Applus+

2022 First Half Results Announcement

26 July 2022

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading and most innovative companies in Testing, Inspection and Certification, today announces the results for the first half year ended 30 June 2022 ("the period").

Highlights

- Strong first half with all divisions performing well
- High single digit organic revenue growth and mid-single digit inorganic contribution
- Acquisitions aligned with the Strategic Plan with five made in 2022
- Statutory vehicle inspection contracts in Galicia, Massachusetts and Buenos Aires extended; Costa Rica terminated
- Outlook maintained
- H1 2022 Results:
    - Revenue of €986.7 million up 17.0% (organic[1] up 8.6%)
    - Operating profit[2] of €97.1 million up 21.0% (organic[1] up 10.2%)
    - Operating profit[2] margin of 9.8% (9.5% H1 2021)
    - Earnings per share[2] of €0.38, up 26.9%
    - Reported net profit €21.8 million (€14.7m H1 2021)
    - Free cash flow[2] of €71.5 million (up 72%)
    - Net debt/EBITDA[3] ratio of 2.7x and liquidity of €494 million

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

Joan Amigó, Chief Executive Officer of Applus+:

"We have had a strong first half of the year with all divisions growing well, benefiting from good execution and the accelerated portfolio evolution of the past 18 months that has aligned us more closely towards key global megatrends of energy transition, electrification and connectivity, that we highlighted in the Strategic Plan presentation last year.

The operating profit margin performance was also strong, increasing 30 basis points year on year, coming from positive operating leverage and improved efficiencies, as well as some price increases to offset cost inflation and the benefit of the higher margin acquisitions.

The operating profit increase in the period has translated down the income statement delivering an adjusted net profit increase of 23%, which along with the fewer number of shares following the share buyback exercise that completed during the first half, has resulted in an adjusted earnings per share accretion of a further 4% for a total increase of 27%.

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The profit increase, coupled with a lower working capital outflow than for the comparative period, also resulted in a significant increase in cash flow for the first half, maintaining leverage levels whilst supporting the investments in acquisitions and the share buyback.

The outlook for the full year remains unchanged. Whilst the current level of global political and economic uncertainties is weighing on sentiment, we remain confident of the defensive nature of our business and of its continued good performance. We expect to compensate for the ending of the vehicle concession in Costa Rica with continued strong growth in businesses across the Group and the implementation of new efficiency plans. We continue to focus on improving the quality of our portfolio through selected divestments of some non-strategic operations and further acquisitions of high growth and margin businesses. We expect organic revenue to increase mid to high-single digit and for the adjusted operating profit margin to improve year on year, with this margin improvement expected to be between 30 and 40 basis points[1].

I am extremely pleased to have taken on the role of CEO and am fully committed to delivering on the three-year Strategic Plan that we presented last November. My initial focus is on driving operational excellence to the next level and achieving cost efficiencies, with the aim of increasing the focus on margin improvement and return on capital employed. I am convinced that delivering on the Plan with the expected continued strong financial performance of the businesses, will unlock the shareholder value embedded within the Group."

1. Margin improvement includes the impact of the IDIADA Accelerated Depreciation and is before taking account of the benefit of any disposals

Presentation and Webcast

There will be a webcast and audio presentation on these results today at 10.00 am Central European Time. To access the webcast, use the link:
https://edge.media-server.com/mmc/p/eog6fhwz

To listen by telephone please first register in advance to receive an email with registration number, passcode and the telephone number to dial:
https://register.vevent.com/register/BI7d78b77314ab4683b87e17ffe42755ca

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About Applus+ Group

Applus+ is a worldwide leader in the testing, inspection and certification sector. It is a trusted partner, enhancing the quality and safety of its client's assets and infrastructures while safeguarding their operations. Its innovative approach, technical capabilities and highly skilled and motivated workforce of over 25,000 employees assure operational excellence across multiple sectors in more than 70 countries.

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

The Group is committed to improving Environmental, Social and Governance (ESG) indicators. Applus+ helps clients reduce their environmental impact, improving the safety and sustainability of their products and assets, and it has been implementing measures to reduce its own environmental footprint and improve its social and governance measures since 2014, setting specific targets for the short, medium and long term.

These actions have attracted external recognition: high and above-average scores from Sustainalytics (15.6, "Low risk"), from MSCI ESG Ratings ("AA"), from the CDP ("B"), from Gaïa (71/100) and the inclusion of Applus+ within the FTSE4Good Index Series of Ibex.

For the full year of 2021, Applus+ recorded revenue of €1,777 million, and an adjusted operating profit of €175 million. Headquartered in Spain, the company operates through four global divisions under the Applus+ brand. It is listed on the Spanish stock markets. The total number of shares is 143,018,430.

ISIN: ES0105022000
Symbol: APPS-MC

For more information go to https://www.applus.com/global/en/

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HALF YEAR REPORT 2022

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 2022			H1 2021			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	**986.7**	**0.0**	**986.7**	**843.0**	**0.0**	**843.0**	**17.0%**
Ebitda	**156.4**	**0.0**	**156.4**	**134.3**	**0.0**	**134.3**	**16.5%**
Operating Profit	**97.1**	**(38.0)**	**59.1**	**80.3**	**(34.5)**	**45.8**	**21.0%**
Net financial expenses	(12.8)	0.0	(12.8)	(11.4)	0.0	(11.4)	
Profit Before Taxes	**84.3**	**(38.0)**	**46.3**	**68.9**	**(34.5)**	**34.3**	**22.5%**
Current Income tax	(22.3)	6.5	(15.8)	(17.2)	5.9	(11.3)	
Non controlling interests	(8.7)	0.0	(8.7)	(8.3)	0.0	(8.3)	
Net Profit	**53.3**	**(31.5)**	**21.8**	**43.3**	**(28.6)**	**14.7**	
Number of Shares	138,689,284		138,689,284	143,018,430		143,018,430	
EPS, in Euros	**0.38**		**0.16**	**0.30**		**0.10**	
Income Tax/PBT	***(26.5)%***		***(34.2)%***	***(25.0)%***		***(32.9)%***	

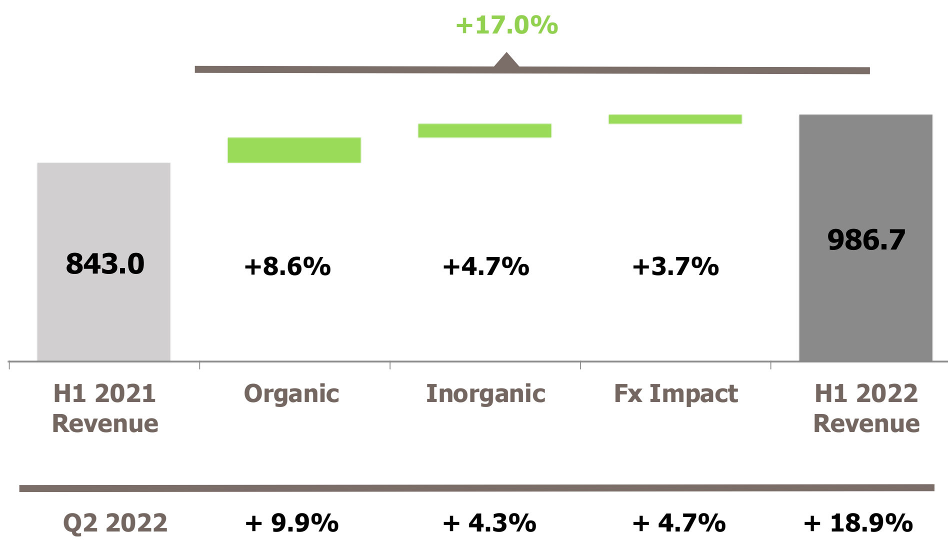
The figures shown in the table above are rounded to the nearest €0.1 million.

Other results of €38.0 million (H1 2021: €34.5m) in the Operating Profit represent amortisation of acquisition intangibles of €34.3 million (H1 2021: €31.1m) plus €3.8 million of transaction costs and other items (H1 2021: €3.4m). Tax of €6.5 million (H1 2021: €5.9m) relates to the tax impact on these Other results.

Revenue

Revenue increased by 17.0% to €986.7 million in the six-month period ended 30 June 2022 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 2022 is shown below the waterfall chart.



The total revenue increase of 17.0% for the period was made up of an increase in organic revenue of 8.6%, the benefit of acquisitions made in the last twelve months of 4.7% and a positive currency translation impact of 3.7%.

In the second quarter, the total revenue was up 18.9% with the organic component of 9.9% plus the contribution from acquisitions of 4.3% plus a favourable currency translation impact of 4.7%.

Every division had good revenue growth in the first half, with the strong performance of the first quarter continuing into the second quarter. Three out of the four divisions had double digit organic revenue growth. The strong performance was due to an increase in the demand and volume of services performed plus the benefit of some price inflation.

The 4.7% inorganic revenue growth relates to six acquisitions closed in 2021 as well as three that closed in the first half of 2022. These include Lightship Security Inc, that was closed in February, Alpe Metrologia and IDV Madrid that both closed in April. The three largest contributions to the revenue growth in the first half were SAFCO in Saudi Arabia and Enertis in Spain, both from the Energy & Industry division and IMA Dresden in Laboratories, all of which closed in 2021. After the

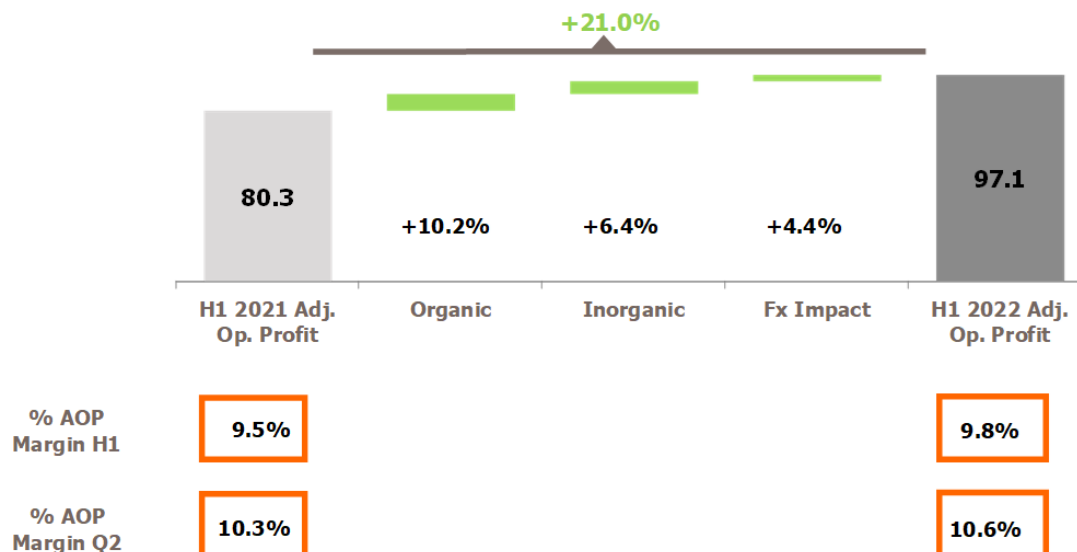
period end, two further acquisitions were made in July: K2 Ingeniería, an environmental consulting company in Colombia with €13 million revenue in 2021 and jtsec, a cybersecurity company based in Spain.

Of the revenue in the first half of 2022, 46% was generated in the reporting currency of the Group (euro) and 54% in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 18%. The exchange rates are materially different to that during the first half of last year with the US dollar rate used for the translation of the profit and loss being 10.2% stronger against the Euro following the trend that started in the second half of last year.

Adjusted Operating Profit

Adjusted operating profit increased by 21.0% to €97.1 million in the six-month period ended 30 June 2022 compared to the same period in the prior year.

The adjusted operating profit bridge for the half year in € million is shown below, including the amounts relating to organic revenue change, inorganic and the foreign exchange translation impact. The adjusted operating profit margins for the first half and for the second quarter of 2022 as well as for the comparative periods, are shown below the waterfall chart.



The total adjusted operating profit increased from €80.3 million to €97.1 million or an amount of €16.8 million being 21% higher for the half year. This was made up of an increase in organic adjusted operating profit at constant exchange rates of 10.2%, a contribution of 6.4% from the acquisitions made in the previous twelve months, plus a further 4.4% favourable foreign exchange translation benefit.

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The margin in the first half of last year was 9.5% and this increased by 30 basis points to 9.8% in the first half of this year.

The margin for the second quarter of this year was 10.6% which was also 30 basis points higher than the second quarter of last year.

Three out of the four divisions of the Group had higher margins in this first half period compared to the first half of last year, with Energy & Industry division and IDIADA division producing significant increases in margin of 56 basis points and 252 basis points respectively. The Auto division margin was 15 basis points higher than the first half of last year but with the slowest revenue growth rate, reduced the positive mix effect of this highest margin division. The Labs division had a lower margin than the first half of last year but is still above the Group average margin and had strong revenue growth giving a positive mix effect.

Other Financial Indicators

The statutory or reported operating profit for the first half of the year was 29.0% higher at €59.1 million compared to the first half of 2021 when it was €45.8 million.

The net financial expense in the profit and loss was €12.8 million, higher than for the first half of last year when it was €11.4 million.

The profit before tax on an adjusted basis was €84.3 million compared to €68.9 million in H1 2021 and on a statutory basis was a profit of €46.3 million compared to €34.3 million in the prior year.

The effective tax charge for the first half at €22.3 million was higher than the prior year first half of €17.2 million. This gave an effective tax rate of 26.5% being higher than the rate in the prior period of 25.0%. The effective tax rate is expected to be slightly lower at the end of the year. On a statutory basis, the reported tax was a charge of €15.8 million versus €11.3 million in the first half of last year.

Non-controlling interests increased in the half year from €8.3 million in the first half of last year to €8.7 million in the first half of 2022. The increase of €0.4 million is due to the higher profit generated in the minority interests.

The adjusted net profit was €53.3 million, being 23.0% higher than the adjusted net profit in the comparable period. The adjusted earnings per share was 0.38 cents for the first half, being 26.9% higher than the adjusted earnings per share in the comparable period.

The statutory or reported net profit was €21.8 million, being 47.9% higher than the comparable period net profit and the statutory earnings per share of 0.16 cents was 52.5% higher than the comparable period statutory earnings per share.

The increase in earnings per share in each case was higher than the profit as it was enhanced in the period from the partial effect of the share buyback programme that took place in the first half of the year. The enhancement on the adjusted earnings per share was 3.9 percentage points, being the difference between the adjusted earnings per share increase of 26.9% and the adjusted net profit increase of 23.0% and in the same manner, the enhancement on the statutory earnings per share was 4.6 percentage points.

Share buyback

The share buyback programme, that targeted a 5% purchase of the issued share capital of the Group, was announced at the time of the Strategic Plan on the 30th of November 2021. It commenced on the 1st of February and ended on the 13th of May with the purchase of 7,150,922 shares in total, with share purchases taking place every day through a mandate with an agent, at the daily maximum limit. The purchases took place on three different exchanges with the majority on the main exchange, Bolsas y Mercados Españoles. The price paid for the share buyback ranged, with €6.60 being the lowest average price paid in a day to €8.78 the highest average daily price paid. The total cost to purchase the shares came to €53.6 million being at an average price of €7.50.

In calculating the earnings per share accretion, the average number of shares used in the calculation is reduced by the shares on the day they were bought and no longer available for resale. The net impact of this is a reduction of share count used for the calculation of earnings per share of 4.3 million shares, reducing the share count from 143.0 million to 138.7 million shares.

At the Annual General Meeting of shareholders, that took place on the 28th of June 2022, the Board resolution to cancel the entire 5.0% of share capital purchased was approved by the shareholders and this process is in progress and is expected to be completed soon.

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Cash Flow and Debt

Cash flow generation remains very solid at Applus+ and alongside a comfortable level of leverage and high liquidity, supports the investment required to fulfil the Strategic Plan.

	H1			
	2022	2021	Change	
Adjusted Ebitda	**156.4**	**134.3**	**22.2**	**16.5%**
Change in Working Capital	(35.3)	(52.3)		
Capex	(24.0)	(18.0)		
Adjusted Operating Cash Flow	**97.2**	**64.0**	**33.2**	**52.0%**
Taxes paid	(18.4)	(16.4)		
Interest paid	(7.2)	(5.8)		
Adjusted Free Cash Flow	**71.5**	**41.7**	**29.8**	**71.5%**
Extraordinaries & Others	(4.5)	(1.1)		
Dividends to Minorities	(1.9)	(8.1)		
Operating Cash Generated	**65.1**	**32.6**	**32.5**	**99.8%**
Acquisitions	(42.8)	(60.5)		
Cash b/Changes in Financing & FX	**22.3**	**(27.9)**		
Payments of lease liabilities (IFRS 16)	(31.8)	(29.6)		
Other changes in financing	46.9	15.2		
5% Share buyback	(53.6)	0.0		
Treasury Shares for LTIP	(1.4)	0.0		
Currency translations	6.1	1.9		
Cash Increase/(decrease)	**(11.5)**	**(40.4)**		

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

The increase in working capital of €35.3 million is a lower amount than the working capital increase in the comparable period and alongside the higher adjusted earnings before interest, tax, depreciation and amortisation (Adjusted Ebitda) drove a significant increase in cash flow generation this first half compared to the first half period last year.

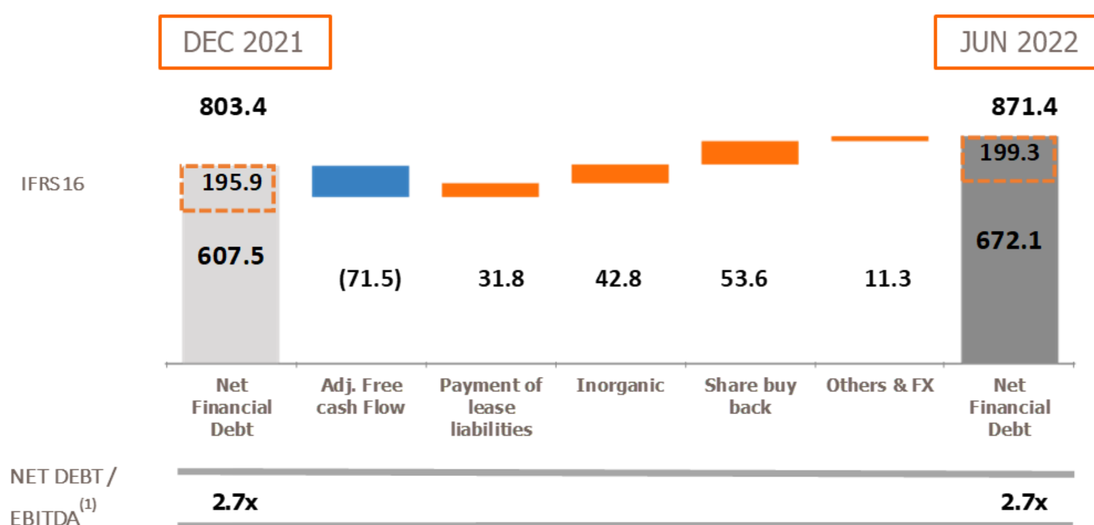
Net capital expenditure on expansion of existing and into new facilities was €24.0 million (H1 2021: €18.0m) which represented 2.4% (H1 2021: 2.1%) of Group revenue.

Adjusted operating cash flow (after capital expenditure) of €97.2 million was 52.0% higher than for the same period last year when it was €64.0 million. After tax and interest paid, the adjusted free cash flow was €71.5 million, which was 71.5% higher than the first half last year when it was €41.7 million.

The cash outflow of €42.8 million for Acquisitions in the first half relates to the payments made to acquire Lightship Security Inc, Alpe Metrología and IDV Madrid.

The final net cash decrease in the period was €11.5 million. This is after the payment or lease liabilities of €31.8 million (from the accounting standard of IFRS16), the cash outflow relating to the share buyback of 5.0% of the equity of the company for €53.6 million, plus a net increase in the drawdown of borrowings of €46.9 million and a currency translation difference of €6.1 million.

The financial leverage of the Group has been maintained at the same level as for the previous key period end dates reflecting the strong increase in the last twelve months EBITDA offsetting the increased investments made to fulfil the inorganic strategy and share buyback programme. At the period end, measured as Net Debt to last twelve months Adjusted EBITDA, was 2.7x (as defined by the bank covenant for the syndicated debt facilities), at the same level as the position at 30 June 2021 and at 31 December 2021 and slightly lower than the position at the end of the first quarter of this year. This is considerably lower than the leverage covenant of 4.0x which is tested twice per year.



(1) Stated at annual average rates and excluding IFRS 16 as defined by bank covenant. Including IFRS 16, leverage calculation is 2.8x

At the end of the first half, the amount of cash in the Group was €165.0 million and the undrawn committed facilities at the end of June was €329.2 million giving a total liquidity position of €494.2 million.

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) facilities amounting to €330 million in total placed in 2018 and 2021. 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 original terms of seven, ten and fifteen years, maturing in July 2025, July 2028, June 2031 and June 2036.

Environmental, Social and Governance

The Group continues making strong progress in the ambit of environmental, social and governance (ESG). The revenue and profit generated from providing services that reduce the impact on the environment is increasing. The acquisition of K2 Ingeniería in Colombia is exclusively focused on these services and the Energy & Industry division also invested in and signed a co-operation agreement with Indoorclima, which is a provider of energy efficiency and energy management services using digital tools and artificial intelligence. The Laboratories and IDIADA division are increasing the amount of work they are performing for more energy efficient products and vehicles and the Auto division commenced a new vehicle emissions inspection programme in Mexico.

2022 is the first year to have specific targets to be achieved relating to environmental, social and governance that are linked to the executive directors and senior management team´s variable remuneration accounting for 15% of the annual bonus plus 10% of the long-term incentive plan. These targets relate to the reduction of emissions, safety and diversity of the workforce and ethics.

The Group has furthermore committed to be neutral in 2023 for scope 1 and 2 carbon emissions and has joined the Science Based Targets Initiative (SBTi) to be net zero by 2050.

The external ESG ratings´ agencies that perform their independent analysis on the Group, taking different perspectives and approaches, have all recognised and confirmed the Group´s resilience and commitment to sustainability validating the progress made and alignment to the strategic objectives. During the first half period, a new unsolicited rating was received from Standard & Poor`s Global Corporate Sustainability Assessment with a high score of 54 for ESG management, compared to a global average of 24 and ranks Applus+ in the top 19% of all companies analysed. This recognition is in addition to those from Sustainalytics with a "low risk" rating of 15.6 and renewed strong ratings from MSCI ESG Ratings (AA), Gaïa (71/100), the CDP (B) and being included in the FTSE4GoodIBEX. Furthermore, the Financial Times and Statista included Applus+ amongst 400 companies within its list of Europe Climate Leaders 2022 that have achieved the greatest reduction in the intensity of their Scope 1 and 2 greenhouse gas emissions over a 5-year period (2015-2020).

Change in Management

On the 10th of May of this year, Fernando Basabe, the previous Chief Executive Officer of Applus+, announced his intention to retire after eleven years in the role and this became effective at the Annual General Meeting of shareholders on the 28th of June. Mr Basabe played a critical role in the development and success of the organisation before its listing in May 2014 and to the date of his retirement. The Company thanks him for the years of dedicated service, which involved many significant accomplishments and a fruitful contribution to Applus' history. Mr. Basabe set the path to continuous growth and to new successes under the recently announced 2022-2024 Strategic Plan.

On the 15th of June, Joan Amigó was announced as the successor to Fernando Basabe and assumed the role of Chief Executive Officer on the 28th of June. Mr. Amigó has been the Group Chief Financial Officer of Applus+ since 2007, through to the listing of the Group in 2014 and until his appointment as CEO. He has been a member of the Board of Directors since 2019. With Mr Amigó´s thorough financial background, his proven leadership abilities and deep knowledge of the testing industry and Applus+, he is the perfect choice to take Applus+ successfully onto the next stage of its journey. Mr. Amigó was a key architect of the Strategic Plan presented to the market in November 2021, has been instrumental in ensuring its execution since then and is committed to delivering it.

The Board, under the Chairmanship of Chris Cole, conducted the selection process supported by an external Search Consultant.

A selection process has commenced to recruit a new Chief Financial Officer.

Outlook

The outlook for the full year remains unchanged. Whilst the current level of global political and economic uncertainties is weighing on sentiment, it is expected that the defensive nature of the business and its continued good performance will continue. We expect to compensate for the ending of the Auto vehicle concession in Costa Rica with continued strong growth in businesses across the Group and the implementation of new efficiency plans. The focus will be to continue improving the quality of the portfolio through selected divestments of some non-strategic operations and make further acquisitions of high growth and margin businesses. Organic revenue is expected to increase mid to high-single digits and the adjusted operating profit margin is expected to improve year on year, with this margin improvement expected to be between 30 and 40 basis points[1].

1. Margin improvement includes the impact of the IDIADA Accelerated Depreciation and is before taking account of the benefit of any disposals

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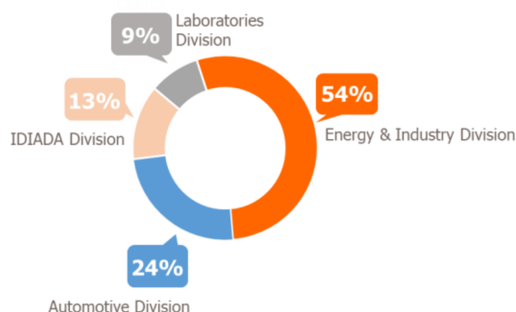
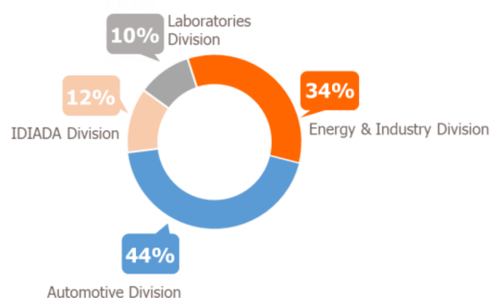
Operating review by division

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 2022 are shown below.

H1 2022 revenue split



H1 2022 adjusted operating profit split



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 was €529.5 million and the adjusted operating profit was €37.5 million in the six-month period giving an adjusted operating profit margin of 7.1%.

	H1					
	2022	2021	Change	Organic	Inorganic	FX
Revenue	529.5	434.9	21.7%	*10.1%*	*6.0%*	*5.6%*
Adj. Op. Profit	37.5	28.4	32.1%	*7.5%*	*14.9%*	*9.7%*
% AOP Margin	*7.1%*	*6.5%*	*+ 56 bps*			

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

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Revenue for the six-month period ended 30 June 2022 increased by 21.7% in total being made up of an increase of 10.1% in organic revenue at constant exchange rates, 6.0% from acquisitions and 5.6% from favourable exchange rates.

The revenue in the second quarter of €283.8 million was significantly higher than the first quarter revenue of €245.7 million due to seasonality and acquisitions with the percentage increase in revenue in the second quarter of the year similar to the first quarter at 22.0% in the second quarter compared to 21.4% in the first. The organic revenue growth in the first and second quarters were the same at 10.1%.

Inorganic revenue of 6.0% from acquisitions relates to three previously made acquisitions. Six months of revenue was included in inorganic from Enertis, that provides services to the solar energy market as well as for energy storage that closed in July last year, five months revenue from SAFCO, the construction services company in Saudi Arabia, that closed in June last year, and two months revenue from Inecosa and Adícora that were purchased from Iberdrola, purchased in March last year that provide services to the power industry including for renewable power and green hydrogen manufacture and distribution.

After the period end K2 Ingeniería in Colombia was purchased that had revenue of €13 million in 2021 and this revenue will be included from July onwards. K2 provides environmental consulting & monitoring services for the infrastructure industry.

Positive currency translation of 5.6% in the period was mainly due to the stronger US dollar against the Euro.

The adjusted operating profit margin increased 56 basis points from 6.5% in the first half of last year, to 7.1% in the first half of this year. The margin increase combined with the increase in revenue, resulted in an increase in adjusted operating profit of 32.1%. The margin increase came mostly from the acquisitions which are at a higher margin than the division overall margin. There was very strong growth in services to the Oil & Gas industry in the period which was at a lower incremental margin and diluted the overall margin of the division.

The strong organic revenue growth in the period was driven by all end-markets including double digit growth in Renewables, Oil & Gas and Infrastructure & Construction. These have benefited from the energy transition global megatrend, with also a resurgence in the Oil & Gas market from companies investing to ramp up production following an acute global supply shortage and a ramp up in infrastructure investment programmes, many supported by local, regional and European Governments following the global pandemic.

The revenue generated by services to the Oil & Gas end market continue to be at around half of the total division revenue due to the recent strong growth in this end market, nevertheless, this is expected to decrease with the inorganic strategy.

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Oil & Gas Opex services was 38% of the division revenue at the first half and Oil & Gas Capex services was 10%. Both end market exposures had very strong growth in the first quarter of the year, with this continuing in the second.

By region, Southern Europe, Middle East and Latin America are strongest due to attractive end market exposures and local market strength in these regions. These regions account for almost half of the total division sales.

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

Automotive Division

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

Applus+ is one of the global leaders in statutory vehicle inspection. It operates 30 programmes in 14 countries, in the full year of 2021 carrying out directly over 17 million inspections plus a further 10 million were delivered by third parties across Spain, Ireland, Sweden, Denmark, Finland, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador, Mexico and Uruguay. The market for statutory vehicle inspection for safety and emissions is expected to continue growing well in existing and new markets.

The revenue in the division was €240.3 million and the adjusted operating profit was €49.8 million in the six-month period giving an adjusted operating profit margin of 20.7%.

	H1					
	2022	2021	Change	Organic	Inorganic	FX
Revenue	**240.3**	**235.2**	**2.2%**	***1.4%***	***0.4%***	***0.4%***
Adj. Op. Profit	**49.8**	**48.3**	**2.9%**	***2.6%***	***0.5%***	***(0.2)%***
% AOP Margin	***20.7%***	***20.6%***	***+ 15 bps***			

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

Revenue for the six-month period ended 30 June 2022 increased by 2.2% in total being made up of an increase of 1.4% in organic revenue at constant exchange rates, 0.4% from acquisitions and 0.4% from favourable exchange rates.

The revenue in the second quarter was €124.4 million, higher than the first quarter revenue of €116.0 million due to seasonality, the benefit of an acquisition made in April and an acceleration in the underlying organic revenue growth with the

increase in revenue in the second quarter of the year of 4.1% being considerably stronger than the decrease in organic revenue in the first quarter of 1.3%. The decrease in revenue in the first quarter was a good result considering the prior year benefited from some post lockdown recovery from the previous year.

Inorganic revenue of 0.4% from the acquisition made in April, relates to two months of revenue from the acquisition of IDV Madrid that has over €5 million of annual revenue. IDV Madrid is a company that has three statutory vehicle inspection stations in Madrid that now make nine stations in total that Applus+ operates there making Applus+ the largest operator in the city.

The adjusted operating profit margin increased by 15 basis points from 20.6% to 20.7%, which, with the revenue growth resulted in an increase in adjusted operating profit of 2.9%.

The contracts continue to perform well overall with only two of them with lower revenue in the first half of 2022 lower than the first half of 2021.

The statutory vehicle inspection concession in Costa Rica finished in the middle of July. In the first half of 2022 it had revenue of €19 million and in 2021, it had revenue of €34 million including €16 million in H2 2021, all at above division margin. The concession was unexpectedly terminated.

The concessions in the autonomous region of Galicia in Spain, in the state of Massachusetts and in Buenos Aires province were all successfully renewed for further periods with the largest of these, the Galicia concession with €53 million of revenue in 2021, now ending in December 2027.

New operations started in Ecuador and Mexico and it is expected the revenue generated from these, once they are ramped up, will compensate for the loss of Connecticut which had €6 million of revenue in 2021.

There is a good pipeline of opportunities in several developing markets.

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 it has been decided to tender for a new 20 or 25 year concession.

IDIADA A.T. provides services to the world's leading vehicle manufacturers for new product development activities in design, engineering, testing and homologation.

The revenue in the division was €129.3 million and the adjusted operating profit was €13.5 million in the six-month period giving an adjusted operating profit margin of 10.4%.

	H1				
	2022	2021	Change	Organic	FX
Revenue	**129.3**	**107.3**	**20.5%**	***17.7%***	***2.8%***
Adj. Op. Profit	**13.5**	**8.5**	**58.8%**	***53.5%***	***5.3%***
% AOP Margin	***10.4%***	***7.9%***	***+ 252 bps***		
Adj. Op. Profit excl. AD (1)	**16.1**	**10.5**			
% AOP Margin	***12.4%***	***9.8%***	***+ 265 bps***		

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

(1) AD is IDIADA Accelerated Depreciation to adapt assets useful life to contract/concession duration

Revenue for the six-month period ended 30 June 2022 increased by 20.5% in total being made up of an increase of 17.7% in organic revenue at constant exchange rates plus 2.8% from favourable exchange rates.

The revenue in the second quarter was €69.6 million, higher than the first quarter revenue of €59.7 million due to some seasonality and an acceleration in the organic revenue growth. The organic revenue increase in the second quarter of the year was 19.8%, stronger than the increase in organic revenue in the first quarter which was 15.4%.

The adjusted operating profit margin increased by 252 basis points from 7.9% in the first half of last year to 10.4%.

The IDIADA concession is due to end in September 2024 and there will be a tender for a new 20 or 25 year contract which is expected to be won by Applus+. In the meantime, the assets of the business must undergo accelerated depreciation to nil value by the end of the concession. Excluding the IDIADA Accelerated Depreciation the margin would be 200 basis points higher at 12.4% in the first half of 2022 and the increase in margin from H1 2021 to H1 2022 would be 265 basis points.

The division has delivered strong high-teens organic revenue growth, with the contribution to this coming from across all its business lines and countries, with limited impact from the lockdowns in China which accounts for 13% of the division´s total revenue, due to the spread of operations in the country and the strong underlying demand for IDIADA services there.

The Proving Ground in Catalonia which accounts for a significant portion of the IDIADA revenue and more so of profit, had a strong increase in activity and

revenue, with customers now almost fully returned following the impact from covid, and this was the main reason for the margin increase.

The division is continuing to see strong growth in demand for testing and homologation of electric vehicles and hybrid vehicles and the components necessary to manufacture these. Testing for the traditional internal combustion engine vehicles now make up just under half of the division revenue and is expected to decrease in revenue at the expense of the growth in alternative fueled vehicles.

The tender for a new 20 or 25 year concession is expected at the beginning of 2023.

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.

In 2021, the Laboratories Division acquired two companies which are discussed below, to add to the three purchased in 2020 and seven purchased in the previous three years.

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

The revenue in the division was €87.6 million and the adjusted operating profit was €11.4 million in the six-month period giving an adjusted operating profit margin of 13.0%.

	H1					
	2022	2021	Change	Organic	Inorganic	FX
Revenue	87.6	65.6	33.6%	9.1%	19.3%	5.2%
Adj. Op. Profit	11.4	9.8	16.5%	(0.6)%	11.2%	5.9%
% AOP Margin	13.0%	14.9%	-191 bps			

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

Revenue for the six-month period ended 30 June 2022 increased by 33.6% in total being made up of an increase of 9.1% in organic revenue at constant exchange rates, 19.3% from acquisitions and 5.2% from favourable exchange rates.

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The revenue in the second quarter of €46.6 million was significantly higher than the first quarter revenue of €41.0 million due to seasonality and acquisitions with also a higher organic revenue growth rate of 11.6% compared to 6.3% in the first quarter and this is notwithstanding the impact of lockdowns in China that impacted the division in the second quarter.

Inorganic revenue of 19.3% from acquisitions relates to two acquisitions closed last year and two in the first half of this year. In May last year, the division purchased IMA Dresden, a material testing laboratory in central Europe with annual revenue of approximately €25 million and Mipel SA which was purchased in October last year, which is a metrology laboratory in Spain and has under €2 million of annual revenue. The inorganic revenue growth from acquisitions closed this year were Lightship Security Inc, a cybersecurity company in North America and is expected to have revenue of over €6 million in 2022 and Alpe Metrologia, a small metrology laboratory in Spain that further consolidates the strong position Applus+ has in this market in the country.

After the period end, a second cybersecurity company was purchased this year in Spain called jtsec that further reinforces the division´s capabilities and market presence in this fast-growing area. There is a strong pipeline of further acquisitions.

Positive currency translation of 5.2% in the period was mainly due to the stronger US dollar against the Euro.

The adjusted operating profit margin decreased 191 basis points from 14.9% in the first half of last year, to 13.0% in the first half of this year. The adjusted operating profit increased by 16.5% from €9.8 million to €11.4 million in the six months due to the benefit of the acquisitions.

The division had strong organic revenue growth across all its key segments driven by an increasing volume of electrical and electronic products requiring testing and certification, consistent with the electrification and connectivity global mega-drivers that was presented at the Strategic Plan in November last year.

The reduction in the margin in the six-month period was due to the impact in China with the lockdowns significantly reducing the revenue in the country while costs remained the same as well as the material increase in energy costs required to run the laboratories and the testing. Some recovery is expected in the second half of the year.

The division comprises six key business units: Electrical & Electronic (includes electrical and electromagnetic compatibility testing and product certification for the electronics and automotive sector); Mechanical (includes aerospace and materials testing); Cybersecurity (includes electronic payment system protocol testing and approval); Construction (includes fire and structural testing of building materials);

Applus+

Metrology (includes calibration and measuring instruments) and Systems Certification. In the first half of 2022, Electrical & Electronic and Mechanical were the two largest business units with approximately one third of the revenue each.

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.

- **AD - IDIADA accelerated depreciation,** to adapt assets useful life to contract/concession duration
- **Adjusted measures** are stated before other results
- **AOP,** Adjusted Operating Profit
- **CAGR,** Compounded Annual Growth Rate
- **Capex,** realized investments in property, plant & equipment or intangible assets
- **Cash conversion,** calculated as the ratio of EBITDA minus capex & change in working capital over EBITDA
- **EBITDA,** measure of earnings before interest, taxes, depreciation and amortisation
- **EPS,** Earnings per share
- **EV,** Electrical Vehicle
- **FX,** Foreign exchange
- **Free Cash Flow,** operating cash generated after capex investment, working capital variation and tax & interest payments and before leases
- **Leverage,** calculated as Net Debt/LTM Ebitda as per bank covenant definition
- **LTM,** Last twelve months
- **Net Debt,** current and non current financial debt, other institutional debt less cash. As per bank covenant definition, calculated at annual average exchange rates and pre-IFRS16
- **Net Profit,** measure of earnings operating profit after interest, taxes and minorities
- **Operating Profit,** measure of earnings before interest and taxes
- Other results are those impacts corrected from the relevant measures to provide a better understanding of the underlying results of the Group, for example: amortisation of acquisition intangibles, restructuring, impairment and transaction & integration costs
- **P.A.,** per annum
- **PPA** Amortisation corresponds to the amortisation of the Purchase Price Allocation related to acquisitions, allocated to intangible assets and Goodwill reduction for finite life concessions
- **ROCE,** Net Adjusted Operating Profit After Tax/Capital Employed
- **WC,** Working Capital

End of 2022 Half Year Results Announcement. This announcement is a translation of the Spanish version which is extracted from the Interim Condensed Consolidated Financial Statements at 30 June 2022 and as filed with the Spanish regulator, Comisión Nacional del Mercado de Valores (CNMV). In cases of discrepancy, the Spanish version filed with the CNMV will prevail.