

# **Applus Services, S.A. and Subsidiaries**

Interim Condensed Consolidated  
Financial Statements for the six month  
period ended at 30 June 2020 and  
Limited Review Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

## REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder of Applus Services, S.A.  
at the request of the Board of Directors:

### Report on the interim condensed consolidated financial statements

#### *Introduction*

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Applus Services, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position at 30 June 2020, the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### *Scope of the review*

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

#### *Conclusion*

As a result of our limited review, which under no circumstances may be considered an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2020 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

#### *Emphasis of matter paragraph*

We draw attention to Note 2-a to the accompanying interim condensed consolidated financial statements notes, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019. This matter does not affect our conclusion.

### Report on other legal and regulatory requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2020 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2020. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Applus Services, S.A. and Subsidiaries.

### Other Matter Paragraph

This report has been prepared at the request of the Board of Directors of the Parent in connection with the publication of the half-yearly financial report required under Article 119 of the Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.



Ana Torrens Borrás

23 July 2020

# **Applus Services, S.A. and Subsidiaries**

Interim Condensed Consolidated Financial  
Statements for the six-month period ended  
30 June 2020 together with the Report on  
Limited Review

*Translation of a report originally issued in Spanish and of  
interim condensed consolidated financial statements  
originally issued in Spanish and prepared in accordance with  
the regulatory financial reporting framework applicable to the  
Group (see Notes 2 and 21). In the event of a discrepancy,  
the Spanish-language version prevails.*



Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21).  
In the event of a discrepancy, the Spanish-language version prevails.

**APPLUS SERVICES, S.A.  
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**  
(Thousands of Euros)

ASSETS	Notes	30/06/2020 (*)	31/12/2019	EQUITY AND LIABILITIES	Notes	30/06/2020 (*)	31/12/2019
<b>NON-CURRENT ASSETS:</b>				<b>EQUITY:</b>			
Goodwill	4	529,910	609,245	Share capital and reserves-			
Other intangible assets	5	373,148	474,321	Share capital		13,070	13,070
Right of use assets	13	164,778	152,934	Share premium		449,391	449,391
Property, plant and equipment	7	217,419	226,734	Retained earnings and other reserves		360,877	305,354
Investments accounted for using the equity method		608	686	Profit (Loss) for the period attributable to the Parent		(169,853)	55,650
Non-current financial assets		15,953	30,000	Treasury shares		(1,405)	(4,102)
Deferred tax assets	15.1	70,525	65,505	Valuation adjustments-			
<b>Total non-current assets</b>		<b>1,372,341</b>	<b>1,559,425</b>	Foreign currency translation reserve		(59,763)	(43,435)
				<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>		<b>592,317</b>	<b>775,928</b>
				<b>NON-CONTROLLING INTERESTS</b>		<b>50,057</b>	<b>48,527</b>
				Total equity	10	<b>642,374</b>	<b>824,455</b>
				<b>NON-CURRENT LIABILITIES:</b>			
<b>CURRENT ASSETS:</b>				Long-term provisions		28,414	26,900
Inventories		9,167	8,494	Obligations and bank borrowings	11	721,600	545,894
Trade and other receivables-				Obligations under leases	13	136,011	124,500
Trade and other receivables	9	327,309	387,715	Other financial liabilities		24,475	25,993
Trade receivables from related companies	9 & 18	280	233	Deferred tax liabilities	15.2	115,679	137,412
Other receivables	9	24,704	25,333	Other non-current liabilities		32,629	29,477
Corporate income tax assets		13,813	23,391	<b>Total non-current liabilities</b>		<b>1,058,808</b>	<b>890,176</b>
Other current assets		16,397	10,905	<b>CURRENT LIABILITIES:</b>			
Current financial assets		3,272	11,909	Short-term provisions		2,832	2,535
Cash and cash equivalents		328,266	145,160	Obligations and bank borrowings	11	19,166	59,193
<b>Total current assets</b>		<b>723,208</b>	<b>613,140</b>	Obligations under leases	13	45,203	45,674
<b>TOTAL ASSETS</b>		<b>2,095,549</b>	<b>2,172,565</b>	Trade and other payables		300,823	330,039
				Trade payables from related companies	18	3	3
				Corporate income tax liabilities		18,969	13,802
				Other current liabilities		7,371	6,688
				<b>Total current liabilities</b>		<b>394,367</b>	<b>457,934</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,095,549</b>	<b>2,172,565</b>

(\*) Unaudited interim condensed consolidated statement of financial position as at 30 June 2020.

The accompanying Notes 1 to 21 are an integral part of the interim condensed consolidated statement of financial position as at 30 June 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

## APPLUS SERVICES, S.A. AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FIRST HALF OF 2020

(Thousands of Euros)

	Notes	30/06/2020 (*)	30/06/2019 (*)
<b>CONTINUING OPERATIONS:</b>			
Revenue	16	741,236	875,793
Procurements		(68,744)	(79,685)
Staff costs	14.a	(430,768)	(476,936)
Other operating expenses		(156,323)	(172,405)
<b>Operation Profit Before Depreciation, amortisation, and others</b>		<b>85,401</b>	<b>146,767</b>
Depreciation and amortization charge	5, 7 & 13	(80,052)	(78,088)
Impairment and gains or losses on disposals of non-current assets	4, 7 & 8	(163,725)	(57)
Other results		(3,543)	(958)
<b>OPERATING PROFIT:</b>		<b>(161,919)</b>	<b>67,664</b>
Financial Result	14-b	(11,627)	(11,507)
Share of profit of companies accounted for using the equity method		-	-
<b>Profit/ (Loss) before tax</b>		<b>(173,546)</b>	<b>56,157</b>
Corporate income tax		10,679	(14,790)
<b>Net profit/ (loss) from continuing operations</b>		<b>(162,867)</b>	<b>41,367</b>
<b>PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX:</b>		-	-
<b>NET CONSOLIDATED PROFIT / (LOSS):</b>		<b>(162,867)</b>	<b>41,367</b>
Profit / (Loss) attributable to non-controlling interests	10.g	6,986	11,102
<b>NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT:</b>		<b>(169,853)</b>	<b>30,265</b>
<b>Earnings per share (in euros per share):</b>	10.e		
- Basic		(1.19)	0.21
- Diluted		(1.19)	0.21

(\*) Unaudited interim condensed consolidated statement of profit or loss for the first half of 2020 and of 2019.

The accompanying notes 1 to 21 are an integral part of the interim condensed consolidated statement of profit or loss for the first half of 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21).  
In the event of a discrepancy, the Spanish-language version prevails.

**APPLUS SERVICES, S.A.  
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FIRST HALF OF 2020**  
(Thousands of Euros)

	Share capital	Share premium	Retained earnings and other reserves	Profit/ (loss) for the period attributable to the Parent	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total equity
<b>Balance at 31 December 2018</b>	13,070	449,391	304,018	41,208	(3,405)	(48,079)	54,682	810,885
Changes in the scope of consolidation and other changes	-	-	(6,832)	-	-	-	(1,893)	(8,725)
Allocation of 2018 profit	-	-	41,208	(41,208)	-	-	-	-
Dividends paid	-	-	(21,453)	-	-	-	(10,016)	(31,469)
Treasury shares	-	-	(520)	-	2,277	-	-	1,757
Other changes	-	-	(12,524)	-	-	-	(584)	(13,108)
Comprehensive income for the first half of 2019	-	-	-	30,265	-	2,225	11,382	43,872
<b>Balance at 30 June 2019 (*)</b>	13,070	449,391	303,897	30,265	(1,128)	(45,854)	53,571	803,212

	Share capital	Share premium	Retained earnings and other reserves	Profit/ (loss) for the period attributable to the Parent	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total equity
<b>Balance at 31 December 2019</b>	13,070	449,391	305,354	55,650	(4,102)	(43,435)	48,527	824,455
Changes in the scope of consolidation and other changes	-	-	-	-	-	-	31	31
Allocation of 2019 profit	-	-	55,650	(55,650)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(4,743)	(4,743)
Treasury shares	-	-	(790)	-	2,697	-	-	1,907
Other changes	-	-	663	-	-	-	(30)	633
Comprehensive income for the first half of 2020	-	-	-	(169,853)	-	(16,328)	6,272	(179,909)
<b>Balance at 30 June 2020 (*)</b>	13,070	449,391	360,877	(169,853)	(1,405)	(59,763)	50,057	642,374

(\*) Unaudited interim condensed consolidated statement of changes in equity for the first half of 2020 and of 2019.

The accompanying notes 1 to 21 are an integral part of the interim condensed consolidated statement of changes in equity for the first half of 2020.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

**APPLUS SERVICES, S.A.  
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FIRST HALF OF 2020**

(Thousands of Euros)

	30/06/2020 (*)	30/06/2019 (*)
<b>NET CONSOLIDATED PROFIT:</b>	<b>(162,867)</b>	<b>41,367</b>
<b>1. Other comprehensive income and expenses recognised directly in equity</b>		
a) Items that will not be transferred to profit or loss:	-	-
b) Items that could be transferred to profit or loss:		
Exchange differences on translating foreign operations	(17,042)	2,505
<b>2. Transfers to the statement of profit or loss:</b>		
Other comprehensive result	-	-
<b>TOTAL CONSOLIDATED COMPREHENSIVE INCOME</b>	<b>(179,909)</b>	<b>43,872</b>
<b>Total comprehensive income for the year attributable to:</b>		
- The Parent	(186,181)	32,490
- Non-controlling interests	6,272	11,382
<b>TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(179,909)</b>	<b>43,872</b>

(\*) Unaudited interim condensed consolidated statement of comprehensive income for the first half of 2020 and of 2019.

The accompanying notes 1 to 21 are an integral part of the interim condensed consolidated statement of comprehensive income for the first half of 2020.



Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

**APPLUS SERVICES, S.A.  
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST HALF OF 2020**  
(Thousands of Euros)

	Notes	30/06/2020 (*)	30/06/2019 (*)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit from operating activities before tax		(173,546)	56,157
<b>Adjustments for items that do not give rise to operating cash flows-</b>			
Depreciation and amortisation charge	5, 7 & 13	80,052	78,088
Changes in provisions and allowances		(850)	1,248
Financial result	14.b	11,627	11,507
Share of profit of companies accounted for using the equity method		-	-
Gains or losses on disposals of intangible assets and property, plant and equipment	4, 7 & 8	163,725	57
<b>Profit from operations before changes in working capital (I)</b>		<b>81,008</b>	<b>147,057</b>
<b>Changes in working capital-</b>			
Changes in trade and other receivables		55,430	(32,320)
Changes in inventories		(673)	(445)
Changes in trade and other payables		(34,970)	2,135
<b>Cash generated by changes in working capital (II)</b>		<b>19,787</b>	<b>(30,630)</b>
<b>Other cash flows from operating activities-</b>			
Other payments		-	-
<b>Cash flows from operating activities (III)</b>		<b>-</b>	<b>-</b>
Corporate Income tax		(264)	(19,612)
<b>Cash flows from income tax (IV)</b>		<b>(264)</b>	<b>(19,612)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)+(IV)</b>		<b>100,531</b>	<b>96,815</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Business combination		1,537	982
Payment due the acquisition of subsidiaries and other non-current financial assets	3.c	(4,517)	(13,333)
Pago por adquisición de activos no recurrentes		4,680	-
Payments due to acquisition of intangible assets and property, plant and equipment	5 & 7	(17,280)	(25,284)
<b>Net cash flows used in investing activities (B)</b>		<b>(15,580)</b>	<b>(37,635)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Interest received	14.b	671	1,130
Interest paid		(5,835)	(6,365)
Net change in long-term financing (payments and proceeds)		176,163	(47,156)
Net change in short-term financing (payments and proceeds)		(38,700)	23,246
Net payment of lease liabilities	13.c	(26,928)	(27,325)
Dividends paid by Group companies to non-controlling interests		(3,387)	(6,039)
<b>Net cash flows used in financing activities (C)</b>		<b>101,984</b>	<b>(62,509)</b>
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES (D)</b>		<b>(3,829)</b>	<b>208</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>		<b>183,106</b>	<b>(3,121)</b>
Cash and cash equivalents at beginning of period		145,160	132,318
Cash and cash equivalents at end of period		328,266	129,197

(\*) Unaudited interim condensed consolidated statement of cash flows for the first half of 2020 and of 2019.

The accompanying notes 1 to 21 are an integral part of the interim condensed consolidated statement of cash flows for the first half of 2020.

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020

Interim Condensed Consolidated Statement of Profit or Loss for the first half of 2020

Interim Condensed Consolidated Statement of Comprehensive Income for the first half of 2020

Interim Condensed Consolidated Statement of Changes in Equity for the first half of 2020

Interim Condensed Consolidated Statement of Cash Flows for the first half of 2020

Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the first half of 2020

1. GROUP ACTIVITIES.....	4
2. BASIS OF PRESENTATION AND BASIS OF CONSOLIDATION.....	5
3. ACCOUNTING POLICIES AND MEASUREMENT BASES.....	8
4. GOODWILL.....	11
5. OTHER INTANGIBLE ASSETS.....	12
6. IMPAIRMENT OF ASSETS.....	15
7. PROPERTY, PLANT AND EQUIPMENT.....	17
8. NON-CURRENT FINANCIAL ASSETS.....	18
9. TRADE RECEIVABLES FOR SALES AND SERVICES, TRADE RECEIVABLES FROM RELATED COMPANIES AND OTHER RECEIVABLES.....	19
10. EQUITY.....	20
11. OBLIGATIONS AND BANK BORROWINGS.....	22
12. FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS.....	25
13. LEASES.....	26
14. OPERATING INCOME AND EXPENSES.....	27
15. CORPORATE INCOME TAX.....	29
16. SEGMENTED INFORMATION.....	30

17. NON-CURRENT PROVISIONS, OBLIGATIONS ACQUIRED AND CONTINGENCIES ..... 32

18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES ..... 33

19. DISCLOSURES ON THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES..... 34

20. EVENTS AFTER THE REPORTING PERIOD ..... 36

21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH..... 36



*Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.*

## **Applus Services, S.A. and Subsidiaries**

### **Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the first half of 2020**

#### **1. Group activities**

Applus Services, S.A. (formerly Applus Technologies Holding, S.L., "the Parent") has been the Parent of the Applus Group ("Applus Group" or "The Group") since 29 November 2007. The Parent Company has its registered office in calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, in Madrid.

The Parent's Company purpose is as follows:

- To provide services in relation to the transport sector and vehicle and highway safety (engineering processes, design, testing, approval and certification of used cars), as well as technical inspections in sectors other than the automotive sector, with a blanket exclusion of activities that are covered by special legislation.
- The technical audits of all types of installations for technical inspection or control of vehicles located anywhere in Spain or abroad, as well as any other type of technical inspection other than vehicles.
- The production and execution of studies and projects in relation to the previously mentioned activities: economic, industrial, property, information technology, market surveys and research, as well as the supervision, direction and provision of services and advice in the execution thereof. Provision of services, advice, administration, operation and management, whether technical, fiscal, legal or commercial.
- Business intermediation services, both locally and abroad.
- To provide all types of inspection services and quality and quantity control, regulatory inspection, collaboration with administration, consultancy, audit, certification, approval, personnel training and qualification, and technical assistance in general in order to improve the organisation and management of quality, safety and environmental aspects.
- To carry out studies, works, measurements, tests, analyses and controls, in laboratories or in situ, and such other professional methods and actions considered necessary or advisable, in particular those related to manufacturing materials, equipment, products and installations, in the fields of mechanics, electricity, electronics and information technology, transport and communications, administrative organisation and office automation, mining, food, environment, construction and civil works, performed during the stages of design, planning, manufacturing, construction and assembly and commissioning, maintenance and production for all types of companies and entities, both public and private, as well as before the Central State Administration, the Administrations of Autonomous Communities, Provinces and Municipalities, and all types of agencies, institutions and users, whether within the country or abroad.

- The purchase, holding and administration, whether direct or indirect, of shares, corporate interests, quota shares and any other form of holding or interest in the capital and/or securities granting right to the obtaining of shares, corporate interests, quota shares, or other holdings or interests in companies of any type, with or without legal personality, established in accordance with Spanish law or any other applicable legislation, in accordance with Article 108 of the Law 27/2014, of 27 November 2014, on Corporate Income Tax, or by such legislation as may replace it, as well as the administration, management and guidance of such companies and entities, whether directly or indirectly, by means of the membership, attendance and holding of positions on any governing and management bodies of such companies or entities, carrying out the described advisory, management and guidance services making use of the corresponding organisation of material and personnel means. An exception is made for those activities expressly reserved by law for Collective Investment Institutions, as well as for that expressly reserved by the Securities Market Act for investment service companies.

The activities may be carried out either directly by the Parent Company or through the ownership of shares or equity interest in other companies with an identical or related purpose, including the carrying out of all its activities in an indirect manner, therefore acting solely as a holding company.

All activities for which the law establishes special requirements that cannot be carried out by the Parent Company are excluded from the corporate purpose. Should legal provisions require a professional qualification, administrative authorization, or registration with a public registry to be able to perform any of the activities included in the corporate purpose, such activities must be performed by persons who hold such professional qualifications, and such tasks shall not be able to commence until the administrative requirements have been met.

The Parent's shares have been listed on the stock market since 9 May 2014.

## **2. Basis of presentation and basis of consolidation**

### ***a) Basis of presentation***

These interim condensed consolidated financial statements for the first half ended 30 June 2020 were prepared in accordance with IAS 34, Interim Financial Reporting, which forms part of the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). These interim condensed consolidated financial statements must be read in conjunction with the consolidated financial statements for the year ended 31 December 2019, which were prepared in accordance with EU-IFRSs. Accordingly, it was not necessary to repeat or update certain notes or estimates included in those consolidated financial statements. Therefore, the accompanying selected explanatory notes include an explanation of the events and changes that are significant to an understanding of the changes in consolidated statement of financial position, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Applus Group in the period from 31 December 2019, the date of the aforementioned consolidated financial statements, to 30 June 2020.

These interim condensed consolidated financial statements were approved by the Parent's Directors at the Board of Directors meeting held on 22 July 2020.

The interim condensed consolidated financial statements of the Applus Group were prepared on the basis of the financial statements of the Parent and the Group companies in accordance with EU-IFRS.

**b) Comparative information**

In accordance to IAS 34, in order to obtain comparative information, these interim condensed consolidated financial statements include the interim condensed consolidated statement of financial position as at 30 June 2020 and the consolidated statement of financial position as at 31 December 2019, the interim condensed consolidated statements of profit or loss for the six-month periods ended 30 June 2020 and 2019, the interim condensed consolidated statements of comprehensive income for the six-month periods ended 30 June 2020 and 2019, the interim condensed consolidated statements of changes in equity for the six-month periods ended 30 June 2020 and 2019, the interim condensed consolidated statements of cash flows for the six-month periods ended 30 June 2020 and 2019, and the explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2020.

**c) Responsibility for the information and use of estimates**

The Parent's Directors are responsible for the information contained in these interim condensed consolidated financial statements with the applicable regulatory financial reporting framework (see section 2.a) above) and for such internal control measures that they consider necessary to ensure the interim condensed consolidated financial statements do not have any material misstatement.

In the Group's interim condensed consolidated financial statements at 30 June 2020 estimates were made by the Group Management, later ratified by the Directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of goodwill (see Note 4).
- The impairment losses on certain assets (see Note 6).
- The recoverability of the deferred tax assets recognised (see Note 15).
- The right-of-use assets and obligations under leases (see Note 13).
- The useful life of the property, plant and equipment and intangible assets.
- The assumptions used in measuring the recoverable amount of the financial instruments and the assets and liabilities in the business combinations.
- Income from pending to be billed services.
- Provisions and contingent liabilities (see Note 17).
- Corporate income tax and deferred tax assets and liabilities (see Note 15).

Although these estimates were made on the basis of the best information available as of 30 June 2020 on the events analysed, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years, in accordance with the requirements of IAS 8.

The Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2020 were affected by COVID-19 and its global expansion to a large number of countries in which the Group operates, which led to it being classified as a pandemic by the World Health Organization on 11 March 2020.

Bearing in mind the complexity of the markets due to their globalisation and the absence, for the time being, of effective medical treatment against the virus, the consequences for the Group's future operations remain uncertain and will depend to a large degree on the evolution and extension of the pandemic in the coming months.

The Group had a good start to the year up until the middle of March when the financial effect of the statutory measures to contain the spread of the COVID-19 started to severely impact operations resulting in a decrease in revenue with respect to the comparative figures for the first half of 2019. At the date of authorisation for issue of these interim condensed consolidated financial statements, a recovery had been observed in June, although a high level of uncertainty remains with regard to future months.

In this context, the Directors and Management of the Group have conducted a detailed assessment of the current situation, based on the best available information at the reporting date. Due to the considerations detailed above, this information includes a high degree of uncertainty. The following aspects of the results of this assessment, which were taken into account in preparing the interim condensed consolidated financial statements, are worthy of note:

- Liquidity risk: despite the situation described above, the cashflow from operating activities was positive at 30 June 2020, as a consequence of the preventive measures such as cost control and reduction (including the Group's capex), as well as stricter working capital management controls and the cancellation of the proposed distribution of a dividend with a charge to profit for 2019, which enabled the Group's total net financial debt to be reduced at that date.

The Group's main financing lines mature at long term between 2025 and 2028 (see Note 11). Cash equivalents amounted to EUR 328 million at 30 June 2020.

As a result of the foregoing and having taken into account the cash forecasts for the coming months and compliance with covenants at 30 June 2020 (see Note 11), the Group's Directors and Management consider that, despite the uncertainties that still remain at the reporting date, the Group maintains a robust financial situation and a high level of liquidity.

- Operational risk: the temporary interruptions to the Group's activity in certain businesses and geographical areas affected the results obtained at the end of the first half of 2020. The measures adopted by the Group have aimed to maintain the long-term profits, prioritising at all times the social and human consequences of the crisis. It has been a priority to preserve the well-being of the Group's employees and of their families, including protecting jobs as far as possible, supporting customers meet the operational challenges where in many cases Group's services continued to be essential, reducing costs and managing cash inflows and outflows and financial resources. In order to minimise the impact. As far as possible and in order to safeguard jobs and reduce the economic impacts of the situation described, measures were taken such as the implementation of furlough-type arrangements (Spanish ERTES) in Spain and other similar measures in other geographical areas in which the Group operates.
- Risk of measurement of assets and liabilities: the aforementioned factors, as well as other factors which affect the market where the Group operates, caused a drop in demand for services and interruptions to the business due to temporary shut-downs of activity. Consequently, indications of impairment were identified on the non-current assets associated with certain businesses that constitute separate cash-generating units, including goodwill. Therefore, the directors re-estimated the recoverable amount of those assets at the end of the first half of 2020 (see Note 6). The interim condensed consolidated statement of profit or loss includes the recognition of the impairment that arose as a result of that analysis.

At 30 June 2020, no need to recognise additional significant impairment losses arose as a result of the review of other accounting estimates such as the ability to recover the deferred tax assets recognised in the accompanying interim condensed consolidated statement of financial position (see Note 15.1) or as a result of an increase in expected credit losses on trade receivables pursuant to IFRS 9 (see Note 9). Also, no significant restructuring plans were approved nor implemented that would have resulted in the recognition of significant provisions in accordance with IAS 37.

- Going concern risk: taking into account all the aforementioned factors, the Group's Directors consider that the conclusion on the application of the going concern basis of accounting remains valid.

Lastly, the Group's Directors and Management continue to constantly monitor the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise.

### 3. Accounting policies and measurement bases

The accounting policies and measurement bases used in these interim condensed consolidated financial statements as at 30 June 2020 are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2019, with the following exceptions:

#### a) Changes in accounting policies and in disclosures of information effective in 2020

In 2020 new accounting standards came into force and were therefore taken into account when preparing the accompanying interim condensed consolidated financial statements. The following standards were applied in these interim condensed consolidated financial statements but did not have a significant impact on the presentation hereof or the disclosures herein:

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
<b>Approved for the use in the European Union</b>		
<b>Amendments and/or interpretations:</b>		
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" included in the conceptual framework.	1 January 2020
Amendments to IFRS 9, IAS 39, IFRS 7 Interest Rate Benchmark Reform (published September 2019)	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest Rate Benchmark in progress Reform.	1 January 2020
Amendment to IFRS 3 Definition of business (published October 2018)	Clarifications to the definition of business.	1 January 2020
<b>Not yet approved for use in the European Union</b>		
<b>Amendments and/or interpretations:</b>		
Amendment to IFRS16 Leases – Rent improvements (published May 2020)	Amendment to facilitate tenants the accounting of rental improvements related to COVID-19.	1 June 2020

#### b) Accounting policies issued but not yet in force in 2020

At the date of preparation of these interim condensed consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of these interim condensed consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):



New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
Not yet approved for use in the European Union		
<b>New standards:</b>		
IFRS 17 Insurance Contracts (published May 2017)	Supersedes IFRS 4. It sets out the principles for recording, measuring, presenting and disaggregating insurance contracts so that the entity provides relevant and reliable information that enables users of the information to determine the effect that contracts have on the financial statements.	1 January 2021
<b>Amendments and/or interpretations:</b>		
Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements) (issued on 23 January 2020)	Presentation of Financial Statements - Classification of liabilities as current or non-current.	1 January 2023 <sup>(1)</sup>

(1) The IASB has proposed its postponement to January 1, 2023 (Draft amendment of June 3, 2020).

The Parent's Directors have not considered the early application of the standards and interpretations detailed above and, in any event, application thereof will be considered by the Group once they have been approved, as the case may be, by the European Union.

In any case, the Parent's Directors are assessing the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's interim condensed consolidated financial statements.

### c) **Changes in the scope of consolidation**

The companies included in the scope of consolidation in the first half of 2020 are as follows:

- Companies acquired in the first half 2020:
  - Iteuve Canarias, S.L.
  - Iteuve Canarias XXI, S.L.
  - Iteuve Canarias Aeropuerto el Matorral, S.L.
  - ZYX Metrology, S.L.U.
- Companies incorporated in the first half 2020:
  - Applus Senegal SURL

On 27 February 2020, the Applus Group has acquired Iteuve Canarias, S.L., Iteuve Canarias XXI, S.L. and Iteuve Canarias Aeropuerto el Matorral, S.L. for EUR 8.6 million. The goodwill resulting from the difference between the fair value of the assets and liabilities assumed, and the cost of the business combination amounts, provisionally, to EUR 6.8 million. The companies have been integrated into the Applus + Automotive division.

On 2 March 2020, the Applus Group has acquired ZYX Metrology, S.L.U. for EUR 1.8 million. The goodwill resulting from the difference between the fair value of the assets and liabilities assumed, and the cost of the business combination amounts, provisionally, to EUR 1 million. The company has been integrated into the Applus + Laboratories division.

At the date of preparation of the interim condensed consolidated financial statements, neither the assets nor liabilities' measurement processed at fair value of the acquisitions described above had been completed and the goodwill allocations is provisional. The Parent's Directors considered that the assets and liabilities' measurement process and the goodwill allocation would be completed in the second half of 2020, and applied retroactively as stated in IFRS 3 – Business Combinations.

**d) Transactions in currencies other than the Euro**

The Group's presentation currency is the Euro. Therefore, all balances and transactions in currencies other than the euro are deemed to be "foreign currency transactions". The main average and closing rates used in the translation to euros of the balances held in foreign currency at 30 June 2020 and 31 December 2019 were as follows:

EUR 1	Currency	30/06/2020		31/12/2019	
		Average rate	Closing rate	Average rate	Closing rate
Danish Krone	DKK	7.46	7.45	7.47	7.47
Norwegian Krone	NOK	10.74	10.84	9.85	9.98
Czech Koruna	CZK	26.33	26.68	25.67	25.41
United Arab Emirates Dirham	AED	4.04	4.12	4.11	4.08
Canadian Dollar	CAD	1.50	1.53	1.49	1.46
Singapore Dollar	SGD	1.54	1.56	1.53	1.51
US Dollar	USD	1.10	1.12	1.12	1.11
Papua New Guinean Kina	PGK	3.70	3.78	3.70	3.68
Pound Sterling	GBP	0.87	0.90	0.88	0.85
Argentine Peso	ARS	n/a	78.68	n/a	66.43
Chilean Peso	CLP	894.94	906.03	784.79	837.86
Colombian Peso	COP	4,061.56	4,184.00	3,669.83	3,682.00
Mexican Peso	MXN	23.78	25.39	21.54	21.02
Brazilian Real	BRL	5.40	6.01	4.41	4.53
Qatari Riyal	QAR	4.04	4.11	4.10	4.08
Malaysian Ringgit	MYR	4.68	4.80	4.64	4.60
Saudi Riyal	SAR	4.13	4.21	4.20	4.17
Indonesian Rupiah	IDR	16,012.70	15,823.00	15,834.60	15,550.00
Australian Dollar	AUD	1.68	1.63	1.61	1.62
Peruvian Nuevo Sol	PEN	3.76	3.93	3.73	3.71
Kuwaiti Dinar	KWD	0.34	0.35	0.34	0.33
Guatemalan Quetzal	GTQ	8.45	8.63	8.61	8.53
Chinese Yuan	CNY	7.74	7.97	7.72	7.79

#### 4. Goodwill

The detail, by cash-generating unit, of the Group's goodwill at 30 June 2020 and 2019 year-end is as follows:

Cash-Generating Unit	Thousands of Euros	
	30/06/2020	31/12/2019
Auto Spain (*)	179,424	172,629
Energy & Industry Northern Europe	83,873	103,035
Energy & Industry North America	70,595	108,762
IDIADA	31,983	60,178
Energy & Industry Seameap	32,927	33,000
Laboratories	68,823	67,917
Auto Finisterre (*)	22,929	22,929
Energy & Industry Latin America	13,554	14,993
Energy & Industry Spain	11,564	11,564
Auto Denmark	6,843	6,843
Auto US (*)	6,141	6,141
Other	1,254	1,254
<b>Total goodwill</b>	<b>529,910</b>	<b>609,245</b>

(\*) Includes the aggregate business of various concessions and administrative authorisations.

The changes in the first half of 2020 and in 2019 were as follows:

	Thousands of Euros
<b>Balance at 1 January 2019</b>	<b>591,338</b>
Changes in the scope of consolidation	16,055
Translation differences	1,852
<b>Balance at 31 December 2019</b>	<b>609,245</b>
Changes in the scope of consolidation (Note 3.c)	7,812
Impairment	(84,183)
Translation differences	(2,964)
<b>Balance at 30 June 2020</b>	<b>529,910</b>

As indicated in Note 2.c, the Group re-estimated the recoverable amount of the non-current assets of certain cash-generating units which include the associated goodwill. Consequently, the Group recognised an impairment loss of EUR 84,183 thousand under "Impairment and gains or losses on disposals of non-current assets" in the accompanying interim condensed consolidated statement of profit or loss in relation to the cash-generating units of IDIADA, Energy & Industry Northern Europe and Energy & Industry North America, amounting to EUR 27,870 thousand, EUR 19,123 thousand and EUR 37,190 thousand, respectively. The main assumptions of the impairment tests conducted are detailed in Note 6.

## 5. Other intangible assets

The changes in the first half of 2020 and in 2019 in the intangible asset accounts and in the related accumulated amortisation and impairment losses were as follows:

	30 June 2020 - Thousands of Euros						
	Balance at 1 January 2020	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Change in exchange rates and other	Balance at 30 June 2020
<b>Cost:</b>							
Administrative concessions	261,578	-	74	(127)	6	(670)	260,861
Patents, licenses and trademarks	272,770	-	-	-	54	(50)	272,774
Administrative authorisations	267,591	-	20	-	-	(643)	266,968
Customer portfolio	171,771	-	-	-	-	(1,157)	170,614
Computer software	88,829	17	2,358	(39)	1,962	(882)	92,245
Goodwill acquired	18,742	-	-	-	-	(702)	18,040
Assets usage rights	72,442	-	-	-	-	-	72,442
Other	50,134	-	2,158	-	(1,893)	(30)	50,369
<b>Total cost</b>	<b>1,203,857</b>	<b>17</b>	<b>4,610</b>	<b>(166)</b>	<b>129</b>	<b>(4,134)</b>	<b>1,204,313</b>
<b>Accumulated amortisation:</b>							
Administrative concessions	(174,875)	-	(11,213)	41	-	748	(185,299)
Patents, licenses and trademarks	(136,009)	-	(6,714)	-	(1)	42	(142,682)
Administrative authorisations	(129,484)	-	(8,344)	-	-	132	(137,696)
Customer portfolio	(102,120)	(1)	(3,502)	-	-	411	(105,212)
Computer software	(68,931)	(9)	(3,450)	27	(2)	706	(71,659)
Goodwill acquired	(78)	-	-	-	-	-	(78)
Assets usage rights	(46,934)	-	(1,896)	2	(1)	-	(48,829)
Other	(33,223)	-	(1,743)	-	-	88	(34,878)
<b>Total accumulated amortisation</b>	<b>(691,654)</b>	<b>(10)</b>	<b>(36,862)</b>	<b>70</b>	<b>(4)</b>	<b>2,127</b>	<b>(726,333)</b>
<b>Total impairment losses</b>	<b>(37,882)</b>	<b>-</b>	<b>(66,995)</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>(104,832)</b>
<b>Total net value</b>	<b>474,321</b>	<b>7</b>	<b>(99,247)</b>	<b>(96)</b>	<b>125</b>	<b>(1,962)</b>	<b>373,148</b>

In the first half of 2020, the amortisation charge of the intangible assets arising from the process to allocate the price paid on the acquisitions recognised in the accompanying interim condensed consolidated financial statements amounted to EUR 29,163 thousand.

Also, the Group recognised impairment losses on intangible assets relating mainly to trademarks and customer portfolios recognised in the allocation of the prices paid in business combinations performed in prior years amounting to EUR 66,995 thousand. This impact was recognised under "Impairment and gains or losses on disposals of non-current assets" in the accompanying interim condensed consolidated statement of profit or loss. When recognising these impairment losses, the directors took into account the current degree of inclusion of the trademarks recognised as intangible assets in prior years within the Applus Group as well as the impairment of certain customer portfolios recognised as intangible assets in prior years.

	2019 - Thousands of Euros						
	Balance at 1 January 2019	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2019
<b>Cost:</b>							
Administrative concessions	264,221	-	905	(5,812)	441	1,823	261,578
Patents, licences and trademarks	272,653	59	-	(1)	-	59	272,770
Administrative authorisations	259,910	-	267	-	7,412	2	267,591
Customer portfolio	171,419	-	-	-	-	352	171,771
Computer software	77,089	50	6,573	(1,143)	5,815	445	88,829
Goodwill acquired	17,868	230	-	-	-	644	18,742
Asset usage rights	72,442	-	-	-	-	-	72,442
Other	43,586	-	5,429	(321)	1,301	139	50,134
<b>Total cost</b>	<b>1,179,188</b>	<b>339</b>	<b>13,174</b>	<b>(7,277)</b>	<b>14,969</b>	<b>3,464</b>	<b>1,203,857</b>
<b>Accumulated amortisation:</b>							
Administrative concessions	(156,219)	-	(22,761)	5,099	-	(994)	(174,875)
Patents, licences and trademarks	(123,329)	(59)	(12,568)	1	-	(54)	(136,009)
Administrative authorisations	(112,446)	-	(16,450)	-	(621)	33	(129,484)
Customer portfolio	(94,980)	-	(7,060)	-	-	(80)	(102,120)
Computer software	(63,366)	27	(6,333)	1,136	(63)	(332)	(68,931)
Goodwill acquired	(77)	-	-	-	-	(1)	(78)
Asset usage rights	(42,058)	-	(4,883)	-	-	7	(46,934)
Other	(29,970)	-	(3,216)	-	13	(50)	(33,223)
<b>Total accumulated amortisation</b>	<b>(622,445)</b>	<b>(32)</b>	<b>(73,271)</b>	<b>6,236</b>	<b>(671)</b>	<b>(1,471)</b>	<b>(691,654)</b>
<b>Total impairment losses</b>	<b>(37,882)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,882)</b>
<b>Total net value</b>	<b>518,861</b>	<b>307</b>	<b>(60,097)</b>	<b>(1,041)</b>	<b>14,298</b>	<b>1,993</b>	<b>474,321</b>

### Intangible assets by cash-generating unit

The detail of intangible assets by cash-generating unit is as follows:

	30 June 2020 - Thousands of Euros													
	Auto Spain	Energy & Industry Northern Europe	Auto Finland	Energy & Industry Seameap	Energy & Industry North America	IDIADA	Energy & Industry Spain	Laboratories	Auto US	Energy & Industry Latin America	Auto Denmark	Auto Finisterre	Other	Total
<b>Cost:</b>														
Administrative concessions	92,659	-	-	-	-	-	182	-	12,780	-	-	155,240	-	260,861
Patents, licenses and trademarks	18,598	89,405	10,217	58,565	28,210	12,296	40,096	8,834	6,411	-	-	-	142	272,774
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	7,058	266,968
Customer portfolio and other	-	41,532	-	27,147	71,261	-	18,822	4,142	-	7,710	-	-	-	170,614
Computer software	4,835	10,492	301	4,096	3,450	7,826	8,060	5,058	10,930	2,569	2,118	1,191	31,319	92,245
Goodwill acquired	-	7,969	769	-	3,549	3,738	1,381	265	-	-	369	-	-	18,040
Assets usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	72,442
Other	545	16,937	969	488	2,023	20,589	4,143	2,537	1,092	-	939	107	-	50,369
<b>Total cost</b>	<b>283,346</b>	<b>166,335</b>	<b>106,180</b>	<b>90,296</b>	<b>108,493</b>	<b>81,178</b>	<b>72,687</b>	<b>55,823</b>	<b>31,213</b>	<b>10,279</b>	<b>3,426</b>	<b>156,538</b>	<b>38,519</b>	<b>1,204,313</b>
<b>Accumulated amortisation:</b>														
Administrative concessions	(75,009)	-	-	-	-	-	(182)	-	(6,808)	-	-	(103,300)	-	(185,299)
Patents, licenses and trademarks	(9,365)	(39,277)	(4,677)	(40,114)	(14,199)	(6,620)	(20,284)	(4,476)	(3,528)	-	-	-	(142)	(142,682)
Administrative authorisations	(53,398)	-	(82,803)	-	-	-	-	-	-	-	-	-	(1,495)	(137,696)
Customer portfolio and other	-	(20,904)	-	(23,112)	(36,860)	-	(18,822)	(2,470)	-	(3,044)	-	-	-	(105,212)
Computer software	(4,378)	(6,966)	(273)	(3,293)	(1,345)	(6,857)	(7,427)	(4,386)	(8,252)	(2,224)	(2,041)	(1,062)	(23,155)	(71,659)
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	-	(78)
Assets usage rights	(723)	-	-	-	-	(24,063)	(3)	(24,040)	-	-	-	-	-	(48,829)
Other	(545)	(10,462)	(696)	(10)	(116)	(16,000)	(3,745)	(2,212)	(1,092)	-	-	-	-	(34,878)
<b>Total accumulated amortisation</b>	<b>(143,418)</b>	<b>(77,609)</b>	<b>(88,449)</b>	<b>(66,529)</b>	<b>(52,520)</b>	<b>(53,540)</b>	<b>(50,534)</b>	<b>(37,591)</b>	<b>(19,680)</b>	<b>(5,268)</b>	<b>(2,041)</b>	<b>(104,362)</b>	<b>(24,792)</b>	<b>(726,333)</b>
<b>Total impairment losses (Note 6)</b>	<b>(7,051)</b>	<b>(50,128)</b>	<b>(8,115)</b>	<b>-</b>	<b>(33,566)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,972)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(104,832)</b>
<b>Total net value</b>	<b>132,877</b>	<b>38,598</b>	<b>9,616</b>	<b>23,767</b>	<b>22,407</b>	<b>27,638</b>	<b>22,153</b>	<b>18,232</b>	<b>5,561</b>	<b>5,011</b>	<b>1,385</b>	<b>52,176</b>	<b>13,727</b>	<b>373,148</b>

	2019 – Thousands of Euros													Total
	Auto Spain	Energy & Industry Northern Europe	Auto Finland	Energy & Industry Seameap	Energy & Industry North America	IDIADA	Energy & Industry Spain	Laboratories	Auto US	Energy & Industry Latin America	Auto Denmark	Auto Finisterre	Other	
<b>Cost:</b>														
Administrative concessions	92,659	-	-	-	-	-	182	-	12,735	-	-	156,002	-	261,578
Patents, licences and trademarks	18,598	89,449	10,163	58,565	28,210	12,294	40,096	8,834	6,418	1	-	-	142	272,770
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	7,681	267,591
Customer portfolio and other	-	41,532	-	27,147	71,840	-	18,822	4,142	-	8,288	-	-	-	171,771
Computer software	4,754	9,326	295	4,166	2,411	8,041	8,021	5,027	10,524	2,860	2,060	1,176	30,168	88,829
Goodwill acquired	-	8,419	769	-	3,714	3,826	1,381	265	-	-	368	-	-	18,742
Asset usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	72,442
Other	545	16,904	852	452	2,763	19,837	4,143	2,493	1,102	-	937	106	-	50,134
<b>Total cost</b>	<b>283,265</b>	<b>165,630</b>	<b>106,003</b>	<b>90,330</b>	<b>108,938</b>	<b>80,727</b>	<b>72,648</b>	<b>55,748</b>	<b>30,779</b>	<b>11,149</b>	<b>3,365</b>	<b>157,284</b>	<b>37,991</b>	<b>1,203,857</b>
<b>Accumulated amortisation:</b>														
Administrative concessions	(73,483)	-	-	-	-	-	(182)	-	(6,761)	-	-	(94,449)	-	(174,875)
Patents, licences and trademarks	(8,994)	(37,973)	(4,500)	(37,649)	(13,635)	(5,951)	(19,487)	(4,300)	(3,377)	(1)	-	-	(142)	(136,009)
Administrative authorisations	(49,766)	-	(78,517)	-	-	-	-	-	-	-	-	-	(1,201)	(129,484)
Customer portfolio and other	-	(20,074)	-	(22,947)	(34,959)	-	(18,822)	(2,332)	-	(2,986)	-	-	-	(102,120)
Computer software	(4,206)	(6,579)	(237)	(3,213)	(1,162)	(6,730)	(7,261)	(4,236)	(7,665)	(2,384)	(2,008)	(1,034)	(22,216)	(68,931)
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	-	(78)
Asset usage rights	(723)	-	-	-	-	(22,577)	(3)	(23,631)	-	-	-	-	-	(46,934)
Other	(522)	(9,894)	(645)	(58)	-	(15,188)	(3,636)	(2,178)	(1,102)	-	-	-	-	(33,223)
<b>Total accumulated amortisation</b>	<b>(137,694)</b>	<b>(74,520)</b>	<b>(83,899)</b>	<b>(63,867)</b>	<b>(49,756)</b>	<b>(50,446)</b>	<b>(49,462)</b>	<b>(36,684)</b>	<b>(18,905)</b>	<b>(5,371)</b>	<b>(2,008)</b>	<b>(95,483)</b>	<b>(23,559)</b>	<b>(691,654)</b>
<b>Total impairment (Note 6)</b>	<b>(7,051)</b>	<b>(16,744)</b>	<b>(8,115)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,972)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,882)</b>
<b>Total net value</b>	<b>138,520</b>	<b>74,366</b>	<b>13,989</b>	<b>26,463</b>	<b>59,182</b>	<b>30,281</b>	<b>23,186</b>	<b>19,064</b>	<b>5,902</b>	<b>5,778</b>	<b>1,357</b>	<b>61,801</b>	<b>14,432</b>	<b>474,321</b>

## 6. Impairment of assets

As indicated in Note 2.c, in the six-month period ended 30 June 2020 the Group experienced a drop in revenue from the rendering of services, as well as interruptions to its business due to temporary shut-downs of activity and, in certain cases, cancellations or postponements of orders by customers, which resulted in a decrease of the earnings.

The Group has reviewed the five-year projections for each CGUs based on the best available information, having identified the need to recognise an impairment loss for those most exposed to the oil and gas and automotive industries.

The negative effect of the current situation of the oil and gas market in the revised estimates of the Energy & Industry CGUs have reduced the revenue and profitability projected for the coming years, which resulted in a reduction in the estimated recoverable amount of the CGUs of Energy & Industry North America and Energy & Industry Northern Europe. As a consequence, the Group recognised impairment losses of EUR 37,190 thousand and EUR 19,123 thousand, respectively, on the goodwill associated with the two CGUs (see Note 4).

Lastly, when determining the recoverable amount of the IDIADA CGU, the Directors also considered a decrease in envisaged revenue and profitability as a consequence of the decrease in design, engineering, testing and certification services provided to the automotive industry as a result of the current crisis in the industry, recovery from which is uncertain in the term of the agreement within which this division currently operates and which expires in September 2024. As a consequence, the Group recognised impairment losses of EUR 27,870 thousand on the goodwill associated with this CGU (see Note 4).

The methodology used by the Group has not undergone changes with respect to those indicated in Note 6 to the consolidated financial statements for 2019. In all cases, the projections were based on prudent and conservative scenarios, in accordance with the Applus Group's business plan based on the best estimates available at the date of performance of the corresponding impairment tests.

### **Main assumptions of the impairment test**

The key assumptions for determining fair value used for the calculations of the impairment test, both in the first half of 2020 and in 2019, were as follows:

a) Perpetuity growth rate:

To calculate the terminal value, the value of the CGU must be estimated using the going concern basis of accounting. For this purpose, the Group applies the "Gordon-Shapiro" model, which estimates the residual value as a sustainable, perpetual return with a constant growth rate. The growth envisaged in each industry in the geographical area in which the Group operates will foreseeably be very similar to the expected growth rate in that geographical area, given that the industries in which it operates correspond to the base industries that are most representative of each geographical area and which largely determine the area's performance. The data were obtained from the long-term inflation forecasts.

b) Discount rate:

The WACC method was used to calculate the discount rates, based on the following assumptions:

- The time value of money or risk-free rate of each country or geographical area (weighted average of the main countries in which the Group operates in those geographical areas), which is based on the yield of ten-year sovereign bonds in the respective country (or the weighted average of the geographical area).
- The estimated risk premium, considering the estimated betas of comparable companies in the industries and a market risk premium for each country, which are observable variables after taxes.
- The average financing structures and conditions of comparable companies in the industry.

The detail of the discount rate (WACC) and of the perpetuity growth rate by business and geographical area in the first half of 2020 and in 2019 is as follows:

Business	First half of 2020		2019	
	Discount rate before tax ("WACC")	Perpetuity growth rate ("g")	Discount rate before tax ("WACC")	Perpetuity growth rate ("g")
Automotive	7.5% - 16.5%	1.5% - 3.0%	7.5% - 16.5%	1.5% - 3.0%
Energy & Industry	9.1% - 14.8%	1.5% - 3.1%	9.1% - 14.8%	1.5% - 3.1%
Laboratories	9.4%	1.7%	9.4%	1.7%
IDIADA	11.3%	1.7%	11.3%	1.7%





Country/Geographical area	First half of 2020		2019	
	Discount rate before tax ("WACC")	Perpetuity growth rate ("g")	Discount rate before tax ("WACC")	Perpetuity growth rate ("g")
Spain	9.4% - 11.5%	1.5% - 1.7%	9.4% - 11.5%	1.5% - 1.7%
Rest of Europe	7.5% - 9.5%	1.6% - 1.9%	7.5% - 9.5%	1.6% - 1.9%
US and Canada	8.4% - 10.7%	2.3%	8.4% - 10.7%	2.3%
Latin America	14.8% - 16.5%	3.0% - 3.1%	14.8% - 16.5%	3.0% - 3.1%

c) Income and expense projections:

Applus Group Management prepares and updates its Business Plan by geographical area and activity. The main components of this plan are projections of operating income and expenses, investments and working capital. The Business Plan includes the current outlook for the coming years.

The Business Plan and the projections for future years were prepared on the basis of past experience and of the best estimates available at the reporting date. Consequently, the considered revenue and margins reflect the best available estimates of the expected performance of the industries in which the Applus Group is present.

## 7. Property, plant and equipment

The changes in the first half of 2020 and in 2019 in the various property, plant and equipment accounts and in the related accumulated depreciation and provisions were as follows:

	30 June 2020 - Thousands of Euros						
	Balance at 1 January 2020	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Change in exchange rate and other	Balance at 30 June 2020
<b>Cost:</b>							
Land and buildings	162,309	4,363	978	(5,823)	203	(1,728)	160,302
Plant and machinery	329,408	1,445	4,744	(3,613)	2,561	1,043	335,588
Other fixtures, tools and furniture	82,149	314	738	(184)	12	(377)	82,652
Other items of property, plant and equipment	76,890	292	1,220	(1,155)	(187)	(3,119)	73,941
Advances and property, plant and equipment in progress	14,164	70	4,990	(14)	(2,819)	(210)	16,181
Grants	(1,036)	-	-	324	-	-	(712)
<b>Total cost</b>	<b>663,884</b>	<b>6,484</b>	<b>12,670</b>	<b>(10,465)</b>	<b>(230)</b>	<b>(4,391)</b>	<b>667,952</b>
<b>Accumulated depreciation:</b>							
Land and buildings	(70,719)	(724)	(2,958)	2,272	57	197	(71,875)
Plant and machinery	(233,468)	(524)	(12,292)	3,613	(2)	(1,296)	(243,969)
Other fixtures, tools and furniture	(60,948)	(119)	(1,485)	184	(2)	381	(61,989)
Other items of property, plant and equipment	(67,534)	(125)	(2,967)	1,155	52	1,536	(67,883)
<b>Total accumulated depreciation</b>	<b>(432,669)</b>	<b>(1,492)</b>	<b>(19,702)</b>	<b>7,224</b>	<b>105</b>	<b>818</b>	<b>(445,716)</b>
<b>Total impairment losses</b>	<b>(4,481)</b>	<b>-</b>	<b>(875)</b>	<b>529</b>	<b>-</b>	<b>10</b>	<b>(4,817)</b>
<b>Total net value</b>	<b>226,734</b>	<b>4,992</b>	<b>(7,907)</b>	<b>(2,712)</b>	<b>(125)</b>	<b>(3,563)</b>	<b>217,419</b>

	2019 - Thousands of Euros						Balance at 31 December 2019
	Balance at 1 January 2019	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Change in exchange rate and other	
<b>Cost:</b>							
Land and buildings	170,572	4,635	2,614	(14,438)	(1,182)	108	162,309
Plant and machinery	292,313	3,448	23,345	(2,856)	10,415	2,743	329,408
Other fixtures, tools and furniture	72,479	634	7,096	(686)	2,386	240	82,149
Other items of property, plant and equipment	82,118	3,575	5,537	(21,173)	236	6,597	76,890
Advances and property, plant and equipment in progress	22,158	138	18,945	(234)	(26,941)	98	14,164
Grants	(698)	-	9	(345)	(2)	-	(1,036)
<b>Total cost</b>	<b>638,942</b>	<b>12,430</b>	<b>57,546</b>	<b>(39,732)</b>	<b>(15,088)</b>	<b>9,786</b>	<b>663,884</b>
<b>Accumulated depreciation:</b>							
Land and buildings	(69,935)	(454)	(5,059)	3,415	1,602	(288)	(70,719)
Plant and machinery	(207,940)	(3,148)	(22,070)	2,446	16	(2,772)	(233,468)
Other fixtures, tools and furniture	(58,909)	(141)	(3,066)	1,939	(580)	(191)	(60,948)
Other items of property, plant and equipment	(79,484)	(1,276)	(5,881)	20,275	(248)	(920)	(67,534)
<b>Total accumulated depreciation</b>	<b>(416,268)</b>	<b>(5,019)</b>	<b>(36,076)</b>	<b>28,075</b>	<b>790</b>	<b>(4,171)</b>	<b>(432,669)</b>
<b>Total impairment losses</b>	<b>(2,100)</b>	<b>-</b>	<b>(1,750)</b>	<b>583</b>	<b>-</b>	<b>(1,214)</b>	<b>(4,481)</b>
<b>Total net value</b>	<b>220,574</b>	<b>7,411</b>	<b>19,720</b>	<b>(11,074)</b>	<b>(14,298)</b>	<b>4,401</b>	<b>226,734</b>

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

## **8. Non-current financial assets**

Note 8 to the consolidated financial statements for 2019 details the various items included under this heading.

In the first half of 2020, the Group re-estimated the recoverable value of the credits granted to third parties and registered an impairment amounting to EUR 13,856 thousand under "Impairment and gains or losses on disposals of non-current assets" in the accompanying interim condensed consolidated statement of profit or loss. There have not been other significant changes under this heading with respect to 31 December 2019.

At 30 June 2020, "Non-Current Financial Assets" included EUR 4.2 million (December 2019: EUR 5.1 million) relating to restricted cash deposits securing certain signed agreements.

## 9. Trade receivables for sales and services, trade receivables from related companies and other receivables

The detail of these headings at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Trade receivables for sales and services	241,943	302,038
Work in progress	110,494	110,510
Provisions for doubtful debts	(25,128)	(24,833)
<b>Trade receivables for sales and services</b>	<b>327,309</b>	<b>387,715</b>
Trade receivables from related companies (Note 18)	280	233
Other receivables	18,539	18,005
Other accounts receivable from public authorities	6,165	7,328
<b>Total trade and other receivables</b>	<b>352,293</b>	<b>413,281</b>

The Group does not charge interest on receivables maturing within one year. The fair value and the nominal value of these assets do not differ significantly.

The changes in "Allowance for doubtful debts", in the first half of 2020 and in 2019, are as follows:

	Thousands of Euros
<b>Balance at 1 January 2019</b>	<b>27,573</b>
Additions	10,692
Amounts used	(5,992)
Disposals	(7,666)
Effects of exchange rate changes	226
<b>Balance at 31 December 2019</b>	<b>24,833</b>
Additions	3,497
Amounts used	(1,785)
Disposals	(179)
Effects of exchange rate changes	(1,238)
<b>Balance at 30 June 2020</b>	<b>25,128</b>

The Group re-estimated its operating provisions and allowances taking into account the existing risks arising from the COVID-19 situation, and there were no significant changes to the recoverable amount of the accounts receivable or to the related credit losses.

## **10. Equity**

### **a) Share capital**

At 30 June 2020 and 31 December 2019, the Parent's share capital was represented by 143,018,430 fully subscribed and paid-up ordinary shares of EUR 0.10 par value each.

As per the notifications of the number of shares submitted to the Spanish National Securities Market Commission (CNMV), the shareholders owning significant direct and indirect interests in the share capital of the Parent representing more than 3% of the total share capital at 30 June 2020 were as follows:

Company	% of share
River & Mercantile Group P.L.C.	5.05%
Norges Bank	5.00%
DWS Investment GmbH	3.64%
Invesco Ltd.	3.06%

The Parent's Directors are not aware of any other ownership interests of 3% or more of the share capital or voting rights of the Parent, or of any lower ownership interests that might permit the holder to exercise a significant influence over the Parent.

### **b) Reserves and share premium**

The Parent's legal reserve at 30 June 2020 amounts to EUR 2,860 thousand which is equivalent to the 20% of capital.

The total amount of share premium at 30 June 2020 is EUR 449,391 thousand and it is fully available.

### **c) Treasury shares**

At 30 June 2020, the Group held a total of 117,809 treasury shares at an average cost of EUR 11.93 per share. The value of these treasury shares totalled EUR 1,405 thousand, which is recognised under "Treasury Shares" in the accompanying interim condensed consolidated statement of financial position at 30 June 2020.

At 31 December 2019, the Group held a total of 343,849 treasury shares at an average cost of EUR 11.93 per share. The value of these treasury shares totalled EUR 4,102 thousand.

In February and March 2020 the Group delivered to the Executive Directors, Senior Executives and certain executives a total of 226,040 shares, in accordance with the new incentive plan granted (see Note 19).

### **d) Distribution of profit**

On 21 February 2020, the Group authorised the 2019 consolidated financial statements for issue with a proposal for the distribution of profit of EUR 31,464 thousand to dividends and EUR 19,339 thousand to unrestricted reserves to be submitted for approval by the shareholders at the Annual General Meeting.

As a result of the situation caused by COVID-19, on 29 May 2020 the shareholders at the Annual General Meeting of the Parent approved the appropriation of the profit of the Parent for 2019, amounting to EUR 50,803 thousand, to unrestricted voluntary reserves.

**e) Profit per share**

The profit per share is calculated on the basis of the profit attributable to the shareholders of the Parent divided by the average number of ordinary shares outstanding in the year. At 30 June 2020 and 2019 the profit per share is as follows:

	30/06/2020	30/06/2019
Number of shares	143,018,430	143,018,430
Average number of shares	143,018,430	143,018,430
Net consolidated profit attributable to the Parent (thousands of euros)	(169,853)	30,265
Number of treasury shares	117,809	93,849
Total number of shares	143,018,430	143,018,430
Profit per share (in euros per share):		
- Basic	(1.19)	0.21
- Diluted	(1.19)	0.21

There are no financial instruments that could dilute the profit per share.

**f) Foreign currency translation reserve**

The detail of "Foreign currency translation reserve" in the interim condensed consolidated statement of financial position as at 30 June 2020 and the consolidated statement of financial position as at 31 December 2019 is as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Applus+ Energy & Industry	(17,222)	(6,869)
Applus+ Laboratories	(620)	233
Applus+ Automotive	(44,300)	(41,530)
Applus+ IDIADA	(736)	115
Other	3,115	4,616
<b>Total</b>	<b>(59,763)</b>	<b>(43,435)</b>

**g) Non-controlling interests**

The detail of the non-controlling interests of the fully consolidated companies in which ownership is shared with third parties is as follows:

	30 June 2020 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	15,814	670	16,484
IDIADA Automotive Technology, S.A. subgroup	13,068	(449)	12,619
Arctosa Holding B.V. subgroup	110	(111)	(1)
Velosi S.à.r.l. subgroup	10,197	2,005	12,202
Applus Iteuve Technology, S.L.U. subgroup	3,882	4,871	8,753
<b>Total non-controlling interests</b>	<b>43,071</b>	<b>6,986</b>	<b>50,057</b>

	2019 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	14,159	2,166	16,325
IDIADA Automotive Technology, S.A. subgroup	9,126	4,273	13,399
Arctosa Holding B.V. subgroup	1	(169)	(168)
Velosi S.à r.l. subgroup	6,998	5,201	12,199
Applus Iteuve Technology, S.L.U. subgroup	(2,636)	9,408	6,772
<b>Total non-controlling interests</b>	<b>27,648</b>	<b>20,879</b>	<b>48,527</b>

### 11. Obligations and bank borrowings

The detail, by maturity, of the obligations and bank borrowings at 30 June 2020 and 31 December 2019 in the interim condensed consolidated statement of financial position is as follows:

	30 June 2020 - Thousands of Euros						
	Limit	Short Term Drawn	Long Term Drawn				Total
			2021	2022	2023	2024 onwards	
Facility A "Term Loan"	200,000	-	-	-	-	200,000	200,000
Facility B "Revolving Credit Facility"	400,000	-	-	-	-	250,000	250,000
US Private Placement lenders	230,000	-	-	-	-	230,000	230,000
Bilateral facilities	50,000	10,000	10,000	20,000	10,000	-	50,000
Accrued interests	-	2,806	-	-	-	-	2,806
Debt Arrangement fees	-	(974)	(490)	(973)	(539)	(301)	(3,277)
Other loans	-	729	333	279	83	286	1,710
Credit facilities	186,650	5,128	-	-	-	-	5,128
Obligations under finance leases	-	1,477	738	1,136	606	442	4,399
<b>Total</b>	<b>1,066,650</b>	<b>19,166</b>	<b>10,581</b>	<b>20,442</b>	<b>10,150</b>	<b>680,427</b>	<b>740,766</b>

	2019 - Thousands of Euros						
	Limit	Short Term Drawn	Long Term Drawn				Total
			2021	2022	2023	2024 onwards	
Facility A "Term Loan"	200,000	-	-	-	-	200,000	200,000
Facility B "Revolving Credit Facility"	400,000	-	-	-	-	115,000	115,000
US Private Placement lenders	230,000	-	-	-	-	230,000	230,000
Accrued interests	-	2,808	-	-	-	-	2,808
Debt Arrangement fees	-	(976)	(973)	(973)	(539)	(301)	(3,762)
Other loans	-	461	243	216	211	76	1,207
Credit facilities	146,067	54,397	-	-	-	-	54,397
Obligations under finance leases	-	2,503	1,438	842	534	120	5,437
<b>Total</b>	<b>976,067</b>	<b>59,193</b>	<b>708</b>	<b>85</b>	<b>206</b>	<b>544,895</b>	<b>605,087</b>

On 11 July 2018, the Applus Group repaid the syndicated loan existing at the time early and entered into a new loan agreement with a syndicate of nine banks and a private placement with two US institutional investors. As a result, the Group improved the terms and conditions of the previous syndicated loan by changing, inter alia, the currencies, interest rates, maturities and lenders. Additionally, all previously granted share pledges of certain of the Group companies were cancelled and no new pledges on shares were granted.

The consolidated Group's debt structure is composed of a portion of bank borrowings and a placement of private debt with institutional investors. The bank borrowings consist of a multi-currency syndicated loan of EUR 600 million, which comprises a Facility A "Term Loan" of EUR 200 million and a Facility B "Revolving Credit Facility" of EUR 400 million. The total amount of the private debt is EUR 230 million.

On 16 April 2020, the Applus Group entered a new bilateral facilities agreement with a bank. The total loan amounts to EUR 50 million maturing on April 2023. The loan bears a market interest.

On 16 April 2020, the Applus Group entered a new credit line with CaixaBank limited to EUR 100 million maturing in 2021. This credit line has not been disposed.

The Group had liquidity of EUR 663 million at 30 June 2020, taking into account cash and cash equivalents reflected in the accompanying interim condensed consolidated statement of financial position and the undrawn balances of the financing lines detailed previously.

**a) Syndicated loan and private placement debt**

The syndicated loan bears interest at Euribor for tranches in euros and at Libor for tranches in foreign currency (currently not drawn down) plus a spread based on a leverage grid for each Facility.

All the tranches had an initial single maturity at 27 June 2023, which may be extended for a total of two additional years at the end of the first and second years. On 27 June 2019 all tranches were extended to 27 June 2024 and, on 16 June 2020, they were extended to 27 June 2025.

The private placement debt is placed from two US institutional investors. The structure includes a tranche of EUR 150 million maturing on 27 June 2025 and a tranche of EUR 80 million maturing on 27 June 2028.

The detail of syndicated loan and the private placement debt at 30 June 2020 and at 31 December 2019 is as follows:

**First half of 2020**

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A "Term Loan"	200,000	200,000	27/06/2025
Facility B "Revolving Credit Facility"	400,000	250,000	27/06/2025
US Private Placement lenders - 7 years	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	27/06/2028
Accrued Interests	-	2,633	
Debt arrangement expenses	-	(3,277)	
<b>Total</b>	<b>830,000</b>	<b>679,356</b>	



2019

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A "Term Loan"	200,000	200,000	27/06/2024
Facility B "Revolving Credit Facility"	400,000	115,000	27/06/2024
US Private Placement lenders - 7 years	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	27/06/2028
Accrued Interests	-	2,808	
Debt arrangement expenses	-	(3,762)	
<b>Total</b>	<b>830,000</b>	<b>544,046</b>	

*a.1) Obligations and restrictions related to the syndicated loan and private debt*

Both the syndicated loan and the private placement debt are subject to the achievement of certain financial ratios. The main one is defined as net consolidated debt to consolidated EBITDA, that must be less than 4.0x, tested every six months at 30 June and 31 December.

At 30 June 2020, the ratio calculated on the basis of the contractually established definitions of net consolidated debt and consolidated EBITDA, was 2.4x.

The Parent's Directors expect the financial leverage ratio covenant to be met in the following years.

The Group also has to fulfil certain obligations under the syndicated loan and the private placement agreement which relate mainly to disclosure requirements concerning its consolidated financial statements and negative undertakings to not perform certain transactions without the lender's consent, such as certain mergers or changes of business activity (see Note 17.b).

*a.2) Guarantees given*

None of Applus Group subsidiaries have their shares or other assets pledged to secure the financial debt.

**b) Credit facilities and other loans**

The interest rates on the credit facilities and loans are tied to Euribor and Libor, plus a market spread.

The Group entered into a non-recourse factoring agreement to sell outstanding receivables from customers for up to a maximum of EUR 20 million bearing interest at the market rate, which has been cancelled at 30 June 2020 (2019 year-end: EUR 11,590 thousand had been used).



**c) Disclosure for currency of obligations and bank borrowings**

The detail of the main current and non-current obligations and bank borrowings at 30 June 2020 and 31 December 2019, by currency, is as follows:

	30 June 2020 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	449,356	-	-	-	-	-	<b>449,356</b>
US Private Placement	230,000	-	-	-	-	-	<b>230,000</b>
Bilateral facilities	50,173	-	-	-	-	-	<b>50,173</b>
Other loans	858	-	-	-	-	852	<b>1,710</b>
Credit facilities	2,846	-	1	375	1,904	2	<b>5,128</b>
Finance leases	44	4,154	68	-	-	133	<b>4,399</b>
<b>Total</b>	<b>733,277</b>	<b>4,154</b>	<b>69</b>	<b>375</b>	<b>1,904</b>	<b>987</b>	<b>740,766</b>

	2019 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	314,046	-	-	-	-	-	<b>314,046</b>
US Private Placement	230,000	-	-	-	-	-	<b>230,000</b>
Others loans	935	-	-	-	-	272	<b>1,207</b>
Credit facilities	51,547	68	8	765	1,967	42	<b>54,397</b>
Finance leases	57	5,108	100	-	-	172	<b>5,437</b>
<b>Total</b>	<b>596,585</b>	<b>5,176</b>	<b>108</b>	<b>765</b>	<b>1,967</b>	<b>486</b>	<b>605,087</b>

**12. Financial risks and derivative financial instruments**

In the first six months of 2020 and in 2019, the Applus Group had not arranged any derivative financial instruments.

The financial risks to which the Group is exposed are the same as those indicated in Note 16 to the consolidated financial statements for 2019.

### 13. Leases

#### a) Amounts recognised in the interim condensed consolidated statement of financial position

The amounts related to operating leases recognised in the interim condensed consolidated statement of financial position as at 30 June 2020 is as follows:

##### Rights of use

	Thousands of Euros	
	Net value	
	30/06/2020	31/12/2019
<b>Rights of use</b>		
Offices	105,094	87,695
Rights of use of facilities (fixed levies)	30,173	32,570
Vehicles	18,223	21,753
Machinery	5,533	6,463
Land	4,647	3,072
Hardware	1,108	1,381
<b>Total</b>	<b>164,778</b>	<b>152,934</b>

##### Lease liabilities

	Thousands of Euros	
	30/06/2020	31/12/2019
<b>Lease liabilities</b>		
Current	45,203	45,674
Non-current	136,011	124,500
<b>Total</b>	<b>181,214</b>	<b>170,174</b>

#### b) Amounts recognised in the interim condensed consolidated statement of profit or loss

At 30 June 2020, the amounts related to leases recognised in the interim condensed consolidated statement of profit or loss are as follows: amortisation of the right-of-use assets for an amount of EUR 22,613 thousand (first half of 2019: EUR 23,197 thousand), basically offices and vehicles; finance costs on lease liabilities for an amount of EUR 4,037 thousand (first half of 2019: EUR 4,062 thousand) (see Note 14.b); and operating expenses related to leases of low-value assets not considered in a short-term, short-term leases and, variable lease payments not included in the measurement of lease liabilities, for an amount of EUR 19,247 thousand (first half of 2019: EUR 28,926 thousand), which correspond, basically, to auto stations' variable rent levies of the Automotive division for an amount of EUR 9,600 (first half of 2019: EUR 17,991 thousand).

In the first half of 2020 the consolidated EBITDA impact corresponds to minor operating lease expenses amounting EUR 26,928 thousand (first half of 2019: EUR 27,325 thousand).

#### c) Amounts recognised in the interim condensed consolidated statement of cash flows

In the six-month period ended 30 June 2020, the total amount of cash outflows relating to leases amounted to EUR 26,928 thousand (first half of 2019: EUR 27,325 thousand).

#### d) Leases in which the Group acts as lessee

All amounts recognised in the interim condensed consolidated statement of financial position relate to leases in which the Group acts as lessee.

The main rights of use assets of the Group include two levies of surface rights of Applus+ Laboratories in Bellaterra and Applus+ IDIADA in L'Albarnar (Catalonia, Spain) with maturities 2033 and 2024 respectively.

In the first half of 2020, the Group has not recognised gains or losses in the interim condensed consolidated statement of profit or loss arising from sale and leaseback transactions.

Additionally, new lease contracts have been registered as additions amounting to EUR 24.5 million as a consequence of the signature of the contract for the provision of statutory vehicle inspection services in Ireland with local authorities for ten years from 27 June 2020. No other significant additions have been registered at 30 June 2020.

Lastly, it should be noted that no renegotiations were held that have led to reductions or forgiveness of rent or other economic incentives resulting in a significant positive effect on the interim condensed consolidated statement of profit or loss.

### 14. Operating income and expenses

#### a) Staff costs

The detail of "Staff Costs" in the accompanying interim condensed consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Wages, salaries and similar expenses	337,240	382,029
Severances	3,627	2,215
Employee benefit costs	51,326	57,066
Other staff costs	38,575	35,626
<b>Total</b>	<b>430,768</b>	<b>476,936</b>

At 30 June 2020, the Group's staff costs had been reduced, among other factors, due to the impact of the furlough-type arrangements (ERTEs) approved in Spain and other similar measures adopted in the other geographical areas in which the Group operates, which resulted in lower costs in relation to wages, salaries and similar expenses and employee benefits.

The tax relief or grants received, where applicable, did not have a significant impact on this line item in the accompanying interim condensed consolidated statement of profit or loss.

The average number of employees at the Group, by professional category and gender, is as follows:

Professional category	Average number of employees		
	First half of 2020		
	Men	Women	Total
Top management	142	21	163
Middle management	379	94	473
Supervisors	985	220	1,205
Operational employees & others	15,910	3,972	19,882
<b>Total</b>	<b>17,416</b>	<b>4,307</b>	<b>21,723</b>

Professional category	Average number of employees		
	First half of 2019		
	Men	Women	Total
Top management	154	23	177
Middle management	448	100	548
Supervisors	1,064	263	1,327
Operational employees & others	16,320	4,032	20,352
<b>Total</b>	<b>17,986</b>	<b>4,418</b>	<b>22,404</b>

Also, the distribution of the workforce, by gender and category at the end of the first half of 2020 and 2019, is as follows:

Professional category	Number of employees		
	30/06/2020		
	Men	Women	Total
Top management	137	21	158
Middle management	372	96	468
Supervisors	989	222	1,211
Operational employees & others	15,410	3,871	19,281
<b>Total</b>	<b>16,908</b>	<b>4,210</b>	<b>21,118</b>

Professional category	Number of employees		
	30/06/2019		
	Men	Women	Total
Top management	150	23	173
Middle management	431	98	529
Supervisors	1,047	259	1,306
Operational employees & others	16,618	3,982	20,600
<b>Total</b>	<b>18,246</b>	<b>4,362</b>	<b>22,608</b>

#### b) Financial result

The breakdown of the financial result in the first half of 2020 and 2019 is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
<b>Finance income:</b>		
Other finance income from third parties	671	1,130
<b>Total finance income</b>	<b>671</b>	<b>1,130</b>
<b>Finance costs:</b>		
Borrowing costs relating to syndicated loan and US Private Placement (Note 11)	(4,989)	(5,006)
Other finance costs paid to third parties	(2,000)	(2,281)
Finance costs on leasing liabilities (Note 13)	(4,037)	(4,062)
Exchange differences	(685)	87
<b>Total finance costs</b>	<b>(11,711)</b>	<b>(11,262)</b>
Gains or losses on the net monetary position (Hyperinflation)	(587)	(1,375)
<b>Total financial result</b>	<b>(11,627)</b>	<b>(11,507)</b>

## 15. Corporate income tax

### 15.1 Deferred tax assets

The detail of "Deferred Tax Assets" recognised in the accompanying interim condensed consolidated statement of financial position as at 30 June 2020 and the consolidated statement of financial position as at 31 December 2019 is as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Tax credit for tax loss carryforwards	30,695	28,581
Withholding taxes and other tax credits	14,839	12,663
Temporary differences	24,991	24,261
<b>Total deferred tax assets</b>	<b>70,525</b>	<b>65,505</b>

The deferred tax assets recognised in the interim condensed consolidated statement of financial position relate mainly to Spanish Group companies and amounted to EUR 35,504 thousand at 30 June 2020 (31 December 2019: EUR 36,246 thousand). Despite the effects of the situation described in Note 2.c, the earnings of the Spanish companies remain positive and, even taking into account the potential delays in generating taxable profits, the Group reassessed their probable recovery in the foreseeable future.

### 15.2 Deferred tax liabilities

"Deferred Tax Liabilities" in the accompanying interim condensed consolidated statement of financial position as at 30 June 2020 and the consolidated statement of financial position as at 31 December 2019 includes mainly the following items:

	Thousands of Euros	
	30/06/2020	31/12/2019
<b>Temporary differences associated with:</b>		
Recognition at fair value of the identifiable assets in acquisitions of business combinations	75,289	99,952
Depreciation and amortisation and measurement of assets and goodwill	24,119	20,482
Royal Decree-Law 3/2016	1,864	1,864
Amortisation of goodwill paid in the acquisition of foreign companies by Spanish companies	6,502	6,164
Other deferred tax liabilities	7,905	8,950
<b>Total deferred tax liabilities</b>	<b>115,679</b>	<b>137,412</b>

### 15.3 Years open for review and tax audits

In 2019 tax audits were commenced by the Spanish tax authorities at certain Spanish companies part of Income Tax group 238/08 and VAT group 0036/11 in relation to the following taxes: Income tax (2014 to 2017), VAT (2015 to 2017) and income tax withholdings and prepayments (2015 to 2017). The tax audits are at the documentation submission phase. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. However, the possible tax contingencies are not expected to have a significant impact on the Group's equity position. In addition, at 30 June 2020 tax groups had the statute of limitations tolled for 2012 for income tax and 2013 and 2014 for VAT.

The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries and all those ongoing tax audits. The Parent's Directors do not expect any additional significant liabilities to arise in the event of a tax audit.

Note 20.f to the consolidated financial statements for 2019 details the main audit and tax contingencies the Group faces. In this connection, there have been no significant developments in the first half of 2020, except for those stated above, with respect to the main inspection procedures in progress and the Parent's Directors do not expect significant additional liabilities to arise.

## 16. Segmented information

### a) Financial information by business segment

In the first half of 2020 the Group operates through four operating divisions and a holding division, each of which is considered to be a segment for financial reporting purposes.

The financial information, by segment, in the interim condensed consolidated statement of profit or loss in the first half of 2020 and of 2019 is as follows (in thousands of euros):

#### First half of 2020

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Revenue	456,191	40,688	144,027	100,317	13	741,236
Operating expenses	(442,035)	(36,878)	(118,210)	(96,344)	(13,257)	(706,724)
<b>Adjusted Operating Profit</b>	<b>14,156</b>	<b>3,810</b>	<b>25,817</b>	<b>3,973</b>	<b>(13,244)</b>	<b>34,512</b>
Amortisation of non-current assets identified in business combinations (Note 5)	(8,497)	(713)	(17,795)	(2,158)	-	(29,163)
Other results						(167,268)
<b>Operating Profit</b>						<b>(161,919)</b>

#### First half of 2019

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Revenue	515,175	43,955	197,535	119,100	28	875,793
Operating expenses	(476,419)	(38,139)	(145,927)	(103,206)	(13,884)	(777,575)
<b>Adjusted Operating Profit</b>	<b>38,756</b>	<b>5,816</b>	<b>51,608</b>	<b>15,894</b>	<b>(13,856)</b>	<b>98,218</b>
Amortisation of non-current assets identified in business combinations	(8,525)	(713)	(18,621)	(1,680)	-	(29,539)
Other results						(1,015)
<b>Operating Profit</b>						<b>67,664</b>

The Adjusted Operating Profit is the operating profit before the amortisation charge of the intangible assets allocated in the business combinations (PPA) and other results.

The other results are included under "Impairment and gains or losses on disposal of non-current assets" and "Other results" in the interim condensed consolidated statement of profit or loss.

The "Other" segment includes the financial information corresponding to the Applus Group's holding activity.

The finance costs were allocated mainly to the "Other" segment as it is the Holding division who manages bank borrowings (see Note 11).

The current, non-current assets and liabilities, by business segment, at 30 June 2020 and 31 December 2019 are as follows (in thousands of euros):

30 June 2020

	Applus+ Energy & Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	212,513	68,823	215,337	31,983	1,254	529,910
Other intangible assets	111,937	18,233	201,613	27,638	13,727	373,148
Rights of use	46,167	20,820	60,052	36,616	1,123	164,778
Property, plant and equipment	83,620	19,741	77,382	36,385	291	217,419
Investments accounted for using the equity method	608	-	-	-	-	608
Non-current financial assets	9,264	697	5,065	927	-	15,953
Deferred tax assets	25,892	1,940	8,076	1,701	32,916	70,525
<b>Total non-current assets</b>	<b>490,001</b>	<b>130,254</b>	<b>567,525</b>	<b>135,250</b>	<b>49,311</b>	<b>1,372,341</b>
<b>Total current assets</b>	<b>360,619</b>	<b>35,974</b>	<b>58,538</b>	<b>81,887</b>	<b>186,190</b>	<b>723,208</b>
<b>Total liabilities</b>	<b>287,491</b>	<b>60,828</b>	<b>229,798</b>	<b>110,262</b>	<b>764,796</b>	<b>1,453,175</b>

2019

	Applus+ Energy & Industry	Applus + Laboratories	Applus + Automotive	Applus + IDIADA	Other	Total
Goodwill	271,354	67,917	208,542	60,178	1,254	609,245
Other intangible assets	188,976	19,062	221,568	30,282	14,433	474,321
Rights of use	53,179	20,833	38,554	38,970	1,398	152,934
Property, plant and equipment	88,127	20,501	77,746	40,103	257	226,734
Investments accounted for using the equity method	686	-	-	-	-	686
Non-current financial assets	23,374	699	4,986	1,010	(69)	30,000
Deferred tax assets	23,458	2,018	7,377	1,946	30,706	65,505
<b>Total non-current assets</b>	<b>649,154</b>	<b>131,030</b>	<b>558,773</b>	<b>172,489</b>	<b>47,979</b>	<b>1,559,425</b>
<b>Total current assets</b>	<b>422,724</b>	<b>38,567</b>	<b>47,095</b>	<b>95,021</b>	<b>9,733</b>	<b>613,140</b>
<b>Total liabilities</b>	<b>308,229</b>	<b>63,980</b>	<b>222,197</b>	<b>127,423</b>	<b>626,281</b>	<b>1,348,110</b>

The additions to intangible assets and also to property, plant and equipment, by business segment, in the first half of 2020 and 2019 were as follows (in thousands of euros):

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
<b>Capex - first half of 2020</b>	<b>8,595</b>	<b>1,404</b>	<b>4,622</b>	<b>2,522</b>	<b>137</b>	<b>17,280</b>
<b>Capex - first half of 2019</b>	<b>10,646</b>	<b>4,243</b>	<b>2,271</b>	<b>7,425</b>	<b>699</b>	<b>25,284</b>



## **b) Financial information by geographical segment**

Since the Group has presence in several countries, the information has been grouped geographically.

The sales, by geographical area, in the first half of 2020 and 2019, were as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Spain	163,823	195,405
Rest of Europe	185,454	240,622
US and Canada	138,875	159,500
Asia and Pacific	86,977	95,793
Middle East and Africa	81,848	89,292
Latin America	84,259	95,181
<b>Total</b>	<b>741,236</b>	<b>875,793</b>

The non-current assets, by geographical area, at 30 June 2020 and 31 December 2019, are as follows (in thousands of euros):

Total non-current assets	Spain	Rest of Europe	US and Canada	Asia and Pacific	Latin America	Middle East and Africa	Total
<b>30 June 2020</b>	753,209	269,431	182,936	72,616	79,211	14,938	<b>1,372,341</b>
<b>31 December 2019</b>	787,956	321,003	257,721	87,156	87,476	18,113	<b>1,559,425</b>

## **17. Non-current provisions, obligations acquired and contingencies**

### **a) Non-current provisions**

Note 17 to the consolidated financial statements for 2019 details the various items included under this heading.

In the first half of 2020 there were no significant changes with respect to 31 December 2019.

The recognised provisions constitute a fair and reasonable estimate of the effect on the Group's equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by the Group Executive Committee and Committee of the subsidiaries, with the assistance of their advisers, considering the specific circumstances to each case.

### **b) Guarantees and obligations acquired**

Note 27.a to the consolidated financial statements for 2019 details the guarantees provided by the Group.

In the first half of 2020 there were no significant changes in the guarantees granted with respect to 31 December 2019.

The Parent's Directors do not expect any material liabilities additional to those recognised in the accompanying interim condensed consolidated statement of financial position as at 30 June 2020 to arise as a result of the transactions described in Note 27.a to the consolidated financial statements for 2019.



### c) Contingencies

Note 27.b to the consolidated financial statements for 2019 details the main contingencies the Group faces.

There were no changes in this connection in the first half of 2020.

At 30 June 2020, the Parent's Directors were not aware of any significant claims brought by third parties or of any ongoing legal proceedings against the Group that, in their opinion, could have a material impact on these interim condensed consolidated financial statements.

### 18. Transactions and balances with related parties

For the purposes of the information in this section, related parties are considered to be:

- The significant shareholders of Applus Services, S.A. understood to be shareholders holding directly or indirectly 3% or more of the shares, and shareholders which, without being significant, have exercised the power to propose the appointment of one member of the Board of Directors.
- The Directors and Senior Executive, as well as close members of those persons' family. "Director" means a member of the Board of Directors and "Senior Executive" means persons reporting directly to the Board of Directors or to the Chief Executive Officer (CEO) of the Group.
- Associates of the Group.

The transactions between the Parent and its subsidiaries were eliminated on consolidation and are not disclosed in this Note.

The transactions between the Group and its related companies disclosed below, are performed at arm's length and in line with market conditions.

#### Transactions with related companies

In the first half of 2020, the Parent and its subsidiaries performed the following transactions with related companies:

	Thousands of Euros					
	First half of 2020			First half of 2019		
	Operating revenue	Procurements	Other expenses	Operating revenue	Procurements	Other expenses
Velosi (B) Sdn Bhd	172	-	-	-	-	-
<b>Total</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Balances with related companies

##### a) Receivables from related companies:

	Thousands of Euros	
	Trade receivables from related companies	
	30/06/2020	31/12/2019
Velosi (B) Sdn Bhd	280	233
<b>Total</b>	<b>280</b>	<b>233</b>

b) Payables to related companies:

	Thousands of Euros	
	Trade and other payables to related companies	
	30/06/2020	31/12/2019
Velosi (B) Sdn Bhd	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

The transactions and balances between the Applus Group and related parties (Directors and Senior Executives) are detailed in Note 19.

There were no transactions or significant amounts outstanding with the Group's significant shareholders in the first half of 2020 and 2019.

### 19. Disclosures on the Board of Directors and Senior Executives

As a result of the COVID-19 crisis, the Group's Board of Directors decided to reduce its remuneration by 30% of the Executive Directors' fixed remuneration and by 30% of the Independent Directors' during the state of emergency and period of maximum uncertainty. Likewise, the Seniors Executives reduced its fixed remuneration by 25% for the same period.

#### *Remuneration of and obligations to the Board of Directors*

The detail of the remuneration earned by the Executive Directors and the rest of the Parent's Directors (including employee benefits) in the first half of 2020 and of 2019 is as follows:

a) Biannual remuneration:

	Thousands of Euros					
	30/06/2020			30/06/2019		
	Executive Directors	Members of the Board of Directors	Total	Executive Director	Members of the Board of Directors	Total
Fixed remuneration	476	-	476	538	-	538
Variable remuneration	268	-	268	389	-	389
Other items	64	-	64	69	-	69
Non Executive Chairman and Independent Directors	-	285	285	-	323	323
Corporate Social Responsibility Committee	-	21	21	-	25	25
Appointments & Compensation Committee	-	30	30	-	35	35
Audit Committee	-	38	38	-	42	42
<b>Total</b>	<b>808</b>	<b>374</b>	<b>1,182</b>	<b>996</b>	<b>425</b>	<b>1,421</b>

Fixed remuneration includes RSUs amounting to EUR 29 thousand corresponding to the Chief Financial Officer. These RSUs will be convertible to shares three years after the date on which they were granted.

29.2% of the Executive Directors variable remuneration is given in cash, with the rest comprising RSUs convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. These RSUs amounted to EUR 190 thousand in the six-month period ended 30 June 2020.

The detail of the RSU plans in force is disclosed in Note 29 to the consolidated financial statements for 2019 and in the Remuneration Report.

In the first half of 2020 the Executive Directors and the members of the Board of Directors did not earn or receive any termination benefits.

Additionally to the aforementioned concepts, the pension plan benefits earned by the Executive Directors in the first half of 2020 amounted to EUR 22 thousand.

b) Long-Term Incentive (LTI):

Under the remuneration policy in force since 2016, the Executive Directors receive annually performance stock units (PSUs) that are convertible into shares of the Parent three years after the date on which they are granted. The expense recognised in this connection amounted to EUR 254 thousand in the first half of 2020.

The detail of the PSU plans in force is disclosed in Note 29 to the consolidated financial statements for 2019 and in the Remuneration Report.

At 30 June 2020, no loans or advances had been granted to the members of the Parent's Board of Directors.

Executive Directors have arranged life insurance detailed in the table above in "Other items". No material pension or life insurance obligations were incurred with the members of the Non-Executive Parent's Board of Directors.

The Parent's Board of Directors at 30 June 2020 and at 30 June 2019 is made up of 7 men and 3 women.

Remuneration of and obligations to Senior Executives

Senior Executives are those who are part of the Group's Management. In relation to remuneration information, the internal auditor was also included, as defined in current accounting legislation and in the Report of the Special Working Group on the Good Governance of Listed Companies published by the Spanish National Securities Market Commission (CNMV) on 16 May 2006.

The breakdown, by item, of the remuneration earned in the first half of 2020 and of 2019 by the Group's Senior Executives is as follows:

a) Remuneration for the half-year period:

	Thousands of Euros	
	30/06/2020	30/06/2019
Fixed remuneration	1,804	1,892
Variable remuneration	518	968
Other items	307	256
Termination benefits	204	-
Pension plans	66	53
<b>Total</b>	<b>2,899</b>	<b>3,169</b>

The fixed remuneration of certain Senior Executives includes a portion in RSUs amounting to EUR 128 thousand, which are convertible to shares three years after the date on which they are granted.

40.37% of the Senior Executives' variable remuneration is given in cash, with the rest comprising RSUs convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year.

The detail of the plans in force is disclosed in Note 29 to the Consolidated Financial Statements for 2019.



b) Multiannual remuneration and long-term incentive:

Under the remuneration policy in force since 2016, the Senior Executives receive annually performance stock units (PSUs) that are convertible into shares of the Parent three years after the date on which they are granted. The expense recognised in this connection amounted to EUR 180 thousand in the first half of 2020.

The detail of the PSU plans in force is disclosed in Note 29 to the consolidated financial statements for 2019.

Also, the Group has life insurance obligations to certain Senior Executives; the related expense is included under "Other items" in the tables above.

The Group's Senior Executives, Internal Auditor not considered, is made up of 15 men and 3 women at 30 June 2020. At 30 June 2019 it was made up of 14 men and 3 women.

**20. Events after the reporting period**

No significant events occurred from 30 June 2020 to the date of authorisation for issue of these interim condensed consolidated financial statements other than those already included in these explanatory notes and, in particular, in relation to the current management of the COVID-19 situation, the consequent volatile situation and the gradual recovery of the Group's business that should be included in, or modify or significantly affect, these interim condensed consolidated financial statements for the six-month period ended 30 June 2020.

**21. Explanation added for translation to English**

These interim condensed consolidated financial statements are presented in accordance with the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

## Applus Services, S.A. and Subsidiaries

### Management Report to the Interim Condensed Consolidated Financial Statements for the first half of 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	H1 2020			H1 2019			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	741.2	0.0	741.2	875.8	0.0	875.8	(15.4)%
Ebitda	85.4	0.0	85.4	146.7	0.0	146.7	(41.8)%
Operating Profit	34.5	(196.4)	(161.9)	98.2	(30.6)	67.7	(64.9)%
Net financial expenses	(11.6)	0.0	(11.6)	(11.5)	0.0	(11.5)	
Profit Before Taxes	22.9	(196.4)	(173.6)	86.7	(30.6)	56.2	(73.6)%
Current Income tax	(13.8)	7.5	(6.3)	(21.5)	6.7	(14.8)	
Extraordinary Income tax	0.0	17.0	17.0			0.0	
Non controlling interests	(7.0)	0.0	(7.0)	(11.1)	0.0	(11.1)	
Net Profit	2.1	(171.9)	(169.9)	54.1	(23.9)	30.3	(96.1)%
Number of Shares	143,018,430		143,018,430	143,018,430		143,018,430	
EPS, in Euros	0.01		(1.19)	0.38		0.21	(96.1)%
Current Income Tax/PBT	(60.3)%		3.6%	(24.8)%		(26.3)%	

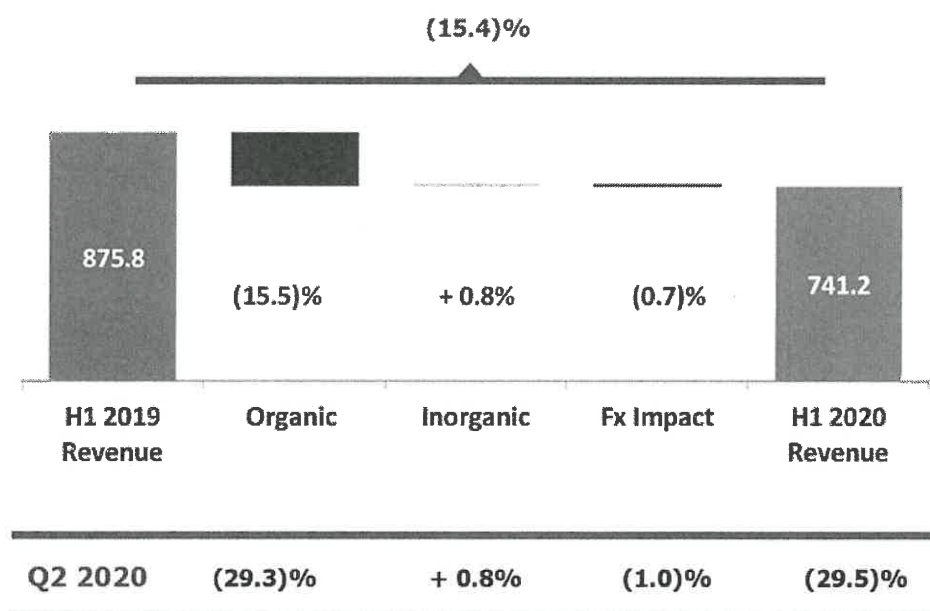
The figures shown in the table above are rounded to the nearest €0.1 million.

Other results of €196.4 million (H1 2019: €30.6m) in the Operating Profit represent impairment of goodwill and non-current financial assets of €165.0 million (H1 2019: nil), amortisation of acquisition intangibles of €29.2 million (H1 2019: €29.5m) plus €2.2 million of transaction costs and other items (H1 2019: €1.0m). A reduction in the deferred tax liability of €17.0 million (H1 2019: nil) is booked against the impairment and tax of €7.5 million (H1 2019: €6.7m) relates to the tax impact on the Other results.

## Revenue

Revenue decreased by 15.4% to €741.2 million in the six month period ended 30 June 2020 compared to the same period in the prior year.

The revenue bridge in € million for the half year is shown below and the change in revenue in percent for the second quarter of 2020 is shown below the waterfall chart.



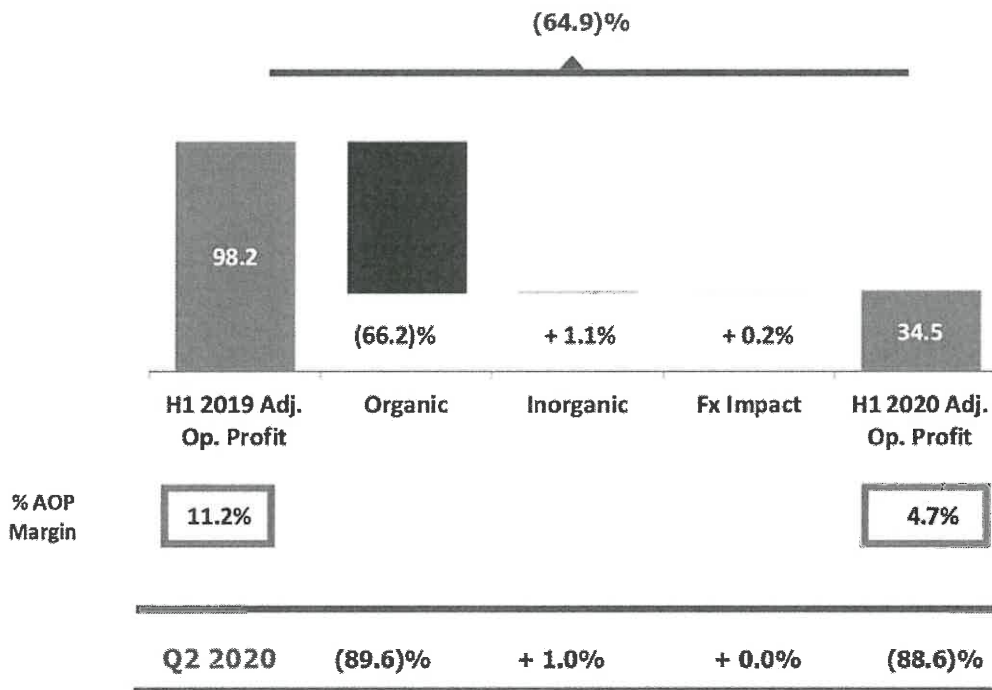
The total revenue decrease of 15.4% for the period was made up of a decrease in organic revenue of 15.5%, the benefit of acquisitions made in the last twelve months of 0.8% and a negative currency translation impact of 0.7%.

The business had a good start to the year with every division growing well until mid-March when COVID-19 materially impacted the Group. For the first two months of the year, organic revenue grew by 3.4% but in March it fell 7.2% and in the second quarter it fell 29.3% after the sudden closure of many of the Group's facilities and a sharp reduction in activity at others. Including the benefit of the acquisitions less the currency impact, the second quarter total revenue decrease was 29.5%.

## Adjusted Operating Profit

Adjusted operating profit decreased by 64.9% to €34.5 million in the six month period ended 30 June 2020 compared to the same period in the prior year.

The adjusted operating profit bridge for the half year in € million is shown below and the change in adjusted operating profit in percent for the second quarter of 2020 is shown below the waterfall chart.



The total adjusted operating profit decrease of 64.9% for the half year was made up of a decrease in organic adjusted operating profit at constant exchange rates of 66.2%, acquisitions of 1.1% and a favourable currency translation impact of 0.2%.

In the second quarter, the total adjusted operating profit was down 88.6% with the organic component of 89.6% plus the contribution from acquisitions of 1.0%.

The adjusted operating profit decrease in the period came from all four divisions, although 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 limited so that each division reported an adjusted operating profit for the period.

The resulting adjusted operating profit margin was 4.7%, significantly lower than the margin of 11.2% in the prior year.

## Other Financial Indicators

The reported operating loss was €161.9 million in the year compared to a reported operating profit of €67.7 million in the previous period. The main reason for the extent of the loss was due to the non-cash impairment charge of €165 million taken in the half year period as well as the regular intangible asset amortisation of €29.2 million. See below for a further description of the one-off impairment charge.

The net financial expense in the profit and loss was approximately flat at €11.6 million.

The profit before tax on an adjusted basis was €22.9 million compared to €86.7 million in H1 2019 and on a statutory basis was a loss of €173.6 million compared to a profit of €56.2 million in H1 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 lower due to the impairment charge.

The effective tax charge for the first half at €13.8 million was lower than the prior year first half of €21.5 million. This gave an effective tax rate of 60.3% being higher than the rate in the prior period of 24.8%. This increase is due to some operations having losses in the first half and due to the current uncertainty, a deferred tax asset has not been recognised. The effective tax rate is expected to reduce by the end of the year. On a statutory basis, the reported tax was a credit of €10.7 million compared to a charge of €14.8 million in the prior year. The current half year credit was due to a release of the deferred tax liabilities of €17.0 million related to the impairment of non-current assets.

Non-controlling interests decreased in the half year from €11.1 million in the first half of last year to €7.0 million in the first half of 2020. The decrease of €4.1 million is mainly due to the lower profit generated in the minority interests.

The adjusted net profit was €2.1 million and the adjusted earnings per share was 0.01 cent for the first half period. The statutory or reported net position was a net loss of €169.9 million due to the net (after tax) non-cash impairment charge of €148 million as well as the regular non-cash intangible asset amortisation of €29.2 million less tax thereon of €7.5 million.



## Cash Flow and Debt

Cash flow generation was exceptionally strong in the first half of the year mainly due to the decrease in the level of working capital by €19.6 million from the year end position and the corresponding increase in working capital inflow this generated compared to the same period last year. Additionally capex and taxes outflows were considerably lower than last year.

EUR Million	H1		
	2020	2019	Change
<b>Adjusted EBITDA</b>	<b>85.4</b>	<b>146.7</b>	<b>(61.4)</b> <b>(41.8)%</b>
Change in Working Capital	19.6	(30.1)	
Capex - Operational	(14.5)	(24.8)	
Capex - Net new vehicle stations	1.9	(0.4)	
<b>Adjusted Operating Cash Flow</b>	<b>92.4</b>	<b>91.3</b>	<b>1.0</b> <b>1.1%</b>
Taxes	(0.3)	(19.6)	
Interest	(5.2)	(5.2)	
<b>Adjusted Free Cash Flow</b>	<b>86.9</b>	<b>66.5</b>	<b>20.4</b> <b>30.7%</b>
Extraordinaries & Others	(2.6)	0.7	
Dividends to Minorities	(3.4)	(6.0)	
<b>Operating Cash Generated</b>	<b>80.9</b>	<b>61.2</b>	<b>19.7</b> <b>32.2%</b>
Acquisitions	(4.5)	(13.3)	
<b>Cash b/Changes in Financing &amp; FX</b>	<b>76.4</b>	<b>47.9</b>	
Payments of lease liabilities (IFRS 16)	(26.9)	(27.3)	
Other Changes in financing	137.5	(23.9)	
Currency translations	(3.8)	0.2	
<b>Cash increase</b>	<b>183.1</b>	<b>(3.1)</b>	

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

The decrease in working capital of €19.6 million was a favourable swing of €49.7 million compared to the first half of 2019 largely due to the change in revenue trend with the cash collection in the second quarter without an increase in receivables due to the lower revenue.

Net capital expenditure on expansion of existing and into new facilities was €12.6 million (H1 2019: €25.2m) which represented 1.7% (H1 2019: 2.9%) of Group revenue. This expenditure included the net proceeds of disposals and acquisition of new Automotive stations of €1.9 million (H1 2019: €0.4m net cost). The disposals in the first half of 2020 relate to the contract that ended last year in Washington state, for €4.7 million. Excluding the net proceeds of disposals and cost of acquiring Automotive stations, the operational capital expenditure was €14.5 million, more than €10 million lower than the first half of 2019 when it was €24.8 million.

The decrease in taxes paid of €19.3 million from €19.6 million in H1 2019 to only €0.3 million in H1 2020 was due to some tax refunds received in the first half of this year, some permitted tax payment delays as part of the COVID-19 Government assistance schemes and a lower amount of advance payments of corporation tax due to expected lower profits.

Adjusted operating cash flow (after capital expenditure) of €92.4 million was 1.1% higher than for the same period last year when it was €91.3 million. After tax and interest paid, the adjusted free cash flow was €86.9 million, which was 30.7% higher than the first half last year when it was €66.5 million.

The cash outflow of €4.5 million for Acquisitions in the first half is the same as it was at the end of the first quarter and relates to the two most recently made acquisitions.

The final net cash increase in the period was €183.1 million. This was from the cash generation before financing and foreign exchange of €76.4 million, less the payment or lease liabilities of €26.9 million (from the accounting standard of IFRS16) plus a net increase in the drawdown of borrowings of €137.5 million.

The financial leverage of the group at the period end, measured as Net Debt to last twelve months Adjusted EBITDA was 2.4x (as defined by the bank covenant for the syndicated debt facilities), at a higher level to the position at 31 December 2019 and 31 March 2020 (2.0x) and lower than the covenant that is set at 4.0x.

At the end of the first half, the amount of cash in the Group was €331.6 million and the undrawn committed facilities at the end of June was €334.6 million giving a total liquidity position of €666.2 million which was higher than at the end of March when it was €622 million.

<b>Liquidity</b>	
Cash at 30 June 2020	331.6
Undrawn facilities	334.6
<b>Available liquidity</b>	<b>666.2</b>

The main borrowings of the Group consist of a bank facility (Term Loan and a revolving credit facility or RCF) that were placed in June 2018 of €600 million and US private placement (USPP) facility of €230 million, also placed in June 2018. The bank facility is from a syndicate of twelve banks and had an original maturity date of five years to June 2023 that has been extended by one year on two occasions as permitted under the loan agreement and so now has a maturity date of June 2025. The USPP is from two lenders and are for a term of seven and ten years, maturing in June 2025 and June 2028. The amounts borrowed under these facilities with their respective maturity dates are shown in the table below alongside the cash available at the end of June and the subsequent Net Debt position and leverage level as calculated by the bank covenants.

Net Debt at 30 June	Due Date	Drawn (€ Million)
Term Loan (€200m)	27/06/2025	200.0
RCF (€400m)	27/06/2025	250.0
USPP- 7 Years	27/06/2025	150.0
USPP- 10 Years	27/06/2028	80.0
Bilateral Facility	20/04/2023	50.0
Other Debt		28.1
<b>TOTAL GROSS DEBT</b>		<b>758.1</b>
Cash		(331.6)
<b>TOTAL NET DEBT b/ IFRS 16</b>		<b>426.6</b>
IFRS 16		181.2
<b>TOTAL NET DEBT</b>		<b>607.8</b>
LTM EBITDA b/ IFRS 16		180.2
<b>Net Debt / Ebitda<sup>(2)</sup></b>		<b>2.4x</b>

(2) Net Debt/Ebitda Leverage including IFRS16 is 2.6x

#### Impairment review

Every year the Company carries out an impairment review of the cash generating units. The goodwill and the non-current assets were mostly booked in 2008 when the Company 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 as 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 €17.0 million of deferred tax liability directly allocated to these impaired assets, resulting in a net impairment amount of €148.0 million allocated as follows:

	EUR Million
Energy & Industry	137.1
IDIADA	27.9
<b>Gross Impairment</b>	<b>165.0</b>
Deferred tax liability releas	(17.0)
<b>Net Impairment</b>	<b>148.0</b>

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

### **Response to COVID-19 outbreak**

The response by the Company 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 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. It has been to reduce costs and manage the cash inflows and outflows and financial resources to ensure the Company can get through this period of high uncertainty.

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

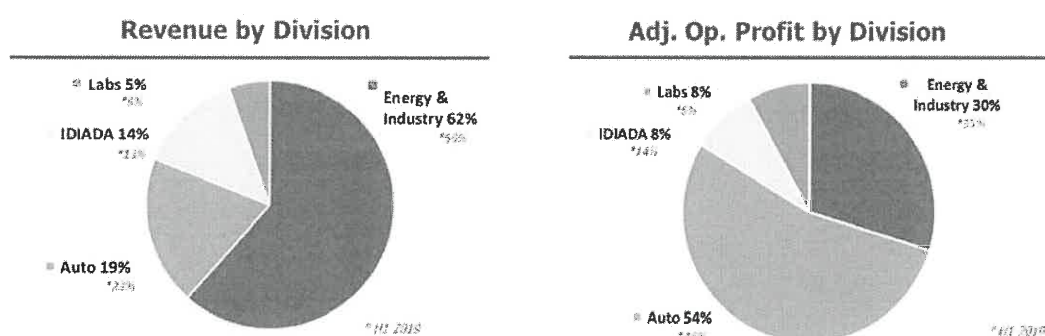
Applus+ is a prudently managed business and entered the crisis with a strong balance sheet, long debt maturities and a high level of liquidity. The Company nevertheless continues to remain vigilant and will continue to take all the precautionary measures that are at its disposal in order to protect itself 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**

Assuming there are no further severe lockdowns in the key markets, it is expected there will be a continued gradual recovery in the second half led by the Automotive division. It is also expected that the adjusted operating profit margin in the second half will be higher than the first half and to generate positive cash flow.

## Operating review by division

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



### Energy & Industry Division

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 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.

The revenue in the division decreased by 11.5% to €456.2 million and the adjusted operating profit decreased by 63.5% to €14.2 million in the period.

### EUR Million

	H1			Q2 Change
	2020	2019	Change	
Revenue	456.2	515.2	(11.5)%	(24.9)%
AOP	14.2	38.8	(63.5)%	
<b>Margin</b>	<b>3.1%</b>	<b>7.5%</b>		

At constant exchange rates, organic revenue decreased by 11.6% for the period. There was also an increase in revenue from acquisitions less disposals of 0.7% and an unfavourable foreign exchange translation difference of 0.6%.

In the second quarter the revenue decreased by 24.9% made up of a decrease in organic revenue of 24.7%, an increase from acquisitions of 0.9% and unfavourable foreign exchange translation differences of 1.1%. The first quarter organic revenue increased by 3.3%.

The extent of the year on year decrease in revenue increased in May compared to the decrease in April and then lessened substantially in June.

The adjusted operating profit margin decreased to 3.1% from 7.5% in H1 2019 with this decrease being a result of the rapid decrease in revenue.

The results for the first half and in particular the second quarter were materially impacted by COVID-19 and also the low oil price, with the months of April and May being the lowest points of the semester and an improvement in June. Every region was impacted. There was nevertheless growth in revenue in the first half in Construction, Mining and Renewables (included within Power) business lines with the Oil & Gas and Nuclear (also included within Power) business lines decreasing in revenue.

Tight cost control and cost reductions were made across the division based on the activity levels in each region whilst participating in Government temporary lay-off schemes and maintaining full capabilities and resources to be able to recover strongly as markets open back up. The decrease in revenue at constant exchange rates in the second quarter of €65.1 million or 23.8% was partially offset by a decrease in costs of €41.4 million or 16.8% resulting in the fall in profit and margin.

Within the first half there were some significant contract awards, including some during the peak of the coronavirus period. For example within Oil & Gas three material capex contracts were won attached to the LNG Canada project which may lead to further contracts; In Abu Dhabi a very large five year opex contract was won for the non-destructive testing of offshore oil pipelines. In the Power segment some very large multi-year contracts were won in Canada relating to the refurbishment of nuclear installations and also within the Power segment a Master Service Agreement was won with a Spanish manufacturer of wind towers in several countries. In the Construction business line a significant three year contract was awarded in Portugal, the first material contract in the country for Applus+, for services relating to the construction of a railway line.

### **Automotive Division**

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

The Division operates 30-plus programmes, carrying out over 20 million vehicle inspections across Spain, Ireland, Denmark, Finland, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador and Uruguay in 2019. In the programme-managed services, a further 6 million inspections were delivered by third parties.

The revenue in the division decreased by 27.1% to €144.0 million and the adjusted operating profit decreased by 50.0% to €25.8 million in the period.

## EUR Million

	H1			Q2
	2020	2019	Change	
Revenue	144.0	197.5	(27.1)%	(43.2)%
AOP	25.8	51.6	(50.0)%	
<b>Margin</b>	<b>17.9%</b>	<b>26.1%</b>		

At constant exchange rates, for the first half year, organic revenue decreased by 26.6%, there was the benefit of the acquisition made at the start of the second quarter of 0.6% less unfavourable foreign exchange translation differences of 1.1%.

The revenue decrease in the second quarter was 43.2% made up of an organic revenue decrease of 43.3%, the benefit from the acquisition of 1.3% less currency of 1.2%. The first quarter organic revenue decrease was 10.1%. The year on year decrease in revenue reduced substantially from April to May and was up by 13.1% in June compared to June last year.

The adjusted operating profit margin decreased to 17.9% from 26.1% in H1 2019 with this being a result of the rapid decrease in revenue from the middle of March until the end of May with the recovery in the margin in June.

The division was heavily impacted by COVID-19 with nearly all the Auto inspection stations around the world closed in April following the initial closures that started in mid-March. The stations in Spain started re-opening from the middle of May resulting in fast recovery of lost revenue there and there was also good recovery of revenue from the contracts in Costa Rica, Uruguay, US, Denmark and Finland. By June only Ireland, Argentina, Chile and Ecuador remained mostly closed and by the end of July it is expected that all the stations in Ireland will be fully open. In Ireland following the successful renewal of the contract last year, it has transitioned to the new one that runs from July 2020 to June 2030 which is on new pricing conditions.

The new health and safety requirements to reduce the cross-contamination of the coronavirus reduced the productivity of the stations although this was compensated by extending the opening hours wherever possible and where there was sufficient demand.

Applus+ was pleased to receive the news that the statutory vehicle inspection contract in the region of Aragon in Spain that is shared with other operators and generated €5 million in revenue in 2019, has been extended for ten years until 2030 on the same terms as the previous concession. This continues the excellent track record of contract renewals and again demonstrates the stickiness of these contracts.

## IDIADA Division

IDIADA A.T. (80% owned by Applus+ and 20% by the Government of Catalonia) has been operating under an exclusive contract from the 351-hectare technology centre near Barcelona (owned by the Government of Catalonia) since 1999. The contract to operate the business runs until September 2024 and although it is renewable in five year periods until 2049, the current expectation is that there will be no further extensions but a tender for a new 20 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.

The revenue in the division decreased by 15.8% to €100.3 million and the adjusted operating profit decreased by 75.0% to €4.0 million in the period.

### EUR Million

	H1			Q2
	2020	2019	Change	
Revenue	100.3	119.1	(15.8)%	(31.3)%
AOP	4.0	15.9	(75.0)%	
<b>Margin</b>	<b>4.0%</b>	<b>13.3%</b>		

At constant exchange rates, for the first half year, organic revenue decreased by 15.3% and there was an unfavourable foreign exchange translation difference of 0.5%.

The revenue decrease in the second quarter was 31.3% made up of an organic revenue decrease of 30.6% less currency of 0.7%. The first quarter organic revenue increased by 0.8%. The year on year decrease in revenue gradually lessened in May and June after the low point in April.

The adjusted operating profit margin decreased to 4.0% from 13.3% in H1 2019 with this being a result of the rapid decrease in revenue.

The division in the first half and in particular the second quarter was materially impacted by COVID-19 with the complete closure for two weeks during April of the main facilities in Spain and partial closures thereafter and in other locations having a severe impact. There was some remote working where possible although the restrictions on international customers coming to Spain impacting mainly the Proving Ground and the crash testing business was the main reason for the continued pressure on the performance of the division.

Cost control and cost reductions were made across the division as far as possible including participating in the temporary Government lay-off schemes without reducing the capacity or services available. The decrease in revenue at constant exchange rates in the second quarter of €18.6 million or 30.6% was partially offset by a decrease in costs of €9.4 million or 18.0% resulting in the fall in profit and margin.



The transition from combustion to electric vehicles continues within the Automotive industry and this is reflected in the testing being performed by IDIADA with an increasing number contracts for the crash testing of electric vehicles being awarded.

As previously notified, the Government of Catalonia is preparing to tender a new 20 year concession for the IDIADA business. This contract currently operated by Applus+ which started in 1999 for a period of twenty years, with possible five year extensions for up to fifty years has a current expiry date of September 2024. The intention of the Government is to tender for a fixed period of 20 years which will provide the operator with a higher level of security.

### Laboratories Division

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 2017, 2018, 2019 and up to the present time in 2020, the Laboratories Division acquired eight companies and expanded its testing facilities in order to reinforce its position in the automotive components, fire protection, aerospace parts and calibration sectors.

The revenue in the division decreased by 7.4% to €40.7 million and the adjusted operating profit decreased by 34.5% to €3.8 million in the period.

### EUR Million

	H1			Q2
	2020	2019	Change	
Revenue	40.7	44.0	(7.4)%	(21.8)%
AOP	3.8	5.8	(34.5)%	
<b>Margin</b>	<b>9.4%</b>	<b>13.2%</b>		

At constant exchange rates, for the first half year, organic revenue decreased by 10.7% plus there was the benefit of acquisitions recently made of 3.3%.

The revenue decrease in the second quarter was 21.8% made up of an organic revenue decrease of 22.4%, the benefit from acquisitions of 0.8% less an unfavourable currency translation impact of 0.2%. The first quarter organic revenue increased by 2.7%. The year on year decrease in revenue reduced substantially from April to May and was almost flat in June compared to June last year.

The adjusted operating profit margin decreased to 9.4% from 13.2% in H1 2019 with this decrease being a result of the rapid decrease in revenue.

The results for the first half and in particular the second quarter were materially impacted by COVID-19 especially with the severe lock down that took place in Spain which accounts for 70% of the division by revenue. The division saw an improvement in June supported by the success of remote working.

Most of the end markets that the division serves are recovering except for testing for the Aerospace industry that accounts for approximately 15% of the division revenue and electromagnetic testing for the Automotive industry that accounts for approximately 13% of the division revenue.

## 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 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
- **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



## **Applus Services, S.A. and Subsidiaries**

Authorisation for issue of the interim condensed consolidated financial statements and consolidated directors' report for the six-month period ended 30 June 2020

At their meeting on 22 July 2020, and in compliance with the requirements of Article 253 of the Spanish Limited Liability Companies Law and of Article 42 of the Spanish Commercial Code, the directors of Applus Services, S.A. authorised for issue the Interim Condensed Consolidated Financial Statements (consisting of the interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and the explanatory notes thereto) and the consolidated directors' report for the first half of 2020, which consist of the attached documents preceding this certificate, in sequential order. The aforementioned meeting was conducted by video conference, in accordance with Royal Decree-Law 8/2020, of 17 March, and Royal Decree-Law 21/2020, of 9 June. Accordingly, the accompanying interim condensed consolidated financial statements do not bear the signatures of any of the Company's directors, whose names are stated below:

- Christopher Cole
- Ernesto Gerardo Mata López
- John Daniel Hofmeister
- Fernando Basabe Armijo
- Richard Campbell Nelson
- Nicolás Villén Jiménez
- María Cristina Henríquez de Luna Basagoiti
- María José Esteruelas
- Essimari Kairisto
- Joan Amigó i Casas

As Secretary of the Board of Directors of Applus Services, S.A., I hereby confirm that the identities of the aforementioned directors were recognised by me, as is stated in the minutes of the aforementioned meeting.

Also, for identification purposes, as Secretary of the Board of Directors of Applus Services, S.A., I hereby confirm that the copies of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020 and the Consolidated Directors' Report for the first half of 2020 approved by the Board of Directors were approved by me.

22 July 2020



---

Vicente Conde Viñuelas  
Secretary of the Board of Directors

The members of the Board of Directors of Applus Services, S.A. declare that, to the best of their knowledge, the Interim Condensed Consolidated Financial Statements and explanatory notes thereto for the six-month period ended 30 June 2020 authorised for issue by the Board of Directors at its meeting of 22 July 2020 and prepared in accordance with the applicable accounting principles provide a fair presentation of Applus Services, S.A. and of the subsidiaries included in the scope of consolidation, taken as a whole, and that the consolidated directors' report for the first half of 2020 includes a fair analysis of the business performance and results and position of Applus Services, S.A. and of the subsidiaries included in the scope of consolidation, taken as a whole, and a description of the main risks and uncertainties they face.

In accordance with Royal Decree-Law 8/2020, of 17 March, and Royal Decree-Law 21/2020, of 9 June, the aforementioned meeting was conducted by video conference. Accordingly, the accompanying interim condensed consolidated financial statements do not bear the signatures of any of the Company's directors, whose names are stated below:

- Christopher Cole
- Ernesto Gerardo Mata López
- John Daniel Hofmeister
- Fernando Basabe Armijo
- Richard Campbell Nelson
- Nicolás Villén Jiménez
- María Cristina Henríquez de Luna Basagoiti
- María José Esteruelas
- Essimari Kairisto
- Joan Amigó i Casas

As Secretary of the Board of Directors of Applus Services, S.A. and Subsidiaries, I hereby confirm that the identities of the aforementioned directors were recognised by me, as is stated in the minutes of the aforementioned meeting.

22 July 2020



---

Vicente Conde Viñuelas  
Secretary of the Board of Directors