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1H20 Results

Revenues and operating margin fell -4% and -58%, especially impacted by covid in 2Q20.

Strong growth of order intake (+8%) and backlog (+15%) and FCF posted positive performance (+€149m vs 1H19).

The company will launch a postcovid action plan that will bring estimated annual recurrent savings of €100m.

- **Indra has launched a postcovid action plan to redirect investments and optimize costs to adapt to the structural changes of the business, which already include a negative impact on EBIT of €95 million in this quarter due to impairment of intangible assets. The estimated annual savings from 2021 onwards are €100m.**
- **Order intake increased by +8% in 1H20 vs 1H19, pushed by the strong growth registered in Transport & Defence, reaching the backlog another historic high (€5,094m), implying +15% growth.**
- **Revenues fell -2% in local currency (-4% in reported terms) in 1H20, affected by the impact of covid. Revenues in the second quarter decreased -5% in local currency and -8% in reported terms.**
- **Operating Margin amounted to €43m in 1H20 vs €102m in 1H19 (equivalent to 2.9% operating margin vs 6.6% in 1H19) affected by the delays and the lower activity due to covid.**
- **1H20 EBIT reached €-78m vs €79m in 1H19 (€-97m in 2Q20 vs €40m in 2Q19) affected by the delays and lower activity due to the covid, which has more impact in the second quarter, and by the impairments of intangible assets (€-95m).**
- **Cash generation in 1H20 improved in €+149m vs 1H19. Net Debt / EBITDA LTM ratio (excluding the impact of IFRS 16 and the impairments of intangible assets) up to 2.7x vs 2.4x in 1H19.**
- **Indra continued to strengthen its solid liquidity position during the quarter, and has more than €1,100m between cash and available lines as of June 30, 2020.**
- **We expect that 2H20, although still impacted by covid, will be better in relative terms vs 1H20 if there is no worsening in the pandemic.**

Madrid, July 29th, 2020 - Fernando Abril-Martorell, Chairman and Chief Executive Officer of Indra:

"As we anticipated, the Covid-19 crisis heavily impacted 2Q20 results for the entire period from April to June. Virtually all the sectors in which Indra operates were affected, although the degree to which they were impacted and how long this effect will last varies from sector to sector. Industry and Air Traffic were severely hit, while others proved to be more resilient, such as payment systems and utilities. The economies of the main countries in which we operate, Spain, Latin America, Italy and the oil exporting countries, were also heavily impacted, with different prospects of a recovery in 2021.

Covid is having a very different impact on our two businesses. This said, while Minsait (IT) and Transport & Defence do paint a very different picture, both are suffering from the lower operability of the commercial force sales, low oil prices and currency depreciation in several countries, particularly Minsait in Latin America.

In Minsait, as was to be expected, the impact of Covid on sales in 2Q was greater than in 1Q, when the pandemic only affected three weeks. The quarterly impact on margins was higher, with the Operating Margin down -78% vs 2Q19, explained by the loss of operating leverage due to lower sales, together with the higher personnel costs of a workforce sized at the beginning of the exercise for a sales growth year, as well as the heightened competitive and price pressure observed during the quarter and with different mix, as a result of the difficulties being faced by some of our customers.

As forecast, 2Q20 Transport & Defence revenue suffered a higher temporary impact compared with 2Q19, largely as a result of delayed decision-making among our customers and the negative impact that travel restrictions – still in place in many countries – had on the ability to complete tests and certifications in international projects. While these impacts are disproportionately reflected in the accounting treatment of projects based on the recognition of milestones, this will also lead to a faster recovery as the international situation returns to normal.

On a positive note, Transport & Defence order intake posted solid growth (+41% in 1H20 vs 1H19), even surpassing our pre-Covid budget, mainly thanks to Defence, which strengthened our backlog even further (3.0x backlog/revenues) and improves our medium-term growth expectations. As with Minsait, Transport & Defence will perform better in the second half of 2020 than in 1H20. Cash generation performed well in the first half of the year, up €+149 million vs 1H19 mainly thanks to higher collections, including amounts for some of the projects delayed from 2019, and despite the increase in inventories to the delays in certifications. The financial position is now improving once again, with liquidity exceeding €1,100 million at the close of the quarter, comprising cash, short-term facilities and available financing.

Covid is not only prompting temporary reductions in our customers' sales and results, but it has also structurally changed their needs – needs for which Indra has been developing the necessary technological capabilities in recent years and which will therefore create opportunities for our business in the future. These new needs include those related to working from home, remote controlling via cybersecurity protocols and systems, acceleration of the implementation of digital channels among our customers, driving e-commerce and online processes, contactless solutions, technological advancement of RPA solutions, artificial intelligence, unmanned systems and cyberdefence, as well as rebalancing and increased public spending to boost economies, potentially having a positive knock-on effect on infrastructures in the medium term.

These structural changes in our clients make us rethink the continuity of some of the products and investments based on old technologies, given the expected acceleration of digitization. This implies the impairments of intangible assets amounting to €95m in the period, and the need to adapt and transform the cost structures and the workforce. The combination of these measures (postcovid action plan) we expect will generate estimated annual savings of around €100m from 2021 onwards, with estimated one-off costs of €165m in 2020, of which €95m are already accounted for in this quarter.

In short, while Covid continues to create uncertainty and will continue to impact results for the year, positive signs which began to appear in the last few weeks of the reporting period suggest 2Q20 will be the hardest-hit quarter of the year and that things will start to look up in the second half. With all this and within a logical framework of uncertainty that will depend on the evolution of the pandemic, we therefore expect 2020 revenue to reach between €3,150 and €3,200 million in local currency and EBIT between €120 and €135 million before impairments of intangible assets and the estimated one-off costs of the action plan*.*

The recent positive trend in order intake, the current size of our order backlog and our sound commercial position despite the crisis, as well as our technological capabilities to address our

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customers' new needs in the post-Covid era and the positive impact of the measures implemented under the post-Covid plan, allow us to maintain our positive internal revenue and EBIT forecasts from 2021 onwards."

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

Main Figures	1H20 (€M)	1H19 (€M)	Variation (%) Reported / Local currency	2Q20 (€M)	2Q19 (€M)	Variation (%) Reported / Local currency
Net Order Intake	2,087	1,930	8.1 / 11.4	1,067	983	8.5 / 12.4
Revenues	1,484	1,546	(4.0) / (1.5)	749	811	(7.6) / (4.5)
Backlog	5,094	4,420	15.3	5,094	4,420	15.3
Gross Operating Result (EBITDA)	(18)	142	(112.6) / (111.2)	(69)	72	(195.4) / (193.0)
EBITDA Margin	(1.2%)	9.2%	(10.4) pp	(9.2%)	8.9%	(18.1) pp
Operating Margin	43	102	(57.7)	12	54	(77.6)
Operating Margin %	2.9%	6.6%	(3.7) pp	1.6%	6.6%	(5.0) pp
Operating Result (EBIT)	(78)	79	(199,2) / (197,4)	(97)	40	(341,7) / (338,3)
EBIT margin	(5.3%)	5.1%	(10.4) pp	(13.0%)	5.0%	(18.0) pp
Net Profit	(75)	34	(319.8)	(81)	16	(617.1)
Net Debt Position	670	716	(6.5)	670	716	(6.5)
Free Cash Flow	(88)	(237)	NA	(29)	(129)	(77.3)
Basic EPS (€)	(0.423)	0.192	(320.3)	NA	NA	NA

Transport and Defence (T&D)	1H20 (€M)	1H19 (€M)	Variation (%) Reported / Local currency	2Q20 (€M)	2Q19 (€M)	Variation (%) Reported / Local currency
Revenues	505	552	(8.4) / (7.5)	260	288	(9.5) / (8.3)
Operating Margin	30	61	(51.4)	14	26	(43.9)
% Revenues	5.9%	11.1%	(5.2) pp	5.6%	9.0%	(3.4) pp
Operating Result (EBIT)	(18)	51	(134.0)	(29)	20	(244.8)
EBIT margin	(3.5%)	9.3%	(12.8) pp	(11.3%)	7.1%	(18.4) pp

Minsait	1H20 (€M)	1H19 (€M)	Variation (%) Reported / Local currency	2Q20 (€M)	2Q19 (€M)	Variation (%) Reported / Local currency
Revenues	979	994	(1.6) / 1.7	489	523	(6.5) / (2.5)
Operating Margin	13	41	(67.2)	(2)	28	(108.9)
% Revenues	1.4%	4.1%	(2.7) pp	(0.5%)	5.3%	(5.8) pp
Operating Result (EBIT)	(61)	27	(321.5)	(68)	20	(441.2)
EBIT margin	(6.2%)	2.8%	(9.0) pp	(13.9%)	3.8%	(17.7) pp

Action Plan Post-Covid

The company has launched a postcovid action plan in order to adapt to a new environment and to the structural changes in the needs of its clients. This plan is based on proactively managing new demand and boosting revenues, taking advantage of Indra´s technological capabilities, as well as accelerating the transformation of the company´s operations.

The operations transformation plan has as its main axes the cost efficiency and the prioritization of investments and resources, and its main action lines are as follows:

	Actions	Estimated EBIT impact M€		Estimated Cash savings M€	
		One-off costs 2020	Ongoing savings 2021	One-off costs 2020	Ongoing savings 2021
1	Reduction of non-personnel expenses	0	20	0	20
2	Internal processes improvement and new workplace model	-1.4	25	0	25
3	Capex investment reorientation and Balance Sheet adjustments	-100	25	6.3	0
4	Workforce transformation plan	-65	30	-45	30
	Total	-166.4	100	-38.7	75

1. - Reduction of non-personnel expenses:

This measure aims to have €20m estimated positive impact on EBIT and cash generation from 2021 onwards. The objective is to reduce the items of general costs (excluding personnel), which are affected by the changes in the demand of our clients and allow us to take advantage of their new needs. Includes purchasing, internal information systems, communications, external professional services, travel expenses, supplies and marketing.

2. - Internal processes improvement and new workplace model:

These measures will have a positive estimated impact on EBIT of €25m per year from 2021.

The company will obtain cost efficiencies by reviewing and optimizing internal processes and systems, applying agile organizational models and new technologies that allow optimizing the company´s operations in the new environment.

Likewise, remote work will be boosted in order to improve work-life balance and employee productivity, minimizing the risk associated with the Covid-19 pandemic in the company´s operations. This means to optimize and reduce the number of premises and the necessary surface area of current buildings.

3. - Capex investment reorientation and Balance Sheet adjustments

This action aims to redirect capex investments on existing products, adapting them to the new structural needs of our clients after Covid-19, and terminating old technologies. The company has analyzed and estimated the returns of each of its products after the impact of Covid-19, with the goal of redirecting its investments, grouping them in the following four categories: products to boost, stimulate/ strengthen, transform/ change its value proposition and deprioritize.

The impairment of intangible assets as a result of the products to be deprioritize and to transform its value proposition amounts to €-86m, corresponding to €-55m to Minsait and €-31m to Transport & Defence. This adjustment will have a positive impact on EBIT of € 25m per year from 2021.

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4. - Workforce transformation plan:

In September, we will start conversations with the workers representation about the specific necessary measures for this transformation, because of the structural change of the business and the revenues decrease.

Main Highlights

1H20 Backlog reached its highest historical level and stood at €5,094m implying +15.3% growth in reported terms. T&D backlog amounted to €3.3bn and Minsait backlog totaled €1.8bn, growing +21.3% and +4.2% respectively. Backlog/Revenues LTM also reached new historic high and stood at 1.62x vs 1.39x in 1H19.

1H20 Order intake up +11.4% in local currency (+8.1% in reported figures) in 1H20, pushed by the strong growth registered in Transport & Defence:

- **1H20 Order intake in T&D** up +43.1% in local currency, mainly boosted by the strong order intake registered in Defence & Security in Spain (electronic defence systems and the surveillance radar for the Frigates F110 of the Spanish Army), Europe (Radars in UK) and AMEA (Radars in South Korea and Indonesia).
- **1H20 Order intake in Minsait** down -2.5% in local currency due to the sharp order intake registered last year same period in Public Administrations & Healthcare (taxes solutions and relevant Outsourcing contracts in Spain) and in Financial Services (BPO in Brazil).

1H20 revenues decreased -1.5% in local currency (-4.0% in reported terms), mainly as a consequence of the fall in Transport & Defence:

- **1H20 revenues in the T&D division** decreased -7.5% in local currency, dragged by the decline in Defence & Security (-15.5% in local currency), due to the lower activity in Platforms and Simulation, the worse half-yearly comparison in Eurofighter, as well as by delays due to Covid-19. **Sales in 2Q20** fell -8.3% showing declines in both, Defence & Security (-13.3% in local currency) and Transport and Traffic (-3.5% in local currency), being the covid impact more accentuated in the quarter in Defence & Security and ATM international programs.
- **1H20 revenues in Minsait** up +1.7% in local currency. The growth registered in Telecom & Media (+10.3% in local currency), Financial Services (+5.5% in local currency) and Energy & Industry (+1.6% in local currency) offset the decline in Public Administrations & Healthcare (-9.1% in local currency). **Sales in 2Q20** decreased -2.5% in local currency affected in part by covid. Public Administrations & Healthcare (-14.4% in local currency) and Energy & Industry (-1.8% in local currency) showed declines.
- **FX impact** contributed negatively €-38m in 1H20 and €-25m in 2Q20.

Organic revenues (excluding the inorganic contribution of SIA and the FX impact) fell -3.7% (-6.6% in 2Q20). For its part, Minsait in the first half of the year posted -1.6% organic decline (-5.7% in 2Q20).

Digital solutions revenues reached €248m (25% of Minsait sales) in 1H20, which implies an increase of +12.4% vs 1H19; chiefly pushed by the inorganic contribution of SIA.

1H20 reported EBITDA stood at €-18m vs €142m in 1H19, affected by the impairments of intangible assets (€-95m), the delays and lower activity due to the covid. Both impacts are concentrated in the second quarter. EBITDA in 2Q20 was €-69m vs €72m in 2Q19.

Operating Margin amounted to €43m in 1H20 vs €102m in 1H19 (equivalent to 2.9% operating margin vs 6.6% in 1H19) affected by the delays and the lower activity due to covid. In the second quarter Operating Margin stood at €12m vs €54m last year same period (equal to 1.6% margin vs 6.6% in 2Q19).

- **1H20 Operating Margin in the T&D division** reached €30m vs €61m in 1H19, equivalent to 5.9% margin vs 11.1% last year same period. In the second quarter, operating margin stood at 5.6% vs 9.0% in 2Q19. The drop in profitability is explained by delays in the milestone certifications, which in turn generate extra costs in some projects, by the postponement in the decision-making of clients by covid, and the worst comparison of the Eurofighter.

- **1H20 Operating Margin in Minsait** stood at €13m vs €41m in 1H19, equivalent to 1.4% operating margin vs 4.1% in 1H19, having the covid a relevant impact in the quarter (operating margin of -0.5% vs. 5.3% in 2Q19). This decrease is due to the loss of operating leverage as a consequence of lower sales by covid, together with the higher personnel costs of a workforce sized at the beginning of the exercise for a sales growth year. Personnel costs are reducing their growth compared to the first quarter, as the workforce continues to decrease compared to December 2019, but it is still higher than in June 2019. Thus, the growth of the average salary mass of Minsait in January 2020 vs January 2019 was +8%, and +5.5% vs 1H19.

Total restructuring costs (T&D and Minsait) amounted to €-19m in 1H20 vs €-14m in 1H19.

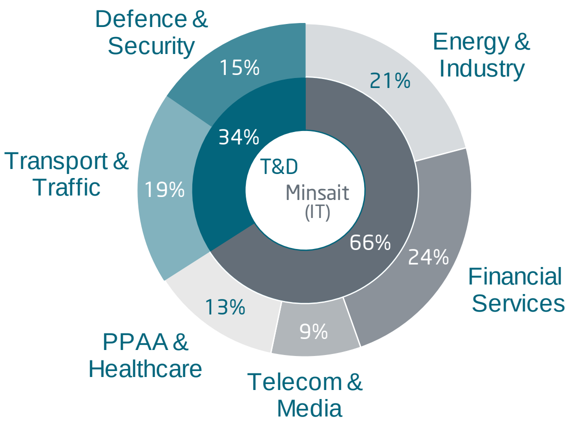
1H20 reported EBIT reached €-78m vs €79m in 1H19 affected by the impairments of intangible assets (€-95m), the delays and lower activity due to covid, which has more impact in the second quarter. Thus, 2Q20 EBIT amounted to €-97m vs €40m in 2Q19.

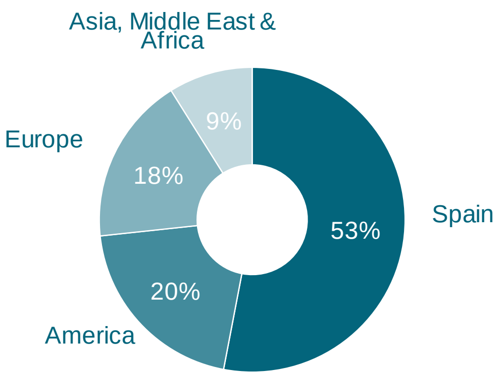
Net profit of the group stood at €-75m vs €34m in 1H19. Net profit excluding the impact of the impairments of intangible assets would have been €-3m.

1H20 Free Cash Flow improved in €+149m vs 1H19 and reached €-88m vs €-237m last year same period. FCF in the second quarter was €-29m vs €-129m thanks to the better working capital performance.

Net Debt amounted to €670m in 1H20 vs €552m 2019 and €716m in 1H19. Net Debt/EBITDA LTM ratio (excluding the impact of IFRS 16 and the impairments of intangible assets) stood at 2.7x vs 1.8x in 2019 and 2,4x in 1H19.

Sales by verticals and regions:





Outlook 2020

Revenues 2020: Between €3,150m and €3,200m in local currency.

EBIT 2020: Between €120m and €135m (before impairments of intangible assets and the estimated one-off costs of the action plan, that amount to €165m).

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Human Resources

At the end of 1H20, total workforce amounted to 48,228 professionals implying an increase of +2% vs June 2019. 1H20 average headcount increased by +8% vs 1H19. Most of this workforce increase vs 1H19 took place in the third quarter of 2019 and was related to Minsait (c. 90% of the total workforce increase), due to the beginning of highly labour intensive BPO projects, mainly in America.

Total workforce at the end of June 2020 decreased by -3.5% (1,770 employees less) compared to March 2020 and -4.2% (2,121 employees less) compared to December 2019.

Final Workforce	1H20	%	1H19	%	Variation (%) vs 1H19
Spain	28,142	58	27,588	58	2
America	15,638	32	15,673	33	(0)
Europe	2,332	5	2,142	5	9
Asia, Middle East & Africa	2,116	4	1,930	4	10
Total	**48,228**	**100**	**47,333**	**100**	**2**

Average Workforce	1H20	%	1H19	%	Variation (%) vs 1H19
Spain	28,616	58	27,255	59	5
America	16,507	33	14,524	32	14
Europe	2,322	5	2,107	5	10
Asia, Middle East & Africa	2,137	4	1,947	4	10
Total	**49,582**	**100**	**45,833**	**100**	**8**

Other events over the period

On April 3rd, Indra decided to withdraw its proposal to submit a Temporary Labor Force Adjustment Plan (ERTE), announced on March 27th, and a pay-reduction programme and keep open a communication channel to share with Spanish workers legal representatives the forecasts evolution trusting they will support the decisions that could be necessary to implement in the future. Board of Directors, CEO, COO´s and Senior Management have applied themselves a temporal pay reduction that had been proposed.

On May 11th, Indra published on its quarter-yearly financial information the decision of the Company to withdraw the 2020 guidance and postpone the decision of the return to the dividend payment, previously scheduled for this year 2020, due to Covid-19.

On May 21st, the Board of Directors decided to undertake a Temporary Share Buy-back Programme in order to allow the Company satisfy share awards to the executives under the compensation system in force, affecting a maximum of 250,000 shares (representing approximately 0.14% of the Company´s share capital) and for a maximum cash amount of 2.25 M€.

On June 1st, Indra announced the end of the Temporary Share Buy-back Programme, after having acquired the maximum number of shares planned.

The 2020 General Ordinary Shareholder Meeting of Indra Sistemas, S.A. (the "Company"), held in second call on 25th of June with an attendance quorum representing the 70.11% of the share capital, adopted with a wide majority all the resolutions proposed.

Analysis by division

Transport & Defence (T&D)

T&D	1H20 (€M)	1H19 (€M)	Variation (%) Reported	Variation (%) Local currency	2Q20 (€M)	2Q19 (€M)	Variation (%) Reported	Variation (%) Local currency
Net Order Intake	834	590	41,4	43,1	568	346	64,2	66,4
Revenues	505	552	(8,4)	(7,5)	260	288	(9,5)	(8,3)
- Defence & Security	229	271	(15,6)	(15,5)	122	141	(13,4)	(13,3)
- Transport & Traffic	277	281	(1,4)	0,3	138	147	(5,7)	(3,5)
Book-to-bill	1,65	1,07	54,3		2,18	1,20	81,4	
Backlog / Revs LTM	2,95	2,26	30,3					

1H20 T&D revenues decreased -7% in local currency, affected by the decline in Defence & Security (-15% in local currency). However, sales in Transport & Traffic remained stable.

2Q20 sales went down -8% in local currency, explained by the falls posted in Defence & Security (-13% in local currency) as well as in Transport & Traffic (-3% in local currency).

1H20 order intake grew +43% in local currency, driven by the strong order intake registered in Defence & Security (+84% in local currency).

Backlog/Revenues LTM ratio improved to 2.95x in 1H20 vs 2.26x in 1H19. Book-to-bill ratio stood at 1.65x vs 1.07x in 1H19.

Defence & Security

- 1H20 Defence & Security sales decreased by -15% in local currency, due to the fall in Platforms and Simulation, the worse half-yearly comparison of the Eurofighter and the Covid-19 impact.
- All geographies posted revenue declines. It is worth noting the decreased registered in Spain (Platforms and Simulation) and Europe (Platforms). Most of the activity of the vertical in 1H20 was concentrated in Europe and Spain (c. 40% of sales each region).
- 2Q20 revenues went down by -13% in local currency, mainly explained by the falls registered in Europe (Platforms) and AMEA (Integrated Systems), affected in the quarter by the delays due to Covid-19.
- 1H20 order intake increased by +84% in local currency, bolstered by the strong growth in Spain (F110 Frigates). Furthermore, it is worth mentioning the order intake registered in AMEA in the Integrated Systems area and Platforms (Radars in South Korea and Indonesia), and in Europe (Radar in UK).

Transport & Traffic

- 1H20 Transport & Traffic sales remained stable in local currency (-1% in reported terms). The growth posted in Transport (+4% in local currency, c. 50% of sales) offset the decline registered in Air Traffic Management (-3% in local currency, c. 50% of sales).
- In the Transport segment, it is worth mentioning the increase registered in Spain, mainly backed by Urban Transport (T-Mobilitat).
- In the Air Traffic segment, International Programs showed double-digit decline (mainly in AMEA), affected by the delays due to Covid, while European Programs registered slight decline.
- 2Q20 sales went down by -3% in local currency, registering declines in both, Transport (-5% in local currency) and Air Traffic Management (-2% in local currency). It stands out the double-digit decline in both segments in AMEA, affected by the delays due to Covid.

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- Region wise, most of the activity of the vertical in 1H20 was concentrated in Spain (c. 30% of sales), AMEA and Europe (c. 25% of sales each region).
- 1H20 order intake up +13% in local currency, bolstered by the strong growth posted in Spain (Enaire and T-Mobilitat) and Europe (control centers for rail transport in Ireland). It is also worth noting the strong order intake registered in Air Traffic Management International Programs in Middle East (India, Bahrain and Oman).

Minsait

Minsait	1H20	1H19	Variation (%)		2Q20	2Q19	Variation (%)	
	(€M)	(€M)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Net Order Intake	1,253	1,341	(6.5)	(2.5)	499	637	(21.7)	(16.9)
Revenues	979	994	(1.6)	1.7	489	523	(6.5)	(2.5)
- Energy & Industry	310	316	(1.7)	1.6	151	161	(6.1)	(1.8)
- Financial Services	351	345	1.8	5.5	176	182	(3.2)	1.6
- Telecom & Media	129	122	5.7	10.3	64	64	0.7	6.1
- PPAA & Healthcare	188	211	(11.1)	(9.1)	97	116	(16.4)	(14.4)
Book-to-bill	1.28	1.35	(5.0)		1.02	1.22	(16.2)	
Backlog / Revs LTM	0.86	0.84	2.4					

1H20 Minsait sales grew +2% in local currency. Revenues up in Telecom & Media (+10% in local currency), Financial Services (+5% in local currency) and Energy & Industry (+2% in local currency), while PPAA & Healthcare recorded declines (-9% in local currency).

Excluding the inorganic contribution of SIA (Cybersecurity Company acquired on December 31st, 2019) and the FX impact, Minsait sales would have decreased by -2% in the first half of the year.

Digital solutions sales amounted to €248m (which represents 25% of Minsait sales) in 1H20, implying an increase of +12% vs 1H19, mainly pushed by the inorganic contribution of SIA.

2Q20 revenues went down -2% in local currency, mainly affected by the falls registered in Public Administrations & Healthcare (-14% in local currency) and Energy & Industry (-2% in local currency)

1H20 order intake in Minsait decreased by -3% in local currency. The falls registered in Public Administrations & Healthcare (-19% in local currency) and in Financial Services (-3% in local currency) were not compensated by the growth recorded in Telecom & Media (+16% in local currency) and Energy & Industry (+4% in local currency).

Backlog/Revenues LTM improved to 0.86x vs 0.84x in 1H19. Book-to-bill ratio stood at 1.28x vs 1.35x in 1H19.

Energy & Industry

- 1H20 Energy & Industry revenues increased by +2% in local currency. The Energy segment (c. 60% of sales of the vertical) posted slight growth, while the Industry segment (c. 40% of sales of the vertical) recorded declines.
- It is worth mentioning the positive performance of Energy in America (Utilities Sector in Brazil), while the Energy segment in Europe (Italian subsidiary) and Industry in America (Retail Sector in Brazil) decreased.
- 2Q20 revenues went down by -2% as a consequence of the double-digit decline in Industry, both in Spain and in America.
- By geography, most of the activity was concentrated in Spain (c. 55% of sales) and America (c. 30% of sales).
- 1H20 order intake went up by +4% in local currency. The growth registered in the Energy segment (relevant clients in Spain and America) offset the strong decrease posted in the Industry segment in Spain.

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Financial Services

- 1H20 Financial Services sales increased by +5% in local currency, showing growth in the Banking Sector (c. 85% of the sales) as well as in the Insurance Sector (c. 15% of the sales).
- It is worth highlighting the positive performance in 1H20 of the Banking Sector in America, particularly in Payment Systems. Likewise, Insurance Sector in Spain showed positive evolution.
- 2Q20 revenues up +2% in local currency, boosted by the positive performance in America.
- Region wise, Spain (c. 70% of the sales) and America (c. 25% of the sales) concentrated most of the activity of the vertical in the first half of the year.
- 1H20 order intake went down -3% in local currency, mainly impacted by the falls recorded in America (relevant BPO contract signed in Brazil in 1H19).

Telecom & Media

- 1H20 Telecom & Media revenues grew by +10% in local currency, with all geographies showing growth.
- It is worth mentioning the higher activity recorded in Spain (main operators) and Europe (Italian subsidiary).
- 2Q20 revenues went up by +6% in local currency. It is also worth highlighting the positive performance registered in Spain and Europe.
- By geographies, most of the activity of the vertical in 1H20 was concentrated in Spain (c. 50% of sales) and America (c. 35% of sales).
- 1H20 order intake grew +16% in local currency, chiefly thanks to the renewal of relevant contracts signed in America in 1Q20.

Public Administrations & Healthcare

- 1H20 Public Administrations & Healthcare sales decreased by -9% in local currency (-11% in reported terms), due to falls recorded in the geographies (Spain and America).
- It is worth highlighting the decline posted in the election business in the first half of the year due to the elections that took place in 1H19 in Spain. Excluding the election business, sales in the Public Administrations & Healthcare vertical would have decreased by -4% in reported terms. It is worth noting the positive performance showed in Europe, as a result of the positive activity in Belgium (European Union projects) and in the Italian subsidiary.
- 2Q20 revenues went down by -14% in local currency, due to the election business in Spain and the lower activity in America (Public Administrations in Colombia). Excluding the election business in the second quarter, sales would have decreased by -4% in reported terms.
- Region wise, most of the activity was concentrated in Spain (c. 65% of the sales) and America (c. 20% of the sales).
- 1H20 order intake down -19% in local currency, mainly affected by the difficult comparison in Spain (tax solutions and relevant outsourcing contracts signed in 1H19).

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Analysis by Region

Revenues by Region	1H20 (€M)	1H20 (%)	1H19 (€M)	1H19 (%)	Variation (%) Reported	Variation (%) Local currency	2Q20 (€M)	2Q19 (€M)	Variation (%) Reported	Variation (%) Local currency
Spain	787	53	792	51	(0.7)	(0.7)	395	413	(4.5)	(4.5)
America	302	20	317	21	(4.8)	6.6	152	163	(7.0)	7.2
Europe	264	18	270	17	(2.4)	(1.7)	132	139	(5.0)	(4.1)
Asia, Middle East & Africa	133	9	167	11	(20.6)	(20.5)	71	95	(25.7)	(25.5)
Total	**1,484**	**100**	**1,546**	**100**	**(4.0)**	**(1.5)**	**749**	**811**	**(7.6)**	**(4.5)**

By geographies, it is worth mentioning the growth registered in the first half of the year in America (+7% in local currency; 20% of total sales). However, Spain (-1%; 53% of total sales), Europe (-2% in local currency; 18% of total sales) and AMEA (-21% in local currency; 9% of total sales) decreased.

Likewise, 2Q20 sales in America stood out (+7% in local currency), while the rest of the geographies showed declines: Spain (-4%), Europe (-4%) and AMEA (-25%), recording this region strong impact due to Covid in Defence & Security and International ATM programs.

Order intake posted strong growth in Spain (+15%), America (+23%), Europe (+5%), while AMEA decreased (-17%), all in local currency.

Spain

- 1H20 revenues slightly decreased (-2%), showing both, T&D and Minsait divisions declines.
- Revenues in Minsait (c. 75% of total sales) fell in 1H20, mainly due to the elections that took place in 1S19 and by the decline in Financial Services (lower activity with one of the key clients). On the positive side, it is worth highlighting the growth registered in Telecom & Media (main operators).
- T&D revenues (c. 25% of total sales in the region) decreased in 1H20, affected by the fall registered in Defence & Security (lower activity in Platforms and Simulation). It is worth mentioning the positive performance posted in Transport & Traffic, pushed by Transport (T-Mobilitat urban transport project).
- 2Q20 revenues down by -4%, showing both declines, Minsait (decreasing sales in all the verticals except for Telecom & Media) and T&D (Defence & Security).
- 1H20 order intake up +15%, pushed by the strong order intake registered for the execution of the electronic defence systems and the surveillance radar for the Frigates F110 of the Spanish Army.

America

- 1H20 revenues increased by +7% in local currency (-5% reported figures), pushed by the strong growth in Minsait. FX depreciation in Latam took off -13 p.p of growth.
- The activity in America is mostly concentrated in Minsait (c. 85% of total sales in the region). 1H20 revenues posted double-digit growth pushed by Energy & Industry and Financial Services.
- By countries, Brazil, the most relevant country in America (c. 30% of total revenues in the region), posted +8% revenue growth in local currency thanks to the significant improvement in Energy & Industry and Financial Services. Likewise, it is worth highlighting the growth registered in Peru (Telecom & Media and Financial Services) and Chile (Energy & Industry and Financial Services).
- T&D revenues (c. 15% of total sales in the region) posted close to mid-single digit declines.
- 2Q20 sales up +7% in local currency (-7% in reported terms) registering both Minsait and T&D sales growth.

- 1H20 order intake grew by +23% in local currency (+8% in reported terms), posting both Minsait and T&D growth. It is worth highlighting the positive performance in Transport (Mexico and USA) and Air Traffic Management (Argentina).

Europe

- 1H20 revenues down -2% in local currency, both Minsait and T&D registered declines.
- T&D sales (c. 65% of revenues in the region) in the first half of the year decreased, mainly due to the fall registered in Defence & Security (Eurofighter project). On the positive side, it is worth mentioning the growth posted in the European ATM programs.
- 1H20 Minsait revenues (c. 35% of total revenues in the region) posted declines mainly due to the drop in Energy & Industry.
- 2Q20 revenues recorded -4% in local currency, affected by the Defence & Security vertical.
- 1H20 order intake went up +5% in local currency, pushed by the rail transport contract signed in Ireland (Control Centers).

Asia, Middle East & Africa (AMEA)

- 1H20 revenues in AMEA decreased by -21% in local currency, chiefly affected by the T&D division.
- 1H20 T&D sales (c. 80% of total revenues in the region) posted double-digit declines both in Transport & Traffic (due to the lower activity in ATM international programs, Rail Transport in Arabia and Urban Transport in Riyadh) and in Defence & Security (relevant project that took place in 1H19 in Azerbaijan).
- 1H20 Minsait revenues (c. 20% of total sales in the region) posted close to double-digit decrease due to the lower activity in the election business.
- 2Q20 revenues fell -25% in local currency, mainly dragged by the decline in all the T&D verticals.
- 1H20 order intake posted -17% drop in local currency, due to the fact that in 1H19, the order intake of the urban and interurban ticketing maintenance phase in Riyadh took place

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Appendices

Consolidated Income Statement

	1H20 €M	1H19 €M	Variation €M	Variation %	2Q20 €M	2Q19 €M	Variation €M	Variation %
Revenue	**1,484.3**	**1,546.3**	**(62.0)**	**(4.0)**	**749.2**	**810.6**	**(61.4)**	**(7.6)**
In-house work on non-current assets and other income	34.8	42.5	(7.7)	(18.2)	14.7	24.9	(10.2)	(41.1)
Materials used and other supplies and other operating expenses	(493.8)	(550.6)	56.8	(10.3)	(259.8)	(300.2)	40.4	(13.4)
Staff Costs	(958.8)	(893.7)	(65.1)	7.3	(488.3)	(461.0)	(27.3)	5.9
Other gains or losses on non-current assets and other results	(84.4)	(2.4)	(82.0)	NA	(84.4)	(2.5)	(81.9)	NA
Gross Operating Result (EBITDA)	**(17.9)**	**142.0**	**(159.9)**	**(112.6)**	**(68.6)**	**71.9**	**(140.5)**	**(195.4)**
Depreciation and amortisation charge	(60.3)	(63.2)	2.9	(4.6)	(28.8)	(31.6)	2.8	(9.0)
Operating Result (EBIT)	**(78.2)**	**78.8**	**(157.0)**	**(199.2)**	**(97.4)**	**40.3**	**(137.7)**	**(341.7)**
EBIT Margin	***(5.3%)***	***5.1%***	***(10.4) pp***	**NA**	***(13.0%)***	***5.0%***	***(18.0) pp***	**NA**
Financial Loss	**(19.8)**	**(22.5)**	**2.7**	**(11.9)**	**(10.5)**	**(12.4)**	**1.9**	**(15.2)**
Result of companies accounted for using the equity method	(0.1)	0.5	(0.6)	NA	(0.2)	1.7	(1.9)	NA
Profit (Loss) before tax	**(98.2)**	**56.8**	**(155.0)**	**(272.9)**	**(108.1)**	**29.7**	**(137.8)**	**(464.3)**
Income tax	24.8	(19.6)	44.4	(226.4)	27.8	(11.8)	39.6	(335.7)
Profit (Loss) for the year	**(73.4)**	**37.1**	**(110.5)**	**(297.5)**	**(80.3)**	**17.9**	**(98.2)**	**(549.2)**
Profit (Loss) attributable to non-controlling interests	(1.2)	(3.2)	2.0	NA	(0.6)	(2.2)	1.6	NA
Profit (Loss) attributable to the Parent	**(74.6)**	**33.9**	**(108.5)**	**(319.8)**	**(80.9)**	**15.6**	**(96.5)**	**(617.0)**

Earnings per Share (according to IFRS)	1H20	1H19	Variation (%)
Basic EPS (€)	(0.423)	0.192	(320.3)
Diluted EPS (€)	(0.379)	0.181	(309.4)

	1H20	1H19
Total number of shares	176,654,402	176,654,402
Weighted treasury stock	310,451	329,873
Total shares considered	176,343,951	176,324,529
Total diluted shares considered	193,433,294	193,413,872
Treasury stock in the end of the period	523,497	346,791

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 2016 with a conversion price of €14.629), 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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- Revenues in reported terms decreased by -4% in 1H20 and -8% in 2Q20.
- Other income stood at €35m vs €43m in 1H19. The decrease is explained by the lower level of works for own non-current assets (€-5m) and the lower level of subsidies for own non-current assets (€-2m).
- Materials used and other supplies and other operating expenses decreased by -10%, due to the lower level of purchases, subcontracting and other expenses like travels, supplies, etc.
- Personnel expenses increased by +7% in 1H20, in line with the increase in the average workforce (+8%).
- 1H20 EBITDA stood at €-18m (due to the impact of the impairment of intangible assets, the delays and the lower activity due to Covid) vs €142m in 1H19.
- 1H20 D&A remained stable and amounted to €60m.
- 1H20 EBIT stood at €-78m vs €79m in 1H19 due to the same reasons as EBITDA.
- Financial results improved €3m vs 1H19 due to lower hedging differences in the changes in milestones and scopes. 1H20 gross debt borrowing costs was 1.9% vs 1.8% in 1H19.
- Tax income stood at €25m in 1H20, mainly explained by the tax income registered in Spain as a consequence of the loss before tax registered (vs tax payment of €-20M in 1H19).
- Net profit of the group stood at €-75m vs €34m in 1H19. Net profit excluding the impact of the impairment of intangible assets and would have been €-3m.

Income Statement by Division

1H20

M€	T&D	IT	Eliminations	Total
Total Sales	505	979	-	1,484
Contribution Margin	26	33	-	59
Contribution Margin (%)	*5.1%*	*3.4%*	-	*4.0%*
EBIT	(18)	(61)	-	(78)
EBIT Margin (%)	*-3.5%*	*-6.2%*	-	*-5.3%*

2Q20

M€	T&D	IT	Eliminations	Total
Total Sales	260	489	-	749
Contribution Margin	(6)	(19)	-	(25)
Contribution Margin (%)	*-2.4%*	*-3.8%*	-	*-3.3%*
EBIT	(29)	(68)	-	(97)
EBIT Margin (%)	*-11.3%*	*-13.9%*	-	*-13.0%*

1H19

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

2Q19

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

Figures not audited

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Consolidated Balance Sheet

	1H20 €M	2019 €M	Variation €M
Property, plant and equipment	115.1	117.2	(2.1)
Property investments	1.3	1.3	0.0
Assets for the rigth of use	139.1	129.6	9.5
Other Intangible assets	268.1	372.6	(104.5)
Investments for using the equity method and other non-current financial assets	223.9	218.2	5.7
Goodwill	882.4	884.9	(2.5)
Deferred tax assets	191.1	151.1	40.0
Total non-current assets	**1,821.0**	**1,874.9**	**(53.9)**
Assets classified as held for sale	10.0	13.4	(3.4)
Operating current assets	1,433.1	1,445.4	(12.3)
Other current assets	135.4	128.3	7.1
Cash and cash equivalents	827.3	854.5	(27.2)
Total current assets	**2,405.8**	**2,441.6**	**(35.8)**
TOTAL ASSETS	**4,226.8**	**4,316.5**	**(89.7)**
Share Capital and Reserves	666.4	780.1	(113.7)
Treasury shares	(3.7)	(2.8)	(0.9)
Equity attributable to parent company	**662.7**	**777.3**	**(114.6)**
Non-controlling interests	24.5	23.5	1.0
TOTAL EQUITY	**687.2**	**800.8**	**(113.6)**
Provisions for contingencies and charges	54.9	55.2	(0.3)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	1,417.8	1,379.6	38.2
Other non-current financial liabilities	210.7	202.5	8.2
Deferred tax liabilities	1.4	1.6	(0.2)
Other non-current liabilities	9.3	13.8	(4.5)
Total Non-current liabilities	**1,694.1**	**1,652.7**	**41.4**
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	79.2	26.7	52.5
Other current financial liabilities	73.7	85.2	(11.5)
Operating current liabilities	1,317.3	1,397.0	(79.7)
Other current liabilities	375.4	354.1	21.3
Total Current liabilities	**1,845.5**	**1,863.0**	**(17.5)**
TOTAL EQUITY AND LIABILITIES	**4,226.8**	**4,316.5**	**(89.7)**

Current bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(79.2)	(26.7)	(52.5)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(1,417.8)	(1,379.6)	(38.2)
Gross financial debt	(1,497.0)	(1,406.3)	(90.7)
Cash and cash equivalents	827.3	854.5	(27.2)
Net Debt	***(669.7)***	***(551.8)***	***(117.9)***

Figures not audited

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Consolidated Cash Flow statement

	1H20 €M	1H19 €M	Variation €M	2Q20 €M	2Q19 €M	Variation €M
Profit Before Tax	**(98.2)**	**56.8**	**(155.0)**	**(108.1)**	**29.7**	**(137.8)**
Adjusted for:						
- Depreciation and amortization charge	60.3	63.2	(2.9)	28.8	31.6	(2.8)
- Provisions, capital grants and others	97.6	(2.4)	100.0	105.7	11.7	94.0
- Result of companies accounted for using the equity method	0.1	(0.5)	0.6	0.2	(1.7)	1.9
- Financial loss	19.8	22.5	(2.7)	10.5	12.4	(1.9)
Dividends received	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Profit (Loss) from operations before changes in working capital	**79.7**	**139.6**	**(59.9)**	**37.1**	**83.6**	**(46.5)**
Changes in trade receivables and other items	28.4	(155.1)	183.5	(16.1)	(134.2)	118.1
Changes in inventories	(82.4)	(94.7)	12.3	(17.5)	(32.8)	15.3
Changes in trade payables and other items	(31.7)	(60.1)	28.4	15.6	(3.4)	19.0
Cash flows from operating activities	**(85.8)**	**(309.8)**	**224.0**	**(18.0)**	**(170.4)**	**152.4**
Tangible (net)	(15.7)	(12.1)	(3.6)	(7.4)	(7.0)	(0.4)
Intangible (net)	(18.9)	(29.2)	10.3	(9.8)	(16.8)	7.0
Capex	**(34.6)**	**(41.3)**	**6.7**	**(17.3)**	**(23.7)**	**6.4**
Interest paid and received	**(18.9)**	**(16.1)**	**(2.8)**	**(14.2)**	**(13.2)**	**(1.0)**
Other financial liabilities variation (1)	**(18.0)**	**0.0**	**(18.0)**	**(9.3)**	**0.0**	**(9.3)**
Income tax paid	**(10.6)**	**(9.9)**	**(0.7)**	**(7.7)**	**(5.4)**	**(2.3)**
Free Cash Flow	**(88.3)**	**(237.4)**	**149.1**	**(29.3)**	**(129.2)**	**99.9**
Changes in other financial assets	0.0	0.8	(0.8)	4.1	(0.0)	4.1
Financial investments/divestments	(15.1)	(0.8)	(14.3)	(15.0)	(0.5)	(14.5)
Dividends paid by companies to non-controlling shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Dividends of the parent company	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders contributions	0.0	0.0	0.0	0.0	0.0	0.0
Changes in treasury shares	(2.5)	0.4	(2.9)	(1.8)	(0.4)	(1.4)
Cash-flow provided/(used) in the period	**(105.9)**	**(237.0)**	**131.1**	**(42.0)**	**(130.1)**	**88.1**

Initial Net Debt	**(551.8)**
Cash-flow provided/(used) in the period	(105.9)
Foreign exchange differences and variation with no impact in cash	(12.0)
Final Net Debt	***(669.7)***

Cash & cash equivalents at the beginning of the period	**854.5**	**917.8**	**(63.3)**
Foreign exchange differences	(14.6)	1.2	(15.8)
Increase (decrease) in borrowings	93.2	58.8	34.4
Net change in cash and cash equivalents	(105.9)	(237.0)	131.1
Ending balance of cash and cash equivalents	**827.3**	**740.9**	**86.4**
Long term and current borrowings	**(1,497.0)**	**(1,457.4)**	**(39.6)**
Final Net Debt	***(669.7)***	***(716.5)***	***46.8***

(1) The IFRS 16 effect is included in "other financial liabilities variation" and amounted to €-18m. In 1H19 this item was included in “changes in trade payables and other items” and amounted to €-17m.

Figures not audited

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- Operating Cash Flow before net working capital reached €+80m in 1H20 vs €+140m in 1H19, due to the decline in the operating profitability.
- Cash Flow from operating activities (working capital) stood at €-86m in 1H20 vs €-310m in 1H19, improving thanks to the positive performance of clients (improvement of €+183m vs 1H19).
- Net Working Capital (Operating Current Assets – Operating Current Liabilities) stood at €+116m, equivalent to 13 DoS vs 6 DoS in December 2019 and vs 20 Dos in 1H19. This increase was due to higher level of Inventories (+11 DoS vs 2019), mainly due to the difficulties in the certification of milestones as a consequence of Covid-19, and lower level of Accounts payable (+8 DoS), as a result of less purchases vs last year. On the positive side, Clients improved in 10 DoS as a consequence of higher cash collections in the T&D division (pending cash collections and advanced payments).
- Non-recourse factoring lines remain stable at €187m.
- 1H20 CAPEX (net of subsidies) stood at €35m, €7m less than in 1H19.
- Financial Results payment in 1H20 was €19m vs €16m in 1H19, explained by higher interest in the short and long-term loans, as well as by other financial expenses.
- Tax payment remained stable and stood at €11m.
- 1H20 Free Cash Flow improved €+149m vs 1H19, and stood at €-88m vs €-237m in 1H19. Free Cash Flow stood at €-29m in 2Q20 vs €-129m in 2Q19, improving thanks to the positive performance of the working capital.
- Net Debt amounted to €670m vs €552m in 2019 and vs €716m in 1H19. Net Debt/EBITDA LTM ratio (excluding the impact of IFRS 16 and the impairment of intangible assets) stood at 2.7x in 1H20 vs 1.8x in 2019 and 2.4x in1H19.

Alternative Performance Measures (APMS)

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

Organic Revenues

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

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

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

Operating Result (EBIT):

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

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

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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, impairments, integration and acquisition costs, amortization of intangible assets from acquisitions, equity based compensation and possible fines.

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

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

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

Gross Operating Result (EBITDA):

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

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

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

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

Net Financial Debt:

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

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

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

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

Free Cash Flow:

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

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

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

Contribution Margin:

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

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

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

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

Order Intake:

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

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

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

Backlog:

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

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

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

Glossary

AMEA: Asia, Middle East and Africa.

ATM: Air Traffic Management.

BPO: Business Process Outsourcing.

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

CAPEX: Capital Expenditure.

DoS: Days of Sales.

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

EBIT: Earnings Before Interests and Taxes.

EPS: Earnings Per Share.

IT: Information Technology

LTM: Last Twelve Months.

MoD: Ministry of Defence.

R&D: Research & Development.

T&D: Transport & Defence.

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