



indra

21)

**2nd
INVESTOR
DAY**

30 November 2017

Agenda

10:00-10:40		1. Vision, Strategy and Targets FERNANDO ABRIL-MARTORELL
10:40-11:00	T&D	2. T&D Introduction and General Overview JAVIER DE ANDRÉS
11:00-11:20		2.1 Defence & Security MANUEL ESCALANTE
11:20-11:40		2.2 ATM GONZALO GAVÍN
11:40-12:00		2.3 Transport BERTA BARRERO
12:00-12:30		Coffee break
12:30-12:50	IT	3. IT Introduction and General Overview CRISTINA RUIZ
12:50-13:05		3.1 Product Portfolio Evolution SERGIO MARTÍN
13:05-13:20		3.2 Segmented Commercial Processes BORJA OCHOA
13:20-13:35		3.3 Ongoing Productivity Upgrades LUIS ABRIL
13:35-14:35		Lunch
14:35-15:00		4. Financial Overview JAVIER LÁZARO
15:00-15:10		5. Closing Remarks FERNANDO ABRIL-MARTORELL
15:10-16:00		6. Q&A

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1

Vision, Strategy and Targets



Fernando Abril-Martorell

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Indra Evolution
2015-2017
Since 1st Investor Day

**Market Outlook and
Strategic Guidelines**
2018-2020

When we started to work on our first Strategic Plan in April 2015, Indra was in a very challenging situation

Ongoing deep operational issues

Non reliable analytical accounting and lack of control of onerous projects

- 718€M write-offs in 2015
- Difficulties to understand root causes and underlying issues

Profitability de-prioritisation

- Growth driven by low value added services
- Cost overruns in some contracts resulting from aggressive growth
- Expensive delivery model

Lack of focus on cost efficiency

- Heavy corporate structure
- Non optimal production pyramid management

Cash management decoupled from business activities

- Excessive working capital requirements

Excessive risk assumption in commercial bids

- Some products at too early stage, generating onerous projects
- Contractual and legal conditions without enough self-protection

Resulting in high financial stress

Cash flow draining



High debt generating difficulties on external financing



Therefore, there were increasing market concerns including a potential need for a capital increase

Market concerns of Indra's financial stress...

*"Market concerns could linger over **continued weakness and write-downs, FCF and balance sheet leverage**"*

Analyst 1, 2015

*"There are still **balance sheet issues** that need to unwind (or at least stop deteriorating) in the future"*

Analyst 2, 2015

*"Until Indra starts booking revenues that are backed by cash flow, **we think Indra will continue to struggle with cash generation**"*

Analyst 3, 2015

...and of a potential need for a capital increase

*"The removal of the dividend is a first step here but is probably not enough to stop investors worrying about **the risk of further capital raising**"*

Analyst 4, 2015

*"We believe the targets are ambitious, while there is **greater risk of a potential capital increase**, in our view"*

Analyst 5, 2015

*"However, we believe we cannot totally rule out the **possibility of a capital increase at some point** depending on additional write-offs and project execution"*

Analyst 6, 2015

Two main objectives for 2015 Strategic Plan: reversing cash drainage and launching a profound transformation process

16 projects / 30 initiatives

2015 Strategic Plan



Reverse cash drainage

- 1 Balance sheet adjustment** to better reflect business reality
 - Stricter accounting policies
- 2 Reinforced corporate governance**
 - Internal auditing to report to the Board
 - Compliance unit to report to the Board
 - Empowerment of corporate functions (Control and Finance)
 - Centralised decision making (verticals vs geographies)
- 3 Profitability and cash control mechanisms**
 - Bidding committee
 - Cash Management committee
 - HR dashboard
- 4 Short-term margin improvement plan**
 - Head count optimisation plan: personnel optimisation plan
 - Non-personnel cost reduction
 - LatAm cost optimisation plan
 - Onerous projects reduction/closing

Launch business transformation

- 1 Portfolio rationalisation** and offering development by vertical
 - IT proprietary product boost
 - T&D offering reinforcement
- 2 Minsait launch and development**
 - Offering and commercial development
- 3 Commercial plans by vertical towards high value**
 - IT commercial plans and go-to-market
 - T&D commercial plans to strengthen the pipeline
- 4 Operational model optimisation plan**
 - Execution and delivery committee
 - New resource allocation processes
- 5 T&D manufacturing centres operational optimisation plan**
- 6 IT operational optimisation plan**
- 7 LatAm medium-term capabilities building plan**
- 8 New procurement strategy and processes**
- 9 Creation of a Global Business Services centre**
 - Corporate Shared Services Centre
- 10 Talent management plan**
 - Top and middle management review
 - Corporate University
 - Plan for interns and juniors
 - Careers segmentation
- 11 Internal systems plan**
- 12 Innovation model and Indraventures**

By implementing our 2015 Strategic Plan, we have achieved significant structural improvements in Indra's financials...

Healthy P&L and balance sheet

Much more reliable balance sheet after write-offs

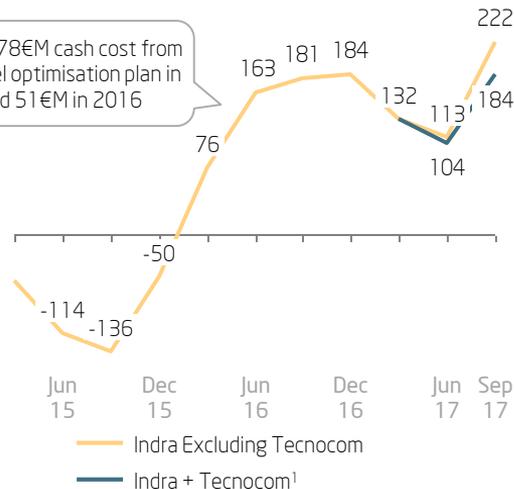
Recurring EBIT LTM (€M)



Sustainable cash generation

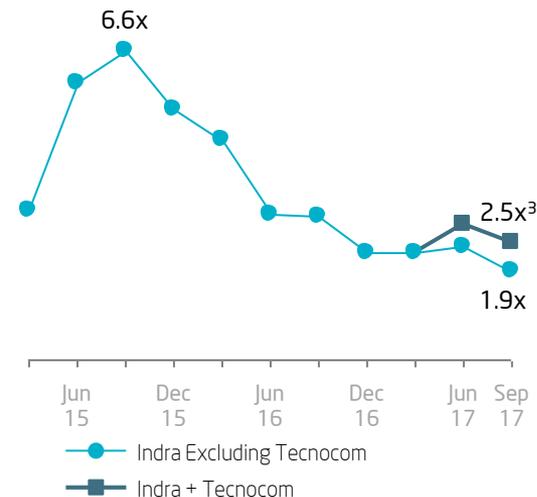
FCF accumulated LTM (€M)

Includes 78€M cash cost from personnel optimisation plan in 2015, and 51€M in 2016



Net debt on the lowest point since 2015 peak

Net Debt / EBITDA LTM (Times)



1. Displayed data includes Tecnomcom consolidation since April 18th, 2017; 2. Indra + Tecnomcom 6.3%; 3. This ratio includes LTM EBITDA Indra & LTM EBITDA Tecnomcom (part of this data is considered as if Tecnomcom would have been managed by the former Management)

... and we have also improved our competitive positioning for the future



More relevant weight of **high value solutions**

- T&D solutions remained predominantly high value
- TI high value solutions increased their relative weight



Minsait, our new transformational vehicle, **already launched** and is currently up to speed

- Launched in January 2016 and already **growing** more than the rest of IT
- **~300€M sales** 100% Minsait, **~2,700 FTEs**



We have a **stronger proprietary product portfolio**

- E.g. **Cyber Defence** and **Air Defence** solutions
- E.g. Developed **ERTMS** technology in Safety in Transport
- E.g. **IT solutions** are more standardised and packaged



We have a **strong pipeline in T&D**

- **4.9€Bn** in T&D (2.3€Bn in Defence & Security, 0.9€Bn in ATM and 1.7€Bn in Transport)



We strengthened our **commercial position internationally**

- New references in **Ecuador** in Defence & Security, **Middle East** in ATM, **UK** in Transport



We were able to **acquire Tecnom** and are on our way to make a **successful integration**

- Gaining scale, positioning and complementing our product portfolio

- E.g. Payment processing solution of Tecnom has **reinforced Indra's Financial Services portfolio**
- **30.5€M** in **cost synergies targeted**

Note: ERTMS (European Rail Traffic Management System)

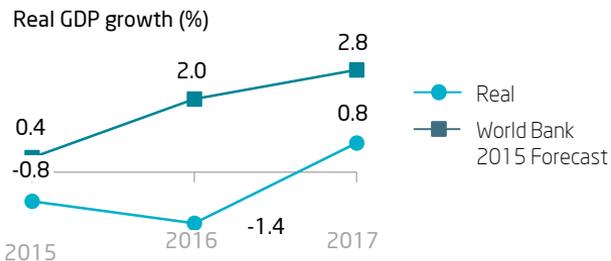
But we found some unexpected issues in our transformation process

We had **internal** issues...

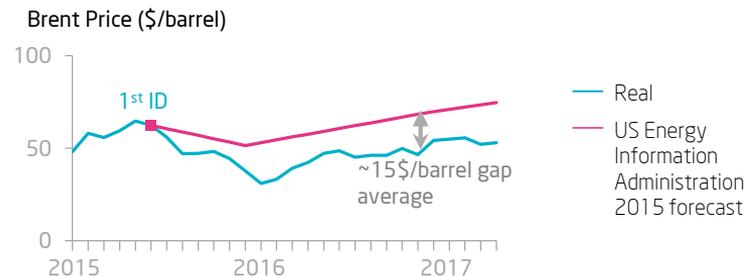
- Unexpected large restructuring needs in Brazil and Transport (~300€M and ~90€M impact on EBIT respectively in 2015-2017)
- Slower than planned portfolio rotation
 - Exit from onerous projects took longer than expected
- Difficulties to capture the full potential of efficiency and off-shoring opportunities without growing in IT
- Longer than expected cultural transformation challenge
- Management focus on both turnaround and growth at the same time has been difficult

... and the **macro environment** did not help

Lower than forecasted economic growth in LatAm



Lower than forecasted oil prices resulting in lower than expected GDP growth and T&D investments

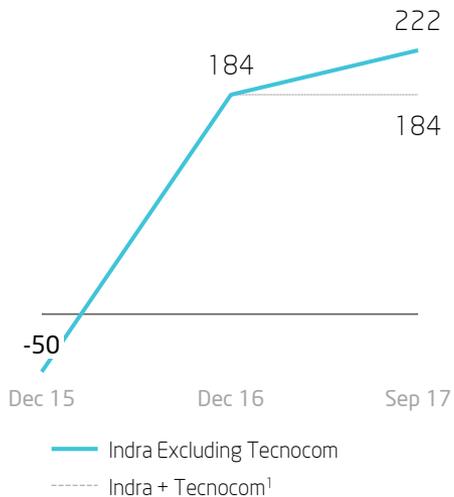


Sources: EIA Annual Energy Outlook 2015; real data from World Bank (for GDP growth 2016 estimate, 2017 projection)

As a result, YTD, we increased cash flow generation and improved EBIT margins, but came short of forecasted sales

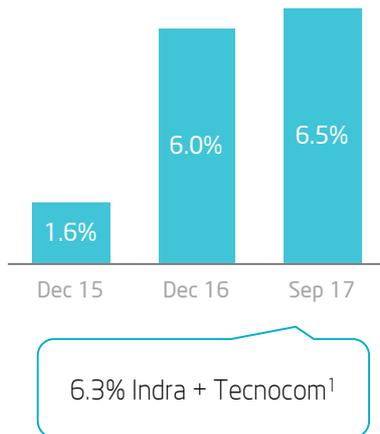
Increased cash flow generation

FCF accumulated LTM (€M)



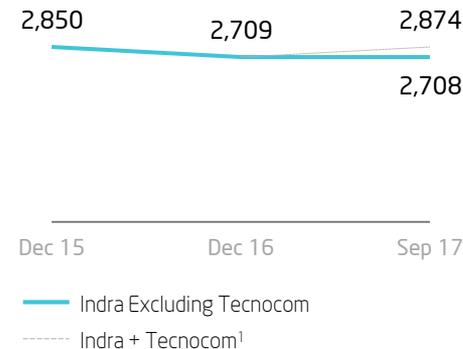
Improved EBIT margin

Indra Excluding Tecnomcom Recurring EBIT LTM (€M)



Lagging sales

Sales LTM (€M)

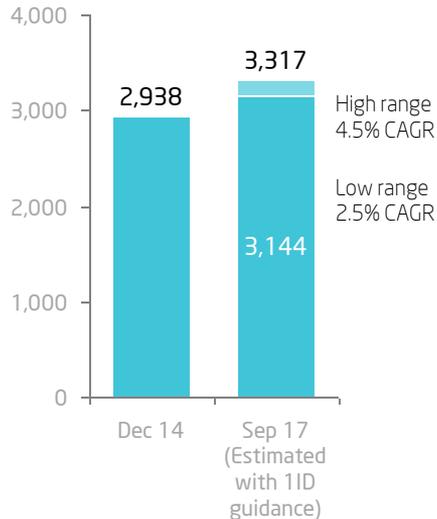


1. Displayed data includes Tecnomcom consolidation since April 18th, 2017

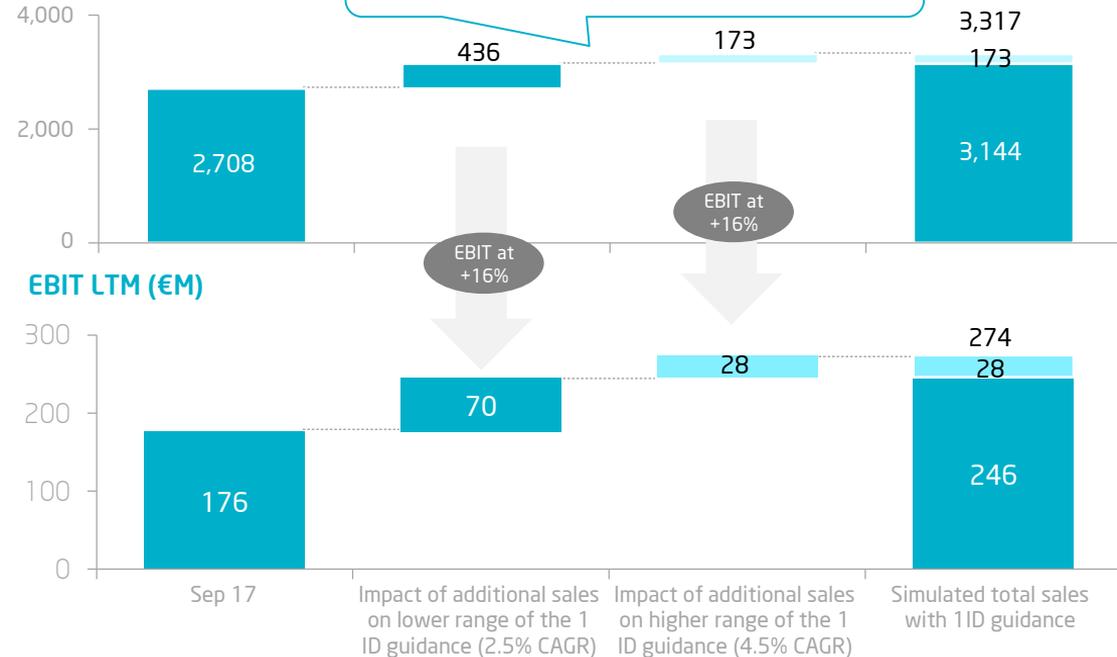
Shortfall in sales prevented us from capitalising our operating leverage, consequently falling short of our margin expectations

1ID guidance simulation

Sales LTM (€M)



Sales LTM (€M)



Note: Figures excluding Tecnomom

In conclusion: Indra has already accomplished a significant part of the turnaround, but we still need to capture its full potential

We already accomplished significant changes...

- ✓ Improved operations, processes and culture
- ✓ Solid financial footing after having deep operational issues and having been on the edge of capital increase
- ✓ Relevant additional achievements that improved our competitive positioning for the future



... but we still need to complete the transformation and **focus on profitable growth**

- ✓ Continue specialising our operating model to increase focus, agility and flexibility
- ✓ Further evolve our product portfolio to complete migration towards high value
- ✓ Boost commercial transformation to capture growth
- ✓ Carry on with ongoing productivity improvement to increase competitiveness and margins



**Indra Evolution
2015-2017
Since 1st Investor Day**

**Market Outlook and
Strategic Guidelines
2018-2020**

Positive market environment for Indra: digitalisation is disrupting every business and generating high value creation opportunities

New technological trends are disrupting every business

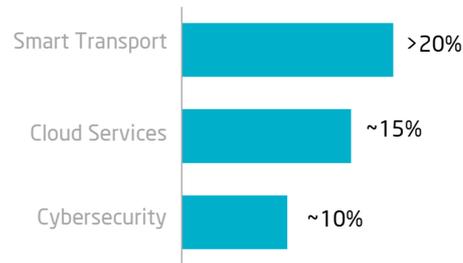
 Cloud, Industry 4.0, Big Data and Internet of Things are transformation levers impacting all industries

 Increased need of Cybersecurity across industries (Defence & Security, ATM, Transport, IT)

 Smart Mobility is revolutionising our understanding of transport and cities management

Digital spending is booming

Non-exhaustive list of digital sectors growth (2016-2020 CAGR %)



"Nowadays a company's digital strategy practically drives the roadmap and goals of many departments from marketing to sales to HR"

Harvard Business Review, May 2017

Tech companies are outperforming

Top 5 most valued companies



NASDAQ 100 outperformed S&P500 by 17 p.p. since our first IDay in 2015

Source: Markets and markets

Technological providers in the centre of digital transformation:
Indra is in a good position to take advantage of this favourable mega-trend

Every market where Indra has presence is expected to grow sustainably with strong fundamentals



In order to ensure Indra's profitable growth under this positive environment we have defined our 2018-2020 Strategic Plan

01 New Specialised Operating Model

Greater focus,
accountability,
agility and flexibility

02 Product
Portfolio
Evolution

03 Segmented
Commercial
Processes

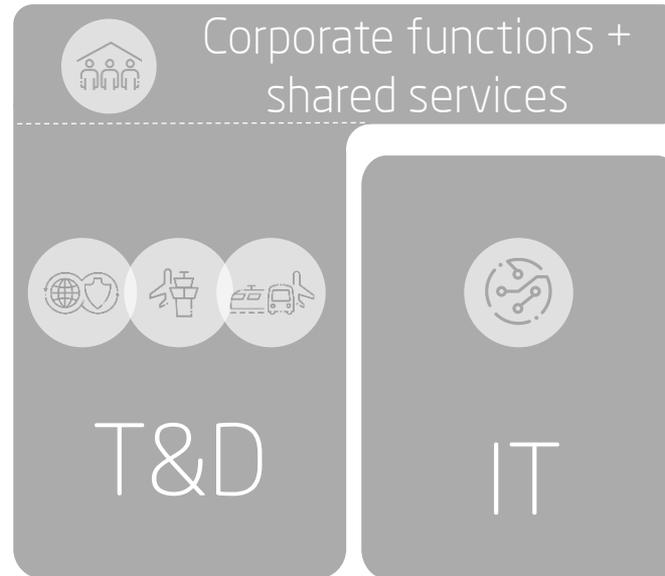
Healthy
sales growth

04 Ongoing Productivity Upgrades

Margin
enhancement

We will group all of our IT business under a new corporate entity within Indra

Indra



Target date: June 2018 Shareholders' Meeting

Within our portfolio, IT and T&D businesses have different competitive dynamics

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IT and T&D markets have different dynamics



T&D



Client profile

High relevance of **private clients**

Public clients are critical

Core competition

Consulting firms and IT **specialists**
Lower entry barriers

Equipment **manufacturers**
Higher entry barriers

Speed of change

Accelerated transformation with digitalisation

Increasing speed of change due to digitalisation, but still **slower than in IT**

Indra has a different positioning in IT and T&D

Brand positioning

Room to **reinforce international awareness**

Strong global brand in our niche markets

Geographic footprint

International presence focused on **LatAm**

Diversified **global footprint**

Need for transformation

Still needs **transformation**

Priority is global **growth**

Offering

Many IT services, room to **keep strengthening proprietary products**

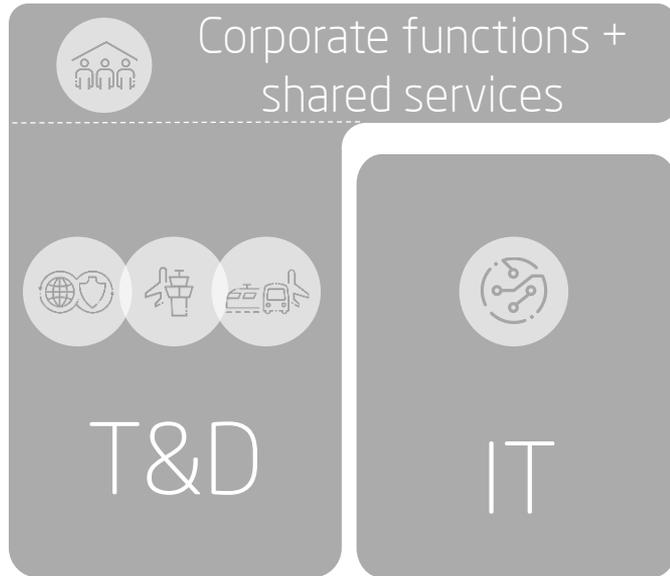
Leading proprietary products, room to develop services offering

By incorporating our IT business into a fully-owned subsidiary we intend to gain focus, accountability, agility and flexibility

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Indra



- ✓ **Increased management focus and accountability**
 - Businesses split facilitates specialisation (e.g. more focused international commercial activity)
 - Split allows for clearer accountabilities
- ✓ **Increased agility and time-to-market**
 - Simplified management structure within the new division
 - Decision-making and execution processes will be faster and better suited to each single business needs
- ✓ **Improved strategic flexibility**
 - Easier potential alliances, joint-ventures and M&A
- ~ **Operational synergies**
 - Corporate services will continue to be shared to leverage the scale effect and without losing synergies
 - Economies of scale within the T&D and the IT business (in Offering Development, Cross-Selling and Production) will be totally captured

As well as our clients transform themselves, there are other areas we will work on to better support our businesses growth

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Talent and Culture

- New [compensation models](#), [development plans](#) and [career paths](#)
- [Intensified screening and recruiting efforts](#) (e.g. reinforce capabilities in digital and specific verticals, increase juniors base and their affiliation)
- [Internal HR processes automation](#) and enhanced analytics for people management

Reduced rotation
Stronger accountability
Reinforced talent

Internal IT Systems

- Enhanced [employees' digital environment](#)
- More agile [self-service approach](#) within a [new data ecosystem](#)
- Evolved [Back Office](#) platforms facilitating their [integration with the different business applications](#)

Increased telecommuting
Data-driven management
More agile decision making

Control and Risk Management

- New technologies to [maximise predictability](#), using advanced data analytics in forecasts, continuous monitoring mechanisms and preventive alerts
- [Reinforced risk management](#), optimising risk-control trade-off and introducing preventive control

Higher predictability
Earlier warnings

Marketing

- [Increase awareness](#) of our [Minsait](#) brand as our high value IT vehicle accelerates growth out of our home market
- Consolidation of the [already globally recognised Indra brand](#) for T&D

Increased digital growth
Higher sales in proprietary-products based solutions

Innovation

- Foster both [external and intra-corporate entrepreneurship](#) through our Corporate Venture Capital
- Reinforce our [University collaboration network](#)
- [R&D increase](#) within the EU Framework Program for Research and Innovation

Advantaged position to incorporate new capabilities and offering

Product Portfolio Evolution, Segmented Commercial Processes and Ongoing Productivity Upgrades will produce profitable growth

Product Portfolio Evolution

- Invest to reinforce those products where we already have a **leading position**
- Apply **digital technologies** to further position our offering in the **smart ecosystem**
- **Complement selectively** our **proprietary products** portfolio to sell complete **end-to-end solutions**

Segmented Commercial Processes

- **Increase commercial intensity** with strong incentives and systematic tools
- Apply a **segmented commercial approach** with new **more specialised profiles**
- **Establish alliances / JVs** for commercial acceleration in **selected geographies**

Ongoing Productivity Upgrades

- Deploy **Lean manufacturing, Lean IT production** and apply **Automation**
- **Extend scope of our Global Business Services** and rationalise our **indirect costs base**
- Intensify our **Pyramid management** and **Delaying**
- **Optimise procurement**

Guidance

	2016 ⁽¹⁾	CAGR 2016-2020 ⁽²⁾
Revenues (€M)	3,121	Low single digit
EBIT (€M)	180	>10% (p.a. growth)
	2015-2017E	2018-2020E
Total Cash Flow (€M)	~610 ⁽³⁾ [~€775m since First Investors Day]	550-650 ⁽⁶⁾
CAPEX (€M) ⁽⁴⁾	100-110	150-200
Other uses (€M) ⁽⁵⁾	Restructuring Plan 129 Tecnocom acquisition 191 Onerous projects ~145 Deleverage (consensus end FY17) ~40	Continue deleveraging Reinstate dividend policy Selective bolt-on acquisitions

1. Pro-forma values including full consolidation from Tecnocom

2. Organic growth. Constant exchange rates as of 2016 (average FX in 2016)

3. Includes the estimated CF generated in 2015-17E, excluding the estimated impact from the cash outflows from Tecnocom acquisition (191€M), headcount plans (129€M), onerous projects (~145€M) and the accumulated CAPEX in the period

4. Accumulated CAPEX in the 2015-2017E and 2018-2020E period respectively

5. The uses of the cash flow generated in the 2018-2020E period are contingent upon fulfilment of the Strategic Plan

6. Includes the FCF generated in the period according to Indra's definition, excluding CAPEX and the last part of the pending cash outflows associated with the headcount reduction plan in Spain (~40€M)

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T&D: Introduction and General Overview

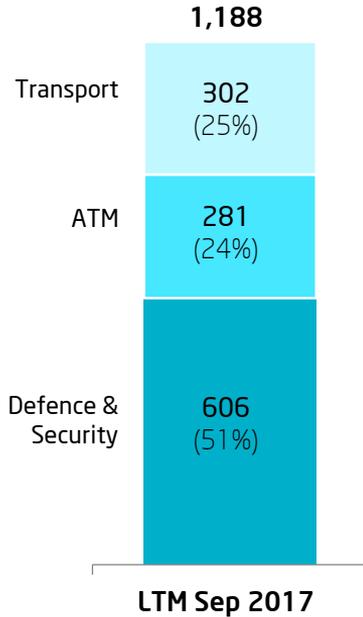


Javier de Andrés

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Indra has a portfolio of leading proprietary solutions in T&D



Transport



ATM

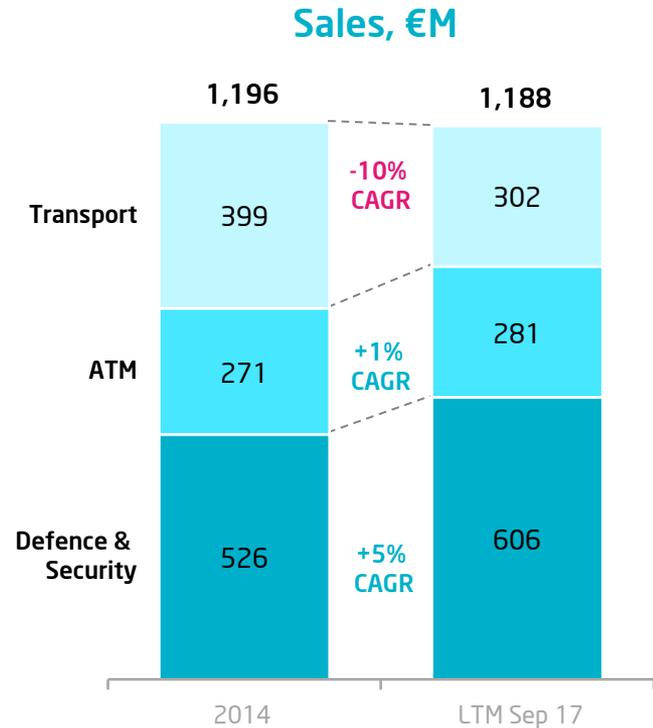


Defence & Security



Indra is a global reference in many of these technological niche markets

Since 2014 Defence & Security and ATM outperformed while Transport underperformed



✓ Defence & Security

- Grew above expectations with healthy margins throughout the period
- Solid pipeline identified (quality pipeline 3Q2017 +20% vs 2015) with ~2.3€Bn opportunities

✓ ATM

- Grew with healthy margins throughout the period
- Good performance expected in full year 2017
- Solid pipeline identified with ~0.9€Bn opportunities

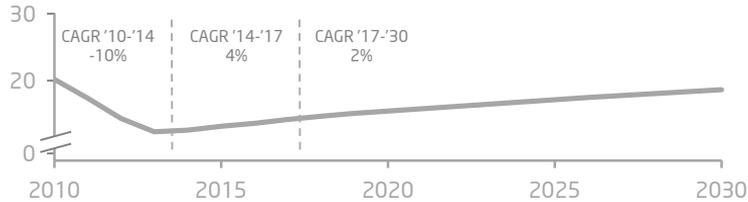
✗ Transport

- Did not perform as expected due to a number of onerous projects and management issues
- ~90M€ impact on EBIT 2015-2017 due to restructuring needs and expected ~1/5 of sales 0% margin in 2017
- Sales decrease stabilising
- Solid pipeline identified (~1.7€Bn)

What went wrong in Transport

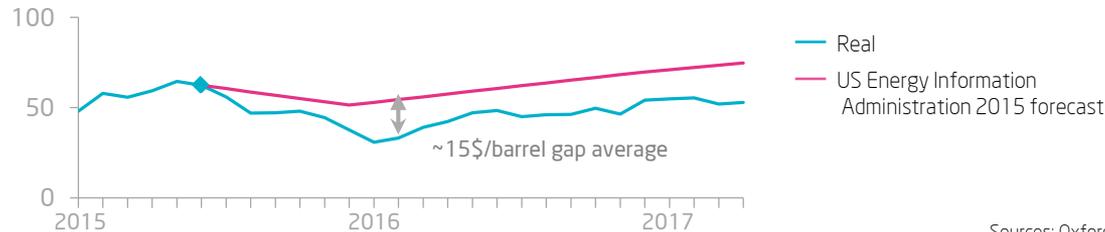
Externally, drop of the national market in Spain linked to public investment...

Infrastructure investment in Spain (US\$ Bn)



...and economic slowdown in countries highly dependent on oil prices

Brent price (\$/barrel)



Sources: Oxford Economics. EIA Annual Energy Outlook 2015; real data from World Bank.

Internally, management issues identified



Lack of focus and high risk assumed implementing **excessively tailor-made solutions** in international unfamiliar environments



Weak control and risk management during projects execution



Opportunity cost: **commercial activity focused on solving existing issues** with clients instead of expanding the business

Our Transport business did not evolve as quickly as the market demanded

We have started a clear plan to execute Transport turnaround



New organisation and team

New structure and external talent recruited for top management positions

- Reinforced clients and competitors view



Product Portfolio Evolution

Portfolio rationalisation and development of more standardised and packaged solutions

Evolve proprietary products, strengthening our position in the Smart Transport market by taking them to the next technological step by gradually growing CapEx



Segmented Commercial Processes

New governance model (e.g. new organisation, new profiles, increased specialisation)

Improved commercial processes (e.g. competitors intelligence, KPIs and incentives)

New commercial plans on existing clients and prioritised geographies



Ongoing Productivity Upgrades

Restructured organisation and new team already in charge

New operational plan improving control and risk management



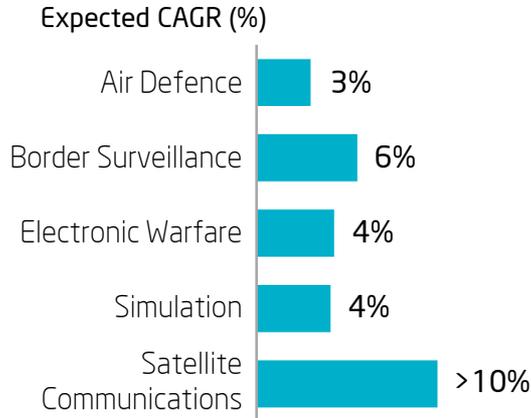
Potential upsides

Opportunity to become an international reference in rail Safety & Signalling (ERTMS) beyond the local market

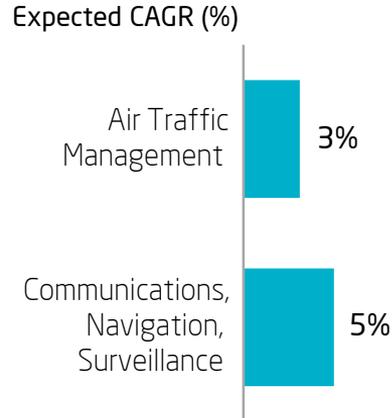
Note: ERTMS (European Rail Traffic Management System)

Positive market outlook in every business in T&D

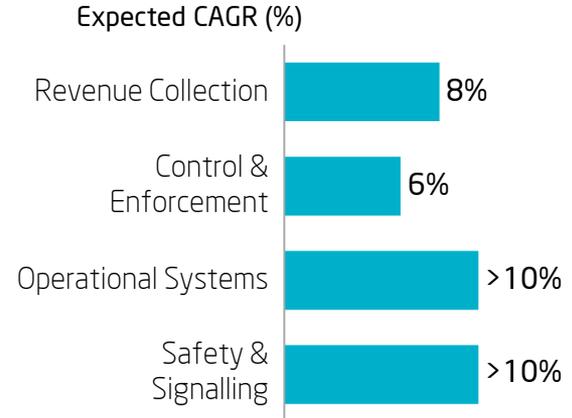
Defence & Security



Air Traffic Management



Transport



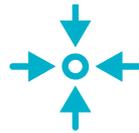
The smart segment of all these solutions is growing over 20%

Sources: Markets and markets, Indra Analysis

All our clients are facing the digital transformation of their operations

Our new operating model will also be positive for our T&D businesses

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Clear focus

- Facilitates specialisation and accountability



Increased agility

- Decision-making and execution processes will be better suited to each single business needs



Improved flexibility

- Easier potential alliances, joint-ventures and M&A



Stronger brand

- Reinforced already strong global brand for T&D clients

We will continue taking advantage of synergies and economies of scale within T&D

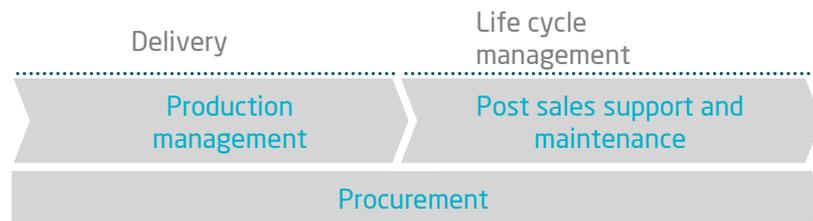


Clear offering development and operational synergies within T&D

Shared technologies

	Radars	Control	Navigation aids	Communications	Cyber & analytics
Defence & Security	✓	✓	✓	✓	✓
ATM	✓	✓	✓	✓	✓
Transport	✓	✓	✓	✓	✓

Shared engineering and manufacturing capabilities



We will continue improving our operations as part of our strategic guidelines

End-to-end process review

- Building blocks standardisation
- Lean manufacturing
- Make vs buy optimisation
- Delaying
- Increased interaction between commercial, manufacturing and delivery

Increased efficiency (10-15% in 2020 vs 2017)

Improved agility, improved time to market

2.1

Defence & Security



Manuel Escalante

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Defence & Security is an attractive market with a clear growth trend

Geopolitical uncertainty is increasing amidst growing security threats

"The events that shaped 2016 added a new sense of urgency and determination to see Europe delivering on its potential in defence"

European Defence Agency 2016 Annual Report

"Cyber threats are becoming more common, sophisticated and damaging (...) In 2016 NATO experienced an average of 500 incidents per month – an increase of roughly 60% over 2015"

NATO Cyber Defence Factsheet, May 2017

"Effective border security is key to the effective implementation of counter-terrorism measures"

UN, 2017

Note: NATO (North Atlantic Treaty Organisation). UN (United Nations).
Source: IHS Jane's Defence Budgets 2017

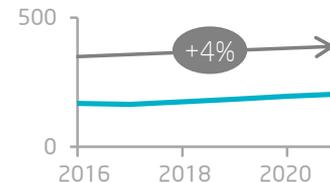
Indra's home market in Spain is launching a new investment cycle

- Strong R&D programs launched by 2015 will be progressing into production phase
- Additionally, new R&D programs starting

Indra's accessible geographies will grow

- Revitalised NATO push for 2% GDP defence expenditure
- European Defence Fund investing up to 5.5€Bn/year

Global Defence procurement
(ex North America), \$Bn



+3% CAGR Europe	+13% CAGR LatAm
+9% CAGR Middle East & Africa	+6% CAGR Asia Pacific

And Security market gaining relevance linked to an increase in border control and surveillance

Defence & Security is a long maturity market, with still ongoing high volume programs and local programs entering into production

Existing long-term high volume programs are still in progress

There have been significant developments linked with the new Spanish investment cycle



- Integrated frigate mast
- 90€M in R&D phase
 - ~350€M in production phase



- Vehicle systems
- 28€M in R&D phase
 - ~500€M in production phase

- Electronic warfare system
- ~350€M project, not including associated platforms



- Space surveillance radar
- 15€M R&D
 - ~340€M production project, with EU funding

Note: DASS (Defensive Aids Sub-System). DIRCM (Directional Infrared Counter Measures). CAS (Close Air Support). SST (Space Surveillance & Tracking)

Indra is a significant European player with a proven track record, and with an already relevant international business



Air Defence



Electronic Warfare

Airborne Platforms



- Eurofighter
- A400M
- C-295
- F/A-18
- Chinook
- CH53
- Tigre
- Cougar
- F1
- NH90
- P3
- B707

Naval Platforms



- BPE
- BAC
- BAM
- F100
- F105
- S70
- FFG
- F122
- K130
- U212/214
- T-209
- OPV

Land based



Border Surveillance



Military Simulation



- Eurofighter
- A400M
- A330 MRTT
- F-18
- AV-8B
- Tiger
- Seahawk
- NH90
- Wildcat
- Chinook
- Cougar
- H135
- H225
- H175
- H145
- A320
- B737...



Satellite Communications

Naval



- BPE
- BAC
- BAM
- F100
- F105
- FFG
- S70
- S80
- F122
- K130
- U212
- U214
- T-204
- AWD
- ASW
- OPV

Land based



Strategic priorities to keep growing profitably

01 New Specialised Operating Model

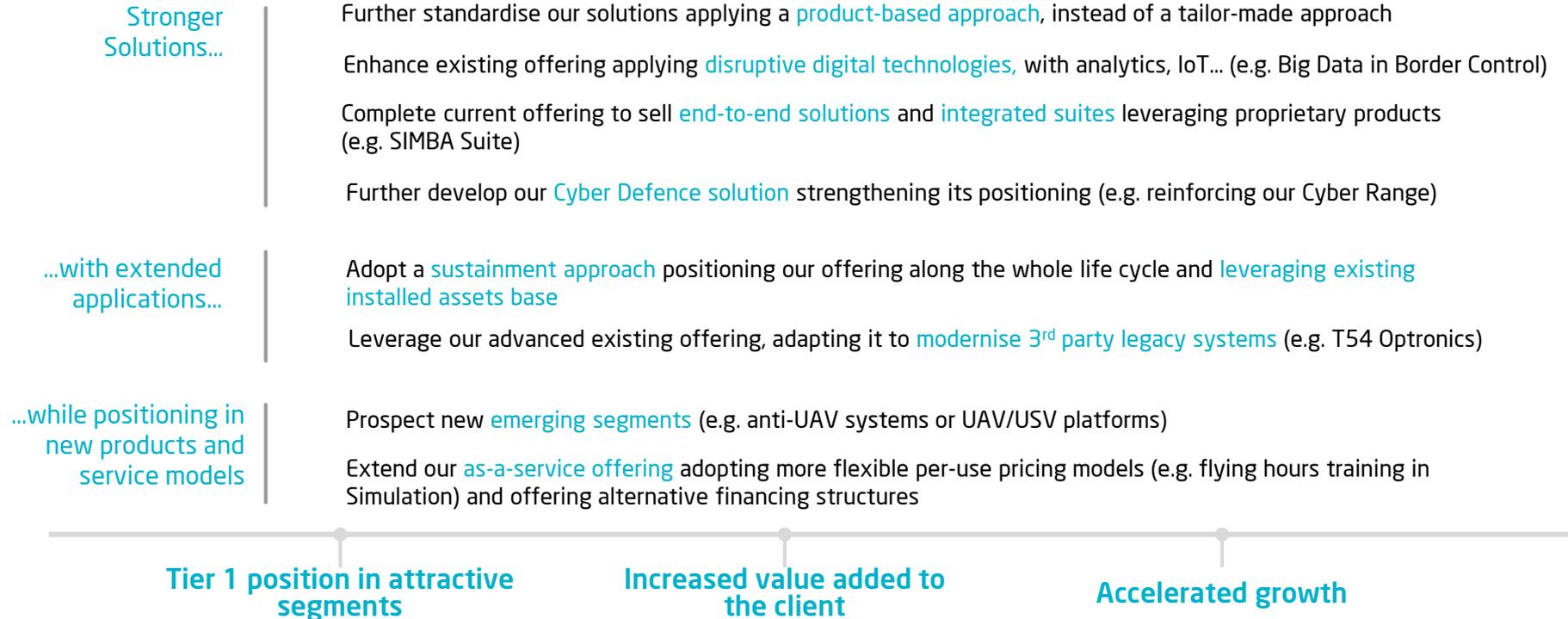
Focus of this presentation

02 Product Portfolio Evolution

03 Segmented Commercial Processes

04 Ongoing Productivity Upgrades

We are evolving our offering and applying disruptive digital technology



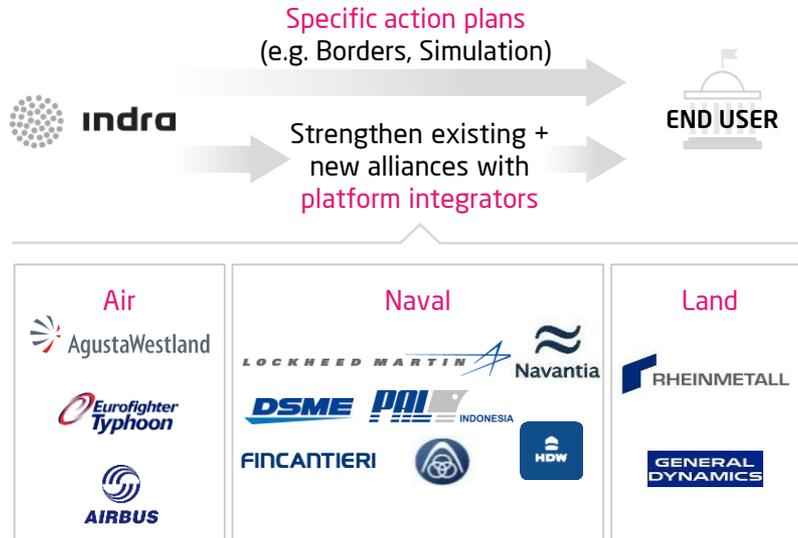
Note: USV (Unmanned Surface Vehicle)

We will gradually grow our CapEx in our product portfolio in 3 years



We will grow our international sales selectively

Specific commercial action plans per solution and strengthened alliances with platform integrators



Strengthened commercial action in target geographies

Special focus on markets with high potential

- Europe, as extended home market
- Specific LatAm countries (e.g. Colombia, Ecuador)
- Asia, Middle East and Oceania

Develop strategic alliances with local partners

- Offering our full portfolio
- Gaining recurrence

Approach Aftermarket where local installed base and recurrence have enough scale for a sustainable business

We already identified a solid pipeline (~2.3€Bn) to sustain future growth

Guidance: our strategic guidelines will support our profitable growth

01 New Specialised Operating Model

02 Product Portfolio Evolution

03 Segmented Commercial Processes

04 Ongoing Productivity Upgrades

Revenues 2016

599€M

CAGR¹ (16-20)

Mid to high single digit

Excluding 2018 Eurofighter revenues fall

Already identified ~2.3€Bn pipeline and our expected strong backlog in 2020 (~1.6€Bn) pave the way for sustained future growth

1. Organic growth. Constant exchange rates as of 2016 (average FX in 2016) Source: Indra

Additionally, Indra is very well positioned to capture other potential relevant upsides which are not included in our Guidance

New Eurofighter modernisations and sales
(e.g. Spain, Germany, Belgium)



New European fighter (FCAS)



Exports related to F110 technology



LOCKHEED MARTIN



Euro MALE UAV



8x8 future exports



New European programs
(under the European Defence Action Plan)



European Commission



Note: FCAS (Future Combat Air System), OCCAR (Organisation Conjointe de Coopération en matière d'Armement)

2.2

ATM



Gonzalo Gavín

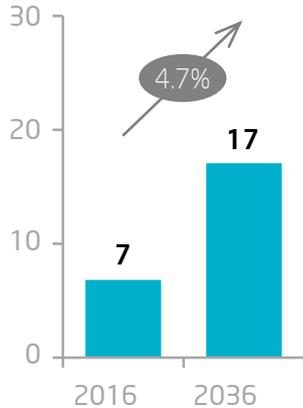
2ID

2nd
INVESTOR
DAY

ATM is a growing market with very strong fundamentals

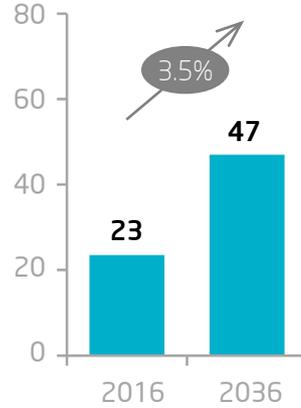
Increase of air passenger traffic worldwide

Passenger traffic (RPKs Bn)



Increase of flying aircrafts worldwide

Aircrafts in service worldwide (k)



3 drivers of sustained demand for ATM systems



Maintenance and replacement of legacy systems

- Very long development cycles, high client loyalty



Innovative technology to solve aerospace congestion (e.g. Europe)



Potential new ATM systems operators

- Already ~400 airports under construction or planned for

Note: RPKs (Revenue per kilometre). Source: Boeing Market Outlook 2017-2036; Markets and markets; Global airport construction review, CAPA

Expected stable ~4% growth in the ATM market

Indra provides its clients with a complete technological roadmap of critical ATM systems

Indra has a leading position globally in Control Centres, Navigation and Surveillance

ATM



Control Centres with **Advanced Automation Systems** (iTEC and managAir)

CNS



Navigation with **Instrument Landing Systems** (ILS)



Surveillance with **Secondary Radars** (MSSR)

Indra provides reliable end-to-end solutions to operators in the ATM market



Providing reliable technology for the **key critical systems** of the ATM business

- Highly sophisticated and reliable technology
- Increased demand of **cyber-secure** technology



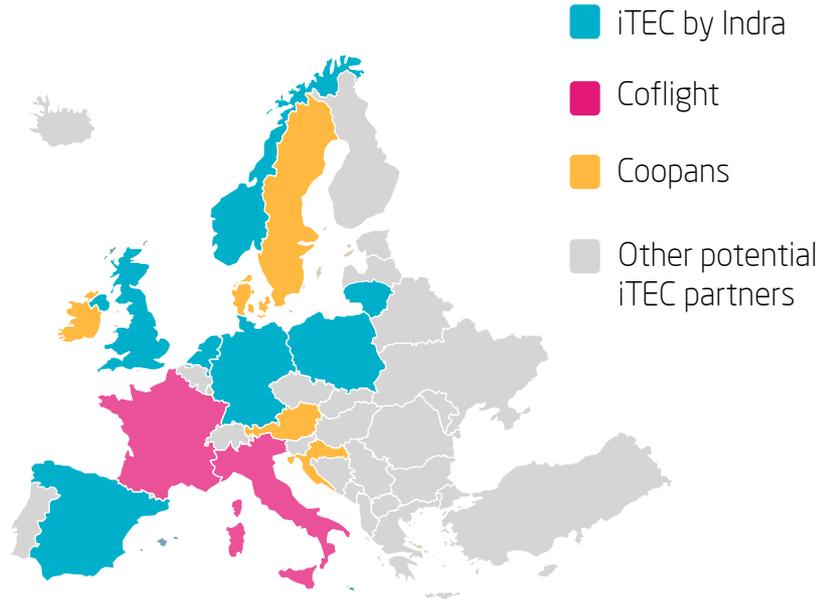
Being a leading reference as a supplier providing **end-to-end solutions**



Developing long lasting relationships with international reference clients

- Enaire in Spain 35 years
- DFS in Germany 20 years
- NATS in the UK 10 years

Indra is the leading player in the Single European Sky with the iTEC system...



Note: SESAR (Single European Sky ATM Research)

Europe has a challenge in air traffic management due to air traffic congestion and the fragmentation of aerospace

In 2004 Eurocontrol, the European Commission and a selection of industrial partners took the lead to solve this issue and increase interoperability

Indra is one of the key industrial partners of SESAR

7 European countries have already joined the iTEC Alliance along with Indra to fulfil present and future SESAR requirements, and +20 countries still pending to adopt a decision

... and one of the leading ATM systems providers in the world, having a large footprint of references globally



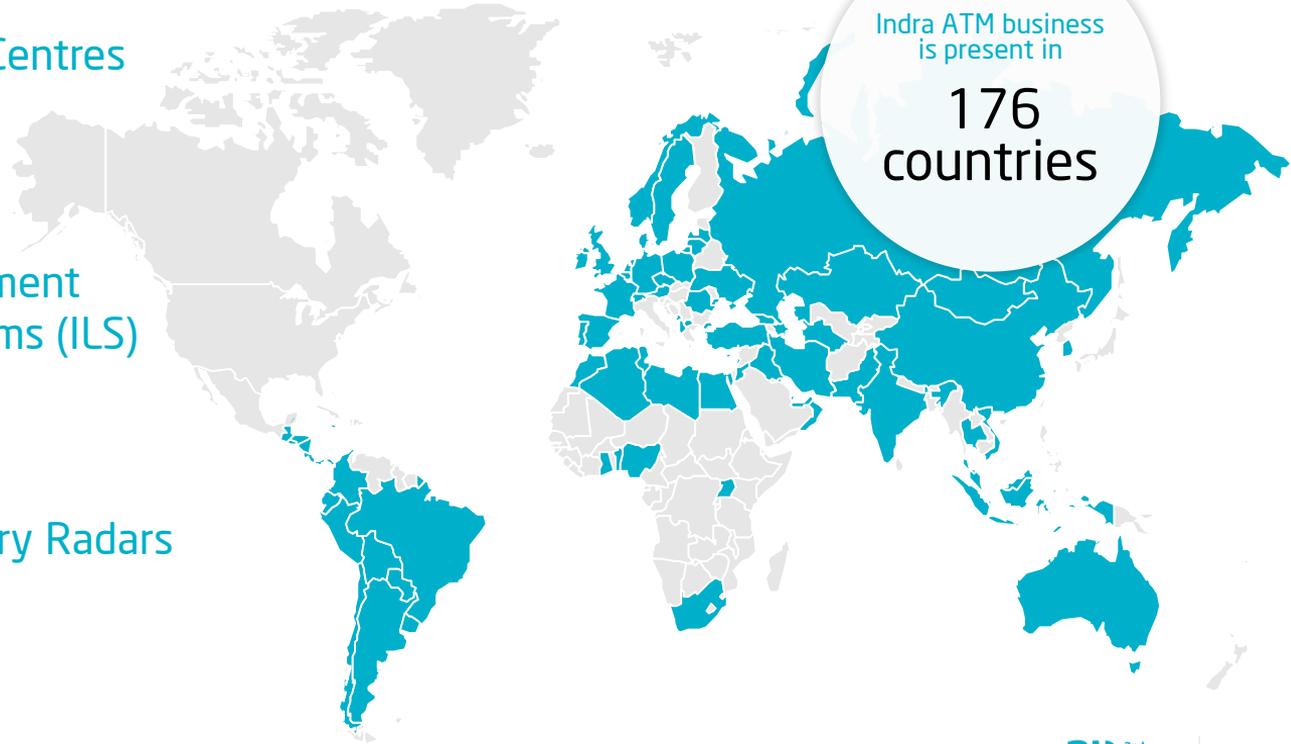
~200 Control Centres



~1,700 Instrument Landing Systems (ILS)



~400 Secondary Radars (MSSR)



Note: Most significant countries with Indra's presence highlighted

Strategic priorities to keep growing profitably

Focus of this presentation

01 New Specialised Operating Model

02 Product Portfolio Evolution

03 Segmented Commercial Processes

04 Ongoing Productivity Upgrades

We are evolving and expanding our offering into new segments

Keep evolving leading products in current segments with technological updates



Develop leading Cybersecurity technology, fulfilling latent demand



Successfully evolve iTEC with the future requirements of the Single European Sky, leading the SESAR interoperability



Evolve CNS products and service model (e.g. GBAS) to maintain the technological and commercial leading position

Expanding into new segments to complement Indra's offering



Grow on aftermarket leveraging our significant asset base of ~200 control centres, ~1700 ILS and ~400 radars installed



Further develop remote towers to be a reference supplier, leveraging SESAR. Indra already has leading technology installed (e.g. Norway)

Note: ILS (Instrument Landing System). GBAS (Ground Based Augmentation Systems). ADS-B (Automatic dependent surveillance – broadcast). SESAR (Single European Sky ATM Research)

We will gradually grow our CapEx in our product portfolio in 3 years

We will continue internationalising our business by leveraging our strong offering

SEGMENTED
COMMERCIAL
PROCESSES



Leader in LatAm and Europe

Strong positioning

America

LatAm is a very strong Indra market, but still with important opportunities to come



Multination program (ATM and CNS) for COCESNA countries

Europe

Further expand iTEC and continue growing with other CNS technologies



Key relationships with Enaire (Spain), NATS (UK) and DFS (Germany)

Africa

Potential upside to continue growing, entering new countries



20 years supplying ATM and CNS systems to Morocco

Middle East

Indra's recent successful projects allows us to continue growing



Countrywide Advanced ATM systems in Oman

Asia Pacific

Continue capturing opportunities in a fast growing market



Coverage of ~60% of China's aerospace

Note: COCESNA (Central American Corporation for Air Navigational Services), ATM (Advanced automation systems for Air Traffic Management), CNS (Communications, Navigation and Services), ILS (Instrument Landing System)

Guidance: our strategic guidelines will support our profitable growth

01 New Specialised Operating Model

02 Product Portfolio Evolution

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Revenues 2016

270€M

CAGR¹ (16-20)

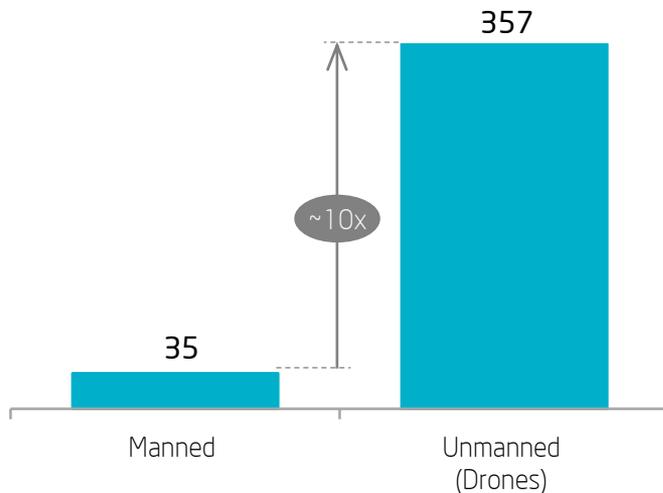
Mid single digit

1. Organic growth. Constant exchange rates as of 2016 (average FX in 2016). Source: Indra

Potential upsides on accelerated ATM for UAVs (UTM) demand, where we are already positioned through SESAR

Opportunity to frame long term growth of UAVs within the ATM systems

Annual Flight Hours in Europe in 2050 (Millions)



Note: UTM are ATM systems for UAVs (Unmanned Aircraft Vehicles). SESAR (Single European Sky ATM Research)
Source: SESAR European Drones Outlook Study 2016

Indra already has a good starting point through its positioning in SESAR

 Developing an **integrated ATM technology** for **manned and unmanned aircrafts**

"An entire ecosystem around both technology and regulation is required to unlock growth [of the drone market] safely with ATM related technologies a critical component"

SESAR, November 2016

"Spanish SESAR partners [led by Indra] complete simultaneous flight of civil drone and manned aircraft"

SESAR, May 2016

2.3

Transport



Berta Barrero

2ID

2nd
INVESTOR
DAY

Very attractive technology Transport market, entering into a phase of expansion

Change of cycle in infrastructure investment and therefore increased technology demand

Changed trend in Spanish infrastructure investment

- -4% growth 2010-2014
- +2% growth 2015-2025

+5% growth in global investment for Transport infrastructure expected until 2025

Transport infrastructure technology demand increased by

- New investment cycle
- Need for maintenance and upgrade of already existing infrastructure



Change in infrastructure operating models are generating additional opportunities



Increased demand for intelligent systems adapting to the coming trend of Smart Transport

- Requiring mobility, interconnectivity and real time steering



More flexible asset management demand is requiring new systems

- More efficient and scalable



New opportunities for private players, as public administrations are externalising their operations and sharing risks (PPPs)

+10% expected growth
(+20% for Smart Transport)

Indra has the perfect mix: transport business know-how, proprietary products and digital capabilities

Source: Oxford Economics, Assessing the global transport infrastructure market

Indra has a complete portfolio consisting on 4 key solutions with relevant positioning...

Transport segments for Indra's solutions



Rail



Inter-urban



Urban



Airports



Ports

Indra's solutions



Revenue Collection



Control & Enforcement



Operational Systems



Safety & Signalling

Indra's positioning

Leading position

Leading position

Leading position

- 1 of 3 incumbents in ASFA-D
- ERTMS

Solid portfolio leveraging Indra's digital capabilities

Note: ASFA-Digital (Safety & Signalling System), ERTMS (European Rail Traffic Management System)

... with strong references in the most innovative projects globally

Revenue Collection



Riyadh Ticketing

- Biggest greenfield contactless ticketing worldwide



Ticketing, The Netherlands

- Innovative AFC machines



T-Mobilitat, Spain

- Biggest integration fare & contactless project

Control & Enforcement



Urban Tunnels Control Centre, UK

- Iconic and complex due to London constraints



Tunnel Control Centre, UK

- New smart trends in traffic management



Nation-wide Road Traffic Control Centre, Spain

- Spanish traffic management

Operational Systems



High Speed Mecca – Medina, Arabia

- Most complex project in Middle East



High Speed Rail Control Centre, Spain

- Worldwide showroom



Port Community System, Portugal

- National port network installation

Safety & Signalling



Sydney Trains, Australia

- Advanced security system



ASFA-D, Spain

- High end solution for traditional rail safety in Spain



High Speed, Spain

- Rail communications & surveillance

Note: ASFA-Digital (Safety & Signalling System)

Strategic priorities to keep growing profitably

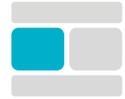
01 New Specialised Operating Model

Focus of this presentation

02 Product Portfolio Evolution

03 Segmented Commercial Processes

04 Ongoing Productivity Upgrades



3 key priorities in our offering enhancement

Consolidate Indra's positioning in the traditional segment

Increase recurrence and profitability



Evolve existing product portfolio to capture opportunities in the Smart Transport ecosystem

Position in the rapidly growing and fragmented smart transport market



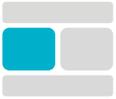
Culmination of our investment in ERTMS

Our goal is to become the Spanish big player in the international safety market



Note: ERTMS (European Rail Traffic Management System)

We will gradually grow our CapEx in our product portfolio in 3 years



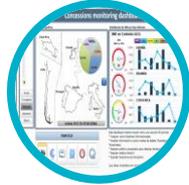
8 big projects identified to evolve our offering



New revenue collecting ecosystem



Technological enrichment of interurban platform



Multimodal Back Office



Connected vehicle



Enhancement of the rail operational systems



Evolution of the Safety & Signalling products



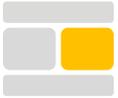
Free flow tolling evolution



Traffic product expansion to provide a multimodal mobility platform

For this new stage we will strongly reinforce our commercial activity to generate quality pipeline and higher win-rate

SEGMENTED
COMMERCIAL
PROCESSES



New governance model

- Product managers focused on pre-sales activities
- Key account managers structured according to our 4 solutions, clients and geographies
- Specialised profiles per client and geography with stronger commercial skills



New selective Commercial Plans

- Focused commercial efforts geographically
 - Consolidate existing presence assuring recurrence clients in Europe, LatAm, Middle East and Asia Pacific
 - Gain additional penetration in US, Canada, UK and Nordic Countries
- Product portfolio taxonomy
- Client segmentation and prioritisation

+Volume

+Profitability

+Recurrence

We have restructured the business unit and are currently redefining our operational processes



New organisation implemented

- New structure defined (solution-client matrix) to increase
 - Specialisation
 - Efficiency
 - Knowledge sharing capturing synergies



New team in place

- New external talent recruited for top management positions
- Reinforced clients and competitors view



New Operations Plan defined

- Risk management, taking into account lessons learnt from our large infrastructure projects internationally
- Focus on product and service quality
- Competitive manufacturing mix

We aim to be a main player globally in the Transport business

Leveraging the following positive factors:



Strong international references and innovative projects



Indra's strong brand for T&D globally



Spanish brand internationally recognised in the infrastructure sector



A renewed business vision, with clear focus and enhanced digital capabilities

Guidance: our strategic guidelines will support our growth without additional drawbacks

01 New Specialised Operating Model

02 Product Portfolio Evolution

03 Segmented Commercial Processes

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Revenues 2016

355€M

CAGR¹ (16-20)

Mid to high single digit

Already identified ~1.7€Bn opportunities on pipeline

Potential upside of becoming international reference on ERTMS beyond the local market

1. Organic growth. Constant exchange rates as of 2016 (average FX in 2016). Note: ERTMS (European Rail Traffic Management System). Source: Indra

3

IT



Cristina Ruiz

211

2nd
INVESTOR
DAY

In the last three years, we have performed a successful turnaround of our IT business

2015



- ✗ Pending **write-offs**
- ✗ **Brazil's losses**
- ✗ **Heavy cost structure**
- ✗ **Limited standardisation** of proprietary products and **disperse portfolio**
- ✗ **Lack of control** and proliferation of **onerous projects**

LTM Sep 2017



- ✓ **No additional significant write-offs**
- ✓ **Brazil's business under control** with expected positive EBIT at the end of 2017
- ✓ **Leaner cost structure**
- ✓ **Rationalised portfolio** and **structured product offering**
- ✓ **Increased control and tracking** due to an improved analytical accounting and reduction of onerous projects

(*) Sep 17 displayed data includes Tecnomcom consolidation since April 18th, 2017

We have strengthened the fundamentals of our business, setting up a solid starting point for the next growth cycle

Minsait launch

- ✓ High value brand, focused on digital transformation
- ✓ Transformation trigger of our move to high value
- ✓ Source of margin, growth and talent attraction

Product and service portfolio enhancement

- ✓ Rationalisation and standardisation of our product portfolio easing implementation
- ✓ Migration of our products to Cloud
- ✓ New product delivery model with specialised centres of excellence
- ✓ Development of new digital offering (e.g. Analytics, Cloud services, Cybersecurity)

Portfolio mix enrichment

- ✓ Migration of our portfolio towards high value-added services and solutions for digital transformation

Reinforced control and delivery model

- ✓ Increased control in tender offering process
- ✓ Closer monitoring of less profitable projects
- ✓ Sharp reduction in the number of unprofitable projects

Successful integration of Tecnom

- ✓ Consolidated leadership in Spain and increased client base due to high portfolio complementarity
- ✓ Reinforcement of our product portfolio with Tecnom's payment processing solutions
- ✓ Cost synergies on track and identified potential for efficiency in production

However, our focus on building a healthy business had an impact on the overall sales volume

Despite of our progress, we faced challenges...

Harder restructuring, needing greater focus and efforts than expected

Longer and more difficult transition to exit from onerous projects

- High impact of non profitable sales lost (Brazil)
- Focus on healthy growth, instead of growth at any cost

Slower mix change towards high value

- Market evolved from generating digital needs for our clients...
- ..to be the highly demanded topic

Cultural change is not immediate

... in a difficult macro context...



Lower growth in Latin America where Indra has high exposure

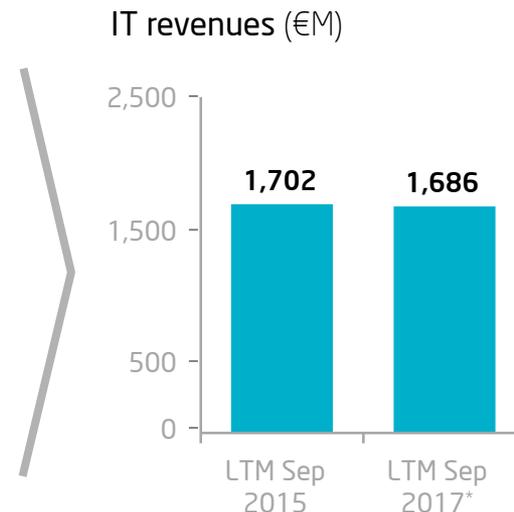


Delayed public contracts due to lack of government during several quarters in Spain



Low commodity prices and oil crisis limiting GDP growth in key markets

... resulting in lower sales than expected



(*) Sep 17 displayed data includes Tecnocom consolidation since April 18th, 2017

Technology is becoming increasingly relevant on CEO agenda and market expectations are favourable for growth...

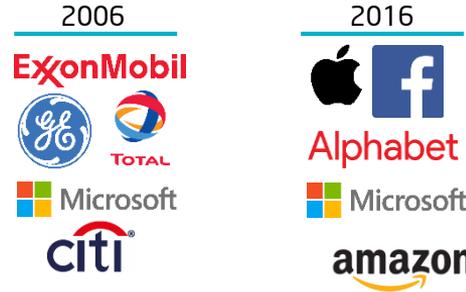
In 2015 digital was an emerging business, today it is on the CEO main agenda

"CIOs now have a unique opportunity, but they must 'flip' their information, technology, value and people leadership practices to deliver on the digital promise"

*Technology is the 2nd most cited priority for CEOs after growth...
...42% of CEOs say "digital first" or "digital to core" is their company digital business posture*

Digitalisation is a direct driver for value

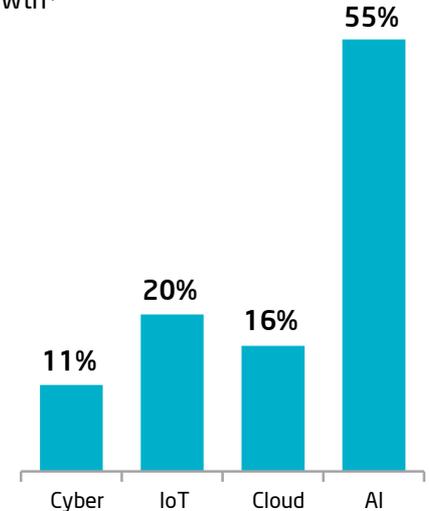
Top 5 most valued companies



NASDAQ 100 outperformed S&P500 by 17 p.p. since our first IDay in 2015

Market conditions are expected to be favourable

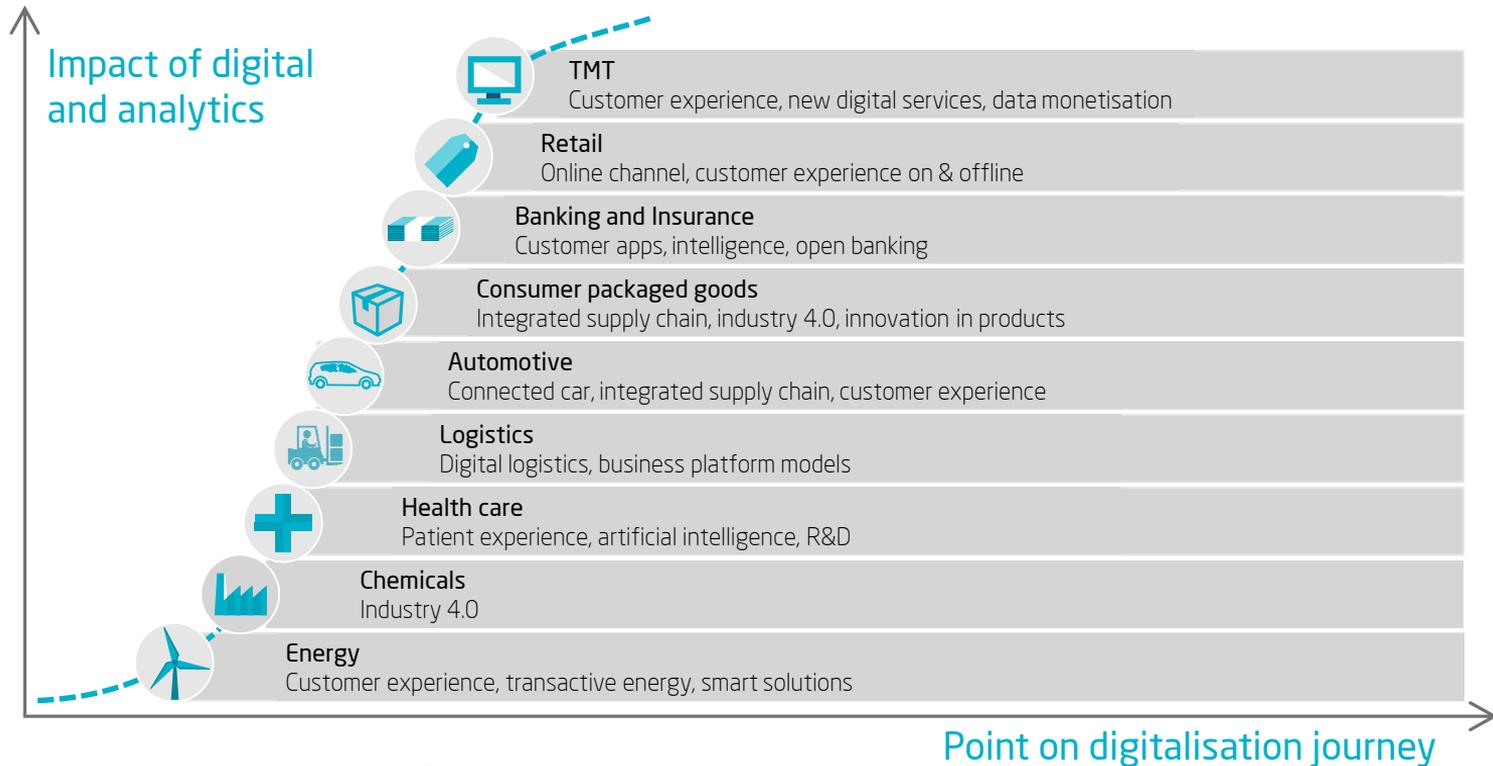
Expected average annual growth¹



Source: Market and markets, Gartner, International Data Corporation (IDC), BCG Perspectives 1. Cyber 17-22 CAGR, IoT 16-20 CAGR, Cloud 17-20 CAGR, AI 16-22 CAGR

...while digital transformation is changing market rules in all verticals where Indra has a strong business presence

Illustrative cases - not exhaustive



Source: 2017 CEO Survey: CIOs Must Scale Up Digital Business, Gartner (2017); IDC; Gartner Spending by Verticals; Capital IQ

Although we need to rapidly adapt our offering and operating model to changing market demands...



New technology buyers

- ✓ Digital transformation as top topic on the CEO agenda
- ✓ Greater involvement and IT budgets in business areas
- ✓ New roles like Chief Data Officer or Chief Digital Officer & transition from CTO to CIO

Need to address the **full Board of Directors**



New contracting models

- ✓ Cloud/As-A-Service models becoming mainstream for SW
- ✓ Success fee and value based deals gaining relevance
- ✓ Strategic topics demand exclusivity and JV models

Need to build **new types of deals / pricing / risk models**



New types of competitors

- ✓ Strategic consulting firms moving into digital
- ✓ New digital players growing into implementation
- ✓ In some cases, clients are becoming real competitors (e.g. telcos)

Need to reinforce our position as an **E2E specialised player**



New digital capabilities

- ✓ Increasing demand of digital capabilities (e.g. Analytics, Cyber)
- ✓ Increasing market competition for digital talent
- ✓ Imperative to transform, develop and hold in-house talent

Need to attract, retain and develop **top digital talent**

...and we need to realise the strong segmentation of the market

Two types of technologies

Core

Internal transactional processes

- ✓ Mature, consolidated software market
- ✓ Large contract volumes and suppliers in service industry
- ✓ Aim for productivity
- ✓ Transformation to enter digital scene (Cloud, APIs,...)

VS

Digital

Connectivity, Open ecosystems, intelligence

- ✓ Atomized software market, start-ups
- ✓ New digital entrants in an innovation and value oriented service industry
- ✓ Small contracts in initial phases
- ✓ New partnership collaboration models (success fees, JVs...)

Two types of clients

Legacy

Pre-existing organisations, processes and systems

- ✓ Settled core, but often with high architectural complexity
- ✓ Need to reconcile core transformation with digital initiatives

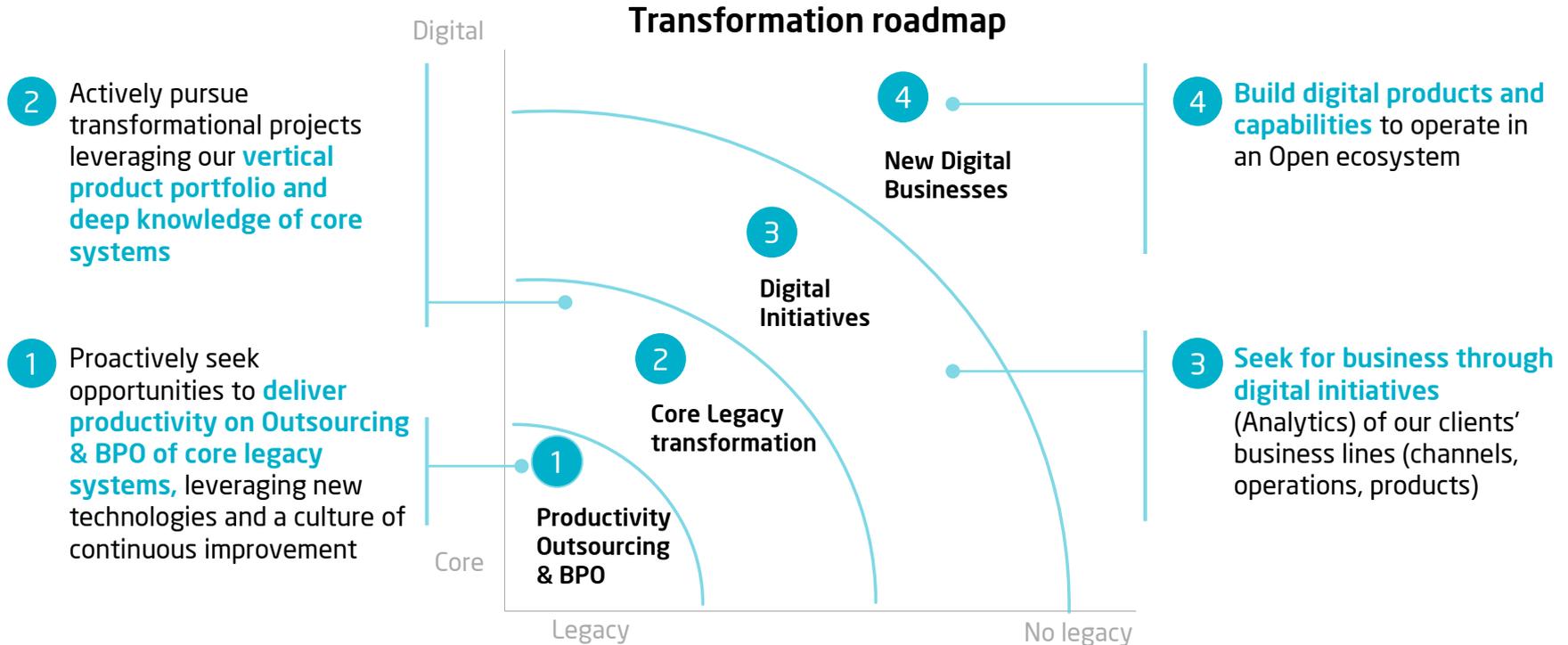
VS

No legacy

Emerging markets, B-brands, new digital entrants

- ✓ Creating systems and functional structures from scratch
- ✓ Pure digital focus, without barriers between core and digital, and oriented towards the creation and connexion of business platforms

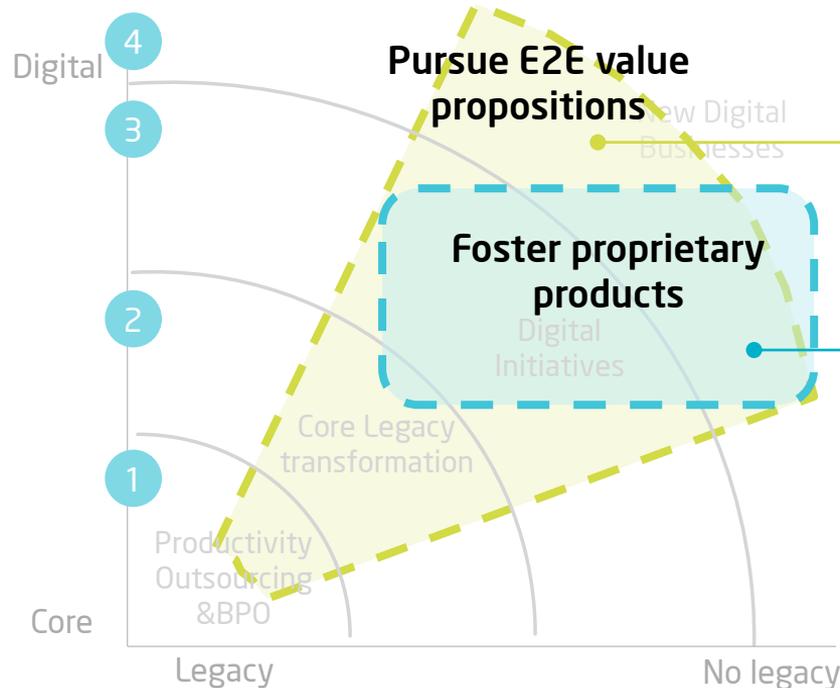
We have identified 4 waves to evolve from “core businesses” to “digital business platforms”



We are internally pushing forward the digital transformation we will bring to our clients

Leveraging the digitalisation waves there are 2 main business opportunities: (1) E2E value propositions and (2) proprietary products

Transformation roadmap



Proactively seek opportunities to deliver **E2E value propositions**, with transformation projects from consulting to Outsourcing and BPO

- Full stack capabilities, products and services
- Innovative pricing schemes
- Cutting-edge technologies (AI, Analytics, Cloud...)

Evolve and expand the reach of our **proprietary products** to accompany core legacy transformation and boost digitalisation opportunities

- Deep vertical expertise
- Core legacy systems know-how
- Strong portfolio

Strategic priorities to foster profitable growth in IT

01 New Specialised Operating Model

02 Product Portfolio Evolution

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Talent management will be a critical success factor for digital transformation

3.1

IT: Product Portfolio Evolution



Sergio Martín

211

2nd
INVESTOR
DAY

We have already started our digital transformation journey with successful references

1

Productivity Outsourcing & BPO

Multi-client ITO

Improve internal productivity and offering of **multiclient ITO maintenance with Lean**

- Automation of low complexity tasks
- Implement predictable mechanism to reduce lead times (AI)
- New ways of working
- Process streamlining: reduce bouncing

2

Core legacy transformation

Tecnocom's Payment Processing Solution

Transform **Indra payment platform** to create a high performance multi-client service

- Redefinition of the architecture to work on open environments
- Omnichannel client experience
- SaaS models of delivery
- Operating on Cloud environments

3

Digital initiatives

Leading healthcare firm

Transform **patient - doctor interaction** offering new digital services following a mobile-only strategy

- Definition of new business model
- Definition of digital customer journey
- Integration with customer' personal health folder
- Orchestration of an ecosystem of functionality providers

4

New digital businesses

Leading recycling company

Co-create, together with **our client, a circular economy platform delivered to cities on Cloud**

- Business platform approach
- Country-wide intelligence, enabling best practices adoption
- Innovation through geo-analytics, IoT and Artificial Intelligence

We will offer E2E value propositions and evolve our proprietary products to the next digital wave



E2E value propositions

Polarise our service capabilities along “Value Propositions”

- ✓ Orient and focus our offering into end-to-end value propositions
 - Leveraging deep know-how of core processes and vertical products
 - Increasing impact and return for our clients due to the digital transformation processes
 - Integrating the full stack offering (from consulting to Outsourcing / BPO)
- ✓ Keep evolving our current offering with new technologies to maintain competitiveness
 - Cloud, IoT, AI, Robotics, Automation



Proprietary products

Consolidate our proprietary products as an independent business

- ✓ Keep investing to accelerate innovation based on next-wave technologies
 - e.g. Integrating IoT, AI and Cyber
- ✓ Transform core systems to APIs and Open business platforms
 - Unlocking new business opportunities for our clients
- ✓ Consolidate operational and commercial business model for products
 - Maximising efficiency and reliability in our product delivery

The change to “Value Propositions” is a structural effort to increasingly compete on “value”



E2E value propositions

The diagram features a large green circle on the left containing the text 'E2E value propositions'. To its right, three horizontal green rounded rectangles are stacked vertically, each containing a descriptive text block. Dotted lines connect these text blocks to the corresponding 'From...' and 'To...' columns on the right. A small icon of a quarter-circle with radial lines is positioned above the text.

Structural company-wide aspiration...

...Based on a combination of ongoing initiatives...

...That is becoming a reality in recent projects

From...

- Selling capabilities / **services**
- High % of **RFP** answers
- Relevance of **cost-based** competition

- Branding and portfolio structure aligned to **services**
- **Service-based** practice development
- **Low thought leadership** relevance
- **Cost-plus** pricing

- Supporting **infrastructure** management tasks
- Offering IoT technology for **physical stores**

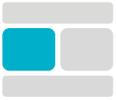
...To

- Selling “**impact**” enabled by a combination of capabilities
- Increasing % of **proactive idea** generation
- Higher relevance of **value-based competition**

- Branding and portfolio structure aligned with **value and industry needs**
- Company-wide practices and **knowledge management**
- **Intensified thought leadership** activity
- Mechanisms for **value-based pricing**

- **Improving SLAs** (quality and cost) through transformational outsourcing
- Providing an **integrated approach** (business and tech) to improve operations and sales (e.g. European Telco)

We will intensify investments to evolve our digital products to capture the next digital wave



In the last 2 years we have established solid basis for our SW business...

...and now we will intensify our investments and efforts along a clear vision



Proprietary products

- ✓ Improved governance and standardisation
 - Rationalisation and prioritisation of valuable assets
 - Improve investment and roadmap governance
 - Legal and IP protection
 - Common SW delivery model
 - Product packaging to maximise commercial impact
- ✓ Digital readiness
 - Architecture readiness for Cloud
 - Modularisation
 - New family of IoT-based solutions

- ✓ Intensification of selective investments to capture the next digital wave
 - Leveraging Open ecosystems to accelerate growth
- ✓ Common vision driving both business and technical approaches (detailed next)
- ✓ Reinforced central governance to maximise value synergies:
 - Simplify/homogenise architectures and maximise reutilisation
 - Multiply our branding relevance
 - Leverage operational synergies

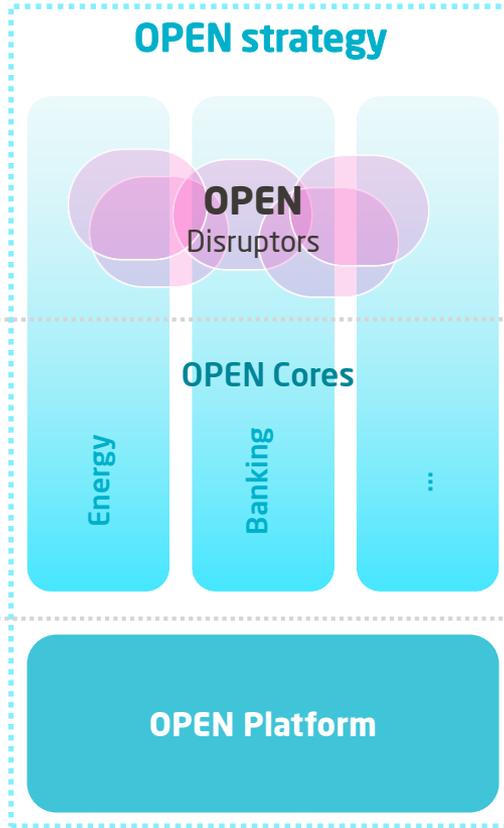


Strong differentiation factor for our services



Evolved and mature SW business

"OPEN" will be the strategic mantra for our SW-based business



Clear business objectives

- Leverage the start-up community
- Accelerate innovation (IoT, AI...)
- Support digital natives (no legacy)
- Facilitate core transformation
- Enable BPO as a Service
- Maximise adoption
- Leverage Open communities

Examples

- Smart Suite
 - Smart Cities
 - Smart Home
 - Smart Industry
 - Smart Store
- InGrid: distribution solution in Energy
- Payment processing solutions
- IOne: core for insurance companies
- Revenue Accounting for Airlines
- Sofia2
- B2B Connect
- Editran



In**GRID**
Distribution Management



IONE

SUIT**AIR** LCC
Revenue Accounting for Airlines

Sofia **2**

3.2

IT: Segmented Commercial Processes



Borja Ochoa

21D

**2nd
INVESTOR
DAY**

We have segmented our commercial approach based on client needs, opportunities and offering



E2E value propositions

Focus on E2E transformational projects accompanied by an innovative pricing scheme

- ✓ Actively focus on big deals
- ✓ Minsait as trigger for transformation projects
- ✓ Upgrade sales for legacy systems with new features



Proprietary products

Prioritise product specialisation to internationalise growth

- ✓ Vertical specialised commercial forces
- ✓ Third party specialised channels
- ✓ Alliances reinforcement

We are fostering end-to-end value propositions as a key driver for sustainable growth



E2E value
propositions



Actively focus on big deals

- Leveraging strong position and deep knowledge of core, vertical systems
- Pushing end-to-end transformation offering to maximise delivered value
- Launching specialised big deals team
- Developing individualised business cases with a tailor made offering pricing scheme



Minsait as trigger for transformation projects

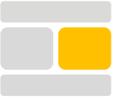
- Exploiting consulting capabilities to arise E2E opportunities (leveraging tech products and services - e.g. Big Data analytics)



Upgrade sales for legacy systems with new features

- Leveraging new technologies to enrich offering and upgrade sales (e.g. Cloud, RPAs...)
- Renovating ongoing sales on legacy traditional services (outsourcing with a pull strategy)
- Moving from reactive RFP response to proactive value-oriented proposals

We are reinforcing specific initiatives to boost the commercial reach and penetration of our proprietary products



Proprietary products

- ✓ **Vertical specialised commercial forces**
 - Creating specialised teams for vertical products with a global reach with regional deployment ("*product gurus*")...
 - ...working together with a local vertical node, bringing local expertise and contact management
- ✓ **Third party specialised channels**
 - Completing international sales with third party specialised channels...
 - ...leveraging standalone packaged product portfolio
 - Adapting pricing scheme and commission system
- ✓ **Alliances reinforcement**
 - Exploring new alliances / partnerships with strategic partners to enable global exports
 - Generating opportunities for JVs to co-build digital businesses

Adapting our commercial approach to our client needs in each of our geographies prioritising digital growth

SEGMENTED
COMMERCIAL
PROCESSES



Spain

Prioritise portfolio mix shift towards digital, while maintaining market positioning on traditional services

- ✓ Leverage vertical specialised teams to accelerate high value migration
- ✓ Use Minsait as trigger of end-to-end projects for digital transformation
- ✓ Emphasise co-leading digital initiatives and businesses to accelerate migration to high value and build references
- ✓ Actively commercialise (push) more efficient digitalised traditional offering – taking advantage of transformation

LatAm

Grow profitably and sustainably while expanding Minsait and seizing transformation opportunities

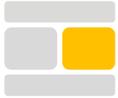
- ✓ Leverage specialised global teams of our products
- ✓ Launch Minsait commercially in key countries
- ✓ Take advantage of growth opportunities (SAP in I&R, payments solutions)
- ✓ Proactively pursue big transformational deals with dedicated teams (e.g. externalisations in Banking)
- ✓ Seek for more efficient digitalised traditional projects (e.g. directly implement Outsourcing in Cloud)

Rest of the world

Base growth on our proprietary products and strategic alliances

- ✓ Leverage global teams specialised in proprietary products
 - e.g. Energy distribution solution (InGrid), payment processing solutions, Hotel Management solution
- ✓ Explore third party channels
- ✓ Establish new alliances to expand the reach of our products (e.g. Microsoft's Azure)

We will push forward critical commercial enablers to accelerate growth across our markets



1 Accelerating **new internal processes** focused on **speed and efficiency**

4 Redesigning our **incentive scheme**



2 Designing **campaigns** for specific product / geography

3 Designing **new operative commercial KPIs** to ensure new metrics measurement

3.3

IT: Ongoing Productivity Upgrades



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We have designed an aggressive efficiency plan by applying new technologies



1 **Lean & Automation** Apply full **end-to-end Lean approach**, fostering a culture of continuous improvement and placing **automation at the core of our operations**

2 **Delayering** Reduce management layers to increase **agility and accountability** while maximising efficiency

3 **Pyramid Optimisation** Reshape our **production and delivery pyramid**

4 **Global Production** Increase **off-shoring by leveraging our existing capabilities** in Latin America

~1.5-2pp

induced direct
margin increase
by 2020

We are implementing Lean to establish a culture of continuous quality and efficiency improvement

We plan to keep increasing our competitiveness with Lean



- ✓ We implemented **Lean based pilots** with successful results in 2017, improving substantially efficiency (cost, lead time, culture) while improving delivery quality

We have identified clear initiatives with proven impact

- ✓ **Improve and automate testing for Software development** (e.g. common testing libraries)
- ✓ **Automate repetitive and low complexity tasks** (e.g. elimination of automatic alarms in servers)
- ✓ **Adopt a continuous improvement approach** in our way of working (e.g. reduction of presence in committees)
- ✓ **Homogenise / standardise ticket categorisation** (e.g. we reduced >2.000 root causes to ~150 to facilitate decision-making)
- ✓ **Standardise contract conditions** to delimitate their perimeter and facilitate the payment of on-top additional activities
- ✓ **Optimise delivery pyramids** (e.g. migrate low value-added activities to a more junior pool of technicians)

Our continuously improved multi-client ITO platform is fostering healthy growth



Multi-client ITO efficient growth strategy based on 3 pillars

I TO general services example provided by the multi-client platform

- User management
- Servers maintenance
- Information security management
- Alarms system management
- Issues and problems management and prioritisation (ticketing)
- L1, L2 and War-room offering
- Predictive problems solving (AI)
- ...

01 Lever multi-client concept

- More efficient and flexible proprietary platforms
- Quality enhancement
- Scale advantages

02 On going productivity improvements

- Continuous Lean Methodology implementation
- Continues improvement culture established on teams

03 Volume increase

- Migrate current services into this platform
- Foster new sales on multi-client platform

Resulting in a more productive and quality focused platform for the client and more efficient management for Indra

Lean case study: we are placing automation at the heart of all operations, building on recent successful experiences



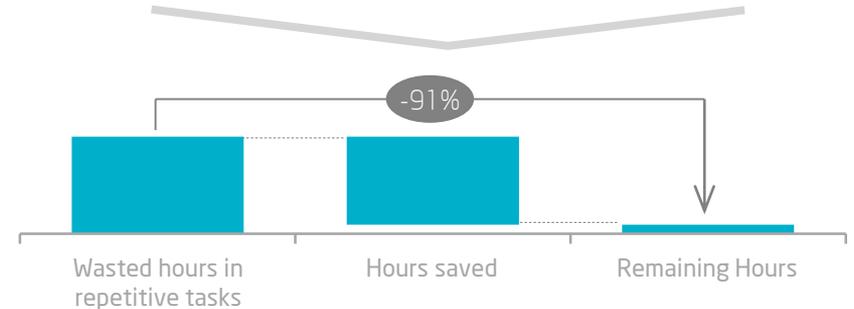
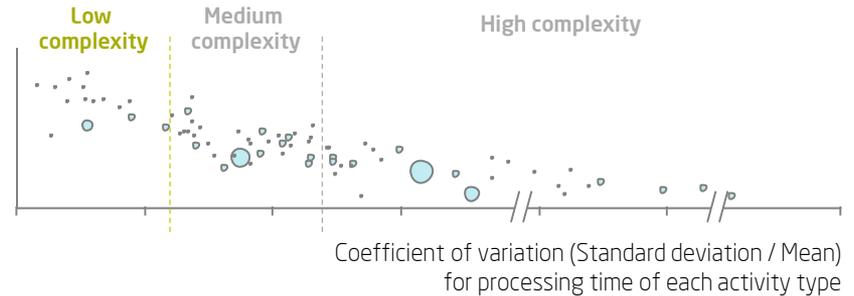
Automation is a powerful tool for quality and efficiency

- ✓ We expect higher return on automation of repetitive, low complexity tasks with small human interaction...
- ✓ ...drastically reducing cost and improving quality while increasing predictability
- ✓ We will leverage cutting-edge tech (AI and machine-learning) to gradually automate more complex tasks

We have already implemented a successful pilot

Illustrative case study - not exhaustive

Mean processing time of each activity type



IT closing remarks

01 New Specialised Operating Model

02 Product Portfolio Evolution

03 Segmented Commercial Processes

04 Ongoing Productivity Upgrades

IT Market outlook and Indra's positioning

- IT is a highly attractive market, disrupted by digital transformation
- Indra is in a privileged position to capture profitable growth opportunities

Product Portfolio Evolution

- Push forward end-to-end value propositions to accelerate our high value migration
- Consolidate our proprietary products

Segmented Commercial Processes

- Focus on E2E transformational projects accompanied by an innovative pricing scheme
- Prioritise product specialisation to internationalise growth

Ongoing Productivity Upgrades

- Continue applying full end-to-end Lean approach and automations
- Optimize delayering and intensify management of our production and delivery pyramid
- Increase off-shoring by leveraging our existing capabilities in Latin America

Guidance: our strategic guidelines will help us to keep growing

01 New Specialised Operating Model

02 Product Portfolio Evolution

03 Segmented Commercial Processes

04 Ongoing Productivity Upgrades

Revenues 2016¹

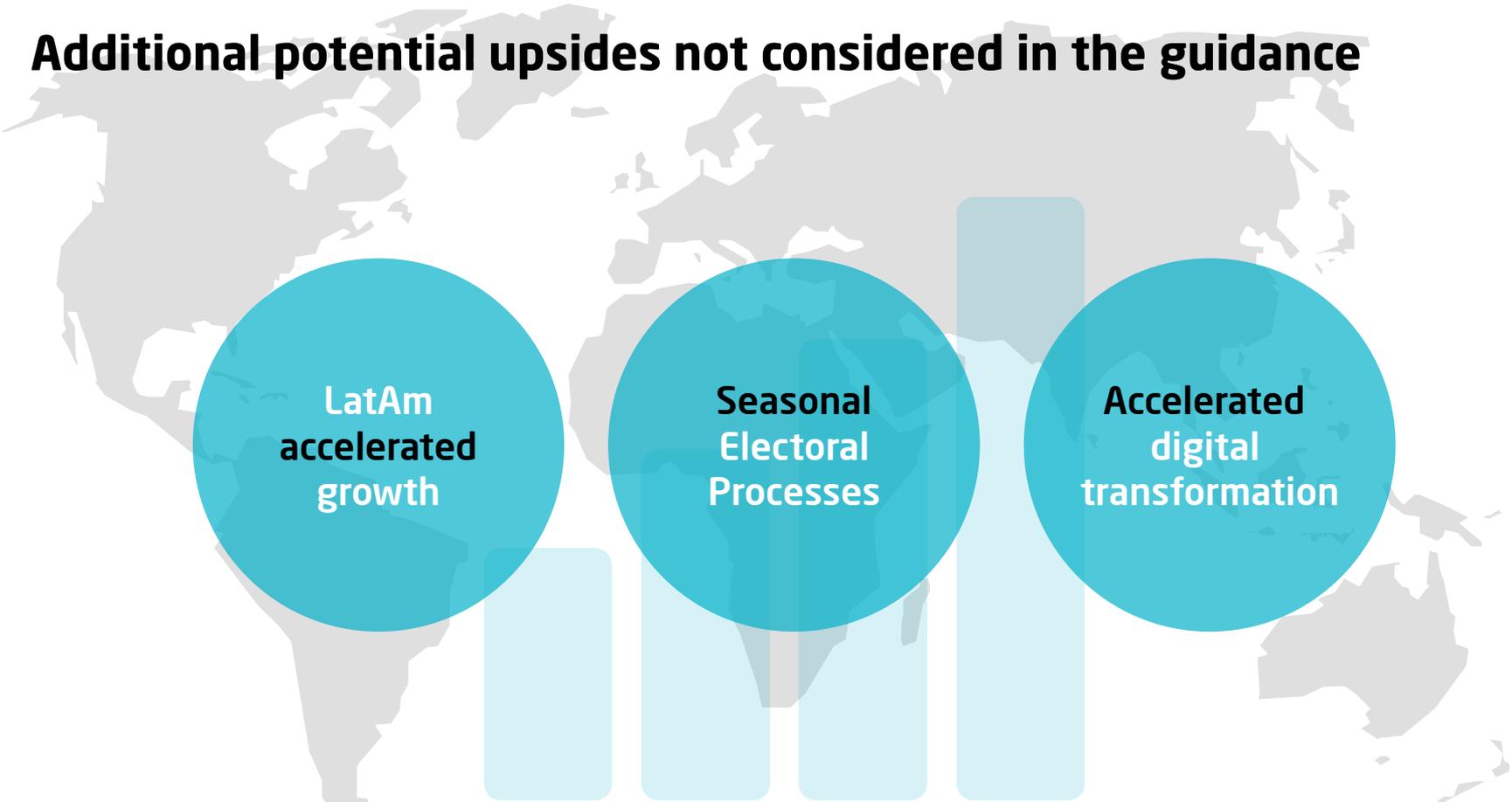
1,897€M

CAGR² (16-20)

Low single digit

1. Proforma including full 2016 revenues from Tecnomcom. 2. Organic growth. Constant exchange rates as of 2016 (average FX in 2016). Source: Indra

Additional potential upsides not considered in the guidance



**LatAm
accelerated
growth**

**Seasonal
Electoral
Processes**

**Accelerated
digital
transformation**

4

Financial Overview



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When we started to work on our first Strategic Plan in April 2015, Indra was in a very challenging situation

Ongoing deep operational issues

Non reliable analytical accounting and lack of control of onerous projects

- 718€M write-offs in 2015
- Difficulties to understand root causes and underlying issues

Profitability de-prioritisation

- Growth driven by low value added services
- Cost overruns in some contracts resulting from aggressive growth
- Expensive delivery model

Lack of focus on cost efficiency

- Heavy corporate structure
- Non optimal production pyramid management

Cash management decoupled from business activities

- Excessive working capital requirements

Excessive risk assumption in commercial bids

- Some products at too early stage, generating onerous projects
- Contractual and legal conditions without enough self-protection

Resulting in high financial stress

Cash flow draining



High debt generating difficulties on external financing



We set up clear management priorities to improve our business and its financial situation

Implemented Action Lines

Improvement of Operations

- Resulting in higher operating margins and cash flow generation

Proactive Net Working Capital Management

- Introduce cash collection targets for commercial force
- Align payments to suppliers with collections from customers
- Centralise Procurement operations

Stricter CapEx Allocation

- Stricter capitalisation criteria
- CapEx focused on selected products, while maintaining investment in R&D through launching clients

Proactive Debt Management

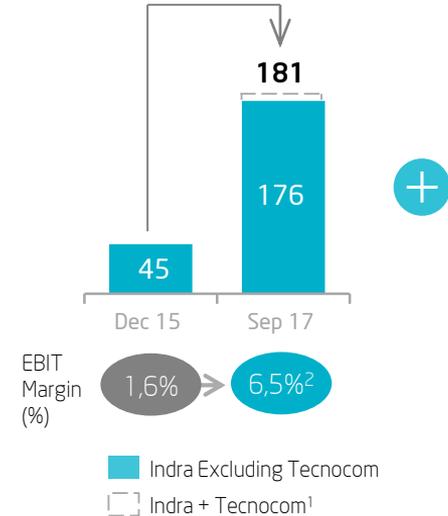
- Extend maturities (refinancing bank debt, ALM¹ with convertible bonds)
- Reduce cost of gross debt
- Tap new capital providers (private placements, EIB², etc.)

1. Asset Liability Management 2. European Investment Bank

We delivered strong Free Cash Flow generation...

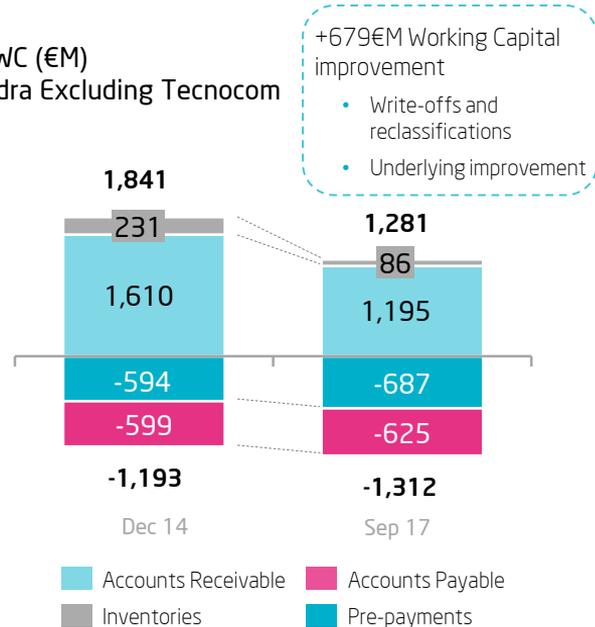
Sharp improvement in EBIT margin...

Recurring EBIT LTM (€M)



...and Net Working Capital reduction...

NWC (€M)
Indra Excluding Tecnomcom

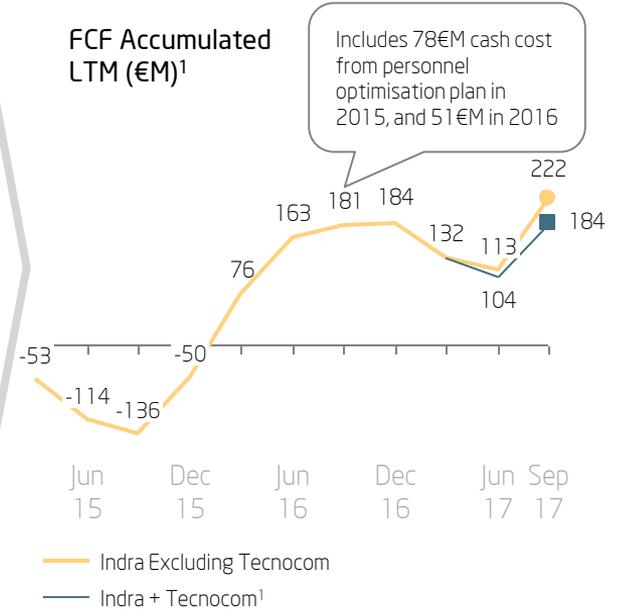


+679€M Working Capital improvement

- Write-offs and reclassifications
- Underlying improvement

...producing solid cash flow generation

FCF Accumulated LTM (€M)¹

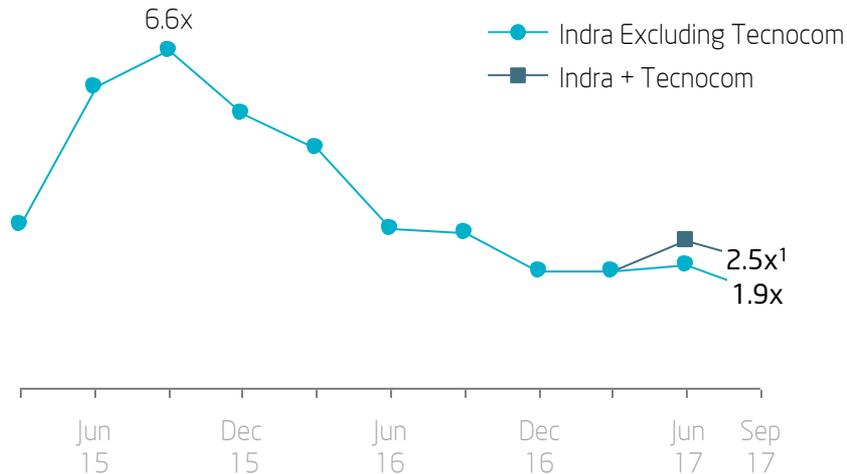


1. Displayed data includes Tecnomcom consolidation since April 18th, 2017. 2. Indra + Tecnomcom 6.3%

... having significant positive impacts on leverage, while at the same time cost of debt has been reduced

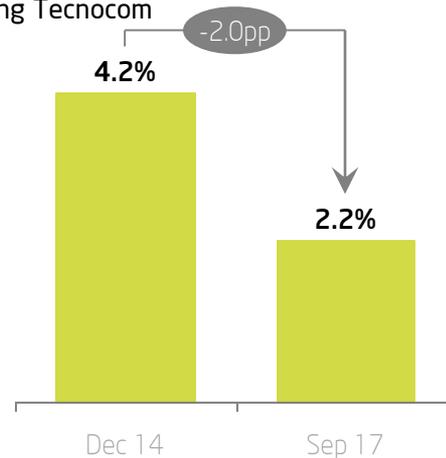
Successful deleveraging efforts

Net Debt / EBITDA LTM (Times)



Cost of gross debt reduction

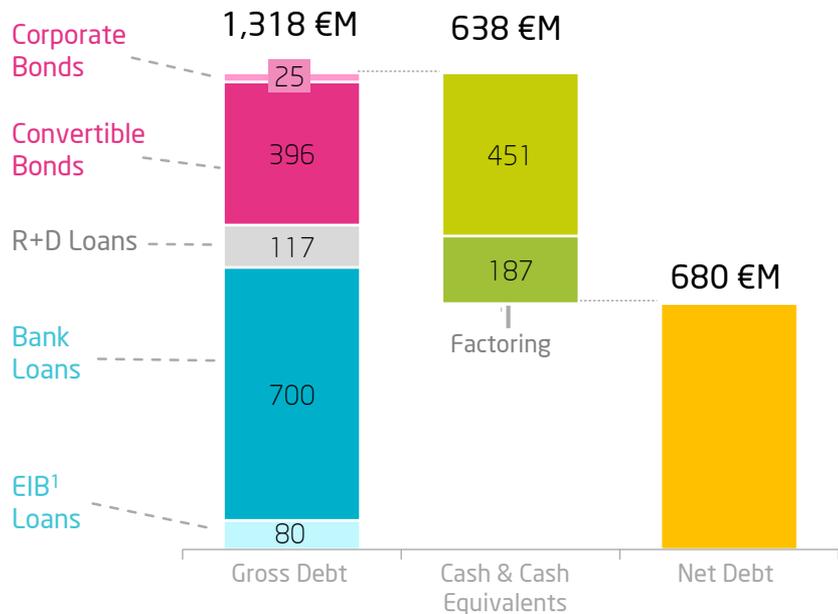
Cost of Gross Debt (%)
Indra Excluding Tecnomcom



1. This ratio includes LTM EBITDA Indra & LTM EBITDA Tecnomcom (part of this data is considered as it Tecnomcom would have been managed by the former Management)

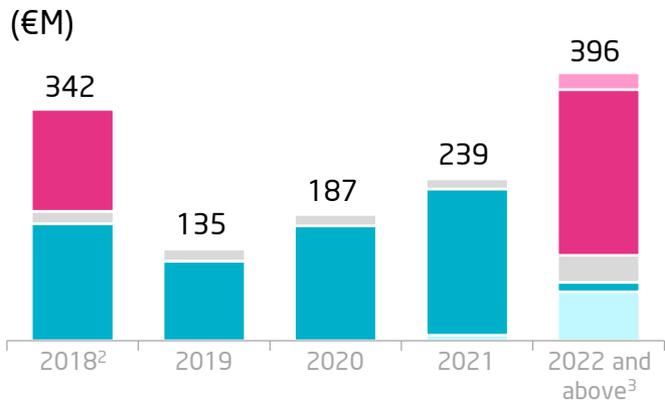
We now have a well diversified, balanced and flexible capital structure

Gross and Net Debt Structure



Other available credit facilities: **+250 €M**

Gross Debt Maturity Profile



Note: Data as of Sep 2017. Displayed data includes Tecnomat consolidation since april 18th, 2017. 1. European Investment Bank 2. Including 151€M Convertible Bond 3. Including 245€M Convertible Bond with 2023 maturity

Going forward, our financial strategy will revolve around how to allocate capital to increase shareholder value



Supporting growth and new business models

Gradually increasing CapEx to strengthen our proprietary products and digital capabilities

Financing of capital-intensive business models

- i.e. Payment as a Service, concessions

Supporting higher inventories when needed to improve time to market in T&D (e.g. Radars)



With 3 additional Cash Flow uses



Gaining predictability in Free Cash Flow conversion rate

Stable Net Working Capital

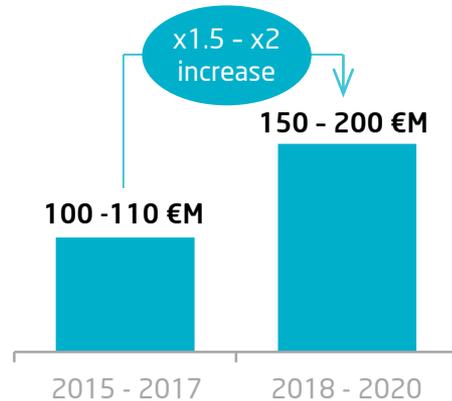
Reduced one-off effects allowing a better conversion from Operating Margins to Free Cash Flow

Bearing in mind potential seasonality and impact of large projects in our business

We will increase CapEx to foster growth in selected areas

Increased level of CapEx in 2018-2020...

Total CapEx (€M)



...to accelerate growth while migrating to high value

- **Invest to reinforce those products** where we already have a **leading position**
- Apply **digital technologies** to further position our offering in the **smart ecosystem**
- **Complement selectively** our **proprietary products** portfolio to sell complete **end-to-end solutions**

Amortisation will increase due to:

- **Finalisation and commercial launch of proprietary products**
- **Larger CapEx**
- **Tecnocom Purchase Price Allocation**

IFRS 15 and IFRS 9 implementation details

IFRS 15

The new norm specifies, in a more restrictive way, **how and when corporates will recognise revenue**

The standard provides a **five-step model to be applied to all contracts with customers:**

- Identify the contract
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when the entity satisfies a performance obligation

IFRS 9

The new standard includes **requirements for recognition and measurement, impairment, de-recognition and hedge accounting**

The directive implies the **recognition of a potential provision** under the principle of expected losses versus incurred losses over our existing assets (mainly clients and unbilled clients)

The purpose is to provide a **high-level overview of the IFRS requirements on the following areas:**

- Classification and measurement of financial assets and liabilities
- Impairment
- Hedge accounting

- **Impact on reserves: 1st January to be determined**
- **Some moderate impact on revenues (from 2018 onwards)**
- **Limited impact on margins (from 2018 onwards)**

Note: New effective date of IFRS 15 and IFRS 9 - 1st January 2018

Guidance

	2016 ⁽¹⁾	CAGR 2016-2020 ⁽²⁾
Revenues (€M)	3,121	Low single digit
EBIT (€M)	180	>10% (p.a. growth)
	2015-2017E	2018-2020E
Total Cash Flow (€M)	~610 ⁽³⁾ [~€775m since First Investors Day]	550-650 ⁽⁶⁾
CAPEX (€M) ⁽⁴⁾	100-110	150-200
Other uses (€M) ⁽⁵⁾	Restructuring Plan 129 Tecnocom acquisition 191 Onerous projects ~145 Deleverage (consensus end FY17) ~40	Continue deleveraging Reinstate dividend policy Selective bolt-on acquisitions

1. Pro-forma values including full consolidation from Tecnocom

2. Organic growth. Constant exchange rates as of 2016 (average FX in 2016)

3. Includes the estimated CF generated in 2015-17E, excluding the estimated impact from the cash outflows from Tecnocom acquisition (191€M), headcount plans (129€M), onerous projects (~145€M) and the accumulated CAPEX in the period

4. Accumulated CAPEX in the 2015-2017E and 2018-2020E period respectively

5. The uses of the cash flow generated in the 2018-2020E period are contingent upon fulfilment of the Strategic Plan

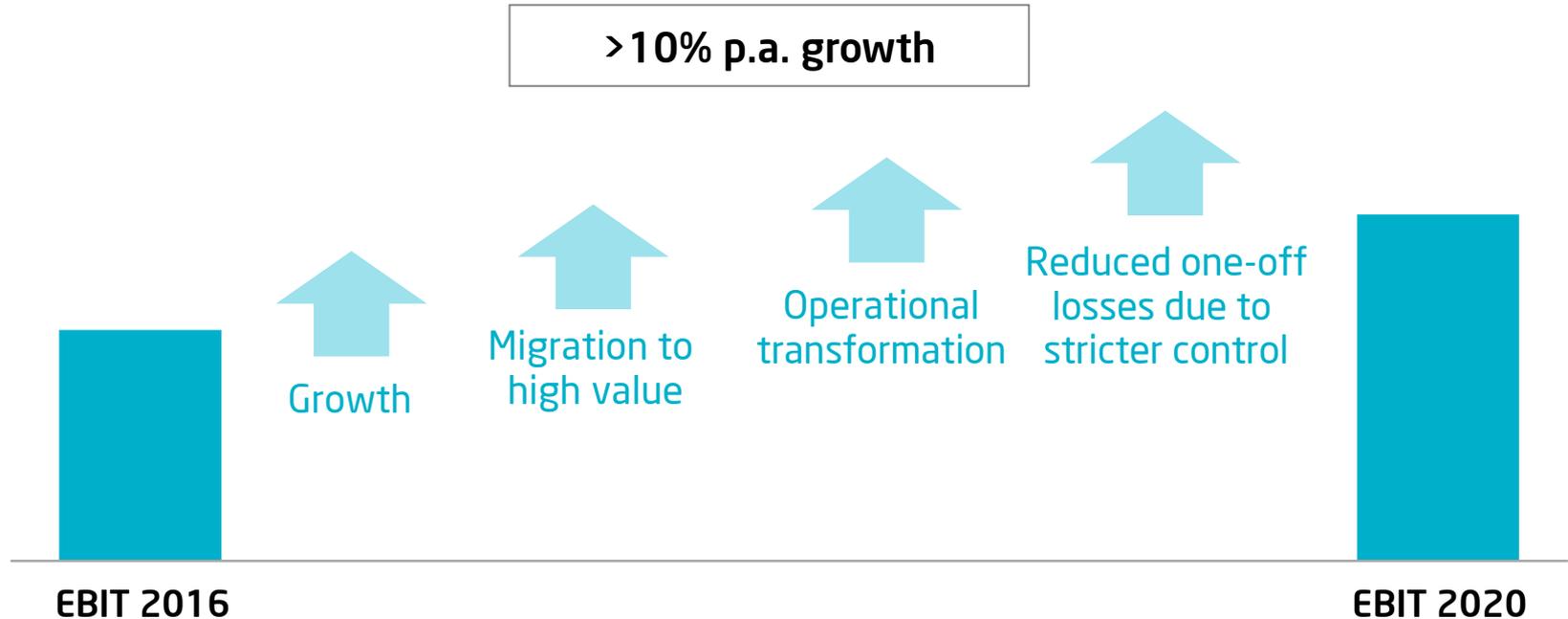
6. Includes the FCF generated in the period according to Indra's definition, excluding CAPEX and the last part of the pending cash outflows associated with the headcount reduction plan in Spain (~40€M)

T&D and TI businesses growth expectations

		Revenues 2016	CAGR ¹ (16-20)	
T&D	 Defence & Security	599€M	Mid to high single digit	Excluding 2018 Eurofighter revenues fall
	 ATM	270€M	Mid single digit	
	 Transport	355€M	Mid to high single digit	
IT	 IT	1,897€M ²	Low single digit	

1. Organic growth. Constant exchange rates as of 2016 (average FX in 2016). 2. Proforma including full 2016 revenues from Tecnomcom
Source: Indra

4 key levers to grow our EBIT



5

Closing Remarks



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