Press Release

Revenues increased by +4% and EBITDA increased by +7% after Tecnocom's integration

INDRA'S NET PROFIT INCREASED BY +23% IN 1H17, TO REACH 38 MILLION EUROS

- **Revenues in 1H17 totaled €1,379m, growing by +4% vs. 1H16. Tecnocom's integration has an impact in sales of €81m. Excluding Tecnocom, revenues would have declined by -4% in 1H17.**

- **We expect a much better relative performance of our sales in the second semester backed by a significant speed up of our Elections business in 2H17 and greater dynamism of certain areas of T&D.**

- **EBITDA increased by +7% year-on-year to €108m, and EBITDA margin reached 7.8% in 1H17, which compares to 7.5% in 1H16.**

- **EBIT margin reached 5.6% in 1H17 (versus 5.3% in 1H16) backed by the positive evolution of the EBIT margin in the T&D segment, that reached 12.6% in 1H17 (vs. 11.0% in 1H16).**

- **Operating Free Cash Flow prior to changes in Working Capital stands at €96m, which compares to €83m in 1H16 (+16%) backed by the improvement in operating activity.**

- **Free Cash Flow consolidates its positive performance in 1H17 reaching -€31m in 1H17, despite the traditional poor seasonality of the second quarter and the early collection of previous months.**

- **Net Debt up to €745m, versus €523m registered at the end of last year, as a result of the cash outflow associated to Tecnocom's acquisition. Net Debt would have totaled €554m excluding the impact from Tecnocom's integration.**

- **EPS also increased by +20% in the same period.**

- **Indra confirms the previously communicated indications (which not include Tecnocom) surrounding the expected evolution for 2017 of revenues, EBIT margin and Free Cash Flow pre-Working Capital.**

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Madrid, 28 July 2017. - Indra's net profit increased by +23% in 1H17 to €38m (vs €31m in 1H16).

Revenues in 1H17 totaled €1,379m after Tecnocom's integration, growing by +4% vs. 1H16. Tecnocom's integration has an impact in sales of €81m (consolidated since April 18th of 2017). Sales in 2Q17 increased by +4%.

We expect a much better relative performance of our sales in the second semester backed by a significant speed up of our Elections business in 2H17 and greater dynamism of certain areas of T&D.

EBITDA increased by +7% year-on-year to €108m, and EBITDA margin reached 7.8% in 1H17, which compares to 7.5% in 1H16.

EBIT margin reached 5.6% in 1H17 (versus 5.3% in 1H16) backed by the positive evolution of the EBIT margin in the T&D segment, that reached 12.6% in 1H17 (vs. 11.0% in 1H16).

Operating Free Cash Flow prior to changes in Working Capital stands at €96m, which compares to €83m in 1H16 (+16%) backed by the improvement in operating activity.

And EPS also increased by +20% in the same period.

1H17 Revenues reached €1,379m, which implied a growth of +4% in reported terms (+2% in local currency). By segments, IT (+7% local currency; +9% reported figures) increased its weight in the group to 60% of total sales, and registered a better relative performance compared to T&D (-4% in local currency and reported terms), mainly as a consequence of the Tecnocom's acquisition. Vertical wise, it is worth highlighting the growth in Defence & Security (+7% in local currency), Financial Services (+19% in local currency) and Energy & Industry (+9% in local currency). Exchange rates had a positive impact of €20m.

Excluding the impact of Tecnocom, sales would have totaled €1,298m (-4% in local currency; -3% in reported terms) affected by the worse performance in the Transport division, the cancellation in July 2016 of the BPO contract in Telecom & Media with Vodafone and the seasonality of the Elections business. The negative comparison associated with the BPO contract will disappear in the next quarter, while the Elections business will have a strong contribution in sales in the coming quarters. This, together with the better relative performance in some T&D businesses will lead to an improvement in sales in 2H17.

2Q17 sales reached €741m (+4% in local currency; +5% in reported terms). Excluding Tecnocom, revenues would have decreased -6% in reported terms (-7% in local currency) as a consequence of, among other aspects, the seasonal effects of Easter and the decline in the Transport, Telecom & Media and Elections segments already stated.

Tecnocom, which started to consolidate since April 18th 2017, had an impact in sales of €81m and of €4.5m in EBIT for 2Q17, equivalent to 5.5% EBIT margin. Estimated revenues for the first half of the year at comparable terms stood at similar levels vs 1H16 (-1.7%). Estimated EBIT for 1H17 in comparable terms (excluding the impacts associated with the integration) would have reached 4.5% vs 3.9% in 1H16.

Order Intake grew +4% in reported terms (+2% in local currency), thanks to the Tecnocom's acquisition. Excluding Tecnocom, Order Intake would have remained at similar levels vs 1H16 in reported terms (-2% in local currency), but accelerated in 2Q17 due to a relevant Elections contract recently awarded in AMEA.

Other income reached €22m in 1H17, slightly higher than in 1H16 (€20m). This item is mainly composed of R&D capitalization (€15m) and subsidies (€4m).

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OPEX (Operating Expenses) slightly increased by +3% vs 1H16 in reported terms (+2% in local currency), to €1,294m in 1H17 from €1,251m in 1H16:

- Materials consumed and other operating expenses remained flat vs 1H16, thanks to the positive performance of Indra (excluding Tecnocom) and the lower level of sales.

- Personnel expenses increased +5% in 1H17 to €723m as a consequence of, among other aspects, Tecnocom's integration. Excluding this impact, personnel expenses would hve decreased by -3% in reported figures (-5% in local currency), in line with the average workforce decline in Indra (excluding Tecnocom) during the period (-7%).

EBIT margin reached 5.6% in 1H17 vs 5.3% in 1H16:

- T&D EBIT margin (Transport & Traffic and Defence & Security verticals) was 12.6%, higher level than in 1H16 (11.0%) and also accelerated vs 1Q17 (12.3%). Defence & Security improved its profitability vs last year, while Transport & Traffic went down, dragged by the Transport division.

- IT EBIT margin was 0.9% in 1H17 and remained at similar levels compared to 1H16.

2Q17 EBIT margin accelerated to 6.0% (vs 5.2% in 1Q17) as a consequence of the improvement in profitability in the T&D division and the operating leverage associated with higher volume of sales.

D&A reached €30m in 1H17, same level as in 1H16.

Despite the pick-up in Net Debt levels, Financial Results improved to €-14m in 1H17 (vs €-22m in 1H16) as a consequence of the reduction in its average borrowing costs (down -1pp to 2.3% in 1H17), and the positive impact of certain FX hedging and other financial results. In 2Q17, Financial Results amounted to €-12m (vs €-11m in 2Q16).

The profit or loss of the equity accounted investees decreased to €-0.2m.

Tax expenses reached €25m in 1H17, equivalent to a tax rate of 39% as a result of, among other things, certain limits in the application of tax credits (mainly in Brazil), and the higher tax rate in certain international subsidiaries vs Spain. A significant reduction in the tax rate is expected for the FY17 as a result of the benefits associated with the better usages of the tax credits in Brazil.

For the whole year it's expected a significant reduction of the tax rate due to a better use of the net operating losses in Brazil.

Net profit of the Group went up +23% and totaled €38m in 1H17 vs €31m registered in 1H16. EPS grew +20% vs 1H16.

MAIN FIGURES	1H17* (€M)	1H16 (€M)	Variation (%) Reported / Local currency
Order Intake	1,660	1,599	3.8 / 2.4
Revenues	1,379	1,332	3.5 / 2.0
Backlog	3,752	3,344	12
Gross Operating Profit (EBITDA)	108	100	7
EBITDA Margin	7.8%	7.5%	0.3 pp
Operating Profit (EBIT)	77	70	10
EBIT margin	5.6%	5.3%	0.3 pp
Net Profit	38	31	23
Net Debt Position	745	659	13
Free Cash Flow	(31)	48	NA
Basic EPS (€)	0.226	0.188	20

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

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Balance Sheet and Cash Flow Statement

1H17 Free Cash Flow was €-31m, showing a very positive performance taking into account the high level of collections that were anticipated to the previous two quarters.

Operating Cash Flow before net working capital variation reached €96m in 1H17 vs €83m in 1H16 as a result of the improvement in operating activity and a lower impact from the problematic projects on the company's cash generation.

1H17 Net Working Capital variation was negative (€-63m), mainly due to the Clients line (€-62m) as a consequence of the collections that were anticipated to previous quarters, as well as some impact from Tecnocom's contribution. On the other hand, of note is the positive performance of suppliers management (€+15m).

Net Working Capital increased to €83m from €33m in FY16, equivalent to 10 days of LTM Sales (DoS) in 1H17 vs 5 DoS. Part of this increase is due to the impact of the Tecnocom's integration, whose NWC amounts to €43m, equivalent to 5 DoS.

Other Operating Changes were €-20m in 1H17, similar level to 1H16 (€-23m). The vast majority of the cash outflow came due to the settlement of payments linked to the Public Administrations (Value Added Taxes, Social Security, Personal Income Tax withholding). In 1H16 the cash outflow related to the redundancy plan was included in this item, which was partially offset by the collection from the multiannual projects of the Defence & Security field signed with Spain's MoD (as they are long term, they were included in this line).

1H17 Taxes totaled €-21m compared to €-13m in 1H16, as a consequence of higher profit of the company vs 1H16 and the anticipated payments to the Spanish tax authorities approved in the second half of last year.

CAPEX reached €15m vs €9m in 1H16. Intangible investments (net of subsidies) reached €13m vs €5m in 1H16 due to the higher investment in the Air Traffic Management (ATM) segment. Tangible investments reached €3m, a lower level than in 1H16 (€4m).

Net debt increased to €745m in 1H17 vs €532m in 1Q17, mainly as a consequence of the Tecnocom's acquisition payment (€185m) and its net debt consolidation (€6m). Thus, the ratio Net Debt/EBITDA LTM increased to 2.9x. Excluding the Tecnocom's acquisition this ratio would have been 2.4x, a similar level to FY16.

Net Debt Indra ex-Tecnocom	(554)
Tecnocom Payment	(185)
Tecnocom Net Debt	(6)
Net Debt Indra+Tecnocom	(745)

Gross debt borrowing costs were 2.3%, improving +1.0pp vs 1H16.

Non-recourse factoring lines amounted to €187m, the same figure as in 2016 and 1H16.

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Human Resources

Final Workforce	1H17*	%	1H16	%	Variation (%) vs 1H16
Spain	24,360	62	19,474	56	25
America	11,603	29	12,331	35	(6)
Europe	1,813	5	1,567	4	16
Asia, Middle East & Africa	1,733	4	1,654	5	5
TOTAL	**39,509**	**100**	**35,026**	**100**	**13**

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

Average Workforce	1H17*	%	1H16	%	Variation (%) vs 1H16
Spain	24,402	61	19,871	55	23
America	12,249	30	13,034	36	(6)
Europe	1,867	5	1,566	4	19
Asia, Middle East & Africa	1,688	4	1,654	5	2
TOTAL	**40,206**	**100**	**36,125**	**100**	**11**

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

At the end of the first half of 2017, total workforce amounted to 39,509 professionals which implies an increase of +13% compared to 1H16 (4,483 employees) mainly due to Tecnocom's integration (6,642 employees). Excluding this impact, total workforce would have been reduced by -6% vs 1H16 (2,159 fewer employees):

- Final workforce in Spain increased by +25% (4,886 more employees) mainly due to the integration of Tecnocom. Excluding Tecnocom, headcount in Spain would have fallen -2% (476 fewer employees)

- In America, including Tecnocom's headcount, total workforce went down by -6% (728 employees) mainly due to the declining in certain labor-intensive projects in Latin American subsidiaries (mainly Brazil). Excluding the integration, total workforce would have decreased by -14% (1,753 fewer employees).

- Europe's headcount increased in 246 employees (+16% compared to 1H16) as a consequence of Tecnocom's consolidation. Although, if we exclude the impact of the acquisition, total workforce would have decreased by -1%.

- In Asia, Middle East & Africa (AMEA) workforce slightly increased by +5% (79 more employees) vs 1H16. Tecnocom had no impact in this region.

Average workforce in 1H17 increased by +11% compared to the first half of 2016, largely due to the integration of Tecnocom. Excluding Tecnocom's impact, average workforce would have fallen by -7% vs 1H16 mainly due to the fall in America and Spain, where average workforce decreased by -14% and -4%, respectively.

Analysis by Vertical Markets

Transport & Defence

T&D	1H17 (€M)	1H16 (€M)	Variation (%) Reported	Variation (%) Local currency	2Q17 (€M)	2Q16 (€M)	Variation (%) Reported	Variation (%) Local currency
Order Intake	512	654	(22)	(22)	242	341	(29)	(29)
Revenues	553	574	(4)	(4)	286	305	(6)	(7)
- Defence & Security	280	262	7	7	152	147	3	3
- Transport & Traffic	273	311	(12)	(13)	134	158	(15)	(16)
Book-to-bill	0.93	1.14	(19)		0.85	1.12	(24)	
Backlog / Revs LTM	1.89	1.90	(1)					

Despite the positive performance of Defence & Security (+7% both in local and reported terms), T&D revenues in 1H17 went down by -4% both in local and reported terms due to the persisting demanding dynamics in Transport & Traffic (-13% local currency; -12% reported terms). Within this vertical, ATM remains solid, but revenues in Transport continued falling as a consequence of the lower level of activity associated with relevant implementation projects, delays in certain tender offers in some countries that are dependent on oil prices, and the ongoing strategic review in the business.

Order Intake in the first half of the year went down by -22% both in local and reported figures affected by the seasonality of the strong Order Intake reported in 1H16 within the area of Radars and Security in AMEA and the lower Order Intake in Transport. Book-to-bill ratio was 0.93x compared to 1.14 in 1H16.

Backlog/Revenues LTM reported a slight decrease compared to 1H16 (1.89x vs 1.90x).

Defence & Security

1H17 revenues in Defence & Security grew +7% both in local currency and reported terms.

It is worth noting the positive performance in Airborne Surveillance Systems (Europe), Space (participation in Galileo, the European Union´s Global Satellite Navigation System which provides accurate positioning and timing information), and Logistics (Spain).

The remaining areas evolves with no relevant changes compared to 1H16, in line with the company's expectations for the whole year.

Revenues in 2Q17 went up by +3% both in local and reported terms. The certain slowdown in sales, in line with the company's expectations, is mainly due to the seasonality of the Airborne Surveillance Systems throughout the first half of 2016, in which a relevant part of the production of the Eurofighter programme was concentrated during the second quarter.

By region, Europe and Spain posted double digit growth, which offset the decline in America and AMEA.

The strength of current Indra's Backlog (ratio Backlog/Sales LTM: 1.94x), together with the accumulated pipeline (new Spanish and European programs) would likely lead to a positive growth for the coming quarters.

Transport & Traffic

Revenues in Transport & Traffic dropped by -13% in local currency and -12% in reported terms.

By segments, ATM (47% of the vertical's revenues) remained stable, while the Transport division was affected by the completion of certain international projects, the lower activity in some relevant implementation projects and/or regions (AMEA), delays in the tender of some contracts in countries that are dependent on oil prices, as well as the ongoing strategic review of the business.

In this sense, revenues in the second quarter of 2017 were affected by the Transport division, causing a double digit revenue fall (-16% in local currency; -15% in reported terms).

By region, Europe showed a better relative performance whilst AMEA and America suffered as a consequence of the lower activity levels in the regions.

1H17 Order Intake went down -15% in local currency due to, among others things, the seasonality of certain contracts within the Transport division.

In the ATM division, the current pipeline together with the favorable Order Intake performance, allow us to anticipate a better relative performance throughout the year. Regarding the Transport division, the execution of certain relevant contracts will constrain, along with the repositioning process, the performance of its main figures in the forthcoming quarters.

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IT

IT	1H17* (€M)	1H16 (€M)	Variation (%) Reported	Variation (%) Local currency	2Q17* (€M)	2Q16 (€M)	Variation (%) Reported	Variation (%) Local currency
Order Intake	1,148	944	22	19	566	340	66	63
Revenues	826	758	9	7	455	398	14	13
- Energy & Industry	225	202	11	9	123	104	18	17
- Financial Services	291	240	21	19	162	125	30	28
- Telecom & Media	110	112	(2)	(5)	60	57	6	4
- PPAA & Healthcare	200	205	(2)	(4)	109	113	(3)	(4)
Book-to-bill	1.39	1.25	12		1.24	0.85	46	
Backlog / Revs LTM	0.79	0.64	23					

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

1H17 IT sales include the Tecnocom's acquisition since April 18th. Revenues grew +7% in local currency (+9% in reported terms), accelerating in 2Q17 (+13% in local currency; +14% in reported terms) as a consequence of Tecnocom's integration.

Excluding the impact of Tecnocom's acquisition sales would have declined -4% in local currency (-2% in reported terms), decelerating in 2Q17 (-8% in local currency; -6% in reported figures). Sales performance were affected by the seasonality of the Elections business and the cancellation of the BPO contract with Vodafone (Telecom & Media vertical). Excluding both impacts, sales in 1H17 would have increased +2% in reported terms as a consequence of the positive evolution in Spain and America.

Revenues in Digital solutions (Minsait) reached €152m (-12% in local currency vs 1H16), which accounts for c. 20% of the total IT revenues. The sales decline is due to the Elections business seasonality, as the digital division in 1H16 included the contribution from cibersecurity and biometrics solutions from a relevant contract in Latam.

Order Intake in the IT business went up +19% in local currency (+22% in reported terms), resulting in a Book-to-Bill ratio of 1.39x vs 1.25x in 1H16. Excluding the impact of Tecnocom, Order Intake would have grown +12% in local currency (+14% in reported terms) as a consequence of the Election's business seasonality.

Backlog / Revenues LTM improved to 0.79x vs 0.64x in 1H16.

Energy & Industry

Sales in the Energy & Industry vertical went up by +9% in local currency (+11% in reported figures) mainly as a consequence of the impact of Tecnocom.

Excluding this impact, sales would have remained flat (-1% in local currency). It's worth mentioning the positive performance in Outsourcing and BPO, mainly in the Energy segment (c. 70% of total sales). The Industry segment fell -8% in local as a result of the slowdown in the level of activity in the Hotels, Airlines and Services & Infrastructures segment, due to delays in the tendering process in some relevant contracts in Latam.

By region, it is worth highlighting the double digit growth in Europe and AMEA, both in Energy and Industry segments. In Spain, the level of activity was affected by, among other aspects, the sector's consolidation in recent years, where the decision making process of certain relevant clients was partially delocalized outside Spain to its own core countries.

Order Intake grew +16% in local currency (+19% in reported terms) vs 1H16. Excluding Tecnocom, Order Intake would have grown +7% in local currency (+10% in reported terms) fuelled by the Solutions and Outsourcing field.

Financial Services

Financial Services went up by +19% in local currency (or +21% in reported terms), where the main activity is concentrated in the Banking segment (c.90% of the vertical's revenues) vs Insurance segment (c.10% of the vertical's revenues). The insurance sector showed a worse relative performance vs the Banking sector.

Excluding the impact of Tecnocom, sales would have grown +2% in local currency (+4% in reported terms) as a consequence of the positive relative performance in the Outsourcing, Consultancy and BPO field.

It is worth highlighting the positive performance in the Banking sector in America in 1H17, where the company suffered a significant decline last year due to the repositioning in the region. The positive performance in 1H17 was backed by our proprietary solutions for private institutions and the increasing trend among clients to concentrate their core IT and Maintenance in large suppliers.

Regarding the Banking sector in Spain, the company consolidates its positioning in the Digital offering among our key clients.

Order Intake grew +4% in local currency (+6% in reported figures). Ex Tecnocom, Order Intake would have decreased -6% in local currency (-4% in reported terms) as a consequence of the difficult comparison by a sizeable BPO's project in Brazil signed in 2Q16. The positive sector dynamics, together with the identified synergies and the solid Tecnocom's positioning in certain key areas (Payment Systems) could anticipate a positive performance in the coming quarters.

Telecom & Media

Telecom & Media fell by -5% in local currency (-2% in reported terms).

Excluding Tecnocom, revenues would have decreased -16% in local currency (-12% in reported terms).

The level of activity in 1H17 was conditioned by the worse relative performance in Spain as a consequence of, mainly, the cancellation of the BPO contract with Vodafone. Excluding this effect, which will have no impact for the second half of the year, revenues would have posted a slight decrease vs 1H16.

Same negative dynamics remains in the Telco sector, where the clients are focused on efficiency measures and cost controlling. Thus, the environment remains challenging and demanding pricing dynamics persist.

Revenues in Media (c. 10% of the vertical's revenues) recorded a better relative performance associated with its exposure to the Spanish market.

Despite the demanding sector dynamics, the positive Order Intake performance in 2Q17 and the fact that the BPO contract with Vodafone has no negative impact anymore, would lead to a certain recovery in the level of activity for the second half of the year.

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Public Administrations & Healthcare

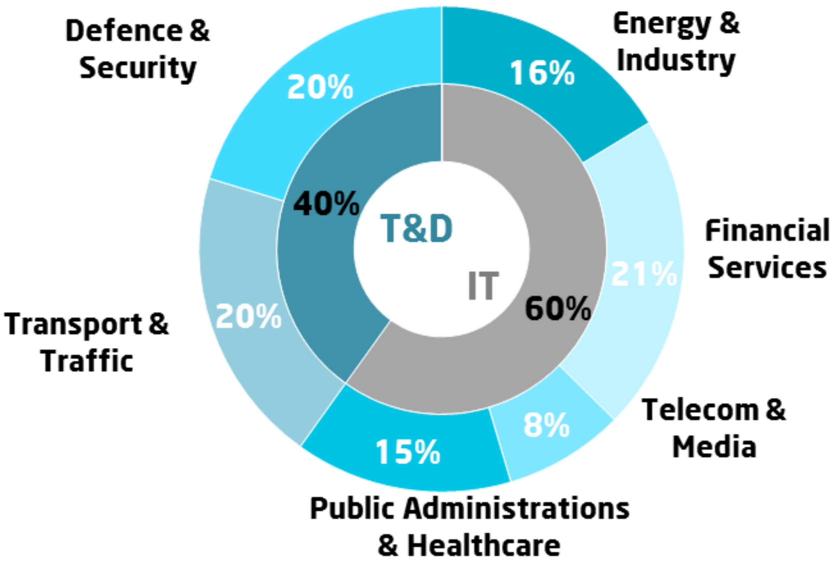
1H17 sales in Public Administrations & Healthcare down by -4% in local currency (-2% in reported terms).

Excluding the impact of the acquisition of Tecnocom, sales would have decreased -7% in local currency (-5% in reported terms). However, excluding the Elections business sales would have grown +3% in reported terms.

The Elections business had a negative contribution in 1H17 due to the Election's projects executed in 1H16 in America. However, the contribution of this business this year is expected to be higher vs 2016 due to the inherent seasonality of the business, very dependent on the Elections calendar. In this sense, Order Intake in 1H17 amounted to approximately €175m (vs €33m in 1H16), which could lead to a significant acceleration in the level of activity for the coming quarters.

By region, and excluding the impact of the Elections business, it is worth highlighting the favorable performance in Spain (mainly state public institutions) and America (proving the recovery path initiated at the end of last year thanks to the restructuring in the region and the completion on the problematic projects in Brazil).

The seasonal effect of the Elections business (concentrated in the second half of the year) will determine the vertical performance, anticipating a better relative performance in the forthcoming quarters.



Analysis by Region

Revenues by Region	1H17*		1H16		Variation (%)		2Q17*	2Q16	Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Spain	657	48	600	45	9	9	357	313	14	14
America	304	22	322	24	(6)	(11)	155	174	(11)	(14)
Europe	253	18	234	18	8	8	135	132	2	2
Asia, Middle East & Africa	165	12	176	13	(6)	(7)	93	84	11	10
TOTAL	**1,379**	**100**	**1,332**	**100**	**4**	**2**	**741**	**704**	**5**	**4**

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

By region, it should be noted the growth posted in Spain with the integration of Tecnocom (+9%), country with the largest revenues share of total sales (48% of total sales), and Europe (+8% in local currency; 18% of total sales), where the main activity is concentrated in Defence & Security. On the contrary, revenues went down in Asia, Middle East & Africa (-7% in local currency; 12% of total revenues), where the vast majority of the activity is focused on Transport & Traffic, and America (-11% in local currency; 22% of total revenues) where the main activity is IT.

Excluding the impact of Tecnocom, whose main activity is focused in Spain and Latam (and only in the IT business), sales would have decreased by -2% in Spain and -15% in America in1H17.

Spain

1H17 Revenues went up +9%, where both divisions T&D (c.30% of total revenues in the region) and IT (c.70% of total revenues in the region) posted growth. Excluding Tecnocom (whose sales only belong to the IT business) sales would have decreased by -2% in 1H17, being all the decline in the IT business.

Within T&D, Defence & Security was the lead performer (double digit growth) backed by the underway multiannual projects signed with Spain's MoD (electronic systems forming part of the integrated mast for the F110 frigate, electronic systems of the 8x8 armored vehicle and the simulator for the helicopter NH90, among others).

In the IT segment, it's worth noting the growth posted by Financial Services thanks to the contribution from Tecnocom (Financial Services represent approximately half of the total sales of Tecnocom). Excluding the impact of Tecnocom, sales in Financial Services would have remained almost flat. Regarding the rest of the verticals, of note is the fall in Telecom & Media due to the cancellation of the projects with Vodafone mentioned before, together with the demanding dynamics in the sector.

Order Intake in 1H17 went down by -3,5%. Excluding Tecnocom, Order Intake would have decreased by -11%.

America

Revenues in America went down by -11% in local currency (-6% in reported terms). Excluding Tecnocom, sales would have decreased by -15% in local currency (-9% in reported figures) mainly due to the impact of the Election's project executed in The Dominican Republic in 1H16. Excluding this impact, revenues would have decreased -2% in reported terms.

The activity in America is concentrated in the IT segment (c.80% of total sales in the region). Sales drop was more pronounced in the T&D segment (difficult comparison vs last year due to a project in the Defence & Security vertical), as well as the lower activity in the Transport division as a consequence of the public spending slowdown in some countries that are dependent on oil and commodity prices.

Within the IT segment, the top performer was Financial Services (Tecnocom contribution together with positive dynamics in the sector) followed by Energy & Industry. However, Telecom & Media and PPAA &

Healthcare declined, although the latter would have posted slightly growth if we exclude the Election business.

By country, revenues went up in Mexico (positive performance in Financial Services), and Argentina, while sales declined in Brazil (the repositioning of the company continues towards private vs public clients), The Dominican Republic (election project) and Ecuador (project in Defence & Security).

Order Intake went up by +2% in local currency (+8% in reported terms), driven by the Energy & Industry (Outsourcing contract in Brazil) and Telecom & Media verticals (renewal of several multiyear Outsourcing contracts). Excluding Tecnocom, Order Intake would have decreased by -1% in local terms, but +6% in reported terms.

Europe

Revenues in 1H17 went up +8% both in local and reported terms, posting growth in both segments: T&D and IT. The contribution from Tecnocom almost had no impact in the overall sales of the region.

2Q17 sales grew +2% in local currency, a slowdown compared to the strong growth posted in 1Q17 as the company anticipated.

T&D grew close to double digit rates. This is the segment with the largest revenues share in the region (c.75% of revenues) and showed positive growth both in Defence & Security (largest vertical in the region) and Transport & Traffic (backed by the ATM business).

The IT segment (c. 25% of total revenues in the region) also posted positive growth. By verticals, it is worth mentioning the growth posted in Financial Services and Energy & Industry thanks to the positive performance in Italy, the country which concentrates the vast majority of IT in Europe.

Order Intake grew +7% in local currency and reported terms with a better relative performance in IT vs T&D, mainly backed by the contracts signed in Italy.

Asia, Middle East & Africa (AMEA)

Revenues in Asia, Middle East & Africa (AMEA) posted a decline of -7% in local currency (-6% in reported terms). The integration of Tecnocom had no impact on sales as it hasn’t any presence in the region. Revenues in the T&D business (which accounted for c. 80% of total revenues in the region) registered double digit fall, while IT (c. 20% in the region) posted double digit growth.

In 2Q17 Revenues increased by +10% in local currency (+11% in reported terms), being the region with the better performance in the quarter. All the verticals, but Transport & Traffic, registered positive growth. It is worth noting the positive performance of Public Administration & Healthcare thanks to the initial execution of a sizeable Election’s project.

Within the T&D segment, both Transport & Traffic (largest vertical in the region) and Defence & Security went down, being more pronounced in the Transport division as a consequence of the lower activity in certain projects, and the public spending slowdown in some countries that are dependent on oil and commodity prices.

IT segment wise, Energy & Industry posted a double digit growth (mainly backed by the implementation of our own property solutions in Africa), vertical with the highest sale share of the IT segment. Likewise, Public Administrations & Healthcare registered double digit growth backed by the Election’s business.

1H17 Order Intake in AMEA grew by +19% in local currency (+20% in reported terms). The strong Order Intake associated with the Election’s project has offset the double digit decline in the T&D segment.

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ANNEX 1: CONSOLIDATED INCOME STATEMENT

	1H17*	1H16	Variation		2Q17*	2Q16	Variation	
	€M	€M	€M	%	€M	€M	€M	%
Revenues	**1,379.1**	**1,332.0**	**47.1**	**4**	**740.6**	**703.6**	**37.0**	**5**
Other income	22.3	19.5	2.8	14	13.0	10.6	2.4	23
Materials consumed and other operating expenses	(570.4)	(563.0)	(7.4)	1	(300.9)	(300.0)	(0.9)	0
Personnel expenses	(722.9)	(687.3)	(35.6)	5	(392.4)	(356.5)	(35.9)	10
Other results	(0.4)	(0.8)	0.4	NA	(0.2)	(0.5)	0.3	NA
Gross Operating Profit (EBITDA)	**107.7**	**100.5**	**7.2**	**7**	**60.1**	**57.2**	**2.9**	**5**
Depreciations	(30.3)	(30.4)	0.1	(0)	(16.0)	(15.9)	(0.1)	1
Net Operating Profit (EBIT)	**77.4**	**70.1**	**7.3**	**10**	**44.1**	**41.3**	**2.8**	**7**
EBIT Margin	***5.6%***	***5.3%***	***0.3 pp***	**NA**	***6.0%***	***5.9%***	***0.1 pp***	**NA**
Financial Result	**(14.0)**	**(22.0)**	**8.0**	**(36)**	**(12.1)**	**(10.8)**	**(1.3)**	**12**
Profit/(loss) of equity-accounted investees	(0.2)	1.3	(1.5)	NA	(0.2)	1.5	(1.7)	NA
Earnings Before Taxes	**63.2**	**49.4**	**13.8**	**28**	**31.9**	**32.0**	**(0.1)**	**(0)**
Income tax expenses	(24.5)	(19.1)	(5.4)	28	(14.4)	(13.7)	(0.7)	5
Profit for the period	**38.7**	**30.3**	**8.4**	**28**	**17.5**	**18.2**	**(0.7)**	**(4)**
Attributable to minority interests	(0.8)	0.5	(1.3)	NA	(0.4)	0.6	(1.0)	NA
Net Profit	**37.9**	**30.7**	**7.2**	**23**	**17.1**	**18.9**	**(1.8)**	**(10)**

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

Earnings per Share (according to IFRS)	1H17*	1H16	Variation (%)
Basic EPS (€)	0.226	0.188	20
Diluted EPS (€)	0.213	0.186	15

	1H17*	1H16
Total number of shares	176,654,402	164,132,539
Weighted treasury stock	407,489	367,030
Total shares considered	168,098,711	163,765,509
Total diluted shares considered	196,175,015	181,260,261
Treasury stock in the end of the period	783,102	393,876

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

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 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), 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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Press Release

ANNEX 2: INCOME STATEMENTS BY BUSINESSES

1H17*

M€	T&D	IT	Eliminations	Total
Total Sales	553	826	0	1,379
Inter-segment sales	0	0	0	-
External Sales	**553**	**826**	**-**	**1,379**
Contribution Margin	**112**	**100**	**-**	**213**
Contribution Margin (%)	***20.3%***	***12.2%***	***-***	***15.4%***
EBIT	**70**	**8**	**-**	**77**
EBIT Margin (%)	***12.6%***	***0.9%***	***-***	***5.6%***

2Q17*

M€	T&D	IT	Eliminations	Total
Total Sales	286	455	0	741
Inter-segment sales	(0)	(0)	0	-
External Sales	**286**	**455**	**-**	**741**
Contribution Margin	**58**	**56**	**-**	**114**
Contribution Margin (%)	***20.1%***	***12.3%***	***-***	***15.3%***
EBIT	**37**	**7**	**-**	**44**
EBIT Margin (%)	***12.9%***	***1.6%***	***-***	***6.0%***

1H16

	T&D	IT	Eliminations	Total
Total Sales	574	764	(6)	1,332
Inter-segment sales	0	6	(6)	-
External Sales	**574**	**758**	**-**	**1,332**
Contribution Margin	**100**	**83**	**-**	**183**
Contribution Margin (%)	***17.4%***	***11.0%***	***-***	***13.8%***
EBIT	**63**	**7**	**-**	**70**
EBIT Margin (%)	***11.0%***	***0.9%***	***-***	***5.3%***

2Q16

	T&D	IT	Eliminations	Total
Total Sales	305	401	(3)	704
Inter-segment sales	0	3	(3)	-
External Sales	**305**	**398**	**-**	**704**
Contribution Margin	**49**	**51**	**-**	**100**
Contribution Margin (%)	***16.0%***	***12.9%***	***-***	***14.3%***
EBIT	**30**	**12**	**-**	**41**
EBIT Margin (%)	***9.7%***	***2.9%***	***-***	***5.9%***

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

Figures not audited

ANNEX 3: CONSOLIDATED BALANCE SHEET

	1H17* €M	2016 €M	Variation €M
Property, plant and equipment	108.8	103.4	5.4
Intangible assets	291.5	284.9	6.6
Investments in associates and other investments	191.2	184.9	6.3
Goodwill	758.2	471.9	286.3
Deferred tax assets	172.3	178.4	(6.1)
Non-current assets	**1,522.1**	**1,223.6**	**298.5**
Non-current assets held for sale	28.5	31.2	(2.7)
Operating current assets	1,458.2	1,271.8	186.4
Other current assets	140.6	131.5	9.1
Cash and cash equivalents	538.8	673.9	(135.1)
Current assets	**2,166.1**	**2,108.5**	**57.6**
TOTAL ASSETS	**3,688.2**	**3,332.0**	**356.2**
Share Capital and Reserves	548.5	368.3	180.2
Treasury stock	(10.0)	(3.4)	(6.6)
Equity attributable to parent company	**538.5**	**364.9**	**173.6**
Minority interests	16.7	13.0	3.7
TOTAL EQUITY	**555.2**	**378.0**	**177.2**
Provisions for liabilities and charges	102.6	99.2	3.4
Long term borrowings	1,170.4	1,136.0	34.4
Other financial liabilities	1.7	9.4	(7.7)
Deferred tax liabilities	2.5	12.4	(9.9)
Other non-current liabilities	88.1	89.4	(1.3)
Non-current liabilities	**1,365.3**	**1,346.4**	**18.9**
Liabilities related to non-current assets held for sale	0.0	0.0	0.0
Current borrowings	113.5	60.7	52.8
Operating current liabilities	1,374.8	1,238.4	136.4
Other current liabilities	279.2	308.6	(29.4)
Current liabilities	**1,767.6**	**1,607.7**	**159.9**
TOTAL EQUITY AND LIABILITIES	**3,688.2**	**3,332.0**	**356.2**

Current borrowings	(113.5)	(60.7)	(52.8)
Long term borrowings	(1,170.4)	(1,136.0)	(34.4)
Gross financial debt	(1,283.9)	(1,196.7)	(87.2)
Cash and cash equivalents	538.8	673.9	(135.1)
Net Debt	***(745.1)***	***(522.8)***	***(222.3)***

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

Figures not audited

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ANNEX 4: CONSOLIDATED CASH FLOW STATEMENT

	1H17* €M	1H16 €M	Variation €M	2Q17* €M	2Q16 €M	Variation €M
Profit Before Taxes	**63.2**	**49.4**	**13.8**	**31.9**	**32.0**	**(0.1)**
Adjusted for:						
- Depreciations	30.3	30.4	(0.1)	16.0	15.9	0.1
- Provisions, capital grants and others	(11.8)	(18.6)	6.8	(11.8)	4.6	(16.4)
- Share of profit / (losses) of associates and other investments	0.2	(1.3)	1.5	0.2	(1.5)	1.7
- Net financial results	14.0	22.0	(8.0)	12.1	10.9	1.2
Dividends received	**0.0**	**1.0**	**(1.0)**	**0.0**	**1.0**	**(1.0)**
Operating cash-flow prior to changes in working capital	**95.9**	**82.9**	**13.0**	**48.3**	**63.0**	**(14.7)**
Recievables, net	(62.4)	25.5	(87.9)	(42.3)	(52.8)	10.5
Inventories, net	(15.7)	(8.9)	(6.8)	(8.9)	(1.0)	(7.9)
Payables, net	15.4	5.1	10.3	(0.5)	15.9	(16.4)
Change in working capital	**(62.7)**	**21.7**	**(84.4)**	**(51.7)**	**(37.9)**	**(13.8)**
Other operating changes	**(19.7)**	**(23.3)**	**3.6**	**13.1**	**(3.7)**	**16.8**
Tangible, net	(2.5)	(4.0)	1.5	(1.6)	(2.8)	1.2
Intangible, net	(12.5)	(4.6)	(7.9)	(8.4)	(2.0)	(6.4)
Capex	**(15.0)**	**(8.6)**	**(6.4)**	**(10.0)**	**(4.8)**	**(5.2)**
Net financial result	**(8.2)**	**(11.5)**	**3.3**	**(7.1)**	**(10.6)**	**3.5**
Income taxes paid	**(21.4)**	**(12.9)**	**(8.5)**	**(18.6)**	**(4.3)**	**(14.3)**
Free Cash Flow	**(31.0)**	**48.3**	**(79.3)**	**(26.0)**	**1.7**	**(27.7)**
Short term financial investment variation	0.0	(2.2)	2.2	(0.3)	(1.9)	1.6
Financial investments/divestments, net	(139.8)	(1.8)	(138.0)	(139.3)	(0.5)	(138.8)
Dividends of subsidiaries paid to minority interests	0.6	(0.4)	1.0	0.6	(0.4)	1.0
Dividends of the parent company	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders contribution	(5.2)	0.0	(5.2)	(5.2)	0.0	(5.2)
Change in treasury stock	(5.1)	(1.1)	(4.0)	(5.7)	(1.2)	(4.5)
Cash-flow provided/(used) by financing activ	**(180.5)**	**42.9**	**(223.4)**	**(175.9)**	**(2.2)**	**(173.7)**

Initial Net Debt	**(522.8)**
Cash-flow provided/(used) in the period	(180.5)
Foreign exchange differences and variation with no impact in cash	(41.8)
Final Net Debt	***(745.1)***

(*) Displayed data includes Tecnocom consolidation since April 18th, 2017

Figures not audited

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ANNEX 5: 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.

Net Operating Profit (EBIT):

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

Explanation: Metric that the Group uses to define its operating profitability, and Investors use to the Company's valuation.

Likewise, the Group uses as an indicator the performance of the EBIT margin that is the result of the ratio between EBIT and the amount of sales for the same period. This indicator is interpreted 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.

Gross Operating Profit (EBITDA):

Definition/Conciliation: Represents the Net Operating Profit (EBIT) plus Depreciations and Amortizations.

Explanation: Metric that the Group uses to define its operating profitability, and Investors use to the Company's valuation.

Likewise, the Group uses as an indicator the performance of the EBITDA margin that is the result of the ratio between EBITDA and the amount of sales for the same period. This indicator is interpreted 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 Cash and Cash equivalents less Non-current Loans and Borrowings and less Current Loans and Borrowings. 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.

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, and Investors use to the Company's valuation.

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

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Contribution Margin:

Definition/Conciliation: It is the different 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 in the total revenues of the Group, it is used the contribution margin ratio over revenues of a segment or business. This indicator is interpreted 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: As it is the amount of the contracts won over a period of time, Order Intake is an indicator of the future performance of the Group.

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: As it is the amount of the contracts won pending to be executed, Order Intake is an indicator of the future performance of the Group.

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

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