

INDRA INCREASED ITS BACKLOG, ORDER INTAKE AND REVENUES AND IMPROVED ITS PROFITABILITY AND CAPITAL STRUCTURE IN 2018

- **2018 order intake grew in local currency (+9%) above revenues (+6%). Organic revenues¹ up +1%. Backlog surpassed €4bn and grew +13% in reported terms**
- **2018 EBITDA up +10%. EBITDA Margin improved to 9.4% in 2018 vs 8.8% in 2017. EBIT improved to €199m in 2018 vs €196m in 2017**
- **Transport came back to growth and profitability in 2018, posting revenue and order intake expansion and positive EBIT margin**
- **Minsait (IT) registered order intake (+10%) and revenue (+9%) growth. Digital solutions sales increased by +28% (21% of Minsait sales) and Brazil kept showing revenue and margin expansion**
- **2018 Free Cash Flow totaled €168m, reducing the Net Debt/EBITDA LTM ratio to 1.6x (vs 2.2x in 2017)**
- **Indra fulfilled its guidance 2018.**

¹ Organic revenues: 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. The acquisitions included are: TecnoCom, which started to consolidate on 18 April 2017; Paradigma, which started to consolidate on 1 January 2018; ACS (Advanced Control Systems) which started to consolidate on 1 October 2018.

This report may contain certain forward-looking statements, expectations and forecasts about the Company at the time of its elaboration. These expectations and forecasts are not in themselves guarantees of future performance as they are subject to risks, uncertainties and other important factors that could result in final results differing from those contained in these statements. 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.

Madrid, February 28, 2019.- Fernando Abril-Martorell, Chairman and Chief Executive Officer of Indra: “2018 results start to show the benefits coming from the implementation of the transformation, investment, efficiency and cultural change initiatives announced in our new strategic plan 2018-2020, as well as from the positive performance of the new organizations in both IT and T&D. Order intake and backlog kept growing above revenues for another quarter. Organic revenues (in local currency and adjusting the contribution of acquisitions) increased in 2018. The company’s profitability improved again, EBITDA grew in absolute terms and as a percentage of sales, in a year with less contribution of the Eurofighter program and the Elections business”.

“Cash generation was very solid once again, amounting to €168m, which allowed us to enhance our leverage to 1.6x Net Debt/EBITDA. The T&D division showed robust order intake and backlog growth and margin improvement. The Transport segment stood out, showing revenue expansion and coming back to profitability. For its part, Minsait (IT) registered order intake, backlog and revenue growth”.

“In conclusion, 2018 results showed Indra’s return to revenue growth, improvement in profitability and capital structure and debt reduction. We have fulfilled or over fulfilled the guidance committed with the financial community for 2018. Likewise, the expansion of the order intake and backlog, even above revenues, improves the visibility of our future growth. In 2019, Indra expects to continue with its efforts in the transformation process and the cost initiatives in order to offset the persisting competitive pressure that all its businesses face, chiefly Minsait”.

MAIN FIGURES	2018	2017	Variation (%) Reported / Local currency	4Q18	4Q17	Variation (%) Reported / Local currency
	(€M)	(€M)		(€M)	(€M)	
Net Order Intake	3,437	3,248	5.8 / 9.1	972	896	8.4 / 11.8
Revenues	3,104	3,011	3.1 / 5.8	930	895	3.9 / 5.7
Backlog	4,065	3,612	12.5	4,065	3,612	12.5
Gross Operating Result (EBITDA)	293	266	10.1 / 11.2	110	96	14.9 / 15.6
EBITDA Margin	9.4%	8.8%	0.6 pp	11.8%	10.7%	1.1 pp
Operating Result (EBIT)	199	196	1.9 / 3.0	84	72	17.1 / 17.7
EBIT margin	6.4%	6.5%	(0.1) pp	9.1%	8.0%	1.1 pp
Net Profit	120	127	(5.6)	65	42	53.8
Net Debt Position	483	588	(17.9)	483	588	(17.9)
Free Cash Flow	168	186	(10.2)	213	142	49.9
Basic EPS (€)	0.680	0.738	(7.9)	NA	NA	NA

T&D	2018	2017	Variation (%) Reported / Local currency	4Q18	4Q17	Variation (%) Reported / Local currency
	(€M)	(€M)		(€M)	(€M)	
Revenues	1,188	1,183	0.4 / 1.4	410	372	10.4 / 11.0
Operating Result (EBIT)	157	137	13.9	57	32	80.1
EBIT margin	13.2%	11.6%	1.6 pp	14.0%	8.6%	5.4 pp

Minsait (IT)	2018	2017	Variation (%) Reported / Local currency	4Q18	4Q17	Variation (%) Reported / Local currency
	(€M)	(€M)		(€M)	(€M)	
Revenues	1,916	1,828	4.8 / 8.6	520	524	(0.7) / 2.0
Operating Margin	91	99	(8.2)	27	61	(55.6)
% Revenues	4.8%	5.4%	(0.6) pp	5.2%	11.7%	(6.5) pp
Operating Result (EBIT)	43	58	(26.5)	27	40	(33.0)
EBIT margin	2.2%	3.2%	(1.0) pp	5.2%	7.7%	(2.5) pp

2018 backlog grew +13% in reported terms, with both the T&D division and Minsait (IT) reporting robust growth. T&D backlog amounted to €2.7bn and Minsait (IT) backlog totaled €1.3bn. Both divisions improved its Backlog/Revenues LTM ratio in 2018 vs 2017; 2.3x vs 2.0x in T&D and 0.7x vs 0.6x in Minsait (IT).

2018 order intake up +9% in local currency (+6% in reported figures). Both T&D and Minsait (IT) registered growth:

- 2018 order intake in T&D increased by +8% in local currency, boosted by the Transport & Traffic vertical, where it is worth highlighting, amongst others, the maintenance phase of the Mecca-Medina high speed railway contract, within the Transport segment.
- 2018 order intake in Minsait (IT) increased by +10% in local currency, which is a very positive performance taking into consideration the difficult comparison vs the previous year (Elections business in AMEA). All verticals posted strong growth (also Public Administrations & Healthcare excluding the Elections business), where it is worth noting the contracts signed with Repsol, Enel, Telefónica, as well as the contracts achieved in the financial sector with key clients, mid-sized banks and those related to the payment processors business.

2018 revenues rose +6% in local currency (+3% in reported terms), mainly due to the contribution of acquisitions² and the company's organic growth.

- 2018 revenues in the T&D division went up +1% in local currency. Transport & Traffic (+7% in constant currency) registered growth both in the Transport segment (relevant contracts in AMEA and America, with Ecuador standing out) and in the Air Traffic Management segment (European and international programs, specifically in Algeria and China). The growth posted by Transport & Traffic offset the slowdown of Defence & Security (-4% in local currency), chiefly impacted by the lower contribution of Eurofighter.
- 2018 revenues in Minsait (IT) went up by +9% in local currency, mainly explained by the contribution of acquisitions, as well as by the positive dynamics in Energy & Industry (key clients in the Utilities and the Oil & Gas sectors, and the Hotels sector) and Financial Services (key clients and mid-sized banks), which showed double digit growth in local currency. Telecom & Media sales up +8%, while Public Administrations & Healthcare went down by -12%, affected by the lower contribution of Elections in AMEA.
- FX impact amounted to €-82m in 2018.

Digital solutions revenues reached €402m (21% of IT sales), which implies an increase of +28% (+17% organically) vs 2017.

Tecnocom restructuring process finished in 1H18. Operating synergies continue to be delivered as expected.

2018 EBITDA improved by +10%, equivalent to an EBITDA Margin of 9.4% vs 8.8% in 2017. In 4Q18, EBITDA Margin up to 11.8% vs 10.7% in 4Q17.

- EBITDA Margin in the T&D division improved to 16.2% in 2018 vs 13.7% in 2017, mainly thanks to the profitability increase in the Transport segment.
- The Operating Margin in Minsait (IT) was 4.8% in 2018 vs 5.4% in 2017, which implies an improvement in profitability excluding the Elections business.

2018 EBIT improved to €199m vs €196 in 2017, an increase of +2%. 4Q18 EBIT was €84m vs €72m in 4Q17. 4Q18 EBIT Margin was 9.1% vs 8.0% in 4Q17.

² Acquisitions: Tecnocom, which started to consolidate on 18 April 2017; Paradigma, which started to consolidate on 1 January 2018; ACS (Advanced Control Systems) which started to consolidate on 1 October 2018.

The CNMC fine provision in 3Q18 totaled €13.5m. A provision reversal of €12m took place in 4Q18. This provision is related to the future payment to the Treasury for some employees over 50 years affected by the restructuring plan (amount initially estimated in €40m).

The IFRS 15 application had an impact of €14m in revenues and €-5m in EBIT in 2018.

The estimated impacts associated with the IFRS 16 application are the following (which will be more detailed in the release of 1Q19 results):

- Increment of non-current assets by €150m/€200m, in the item “assets for the right of use”.
- Increment of current and non-current liabilities by the same amount, in the items “financial liabilities for non-current leases” and “financial liabilities for current leases”.
- Increment of the EBITDA by €30m/€40m.
- Limited positive impact on EBIT and limited negative impact on net profit.

Net profit of the group was €120m and decreased -6% vs 2017, affected by the lower extraordinary tax income in Brazil vs 2017 (c. €20m).

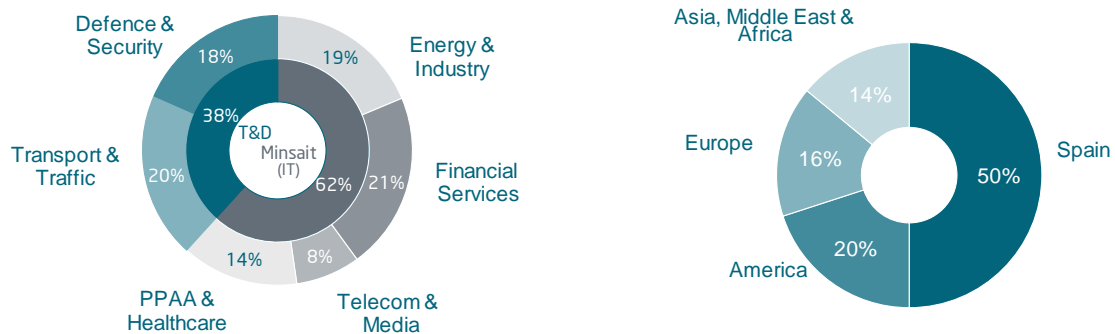
Free Cash Flow totaled €168m in 2018 vs €186m in 2017. There was a strong cash generation in the fourth quarter (€213m in 4Q18 vs €142m in 4Q17), again with a very positive contribution of working capital in the last days of the year.

Net debt decreased to €483m in 2018 vs €588m in December 2017. Net Debt/EBITDA LTM ratio stood at 1.6x vs 2.2x in 2017.

Indra has published as 2019 Outlook:

- 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.

Sales by verticals and regions



Human Resources

Final Workforce	2018	%	2017	%	Variation (%) vs 2017
Spain	26,622	61	25,081	63	6
America	13,071	30	11,326	28	15
Europe	2,073	5	1,811	5	14
Asia, Middle East & Afric	1,941	4	1,802	5	8
Total	43,707	100	40,020	100	9

Average Workforce	2018	%	2017*	%	Variation (%) vs 2017
Spain	25,775	62	24,517	61	5
America	11,909	28	11,921	30	(0)
Europe	2,008	5	1,836	5	9
Asia, Middle East & Afric	1,879	4	1,730	4	9
Total	41,572	100	40,004	100	4

(*) Displayed data includes TecnoCom's average workforce for the entire 2017 period

At the end of the year, total workforce amounted to 43,707 professionals, an increase of +9% vs 2017. 2018 average headcount increased by +4% (including TecnoCom's average workforce for the entire 2017 period).

Analysis by division
Transport & Defence (T&D)

T&D	2018	2017	Variation (%)		4Q18	4Q17	Variation (%)	
	(€M)	(€M)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Net Order Intake	1,323	1,248	6	8	422	503	(16)	(14)
Revenues	1,188	1,183	0	1	410	372	10	11
- Defence & Security	570	596	(4)	(4)	181	188	(4)	(3)
- Transport & Traffic	617	587	5	7	229	184	25	26
Book-to-bill	1.11	1.05	6		1.03	1.35	(24)	
Backlog / Revs LTM	2.29	2.00	15					

2018 T&D revenues went up by +1% in local currency (flat in reported terms). The growth posted by Transport & Traffic (+7% in local currency) offset the drop of Defence & Security (-4% both in local currency and reported figures), mainly dragged down by the lower contribution of the Eurofighter program.

4Q18 sales recorded double-digit growth (+11% in local currency; +10% in reported terms), boosted by Transport & Traffic (+26% in local currency). Both Transport and Air Traffic Management (ATM) grew at double digit.

2018 order intake increased by +8% in local currency (+6% in reported terms), pushed by Transport & Traffic, where it is worth noting the order intake related to the maintenance phase of the Mecca-Medina high-speed railway contract.

Backlog/Revenues LTM ratio improved to 2.29x in 2018 vs 2.00 in 2017. Book-to-bill ratio reached 1.11x in 2018 vs 1.05x in 2017.

Minsait (IT)

Minsait (IT)	2018	2017	Variation (%)		4Q18	4Q17	Variation (%)	
	(€M)	(€M)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Net Order Intake	2,114	2,000	6	10	550	393	40	44
Revenues	1,916	1,828	5	9	520	524	(1)	2
- Energy & Industry	580	481	21	25	163	140	17	20
- Financial Services	661	605	9	13	180	168	7	9
- Telecom & Media	240	236	2	8	62	65	(4)	1
- PPAA & Healthcare	436	506	(14)	(12)	115	151	(24)	(22)
Book-to-bill	1.10	1.09	1		1.06	0.75	41	
Backlog / Revs LTM	0.70	0.64	10					

2018 Minsait (IT) sales went up by +9% in local currency (+5% in reported figures), chiefly helped by the contribution of acquisitions and the positive dynamics registered by Energy & Industry and Financial Services, which grew at double digit in local currency. Telecom & Media sales grew +8% while Public Administrations & Healthcare went down by -12%, mainly impacted by the difficult comparison vs 2017 (Elections business in AMEA).

Digital solutions sales amounted to €402m (which represents 21% of the IT sales), implying an increase of +28% (+17% organic growth) vs 2017. It is worth highlighting the areas related to innovation, digital customer experience, process robotization, data science, including advanced analytics, and cybersecurity with strong growth rates.

4Q18 sales up +2% in local currency (-1% in reported terms), with all verticals growing except Public Administrations & Healthcare (-22% in local currency, explained by the negative impact of the Elections business). It is worth noting the positive performance of Energy & Industry (+20% in local currency) and Financial Services (+9% in local currency).

Minsait (IT) order intake grew by +10% in local currency (+6% in reported figures) in 2018. All verticals posted growth at double-digit rates except for Public Administrations & Healthcare, whose order intake fell due to the difficult comparison over the previous year (Elections business in AMEA). Excluding the Elections business, Minsait order intake would have grown +19% in reported terms.

Backlog/Revenues LTM improved to 0.70x vs 0.64x in 2017. Book-to-bill ratio reached 1.10x vs 1.09x in 2017.

Analysis by Region

Revenues by Region	2018		2017		Variation (%)		4Q18 (€M)	4Q17 (€M)	Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency			Reported	Local currency
Spain	1,556	50	1,387	46	12	12	444	402	11	11
America	609	20	656	22	(7)	4	179	189	(5)	3
Europe	504	16	492	16	2	3	140	133	6	6
Asia, Middle East & Africa	434	14	477	16	(9)	(7)	167	171	(3)	(3)
Total	3,104	100	3,011	100	3	6	930	895	4	6

By geographies, it is worth highlighting the growth posted in Spain (+12%; 50% of total sales) and America (+4%; 20% of total sales), pushed by the inorganic contribution of acquisitions and the organic growth registered in both regions. Sales in Europe also went up (+3%; 16% of total sales) while in AMEA decreased (-7% in local currency; 14% of total sales) due to the difficult comparison vs 2017 (Election business). Excluding the Election business, sales would have grown close to mid-single digit.

4Q18 revenues increased in local currency in all geographies (Spain +11%; Europe +6%; America +3%) except for AMEA (-3%) where the strong growth posted in Transport (+22%) did not offset the difficult comparison versus last year (Election business).

2018 order intake grew by +9% in local currency (+6% in reported terms). It is worth highlighting the growth registered in Spain (+17%) and America (+15% in local currency), mainly thanks to the contribution of acquisitions. AMEA order intake went up by (+1% in local currency) due to the strong performance in Transport, which almost offset the decline registered in the Elections business. However, order intake in Europe decreased (-10% in local currency) as a consequence of the fall registered in the Eurofighter program and the difficult comparison vs 2017 in Air Traffic Management (ATM).

APPENDICES:
CONSOLIDATED INCOME STATEMENT

	2018		2017		Variation		4Q18		4Q17		Variation	
	€M	€M	€M	%	€M	%	€M	%	€M	%	€M	%
Revenue	3,103.7	3,011.1	92.6	3	930.1	895.2	34.9	4				
In-house work on non-current assets and other income	85.3	58.0	27.3	47	31.9	23.9	8.0	33				
Materials used and other supplies and other operating expenses	(1,290.5)	(1,315.7)	25.2	(2)	(430.7)	(412.6)	(18.1)	4				
Staff Costs	(1,606.9)	(1,486.0)	(120.9)	8	(422.6)	(410.4)	(12.2)	3				
Other gains or losses on non-current assets and other results	1.4	(1.1)	2.5	NA	1.2	(0.4)	1.6	NA				
Gross Operating Result (EBITDA)	293.0	266.3	26.7	10	109.9	95.7	14.2	15				
Depreciation and amortisation charge	(93.7)	(70.6)	(23.1)	33	(25.7)	(23.7)	(2.0)	8				
Operating Result (EBIT)	199.3	195.6	3.7	2	84.3	72.0	12.3	17				
EBIT Margin	6.4%	6.5%	(0.1) pp	NA	9.1%	8.0%	1.1 pp	NA				
Financial Loss	(34.7)	(32.3)	(2.4)	7	(6.8)	(10.5)	3.7	(35)				
Result of companies accounted for using the equity method	(0.7)	(0.5)	(0.2)	NA	(0.0)	(0.4)	0.4	NA				
Profit (Loss) before tax	163.9	162.8	1.1	1	77.4	61.1	16.3	27				
Income tax	(41.7)	(33.8)	(7.9)	23	(11.5)	(17.8)	6.3	(35)				
Profit (Loss) for the year	122.2	129.1	(6.9)	(5)	65.9	43.2	22.7	53				
Profit (Loss) attributable to non-controlling interests	(2.5)	(2.2)	(0.3)	NA	(0.8)	(0.9)	0.1	NA				
Profit (Loss) attributable to the Parent	119.8	126.9	(7.1)	(6)	65.1	42.4	22.7	54				

Earnings per Share (according to IFRS)	2018	2017	Variation (%)
Basic EPS (€)	0.680	0.738	(8)
Diluted EPS (€)	0.625	0.672	(7)

	2018	2017
Total number of shares	176,654,402	176,654,402
Weighted treasury stock	457,647	603,063
Total shares considered	176,196,755	172,010,724
Total diluted shares considered	202,188,320	200,216,246
Treasury stock in the end of the period	428,489	813,376

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 Tecnomcom'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.

INCOME STATEMENT BY DIVISION

2018					4Q18				
M€	T&D	IT	Eliminations	Total	T&D	IT	Eliminations	Total	
Total Sales	1,188	1,916	-	3,104	410	520	-	930	
Contribution Margin	230	264	-	494	74	71	-	145	
<i>Contribution Margin (%)</i>	<i>19.4%</i>	<i>13.8%</i>	-	<i>15.9%</i>	<i>18.1%</i>	<i>13.6%</i>	-	<i>15.6%</i>	
EBIT	157	43	-	199	57	27	-	84	
<i>EBIT Margin (%)</i>	<i>13.2%</i>	<i>2.2%</i>	-	<i>6.4%</i>	<i>14.0%</i>	<i>5.2%</i>	-	<i>9.1%</i>	

2017					4Q17				
	T&D	IT	Eliminations	Total	T&D	IT	Eliminations	Total	
Total Sales	1,183	1,828	-	3,011	372	524	-	895	
Contribution Margin	224	258	-	482	56	94	-	150	
<i>Contribution Margin (%)</i>	<i>18.9%</i>	<i>14.1%</i>	-	<i>16.0%</i>	<i>15.0%</i>	<i>17.9%</i>	-	<i>16.7%</i>	
EBIT	137	58	-	196	32	40	-	72	
<i>EBIT Margin (%)</i>	<i>11.6%</i>	<i>3.2%</i>	-	<i>6.5%</i>	<i>8.6%</i>	<i>7.7%</i>	-	<i>8.0%</i>	

Figures not audited

CONSOLIDATED BALANCE SHEET

	2018	2017	Variation
	€M	€M	€M
Property, plant and equipment	108.4	104.1	4.3
Property investments	1.4	1.5	(0.1)
Other Intangible assets	373.5	352.2	21.3
Investments for using the equity method and other non-current financial assets	249.3	232.1	17.2
Goodwill	811.9	802.7	9.2
Deferred tax assets	160.4	165.8	(5.4)
Total non-current assets	1,704.9	1,658.4	46.5
Assets classified as held for sale	14.1	26.9	(12.8)
Operating current assets	1,283.3	1,321.9	(38.6)
Other current assets	121.1	160.3	(39.2)
Cash and cash equivalents	917.8	699.1	218.7
Total current assets	2,336.4	2,208.2	128.2
TOTAL ASSETS	4,041.3	3,866.6	174.7
Share Capital and Reserves	660.5	640.8	19.7
Treasury shares	(3.7)	(9.4)	5.7
Equity attributable to parent company	656.8	631.4	25.4
Non-controlling interests	20.9	17.5	3.4
TOTAL EQUITY	677.7	648.9	28.8
Provisions for contingencies and charges	65.6	70.2	(4.6)
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	1,358.6	1,016.4	342.2
Deferred tax liabilities	2.7	20.8	(18.1)
Other non-current financial liabilities	135.8	136.5	(0.7)
Total Non-current liabilities	1,562.7	1,243.9	318.8
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	42.3	271.0	(228.7)
Operating current liabilities	1,364.2	1,328.2	36.0
Other current liabilities	394.3	374.6	19.7
Total Current liabilities	1,800.9	1,973.7	(172.8)
TOTAL EQUITY AND LIABILITIES	4,041.3	3,866.6	174.7
Current bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(42.3)	(271.0)	228.7
Bank borrowings and financial liabilities relating to issues of debt instruments and other marketable securities	(1,358.6)	(1,016.4)	(342.2)
Gross financial debt	(1,401.0)	(1,287.3)	(113.7)
Cash and cash equivalents	917.8	699.1	218.7
Net Debt	(483.2)	(588.2)	105.0

Figures not audited

CONSOLIDATED CASH FLOW STATEMENT

	2018	2017	Variation	4Q18	4Q17	Variation
	€M	€M	€M	€M	€M	€M
Profit Before Tax	163.9	162.8	1.1	77.4	61.1	16.3
Adjusted for:						
- Depreciation and amortization charge	93.7	70.6	23.1	25.7	23.7	2.0
- Provisions, capital grants and others	(41.6)	(5.3)	(36.3)	(21.7)	11.6	(33.3)
- Result of companies accounted for using the equity method	0.7	0.5	0.2	0.0	0.4	(0.4)
- Financial loss	34.7	32.3	2.4	6.8	10.5	(3.7)
Dividends received	1.3	3.2	(1.9)	1.2	3.2	(2.0)
Profit (Loss) from operations before changes in working capital	252.8	264.2	(11.4)	89.4	110.4	(21.0)
Changes in receivables (net)	1.2	(79.6)	80.8	(34.8)	(45.0)	10.2
Changes in inventories (net)	(24.2)	(20.7)	(3.5)	41.1	0.1	41.0
Changes in payables (net)	20.8	80.1	(59.3)	87.6	40.3	47.3
Changes in working capital	(2.2)	(20.2)	18.0	93.9	(4.6)	98.5
Other operating changes	30.1	56.0	(25.9)	72.8	87.5	(14.7)
Tangible (net)	(24.7)	(13.9)	(10.8)	(12.4)	(7.7)	(4.7)
Intangible (net)	(54.7)	(26.2)	(28.5)	(18.8)	(7.9)	(10.9)
Capex	(79.4)	(40.0)	(39.4)	(31.2)	(15.6)	(15.6)
Interest paid and received	(17.1)	(21.0)	3.9	(6.4)	(10.1)	3.7
Income tax paid	(16.7)	(52.5)	35.8	(4.9)	(25.2)	20.3
Free Cash Flow	167.5	186.5	(19.0)	213.4	142.4	71.0
Changes in other financial assets	0.1	0.4	(0.3)	(0.2)	(0.3)	0.1
Financial investments/divestments	(47.3)	(192.3)	145.0	(7.7)	(48.3)	40.6
Dividends paid by companies to non-controlling shareholders	(0.1)	(0.1)	0.0	(0.1)	0.0	(0.1)
Dividends of the parent company	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders contributions	0.0	(5.2)	5.2	0.0	0.0	0.0
Changes in treasury shares	(3.6)	(6.1)	2.5	(0.7)	(0.7)	0.0
Cash-flow provided/(used) in the period	116.5	(16.8)	133.3	204.8	93.2	111.6

Initial Net Debt	(588.2)
Cash-flow provided/(used) in the period	116.5
Foreign exchange differences and variation with no impact in cash	(11.5)
Final Net Debt	(483.2)

Cash & cash equivalents at the beginning of the period	699.1	673.9	25.2
Foreign exchange differences	(4.6)	(13.7)	9.1
Increase (decrease) in borrowings	106.8	55.8	51.0
Net change in cash and cash equivalents	116.5	(16.8)	133.3
Ending balance of cash and cash equivalents	917.8	699.1	218.7
Long term and current borrowings	(1,401.0)	(1,287.3)	(113.7)
Final Net Debt	(483.2)	(588.2)	105.0

Consolidated cash flow statement from this report onwards will integrate other operating changes in each of the working capital items. The breakdown according to the previous reporting is the following:

	2018	2017	Variation	4Q18	4Q17	Variation
	€M	€M	€M	€M	€M	€M
Changes in receivables (net)	1.2	(79.6)	80.8	(34.8)	(45.0)	10.2
Changes in inventories (net)	(24.2)	(20.7)	(3.5)	41.1	0.1	41.0
Changes in payables (net)	20.8	80.1	(59.3)	87.6	40.3	47.3
Changes in working capital	(2.2)	(20.2)	18.0	93.9	(4.6)	98.5
Other operating changes	30.1	56.0	(25.9)	72.8	87.5	(14.7)
Cash flows from operating activities	27.9	35.8	(7.9)	166.7	82.8	83.9

Figures not audited

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.

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 Sale.

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.

OPEX: Operating Expenses.

PPA: Purchase Price Allocation.

R&D: Research & Development.

T&D: Transport & Defence.