in the period. The dividend payout declared for the 2019 full year profits to the Applus+ Group shareholders that was originally proposed to be paid in July was cancelled in April due to the uncertainty surrounding the financial impact arising from the outbreak of COVID-19. The dividends paid to Minority share interests were reduced due to lower profits in those subsidiaries.

The cash outflow for acquisitions of €216.8 million relates to five that were closed in the period plus deferred consideration on acquisitions made in prior periods. A sixth acquisition, SAFCO for €25 million, was signed and agreed during the year but had not closed by the end of the year.

The final net cash increase in the period was €44.3 million. This was from the cash outflow after acquisitions and before financing and foreign exchange of €4.4 million, less the payment or lease liabilities of €53.0 million that previous to the new accounting standard of IFRS 16 used to be included within operating costs, a net increase in the drawdown of borrowings of €113.7 million, outflows relating to the purchase of treasury shares for management incentive plans of €1.3 million and currency differences of €10.8 million.

Net Debt was €741.4 million at the end of the year which was €97.7 million higher than the Net Debt position at the end of 2019 despite incurring €216.8 million in acquisitions and an increase of €27.6 million in lease liabilities, required to be accounted for under the new accounting standard of IFRS 16, from €169.7 million at the start of the year to €197.3 million at the end of the year. The increase in the lease liabilities was due to new leases taken on with acquisitions and the renewals of leases, especially following the renewal of the Auto contract in Ireland, that lengthened their average maturity and hence liability.

The robust performance in the Net Debt was due to the exceptionally strong free cash flow generated by the business. The Net Debt waterfall chart is shown below.



(1) Stated at annual average rates and excluding IFRS 16 as defined by bank covenant

The resulting financial leverage of the Group measured as Net Debt to last twelve months Adjusted EBITDA was 3.0x (as defined by the bank covenant for the syndicated debt facilities and the US Private Placement notes) which was higher than at the end of the previous year (2.0x) due mainly to the lower EBITDA in the year that included the second quarter period when the business was the most severely affected by the pandemic. The covenant from the lenders is set at 4.0x to be tested twice a year at the end of June and the end of December, except for December 2020 and June 2021 for which the covenant has been relaxed to a higher level by the lenders which permitted the Company to continue with its acquisition strategy with a comfortable level of covenant headroom.

The financial leverage calculation using the covenant definitions except for using current accounting standards including IFRS 16, is also shown in the table and at 31 December 2020 was 3.1x compared to 2.2x at 31 December 2019.

At the end of the year, the available liquidity position was €546 million that is made up mostly of cash and long dated undrawn loan commitments.

Dividend

In recognition of the strong cash flow, comfortable financial leverage, liquidity position and favourable future earnings and cash flow potential, the Board will propose to shareholders at the forthcoming Annual General Meeting on the 28th May 2021, a dividend of 15 cents per share. This is the same amount as was last declared on the 2018 earnings and paid in 2019 and is equivalent to €21.5 million (2019: Nil and 2018: €21.5 million) and is 45.6% (2019: Nil and 2018: 22.1%) of the adjusted net income of €47.0 million as shown in the summary financial results table. If approved at the Annual General Meeting, the dividend will be paid to shareholders on the 8th July 2021.

As previously notified, the Board in April 2020 reluctantly withdrew the recommendation for a dividend to be paid in July 2020 on the 2019 results consistent with the prudent actions taken due to the rapidly evolving and deteriorating situation at the time and so are pleased to be able to resume recommending a dividend in these less uncertain times.

The Board will continue to review the appropriate level of dividend going forward with the aim of annually increasing the payment.

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Impairment review

At least once per year the Group carries out an impairment review of the cash generating units. The goodwill and the non-current assets were mostly booked in 2008 when the Group was bought by a private equity firm from the previous owners.

In H1 2020, the Group recognised an impairment of €165.0 million, relating to the Energy & Industry business in North America, North Europe and the Middle East and the IDIADA Division. The impairment was driven by the challenging Oil & Gas and Automotive industry end market situation and the unprecedented degree of forecast uncertainty relating to COVID-19.

The review at 30 June 2020 included using lower future growth rates over the next five years for some business lines that make up cash generating units, including for Oil & Gas.

There is a release of €16.7 million of deferred tax liability directly allocated to these impaired assets, resulting in a net impairment amount of €148.3 million allocated as follows:

	EUR Million
Energy & Industry	137.1
IDIADA	27.9
Gross Impairment	**165.0**
Deferred tax liability release	(16.7)
Net Impairment	**148.3**

The impairment and associated net tax effects are all non-cash items.

COVID-19 update

The response by the Group to the COVID-19 outbreak has been wide ranging with due consideration for the social and human consequences and for the long-term benefit of the company. It has been to prioritise the well-being of the people and their families including to reduce the risk of people catching or spreading the coronavirus, protecting jobs as far as possible, supporting customers meet their operational challenges where in many cases the services provided by the people of Applus+ continue to be essential. Tight cost control, prioritisation of the management of cash inflows and outflows and the prudent management of financial resources and financial risk continue to be applied whilst being open to business opportunities including those that require investment to ensure the future growth in value of the business.

The Group has also been careful to ensure the shareholders and financial markets have been kept informed of developments throughout the year and especially with regards to operational and financial performance and liquidity and balance sheet strength.

Applus+ is a prudently managed business and entered the crisis with a strong balance sheet, long debt maturities and a high level of liquidity. The Group nevertheless continues to remain vigilant and will continue to take all the precautionary measures that are at its disposal to protect itself and its stakeholders and emerge from this crisis with the capacity and strength to return to its proven growth strategy that has been successful.

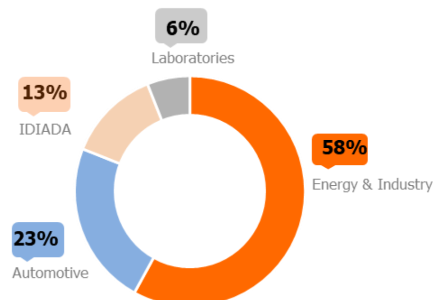
Outlook

Whilst there remains considerable uncertainty in every country and in the end markets, guidance is provided by the Group assuming that the conditions today remain the same and improve in the second half of the year. In 2021 it is expected that total revenue will grow by at least double digits at constant exchange rates from both organic and acquisitions already made and for the margin to improve to close to 10%. Furthermore, the inorganic growth strategy will continue to followed supported by the liquidity and leverage headroom.

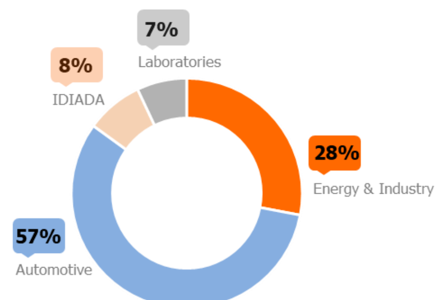
Operating review by division

The Group operates through four global business divisions: Energy & Industry Division, Automotive Division, IDIADA Division and Laboratories Division, and the respective shares of 2020 revenue and adjusted operating profit are shown below.

FY 2020 revenue split



FY 2020 adjusted operating profit split



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Energy & Industry

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

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

Revenue for Energy & Industry for the year was €907.3 million, which was 14.3% lower than the revenue in 2019 and the Adjusted Operating Profit for the year was €41.4 million which was 53.5% lower than in 2019 resulting in an adjusted operating profit margin of 4.6%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	Inorganic	FX
Revenue	**907.3**	**1,059.3**	**(14.3)%**	***(12.4)%***	***0.6%***	***(2.5)%***
Adj. Op. Profit	**41.4**	**89.1**	**(53.5)%**	***(52.5)%***	***0.6%***	***(1.6)%***
% AOP Margin	***4.6%***	***8.4%***				

Following two years of good revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced materially in 2020 because of the impact of the coronavirus pandemic on the business and operations.

Organic revenue at constant exchange rates decreased by 12.4%. There was additional revenue of 0.6% related to a part year contribution from the acquisition of LEM in Chile made in 2019. Currency translation decreased reported revenue by 2.5% mainly because of the weaker US dollar and Latin American currencies against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 52.5% being significantly more than the organic revenue decrease. There was the same contribution from the acquisition of 0.6% and a negative currency impact of 1.6%.

The adjusted operating profit margin decreased by 380 basis points from 8.4% for 2019 to 4.6% in 2020 with this decrease coming from the organic revenue decline. Costs were reduced through the use of the Government temporary lay-off

programmes and restructuring of the business to reduce the permanent cost base going forward.
In the final quarter of the year, reported revenue was €220.4 million compared to revenue of €269.8 million in the final quarter of 2019 or 18.3% lower. This was mainly due to a decrease in organic revenue of 13.7%, the revenue from the acquisition added 0.2% and a negative impact from currency translation of 4.8%.

Following the significant decrease in revenue in the second quarter of 2020, there was a gradual recovery in the second half with third quarter and fourth quarter organic revenue decrease remaining approximately similar at 12.8% and 13.7% respectively. The COVID-19 impact continued to directly affect revenue due to projects being cancelled or delayed into 2021 with this being exacerbated by the lower demand for oil and the low price especially in the first half impacting the customers in the oil and gas end market to reduce spending with their suppliers.

All regions were heavily impacted and reported lower revenue than in 2019 with the Mediterranean, Northern Europe and Latin American regions showing a recovery in the final quarter of the year.

The business that services the end markets of Power, Construction, Aerospace and Telecom and account for 44% of the division revenue in 2020 have grown solidly over the previous few years but was down by 9% in 2020 due to the lockdowns and project delays. It is expected that this part of the business will have strong growth going forward led by geographic expansion and the energy transition where electricity generation and distribution is expected to continue to migrate from fossil fuels to renewables where Applus+ is well positioned to serve through the Energy & Industry division within the Power business line.

The business that services the Oil & Gas end market for operational expenditure for maintenance and inspection work (Opex) accounts for 43% of the division by revenue in 2020 and has been resilient over the years. This business was also severely impacted by lockdowns and project delays resulting in a 15% decrease in revenue in 2020. Nevertheless, there are good prospects for this business based on the extensive infrastructure and assets that continue to be used for production and delivery of oil and gas and as these get older and regulations become tighter, the inspection requirement will increase.

The business that services the Oil & Gas end market for new investments and new build (Capex) accounts for 13% of the division by revenue in 2020 and has been heavily impacted since 2015 due to the significant decrease in capex investment by the industry. This business is the most sensitive to the oil price and the energy transition to lower carbon emissions. The revenue in this part fell by 26% in 2020. At the Group revenue level, this exposure has fallen from 9% in 2019 to 7% in 2020 and in 2014 was 24%.

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In December of 2020, the Group signed an agreement to purchase SAFCO which is a leading construction testing and inspection services company based in Saudi Arabia for an initial consideration of USD 30 million (c. €25 million) and that currently generates approximately USD 35 million (c. €29 million) of annual revenue at margins significantly higher than the Applus+ Group. The closing of the acquisition is expected to take place in March 2021.

Automotive

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

The Division operates 30-plus programmes, carrying out over 20 million vehicle inspections across Spain, Ireland, Sweden, Denmark, Finland, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador and Uruguay in 2020. In the programme-managed services, a further 6 million inspections were delivered by third parties.

Revenue for Automotive for the year was €355.8 million, which was 7.7% lower than the revenue in 2019 and the Adjusted Operating Profit for the year was €82.5 million which was 10.3% lower than in 2019 resulting in an adjusted operating profit margin of 23.2%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	Inorganic	FX
Revenue	**355.8**	**385.4**	**(7.7)%**	***(8.6)%***	***3.4%***	***(2.5)%***
Adj. Op. Profit	**82.5**	**92.0**	**(10.3)%**	***(9.6)%***	***1.2%***	***(1.9)%***
% AOP Margin	***23.2%***	***23.9%***				

Following many years of good revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced in 2020 because of the impact of the coronavirus pandemic resulting in postponements of the mandatory inspections and closures of many of the stations for a period of time during the year.

Organic revenue at constant exchange rates decreased by 8.6%. There was additional revenue of 3.4% related to a part year contribution from the acquisitions of ITV Canarias made in the first quarter of the year and Besikta in Sweden made in the final quarter. Currency translation decreased reported revenue by 2.5% mainly because of the weaker South American currencies and US dollar against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 9.6% being slightly more than the organic revenue decrease. There was a contribution from the acquisitions of 1.2% and a negative currency impact of 1.9%.

The adjusted operating profit margin decreased by 70 basis points from 23.9% for 2019 to 23.2% in 2020 with this decrease coming from both the organic revenue decline and the lower margin businesses within the acquisitions. Costs were managed through the use of the Governmental temporary lay-off programmes.

In the final quarter of the year, reported revenue was €107.9 million compared to revenue of €89.8 million in the final quarter of 2019 or 20.1% higher. This was mainly due to an increase in organic revenue of 14.8%, the revenue from the acquisition added 12.3% and a negative impact from currency translation of 7.0%.

Following the significant impact the division experienced in the first half of the year and in particular in April when most of the stations were closed, there was a strong recovery in the second half for revenue and profit with the second half margin of 26.8% being similar to the first half margin in prior years due to the normal seasonality with the higher volume of the business usually being in the first half but in 2020 was in the second half.

All contracts in 2020 recovered to similar to prior year levels of revenue except for Ireland, Argentina and Chile where either there was a permanent shift forward of the vehicle inspection dates or the stations were closed for a prolonged period of time.

The contract held in the Autonomous Region of Aragon in Spain that generates approximately €5 million per annum was extended for a further 10 years on the same terms and conditions as the previous contract with some up-front investment required to increase capacity for this renewed period. Four other small contracts in the US were also extended by between one and five years, with a total revenue of another €5 million per annum.

Three new vehicle inspection contracts were recently awarded in Mexico that will generate approximately €2 million of additional revenue per annum once they start in 2022. This award is a first entry into Mexico for Applus+ and will open further opportunities of expansion in the country.

In the first quarter of the year, a vehicle inspection business was bought in Spain, ITV Canarias, which has three wholly owned stations plus one 50% owned station in the Canary Islands, all operating under the liberalised regime and generates €4 million of revenue at a high margin with good opportunities for marketing and cost synergies.

In the final quarter of the year, the Group purchased one of the leading statutory vehicle inspection companies in Sweden called Besikta Bilprovning for €101 million. Besikta´s current revenue is €62 million per annum and is highly recurring and growing as are its cash flows and has an EBITDA margin in the high teens before applying IFRS 16. It performs 1.5 million inspections per annum being approximately 25% of the total market in Sweden. Integrating Besikta into the Applus+ Automotive division will bring mutual benefits from the opportunity to share best practice and consumer marketing expertise. Following this acquisition, Applus+ has become the leading operator in the Nordic region building upon its strong presence in the liberalised markets of Denmark and Finland and this has improved the portfolio quality of the Automotive division by reducing the dependence of the division on concessions that require periodic renewals.

There is a pipeline of further opportunities for both organic and inorganic expansion which the Group will continue to monitor and review closely.

IDIADA

IDIADA A.T. (80% owned by Applus+ and 20% by the Government of Catalonia) has been operating under an exclusive contract from the 351-hectare technology centre near Barcelona (owned by the Government of Catalonia) since 1999. The contract to operate the business runs until 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 services to the world's leading vehicle manufacturers for new product development activities in design, engineering, testing and homologation.

Revenue for IDIADA for the year was €201.5 million, which was 16.1% lower than the revenue in 2019 and the Adjusted Operating Profit for the year was €11.5 million which was 62.4% lower than in 2019 resulting in an adjusted operating profit margin of 5.7%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	FX
Revenue	**201.5**	**240.1**	**(16.1)%**	***(15.2)%***	***(0.9)%***
Adj. Op. Profit	**11.5**	**30.6**	**(62.4)%**	***(62.4)%***	***(0.0)%***
% AOP Margin	***5.7%***	***12.7%***			

Following many years of uninterrupted revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced significantly in 2020 because of the impact of the coronavirus pandemic resulting in a temporary period of closure of the facilities and a decrease in customers

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especially at the facilities in Spain. Following the low in the second quarter, the business has recovered, albeit slowly.

Organic revenue at constant exchange rates decreased by 15.2% and currency translation decreased reported revenue by 0.9% mainly because of the weaker US dollar, Brazilian real and several other currencies against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 62.4% being significantly more than the organic revenue decrease.

The adjusted operating profit margin decreased by 700 basis points from 12.7% for 2019 to 5.7% in 2020. The margin fall was mitigated by reducing costs using the Governmental temporary lay-off programmes and permanent restructuring.

The adjusted operating profit margin decreased more than the Adjusted EBITDA as a result of the faster depreciation of assets as the term of the current five-year renewed contract with the Government of Catalonia ends in 2024.

In the final quarter of the year, reported revenue was €51.4 million compared to revenue of €62.5 million in the final quarter of 2019 or 17.8% lower. This was mainly due to a decrease in organic revenue of 16.5%, and a small negative impact from currency translation of 1.3%.

The division continued to be materially affected to the end of the year largely due to the mobility restrictions and the reluctance for customers to travel internationally to visit the facilities in Spain with their cars for testing on the Proving Ground which is the highest margin segment of the division.

Nevertheless, the business saw good growth for the testing of Electric and Hybrid vehicles and for ADAS (Advanced Driving Assistance System).

The tender for a new 20 or 25-year concession by the Government of Catalonia from September 2024 when the current five year extension ends is still expected to take place and is expected to commence in the first half of this year.

Laboratories

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

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

In 2020, the Laboratories Division acquired three companies which are discussed below, to add to the two purchased in 2019 and five purchased in the previous two years.

Revenue for Laboratories division for the year was €92.9 million, which was flat on 2019 and the Adjusted Operating Profit for the year was €9.7 million which was 27.7% lower than in 2019 resulting in an adjusted operating profit margin of 10.5%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	Inorganic	FX
Revenue	**92.9**	**93.0**	**(0.0)%**	***(7.8)%***	***8.6%***	***(0.8)%***
Adj. Op. Profit	**9.7**	**13.5**	**(27.7)%**	***(37.2)%***	***10.5%***	***(1.0)%***
% AOP Margin	***10.5%***	***14.5%***				

Following two years of double-digit organic revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced in 2020 because of the impact of the coronavirus pandemic reducing the demand for products for testing. After the trough in revenue in the second quarter of the year the division had a gradual recovery in the second half including delivering a double-digit adjusted operating profit margin.

Organic revenue at constant exchange rates decreased by 7.8% for the year. There was additional revenue of 8.6% related to a part year contribution from the two acquisitions made in the first quarter of last year and a part year contribution from the three acquisitions made in 2020. Currency translation decreased reported revenue by 0.8% mainly because of the weaker US dollar against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 37.2% being more than the organic revenue decrease. There was a contribution from the acquisitions of 10.5% and a negative currency impact of 1.0%.

The adjusted operating profit margin decreased by 400 basis points from 14.5% for 2019 to 10.5% in 2020 with this decrease coming from the organic revenue decline. As for the other divisions, costs were reduced through the use of the Governmental temporary lay-off programmes as well as some permanent restructuring.

In the final quarter of the year, reported revenue was €30.5 million compared to revenue of €26.0 million in the final quarter of 2019 or 17.5% higher. This was mainly due to the acquisitions that had been made during the year adding 23.5% to revenue with organic revenue being down 4.1% and a negative impact from currency translation of 1.9%.

In the second half of the year, the Construction and Product Certification businesses led the recovery, while Aerospace, Electrical & Electronics (E&E) and Metrology continued to be the most impacted.

There were three acquisitions made in the year. In the first quarter, the Group purchased ZYX which is a small metrology business in Spain with revenue of under €2 million per annum. In the final quarter of the year, two acquisitions were made. Reliable Analysis was purchased for €67 million which has €24 million of annual revenue and is a laboratory-based materials, component, electrical and EMC testing company with over 300 employees primarily serving the automotive industry and specifically for electric vehicles (EV) operating from two locations in China and two in the USA. This acquisition significantly increases the division´s footprint in China and its exposure to the fast growth EV market, especially in China which is the largest EV market in the world. QPS Evaluation Services Inc was purchased in December for €41 million with €16 million of annual revenue which is a product certification company for a wide range of industrial, medical and electrical and electronic (E&E) products including equipment and devices used in hazardous locations (explosive atmospheres). It has 133 employees and an extensive presence in its home market of Canada and the USA with a presence also in Europe and Asia. Both Reliable Analysis and QPS potentially have further deferred consideration payable in 2024 subject to the achievement of certain financial targets.

In the last four years, the Laboratories Division has made ten acquisitions with a combined revenue of €58 million per annum at accretive margins and this has expanded its testing facilities to reinforce its position in the electrical & electronics, automotive components, fire protection, aerospace parts and calibration sectors. This acquisition momentum for this division is expected to continue.

The division now comprises six key business units: Electrical & Electronics (includes electrical and electromagnetic compatibility testing and product certification for the electronics and automotive sector); Mechanical (includes aerospace and materials testing); Construction (includes fire and structural testing of building materials); IT (includes electronic payment system protocol testing and approval); Metrology (includes calibration and measuring instruments) and Systems Certification. Electrical & Electronics is now the largest business unit comprising approximately 40% of the division by revenue in 2020 on a proforma basis including the acquisitions made.

End of 2020 Full Year Results Announcement. This summary announcement is taken from the Consolidated Financial Statements as at 31 December 2020.

This announcement is an extract and translation of the full year 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.