

2019 Results

Indra accelerates its growth in 2019, backlog (+11%) reaches another historic high and profitability improves again, increasing the EBIT +11%.

- 2019 Order Intake (+7%) grew again above revenue growth (+3%).
- Backlog up +11%, surpassing the €4.5bn mark at 1.4x revenues, new record for Indra.
- Revenues up +4% in local currency in 2019. Minsait revenues grew +6%. By geographies, America stood out (+12% in local currency). 4Q19 Transport & Defence revenues temporary down due to delays in milestone certification of specific projects.
- EBIT grew +11% in 2019, pushed by Minsait profitability (3.8% EBIT margin), despite the lower contribution of the Election Business.
- Net profit stood at €121m and improved +1.3% due to higher tax rate (29% in 2019 vs 25% in 2018).
- 4Q19 FCF reached €246m (€7.5m in 2019), driving Net Debt / EBITDA LTM ratio down to 1.8x (1.6x excluding SIA acquisition).
- Indra renewed its presence in the major sustainability indexes and generated more than 1,400 jobs in Spain (more than 3,000 in the last two years).

Indra acquired SIA (Sistemas Integrados Abiertos) for €67m on December 31st, 2019. SIA balance sheet and cash flow statement are consolidated in 2019 numbers while the income statement will start to consolidate from January 1st, 2020.

Madrid, February 27, 2019 - Fernando Abril-Martorell, Chairman and Chief Executive Officer of Indra:

“2019 results highlight the positive performance of our commercial activity, reflected by the strong backlog, order intake and revenue growth, as well as by a clear improvement in underlying profitability (EBIT). We met all the metrics of our guidance to the financial community.

Backlog (+11%) and order intake (+7%) continued to progress confidently. Absolute backlog levels and the backlog/revenues ratio reached new historic highs, providing better visibility for future growth in the coming years, and ensuring the development of new technological capabilities associated to new programs, especially in Defence & Security.

For the combined Group revenues are up +4% in local currency, with a significant contribution of Minsait, helped by a strong performance in America (+12%), with Brazil as the main driver of growth.

Indra continues to improve its profitability in the quarter and in the accumulated period, with double-digit EBIT growth and improving stronger EBIT margins.

During 2019, Minsait recorded a very positive performance, achieving strong revenue growth and significant profitability improvements. Minsait sales increased by 6%, with EBIT jumping by almost 80%, reaching an EBIT margin of 3.8% (1.6pp improvement vs. 2018). This improvement is even more remarkable if we consider the lower contribution of the election business in 2019 vs the previous year.

In Transport & Defence it is worth highlighting the strong rebound of the order intake in Defence (+41%), in a positive background of a growing pipeline of Spanish and European programs. We would also like to bring your attention to the solid growth in Air Traffic Management, as well as to the recovery of the profitability of the division during the fourth quarter.

With respect to cash flow generation, the last quarter of the year proved to be a very strong period, with the Group netting a €246m positive cash inflow, driving down our net debt/ EBITDA ratio to 1.8x (or 1.6x excluding the acquisition of SIA closed the last few days of 2019).

Summarizing, 2019 results show our commitment to profitable growth and constitute a solid basis to keep this path, as reflected in our demanding guidance for 2020.

I also want to highlight our commitment and constant effort to improve our position in social, environmental and governance issues. During 2019 Indra renewed once again our presence in the Dow Jones Sustainability Index (DJSI) World, as well as in FTSE4Good. During last year, our efforts on these matters were further recognized by our inclusion in the Bloomberg Gender-Equality Index (GEI) 2020 where only 15 Spanish companies are represented. Our commitment is further reinforced by the decision of the Board of Directors to create a Sustainability Commission with responsibility in the oversight of our initiative on these fronts [as well as the preparation of our non-financial information].

Finally, during 2019 Indra has generated more than 1,400 jobs in Spain (more than 3,000 in the last two years), and has been again recognized [by the industry] as Top Employer in 2020”.

Main Figures	FY19	FY18	Variation (%)	4Q19	4Q18	Variation (%)
	(€M)	(€M)	Reported / Local currency	(€M)	(€M)	Reported / Local currency
Net Order Intake	3,686	3,437	7.2 / 7.5	1,054	972	8.5 / 8.8
Revenues	3,204	3,104	3.2 / 3.6	916	930	(1.5) / (1.0)
Backlog	4,511	4,065	11.0	4,511	4,065	11.0
Gross Operating Result (EBITDA)	346	293	18.2 / 18.1	123	110	12.3 / 12.4
EBITDA Margin	10.8%	9.4%	1.4 pp	13.5%	11.8%	1.7 pp
Operating Result (EBIT)	221	199	10.9 / 10.7	94	84	11.8 / 11.7
EBIT margin	6.9%	6.4%	0.5 pp	10.3%	9.1%	1.2 pp
Net Profit	121	120	1.3	57	65	(13.0)
Net Debt Position	552	483	14.2	552	483	14.2
Free Cash Flow	8	168	(95.5)	246	213	15.1
Basic EPS (€)	0.688	0.680	1.2	NA	NA	NA

Transport and Defence (T&D)	FY19	FY18	Variation (%)	4Q19	4Q18	Variation (%)
	(€M)	(€M)	Reported / Local currency	(€M)	(€M)	Reported / Local currency
Revenues	1,189	1,188	0.1 / 0.2	374	410	(8.8) / (8.8)
Operating Margin	160	163	(1.7)	64	60	6.5
% Revenues	13.4%	13.7%	(0.3) pp	17.0%	14.6%	2.4 pp
Operating Result (EBIT)	145	157	(7.2)	64	57	11.4
EBIT margin	12.2%	13.2%	(1.0) pp	17.0%	14.0%	3.0 pp

Minsait	FY19	FY18	Variation (%)	4Q19	4Q18	Variation (%)
	(€M)	(€M)	Reported / Local currency	(€M)	(€M)	Reported / Local currency
Revenues	2,015	1,916	5.2 / 5.7	542	520	4.3 / 5.1
Operating Margin	97	91	6.7	31	27	14.6
% Revenues	4.8%	4.8%	0.0 pp	5.8%	5.2%	0.6 pp
Operating Result (EBIT)	76	43	77.3	30	27	12.6
EBIT margin	3.8%	2.2%	1.6 pp	5.6%	5.2%	0.4 pp

Main Highlights

2019 **backlog** grew +11% in reported terms and reached €4,511m, new historic high. T&D backlog amounted to €3.0bn and Minsait backlog totaled €1.5bn, growing both +11%. Backlog/Revenues LTM also reached new historic high and stood at 1.41x vs 1.31x in 2018.

2019 **order intake** up +8% in local currency (+7% in reported figures) showing both divisions very positive performance:

- **2019 order intake in T&D** up +12%, boosted by the Defence & Security contract signed with Lockheed Martin in order to manufacture the digital antenna of the F-110 frigate for the Ministry of Defence and the Spanish Army.
- **2019 order intake in Minsait** grew +5% in local currency and reported terms, mainly pushed by Public Administrations & Healthcare (noting our Italian subsidiary) and Telecom & Media (renewal of relevant contracts in Spain).

2019 **revenues** showed growth +4% in local currency (+3% in reported terms) backed by the Minsait division:

- **2019 revenues in the T&D division** remained stable. The growth registered in Air Traffic Management (+4% in local currency) offset the slight decline in Transport (-2% in local currency) and Defence & Security (-1% in local currency). **4Q19 sales** down -9% explained by the double-digit fall of Transport & Traffic (difficult comparison vs 4Q18, when both segments posted strong growth).
- **2019 revenues in Minsait** up +6% in local currency (+5% in reported terms), with all the verticals registering solid growth except for PPAA & Healthcare due to the difficult comparison vs last year (Elections Business in AMEA). **4Q19 revenues** grew +5% in local currency, continuing with the pace of growth seen across the year and with all the verticals recording mid-single digit revenue growth.
- FX impact amounted to €-12m in 2019 and €-4m in 4Q19.

Organic revenues (excluding the inorganic contribution of ACS and the FX impact) grew by +3% in 2019 and -1% in 4Q19. The Minsait division recorded +5% organic revenue growth in both 2019 and 4Q19.

Digital solutions revenues reached €456m (23% of Minsait sales), which implies an increase of +13% vs 2018.

2019 **EBITDA** (which includes the impact of IFRS 16) increased by +18% and stood at €346m vs €293m in 2018. Excluding the impact of IFRS 16, EBITDA would have reached €311m, which implies +6% growth.

- **2019 EBITDA in the T&D division** (which includes the impact of IFRS 16) reached €184m in 2019 vs €192m in 2018, mainly affected by higher restructuring costs (delta of €8m) and the provisions (€9m) that took place in the first half of the year in Defence & Security (Australia and Kuwait). Excluding the impact of IFRS 16, EBITDA would have amounted to €176m.
- **2019 Operating Margin in Minsait** stood at €97m vs €91m in 2018 (equivalent to 4.8% margin in both periods) showing all the verticals margin improvement except for Public Administrations & Healthcare (due to the strong contribution of the Election Business in profitability in 2018).

Total restructuring costs (T&D and Minsait) amounted to €-19m in 2019 vs €-24m in 2018.

2019 **EBIT** increased by +11% and stood at €221m vs €199m in 2018 (equivalent to 6.9% margin vs 6.4% in 2018), bolstered by the improvement in Minsait's operational profitability. **4Q19 EBIT** reached €94m vs €84m in 4Q18 improving both T&D and Minsait their margin.

- **EBIT Margin in the T&D division** stood at 12.2% in 2019 vs 13.2% in 2018, affected by higher restructuring costs and by the provisions that took place in the first half of the year, above mentioned. **4Q19 EBIT Margin** reached 17.0% vs 14.0% in 4Q18 helped by the improvement in Transport and Defence & Security profitability.

- **EBIT Margin in Minsait** improved to 3.8% vs 2.2% in 2018 despite the lower contribution of Elections. **4Q19 EBIT Margin** improved to 5.6% vs 5.2% in 4Q18.

The **IFRS 16 application** had the following impacts:

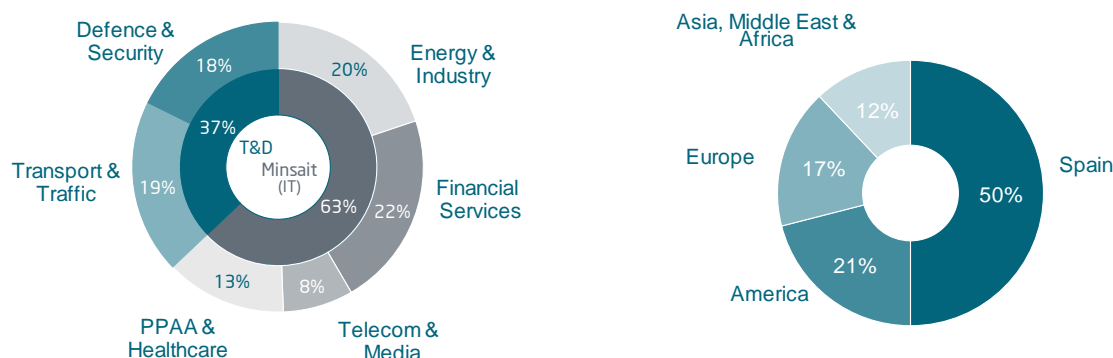
- Increment of non-current assets by €129m, in the item “assets for the right of use”.
- Increment of liabilities by €132m, in the items “other non-current liabilities” (€103m) and “other current liabilities” (€29m).
- Increment of the EBITDA by €35m in 2019.
- Impact on EBIT (€3m) and Net Profit (€-2m).

Net profit of the group stood at €121m vs €120m and just improved €+1m due to higher tax rate (29% in 2019 and 25% in 2018).

2019 Free Cash Flow was €8m vs €168m in 2018 affected by the negative contribution of the working capital in the first half of the year. It is worth mentioning the Free Cash Flow generation in 4Q19 (€246m vs €213m in 4Q18).

Net Debt amounted to €552m in 2019 (includes the €67m SIA payment, company acquired on December 31st) vs €730m in 9M19 and vs €483m in 2018. Net Debt/EBITDA LTM ratio stood at 1.8x (1.6x excluding SIA acquisition) vs 1.6x in 2018.

Sales by verticals and regions:



Outlook 2020

- **2020 Revenues:** mid-single digit growth in local currency versus 2019 reported revenues (€3,204m).
- **2020 EBIT:** growth of more than 15% in absolute terms (>€255m).
- **2020 Free Cash Flow:** more than €150m.

Human Resources

At the end of 2019, total workforce amounted to 49,607 professionals (742 SIA employees, company acquired on December 31st, not included), implying an increase of +13% vs 2018 (5,900 more employees). 2019 average headcount increased by +14% vs 2018. Most of this workforce increase vs 2018 was related to Minsait (c. 90% of the total workforce increase), due to the beginning of highly labour intensive BPO projects, mainly in America.

In the fourth quarter, the headcount increase moderated its growth (+1%) vs 9M19 (525 more employees).

Final Workforce	FY19	%	FY18	%	Variation (%) vs FY18
Spain	28,023	56	26,622	61	5
America	17,252	35	13,071	30	32
Europe	2,240	4	2,073	5	8
Asia, Middle East & Africa	2,092	4	1,941	4	8
Total	49,607	100	43,707	100	13

Average Workforce	FY19	%	FY18	%	Variation (%) vs FY18
Spain	27,607	58	25,775	62	7
America	15,671	33	11,909	29	32
Europe	2,159	5	2,008	5	8
Asia, Middle East & Africa	1,972	4	1,879	4	5
Total	47,409	100	41,572	100	14

This data do not include 742 employees from SIA (company acquired on December 31st of 2019)

Other events over the period

On November 28th, the Board of Directors, with previous favorable report from the Appointments, Remuneration and Corporate Governance Committee has adopted the creation of a Sustainability Committee that assumes responsibilities in terms of non-financial information, among others. In said statement, Indra also informed the suppression of the Executive Committee.

On December 31st, Indra acquired SIA, a firm specialized in cybersecurity services, thus establishing itself as the leader in the information security market in Spain and Portugal in terms of the turnover of its value-added services. The company foresees a 2019 EBIT margin of 9%, with estimated revenues over €60 million in 2019, and annual cumulative increases in sales that have exceeded 15% over the last two years. EV/EBIT 2019 (E) including synergies for the acquisition is around 7x.

Events following the close of the period

On January 21st, Indra announced the inclusion in the 2020 Bloomberg Gender-Equality Index (GEI), an acknowledgment of the leading companies in terms of transparency related to gender issues and the promotion of equality and diversity, which lists 6,000 companies from 84 countries and regions around the world. Only 15 Spanish companies are listed on this renowned global diversity index.

Analysis by division

Transport & Defence (T&D)

T&D	FY19	FY18	Variation (%)		4Q19	4Q18	Variation (%)	
	(€M)	(€M)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Net Order Intake	1,476	1,323	11.5	11.5	569	422	35.1	35.4
Revenues	1,189	1,188	0.1	0.2	374	410	(8.8)	(8.8)
- Defence & Security	566	570	(0.9)	(0.9)	177	181	(2.2)	(2.2)
- Transport & Traffic	623	617	1.0	1.2	197	229	(13.9)	(13.9)
Book-to-bill	1.24	1.11	11.4		1.52	1.03	48.0	
Backlog / Revs LTM	2.54	2.29	10.7					

2019 T&D revenues remained stable. The growth registered in Air Traffic Management (+4% in local currency) offset the slight decline in both, Transport (-2% in local currency, mainly due to delays in milestone certification in some relevant projects in AMEA) and Defence & Security (-1% in local currency).

4Q19 sales decreased by -9% mainly due to the double digit fall of Transport & Traffic (-14% in local currency), impacted by the delays in some relevant contracts in Transport, as well as by the difficult comparison in the fourth quarter in Air Traffic Management (+30% in local currency in 4Q18) and Transport (+22% in local currency in 4Q18).

2019 T&D order intake grew +12%, driven by the Defence & Security contract signed with Lockheed Martin in order to manufacture the digital antenna of the F-110 frigate (2020-2027) for the Ministry of Defence and the Spanish Army.

Backlog/Revenues LTM ratio stood at 2.54x in 2019 vs 2.29x in 2018. Book-to-bill ratio stood at 1.24x vs 1.11x in 2018).

Defence & Security

- 2019 Defence & Security sales slightly decreased (-1% in local currency), affected by the lower activity registered in Security and Simulation.
- Region wise, most of the activity of the vertical in 2019 was concentrated in Spain and Europe (c. 40% of the sales in each geography).
- 4Q19 revenues went moderately down impacted by the lower activity in Security and Simulation.
- 2019 order intake grew +41% in local currency and reported figures, boosted by the order intake registered in Spain due to the contract signed with Lockheed Martin in order to manufacture the digital antenna of the F-110 frigate (2020-2027) for the Ministry of Defence and the Spanish Army. Furthermore, AMEA also registered strong order intake in Defence Systems (Vietnam and Oman) and Radars (India).

Transport & Traffic

- 2019 Transport & Traffic went slightly up +1% in both local currency and reported terms. The growth posted in Air Traffic Management (+4% in local currency; c. 50% of sales) offset the decline in Transport (-2% in local currency; c. 50% of sales).
- 4Q19 revenues fall -14% in local currency and reported terms due to the delays in milestone certification in some relevant Transport contracts as well as by the difficult comparison vs 4Q18. On the one hand, Air Traffic Management grew +30% in local currency in 4Q18 (mostly international programs) and on the other hand, Transport went up +22% in local currency in 4Q18 (mainly relevant contracts in AMEA and Ecuador).

- Region wise, most of the activity of the vertical in 2019 was concentrated in AMEA (c. 40% of sales), Spain (c. 25% of sales) and Europe (c. 20% of sales).
- 2019 order intake decreased by -12% in local currency and reported terms, dragged by the difficult comparison vs 2018 in Air Traffic Management (Algeria and China) and Transport (maintenance phase of the High Speed Train Mecca-Medina). On the positive side, it is worth noting the order intake signed in Transport, especially in tolling (I-66 in USA) and the maintenance of the urban and interurban Ticketing in Ryad.

Minsait

Minsait	FY19 (€M)	FY18 (€M)	Variation (%)		4Q19 (€M)	4Q18 (€M)	Variation (%)	
			Reported	Local currency			Reported	Local currency
Net Order Intake	2,210	2,114	4.5	5.0	484	550	(11.9)	(11.6)
Revenues	2,015	1,916	5.2	5.7	542	520	4.3	5.1
- Energy & Industry	635	580	9.6	10.3	171	163	4.7	5.6
- Financial Services	697	661	5.5	5.4	187	180	4.2	4.4
- Telecom & Media	251	240	4.5	6.1	65	62	4.3	6.4
- PPAA & Healthcare	432	436	(0.8)	0.0	119	115	3.7	4.9
Book-to-bill	1.10	1.10	(0.6)		0.89	1.06	(15.6)	
Backlog / Revs LTM	0.74	0.70	5.8					

2019 Minsait sales went up +6% in local currency (+5% in reported terms), with all the verticals registering solid growth except for PPAA & Healthcare which remained stable due to the difficult comparison vs last year same period (Elections Business in AMEA).

Digital solutions sales amounted to €456m (which represents 23% of Minsait sales), implying an increase of +13% vs 2018. The areas related to innovation, digital customer experience, process robotization, data science, advanced analytics and cybersecurity remained particularly dynamic.

4Q19 revenues grew +5% in local currency (+4% in reported terms), continuing with the pace of growth seen across the year and with all the verticals recording mid-single digit revenue growth.

2019 order intake in Minsait up +5% in local currency and reported figures boosted by Public Administrations & Healthcare (Italy subsidiary stands out) and Telecom & Media (renewal of relevant contracts in Spain).

Backlog/Revenues LTM improved to 0.74x vs 0.70x in 2018. Book-to-bill ratio stood at 1.10x vs 1.10x in 2018.

Energy & Industry

- 2019 Energy & Industry revenues increased by +10% in local currency and reported figures. The Industry segment (c. 40% of sales of the vertical) posted double-digit growth backed by the Services and Retail sectors and showed better relative performance than the Energy segment. Energy (c. 60% of sales) recorded above mid-single digit growth thanks to the positive performance in the Utilities and the Oil & Gas sector as well as by the inorganic contribution of ACS.
- By geography, most of the activity is concentrated in Spain (c. 50% of sales) and America (c. 30% of sales).
- 4Q19 revenues up +5% in local currency (+4% in reported terms), pushed by the positive performance in America.
- 2019 order intake decreased -5% in local currency (-6% in reported figures), affected by the difficult comparison vs 2018 when some relevant Energy contracts related to the implementation of proprietary products in AMEA were signed, as well as by some relevant contracts won in America.

Financial Services

- 2019 Financial Services sales increased by +5% in local currency (+6% in reported terms), backed by the positive performance in America with key clients as well as the mid-sized banking sector.
- Region wise, Spain (c. 70% of the sales) and America (c. 30% of the sales) concentrated most of the activity of the vertical in 2019.
- 4Q19 sales increased by +4% in local currency and reported figures, pushed by the positive performance in America.
- 2019 order intake went slightly up +0.3% in local currency, thanks to the the sign of a relevant contract in America (BPO in Brazil) which has offset the difficult comparison vs 2018 (renewal of a multiannual BPO contract signed with a Spanish banking entity).

Telecom & Media

- 2019 Telecom & Media revenues grew by +6% in local currency (+4% in reported terms), mainly due to the higher activity registered with the main operators in Spain and America.
- By geographies, most of the activity of the vertical in 2019 was concentrated in Spain (c. 50% of sales) and America (c. 40% of sales).
- 4Q19 revenues went up by +6% in local currency (+4% in reported terms), mainly driven by America.
- 2019 order intake went up by +11% in local currency (+10% in reported figures) chiefly thanks to the renewal of relevant contracts in Spain.

Public Administrations & Healthcare

- 2019 Public Administrations & Healthcare sales remained stable (+0% in local currency), which is a very positive performance taking into consideration the difficult comparison vs last year due to the Elections business in AMEA. Excluding the Elections business, sales would have increased by +6% in reported terms. It is worth mentioning the positive performance in Public Administrations in Spain, (Social Security Administration, Correos, and Regional Administration) and Europe (Italy).
- Region wise, most of the activity was concentrated in Spain (c. 60% of the sales) and America (c. 20% of the sales).
- 4Q19 sales up +5% in local currency mainly pushed by the Italian subsidiary chiefly in the Digital space.
- 2019 order intake went up by +25% in local currency and reported figures, pushed by Europe (Digital space in the Italian subsidiary), Spain (Election Business, Social Security Administration and relevant Outsourcing contracts with Regional Administration) and America (Public Administration in Peru).

Analysis by Region

Revenues by Region	FY19		FY18		Variation (%)		4Q19 (€M)	4Q18 (€M)	Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency			Reported	Local currency
Spain	1,591	50	1,556	50	2.2	2.2	443	444	(0.3)	(0.3)
America	665	21	609	20	9.2	11.6	181	179	1.3	4.2
Europe	549	17	504	16	8.9	9.0	159	140	13.3	13.5
Asia, Middle East & Africa	399	12	434	14	(8.1)	(8.8)	133	167	(20.1)	(20.8)
Total	3,204	100	3,104	100	3.2	3.6	916	930	(1.5)	(1.0)

By geographies, it is worth mentioning the growth registered in America (+12% in local currency; 21% of total sales), Europe (+9% in local currency; 17% of total sales) and Spain (+2%; 50% of total sales). However, sales in AMEA decreased by -9% (12% of total sales) due to the Election business.

4Q19 revenues slightly decreased (-1% in local currency), as a consequence of the decline in AMEA (-21% in local currency) affected by the delays in milestone certification in some relevant Transport projects. On the positive side, it is worth highlighting the double-digit growth registered in Europe (+14% in local currency), boosted by the Defence & Security division.

All geographies recorded order intake growth in 2019: Spain (+9% in local currency), America (+7% in local currency), Europe (+6% in local currency) and AMEA (+5% in local currency).

Spain

- 2019 revenues increased by +2%, pushed by Minsait, which registered close to mid-single digit growth.
- All Minsait verticals (c. 75% of total sales in the region) posted revenue growth in 2019. It is worth noting the double-digit growth achieved in Public Administrations & Healthcare (Social Security Administration, Correos and Regional Administration).
- On the contrary, T&D revenues (c. 25% of total sales in the region) decreased due to the lower activity registered in Simulation and in Defence & Security vertical.
- 4Q19 revenues slightly decreased (-0.3%) as a consequence of the decline in both Minsait and T&D.
- 2019 order intake increased by +9%, boosted by Defence & Security due to the contract signed with Lockheed Martin in order to manufacture the digital antenna of the F-110 frigate.

America

- 2019 revenues increased by +12% in local currency (+9% reported figures), pushed by the strong growth of Minsait.
- By countries, Brazil, the most relevant country in America (c. 30% of total revenues in the region), posted +18% revenue growth thanks to the significant improvement of Energy & Industry and the positive performance of Financial Services and Telecom & Media. Furthermore, it is worth highlighting the growth achieved in Colombia and Peru.
- The activity in America is mostly concentrated in Minsait (c. 85% of total sales in the region). All the Minsait verticals posted double-digit growth except for Public Administrations & Healthcare (repositioning towards private vs public clients).
- T&D revenues (c. 15% of total sales in the region) registered double-digit decrease in both, Defence & Security (difficult comparison vs 2018 due to a relevant project in Electronic Defence

& Security in Mexico) and Transport & Traffic (implementation of Air Traffic Management relevant projects in Central America).

- 4Q19 revenues increased by +4% in local currency, bolstered by the double-digit growth in each of the Minsait verticals.
- 2019 order intake grew by +7% in local currency (+6% in reported terms), driven by Financial Services (relevant contracts in Payment Systems in Chile and Peru, and BPO in Brazil) and Transport (tolling systems I-66 in USA).

Europe

- 2019 revenues up +9% in local currency and reported terms, both T&D and Minsait showed double-digit growth.
- T&D sales (c. 65% of revenues in the region) improved in both Defence & Security and Transport & Traffic.
- Minsait revenues (c. 35% of total revenues in the region) were boosted by the the positive activity registered by the Italian subsidiary, chiefly in Energy & Industry and Public Administrations & Healthcare.
- 4Q19 revenues up +13% in local currency and reported terms, posting both Minsait and T&D growth. It is worth noting the positive performance of Defence & Security and Public Administrations & Healthcare (Italy).
- 2019 order Intake went up by +6% both in local currency and in reported terms. It is worth highlighting Public Administrations & Healthcare and Air Traffic Management (European programs)

Asia, Middle East & Africa (AMEA)

- 2019 revenues in AMEA decreased by -9% in local currency (-8% in reported terms), very positive performance considering the difficult comparison vs the previous year (Elections business). Excluding the Elections business, sales would have slightly increased.
- 4Q19 T&D sales (c. 80% of total revenues in the region) posted slight growth, mainly fueled by Air Traffic Management (projects in Algeria, Morocco and China).
- 2019 Minsait revenues (c. 20% of total sales in the region) posted strong declines, affected by the lower activity registered in the Elections business.
- 4Q19 revenues decreased by -21% in local currency (-20% reported terms), due to the delays in milestone certification in some relevant Transport contracts.
- 2019 order Intake went up by +5% in both local currency and reported terms, boosted by Defence & Security (Defence Systems in Vietnam and Oman).

Appendices

Consolidated Income Statement

	FY19	FY18	Variation		4Q19	4Q18	Variation	
	€M	€M	€M	%	€M	€M	€M	%
Revenue	3,203.9	3,103.7	100.2	3.2	916.4	930.1	(13.7)	(1.5)
In-house work on non-current assets and other income	90.9	85.3	5.6	6.6	27.4	31.9	(4.5)	(14.1)
Materials used and other supplies and other operating expenses	(1,189.5)	(1,290.5)	101.0	(7.8)	(365.7)	(430.7)	65.0	(15.1)
Staff Costs	(1,757.7)	(1,606.9)	(150.8)	9.4	(455.6)	(422.6)	(33.0)	7.8
Other gains or losses on non-current assets and other results	(1.4)	1.4	(2.8)	NA	1.0	1.2	(0.2)	NA
Gross Operating Result (EBITDA)	346.2	293.0	53.2	18.2	123.4	109.9	13.5	12.3
Depreciation and amortisation charge	(125.2)	(93.7)	(31.5)	33.6	(29.2)	(25.7)	(3.5)	13.8
Operating Result (EBIT)	221.0	199.3	21.7	10.9	94.2	84.3	9.9	11.8
EBIT Margin	6.9%	6.4%	0.5 pp	NA	10.3%	9.1%	1.2 pp	NA
Financial Loss	(44.2)	(34.7)	(9.5)	27.2	(12.4)	(6.8)	(5.6)	81.7
Result of companies accounted for using the equity method	0.7	(0.7)	1.4	NA	0.1	(0.0)	0.1	NA
Profit (Loss) before tax	177.6	163.9	13.7	8.3	81.9	77.4	4.5	5.8
Income tax	(51.5)	(41.7)	(9.8)	23.5	(24.3)	(11.5)	(12.8)	112.0
Profit (Loss) for the year	126.1	122.2	3.9	3.2	57.6	65.9	(8.3)	(12.7)
Profit (Loss) attributable to non-controlling interests	(4.7)	(2.5)	(2.2)	NA	(0.9)	(0.8)	(0.1)	NA
Profit (Loss) attributable to the Parent	121.4	119.8	1.6	1.3	56.7	65.1	(8.4)	(13.0)

Earnings per Share (according to IFRS)	FY19	FY18	Variation (%)
Basic EPS (€)	0.688	0.680	1.2
Diluted EPS (€)	0.640	0.625	2.4

	FY19	FY18
Total number of shares	176,654,402	176,654,402
Weighted treasury stock	331,005	457,647
Total shares considered	176,323,397	176,196,755
Total diluted shares considered	193,412,740	202,188,320
Treasury stock in the end of the period	282,006	428,489

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.

- 2019 revenues increased +3% in reported figures.
- 2019 Other Income went up by €6m mainly due to the higher works for own non-current assets (€70m in 2019 vs €61m in 2018).
- Personnel expenses increased by +9% in 2019, as a consequence of the increase in the average workforce (+14%), mainly in Minsait, due to the start of highly labour intensive BPO projects in America.
- 2019 EBITDA (which includes IFRS 16) increased by +18% and stood at €346m vs €293m in 2018. Excluding the impact of IFRS 16, EBITDA would have reached €311m, which implies +6% growth.
- 2019 D&A up €32m related to the application of IFRS 16.
- 2019 EBIT stood at €221m vs €199m in 2018, which implies +11% increase.
- Financial results worsened by €10m vs 2018 due to the impact of IFRS 16 (€6m), as well as by higher hedging costs (€2m) on projects (changes in milestones and scopes). 2019 gross debt borrowing costs down to 1.8% vs 2.0% in 2018.
- Tax expenses was equivalent to a tax rate of 29% vs 25% in 2018. The higher tax expense is due to the impossibility to obtain tax benefits for a nine-month period (since May 2019) because of the May 2019 ruling (€4.6m). Furthermore, the loss generated in some subsidiaries abroad which have not generated lower tax expenses (as in Kuwait, Algeria or Abu Dhabi) and also impacted by the positive results in higher tax rate countries than in Spain (as Colombia, Belgium, Nigeria, Malesia and Dominican Republic).
- Net profit of the group improved +1.3% vs 2018.

Income Statement by Division

FY19

M€	T&D	IT	Eliminations	Total
Total Sales	1,189	2,015	-	3,204
Contribution Margin	234	262	-	496
<i>Contribution Margin (%)</i>	<i>19.7%</i>	<i>13.0%</i>	-	<i>15.5%</i>
EBIT	145	76	-	221
<i>EBIT Margin (%)</i>	<i>12.2%</i>	<i>3.8%</i>	-	<i>6.9%</i>

4Q19

T&D	IT	Eliminations	Total
374	542	-	916
85	73	-	158
<i>22.7%</i>	<i>13.5%</i>	-	<i>17.3%</i>
64	30	-	94
<i>17.0%</i>	<i>5.6%</i>	-	<i>10.3%</i>

FY18

M€	T&D	IT	Eliminations	Total
Total Sales	1,188	1,916	-	3,104
Contribution Margin	230	264	-	494
<i>Contribution Margin (%)</i>	<i>19.4%</i>	<i>13.8%</i>	-	<i>15.9%</i>
EBIT	157	43	-	199
<i>EBIT Margin (%)</i>	<i>13.2%</i>	<i>2.2%</i>	-	<i>6.4%</i>

4Q18

T&D	IT	Eliminations	Total
410	520	-	930
74	71	-	145
<i>18.1%</i>	<i>13.6%</i>	-	<i>15.6%</i>
57	27	-	84
<i>14.0%</i>	<i>5.2%</i>	-	<i>9.1%</i>

Figures not audited

Consolidated Balance Sheet

	FY19 €M	FY18 €M	Variation €M
Property, plant and equipment	117.2	108.4	8.8
Property investments	1.3	1.4	(0.1)
Assets for the right of use	129.6	0.0	129.6
Other Intangible assets	372.6	373.5	(0.9)
Investments for using the equity method and other non-current financial assets	218.2	249.3	(31.1)
Goodwill	884.9	811.9	73.0
Deferred tax assets	151.1	160.4	(9.3)
Total non-current assets	1,874.9	1,704.9	170.0
Assets classified as held for sale	13.4	14.1	(0.7)
Operating current assets	1,445.4	1,283.3	162.1
Other current assets	128.3	121.1	7.2
Cash and cash equivalents	854.5	917.8	(63.3)
Total current assets	2,441.6	2,336.4	105.2
TOTAL ASSETS	4,316.5	4,041.3	275.2
Share Capital and Reserves	780.1	660.5	119.6
Treasury shares	(2.8)	(3.7)	0.9
Equity attributable to parent company	777.3	656.8	120.5
Non-controlling interests	23.5	20.9	2.6
TOTAL EQUITY	800.8	677.7	123.1
Provisions for contingencies and charges	55.2	65.6	(10.4)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	1,379.6	1,358.6	21.0
Other non-current financial liabilities	202.5	128.8	73.7
Deferred tax liabilities	1.6	2.7	(1.1)
Other non-current liabilities	13.8	7.0	6.8
Total Non-current liabilities	1,652.7	1,562.7	90.0
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	26.7	42.3	(15.6)
Other current financial liabilities	85.2	16.7	68.5
Operating current liabilities	1,397.0	1,364.2	32.8
Other current liabilities	354.1	377.6	(23.5)
Total Current liabilities	1,863.0	1,800.9	62.1
TOTAL EQUITY AND LIABILITIES	4,316.5	4,041.3	275.2
Current bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(26.7)	(42.3)	15.6
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(1,379.6)	(1,358.6)	(21.0)
Gross financial debt	(1,406.3)	(1,401.0)	(5.3)
Cash and cash equivalents	854.5	917.8	(63.3)
Net Debt	(551.8)	(483.2)	(68.6)

Figures not audited

Consolidated Cash Flow statement

	FY19	FY18	Variation	4Q19	4Q18	Variation
	€M	€M	€M	€M	€M	€M
Profit Before Tax	177.6	163.9	13.7	81.9	77.4	4.5
Adjusted for:						
- Depreciation and amortization charge	125.2	93.7	31.5	29.2	25.7	3.5
- Provisions, capital grants and others	(29.6)	(41.6)	12.0	(19.2)	(21.7)	2.5
- Result of companies accounted for using the equity method	(0.7)	0.7	(1.4)	(0.1)	0.0	(0.1)
- Financial loss	44.2	34.7	9.5	12.4	6.8	5.6
Dividends received	0.3	1.3	(1.0)	0.3	1.2	(0.9)
Profit (Loss) from operations before changes in working capital ⁽¹⁾	317.0	252.8	64.2	104.6	89.4	15.2
Changes in trade receivables and other items	36.9	6.8	30.1	119.8	(17.8)	137.6
Changes in inventories	(100.7)	(24.2)	(76.5)	23.8	41.1	(17.3)
Changes in trade payables and other items	(67.2)	45.4	(112.6)	82.6	143.4	(60.8)
Cash flows from operating activities ⁽²⁾	(131.0)	27.9	(158.9)	226.2	166.7	59.5
Tangible (net)	(30.8)	(24.7)	(6.1)	(12.5)	(12.4)	(0.1)
Intangible (net)	(45.2)	(54.7)	9.5	(9.3)	(18.8)	9.5
Capex	(76.0)	(79.4)	3.4	(21.9)	(31.2)	9.3
Interest paid and received	(30.6)	(17.1)	(13.5)	(11.4)	(6.4)	(5.0)
Other financial liabilities variation ⁽⁴⁾	(35.4)	0.0	(35.4)	(35.4)	0.0	(35.4)
Income tax paid	(36.5)	(16.7)	(19.8)	(16.5)	(4.9)	(11.6)
Free Cash Flow ⁽³⁾	7.5	167.5	(160.0)	245.7	213.4	32.3
Changes in other financial assets	(5.5)	0.1	(5.6)	1.4	(0.2)	1.6
Financial investments/divestments	(68.5)	(47.3)	(21.2)	(67.7)	(7.7)	(60.0)
Dividends paid by companies to non-controlling shareholders	0.0	(0.1)	0.1	0.0	(0.1)	0.1
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	1.2	(3.6)	4.8	0.6	(0.7)	1.3
Cash-flow provided/(used) in the period	(65.4)	116.5	(181.9)	180.0	204.8	(24.8)
Initial Net Debt	(483.2)					
Cash-flow provided/(used) in the period	(65.4)					
Foreign exchange differences and variation with no impact in cash	(3.2)					
Final Net Debt	(551.8)					
Cash & cash equivalents at the beginning of the period	917.8	699.1	218.7			
Foreign exchange differences	0.1	(4.6)	4.7			
Increase (decrease) in borrowings	1.9	106.8	(104.9)			
Net change in cash and cash equivalents	(65.4)	116.5	(181.9)			
Ending balance of cash and cash equivalents	854.5	917.8	(63.3)			
Long term and current borrowings	(1,406.3)	(1,401.0)	(5.3)			
Final Net Debt	(551.8)	(483.2)	(68.6)			

	FY19	FY18	Variation	4Q19	4Q18	Variation
	€M	€M	€M	€M	€M	€M
⁽¹⁾ Profit (Loss) from operations before changes in working capital	317	253	64	105	89	15
⁽¹⁾ Profit (Loss) from operations before changes in working capital (ex IFRS 16)	281	253	29	95	89	6
⁽³⁾ Free Cash Flow before ⁽²⁾ Working Capital	139	140	-1	19	47	-27

⁽⁴⁾ The IFRS 16 effect is included in "Other Financial Liabilities Variation"

Figures not audited

- Operating Cash Flow before net working capital reached €317m vs €253m in 2018.
- Cash Flow from operating activities (working capital) stood at €-131m in 2019 vs €28m in 2018 thanks to the strong contribution of the net working capital in the fourth quarter, in line with the seasonality of the business.
- Net Working Capital (Operating Current Assets – Operating Current Liabilities) went up +€48m, equivalent to 6 DoS vs -10 DoS in 2018 and vs 24 Dos in September 2019.
- Non-recourse factoring lines remain stable at €187m, same figure as in 2018.
- CAPEX (net of subsidies) stood at €76m vs €79m in 2018.
- Financial Results payment was €31m, higher level than in 2018 mainly explained by the annual interest payment of the €300m bond issued in April 2018 (€9m).
- Tax payment was €36m vs €17m in 2018, when some tax refunds from the Spanish tax authorities related to 2016 fiscal year took place.
- 2019 Free Cash Flow stood at €8m vs €168m in 2018 affected by the negative contribution of the working capital in the first half of the year. Free Cash Flow before working capital reached €139m in 2019 vs €140m in 2018.
- It is worth mentioning the Free Cash Flow generation in 4Q19 (€246m vs €213m in 4Q18)
- Net Debt amounted to €552m in 2019 (includes the €67m SIA payment, company acquired on December 31st) vs €730m in 9M19 and vs €483m in 2018. Net Debt/EBITDA LTM ratio stood at 1.8x (1.6x excluding SIA acquisition) vs 1.6x in 2018.

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

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

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 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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