Applus+

2021 First Quarter Results Announcement

10 May 2021

Applus Services, S.A. ("Applus+" or "the Group"), the global testing, inspection and certification company, today announces the results for the first quarter ("quarter") ended 31 March 2021.

Highlights

- Encouraging start to the year with Auto and Labs recovered to pre-COVID-19 levels
- Some business lines within E&I and IDIADA performing well, partly offsetting the continued impact from COVID-19
- Margin on good recovery path
- Acquisitions in 2020 significantly accretive to financial performance and portfolio evolution
- Leverage and liquidity are comfortably supporting the growth strategy
- Reiterate the outlook
- Q1 financial results
    - Revenue of €402.1 million, down 3.5% (organic[1] -6.8%)
    - Operating profit[2] of €35.1 million up 26.7% (organic[1] +20.5%)
    - Operating profit[2] margin of 8.7%, up from 6.6%
    - Adjusted free cash flow[2] of €13.1 million, down 55.6%
    - Net debt/EBITDA[3] ratio 2.9x and liquidity of €530 million

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

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

"We have had a good start to the year with two of our four divisions already recovered to pre-COVID-19 levels and encouraging trends in the other two divisions that were more affected by COVID-19 challenges. It´s been good to see this recovery of the revenue, especially in the two higher margin divisions, translate into a solid increase in the Group margin.

The business became severely impacted from the middle of March last year and all through the second quarter, so we expect a strong year on year rebound in this current quarter with a marked sequential improvement on the first quarter. We also expect, if exchange rates remain close to where they currently are, the negative currency impact in the first quarter to reduce substantially over the remainder of the year.

The investments made on acquisitions in the last twelve months are performing very well and we see a good pipeline of further opportunities. These acquisitions are also accelerating the portfolio evolution towards more high growth and high margin services and end markets.

Our cash flow, balance sheet and liquidity are all comfortably positioned and we are confident in the outlook we gave at the full year results[4] of double digit increase in revenue at constant exchange rates from both organic and acquisitions made to date and margin improving to close to 10%."

4. At 23 February 2021 and assuming conditions improve in the second half of the year

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/nvv2gjho

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/9777324

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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, 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

FIRST QUARTER 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.

	Q1 2021			Q1 2020			
EUR Million	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	+/- % Adj. Results
Revenue	402.1	0.0	402.1	416.9	0.0	416.9	(3.5)%
Ebitda	61.6	0.0	61.6	53.5	0.0	53.5	15.3%
Operating Profit	35.1	(15.6)	19.4	27.7	(15.0)	12.6	26.7%
Net financial expenses	(6.1)	0.0	(6.1)	(6.2)	0.0	(6.2)	
Profit Before Taxes	28.9	(15.6)	13.3	21.5	(15.0)	6.5	34.7%

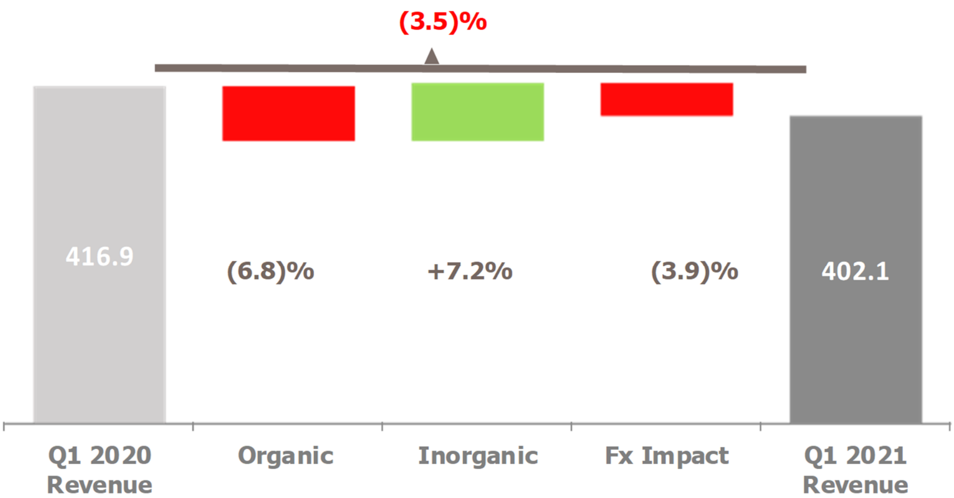
The figures shown in the table above are rounded to the nearest €0.1 million.

Adjustments of €15.6 million (Q1 2020: €15.0m) in the Operating Profit represent the amortisation of acquisition intangibles of €15.6 million (Q1 2020: €14.6m) and a charge for other items of €0.1 million (Q1 2020: €0.4m).

Revenue

Revenue for the three-month period ended 31 March 2021 of €402.1 million was 3.5% lower compared to the previous year.

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



The total revenue decrease of 3.5% for the quarter was made up of a decrease in organic revenue at constant exchange rates of 6.8%, revenue from acquisitions made after the first quarter of 2020 and those made so far in 2021 of 7.2%, less a currency translation impact of 3.9%.

The business had an encouraging start to the year with two divisions growing well and two continue to be on a recovery path following the impact of COVID-19 that started over a year ago.

The revenue increase of 7.2% from Inorganic relates to the five acquisitions closed in 2020 plus an additional one made in March. The largest of these is Besikta, a statutory vehicle inspection business in Sweden, which contributed more than half of this revenue increase. The sixth acquisition announced in 2020 of SAFCO for a consideration of €25 million and expected revenue of €29 million per annum, has not yet closed and is expected to close in this second quarter.

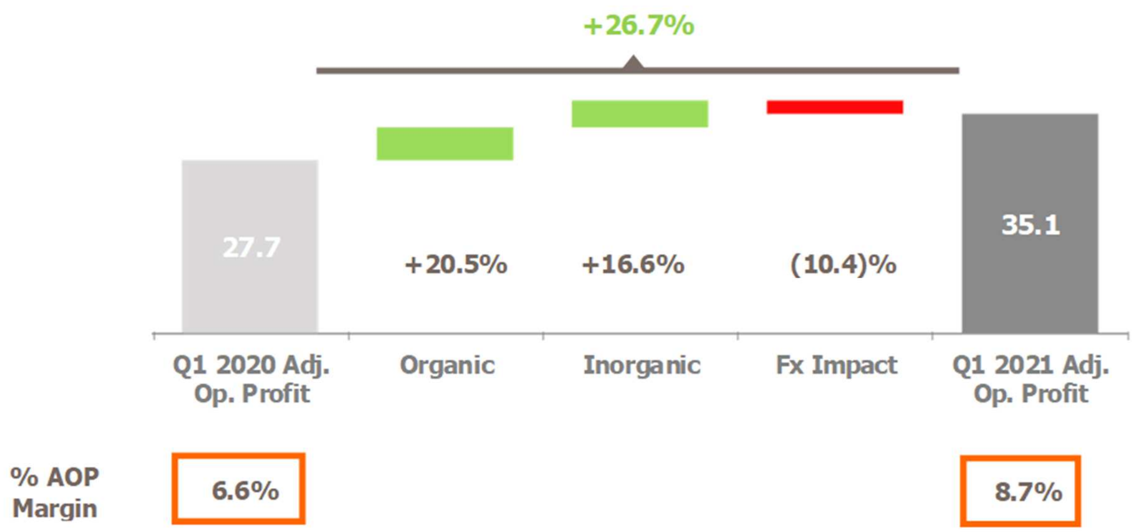
Of the revenue in the first quarter of 2021, 49% was generated in the reporting currency of the Group which is the euro and 51% in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 17%. The exchange rates are materially different to that during the first quarter of last year with the US dollar rate used for the translation of the profit and loss being 8.6% weaker against the Euro following the trend that started in the second half of last year. The reported results were also appreciably impacted by weakness in some

Latin American currencies. If the US dollar rate remains stable to the end of the year and the other currencies do not change materially, then it is likely that the negative currency impact will reduce substantially in the rest of the year.

Adjusted Operating Profit

Adjusted operating profit for the three-month period ended 31 March 2021 of €35.1 million was 26.7% higher than the first quarter in the previous year.

The operating profit bridge for the quarter in € million is shown below with the margins shown below the bridge.



Organic adjusted operating profit was up 20.5%, incremental profit from acquisitions was 16.6% and there was an unfavourable currency translation impact of 10.4%.

The adjusted operating profit margin was 8.7%, up from 6.6% due to the recovery in the revenue in the two higher margin divisions and the positive impact from the higher margin acquisitions.

The significant negative impact from currency of 10.4% is higher than the equivalent impact on revenue due to the higher margin Automotive Division contracts in Latin America where the currencies weakened appreciably.

Other Financial Indicators

The net financial expense of €6.1 million in the quarter was level with the same period last year.

The resulting adjusted profit before tax of €28.9 million increased by €7.4 million or 34.7% over the amount last year because of the higher adjusted operating profit. The statutory profit before tax of €13.3 million was more than double the equivalent amount last year.

Cash Flow, Liquidity and Net Debt

The business generates strong cash flow, but in the first quarter of 2021 the cash flow was lower than in the first quarter of last year despite the higher Adjusted EBITDA by €8.2 million or 15.3% mainly due to the working capital change.

Working capital remains under tight control and the Group continues to take precautionary cash conservation measures, although with the particularly low working capital position at the end of last year, there has been an increase in the level of working capital resulting in a cash outflow of €34.3 million or €14.5 million more than the cash outflow in the first quarter of last year. In addition, there was an increase in the net fixed asset investment (Capex) of €3.7 million leaving the adjusted operating cash flow of €18.7 million at €10.1 million lower than that generated in the first quarter of last year.

After tax and interest paid, the adjusted free cash flow was €13.1 million which was €16.5 million lower than the corresponding period. Tax was a cash outflow of €2.0 million whereas in the first quarter of 2020 there was a tax cash inflow of €4.2 million.

The net cash in the Group increased by €14.3 million in the quarter due to the adjusted free cash flow of €13.1 million, less extraordinaries of €2.5 million, dividends to Minorities of €3.9 million, outflow for acquisitions of €5.4 million, payments of lease liabilities of €14.8 million and the remainder was an inflow from changes in financing from the net drawdown of committed borrowing facilities and currency translations.

In the table below, a summary of the cash flow for the first quarter is presented.

	Q1			
	2021	2020	Change	
Adjusted Ebitda	**61.6**	**53.5**	**8.2**	**15.3%**
Change in Working Capital	(34.3)	(19.8)		
Capex	(8.6)	(4.9)		
Adjusted Operating Cash Flow	**18.7**	**28.8**	**(10.1)**	**(35.0)%**
Taxes paid	(2.0)	4.2		
Interest paid	(3.6)	(3.4)		
Adjusted Free Cash Flow	**13.1**	**29.6**	**(16.5)**	**(55.6)%**
Extraordinaries & Others	(2.5)	1.3		
Dividends to Minorities	(3.9)	(0.8)		
Operating Cash Generated	**6.7**	**30.1**	**(23.4)**	**(77.6)%**
Acquisitions	(5.4)	(4.5)		
Cash b/Changes in Financing & FX	**1.3**	**25.6**		
Payments of lease liabilities (IFRS 16)	(14.8)	(14.2)		
Other changes in financing	24.7	234.3		
Currency translations	3.1	(2.5)		
Cash Increase	**14.3**	**243.2**		

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

At the end of the first quarter, the amount of cash in the Group was €203.4 million and this alongside undrawn committed facilities at the end of March amounted to €530.2 million of cash and undrawn facilities at the end of March. In addition, during the month of April, the Group extended a short-term facility of €100 million for two years, with further extension options, and at the same time converted it to a sustainability linked loan whereby the interest rate margin can be both reduced or increased depending on whether fixed emission intensity (scope 1 and scope 2) targets are met.

Liquidity	
Cash at 31 March 2021	203.4
Undrawn facilities	326.7
Available liquidity	**530.2**

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

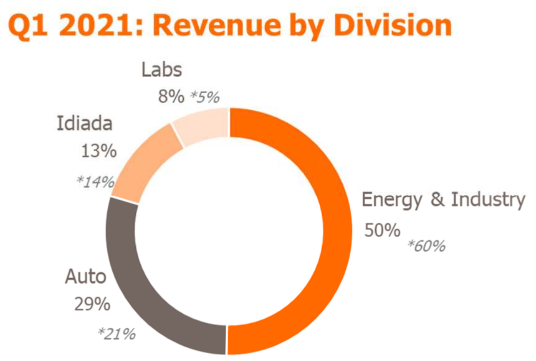
The financial leverage of the Group at the quarter end, measured as Net Debt to last twelve months Adjusted EBITDA was 2.9x (as defined by the bank covenant for the syndicated debt facilities), slightly lower than the position on 31 December 2020 when it was 3.0x.

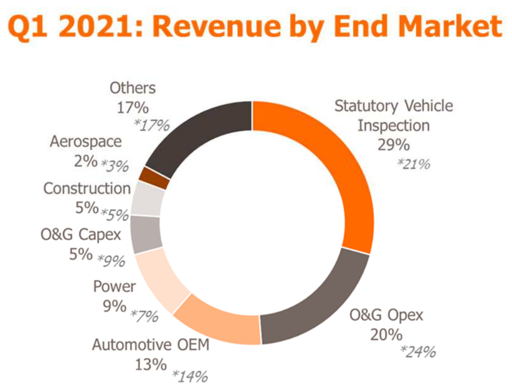
Outlook

Whilst there remains considerable uncertainty in every country and in the end markets, guidance is provided by the Group assuming that the conditions 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 up to 23 February 2021 and for the margin to improve to close to 10%. Furthermore, the inorganic growth strategy will continue to be 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 first quarter 2021 revenue by division and by end market, including the equivalent share for the first quarter of 2020, are shown below.





** Q1 2020*

There has been a significant change in the Division and End Market exposures due to the organic revenue growth differences and the acquisitions that have been made recently in the Automotive and Laboratories Divisions. By division, Energy & Industry is now 50% of the Group revenue, down from 60% in the first quarter of last year, while Automotive and Laboratories are both considerably higher parts of the Group revenue.

Similarly, Statutory Vehicle Inspection in the first quarter of 2021 is the largest end market by revenue at 29% surpassing Oil & Gas (Opex + Capex) benefiting the Group's growth profile and margin mix.

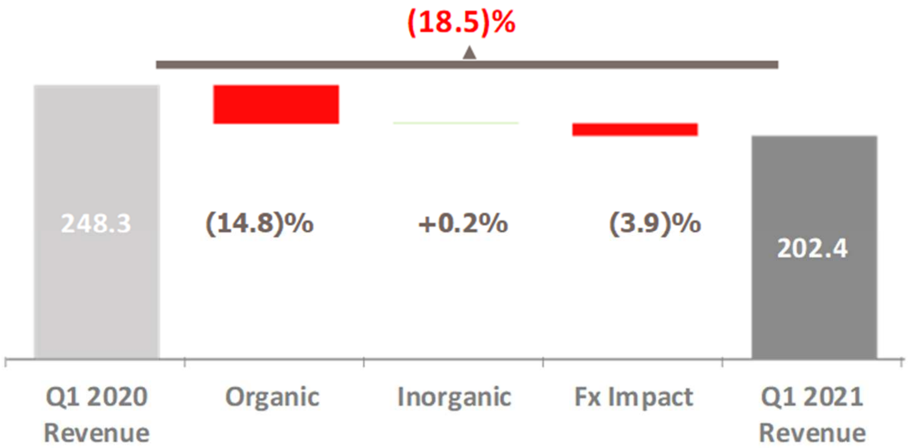
As the year progresses there may be some changes of these first quarter splits depending on the relative organic revenue growth rates, acquisitions and seasonality.

Energy & Industry

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.

Revenue for the Energy & Industry Division for the first quarter was €202.4 million, which was 18.5% lower than the first quarter last year. The revenue bridge for the first quarter of 2021 in millions of euros (€ million) is shown below.



At constant exchange rates, organic revenue was down by 14.8%. Inorganic revenue increase of 0.2% was from an acquisition made in the first quarter of the year of Inecosa and Adícora from Iberdrola which is a specialised service provider based in Spain for power generation, electrical transmission and distribution and large industrial projects. The negative Fx Impact of 3.9% relates mainly to the weakness of the US dollar and pegged currencies to the US dollar, as well as the Canadian and some Latin American currencies, against the euro.

The business continues to suffer from the impact of COVID-19 with projects facing delays. The portfolio mix shift towards the growing Power activities, including Nuclear and Renewables, is increasing, while the share of Oil & Gas is decreasing, in particular that part exposed to Oil & Gas capex projects of our customers.

By geography, the Mediterranean, Latin American and Northern European regions are performing better due to their lower exposure to Oil & Gas.

The Division continues to invest in and be supported by the use of remote inspection tools and digital services and these are becoming an integral part of the service offering.

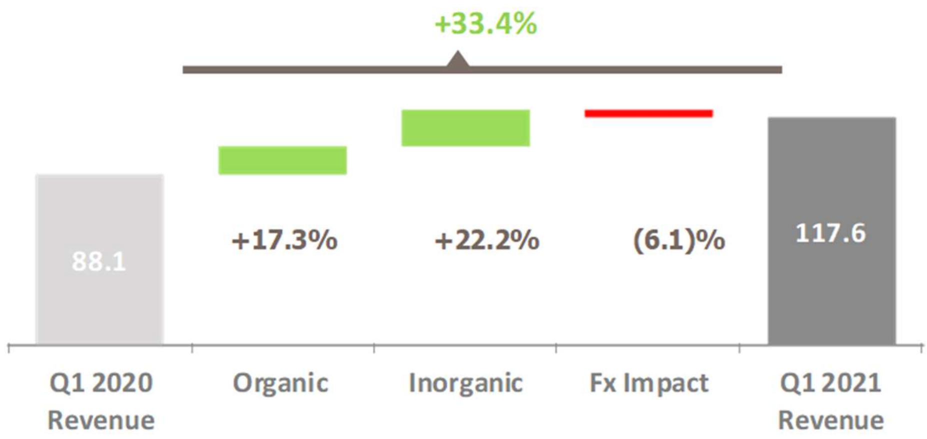
The acquisition announced at the end of last year of SAFCO, which is a leading construction testing and inspection services company in Saudi Arabia, for a consideration of €25 million and with annual revenue of around €29 million, is expected to close in the second quarter of 2021.

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 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 and Uruguay in 2021. In the programme-managed services, a further 10 million inspections are delivered annually by third parties.

Revenue for the Automotive Division for the first quarter was €117.6 million, which was 33.4% higher than the first quarter last year. The revenue bridge for the first quarter of 2021 in millions of euros (€ million) is shown below.



The Automotive Division at constant exchange rates had organic revenue growth of 17.3% for the quarter plus revenue from the two acquisitions made last year of a further 22.2%. There was in addition a foreign exchange impact of 6.1% mainly due to the revenue generated in US dollars and in Latin America. If the exchange rates remain stable, then it is likely that the currency impact will reduce substantially in the rest of the year.

There was significant organic revenue growth in the Division which was led by the continued strong post lockdown recovery due to COVID-19, especially in Spain and Latin America.

The acquisition made last October of Besikta, the statutory vehicle inspection company in Sweden, also made a strong contribution to revenue in the quarter.

In the USA, where the division suffered a cyber-attack at the end of March, the business and systems have been restored and operations have resumed in the affected states.

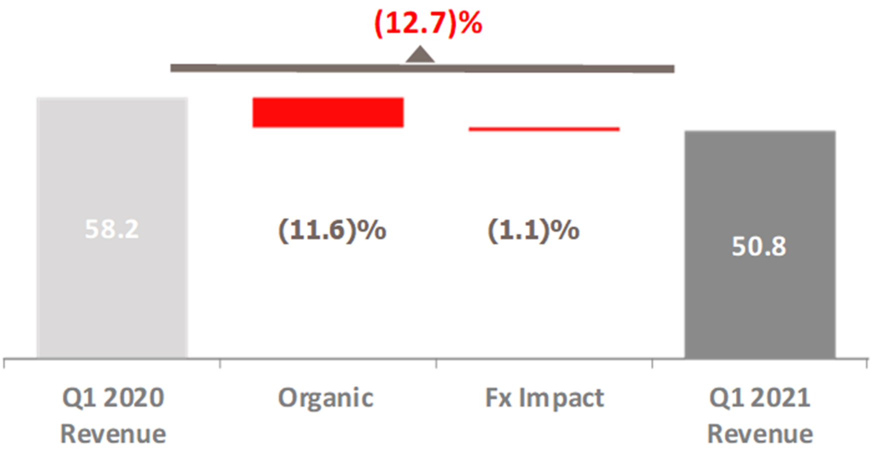
During the quarter, the statutory vehicle inspection contract with the Principality of Andorra was extended for five years under the same terms and conditions. The revenue generated on this contract is approximately €1.4 million per annum.

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 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.

Revenue for the IDIADA Division for the first quarter was €50.8 million, which was 12.7% lower than the first quarter last year. The revenue bridge for the first quarter of 2021 in millions of euros (€ million) is shown below.



The IDIADA Division at constant exchange rates had a decrease in organic revenue of 11.6% for the quarter plus a negative foreign exchange impact of 1.1%.

The impact on the business from COVID-19, especially because of the mobility restrictions its customers are experiencing, continues although this is overshadowing the encouraging growth in the testing for Electric and Hybrid Vehicles as well as for ADAS (Advanced Driver Assistance Systems).

The continued mobility restrictions as a result of COVID-19 that has reduced the number of international customers coming to Spain, has impacted the activity, especially for the Proving Ground in Catalonia which in 2019 generated 19% of the Division revenue and is the highest segment margin. The activity on the Proving Ground has increased since last year and is now up to 60% capacity utilisation and improving.

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 within this year.

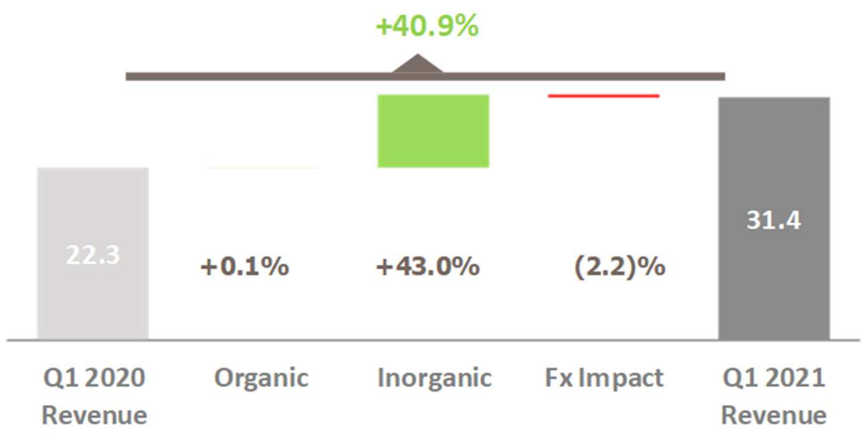
Laboratories

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 ten companies and expanded its testing facilities to reinforce its position in the electrical & electronics, automotive components, fire protection, aerospace parts and calibration sectors.

Revenue for the Laboratories Division for the first quarter was €31.4 million, which was 40.9% higher than the first quarter last year. The revenue bridge for the first quarter of 2021 in millions of euros (€ million) is shown below.



The Laboratories Division at constant exchange rates had organic revenue growth of 0.1% for the quarter plus revenue from the last three acquisitions made last year of a further 43.0%. There was in addition a foreign exchange impact of 2.2% mainly due to the revenue generated in US dollars.

There was a good recovery in activity and revenue to pre-COVID-19 levels across the business lines of the Division, including within the largest segment which is Electrical & Electronics that now comprises 40% of the division revenue.

The two acquisitions made at the end of last year of Reliable Analysis and QPS, are performing strongly and there is a good pipeline of further opportunities as investment in this Division continues to be prioritised.

End of announcement

This announcement is a translation of the first quarter 2021 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.

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** correspond to the Purchase Price Allocation referred to acquisitions, allocated to intangible assets and amortised
- **Capex,** realized 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
- **EPS**, Earnings per share
- **NDT**, Non-destructive testing
- **P.A.,** per annum
- **FX**, Foreign exchange
- **LTM**, Last twelve months