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indra

9M19 Results

Indra improves net profit by +18% in the first nine months of the year, increasing revenues +5% and EBIT +10%.

- **Backlog (+9%) and Order Intake (+7%), both above revenue growth (+5%).**
- **Revenue up +6% in local currency 9M19, with both T&D and Minsait posting growth. By geographies, it is worth noting America (+15% in local currency).**
- **Organic revenues (excluding the inorganic contribution from ACS and the FX impact) grew +5% in 9M19 and +4% in 3Q19.**
- **EBITDA increased by +22% in 9M19 (+7% excluding the IFRS 16 impact).**
- **EBIT up +10% in 9M19, boosted by the improvement in profitability of Minsait (3.1% EBIT margin) and despite the lower contribution from the Election Business.**
- **Net profit improved +18% vs 9M18.**
- **FCF almost flat in 3Q19 (€-1m) vs (+€15m) in 3Q18, backed by working capital normalization in the quarter.**

Madrid, November 5, 2019 - Fernando Abril-Martorell, Chairman and Chief Executive Officer of Indra:

"The first nine-month 2019 results are marked by the sustained organic revenue growth and the profitability improvement achieved along the year, as well as by the working capital normalization already seen in 3Q19.

Revenues continue to grow as it has happened during the year, and both Minsait and T&D increased revenues +5% in the accumulated period. Furthermore, order intake and backlog rise above revenues, showing both divisions solid backlog/ revenues ratios and providing higher and healthier visibility for future growth in both businesses.

Once again, Indra continues to improve its profitability in the quarter and in the accumulated period, backed by the strong performance of Minsait, whose profitability surpass 3% Ebit margin, despite the significant lower contribution of the Elections business.

Both EBITDA and EBIT grew at double digit, improving net profit by +18% in 9M19.

Working capital started to normalize in 3Q19 driving to reach an almost flat free cash flow in the quarter, in contrast to the negative evolution registered in the first half of the year.

In brief, 9M19 results are in consonance with our revenue and profitability prospects for the year, with the free cash flow starting to recover"

Besides, I would like to highlight the nomination of Indra as the National Industrial Coordinator of the FCAS Program (Future European Combat Air System). This assignment represents a significant advance for Indra, as it enhances its credibility and competitive capacity. It will also improve its level of *access to large international programs and the potential for the future development of the technologies in Spain and Europe"*

To conclude, it is also worth mentioning Indra once again making it in the Dow Jones Sustainability Index (DJSI) World, as well as in FTSE4Good, global indexes of reference in sustainability thanks to the constant effort to improve its economic, social and environmental performance".

Main Figures	9M19 (€M)	9M18 (€M)	Variation (%) Reported / Local currency	3Q19 (€M)	3Q18 (€M)	Variation (%) Reported / Local currency
Net Order Intake	2,632	2,466	6.7 / 7.0	701	677	3.6 / 2.6
Revenues	2,288	2,174	5.2 / 5.6	741	711	4.3 / 4.2
Backlog	4,378	4,032	8.6	4,378	4,032	8.6
Gross Operating Result (EBITDA)	223	183	21.7 / 21.5	81	67	21.3 / 20.8
EBITDA Margin	9.7%	8.4%	1.3 pp	10.9%	9.4%	1.5 pp
Operating Result (EBIT)	127	115	10.2 / 9.9	48	42	13.1 / 12.5
EBIT margin	5.5%	5.3%	0.2 pp	6.5%	6.0%	0.5 pp
Net Profit	65	55	18.5	31	18	72.8
Net Debt Position	730	686	6.5	730	686	6.5
Free Cash Flow before working capital	119	93	28.2	47	44	4.7
Free Cash Flow	(238)	(46)	NA	(1)	15	NA
Basic EPS (€)	0.367	0.310	18.4	NA	NA	NA

Transport and Defence (T&D)	9M19 (€M)	9M18 (€M)	Variation (%) Reported / Local currency	3Q19 (€M)	3Q18 (€M)	Variation (%) Reported / Local currency
Revenues	814	777	4.8 / 4.9	262	259	1.5 / 1.9
Operating Result (EBIT)	81	99	(18.0)	30	33	(7.9)
EBIT margin	10.0%	12.8%	(2.8) pp	11.4%	12.6%	(1.2) pp

Minsait	9M19 (€M)	9M18 (€M)	Variation (%) Reported / Local currency	3Q19 (€M)	3Q18 (€M)	Variation (%) Reported / Local currency
Revenues	1,473	1,396	5.5 / 6.0	479	452	5.9 / 5.6
Operating Margin	66	64	3.3	25	32	(21.0)
% Revenues	4.5%	4.6%	(0.1) pp	5.3%	7.1%	(1.8) pp
Operating Result (EBIT)	45	16	186.7	18	10	83.7
EBIT margin	3.1%	1.1%	2.0 pp	3.8%	2.2%	1.6 pp

Main Highlights

9M19 **backlog** reached €4,378m, showing +9% increase in reported terms, with both T&D and Minsait delivering growth. T&D backlog amounted to €2.8bn and Minsait backlog totaled €1.6bn, improving the Backlog/Revenues LTM ratio vs 9M18: 1.36x vs 1.31x.

9M19 **order intake** up +7% in local currency and reported figures mainly backed by Minsait:

- **9M19 order intake in T&D** remained flat. The strong order intake registered in Defence & Security in Platforms (Eurofighter for Qatar) and Defence Systems in UK and AMEA (Vietnam and Oman), compensated the difficult comparison vs 9M18 in ATM (relevant contract signed in Algeria) and Transport (maintenance phase of the High Speed Train Mecca-Medina). The first nine-month order intake does not have any contribution from the Spanish Defence Programs (Frigate F110 and Vehicle 8x8).

- **9M19 order intake in Minsait** enjoyed robust growth +11% in local currency (+10% in reported figures) boosted by Public Administrations & Healthcare in Spain (Election Business, Social Security Administration, relevant outsourcing contracts signed with Regional Administration), Europe (Italy subsidiary) and Telecom & Media.

9M19 **revenues** showed solid growth +6% in local currency (+5% in reported terms), with both T&D and Minsait showing sales increase. 3Q19 revenues went up +4% with both divisions delivering growth:

- **9M19 revenues in the T&D division** increased by +5% in both local currency and reported figures, mainly backed by Transport & Traffic (+10% in local currency). It is worth noting the strong growth posted by Air Traffic Management (+17% in local currency) as well as by the positive performance in Transport (+4% in local currency). **3Q19 sales** increased by +2% fueled by ATM, driven by the international programs (mainly in AMEA).

- **9M19 revenues in Minsait** up +6% in local currency and 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). **3Q19 revenues** grew +6% in local currency, enjoying the same dynamics than in the accumulated period, although with a worst comparative effect due to the Election Business.

- FX impact amounted to €-8m in 9M19 and almost had no impact in 3Q19.

Organic revenues (excluding the inorganic contribution of ACS and the FX impact) grew by +5% in 9M19 and +4% in 3Q19. The Minsait division recorded +5% organic revenue growth in both 9M19 and 3Q19.

Digital solutions revenues reached €325m (22% of Minsait sales), which implies an increase of +16% vs 9M18.

9M19 **EBITDA** (which includes the impact of IFRS 16) improved to €223m vs €183m in 9M18. Excluding the impact of IFRS 16, EBITDA would have amounted to €197m, which implies +7% growth.

- **EBITDA in the T&D division** (which includes the impact of IFRS 16) reached €114m in 9M19 vs €126m in 9M18, mainly affected by higher restructuring costs and the provisions 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 €107m.

- **The Operating Margin in Minsait** stood at €66m vs €64m in 9M18 (equivalent to 4.5% margin in 9M19 vs 4.6% in 9M18), showing all the verticals margin improvement except for Public Administrations & Healthcare (due to the strong contribution of the Election Business in profitability in 9M18).

Total restructuring costs (T&D and Minsait) amounted to €21m in 9M19 vs €27m in 9M18. This figure in 3Q19 reached €7m vs €5m in 3Q18.

9M19 **EBIT** increased by +10% and stood at €127m vs €115m in 9M18 (equivalent to 5.5% margin vs 5.3% in 9M18), bolstered by the improvement in Minsait´s operational profitability. **3Q19 EBIT** reached €48m vs €42m in 3Q18 where it is worth highlighting the improvement in Minsait profitability despite the difficult comparison in the quarter due to the Election Business.

- **EBIT Margin in the T&D division** stood at 10.0% in 9M19 vs 12.8% in 9M18, affected by higher restructuring costs and by the provisions that took place in the first half of the year, above mentioned. **3Q19 EBIT Margin** reached 11.4% vs 12.6% in 3Q18 affected by higher restructuring costs (€+3m higher in 3Q19 vs 3Q18).

- **EBIT Margin in Minsait** improved to 3.1% in 9M19 vs 1.1% in 9M18. **3Q19 EBIT Margin** reached 3.8% vs 2.2% in 3Q18 (positively affected in 3Q18 by the strong contribution of the Election Business, partially offset by the €13.5m CNMC fine).

The IFRS 16 application had the following impacts:

- Increment of non-current assets by €136m, in the item “assets for the right of use”.

- Increment of liabilities by €138m, in the items “other non-current liabilities” (€112m) and “other current liabilities” (€27m).

- Increment of the EBITDA by €26m in 9M19.

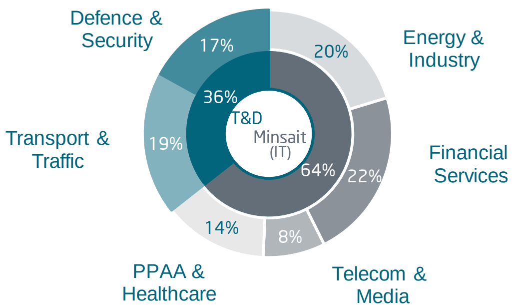
- Impact on EBIT and net profit was lower than €3m.

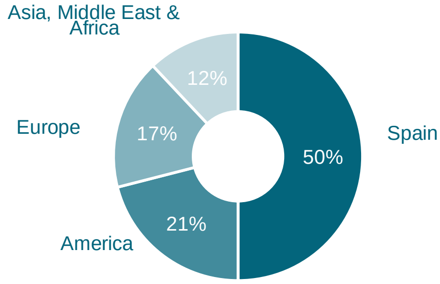
Net profit of the group improved +18% vs 9M18 due to the improvement in operational profitability and lower taxes vs 9M18 (non-deductible costs related to the CNMC fine in 3Q18).

Free Cash Flow in 3Q19 was almost flat (€-1m) vs €15m in 3Q18. In the accumulated period FCF stood at €-238m vs €-46m in 9M18, impacted by the negative contribution of the working capital in the first half of the year. Free Cash Flow before working capital was €119m (€93m excluding the impact of IFRS 16) in 9M19 vs €93m in 9M18.

Net debt amounted to €730m in 9M19 vs €686m in 9M18 and vs €483m in 2018. Net Debt/EBITDA LTM ratio stood at 2.4x vs 2.5x in 9M18 and vs 1.6x in 2018.

Sales by verticals and regions:





Outlook 2019

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

Human Resources

At the end of 9M19, total workforce amounted to 49,082 professionals, implying an increase of +15% vs 9M18. 9M19 average headcount increased by +14% vs 9M18. As it happened in the first half of the year, most of this workforce increase vs 9M18 was related to Minsait (c. 90% of the total workforce increase), due to the beginning of highly labour intensive BPO projects, mainly in America. However, Minsait improved its EBIT margin in 200 basic points in 9M19 vs 9M18.

Other events over the period

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

On September 5th, the Spanish Government has appointed Indra as the national industrial coordinator of the European FCAS (Future Combat Air System) defense program, the largest joint European defense program to date and the most ambitious in terms of technological development. Its selection constitutes recognition of its defense systems capabilities, its experience in international programs and its suitability for coordinating and acting as a driving force of Spanish industry. FCAS is a critical program for Spain with regard to its sovereignty and technological and industrial development and the creation of highly-skilled employment. The appointment represents a significant boost for Indra, as it enhances its credibility and competitive capacity, its level of access to major international programs and the potential for the future development of the technologies it now heads throughout Spain and Europe.

Events following the close of the period

On October 14th, Indra obtained the IRIS (International Railway Industry Standard) certificate, granted by AENOR under ISO / TS 22163: 2017, for systems and quality management applied to the railway sector. Owing IRIS certification, created by UNIFE, the main European railway industry institution, improve Indra competitiveness in the Transport sector, as it contributes to increase its profitability and efficiency and reinforces Indra leadership position in the sector. Furthermore, it enhance new opportunities for future tenders, as it is an increasingly valued and demanded certification by customers.

Analysis by division

Transport & Defence (T&D)

T&D	9M19 (€M)	9M18 (€M)	Variation (%) Reported	Variation (%) Local currency	3Q19 (€M)	3Q18 (€M)	Variation (%) Reported	Variation (%) Local currency
Net Order Intake	907	902	0.5	0.3	317	297	6.9	5.6
Revenues	814	777	4.8	4.9	262	259	1.5	1.9
- Defence & Security	389	389	(0.2)	(0.2)	118	117	0.1	0.1
- Transport & Traffic	426	388	9.8	10.1	145	141	2.6	3.3
Book-to-bill	1.11	1.16	(4.0)		1.21	1.15	5.3	
Backlog / Revs LTM	2.30	2.37	(2.7)					

9M19 T&D revenues up +5% in both local currency and reported figures, mainly backed by Transport & Traffic (+10% in local currency). It is worth noting the strong growth posted by Air Traffic Management (+17% in local currency) as well as by the positive performance in Transport (+4% in local currency).

3Q19 sales increased by +2%. The strong growth registered in ATM, driven by the international programs (mainly in AMEA) compensated the decline in the quarter in Transport (-22%). Defence & Security sales remained stable.

9M19 T&D order intake kept flat. The strong order intake registered in Defence & Security in Platforms (Eurofighter for Qatar) and Defence Systems in UK and AMEA (Vietnam and Oman), compensated the difficult comparison vs 9M18 in ATM (relevant contract signed in Algeria) and Transport (maintenance phase of the High Speed Train Mecca-Medina).

Backlog/Revenues LTM ratio stood at 2.30x in 9M19 vs 2.37x in 9M18. Book-to-bill ratio was also slightly lower vs 9M18 (1.11x vs 1.16x).

Defence & Security

- 9M19 Defence & Security sales were almost flat, affected by the lower activity registered in Security and Simulation.
- Region wise, most of the activity of the vertical in 9M19 was concentrated in Spain (c. 45% of the sales) and Europe (c. 40% of the sales).
- 3Q19 revenues remained flat due to the lower activity in Security and Simulation.
- 9M19 order intake grew +25% in local currency and reported figures, boosted by relevant contracts signed in Europe, specifically in Platforms (Eurofighter for Qatar), Defence Systems in UK and AMEA (Vietnam and Oman).

Transport & Traffic

- 9M19 Transport & Traffic sales up +10% in both local currency and reported terms, with both ATM (+17% in local currency; c. 50% of sales) and Transport (+4%; c. 50% of sales) showing growth.

- 3Q19 revenues increased by +3% in local currency and reported terms. The strong growth posted in ATM (+43%), driven by the international programs (mainly in the AMEA region), compensated the declined in the quarter in Transport (-22%). This decline is explained by the difficult comparison vs 3Q18, when Transport sales increased by +45% due to the concentration of certain milestones signed in some relevant projects in AMEA (High Speed Train Mecca-Medina, Ticketing in Ryad, among others).
- Region wise, most of the activity of the vertical in 9M19 was concentrated in AMEA (c. 35% of sales), Spain and Europe (each of them represented c. 25% of sales).
- 9M19 order intake decreased by -15% in local currency and reported terms, dragged down by the difficult comparison vs 9M18 in ATM in Algeria and Transport in Spain and AMEA (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	9M19	9M18	Variation (%)		3Q19	3Q18	Variation (%)	
	(€M)	(€M)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Net Order Intake	1,725	1,564	10.3	10.8	384	381	1.0	0.3
Revenues	1,473	1,396	5.5	6.0	479	452	5.9	5.6
- Energy & Industry	464	417	11.5	12.1	149	134	11.4	10.9
- Financial Services	510	481	6.0	5.7	165	152	8.4	7.6
- Telecom & Media	186	178	4.5	6.0	63	57	10.5	10.8
- PPAA & Healthcare	313	321	(2.5)	(1.7)	102	109	(6.7)	(6.5)
Book-to-bill	1.17	1.12	4.6		0.80	0.84	(4.6)	
Backlog / Revs LTM	0.78	0.68	14.4					

9M19 Minsait sales went up +6% in local currency and reported terms, with all the verticals registering solid growth except for PPAA & Healthcare due to the difficult comparison vs last year same period (Elections Business in AMEA).

Digital solutions sales amounted to €325m (which represents 22% of Minsait sales), implying an increase of +16% vs 9M18. The areas related to innovation, digital customer experience, process robotization, data science, advanced analytics and cybersecurity remained particularly dynamic.

3Q19 revenues grew +6% in local currency and reported terms, with all the verticals recording revenue growth above mid-single digit, except for PPAA & Healthcare due to the Elections Business in AMEA.

9M19 order intake in Minsait up +11% in local currency (+10% in reported figures) boosted by Public Administrations & Healthcare in Spain (Election Business, Social Security Administration, relevant outsourcing contracts signed with Regional Administration), Europe (Italy subsidiary) and Telecom & Media (Spain and America).

Backlog/Revenues LTM improved to 0.78x vs 0.68x in 9M18. Book-to-bill ratio improved as well to 1.17x vs 1.12x in 9M18.

Energy & Industry

- 9M19 Energy & Industry revenues increased by +12% in local currency (+11% in reported figures) posting both segments growth. It stood out the double-digit growth registered in Industry (c. 40% of sales), backed by the Services and Retail sectors. Energy grew high single digit (c. 60% of sales) thanks to the positive performance in the Utilities and the Oil & Gas sector as well as by the inorganic contribution of ACS.
- By geography, Spain (c. 50% of sales) and America (c. 30% of sales) concentrated most of the activity of the vertical in 9M19.

- 3Q19 revenues up +11% in local currency and reported terms, pushed by the positive performance in America.
- 9M19 order intake decreased -2% in local currency (-3% in reported figures), affected by the difficult comparison vs 9M18 when 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

- 9M19 Financial Services sales increased by +6% in local currency and reported terms, backed by the positive performance in America of key clients as well as mid-sized banking sector (payments means).
- Region wise, Spain (c. 70% of the sales) and America (c. 30% of the sales) concentrated most of the activity of the vertical in 9M19.
- 3Q19 sales increased by +8% in local currency and reported figures, pushed by the positive performance in America (mid-sized banks related to payments means).
- 9M19 order intake went down by -5% in local currency and reported terms, dragged by the strong order intake registered in 9M18 in Spain (renewal of a multiannual BPO contract signed with a Spanish banking entity) and despite the sign of a relevant contract in America in 9M19 (BPO in Brazil).

Telecom & Media

- 9M19 Telecom & Media revenues grew by +6% in local currency (+5% in reported terms), mainly due to higher activity registered with the main operators in Spain and America.
- By geographies, most of the activity of the vertical in 9M19 was concentrated in Spain (c. 50% of sales) and America (c. 40% of sales).
- 3Q19 revenues went up by +11% in local currency (+10% in reported terms), mainly due to the higher activity registered with the main operators in Spain and America.
- 9M19 order intake went up by +37% in local currency (+35% in reported figures) chiefly thanks to the renewal of relevant contracts in Spain and America.

Public Administrations & Healthcare

- 9M19 Public Administrations & Healthcare sales slightly decreased (-2% in local currency and reported terms), 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 +12% 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, Spain (c. 60% of the sales) and America (c. 20% of the sales) concentrated most of the activity of the vertical in 9M19.
- 3Q19 sales down -7% in local currency and reported figures, impacted by the Election Business.
- 9M19 order intake went up by +52% in local currency and reported figures, pushed by Spain (Election Business, Social Security Administration and relevant Outsourcing contracts with Regional Administration) and Europe (Italy subsidiary).

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Analysis by Region

Revenues by Region	9M19		9M18		Variation (%)		3Q19	3Q18	Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Spain	1,147	50	1,112	51	3.2	3.2	355	350	1.4	1.4
America	484	21	431	20	12.5	14.6	168	147	14.1	13.7
Europe	390	17	363	17	7.2	7.3	120	107	11.4	11.5
Asia, Middle East & Africa	266	12	268	12	(0.7)	(1.4)	99	106	(6.7)	(6.9)
Total	**2,288**	**100**	**2,174**	**100**	**5.2**	**5.6**	**741**	**711**	**4.3**	**4.2**

By geographies it is worth mentioning the revenue growth recorded Spain (+3%; 50% of total sales), America (+15% in local currency; 21% of total sales) and Europe (+7% in local currency; 17% of total sales). On the contrary, revenues slightly decreased in and AMEA (-1% in local currency; 12% of total sales) due to the Elections Business.

All geographies showed revenue expansion in 3Q19 except for AMEA. It is worth highlighting the double-digit growth in America (+14% in local currency) pushed by Minsait, and Europe (+12% in local currency), boosted by Public Administrations & Healthcare (Italy) and the ATM segment (European programs).

9M19 order intake increased in all geographies. Europe posted strong performance (+24% in local currency) backed by Defence & Security (Eurofighter for Qatar, Defence Systems in UK), Public Administrations & Healthcare (Minsait Italy), America (+11% in local currency) due to the sign of a relevant contract in Financial Services (BPO in Brazil) and Transport (tolling systems I-66 in USA).

Spain

- 9M19 revenues went up by +3%, driven by Minsait, which recorded mid-single digit growth.
- All Minsait verticals (c. 75% of total sales in the region) posted revenue growth in 9M19. It is worth highlighting the double-digit growth 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) in 9M19 decreased, with both Defence & Security and Transport falling down.
- 3Q19 revenues slightly increased (+1%) pushed by the growth registered in Minsait, where it is worth mentioning Public Administrations & Healthcare, above mentioned.
- 9M19 order intake increased by +1%. The strong order intake registered in Telecom & Media and Public Administrations & Healthcare (Social Security Administration and relevant Outsourcing contracts with Regional Administrations) has offset the decrease in Financial Services (due to the renewal in 9M18 of a BPO contract with a Spanish Banking Entity) and Transport & Traffic.

America

- 9M19 revenues up +15% in local currency (+12% reported figures), boosted by the strong performance of Minsait.
- By countries, Brazil, the most relevant country in America (c. 35% of total revenues in the region), revenues grew (+15%), mainly driven Financial Services and by Energy & Industry. It is also worth mentioning the double-digit growth posted in Colombia and Peru.
- The activity in America is mostly concentrated in Minsait (c. 85% of total sales in the region). All Minsait verticals grew in 9M19 except for Public Administrations & Healthcare, as a consequence of the repositioning towards private vs public clients.

- 9M19 T&D revenues (c. 15% of total sales in the region) remained flat in local currency.
- 3Q19 revenues up by +14% in local currency, driven by Minsait, with all the verticals showing growth.
- 9M19 order intake jumped +11% in local currency (+10% in reported terms), mainly fueled by Minsait due to the sign of a relevant contract in Financial Services (BPO contract in Brazil) and Transport (tolling systems I-66 in USA).

Europe

- 9M19 revenues up +7% in local currency and reported terms, both Minsait and T&D showed growth.
- 9M19 T&D sales (c. 65% of revenues in the region) recorded growth, both in Defence & Security and Transport & Traffic.
- 9M19 Minsait sales (c. 35% of total revenues in the region) posted high single digit growth. It is worth mentioning the positive activity registered by the Italian subsidiary, chiefly in Public Administrations & Healthcare and Energy & Industry.
- 3Q19 revenues up +12% in local currency (+11% in reported terms), showing both Minsait and T&D growth. As above mentioned, it is worth highlighting the positive performance registered in Public Administrations & Healthcare (Italy) and ATM (European programs).
- 9M19 order intake went up by +24% both in local currency and reported terms, with both T&D (Eurofighter, Defence Systems in UK) and Minsait (positive performance in Italy).

Asia, Middle East & Africa (AMEA)

- 9M19 revenues in AMEA dropped by -1% in local currency and reported terms). This is a very positive performance taking into account the difficult comparison vs last year (Election business).
- 9M19 T&D sales (c. 80% of total revenues in the region) registered double-digit growth, mainly pushed by Transport & Traffic (largest vertical in the region), showing both Air Traffic Management (ATM project in Algeria, Morocco and China) and Transport (projects in Middle East) very positive performance.
- 9M19 Minsait revenues (c. 20% of total sales in the region) recorded strong fall, affected by the lower activity registered in the Elections business.
- 3Q19 revenues worsened by -7% in local currency and reported terms, due to the difficult comparison vs same period a year ago (Elections business).
- 9M19 order Intake in AMEA grew +3% in local currency (+4% in reported terms), helped by Minsait and Defence & Security (Defence Systems in Vietnam and Oman).

Appendices

Consolidated Income Statement

	9M19 €M	9M18 €M	Variation €M	Variation %	3Q19 €M	3Q18 €M	Variation €M	Variation %
Revenue	**2,287.5**	**2,173.7**	**113.8**	**5**	**741.3**	**710.6**	**30.7**	**4**
In-house work on non-current assets and other income	63.5	53.4	10.1	19	21.0	19.7	1.3	6
Materials used and other supplies and other operating expenses	(823.8)	(859.9)	36.1	(4)	(273.2)	(300.6)	27.4	(9)
Staff Costs	(1,302.1)	(1,184.3)	(117.8)	10	(408.4)	(363.5)	(44.9)	12
Other gains or losses on non-current assets and other results	(2.4)	0.2	(2.6)	NA	0.0	0.3	(0.3)	NA
Gross Operating Result (EBITDA)	**222.8**	**183.1**	**39.7**	**22**	**80.8**	**66.6**	**14.2**	**21**
Depreciation and amortisation charge	(96.0)	(68.0)	(28.0)	41	(32.8)	(24.2)	(8.6)	36
Operating Result (EBIT)	**126.8**	**115.1**	**11.7**	**10**	**48.0**	**42.4**	**5.6**	**13**
EBIT Margin	***5.5%***	***5.3%***	***0.2 pp***	**NA**	***6.5%***	***6.0%***	***0.5 pp***	**NA**
Financial Income/Loss	**(31.8)**	**(27.9)**	**(3.9)**	**14**	**(9.3)**	**(11.0)**	**1.7**	**(16)**
Result of companies accounted for using the equity method	0.7	(0.7)	1.4	NA	0.2	0.2	0.0	NA
Profit (Loss) before tax	**95.7**	**86.5**	**9.2**	**11**	**38.9**	**31.7**	**7.2**	**23**
Income tax	(27.2)	(30.2)	3.0	(10)	(7.5)	(13.1)	5.6	(43)
Profit (Loss) for the year	**68.5**	**56.3**	**12.2**	**22**	**31.4**	**18.5**	**12.9**	**69**
Profit (Loss) attributable to non-controlling interests	(3.8)	(1.7)	(2.1)	NA	(0.6)	(0.7)	0.1	NA
Profit (Loss) attributable to the Parent	**64.7**	**54.6**	**10.1**	**18**	**30.8**	**17.8**	**13.0**	**73**

Earnings per Share (according to IFRS)	9M19	9M18	Variation (%)
Basic EPS (€)	0.367	0.310	18
Diluted EPS (€)	0.344	0.293	17

	9M19	9M18
Total number of shares	176,654,402	176,654,402
Weighted treasury stock	340,459	476,995
Total shares considered	176,313,943	176,177,407
Total diluted shares considered	193,403,286	204,510,040
Treasury stock in the end of the period	335,003	367,010

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.*

- 9M19 revenues increased +5% in reported figures.
- 9M19 Other Income went up by €10m due to the higher investment in R&D (€50m in 9M19 vs €41m in 9M18).
- Personnel expenses increased by +10% in 9M19, as a consequence of salary inflation as well as by the increase in the average workforce (+14%) as it happened in 1H19, due to the start of highly labour intensive BPO projects in the Minsait division.
- 9M19 EBITDA (which includes IFRS 16) increased to €223m vs €183m in 9M18. Excluding the impact of IFRS 16, EBITDA would have reached €197m, which implies +7% growth.
- 9M19 D&A up €28m, of which €23m were related to the application of IFRS 16.
- 9M19 EBIT stood at €127m vs €115m in 9M18, which implies +10% increase.
- Financial results worsened by €4m vs 9M18 due to the impact of IFRS 16 (€5m). Excluding this effect, financial results would have improved as a consequence of lower cost of gross debt (1.8% in 9M19 vs 2.1% in 9M18).
- 9M19 Tax expenses was equivalent to a tax rate of 28% vs 35% in 9M18 (non-deductible costs related to the CNMC fine in 3Q18).
- Net profit of the group improved +18% vs 9M18.

Income Statement by Division

9M19

M€	T&D	IT	Eliminations	Total
Total Sales	814	1,473	-	2,288
Contribution Margin	149	188	-	338
Contribution Margin (%)	*18.3%*	*12.8%*	-	*14.8%*
EBIT	81	45	-	127
EBIT Margin (%)	*10.0%*	*3.1%*	-	*5.5%*

3Q19

T&D	IT	Eliminations	Total
262	479	-	741
52	64	-	116
19.9%	*13.3%*	-	*15.6%*
30	18	-	48
11.4%	*3.8%*	-	*6.5%*

9M18

M€	T&D	IT	Eliminations	Total
Total Sales	777	1,396	-	2,174
Contribution Margin	156	193	-	349
Contribution Margin (%)	*20.1%*	*13.8%*	-	*16.0%*
EBIT	99	16	-	115
EBIT Margin (%)	*12.8%*	*1.1%*	-	*5.3%*

3Q18

T&D	IT	Eliminations	Total
259	452	-	711
51	76	-	126
19.6%	*16.8%*	-	*17.8%*
33	10	-	42
12.6%	*2.2%*	-	*6.0%*

Figures not audited

Consolidated Balance Sheet

	9M19 €M	2018 €M	Variation €M
Property, plant and equipment	109.7	108.4	1.3
Property investments	1.3	1.4	(0.1)
Assets for the rigth of use	136.1	0.0	136.1
Other Intangible assets	370.7	373.5	(2.8)
Investments for using the equity method and other non-current financial assets	224.2	249.3	(25.1)
Goodwill	814.0	811.9	2.1
Deferred tax assets	151.4	160.4	(9.0)
Total non-current assets	**1,807.4**	**1,704.9**	**102.5**
Assets classified as held for sale	14.0	14.1	(0.1)
Operating current assets	1,476.0	1,283.3	192.7
Other current assets	138.4	121.1	17.3
Cash and cash equivalents	755.6	917.8	(162.2)
Total current assets	**2,384.0**	**2,336.4**	**47.6**
TOTAL ASSETS	**4,191.4**	**4,041.3**	**150.1**
Share Capital and Reserves	718.2	660.5	57.7
Treasury shares	(2.6)	(3.7)	1.1
Equity attributable to parent company	**715.6**	**656.8**	**58.8**
Non-controlling interests	25.1	20.9	4.2
TOTAL EQUITY	**740.6**	**677.7**	**62.9**
Provisions for contingencies and charges	53.3	65.6	(12.3)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	1,437.1	1,358.6	78.5
Other non-current financial liabilities	211.3	128.8	82.5
Deferred tax liabilities	5.5	2.7	2.8
Other non-current liabilities	9.3	7.0	2.3
Total Non-current liabilities	**1,716.5**	**1,562.7**	**153.8**
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	48.9	42.3	6.6
Other current financial liabilities	63.9	16.7	47.2
Operating current liabilities	1,267.3	1,364.2	(96.9)
Other current liabilities	354.1	377.6	(23.5)
Total Current liabilities	**1,734.2**	**1,800.9**	**(66.7)**
TOTAL EQUITY AND LIABILITIES	**4,191.4**	**4,041.3**	**150.1**

Current bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(48.9)	(42.3)	(6.6)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(1,437.1)	(1,358.6)	(78.5)
Gross financial debt	(1,486.0)	(1,401.0)	(85.0)
Cash and cash equivalents	755.6	917.8	(162.2)
Net Debt	***(730.4)***	***(483.2)***	***(247.2)***

Figures not audited

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Consolidated Cash Flow statement

	9M19 €M	9M18 €M	Variation €M	3Q19 €M	3Q18 €M	Variation €M
Profit Before Tax	**95.7**	**86.5**	**9.2**	**38.9**	**31.7**	**7.2**
Adjusted for:						
- Depreciation and amortization charge	96.0	68.0	28.0	32.8	24.2	8.6
- Provisions, capital grants and others	(10.5)	(19.9)	9.4	(8.1)	(0.6)	(7.5)
- Result of companies accounted for using the equity method	(0.7)	0.7	(1.4)	(0.2)	(0.2)	0.0
- Financial loss	31.8	27.9	3.9	9.3	11.0	(1.7)
Dividends received	**0.0**	**0.2**	**(0.2)**	**0.0**	**0.0**	**0.0**
Profit (Loss) from operations before changes in working capital (1)	**212.4**	**163.4**	**49.0**	**72.7**	**66.0**	**6.7**
Changes in trade receivables and other items	(82.9)	24.6	(107.5)	72.2	21.8	50.4
Changes in inventories	(124.5)	(65.3)	(59.2)	(29.8)	(16.5)	(13.3)
Changes in trade payables and other items	(149.8)	(98.0)	(51.8)	(89.8)	(34.7)	(55.1)
Cash flows from operating activities (2)	**(357.2)**	**(138.7)**	**(218.5)**	**(47.4)**	**(29.4)**	**(18.0)**
Tangible (net)	(18.3)	(12.3)	(6.0)	(6.2)	(4.4)	(1.8)
Intangible (net)	(35.8)	(35.9)	0.1	(6.7)	(9.7)	3.0
Capex	**(54.1)**	**(48.2)**	**(5.9)**	**(12.9)**	**(14.1)**	**1.2**
Interest paid and received	**(19.2)**	**(10.7)**	**(8.5)**	**(3.1)**	**(2.4)**	**(0.7)**
Income tax paid	**(20.0)**	**(11.8)**	**(8.2)**	**(10.1)**	**(5.0)**	**(5.1)**
Free Cash Flow (3)	**(238.2)**	**(45.9)**	**(192.3)**	**(0.8)**	**15.1**	**(15.9)**
Changes in other financial assets	(6.9)	0.2	(7.1)	(7.7)	0.8	(8.5)
Financial investments/divestments	(0.8)	(39.6)	38.8	(0.0)	(40.0)	40.0
Dividends paid by companies to non-controlling shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Dividends of the parent company	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders contributions	0.0	0.0	0.0	0.0	0.0	0.0
Changes in treasury shares	0.5	(2.9)	3.4	0.2	0.3	(0.1)
Cash-flow provided/(used) in the period	**(245.4)**	**(88.2)**	**(157.2)**	**(8.4)**	**(23.8)**	**15.4**

Initial Net Debt	**(483.2)**
Cash-flow provided/(used) in the period	(245.4)
Foreign exchange differences and variation with no impact in cash	(1.8)
Final Net Debt	***(730.4)***

Cash & cash equivalents at the beginning of the period	**917.8**	**699.1**	**218.7**
Foreign exchange differences	1.0	(4.7)	5.7
Increase (decrease) in borrowings	82.2	251.4	(169.2)
Net change in cash and cash equivalents	(245.4)	(88.2)	(157.2)
Ending balance of cash and cash equivalents	**755.6**	**857.6**	**(102.0)**
Long term and current borrowings	**(1,486.0)**	**(1,543.3)**	**57.3**
Final Net Debt	***(730.4)***	***(685.7)***	***(44.7)***

	9M19 M€	9M18 M€	Variation M€	3Q19 M€	3Q18 M€	Variation M€
(1) Profit (Loss) from operations before changes in working capital	*212*	*163*	*49*	*73*	*66*	*7*
(1) Profit (Loss) from operations before changes in working capital (ex IFRS 16)	*186*	*163*	*23*	*64*	*66*	*-2*
(3) Free Cash Flowbefore (2) Working Capital	*119*	*93*	*26*	*47*	*44*	*2*
(3) Free Cash Flowbefore (2) Working Capital (ex IFRS 16) (Guidance)	*93*	*93*	*0*	*38*	*44*	*-7*

Note: The IFRS 16 effect in the cash flowfrom operating activities is included in "changes in trade payables and other items" and amounted to (€-26m) in 9M19 and (-€9m) in 3Q19

Figures not audited

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- 9M19 Operating Cash Flow before net working capital reached €212m vs €163m in 9M18.
- Cash Flow from operating activities (working capital), reached €-47m in 3Q19 (€-38m excluding IFRS 16) vs €-29m in 3Q18, in line with the evolution of the third quarter. 9M19 working capital stood at €-357m (€-331 excluding the IFRS 16) vs €-139m in 9M19, increasing in all the working capital items, as it happened in the first half of the year.
- Net Working Capital (Operating Current Assets – Operating Current Liabilities) was €209m, equivalent to 24 DoS vs -10 DoS in 2018.
- Non-recourse factoring lines remain stable at €187m, same figure as in 9M18.
- CAPEX (net of subsidies) stood at €54m vs €48m in 9M18, in line with the higher investment commitments announced by the Company in the Strategic Plan 2018-2020. Intangible investments increased to €36m in 9M19 similar figure than in 9M18 and tangible investments amounted to €18m in 9M19 vs €12m in 9M18.
- Financial Results payment was €19m, higher level than in 9M18 mainly explained by the annual interest payment of the €300m bond issued in April 2018 (€9m).
- 9M19 Tax payment was €20m vs €12m in 9M18, when some tax refunds from the Spanish tax authorities related to 2016 fiscal year took place.
- 3Q19 Free Cash Flow was almost flat (€-1m) vs €15m in 3Q18. In 9M19 stood at €-238m vs €-46m in 9M18, affected by the negative contribution of the working capital in the first half of the year. Free Cash Flow before working capital reached €119m in 9M19 (€93m excluding the impact of IFRS 16) vs €93m in 9M18.
- Net Debt amounted to €730m in 9M19 vs €686m in 9M18 and vs €483m in 2018. Net Debt/EBITDA LTM ratio stood at 2.4x vs 2.5x in 9M18 and vs 1.6x in 2018.
- Gross debt borrowing costs were 1.8% vs 2.1% in 9M18, improving 0.3 pp.

Human Resources

Final Workforce	9M19	%	9M18	%	Variation (%) vs 9M18
Spain	27,904	57	26,149	61	7
America	16,986	35	12,762	30	33
Europe	2,216	4	2,030	5	9
Asia, Middle East & Africa	1,976	4	1,917	4	3
Total	**49,082**	**100**	**42,858**	**100**	**15**

Average Workforce	9M19	%	9M18	%	Variation (%) vs 9M18
Spain	27,455	59	25,618	63	7
America	15,120	32	11,409	28	33
Europe	2,133	5	1,992	5	7
Asia, Middle East & Africa	1,944	4	1,858	4	5
Total	**46,652**	**100**	**40,876**	**100**	**14**

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Alternative Performance Measures (APMS)

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

Organic Revenues

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

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

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

Operating Result (EBIT):

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

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

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

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

Operating Margin

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

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

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

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

Gross Operating Result (EBITDA):

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

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

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

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

Net Financial Debt:

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

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

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

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

Free Cash Flow:

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

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

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

Contribution Margin:

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

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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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This should be taken into account by all individuals or institutions to whom this report is addressed and that might have to take decisions or form or transmit opinions relating to securities issued by the Company and in particular, by the analysts and investors who consult this document.

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