RESULTS 1H15

MADRID, JULY 30th 2015

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CONTENTS

1. INTRODUCTION

MAIN MILESTONES

- Indra's revenues decreased by -5% in local currency, due to seasonality in the Elections Business. Excluding this impact, the underlying revenue growth is +2%. Revenues in Spain grew +7% (fourth consecutive quarter of positive growth rate; +8% in 2Q15)
- Recurring EBIT margin falls 9.5 pp. to -1.8% (vs. 7.7% 1H14), basically because of the overruns in specific projects in Brazil and Lithuania, the calendar effects associated with the Elections, additional costs, and the lower contribution of the vertical Transport & Traffic and the Eurofighter project in Defence.
- During the second quarter, the Company has registered a number of non recurrent items for a gross amount of €422m, which implies a negative impact of €390m in the operating profit. Of the total amount, only €89m would have an impact in cash which €35m would impact before December 31st of 2015; leaving the remaining amount distributed over the next eight years.
- FCF totaled -€164.1m, vs -€3.2m in 1H14 as a result of the worse operating evolution.

1H15 RESULTS

Strong impact of non recurring items, seasonality and higher costs in certain projects (Brazil and Lithuania) negatively affecting the performance of the first semester of 2015

- Results show the impact of the non recurring items, seasonality in the Elections Business, and the losses in certain projects in Brazil (Financial Services and PPAA) and Lithuania (Railway Traffic), as well as the worse performance of Transport & Traffic and the Eurofighter project in Defence.

Underlying revenue growth of +2%, once excluded seasonality, with Spain speeding up and better order intake vs the previous quarter

- Reported revenues decreased by -5% in local currency because of the seasonality in the Elections Business.
- Revenues in Spain increased by +7%, and accelerates vs the first quarter of 2015 (+5%); which implies fourth consecutive quarters with positive growth achieved.
- Revenues in Latam kept similar levels compared to the first semester of 2014.
- Revenues in AMEA fell by -39% due to the calendar effects impacting the Elections business, improving its performance vs the first quarter (-46%).
- Order intake down by -5% yoy (-12% in 1Q15) because of Latam and AMEA and a more selective commercial policy. It is important to highlight the improvement of the order intake in Security and Defence (+48.5%).
- Backlog/revenues (LTM) grows to 1.27x (vs 1.23x in 1H14) due to the Solutions segment.

Operating margin deterioration vs the first semester of 2014 due to seasonality, losses on certain projects in Brazil and Lithuania, additional costs, and the lower contribution of Transport & Traffic

- Recurring EBIT margin fell 9.5 pp. to -1.8% (vs. 7.7% 1H14) as challenging dynamics persists in Spain (price pressure and non optimal cost structure), Latam (worsening of the macro and execution problems), and the commercial efforts because of the entrance in new markets (mainly AMEA)
- In more detail, the incurred overruns in the execution of certain projects in Brazil and Lithuania, along with the seasonality of Elections justified 5 pp. of the margin deterioration vs last year.
- Increase in Operating Costs, together with less contribution of Transport & Traffic , the Eurofighter project, among others, explains the remaining 4.5 pp.

Non-recurring items in 2Q15

- During the second quarter, the Company has registered a number of non recurrent items for a gross amount of €422m, by change in estimations as a result of different factors and events occurred in the first half of 2015:

Concept	**(€m)**
Provisions, impairments, and overruns	-266
Impairment of Goodwill	-101
Impairment of Intangible assets	-7
Impairment of Tax credit	-32
Efficiency improvement costs	-17
Total	**-422**

- These effects of €422m imply a negative impact of €390m in the operating margin (with the remaining €32m impacting directly to taxes).

Cash generation affected by the weak operating performance

- Net Working Capital is 64 of equivalent days of sales (DoS), after non recurring items.
- FCF stands at -€164.1m vs -€3.2m of 1H14 as a result of the worse operating performance.

Net debt rises to €825m from €663m in FY14

- More than the half of the increase in debt corresponds to companies in Spain.
- Average cost of debt is 4.4%, improving 0.5 pp. compared to the same period of last year.

2. MAIN FIGURES

	1H15 (€M)	1H14 (€M)	Variation (%) Reported / Local currency
Order Intake	1,583	1,647	(4) / (5)
Revenues	1,409	1,476	(5) / (5)
Backlog	3,652	3,560	3
Recurrent Operating Profit (EBIT) (1)	-25	113	(122)
Recurrent EBIT margin (1)	-1.8%	7.7%	(9.5) pp
Non recurrent costs	(390)	(12)	3,212
Net Operating Profit (EBIT)	(415)	101	(510)
EBIT margin	(29.5%)	6.9%	(36.3) pp
Net Profit	(436)	60	(823)
Net Debt Position	825	652	26
Free Cash Flow (2)	(164)	(3)	--

(1) Before non-recurring costs

Earnings per Share (according to IFRS)	1H15 (€)	1H14 (€)	Variation (%)
Basic EPS	(2.658)	0.367	(824)
Diluted EPS	(2.387)	0.347	(789)

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 274,812 treasury shares representing 0.17% of total shares of the company.

	1H15	1H14
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	229,468	97,080
Total shares considered	163,903,071	164,035,459
Total diluted shares considered	181,397,823	181,530,211

3. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INCOME STATEMENT

- Revenues were €1,409m, decreasing by -5% in local currency and in reported terms, negatively affected by the seasonality of Elections, with a strong impact during the first half of the year, which will improve in the second half of the year. Excluding the impact of the Elections Business in 1H14 (basically in AMEA and Latam), revenues would have increased by +2%. Revenues in 2Q15 fell -6% vs 2Q14, affected by the seasonality mentioned above as well as the more selective commercial policy of the Company.
- Other income stands at €47.7m vs €46.3m of 1H14, growing +3% due to the accounting of the R&D subsidies for finalized projects.
- Operating expenses (OPEX) reached €1.437m, growing +5% over 1H14 (€1,374m), due to the increase of Supplies and Other operating expenses (+5%) and the Personnel expenses, which grows +5% in line with the increase of the global headcount (+5%). OPEX rose due to, basically, the overruns in verticals markets such as Financial Services, Public Administrations & Healthcare, and Transport & Traffic.
- Contribution margin of 1H15 (6.6%), decreased -8.4 pp. vs 1H14:
    - Contribution margin in Solutions (7.2%) has decreased -9.6 pp. vs the same period of the previous year because of the deterioration of the activity in Latam (especially in Brazil because of the overruns incurred in certain contracts in FFSS and PPAA), the lower component of Elections, the specific problems in Lithuania, and the lower contribution of the own property solutions of the vertical Transport & Traffic, and Defence & Security because of the Eurofighter project, among other things.
    - Contribution margin in Services was 5.6%, -6.0 pp. lower vs 1H14, mainly as pricing pressure in some verticals and geographies (mostly in Spain and Latam) remains.
- D&A reached €45m in 1H15 vs €35m in 1H14 (+27%) because of the application and amortization of the corresponding subsidies to R&D finalized projects. Excluding this impact, D&A would have reached similar levels as of 1H14.
- Recurrent operating profit (EBIT before non-recurring costs) accounted for -€25m vs €113m in 1H14, with a recurrent operating margin of -1.8% (vs. 7.7% in 1H14). This fall of 9.5 pp. in the profitability of the company has been caused, among other things, by the following issues:
    - Seasonality of the Elections Business, with a relevant positive contribution to the profitability during the 1H14 (especially in Latam and AMEA). This impact will be mitigated during the second half of the year because there was no electoral business in 2H14, and we expect contribution during 2S15 (Spain and Latam).
    - Overruns in Brazil, basically in verticals such as Financial Services and Public Administrations, in certain projects of some implementations of third-party solutions in Financial Services, and the project management of ERP implementation. As a result of the review already done, the future overruns of these projects from June 30th onwards are already provisioned in this quarter; thus, we do not expect more losses from now until its termination.
    - Recently incurred overruns in a specific railway traffic management project in Lithuania, already mentioned in the previous quarter, where the changes in the initial terms of the contract have produced a relevant drop in the associated profitability of the project. The overruns of this project (which ends in September 2015) are also provisioned in this quarter.
    - The increase in the Structure and Operative costs and the worse contribution of the vertical Transport & Traffic and Defence & Security (lower contribution due to the Eurofighter project).

- Financial expenditures remains practically stable (€27.2m vs €26.9m 1H14) despite of the rise in Net Debt, mainly due to the reduction of the average cost of debt of 0.5 pp until 4.4%.
- Share of profits of associates and other investees reached -€3.6m vs €3.9m in 1H14. The difference is explained by the extraordinary result of +€3.9m that happened in 1Q14 regarding a more favorable agreement reached with Indra Italia's minorities related to the final payment to be paid in May 2016 (€3.7m) for its 22.5% stake.
- The tax expenses rises to -€9.4m (income) vs €17.4m (expenditure) as a consequence of the fiscal income that takes place in Spain because of the losses of the semester and the R&D deductions, which is partially compensated by the endowment of provisions corresponding the non recurrent effects of -€32m of the impairment tax credit of Brazil.
- Net Profit reached -€436m basically due to the non recurrent effects.

Non-recurring items

- During the second quarter, the Company has registered a number of non recurrent items for a gross amount of €422m, by change in estimations as a result of different factors and events occurred in the first half of 2015:

Concept	**(€m)**
Provisions, impairments, and overruns	-266
Impairment of Goodwill	-101
Impairment of Intangible assets	-7
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Efficiency improvement costs	-17
Total	**-422**

- These effects of €422m implies a negative impact of €390m in the operating margin (with the remaining €32m impacting directly to taxes).

Provisions, impairments & over-runs

- In accordance with Indra's standard procedures, project managers make periodically forecasts to verify the degree of accomplishment of the main technical and economical hypothesis of the projects in its backlog. Special focus is concentrated on those projects with a higher probability of deviation vs its business plan, and therefore more likely to generate potential losses. This process is monitored by Indra's management in accordance with its responsibilities within the new corporate structure.

- The company has revised the projects at the end of June taking into account the risk tolerance hurdle that the company is willing to accept. After this analysis the company has concluded that there are changes in the forecasts and hypothesis considered in some projects. There are reasonable doubts on these projects about the recovery of the costs that cover the pay back of its realized works, costs and overruns and penalties coming from contract cancelations.

- As a consequence, the company has decided to account for a negative result of €266m. The breakdown is as follows:

Vertical Market	(€m)
Energy & Industry	-12
Financial Services	-116
Telecom & Media	-7
Public Administrations & Healthcare	-74
Transport & Traffic	-37
Security & Defence	-20
Total provisions, impairments and over-runs	**-266**

Goodwill Impairment

- As a result of the new estimations in these projects, new hypothesis on the business that reflect the macro situation and the new market conditions, and the strategic plan 2014-2018, have been considered in order to realize new estimates over the business in Brazil, Indra Business Consulting, and Portugal. As a result of the above, there has been an impairment of -€101m:
  - Brazil: -€82.6m (€0m after the impairment)
  - Indra Business Consulting: -€9.1m (€23.5m after the impairment)
  - Portugal: -€8.8m (€3.0m after the impairment)

Intangible Asset Impairment

- Under the business review associated with the main intangible assets, it has been an impairment of €7.4m due to the total amount of intangible assets as a consequence of the acquisition of Sociedad Politec Tecnología da Informaçao, S.A.

Tax Credit Impairment

- Additionally, and regarding what is mentioned above, it has canceled the total tax credit which was activated in Brazil, registering an impairment of -€32m.
- The breakdown by nature of the non-recurring items is the following:

	(€m)
Inventories	-89
Clients	-78
Onerous provision	-98
Goodwill	-101
Fixed Intangible Assets	-7
Efficiency improvement costs	-17
Non-recurring items to EBIT	**-390**
Tax credit impairment	-32
Total non-recurring items	**-422**

- The company believes that these non-recurring items reflect the current impact from the changing market conditions suffered by Indra in the first semester of 2015 and the changes in estimates coming from new circumstances (and hypothesis) and last available information.
- Of the total amount, only €89m would have an impact in cash which €35m would impact before December 31st of 2015; leaving the remaining amount distributed over the next eight years.

BALANCE SHEET AND CASH FLOW STATEMENT

- Free cash flow during the first semester of 2015 totaled -€164m vs -€3m en 1H14 due to, basically, the worse operating performance. "Provisions, capital grants and others" takes into account the non recurrent effects already mentioned above.
- Free Operating Cash Flow stands at -€16m, instead of the €119m in 1H14 due to the weak evolution of the operating profit before non recurring items.
- Net Working Capital stands at €505m, which represents 64 days of equivalent LTM sale, showing the impact of the non-recurrent effects. Excluding these effects, NWC would have reached 90 days, 4 days worse than the first quarter (similar to the trend of previous second quarter results). This is in line with our previous release where the company stated a higher Working Capital in DoS for the second and third quarter with a reduction during the fourth quarter of the year.
- Income tax raised to €19m, vs the €26m reported in 1H14 because of a lower payments as a consequence of the lower results.
- Intangible investments (net of the charge in grants) have been €12.8m, vs €19.6m than in the same period of last year, while the disbursement of material investments rise to €5.6m, lower than the €8.8m during 1H14.
- Financial investments involved a payment of €0.6m.
- Net debt position at the end of 1H15 amounted to €825m (higher than the €663m in FY 2014), equivalent to 5.9x LTM recurrent EBITDA. Average cost of debt is 4.4%, improving in 0.5 pp. compared to the same period of the last year. More than the half of the increase in debt corresponds to companies in Spain.
- In 1H15 the balance of the non-recourse factoring lines amounted to €176m, falling €11m compared to the €187m in FY2014.

HUMAN RESOURCES

Total workforce at the close of 1H15 stood at 38,995 employees, which implies a growth of +5% vs the same period of last year; it is important to highlight the growth in Spain (+5%) and AMEA (+16%). Spain grows because of the beginning of some services projects with an intense need of workforce. The growth in AMEA is because the rise in personnel in Philippines as a result of the development strategy carried out in an offshore factory in the country as well as the higher needs of resources in the north of Africa.

Final Workforce	1H15	(%)	1H14	(%)	Variation (%)
Spain	21,893	56	20,827	56	5
Latam	13,723	35	13,296	36	3
Europe & North America	1,814	5	1,809	5	0
Asia, Middle East & Africa	1,565	3	1,347	4	16
TOTAL	**38,995**	**100**	**37,279**	**100**	**5**

4. ANALYSIS BY SEGMENT

SOLUTIONS

Solutions	1H15 (€M)	1H14 (€M)	Variation (%) Reported	Variation (%) Local currency
Order Intake	1,015	1,026	(1)	(2)
Revenues	872	953	(9)	(9)
Book-to-bill	1.16	1.08	8	
Backlog / Revs LTM	1.53	1.31	16	

- Revenues have decreased by -9% in local currency (same level in reported figures), which represents 62% of the company's total sales (vs. 65% in 1H14).

  The evolution has been impacted by Elections' business weight during 1H14. Excluding this impact, revenues would have grown +1%.

  By geographies, Spain is up +21%, with the remaining regions registering double digit decreases. sales in AMEA would have been flat excluding the Iraq elections .

- Order Intake was 16% above sales, declining -2% in local currency (+5% excluding the Iraq elections). By regions it is worth highlighting the performance of Spain, mainly driven by the strong evolution of both Transport & Traffic and Defence verticals, and of Europe & USA, boosted by the Security & Defence vertical.

- Order Backlog amounted to €2,757m, which represents an increase of +9% in reported terms. The ratio Backlog/ Revenues of last twelve was 1.53x, increasing by +16% vs 1H14 (vs. 1.31x in 1H14).

SERVICES

Services	1H15 (€M)	1H14 (€M)	Variation (%) Reported	Variation (%) Local currency
Order Intake	568	621	(8)	(9)
Revenues	537	522	3	3
Book-to-bill	1.06	1.19	(11)	
Backlog / Revs LTM	0.84	1.06	(21)	

- Revenues increased by +3% in local currency (same level in reported figures).

  The double digit growth in Latam (driven by the positive performance of Financial Services) have offset the decline in Spain, which continues to be affected by the weak performance of Telecom & Media.

- Order Intake decreased by -9% in local currency (-8% in reported terms) since the company is more focus in high value added services. The verticals with the worst performance were Telecom & Media (-27%) and Energy & Industry (-23%).

- Order Backlog decreased to €895m, representing 0.84x LTM sales as a consequence of the execution of multi-year projects contracted in previous years.

5. ANALYSIS BY VERTICAL

Revenues by Verticals	1H15 (€M)	1H14 (€M)	Variation (%) Reported	Variation (%) Local currency
Energy & Industry	234	229	2	0
Financial Services	269	255	5	6
Telecom & Media	144	160	(10)	(10)
PPAA & Healthcare	231	291	(21)	(21)
Transport & Traffic	296	292	1	(0)
Security & Defence	235	248	(5)	(6)
TOTAL	**1,409**	**1,476**	**(5)**	**(5)**

Energy & Industry

- Revenues in Energy & Industry vertical during the first semester have been flat in local currency, growing +2% in reported terms.
- Energy segment had a positive performance (+3%), mainly driven by the Electricity and Water businesses, and also thanks to the good evolution of Indra's proprietary solution in both generation and commercial systems in the AMEA region.
- Worse relative performance in Industry & Consumption vertical (+1%) due to the decrease of the level of activity in the businesses of Consultancy and Engineering.
- Good performance in the international markets (+8%), while the sales decline in Spain have softened vs previous quarters, being the revenues flat in the second quarter stand alone. This fact would anticipate a potential recovery of the activity in the coming quarters.

Financial Services

- Sales in Financial Services vertical has increased by +6% in local currency (+5% in reported terms).
- The Banking activity in Spain keeps a positive momentum (+7% in 1H15 vs +2% in 1Q15), as a consequence of the new business opportunities that have arisen among the main Spanish Banks due to their business repositioning (Consultancy +60%) and efficiency improvement (BPO and Oustourcing basically).
- As it has been mentioned in previous reports, the management priority in Brazil (+13% sales increase in the region) is focused on the adequate execution of the underperforming projects (BPOs and ERPs implementations).
- Despite the worse relative performance in the Insurance segment vs Banking, it is worth to stress the good performance in Latam (+64%) thanks to the implementation of the iONE solution to a relevant client of the region.

Telecom & Media

- Revenues in Telecom & Media vertical has decreased by -10% in local currency, or -10% in reported terms (-14% in the first quarter).
- Telco Operators continues focusing on efficiency and cost control measures, mainly in the Business Support Systems (BSS). The demanding pricing environment highlighted in previous quarters persists.
- Therefore, a sales recovery in this vertical from current levels is no expected for the second part of 2015.

Public Administrations & Healthcare

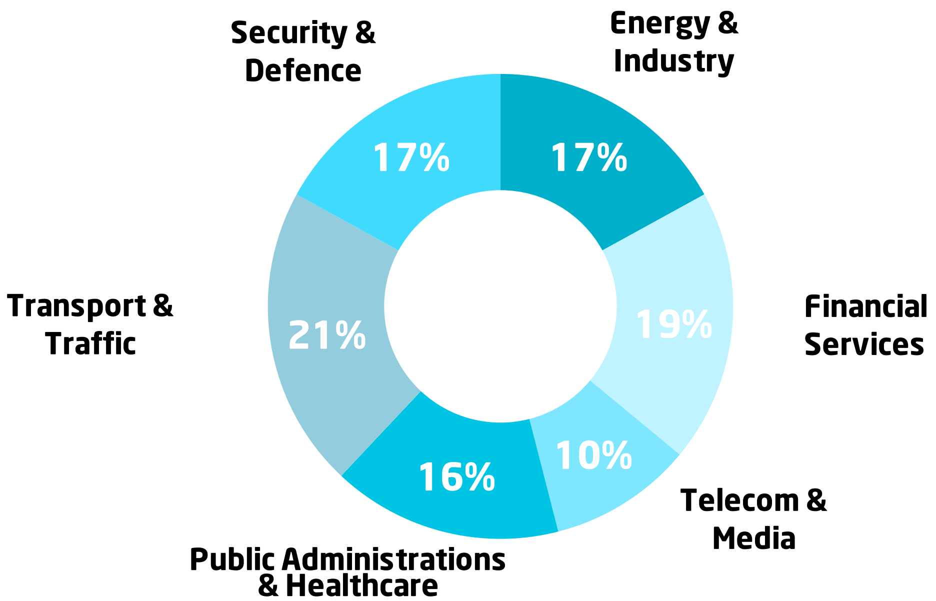
- The activity in Public Administrations & Healthcare has suffered a -21% fall in local currency and in reported terms. Despite the sales evolution has been negatively affected by the relevant weight of the Elections business (mainly in AMEA and Latam), its relative performance has improved vs 1Q15 as a consequence of the regional and local Spanish elections hosted in May.
- Excluding the elections impact, sales in 1H15 would have grown significantly (+16%), highlighting the favorable evolution in Spain (mainly in Education and Smart Cities).
- The Healthcare business registered a -9% decline, mainly in the international market.
- A better performance is expected throughout the year since the activity of the Elections' business was mainly concentrated in the first half of 2014, while in 2015 it will be concentrated in the second half of the current year (mainly in Spain and Latam)

Transport & Traffic

- Sales in the Transport & Traffic vertical were flat in local currency (+1% in reported terms).
- The 2Q15 evolution (-11%) has been conditioned by the poor performance in Latam and some delays in the execution of certain projects in Europe.
- The own proprietary solutions area of the company registers positive growth rates (+5%), mainly in the Land & Railway Signaling segment and in Road & Ports. In the ATM business, despite the recovery in Spain (+35%), the level of activity has been negatively affected by some delays in the execution of some specific projects that the company expects to offset throughout the second half of the year. However, at the vertical level, the positive evolution of the own proprietary solutions have been compensated by the engineering activity decline.
- The activity in Spain keeps growing very positively (+24%) thanks to the railway and ticketing projects awarded in the second half of the last year. Growth will slow down during the second part of the year.
- The 2Q15 profitability of the vertical was dragged by the project of railway transport systems in Lithuania, which has been fully provisioned.

Security & Defence

- Revenues in Security & Defence vertical has decreased by -6% in local currency (-5% in reported terms).
- Activity in Spain keeps improving (+21%) thanks to specifics projects in the context of a new investment cycle by the Ministry of Defence. It is expected this trend will consolidate over the second half of the year (mainly in the Simulation field).
- As expected, Europe shows negative growth rates due to the lower weight of the Eurofighter program.
- The positive prospects of new projects, combined with the relevant backlog and the favorable order intake performance (+49%, mainly in Spain & Europe), might imply a relevant recovery during the second half of the year. It is expected yearly growth thanks to Simulation, Radars and Electronic Defence fields.



6. ANALYSIS BY GEOGRAPHY

Revenues by Geography	1H15		1H14		Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency
Spain	614	44	575	39	7	7
Latam	385	27	384	26	0	(0)
Europe & North America	277	20	308	21	(10)	(11)
Asia, Middle East&Africa	133	9	209	14	(36)	(39)
TOTAL	**1,409**	**100**	**1,476**	**100**	**(5)**	**(5)**

Spain

- Sales in Spain continue to consolidate its recovery (+7%), accelerating its growth in the 2Q15 (+8%) and accumulating four consecutive quarters of positive evolution.
- The recovery remains underpinned by the Public Sector (+27%) –slowing slightly the pace of growth vs 1Q15 (+32%)- and the Solutions segment (+21%), although with demanding levels of profitability.
- The Private Sector continues to show worse performance than the Public Sector, particularly in the Telecom & Media vertical. However, the sales growth acceleration in Financial Services and the improvement in Energy & Industry could anticipate a better performance over the second half of the year.
- Order intake in the Spanish market keeps evolving at a good pace (+5%), with better performance vs 1Q15 (+14% in 2Q15), with all the verticals showing positive rates of growth in the second quarter stand alone (excepting for Energy & Industry).
- By verticals, Transport & Traffic, Security & Defence, and Public Administrations are the ones that are registering the better performance.
- The gradual recovery of the Public Sector in Spain could experience a slowdown in the coming quarters due to the electoral calendar for 2015.

Latam

- The activity in Latam has registered a similar behavior to the previous year, both in local currency and reported terms.
- The macro headwinds and the political backdrop in some countries (especially in Brazil) as well as the still incipient development phase of the sector continue to affect the majority of the projects in the Service segment.
- Revenues in Brazil have reported a positive growth (+18% in local currency), although conditioned by the execution of some projects in the Financial Services and Public Administrations segments where we the company has incurred in relevant overruns. Other areas, like Mexico and Argentina are registering negative rates of growth due to the demanding comparison to 1H14 (especially in the verticals of Public Administration and Transport & Traffic)
- By verticals, Security & Defence, Financial Services, Energy & Industry, and Telecom & Media achieved positive growth rates.

Asia, Middle East & Africa (AMEA)

- Revenues in Asia, Middle East & Africa (AMEA) have decreased by -39% in local currency (-36% reported) mainly due to the intense level of activity in the Elections business referred to the project to support the elections in Iraq (finalized in 2Q14).
- Excluding this impact, revenues would have increased by +2% compared to 1H14.
- It is worth to mention the favorable performance of the verticals of Energy & Industry (+48%), and Transport & Traffic (+12%) and Financial Services (+5%)
- Order intake has been well above revenues (book-to-bill ratio of 1.5x), especially in the Transport & Traffic segment.

Europe & North America

- The activity in Europe & North America has registered a -11% drop (-10% in reported figures).
- The verticals of Security & Defence and Transport & Traffic concentrate the majority of the activity in the area (c. 75%).
- However, the Security & Defence activity has been conditioned by the decline of the activity in the Eurofighter project , while the Transport & Traffic vertical has been affected by the lower levels of activity in UK and Romania, which it is expected to be offset in the second half of the year.
- Order Intake has registered an increase of +24%, mainly in the Security & Defence, which could anticipate a sales recovery in the second half of the year.

7. OTHER EVENTS OVER THE PERIOD

8. EVENTS FOLLOWING THE CLOSE OF THE PERIOD

In the context of the 2014-2018 Strategic Review to investors and analysts that the company hosted on the 8th of July, Indra disclosed the following:

MID TERM TARGETS

Indra, based on its 2014 reported figures, establishes the following financial targets for the year 2018:

- Revenue growth rate between +2.5% and +4.5% per year (CAGR 2014-2018)
- Recurrent EBIT margin between 10%/11% by 2018
- A free cash flow generation of around 200 €M in 2018, which represents approximately 6% of the expected revenues of that year
- A net debt to EBITDA ratio of around 1x by 2018

EFFICIENCY PLAN

To achieve these objectives, and among other measures, the company has put in place an efficiency plan that is expected to generate approximately savings between 180 and 200 €M. This plan is based on the following actions:

- Personnel cost optimization with an impact of approximately 120 €M yearly savings
- Production and other costs with yearly savings of approximately 30 €M
- Overruns and project delays reduction with an amount of approximately between 20 and 40 €M yearly savings
- Delivery model optimization with an amount of approximately 10 €M yearly savings

The final result of the plan might differ from the aforementioned indications as the company has just opened the process of negotiations with Union representatives in Spain and is also subject to the final results of the negotiations to held in the different countries it operates.

ANNEX 1: CONSOLIDATED INCOME STATEMENT

	1H15	1H14	Variation	
	€M	€M	€M	%
Revenues	**1,409.2**	**1,475.9**	**(66.7)**	**(5)**
Other income	47.7	46.3	1.4	3
Materials consumed and other operating expenses	(674.1)	(645.0)	(29.1)	5
Personnel expenses	(762.0)	(727.6)	(34.4)	5
Other results	(0.9)	(1.2)	0.4	NA
Gross Operating Profit (recurrent EBITDA)	**19.9**	**148.4**	**(128.5)**	**(87)**
Depreciations	(44.8)	(35.3)	(9.5)	27
Recurrent Operating Profit (EBIT before non recurring costs)	**(24.8)**	**113.1**	**(137.9)**	**(122)**
Recurrent EBIT margin (before non recurring costs)	***-1.8%***	***7.7%***	***(9.5)***	**--**
Non recurring costs	(390.3)	(11.8)	(378.5)	3,212
Net Operating Profit (EBIT)	**(415.1)**	**101.3**	**(516.4)**	**(510)**
EBIT Margin	***(29.5%)***	***6.9%***	***(36.3)***	**--**
Financial results	(27.2)	(26.9)	(0.3)	1
Share of profits (losses) of associates and other investees	(3.6)	3.9	(7.6)	NA
Earnings Before Taxes	**(445.9)**	**78.4**	**(524.3)**	**(669)**
Income tax expenses	9.4	(17.4)	26.8	(154)
Profit for the period	**(436.5)**	**61.0**	**(497.5)**	**(816)**
Attributable to minority interests	0.8	(0.7)	1.5	NA
Net Profit	**(435.7)**	**60.3**	**(496.0)**	**(823)**

Figures not audited

ANNEX 2: INCOME STATEMENTS BY SEGMENTS

1.- Solutions

	1H15	1H14	Variation	
	€M	€M	€M	%
Net sales	**872**	**953**	**(81)**	**(9)**
Contribution margin	63	161	(97)	(61)
Contribution margin/ Net revenues	***7.2%***	***16.8%***	***(9.6) pp***	
Results from associates	0	(0)	0	--
Segment result	**63**	**160**	**(97)**	**(61)**

2.- Services

	1H15	1H14	Variation	
	€M	€M	€M	%
Net sales	**537**	**522**	**14**	**3**
Contribution margin	30	61	(31)	(51)
Contribution margin/ Net revenues	***5.6%***	***11.6%***	***(6.0) pp***	
Results from associates	(0)	0	(0)	--
Segment result	**30**	**61**	**(31)**	**(51)**

3.- Total consolidated

	1H15	1H14	Variation	
	€M	€M	€M	%
Net sales	**1,409**	**1,476**	**(67)**	**(5)**
Contribution margin	93	221	(128)	(58)
Contribution margin/ Net revenues	***6.6%***	***15.0%***	***(8.4) pp***	
Other non-distributable corporate expenses	(118)	(108)	(10)	9
Recurrent Operating Profit (EBIT before non recurring costs)	**-25**	**113**	**(138)**	**(122)**
Non recurring costs	(390)	(12)	(378)	3,212
Net Operating Profit (EBIT)	**(415)**	**101**	**(516)**	**(510)**

Figures not audited

ANNEX 3: CONSOLIDATED BALANCE SHEET

	1H15 M€	2014 M€	Variation M€
Property, plant and equipment	126.8	127.3	(0.5)
Intangible assets	283.6	289.8	(6.3)
Investments in associates and other investments	89.6	89.5	0.0
Goodwill	481.4	583.3	(101.9)
Deferred tax assets	145.6	116.0	29.6
Non-current assets	**1,126.9**	**1,206.1**	**(79.1)**
Non-current net assets held for sale	0.2	7.7	(7.5)
Operating current assets	1,639.0	1,841.2	(202.1)
Other current assets	140.9	132.5	8.4
Cash and cash equivalents	275.3	293.9	(18.6)
Current assets	**2,055.5**	**2,275.2**	**(219.7)**
TOTAL ASSETS	**3,182.4**	**3,481.3**	**(298.9)**
Share Capital and Reserves	498.0	942.5	(444.6)
Treasury stock	(2.6)	(1.6)	(0.9)
Equity attributable to parent company	**495.4**	**940.9**	**(445.5)**
Minority interests	12.5	12.7	(0.2)
TOTAL EQUITY	**507.9**	**953.6**	**(445.7)**
Provisions for liabilities and charges	85.4	40.4	45.0
Long term borrowings	928.8	825.7	103.1
Other financial liabilities	14.1	8.9	5.2
Deferred tax liabilities	5.1	1.8	3.3
Other non-current liabilities	31.1	35.0	(4.0)
Non-current liabilities	**1,064.4**	**911.9**	**152.5**
Current borrowings	171.0	130.9	40.2
Operating current liabilities	1,134.1	1,193.0	(58.9)
Other current liabilities	305.0	292.0	13.0
Current liabilities	**1,610.1**	**1,615.8**	**(5.8)**
TOTAL EQUITY AND LIABILITIES	**3,182.4**	**3,481.3**	**(298.9)**
Net debt	***824.5***	***662.7***	***161.8***

Figures not audited

ANNEX 4: CONSOLIDATED CASH FLOW STATEMENT

	1H15 M€	1H14 M€	Variation M€
Profit Before Taxes	(445.9)	78.4	(524.3)
Adjusted for:			
- Depreciations	44.8	35.3	9.5
- Provisions, capital grants and others	357.1	(16.8)	373.9
- Share of profit / (losses) of associates and other investments	0.0	0.3	(0.3)
- Net financial result	27.2	22.0	5.2
- Dividens received	1.0	0.0	1.0
Operating cash-flow prior to changes in working capital	**(15.8)**	**119.2**	**(135.0)**
Receivables, net	(38.5)	3.5	(42.0)
Inventories, net	16.0	1.5	14.5
Payables, net	(40.9)	(25.8)	(15.1)
Change in working capital	**(63.4)**	**(20.8)**	**(42.6)**
Other operating changes	(34.0)	(28.4)	(5.6)
Income taxes paid	(18.5)	(25.9)	7.4
Cash-flow from operating activities	**(131.7)**	**44.1**	**(175.7)**
Tangible, net	(5.6)	(8.8)	3.2
Intangible, net	(12.8)	(19.6)	6.8
Investments, net	(0.6)	(12.5)	11.9
Interest received	1.7	2.6	(0.9)
Net cash-flow provided/(used) by investing activities	**(17.3)**	**(38.2)**	**21.0**
Changes in treasury stock	(1.2)	(4.9)	3.7
Dividends of subsidiaries paid to minority interests	0.0	0.0	0.0
Dividends of the parent company	0.0	0.0	0.0
Short term financial investment variation	0.8	0.3	0.4
Increases (repayment) in capital grants	5.2	1.7	3.5
Increase (decrease) in borrowings	145.7	(43.8)	189.5
Interest paid	(21.0)	(23.2)	2.2
Cash-flow provided/(used) by financing activities	**129.5**	**(69.8)**	**199.3**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(19.4)**	**(64.0)**	**44.6**
Cash & cash equivalents at the beginning of the period	**293.8**	**363.1**	**(69.2)**
Foreign exchange differences	0.9	0.8	0.0
Net change in cash and cash equivalents	(19.4)	(64.0)	44.6
Cash & cash equivalents at the end of the period	**275.3**	**299.9**	**(24.7)**
Long term and current borrowings	(1,099.8)	(951.9)	(147.9)
Net debt/ (cash) position	***824.5***	***651.9***	***172.6***

Free Cash Flow [(1)]	**(164.1)**	**-3.2**	**(161.0)**

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

Figures not audited

DISCLAIMER

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

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INVESTOR RELATIONS

Ezequiel Nieto
phone: 91.480.98.04
enietob@indra.es

Manuel Lorente
phone: 91.480.98.74
mlorenteo@indra.es

Rubén Gómez
phone: 91.480.98.00
rgomezm@indra.es

Paloma Pelletán
phone: 91.480.98.05
ppelletan@indra.es

Patricia Vilaplana
phone: 91.480.57.66
pbvilaplana@indra.es

SHAREHOLDER OFFICE
91.480.98.00
accionistas@indra.es

INDRA
Avda. Bruselas 35
28108 Madrid
www.indracompany.es