1. INTRODUCTION

- The evolution of Indra's business in the first nine months of the year is influenced by:
  - The beginning of the recovery in the Spanish business with a 2% revenue growth in the third quarter yoy.
  - The solid evolution of AMEA, with +13% local currency revenue growth.
  - The unfavorable macro performance in Latam (specially in Brazil) that has resulted in an ongoing slowdown in the rate of growth in the area.
- In this context, **revenues** reached €2,086m, **growing +3% in local currency** (and would have grown by +4% at constant perimeter (1)). In reported terms (in euros) revenues have slightly declined (-2%), impacted mainly by the Latam currencies depreciation.
- **Revenues** performance by **geographic area** was the following:
  - Spain (38% of total): -6% reported
  - Latam (28% of total): +9% in local currency (-5% reported)
  - Europe & North America (21% of total): +7% in local currency (+6% reported)
  - AMEA (13% of total): +13% in local currency (+11% reported)

  The positive trend for revenues in the Spanish market is expected to continue for the next quarter, implying two consecutive quarters of positive growth, on the basis of a gradual macroeconomic improvement in Spain.

  In Latam growth in the quarter has been flat vs 3Q13 in local currency, although it posted a relevant rate in a nine months basis (+9% in local currency). Revenues are expected to grow in the region in the last quarter albeit in an environment of lower macro growth rates, especially in Brazil.

  Good performance in AMEA, sustaining double digit growth rate in local currency (+13%). This growth rate is even more remarkable considering, as mentioned in the previous earnings report, the ending during the first half of the year of some relevant projects, especially in Middle East.
- **Solutions** (63% of total) revenues have increased by **+3% in local currency** (-1% in reported figures), thanks mainly to the positive performance in Europe and AMEA. The ending of some Solutions contracts during the third quarter has been compensated with a relevant growth in order intake of projects to be initiated in the next quarters, mainly in Spain and AMEA.
- **Services** (37% of total) revenues increased by **+3% in local currency** (-3% reported, being affected by the depreciation of the Latam currencies and disposals). During the quarter, not only Latam and Europe & North America have registered positive growth rates, but also Spain.

(1) The advanced management business of digital documentation in Spain and Mexico. Revenues in 2013 of this activity reached €19m. Order Intake totals €19m in 2013

- The **vertical markets** of Public Administration & Healthcare (+12%) and Transport & Traffic (+9%) and Financial Services (+6%) have registered positive growth rates in local currency, being flattish for Energy & Industry and negative for Security & Defence (-3%) and Telecom & Media (-9%) with an improvement in the performance of the latter in the third quarter vs the one registered in the first half of the year.
- **Order intake** is **2% above revenues,** in line with 9M13. In absolute terms, order intake has increased by +3% in local currency, showing a modest decline of -2% in reporter terms (which would have been flat once adjusted by the divestment of the business mentioned above). It is worth mentioning the growth in AMEA (+43% reported). Spain maintains a positive growth rate.
- **Order backlog** amounts to **€3,436m** (+2% in local currency, flat in reported terms) and represents 1.2x LTM revenues.
- **Recurrent EBIT** totals **€156m** (-7%) and **recurrent EBIT margin** reaches **7.5%**, slightly below (-0.4 pp) the first nine months of last year and similar (-0.2 pp) to the one achieved in the first semester. Despite the beginning of the recovery in activity in Spain, a strong price pressure environment remains, a situation that is also starting to be seen in Latam (especially in countries such as Brazil) making the margin evolution being below the expected recovery. Additionally, there have been higher than expected execution costs in some projects. Latam currencies' depreciation has not helped either group profitability. This margin pressure situation will continue in the last quarter of the year.
- The plan to adequate costs and increase the efficiency of Indra's resources has continued in the third quarter, and amounts to **€16m** at the end of the nine months, reflecting most of the expenses expected for 2014.
- **Recurrent net profit** (before extraordinary costs) grew +4%, mainly from lower financial costs.
- **Net profit** increased by +18%, mainly from lower extraordinary expenses.
- **Net working capital** (NWC) at the end of the period stood at **114 days of equivalent sales** (DoS), in line with the performance of the second quarter. As it has been mentioned in the previous earnings report, the improvement in the NWC will concentrate at the end of the year.

  During the third quarter, the delays that regional Spanish Governments started to accumulate again after the regularization of the overdue bills that took place in the first semester have not been recovered.

  Some of the projects in Brazil and Mexico mentioned in the previous earnings report have started to be collected in the third quarter. The company expects to start collecting the rest in the last part of the year according to the corresponding delivery milestones.
- **Net capex** (tangible and intangible) amounts to €42m, in line with expectations for the full year and **net financial investments** amount to €16m.

- **Free cash flow** [2] during the period has reached -€5m vs -€24m in 9M13 (once adjusted for the impact of the divestment mentioned before [1]). As it has been mentioned in previous earnings statements, the improvement in the FCF will concentrate in the last quarter of the year**.**
- **Net debt** at the end of the period reached **€726m** (€707m at the end of 9M13), a leverage level of 2.6x recurrent LTM EBITDA and includes the the payment in July of an **ordinary dividend of €0.34 per share** against 2013 results –equivalent to a 48% pay-out ratio and a dividend yield of 2.8% on the shares closing price for 2013 (€12.155)-. The dividend was paid early July.

EXPECTED PERFORMANCE FOR 2014

In the Spanish market, the positive revenue performance during the third quarter allows to anticipate a positive development in the last part of the year. The beginning of the recovery will not impede that revenues will show a moderate reduction for the full year, although at a significantly lower rate than in previous years. Despite some early signs of demand dynamism, which are not general in any case, the competitive landscape, and thus margins are not seen to be improving.

In Latam, the performance of the activity in the next months will be conditioned by the slowdown in the macro growth rates. However, the pace of order backlog execution and the order intake achieved by the company points to a significant growth in revenues in local currency in the fourth quarter.

It is not expected that the margin pressure in both geographies, higher in Spain but growing in Latam, will revert in the last part of the year.

In AMEA the relevant ongoing commercial opportunities lead to foresee a positive revenue performance in the last quarter.

Regarding free cash flow, as it has been mentioned in previous occasions, the expected improvement will concentrate in the last quarter, as it has been the case in previous years. The achievement of the established full year target of generating a free cash flow of €100m contemplates the billing and collection of the projects in Mexico and Brazil previously mentioned, as well as collections associated to other relevant contracts awarded in the last part of the year in formalization process.

(2) Free cash flow is defined as cash generated before dividend payment, net financial investments and similar payments, and investment in treasury stock

2. MAIN FIGURES

INDRA	9M14 (€M)	9M13 (€M)	Variation % Reported/Local Currency
Order Intake	2,126	2,177	(2) / 3
Revenues	2,086	2,123	(2) / 3
Backlog	3,436	3,448	(0)
Recurrent Operating Profit (EBIT) (1)	156	167	(7)
Recurrent EBIT margin (1)	7.5%	7.9%	(0.4) pp
Extraordinary Cost	(16)	(27)	(41)
Net Operating Profit (EBIT)	140	140	0
EBIT margin	6.7%	6.6%	0.1 pp
Recurrent Net Profit (1)	91	87	4
Net Profit	78	67	18
Net Debt Position	726	707	3
Free Cash Flow	-5	0 (2)	--

Earnings per Share (according to IFRS)	9M14 (€)	9M13 (€)	Variation %
Basic EPS	0.479	0.406	18
Diluted EPS	0.455	0.406	12
Recurrent diluted EPS (1)	0.523	0.533	(2)

(1) Before extraordinary costs
(2) FCF adjusted for the impact of the disposal of the business of advanced management of digital documentation in Spain and Mexico were -24 M€

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 last October 2013 with a conversion price of €14.29), 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 bond.

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 bond, are calculated using daily balances.

At the close of the period, the company held 454,006 treasury shares representing 0.28% of total shares of the company.

	9M14	9M13
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	231,670	107,305
Total shares considered	163,900,869	164,025,234
Total diluted shares considered	181,395,621	164,025,234