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1H19 Results

Growth of revenue and order intake accelerated in 2Q19. Backlog reached another historic high

- **Backlog amounted to €4,420m, resulting again in the best-ever figure. Order intake +9% in local currency in 1H19.**
- **Revenue expansion accelerated up to +6% in local currency in 1H19, with both T&D and Minsait posting growth. It is worth noting America (+15% in local currency).**
- **Minsait sales increased by +6% in local currency (+5% in reported terms). Digital solutions revenues up +18% and now it represents 22% of Minsait sales.**
- **Within T&D, Transport grew at double digit rates in local currency (+23%). Within Minsait, Energy & Industry sales went up by +13% in local currency in 1H19.**
- **EBITDA up +7% excluding the IFRS 16 impact in 1H19. EBIT grew +8% in 1H19.**
- **Minsait EBIT Margin improved 220 basic points and went up to 2.8% in 1H19 despite the lower contribution of the Elections business.**
- **Net profit of the group worsened -8% vs 1H18 mainly as a consequence of higher taxes.**
- **Free Cash Flow totaled €-237m in 1H19 vs €-61m in 1H18, impacted by the negative contribution of the working capital.**

Madrid, July 25, 2019 - Fernando Abril-Martorell, Chairman and Chief Executive Officer of Indra:

"1H19 results are marked by the acceleration of revenue and order intake growth in almost every business and geography where Indra has presence, with our backlog reaching another historic high, as well as by the profitability improvement, boosted by Minsait.

T&D and Minsait accelerated their revenue growth in 2Q19, with Transport and Energy & Industry standing out at double digit rates. Digital solutions revenues grew +18% in the half-year. Furthermore, all geographies reflected growth acceleration except for Spain, which stabilized. Latin America posted another sound quarter, with Brazil and the main countries showing revenue expansion, both in local currency and reported figures, and with a significantly lower FX impact vs 2018.

Indra improved its profitability in 1H19, with Minsait standing out and posting profitability improvement of 220 basic points despite the lower contribution of the Elections business.

Cash generation in 1H19 was affected by the strong seasonality of the working capital, by the revenue growth and other operating items. Working capital evolution will improve during the following quarters thanks to the normalization of the delays in milestone collections concentrated in big projects and the own seasonality of the business.

To conclude, 1H19 results are in consonance with our revenue and profitability prospects for the year (Guidance 2019). Our management effort is fully focused on achieving all the targets for 2019, with special attention to the profitability (EBIT) of our operations and the working capital".

Main Figures	1H19 (€M)	1H18 (€M)	Variation (%) Reported / Local currency	2Q19 (€M)	2Q18 (€M)	Variation (%) Reported / Local currency
Net Order Intake	1,930	1,789	7.9 / 8.6	983	748	31.4 / 32.1
Revenues	1,546	1,463	5.7 / 6.3	811	749	8.2 / 8.7
Backlog	4,420	4,069	8.6	4,420	4,069	8.6
Gross Operating Result (EBITDA)	142	117	21.9 / 21.9	72	69	4.8 / 5.2
EBITDA Margin	9.2%	8.0%	1.2 pp	8.9%	9.2%	(0.3) pp
Operating Result (EBIT)	79	73	8.5 / 8.4	40	47	(13.9) / (13.4)
EBIT margin	5.1%	5.0%	0.1 pp	5.0%	6.2%	(1.2) pp
Net Profit	34	37	(7.8)	16	26	(40.1)
Net Debt Position	716	656	9.2	716	656	9.2
Free Cash Flow before working capital	72	48	49.8	41	20	108.9
Free Cash Flow	(237)	(61)	NA	(129)	(55)	NA
Basic EPS (€)	0.192	0.209	(8.1)	NA	NA	NA

Transport and Defence (T&D)	1H19 (€M)	1H18 (€M)	Variation (%) Reported / Local currency	2Q19 (€M)	2Q18 (€M)	Variation (%) Reported / Local currency
Revenues	552	519	6.4 / 6.4	288	262	9.6 / 9.7
Operating Result (EBIT)	51	67	(22.9)	20	35	(41.5)
EBIT margin	9.3%	12.9%	(3.6) pp	7.1%	13.3%	(6.2) pp

Minsait	1H19 (€M)	1H18 (€M)	Variation (%) Reported / Local currency	2Q19 (€M)	2Q18 (€M)	Variation (%) Reported / Local currency
Revenues	994	944	5.3 / 6.2	523	487	7.4 / 8.1
Operating Margin	41	32	27.6	28	25	10.4
% Revenues	4.1%	3.4%	0.7 pp	5.3%	5.2%	0.1 pp
Operating Result (EBIT)	27	6	364.4	20	12	65.8
EBIT margin	2.8%	0.6%	2.2 pp	3.8%	2.5%	1.3 pp

Main Highlights

1H19 **backlog** reached another historic high and amounted to €4,420m, showing +9% increase in reported terms, with both T&D and Minsait delivering growth. T&D backlog amounted to €2.8bn and Minsait backlog totaled €1.7bn, improving the Backlog/Revenues LTM ratio vs 1H18: 1.39x vs 1.31x.

1H19 **order intake** up +9% in local currency (+8% in reported figures) mainly backed by Minsait:

- **1H19 order intake in T&D** went down -2% in local currency (-3% in reported terms), still affected by the difficult comparison vs 1H18 in Air Traffic Management (relevant contract in Algeria). On the positive side, it is worth noting the double digit growth of Defence & Security (Platforms, Defence Systems and Simulation areas), as well as the mid-single digit growth in Transport (Railway Control System in Middle East).

- **1H19 order intake in Minsait** up +14% in local currency (+13% in reported figures) boosted by Public Administrations & Healthcare (Tax solutions and relevant Outsourcing contracts in Spain) and Telecom & Media (renewal of relevant contracts with Telefonica).

1H19 **revenues** showed growth acceleration of +6% in local currency and in reported terms, with both T&D and Minsait showing sales increase. 2Q19 revenues went up +9% in local currency with both divisions showing robust growth:

- **1H19 revenues in the T&D division** up +6% both in local currency and in reported terms, pushed by Transport & Traffic (+14% in local currency). It is worth noting the strong growth recorded by Transport (+23% in local currency), as well as the positive performance of Air Traffic Management (+6% in local currency). **2Q19 sales** increased +10% in local currency and

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reported figures, mainly bolstered by Transport (+28% in local currency), where it is worth highlighting AMEA.

- **1H19 revenues in Minsait** increased by +6% in local currency (+5% in reported figures), with all the verticals recording growth. **2Q19 revenues** increased +8% in local currency (+7% in reported terms). The double digit growth showed by Public Administrations & Healthcare and Energy & Industry (organic growth and inorganic contribution of ACS) stood out.

- FX impact amounted to €-9m in 1H19.

Digital solutions revenues reached €221m (22% of Minsait sales), which implies an increase of +18% at constant perimeter vs 1H18.

1H19 **EBITDA** (which includes the impact of IFRS 16) improved to €142m vs €117m in 1H18. Excluding the impact of IFRS 16, EBITDA would have amounted to €125m, which implies +7% growth.

- **EBITDA in the T&D division** (which includes the impact of IFRS 16) reached €72m in 1H19 vs €83m in 1H18, mainly affected by the higher restructuring costs that took place in this division in the accumulated period. Excluding the impact of IFRS 16, EBITDA would have amounted to €68m.

- **The Operating Margin in Minsait** was 4.1% in 1H19 vs 3.4% in 1H18. All the verticals registered margin improvement and despite the lower contribution of the Elections business.

Total restructuring costs (T&D and Minsait) amounted to €14m in 1H19 vs €21m in 1H18. This figure in 2Q19 reached €8m vs €11m in 2Q18.

1H19 **EBIT** reached €79m vs €73m in 1H18 (+8% growth), bolstered by the improvement in Minsait´s operational profitability. 1H19 EBIT Margin was 5.1% vs 5.0% in 1H18. **2Q19 EBIT** reached €40m vs €47m in 2Q18 due to the impacts coming from working days (€18m, mainly due to Easter) and the execution problems in two specific projects in Defence (€9m) in Australia and Kuwait.

- **EBIT Margin in the T&D division** stood at 9.3% in 1H19 vs 12.9% in 1H18. **2Q19 EBIT Margin** reached 7.1% vs 13.3% in 2Q18.

- **EBIT Margin in Minsait** improved to 2.8% in 1H19 vs 0.6% in 1H18. **2Q19 EBIT Margin** reached 3.8% vs 2.5% in 2Q18, with all verticals posting margin improvement despite the lower contribution of the Elections business.

The IFRS 16 application had the following impacts:

- Increment of non-current assets by €144m, in the item “assets for the right of use”.

- Increment of liabilities by €145m, in the items “other non-current liabilities” (€112m) and “other current liabilities” (€34m).

- Increment of the EBITDA by €17m in 1H19.

- Impact on EBIT and net profit was lower than €2m.

Profit before Tax improved +4% vs 1H18.

Net profit of the group worsened -8% vs 1H18 as a consequence of higher taxes and higher result attributable to non-controlling interests (€3m in 1H19 vs €1m in 1H18 associated with the beginning of the Kazakhstan subsidiary´s liquidation process). Additionally, the IFRS 16 implementation had a negative impact of €1m.

Free Cash Flow totaled €-237m in 1H19 vs €-61m in 1H18, impacted by the negative contribution of the working capital. Free Cash Flow before working capital was €72m (€55m excluding the impact of IFRS 16) in 1H19 vs €48m in 1H18.

Net working capital totaled €179m (20 DoS) in 1H19 vs €-81m (-10 DoS) in December 2018. This increment of €260m (+30 DoS) is explained by the following concepts:

- Increment of inventories by €75m (+8 DoS). Half of this increment is due to higher inventories for the production of certain products in order to improve the Time to Market, while the other half is explained by the application of IFRS 15. Most of the investment in inventories has been

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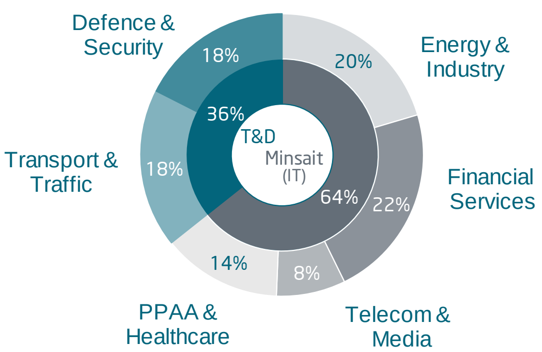
concentrated in the T&D division, mainly in Transport (Ryhad underground, T-Mobilitat) and Defence (Radars in Algeria and the Eurofighter production for Qatar).

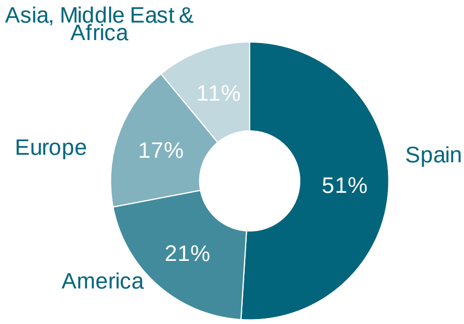
- Increment of Clients net of prepayments by €169m (+18 DoS) explained by: 1) higher amount of Accounts Receivable for Billable Production as a consequence of certain delays regarding the milestone collections in specific projects; 2) revenue growth financing in the first half of the year which includes the beginning of relevant BPO projects in Minsait; 3) lower level of client's prepayments, partially due to the anticipated collections in 4Q18 initially expected for 1H19 and the change in the mix.

  The specific delays related to the milestone collections are concentrated in the T&D division, chiefly concentrated in large clients in Transport (Mecca-Medina, Ryad underground) and European programs in ATM. This effect will normalize during the following quarters.

Net debt amounted to €716m in 1H19 vs €656m in 1H18 and vs €483m in 2018. Net Debt/EBITDA LTM ratio stood at 2.4x similar level than in 1H18 and vs 1.6x in 2018.

Sales by verticals and regions:





Outlook 2019

- **2019 Revenues**: low single digit growth in local currency versus 2018 reported revenues (€3,104m).
- **2019 EBIT**: growth of more than 10% in absolute terms vs 2018 reported EBIT (€199m).
- **2019 Free Cash Flow**: more than €100m before net working capital.

Human Resources

At the end of 1H19, total workforce amounted to 47,333 professionals, implying an increase of +16% vs 1H18. 1H19 average headcount increased by +13% vs 1H18. Most of this workforce increase vs 1H18 was related to Minsait (c. 85% of the total workforce increase), due to the beginning of highly labour intensive BPO projects. However, Minsait improved its EBIT margin in 220 basic points in 1H19 vs 1H18.

Total Workforce	2018	1H19	Variation
T&D	6,900	7,240	340
Minsait	34,864	38,094	3,230
- o/w BPO Minsait	*5,591*	*7,906*	*2,315*

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Other events over the period

Indra has restructured its offering in Defense and Security to position itself as one of the leading companies in the global market, with the capability to meet - with its comprehensive end-to-end systems and technologies - the needs in the five areas of Defense: Land, Sea, Air, Cyberspace and Space. The company develops its own cutting-edge technologies to strengthen security, which makes the world a safer place to live in. The offer has been structured according to seven core elements: Platforms, Defense Systems, Security, Cyber-defense, Space, Services and training solutions and Logistics and Maintenance.

On June 14th Indra confirmed that conversations were being held with Rolls-Royce aimed at exploring the potential acquisition by Indra of a majority shareholding in Industria de Turbo Propulsores, S.A.U. (ITP). Later on, Indra communicated on July 24th the end of conversations without the parties having reached any agreement.

The 2019 General Ordinary Shareholder Meeting of Indra Sistemas, S.A. (the "Company"), held in second call on 24th of June with an attendance quorum representing the 72.41% of the share capital, adopted with a wide majority all the resolutions proposed.

Analysis by division

Transport & Defence (T&D)

T&D	1H19 (€M)	1H18 (€M)	Variation (%) Reported	Variation (%) Local currency	2Q19 (€M)	2Q18 (€M)	Variation (%) Reported	Variation (%) Local currency
Net Order Intake	590	605	(3)	(2)	346	313	10	11
Revenues	552	519	6	6	288	262	10	10
- Defence & Security	271	272	(0)	(0)	141	136	3	3
- Transport & Traffic	281	247	14	14	147	126	16	17
Book-to-bill	1.07	1.17	(8)		1.20	1.19	1	
Backlog / Revs LTM	2.26	2.33	(3)					

1H19 T&D revenues went up by +6% in both local currency and reported figures, mainly backed by Transport & Traffic (+14% in local currency). It is worth noting the strong growth posted by the Transport segment (+23% in local currency) and the ATM segment (+6% in local currency).

2Q19 sales up +10% in local currency and reported terms, mainly boosted by Transport (+28% in local currency), where AMEA stood out.

1H19 T&D order intake decreased by -2% in local currency (-3% in reported terms), impacted by the strong order intake of ATM in 1H18 (relevant ATM contract in Algeria). On the positive side, Defence & Security posted double digit growth (Platforms, Defence Systems and Simulation areas) and Transport recorded mid-single digit growth (Railway Control System in Middle East). 2Q19 order intake substantially improved vs 1Q19, bolstered by Transport.

Backlog/Revenues LTM ratio stood at 2.26x in 1H19, slightly lower vs 2.33x in 1H18. Book-to-bill ratio was also slightly lower vs 1H18 (1.07x vs 1.17x).

Defence & Security

- 1H19 Defence & Security sales were flat. The lower activity posted in Security and Simulation has been practically counteracted by the growth delivered by Platforms.
- Region wise, most of the activity of the vertical in 1H19 was concentrated in Spain and Europe (each region represents c. 40% of the sales).

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- 2Q19 revenues up +3% in local currency and reported figures, with both Europe and AMEA recording growth.
- 1H19 order intake grew +11% in local currency and reported figures, boosted by relevant contracts signed in Europe, specifically in Platforms (Eurofighter for Qatar), Defence Systems (Air Defence in UK) and Simulation (Eurofighter and Airbus 330).

Transport & Traffic

- 1H19 Transport & Traffic sales up +14% in both local currency and reported terms. Transport stood out with +23% revenue increase in local currency (c. 50% of sales), with AMEA delivering double digit growth rates (Railway Control Systems in Middle East and Tunnel Control Systems in Egypt) and America (Urban Traffic in Peru). The ATM segment posted revenue growth as well (+6% in local currency; c.50% of the sales of the vertical), where AMEA delivered a remarkable performance (ATM in Algeria).
- 2Q19 sales up +17% in local currency (+16% in reported figures), with Transport showing double digit growth, mainly in AMEA.
- Region wise, most of the activity of the vertical in 1H19 was concentrated in AMEA (c. 35% of sales), Spain and Europe (each of them represented c. 25% of sales).
- 1H19 order intake decreased by -10% in local currency (-11% in reported terms), dragged down by the difficult comparison vs 1H18 in the ATM segment (relevant contract in Algeria).

Minsait

Minsait	1H19 (€M)	1H18 (€M)	Variation (%) Reported	Variation (%) Local currency	2Q19 (€M)	2Q18 (€M)	Variation (%) Reported	Variation (%) Local currency
Net Order Intake	1,341	1,183	13	14	637	435	47	48
Revenues	994	944	5	6	523	487	7	8
- Energy & Industry	316	283	12	13	161	148	9	10
- Financial Services	345	329	5	5	182	169	7	7
- Telecom & Media	122	120	2	4	64	63	2	4
- PPAA & Healthcare	211	212	(0)	1	116	107	9	10
Book-to-bill	1.35	1.25	8		1.22	0.89	36	
Backlog / Revs LTM	0.84	0.72	18					

1H19 Minsait sales went up by +6% in local currency (+5% in reported figures), with all the verticals registering growth.

Digital solutions sales amounted to €221m (which represents 22% of Minsait sales), implying an increase of +18% at constant perimeter vs 1H18. It is worth highlighting the areas related to innovation, digital customer experience, process robotization, data science, including advanced analytics, and cybersecurity with strong growth rates.

2Q19 revenues posted growth acceleration up to +8% in local currency (+7% in reported terms), with all the verticals recording revenue expansion. It is worth noting the double digit growth rates posted by Public Administrations & Healthcare and Energy & Industry (both organic growth and the inorganic contribution of ACS).

1H19 order intake in Minsait up +14% in local currency (+13% in reported figures) boosted by Public Administrations & Healthcare (Tax solutions and relevant Outsourcing contracts in Spain) and Telecom & Media (renewal of relevant contracts with Telefonica). 2Q19 order intake improved substantially vs 1Q19 boosted by Public Administrations & Healthcare, Financial Services and Telecom & Media.

Backlog/Revenues LTM improved to 0.84x vs 0.72x in 1H18. Book-to-bill ratio improved as well to 1.35x vs 1.25x in 1H18.

Energy & Industry

- 1H19 Energy & Industry revenues increased by +13% in local currency (+12% in reported figures). It stood out the double digit growth achieved both in Energy (c. 60% of sales), backed by the Utilities sector (Endesa), the Oil & Gas sector (Repsol) and the inorganic contribution of ACS, and in the Industry segment (c. 40% of sales), where the Retail and Services sectors stood out (99Taxi and Ifood, both in Brazil).
- By geography, Spain (c. 50% of sales) and America (c. 25% of sales) concentrated most of the activity of the vertical in 1H19.
- 2Q19 revenues up +10% in local currency (+9% in reported terms), backed by the double digit growth posted by Industry (Services Sector in America), as well as by the Energy performance, benefitted from the inorganic contribution of ACS.
- 1H19 order intake decreased -4% in local currency (-5% in reported figures), explained chiefly by the difficult comparison in Energy (relevant contracts related to the implementation of proprietary products in AMEA that took place in 1H18), as well as by specific order intake delays linked with some clients in Spain.

Financial Services

- 1H19 Financial Services sales increased by +5% in local currency and reported terms, backed by the positive contribution of the mid-sized banking sector in America and Bankia and Bankinter in Spain.
- Region wise, Spain (c. 70% of the sales) and America (c. 25% of the sales) concentrated most of the activity of the vertical in 1H19.
- 2Q19 sales increased by +7% in local currency and reported figures, pushed by the positive contribution of the mid-sized banking sector in America.
- 1H19 order intake went down by -3% in local currency and reported terms due to the strong order intake registered in 1H18 in Spain and despite the sign of a relevant contract in America in 1H19 (BPO in Brazil).

Telecom & Media

- 1H19 Telecom & Media revenues grew by +4% in local currency (+2% in reported terms), mainly due to higher activity registered in Spain and America (key clients in both geographies).
- By geographies, most of the activity of the vertical in 1H19 was concentrated in Spain (c. 50% of sales) and America (c. 40% of sales).
- 2Q19 revenues went up by +4% in local currency (+2% in reported terms), mainly due to a higher activity with Telefonica.
- 1H19 order intake went up by +38% in local currency (+35% in reported figures) chiefly thanks to the renewal of relevant contracts with Telefonica in Spain.

Public Administrations & Healthcare

- 1H19 Public Administrations & Healthcare sales slightly increased (+1% in local currency; flat in reported terms), which is a very positive performance taking into consideration the difficult comparison vs 1H18 due to the Elections business in AMEA. Excluding the Elections business, sales would have increased by +10% in reported terms. Public Administrations in Spain and Europe (Italy) showed good dynamics.

- Region wise, Spain (c. 65% of the sales) and America (c. 20% of the sales) concentrated most of the activity of the vertical in 1H19.
- 2Q19 sales went up by +10% in local currency (+9% in reported figures), boosted by Spain.
- 1H19 order intake went up by +71% in local currency (+70% in reported figures), pushed by the growth recorded in Spain (Tax solutions and relevant Outsourcing contracts) and the rest of geographies (which posted double digit growth as well).

Analysis by Region

Revenues by Region	1H19		1H18		Variation (%)		2Q19	2Q18	Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Spain	792	51	761	52	4	4	413	396	4	4
America	317	21	284	20	12	15	163	141	16	19
Europe	270	17	256	17	5	6	139	128	9	9
Asia, Middle East & Africa	167	11	162	11	3	2	95	85	12	11
Total	**1,546**	**100**	**1,463**	**100**	**6**	**6**	**811**	**749**	**8**	**9**

All geographies recorded revenue growth in 1H19: Spain (+4%; 51% of total sales), America (+15% in local currency; 21% of total sales), Europe (+6% in local currency; 17% of total sales) and AMEA (+2% in local currency; 11% of total sales).

Likewise, all geographies showed revenue expansion in 2Q19. It is worth highlighting the double digit growth acceleration in America (+19% in local currency) and AMEA (+11% in local currency), Europe (+9% in local currency) and the mid-single digit growth in Spain (+4%).

1H19 order intake increased by +9% in local currency (+8% in reported terms) with all geographies posting growth. It is worth mentioning the strong order intake registered in Europe, specifically in Platforms, (Eurofighter), Defence Systems (Air Defence in UK) and Simulation (Eurofighter and Airbus 330), and in America, due to the sign of a relevant contract in Financial Services (BPO contract in Brazil).

Spain

- 1H19 revenues went up by +4%, driven by Minsait which recorded above mid-single digit growth.
- All Minsait verticals (c.75% of total sales in the region) posted revenue growth in 1H19.
- On the contrary, T&D revenues (c.25% of total sales in the region) in 1H19 decreased, with both Defence & Security and Transport & Traffic (mainly in the Railway Control Systems business) falling down.
- 2Q19 revenues increased +4% pushed by the growth registered in Minsait, where it is worth mentioning Public Administrations & Healthcare.
- 1H19 order intake remained flat. The strong order intake registered in Public Administrations & Healthcare (Taxes solutions and relevant Outsourcing contracts) and Telecom & Media (due to the renewal of relevant contracts with Telefonica) has offset the decrease in Financial Services (affected by the strong order intake in 1H18).

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America

- 1H19 revenues increased by +15% in local currency (+12% reported figures), both Minsait and T&D showing growth.
- By countries, Brazil, the most relevant country in America (c.35% of total revenues in the region), posted revenue and order intake growth in local currency (+13% and +30% respectively), mainly driven by Energy & Industry and Financial Services. It is also worth mentioning the double digit growth posted in Colombia (Simulation area in Defence & Security).
- The activity in America is mostly concentrated in Minsait (c.80% of total sales in the region). All Minsait verticals grew in 1H19 except for Public Administrations & Healthcare, as a consequence of the repositioning towards private vs public clients.
- 1H19 T&D revenues (c.20% of total sales in the region) registered double digit growth pushed by Transport & Traffic (Urban Traffic in Peru).
- 2Q19 revenues went up by +19% in local currency, driven by Minsait, where is worth noting the double digit growth posted in Energy & Industry and Financial Services.
- 1H19 order Intake grew by +11% in local currency (+7% in reported terms), mainly fueled by Minsait due to the sign of a relevant contract in Financial Services (BPO contract in Brazil).

Europe

- 1H19 revenues up +6% in local currency (+5% in reported terms) both Minsait and T&D showing growth.
- 1H19 T&D sales (c.65% of revenues in the region) posted mid-single digit growth pushed by Defence & Security (Platforms area).
- 1H19 Minsait sales (c. 35% of total revenues in the region) showed double digit growth. It is worth mentioning the positive activity registered by the Italian subsidiary, chiefly in Energy & Industry and Public Administrations & Healthcare.
- 2Q19 revenues up +9% in local currency and reported terms, driven by the T&D division.
- 1H19 order intake went up by +40% both in local currency and reported terms, with both T&D and Minsait showing double digit growth. It is worth highlighting the contracts signed in Platforms (Eurofighter), Defence Systems (Air Defence in UK) and Simulation (Eurofighter and Airbus 330), as well as in Minsait thanks to the positive performance in Belgium and Italy.

Asia, Middle East & Africa (AMEA)

- 1H19 revenues in AMEA increased by +2% in local currency (+3% in reported terms). This is a very positive performance taking into account the difficult comparison vs last year (Election business). The growth achieved in T&D has offset the double digit declined of Minsait.
- 1H19 T&D sales (c.80% of total revenues in the region) posted double digit growth, mainly pushed by Transport & Traffic (largest vertical in the region), showing both Air Traffic Management (ATM project in Algeria and Morocco) and Transport (projects in Middle East) very positive performance.
- 1H19 Minsait revenues (c.20% of total sales in the region) recorded double digit fall, affected by the lower activity registered in the Elections business.
- 2Q19 revenues increased +11% in local currency (+12% in reported terms), pushed by the T&D division, mainly by Transport.

- 1H19 order Intake in AMEA grew +5% in local currency (+6% in reported terms), mainly helped by Transport (Railway Control Systems in Middle East) and the Election business in Iraq.

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Appendices

Consolidated Income Statement

	1H19 €M	1H18 €M	Variation €M	Variation %	2Q19 €M	2Q18 €M	Variation €M	Variation %
Revenue	**1,546.3**	**1,463.0**	**83.3**	**6**	**810.6**	**749.3**	**61.3**	**8**
In-house work on non-current assets and other income	42.5	33.7	8.8	26	24.9	20.3	4.6	23
Materials used and other supplies and other operating expenses	(550.6)	(559.3)	8.7	(2)	(300.2)	(280.5)	(19.7)	7
Staff Costs	(893.7)	(820.8)	(72.9)	9	(461.0)	(420.2)	(40.8)	10
Other gains or losses on non-current assets and other results	(2.4)	(0.1)	(2.3)	NA	(2.5)	(0.2)	(2.3)	NA
Gross Operating Result (EBITDA)	**142.0**	**116.5**	**25.5**	**22**	**71.9**	**68.6**	**3.3**	**5**
Depreciation and amortisation charge	(63.2)	(43.8)	(19.4)	44	(31.6)	(21.8)	(9.8)	45
Operating Result (EBIT)	**78.8**	**72.7**	**6.1**	**8**	**40.3**	**46.8**	**(6.5)**	**(14)**
EBIT Margin	***5.1%***	***5.0%***	***0.1 pp***	**NA**	***5.0%***	***6.2%***	***(1.2) pp***	**NA**
Financial Loss	**(22.5)**	**(16.9)**	**(5.6)**	**33**	**(12.4)**	**(7.7)**	**(4.7)**	**60**
Result of companies accounted for using the equity method	0.5	(0.9)	1.4	NA	1.7	(0.7)	2.4	NA
Profit (Loss) before tax	**56.8**	**54.8**	**2.0**	**4**	**29.7**	**38.4**	**(8.7)**	**(23)**
Income tax	(19.6)	(17.1)	(2.5)	15	(11.8)	(12.1)	0.3	(2)
Profit (Loss) for the year	**37.1**	**37.8**	**(0.7)**	**(2)**	**17.9**	**26.3**	**(8.4)**	**(32)**
Profit (Loss) attributable to non-controlling interests	(3.2)	(0.9)	(2.3)	NA	(2.2)	(0.3)	(1.9)	NA
Profit (Loss) attributable to the Parent	**33.9**	**36.8**	**(2.9)**	**(8)**	**15.6**	**26.1**	**(10.5)**	**(40)**

Earnings per Share (according to IFRS)	1H19	1H18	Variation (%)
Basic EPS (€)	0.192	0.209	(8)
Diluted EPS (€)	0.181	0.197	(8)

	1H19	1H18
Total number of shares	176,654,402	176,654,402
Weighted treasury stock	329,873	527,989
Total shares considered	176,324,529	176,126,413
Total diluted shares considered	193,413,872	204,459,046
Treasury stock in the end of the period	346,791	385,998

Figures not audited

Basic EPS *is calculated by dividing net profit by the average number of outstanding shares during the period less the average treasury shares of the period.*

Diluted EPS *is calculated by dividing net profit (adjusted by the impact of the €250m convertible bond issued in October 2013 with a conversion price of €14.29 and with a conversion price of €13.79 since 28/04/2017, first trading day of the new shares after the Capital Increase associated with the Tecnocom's acquisition and also the €250m convertible bond issued in October 2016 with a conversion price of €14.629, and taking into account the repayment of €95m of the convertible bond issued in 2013. Likewise, this calculation takes into consideration the redemption of the bond issued in 2013, which took place in 17/10/2018), by the average number of outstanding shares during the period less the average treasury shares of the period and adding the theoretical new shares to be issued once assuming full conversion of the bonds.*

The average number of shares *used in the calculation of the EPS and dilutive EPS for treasury shares, total number of shares and theoretical shares to be issued related to the convertible bonds, are calculated using daily balances.*

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- 1H19 revenues increased +6% in reported figures.
- 1H19 Other Income went up by €9m due to the higher investment in R&D (€33m in 1H19 vs €26m in 1H18), in line with the increase in intangible assets (CAPEX).
- Personnel expenses increased by +9% in 1H19, as a consequence of salary inflation as well as by the increase in the average workforce (+13%), due to the start of highly labour intensive BPO projects.
- 1H19 EBITDA (which includes IFRS 16) increased to €142m vs €117m in 1H18. Excluding the impact of IFRS 16, EBITDA would have reached €125m which implies +7% growth.
- 1H19 D&A up €19m, of which €15m were related to the application of IFRS 16.
- 1H19 EBIT stood at €79m vs €73m in 1H18, backed by the improvement in the operational profitability of Minsait.
- Financial results worsened by €6m vs 1H18 due to the impact of IFRS 16 (€3m), the lower financial income and other recurrent costs (€4m) and by the higher differences in the hedging adjustments on projects, changes in milestones and scopes (€1m). Excluding these effects, financial results would have improved as a consequence of the lower amount of gross debt (1.8% in 1H19 vs 2.1% in 1H18).
- 1H19 Tax expenses was equivalent to a tax rate of 35%, above 1H18 level (31%). The higher tax expense is due to the impossibility to obtain tax benefits for a nine month period (since May 2019) as a consequence of the May 2019 ruling that ends the proceedings opened in Spain started in December 2015, corresponding to the years 2011 to 2014.
- Profit before taxes went up by +4% vs 1H18.
- Net profit of the group worsened -8% vs 1H18 as a consequence of higher taxes and higher result attributable to non-controlling interests (€3m in 1H19 vs €1m in 1H18 associated with the beginning of the Kazakhstan subsidiary´s liquidation process). Additionally, the IFRS 16 implementation had a negative impact of €1m.

Income Statement by Division

1H19

M€	T&D	IT	Eliminations	Total
Total Sales	552	994	-	1,546
Contribution Margin	97	125	-	222
Contribution Margin (%)	*17.6%*	*12.5%*	-	*14.3%*
EBIT	51	27	-	79
EBIT Margin (%)	*9.3%*	*2.8%*	-	*5.1%*

2Q19

M€	T&D	IT	Eliminations	Total
Total Sales	288	523	-	811
Contribution Margin	43	70	-	113
Contribution Margin (%)	*14.9%*	*13.4%*	-	*13.9%*
EBIT	20	20	-	40
EBIT Margin (%)	*7.1%*	*3.8%*	-	*5.0%*

1H18

M€	T&D	IT	Eliminations	Total
Total Sales	519	944	-	1,463
Contribution Margin	105	117	-	222
Contribution Margin (%)	*20.3%*	*12.4%*	-	*15.2%*
EBIT	67	6	-	73
EBIT Margin (%)	*12.9%*	*0.6%*	-	*5.0%*

2Q18

M€	T&D	IT	Eliminations	Total
Total Sales	262	487	-	749
Contribution Margin	55	67	-	122
Contribution Margin (%)	*21.1%*	*13.7%*	-	*16.3%*
EBIT	35	12	-	47
EBIT Margin (%)	*13.3%*	*2.5%*	-	*6.2%*

Figures not audited

Consolidated Balance Sheet

	1H19 €M	2018 €M	Variation €M
Property, plant and equipment	106.3	108.4	(2.1)
Property investments	1.3	1.4	(0.1)
Assets for the rigth of use	144.3	0.0	144.3
Other Intangible assets	368.9	373.5	(4.6)
Investments for using the equity method and other non-current financial assets	220.6	249.3	(28.7)
Goodwill	813.5	811.9	1.6
Deferred tax assets	153.0	160.4	(7.4)
Total non-current assets	**1,808.0**	**1,704.9**	**103.1**
Assets classified as held for sale	14.6	14.1	0.5
Operating current assets	1,480.2	1,283.3	196.9
Other current assets	145.2	121.1	24.1
Cash and cash equivalents	740.9	917.8	(176.9)
Total current assets	**2,380.9**	**2,336.4**	**44.5**
TOTAL ASSETS	**4,188.9**	**4,041.3**	**147.6**
Share Capital and Reserves	698.3	660.5	37.8
Treasury shares	(3.2)	(3.7)	0.5
Equity attributable to parent company	**695.1**	**656.8**	**38.3**
Non-controlling interests	24.5	20.9	3.6
TOTAL EQUITY	**719.5**	**677.7**	**41.8**
Provisions for contingencies and charges	57.7	65.6	(7.9)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	1,431.0	1,358.6	72.4
Other non-current financial liabilities	210.1	128.8	81.3
Deferred tax liabilities	1.4	2.7	(1.3)
Other non-current liabilities	4.8	7.0	(2.2)
Total Non-current liabilities	**1,704.9**	**1,562.7**	**142.2**
Liabilities classified as held for sale	0.0	0.0	0.0
Current bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	26.4	42.3	(15.9)
Other current financial liabilities	77.6	16.7	60.9
Operating current liabilities	1,301.4	1,364.2	(62.8)
Other current liabilities	359.1	377.6	(18.5)
Total Current liabilities	**1,764.5**	**1,800.9**	**(36.4)**
TOTAL EQUITY AND LIABILITIES	**4,188.9**	**4,041.3**	**147.6**

Current bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(26.4)	(42.3)	15.9
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(1,431.0)	(1,358.6)	(72.4)
Gross financial debt	(1,457.4)	(1,401.0)	(56.4)
Cash and cash equivalents	740.9	917.8	(176.9)
Net Debt	***(716.5)***	***(483.2)***	***(233.3)***

Figures not audited

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Consolidated Cash Flow statement

	1H19 €M	1H18 €M	Variation €M	2Q19 €M	2Q18 €M	Variation €M
Profit Before Tax	**56.8**	**54.8**	**2.0**	**29.7**	**38.4**	**(8.7)**
Adjusted for:						
- Depreciation and amortization charge	63.2	43.8	19.4	31.6	21.8	9.8
- Provisions, capital grants and others	(2.4)	(19.3)	16.9	11.7	(6.8)	18.5
- Result of companies accounted for using the equity method	(0.5)	0.9	(1.4)	(1.7)	0.7	(2.4)
- Financial loss	22.5	16.9	5.6	12.4	7.7	4.7
Dividends received	**0.0**	**0.2**	**(0.2)**	**0.0**	**0.2**	**(0.2)**
Profit (Loss) from operations before changes in working capital	**139.6**	**97.4**	**42.2**	**83.6**	**62.0**	**21.6**
Changes in trade receivables and other items	(155.1)	2.8	(157.9)	(134.2)	(79.6)	(54.6)
Changes in inventories	(94.7)	(48.8)	(45.9)	(32.8)	(18.0)	(14.8)
Changes in trade payables and other items	(60.1)	(63.3)	3.2	(3.4)	23.1	(26.5)
Cash flows from operating activities	**(309.8)**	**(109.3)**	**(200.5)**	**(170.4)**	**(74.5)**	**(95.9)**
Tangible (net)	(12.1)	(7.9)	(4.2)	(7.0)	(4.1)	(2.9)
Intangible (net)	(29.2)	(26.2)	(3.0)	(16.8)	(16.3)	(0.5)
Capex	**(41.3)**	**(34.0)**	**(7.3)**	**(23.7)**	**(20.4)**	**(3.3)**
Interest paid and received	**(16.1)**	**(8.3)**	**(7.8)**	**(13.2)**	**(5.9)**	**(7.3)**
Income tax paid	**(9.9)**	**(6.7)**	**(3.2)**	**(5.4)**	**(16.0)**	**10.6**
Free Cash Flow	**(237.4)**	**(61.0)**	**(176.4)**	**(129.2)**	**(54.8)**	**(74.4)**
Changes in other financial assets	0.8	(0.6)	1.4	(0.0)	(0.4)	0.4
Financial investments/divestments	(0.8)	0.3	(1.1)	(0.5)	0.0	(0.5)
Dividends paid by companies to non-controlling shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Dividends of the parent company	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders contributions	0.0	0.0	0.0	0.0	0.0	0.0
Changes in treasury shares	0.4	(3.2)	3.6	(0.4)	(0.3)	(0.1)
Cash-flow provided/(used) in the period	**(237.0)**	**(64.4)**	**(172.6)**	**(130.1)**	**(55.4)**	**(74.7)**

Initial Net Debt	**(483.2)**
Cash-flow provided/(used) in the period	(237.0)
Foreign exchange differences and variation with no impact in cash	3.6
Final Net Debt	***(716.5)***

Cash & cash equivalents at the beginning of the period	**917.8**	**699.1**	**218.7**
Foreign exchange differences	1.2	(1.5)	2.7
Increase (decrease) in borrowings	58.8	312.8	(254.0)
Net change in cash and cash equivalents	(237.0)	(64.4)	(172.6)
Ending balance of cash and cash equivalents	**740.9**	**946.0**	**(205.1)**
Long term and current borrowings	**(1,457.4)**	**(1,602.0)**	**144.6**
Final Net Debt	***(716.5)***	***(656.0)***	***(60.5)***

Figures not audited

- 1H19 Operating Cash Flow before net working capital reached €140m vs €97m in 1H18.

- Cash Flow from operating activities was negative (€-310m vs €-109m in 1H18), affected by higher inventories (due to the production of certain products and the application of IFRS 15), as well as by higher clients. This effect is explained by higher amount of Accounts Receivable for Billable Production as a consequence of certain delays in milestone collections in specific projects, by the revenue growth financing in the first half of the year and lower level of client's prepayments. As a result, Net Working Capital (Operating Current Assets – Operating Current Liabilities) was €179m, equivalent to 20 Days of Sale (DoS) vs -10 DoS in December 2018.

- Non-recourse factoring lines remain stable at €187m, same figure as in 1H18.

- CAPEX (net of subsidies) stood at €41m vs €34m in 1H18, in line with the higher investment commitments announced by the Company in the Strategic Plan 2018-2020. Intangible investments increased to €29m in 1H19 vs €26m in 1H18 and tangible investments amounted to €12m in 1H19 vs €8m in 1H18.

- Financial Results payment was €16m, higher level than in 1H18 mainly explained by the annual interest payment of the €300m bond issued in April 2018 (€9m).

- 1H19 Tax payment was €10m vs €7m in 1H18, when some tax refunds from the Spanish tax authorities related to 2016 fiscal year took place.

- 1H19 Free Cash Flow was €-237m vs €-61m in 1H18, impacted by the above mentioned negative contribution of the working capital. Free Cash Flow before working capital reached €72m in 1H19 (€55m excluding the impact of IFRS 16) vs €48m in 1H18.

- Net Debt amounted to €716m in 1H19 vs €656m in 1H18 and vs €483m in 2018. Net Debt/EBITDA LTM ratio stood at 2.4x vs 2.4x in 1H18 and vs 1.6x in 2018.

- Gross debt borrowing costs were 1.8% in 1H19 vs 2.1% in 1H18, improving 0.3 pp.

Human Resources

Final Workforce	1H19	%	1H18	%	Variation (%) vs 1H18
Spain	27,588	58	25,697	63	7
America	15,673	33	11,289	27	39
Europe	2,142	5	2,044	5	5
Asia, Middle East & Africa	1,930	4	1,908	5	1
Total	**47,333**	**100**	**40,938**	**100**	**16**

Average Workforce	1H19	%	1H18	%	Variation (%) vs 1H18
Spain	27,255	59	25,407	63	7
America	14,524	32	11,239	28	29
Europe	2,107	5	1,966	5	7
Asia, Middle East & Africa	1,947	4	1,829	4	6
Total	**45,833**	**100**	**40,441**	**100**	**13**

Alternative Performance Measures (APMS)

Due to the application of the Alternative Performance Measures (APM) published by the European Securities and Markets Authority (EMSA), Management of the Group considers that certain APMs provides useful financial information that should be considered to evaluate the performance of the Group by users. Additionally, Management uses these APMs for making financial, operating and strategic decisions, as well as to evaluate the Group performance. It should be noted that the amounts of the APMs have not been subject to any type of audit or review by the auditors of the Company.

Organic Revenues

Definition/Conciliation: Revenues adjusted by foreign exchange impact and perimeter changes of consolidation (acquisitions and divestments). Foreign exchange impact is adjusted by calculating the revenues with the average forex of the previous period. Perimeter changes are adjusted taken into account the acquisitions as if they had been consolidated in the previous period.

Explanation: Metric that reflects the revenue growth excluding the impacts coming from the perimeter changes (acquisitions and divestments) and the foreign exchange.

Coherence in the criteria applied: First time this metric is reported.

Operating Result (EBIT):

Definition/Conciliation: It is defined in the consolidated income statement.

Explanation: Metric that the Group uses to define its operating profitability and widely used by investors when evaluating businesses.

Likewise, the Group uses it as an indicator of the performance of the EBIT margin, which is the result of the ratio between EBIT and the amount of sales for the same period. This indicator is explained as the operating profit of the Group for each euro of sales.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Operating Margin

Definition/Conciliation: Represents the Operating Result (EBIT) plus staff reorganization costs, integration and acquisition costs, amortization of intangible assets from acquisitions, equity based compensation and possible fines.

Explanation: Metric that the Group uses to define its operating profitability before certain extraordinary costs and widely used by investors when evaluating Information Technology businesses.

Likewise, the Group uses it as an indicator of the performance of the Operating Margin (%) that is the result of the ratio between Operating Margin and the amount of sales for the same period.

Coherence in the criteria applied: Information Technology company´s report this metric.

Gross Operating Result (EBITDA):

Definition/Conciliation: It is calculated by adding the Depreciations and Amortizations to the "Operating Result (EBIT)" as indicated in the consolidated income statement

Explanation: Metric that the Group uses to define its operating profitability, and widely used by investors when evaluating businesses.

Likewise, the Group uses it as an indicator of the performance of the EBITDA margin, which is the result of the ratio between EBITDA and the amount of sales for the same period. This indicator is explained as the operating profit of the Group plus Depreciations and Amortizations for each euro of sales.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Net Financial Debt:

Definition/Conciliation: Represents Non-current Loans and Borrowings and Current Loans and Borrowings less Cash and Cash equivalents. Net Financial Debt is obtained by subtracting the balances corresponding to the headings of the Consolidated Balance Sheet, "Long and Current borrowings with Credit Institutions" and "Financial Liabilities for Issuance of Non-current and Other Marketable Securities", the amount of the heading "Cash and cash equivalents".

Explanation: Financial proxy that the Group uses to measure its leverage.

Likewise, the Group uses the ratio Net Financial Debt over EBITDA as an indicator of its leverage and repayment capacity of its financial debt. For that reason, the figure used to calculate the ratio for intermediate periods is made by taking into consideration the equivalent last twelve months EBITDA immediately preceding the calculation date of the ratio.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Free Cash Flow:

Definition/Conciliation: These are the funds generated by the Company excluding dividend payments, net financial investments/divestments and others, and the investment in treasury stock. It is calculated starting from "Profit Before Tax" as indicated in the consolidated statement of cash flows; adding depreciation and amortization, deducting provisions, capital grants and others, adding result of companies accounted for using the equity method, adding financial losses, adding dividend received, adding cash flow from operating activities, deducting capex, deducting interest paid and received and deducting income tax paid.

Explanation: It is the treasury made by the operations of the Group that is available to providers (shareholders and financial creditors) once the investment needs of the Group are already satisfied. It is an indicator used by investors when evaluating businesses.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Contribution Margin:

Definition/Conciliation: It is the difference between revenues and direct and indirect costs of the segments or businesses of the Group. Direct costs are those directly attributable to the sales recognized in a specific period of time and include the cost of the headcount or subcontractors used in the projects as well as any incurred costs related to the development and completion of the project; such as material costs, travel expenses of the project, among others. Indirect costs are those which, although are linked to a segment or businesses of the Group, are not directly attributable to billable projects or to revenues accounted for a specific period of time; such as, commercial costs, cost of

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making offers, the cost of management of a specific segment, among others. Contribution margin does not include overheads as these costs are not directly attributable to a particular segment or business.

Explanation: contribution margin measures the operating profitability of a segment or business of the Group excluding overheads, as these costs are not directly attributable to a particular segment or business.

Likewise, in order to ease the comparison between segments with different relative weight over the total revenues of the Group, it is used the contribution margin ratio over revenues of a segment or business. This indicator is explained as the contribution margin for each euro of sales of a specific segment.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Order Intake:

Definition/Conciliation: It is the amount of contracts won over a period of time. Order intake cannot be confused with revenues or the net amount of sales because the amount of a contract won in a specific period of time (and that computes as Order Intake in that period of time) can be executed over several years.

Explanation: Order intake is an indicator of the future performance of the Group because it is the amount of the contracts won over a period of time.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Backlog:

Definition/Conciliation: It is the amount of accumulated order intake less revenues executed, plus/minus forex adjustments and the renegotiation of the contracts, among others. It is the pending revenues figure until the completion of the project to complete the order intake figure.

Explanation: Backlog is an indicator of the future performance of the Group because it is the amount of the contracts won still to be executed.

Coherence in the criteria applied: There is no change in the criteria applied compared to last year.

Glossary

AMEA: Asia, Middle East and Africa.

ATM: Air Traffic Management.

BPO: Business Process Outsourcing.

Book-to-Bill: Order intake/Revenues ratio.

CAPEX: Capital Expenditure.

DoS: Days of Sales.

EBITDA: Earnings Before Interests, Taxes, Depreciations and Amortizations.

EBIT: Earnings Before Interests and Taxes.

EPS: Earnings Per Share.

IT: Information Technology

LTM: Last Twelve Months.

MoD: Ministry of Defence.

R&D: Research & Development.

T&D: Transport & Defence.

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