2020 First Half Results Announcement

28 July 2020

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 2020 ("the period").

Highlights

- Coronavirus impacted every division but recovery is under way
- Q2 revenue down 29% with a good June improvement and with tight cost control delivered a small adjusted operating profit
- Strong cash generation, Net Debt reduced with available liquidity remaining high
- Significant new awards in Energy & Industry division
- Auto Aragon in Spain contract renewed for 10 years on same terms
- Government of Catalonia preparing to tender new 20 year concession for IDIADA
- Acquisition process resumed
- H1 2020 Results:
  - Revenue of €741.2 million down 15.4%
  - Operating profit[1] of €34.5 million down 64.9%
  - Operating profit[1] margin of 4.7% (11.2% H1 2019)
  - Net profit[1] €2.1 million (€54.1m H1 2019)
  - Impairment[2] of €148 million
  - Net loss €169.9 million (€30.3m profit H1 2019)
  - Free cash flow[1] of €86.9 million (€66.5m H1 2019)
  - Net debt/EBITDA ratio of 2.4x and liquidity of €666 million

1. Adjusted for Other results, amortisation of acquisition intangibles and impairment (page 4)
2. Non-cash goodwill and non-current asset impairment net of deferred tax liabilities

Fernando Basabe, Chief Executive Officer of Applus+:

"The second quarter revenue decrease of 29% resulted in a first half decrease of over 15% which was less than expected at Q1. After the low point in April, this was due in large part to the fast recovery through June of the Automotive division, as well as some business lines in the Energy & Industry and Laboratories divisions whilst the improvement in the IDIADA division was more modest.

With tight cost control and the benefit of the various Government cost protection measures, despite the severe impact on our operations, we were able to limit the drop in profit resulting in a small adjusted operating profit. Importantly, we have also been able to maintain our capabilities and resources to be able to recover strongly as markets open back up.

Cash flow was exceptionally strong due mainly to the significant favourable working capital swing as a result of good collections of trade receivables in the period further reducing our debt level and increasing our already strong liquidity position.

We were pleased to see our strong market position rewarded with some significant contract wins in the period and the renewal of an important statutory vehicle inspection concession in Spain. We are also well placed to win the upcoming potential tender for the renewal of the IDIADA concession.

Encouraged by the improving trends in June and July, we have resumed our acquisition process and hope to complete on a number of acquisitions before the end of the year or early next year.

Assuming there are no further severe lockdowns in our key markets, we expect a continued gradual recovery in the second half led by the Automotive division. We also expect the adjusted operating profit margin in the second half to be higher than the first half and to generate positive cash flow.

For the longer term, we believe the structural growth drivers in the testing, inspection and certification markets we operate in continue to be robust."

Presentation and Webcast

There will be a webcast and audio presentation on these results today at 10.00 am Central European Summer Time. To follow the presentation by webcast, use the link: https://edge.media-server.com/mmc/p/nsiweqde
or via the company website at www.applus.com under Investor Relations/Financial Reports. To listen by telephone dial one of the numbers below quoting the access code. Due to current high demand on conference calls, please dial in five to ten minutes early.

Spain +34 91 4143 675
UK +44 (0) 8444 819752
France +33 (0) 1 70 70 07 81
Germany +49 (0) 692 2222 625
US +1 646 7413 167
Standard international line +44 (0) 2071 928338

Access code

5836329

Applus+ Investor Relations:
Aston Swift +34 93 5533 111 aston.swift@applus.com

Applus+ Media:
Maria de Sancha Rojo +34 691 250 977 maria.sancha@applus.com

About Applus+ Group

Applus+ is one of the world's leading and most innovative companies in the Testing, Inspection and Certification sector. It provides solutions for customers in all types of industries to ensure that their assets and products meet quality, health & safety and environmental standards and regulations.

Headquartered in Spain, Applus+ operates in more than 70 countries and employs over 23,000 people. Applus+ operates through four global divisions, all of which operate under the Applus+ brand name. For the full year of 2019, Applus+ recorded revenue of €1,778 million and adjusted operating profit of €197 million.

Applus+ is listed on the Spanish stock exchanges (Mercado Continuo). The total number of shares is 143,018,430.

ISIN: ES0105022000
Symbol: APPS-MC

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

HALF YEAR REPORT 2020

Overview of performance

The financial performance of the Group is presented in an "adjusted" format alongside the statutory ("reported") results. The adjustments are made in order that the underlying financial performance of the business can be viewed and compared to prior periods by removing the financial effects of other results.

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve month period and is stated at constant exchange rates, taking the current year average rates used for the income statements and applying them to the results in the prior period.

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

	H1 2020			H1 2019			
EUR Million	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	+/- % Adj. 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)%***	

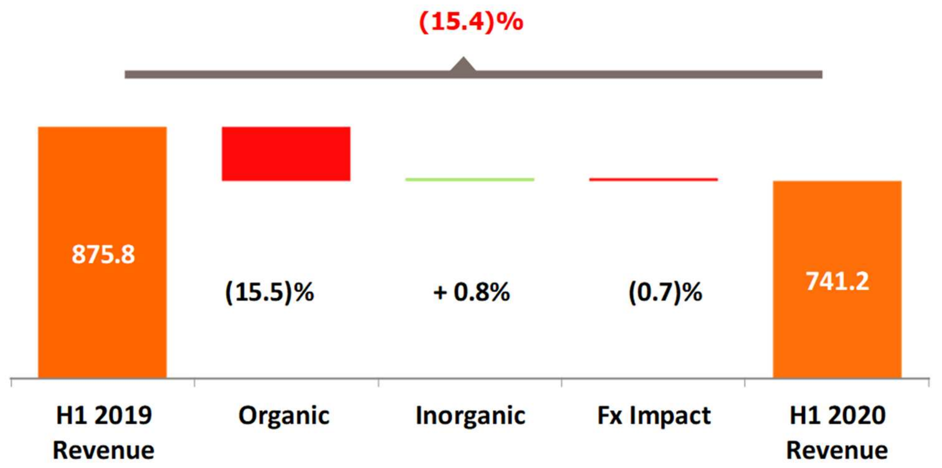
The figures shown in the table above are rounded to the nearest €0.1 million.

Other results of €196.4 million (H1 2019: €30.6m) in the Operating Profit represent impairment of goodwill and non-current 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.



Q2 2020	(29.3)%	+ 0.8%	(1.0)%	(29.5)%

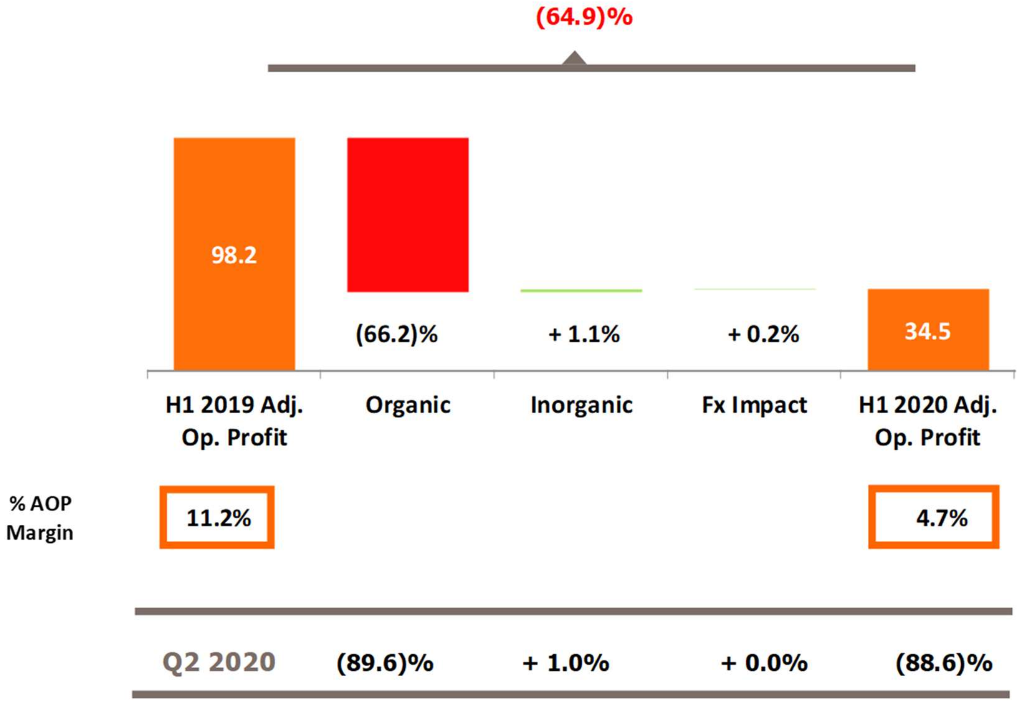
The total revenue decrease of 15.4% for the period was made up of a decrease in organic revenue of 15.5%, the benefit of acquisitions made in the last twelve months of 0.8% and a negative currency translation impact of 0.7%.

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. 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.

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

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.

Liquidity	
Cash at 30 June 2020	331.6
Undrawn facilities	334.6
Available liquidity	**666.2**

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
TOTAL GROSS DEBT		**758.1**
Cash		(331.6)
TOTAL NET DEBT b/ IFRS 16		**426.6**
IFRS 16		181.2
TOTAL NET DEBT		**607.8**
LTM EBITDA b/ IFRS 16		180.2
Net Debt / Ebitda(2)		**2.4x**

(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
Gross Impairment	**165.0**
Deferred tax liability releas	(17.0)
Net Impairment	**148.0**

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.

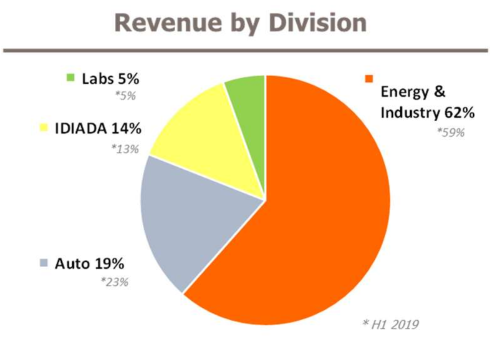
Applus+ is a prudently managed business and entered the crisis with a strong balance sheet, long debt maturities and a high level of liquidity. The Company nevertheless continues to remain vigilant and will continue to take all the precautionary measures that are at its disposal in order to protect itself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

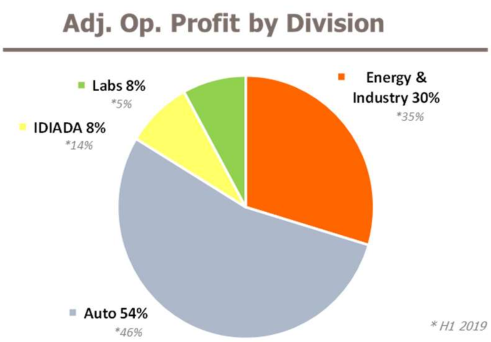
Outlook

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
	2020	2019	Change	Change
Revenue	456.2	515.2	(11.5)%	(24.9)%
AOP	14.2	38.8	(63.5)%	
Margin	***3.1%***	***7.5%***		

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)%	
Margin	***17.9%***	***26.1%***		

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)%	
Margin	***4.0%***	***13.3%***		

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			
	2020	2019	Change	Q2
Revenue	40.7	44.0	(7.4)%	(21.8)%
AOP	3.8	5.8	(34.5)%	
Margin	***9.4%***	***13.2%***		

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.

End of 2020 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 2020 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.