# RESULTS 9M16

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# 1. INTRODUCTION & KEY FIGURES

## MILESTONES

**3Q16 Order Intake grew +9% in local currency, increasing the growth rate achieved in 1H16 (+6%)**

- All the regions posted growth in local currency in 9M16
- Book-to-Bill ratio (Order Intake/Sales) was higher than that registered in 9M15 (1.07x vs 0.98x).
- 9M16 Order Intake in the T&D business increased by +9% in local currency, while the IT business grew +5% in local currency. Defence & Security and Financial Services posted double digit growth.

**9M16 revenues totaled €1,951m and decreased -3% in local currency and -6% in reported terms**

- 3Q16 revenues were €619m declining -5% in local currency vs 3Q15.
- It is worth noting that revenues increased in Defence & Security (+10% in local currency) and in AMEA region (+14% in local currency) in 9M16.
- Exchange rates had a slightly negative impact of €6m in the quarter compared to €58m in 1H16 (€63m in 9M16).

**EBITDA reached €151m in 9M16 vs €63m in 9M15, equivalent to an EBITDA margin of 7.7% in 9M16 vs 3.1% in 9M15, due to higher Direct Margins in ongoing projects, efficiency plans put in place and fewer problematic projects**

- Personnel expenses fell by -8%, while Materials Consumed and Other Operating Expenses decreased by -16% in 9M16.

**Recurrent EBIT margin continues to improve reaching 5.5% in 3Q16, +2pp above the level registered in 9M15**

- 9M16 recurrent EBIT margin reached 5.3% compared to -0.1% in 9M15.
- EBIT totaled €104m compared to-€1m in 9M15.
- 9M16 Contribution margin was 13.6% vs 7.7% in 9M15, with all the verticals contributing positively to the improvement.

**3Q16 Free Cash Flow was -€5m vs €-23m in 3Q15 thanks to the improvement in operating activity**

- 3Q16 FCF would have reached €16m excluding the cash outflow related to the redundancy plan (€12m) and the problematic projects (€9m).
- 9M16 FCF amounted to €44m vs €-187m in 9M15. It would have reached €123m excluding the cash outflow related to the redundancy plan and the problematic projects.
- Accumulated FCF for the last 12 months has totaled €181m.

**Net Debt down by 5% vs December 2015, to €666m**

- Average cost of debt down to 3.2%, a gain of 1.2 pp vs 9M15.
- Net Debt/EBITDA LTM ratio decreased to 3.1x vs 5.4x in December 2015.

**Net profit of the Group in 9M16 totaled €48m**

| MAIN FIGURES | 9M16 (€M) | 9M15 (€M) | Variation (%) Reported / Local currency |
|---|---|---|---|
| Order Intake | 2,080 | 2,019 | 3 / 6 |
| Revenues | 1,951 | 2,069 | (6) / (3) |
| Backlog | 3,215 | 3,376 | (5) |
| Gross Operating Profit (EBITDA) | 151 | 63 | 138 |
| EBITDA Margin | 7.7% | 3.1% | 4.6 pp |
| Recurrent Operating Profit (EBIT) (1) | 104 | (1) | NA |
| Recurrent EBIT margin (1) | 5.3% | (0.1%) | 5.4 pp |
| Non recurrent costs | 0 | (557) | NA |
| Net Operating Profit (EBIT) | 104 | (559) | NA |
| EBIT margin | 5.3% | (27.0%) | 32.3 pp |
| Net Profit | 48 | (561) | NA |
| Net Debt Position | 666 | 837 | (20) |
| Free Cash Flow | 44 | (187) | NA |
| Basic EPS (€) | 0.294 | (3.422) | NA |

(1) Before non-recurring costs

# 2. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

## INCOME STATEMENT

- 9M16 Revenues reached €1,951m, which implies a decline of -3% in local currency (-6% in reported figures). T&D verticals registered positive growth (+2% in local currency; +1% reported), while the same negative dynamics by sector (and region) continued to affect IT verticals (-6% in local currency; -10% in reported terms). In 3Q16 sales were down -5% in local currency (-6% in reported terms) as a consequence of, among other things, the slowdown in the Transport & Traffic vertical due delays in some projects and certain issues that affected negatively the IT segment (mainly explained by less contribution of the Election business in 3Q16, the loss of a relevant BPO contract in Telecom & Media, among others).
- Exchange rates had a slightly negative impact of €6m in the quarter compared to €58m in 1H16 (€63m in 9M16).
- Order intake grew +6% in local currency (+3% in reported figures) in 9M16, a slight growth acceleration in the quarter (+9% in local currency; +11% in reported figures), both in the T&D and IT businesses.
- Other income totaled €30m, compared to €64m in 9M15, as a result of lower subsidies and R&D capitalization in the period. Excluding both effects, other income would have been similar to that recorded in 9M15.
- OPEX (Operating Expenses) fell by -12% vs 9M15, to €1,830m mainly due to the ongoing restructuring initiatives and a lower level of sales:
    - Materials consumed and other operating expenses were down by -16% to €835m as a result of fewer subcontractors, savings linked to the cost optimization plan, the decline in the level of sales and the use of the provisions related to problematic projects. In the quarter Materials consumed and other operating expenses declined by -15% vs 3Q15.
    - Personnel expenses reached €994m, declining -8% in 9M16 as a result of the lower average workforce in the period (-7%). In 3Q16, personnel expenses (-3% vs 3Q15) had a relatively worse performance compared to previous quarters due to, among other things, a one-time project implemented for the Regional Court of Justice in Brazil (c. 3,600 employees) and the extra costs associated linked to the cancellation of a BPO project with Vodafone in Spain. The said project in Brazil was completed in late October with the consequent reduction in the number of employees linked to it.
- Contribution margin in 9M16 reached 13.6% vs 7.7% in 9M15 (+5.9pp):
    - T&D contribution margin (Transport & Traffic and Defence & Security verticals) up by +4.7pp to 18.3% in 9M16 (vs 13.6% in 9M15) as a consequence of the improvement in Defence & Security (despite the lower contribution of the Eurofighter program) and in Transport & Traffic due to the losses registered in certain problematic projects last year.
    - IT contribution margin (10.0%) was +6.2pp higher than in 9M15 (3.8%) due to losses registered last year in some projects (mainly in Brazil in the Financial Services and Public Administrations & Healthcare verticals) and the optimization plans put in place last year.
- EBITDA reached €151m in 9M16 vs €63m in 9M15, equivalent to an EBITDA margin of 7.7% in 9M16 vs 3.1% in 9M15
- D&A reached €46m compared to €65m in 9M15 (-28%) due to lower recognition and amortization of the corresponding subsidies related to R&D projects. Excluding this impact, D&A would have increased by €4m compared to the level registered in 9M15.

- Direct Margin in 9M16 increased mainly thanks to an improvement in the problematic projects provisioned for in 2015, efficiency plans put in place and higher profitability in ongoing projects. Below the Direct Margin, the optimization plan and lower overhead costs contributed also to the EBIT margin expansion. As a result, recurrent EBIT (before non-recurring costs) reached €104m in 9M16, equivalent to a recurrent EBIT margin of 5.3% (vs -0.1% in 9M15).
- Despite the dilutive effect on profitability of a lower level of sales than that normally registered in 3Q, EBIT margin reached 5.5% in 3Q16 (vs 5.3% in 1H16) as a result of the higher profitability in the T&D segment and the efficiency plans put in place last year (mainly in the IT segment). All in all, despite the sales decline in 3Q16 EBIT margin increased by 2.0pp vs 3Q15 (3.5%).
- Financial Result decreased to €30m from €48m in 9M15 as a result of the decline in the average net debt in the period and a reduction in average borrowing costs by -1.2pp to 3.2% (mainly due to lower share of Brazil's debt).
- Tax expenses reached €27m in 9M16, equivalent to a tax rate of 36%, due to certain limits in the application of tax credits in Brazil.
- Net profit of the Group in 9M16 totaled €48m vs €-561m in 9M15.

## BALANCE SHEET AND CASH FLOW STATEMENT

- 9M16 Free Cash Flow was €44m vs €-187m in 9M15, mainly as a consequence of the gains in operating profitability and certain positive measures to improve the net working capital. Excluding the impact of the redundancy plan in 9M16 (€38m) and the cash outflow caused by the problematic projects (€41m), FCF flow would have amounted to €123m in 9M16.
- 3Q16 FCF was -5M€ (or €-19m excluding non-recourse factoring) compared to €-23m in 3Q15 thanks to the improvement in operating activity.
- Operating Cash Flow before net working capital variation stood at €115m vs €-112m in 9M15 as a result of the improvement in operating activity and the impact of the non-recurrent effects recorded in the same period last year.
- Net Working Capital decreased to €198m vs €232m in December 2015, which is equivalent to 26 days of LTM sales vs 30 DoS in FY15. This reduction was caused by a lower level of sales and higher collection from clients. Net Working Capital increased by €15m (2 DoS) vs 1H16 (NWC totaled €183m in 1H16, equivalent to 24 DoS), in line with the business seasonality.
- Cash outflow steaming from Other Operating Changes were €-32.1m vs €-0.2m in 9M15 due to the impact of the redundancy plan.
- Taxes totaled €21m, the same as in 9M15, due to a higher level of payments in some international subsidiaries.
- CAPEX reached €21m vs €28m in 9M15. Intangible investments (net of subsidies) were €15m vs €19m in 9M15 as a consequence of a lower level of R&D investments. Tangible investments reached €6m, lower than in 9M15 (€10m).
- Net debt amounted to €666m (vs €700m in FY15), equivalent to 3.1x LTM recurrent EBITDA (vs 5.4x in December 2015). Average borrowing costs were 3.2%, up 1.2pp vs 9M15.
- Non-recourse factoring lines in 9M16 amounted to €187m, the same figure as 1H16 and 2015, but higher than in 9M15 (€173m).

## HUMAN RESOURCES

| Final Workforce | 9M16 | % | 9M15 | % | Variation (%) vs 9M15 | 2015 | % | Variation (%) vs 2015 |
|---|---|---|---|---|---|---|---|---|
| Spain | 18,967 | 50 | 21,496 | 57 | (12) | 20,251 | 55 | (6) |
| America | 15,831 | 42 | 13,187 | 35 | 20 | 13,558 | 37 | 17 |
| Europe | 1,582 | 4 | 1,640 | 4 | (4) | 1,582 | 4 | 0 |
| Asia, Middle East & Africa | 1,600 | 4 | 1,608 | 4 | (0) | 1,669 | 5 | (4) |
| **TOTAL** | **37,980** | **100** | **37,931** | **100** | **0** | **37,060** | **100** | **2** |

| Average Workforce | 9M16 | % | 9M15 | % | Variation (%) vs 9M15 | 2015 | % | Variation (%) vs 2015 |
|---|---|---|---|---|---|---|---|---|
| Spain | 19,639 | 55 | 21,730 | 56 | (10) | 21,528 | 56 | (9) |
| America | 13,159 | 37 | 13,899 | 36 | (5) | 13,881 | 36 | (5) |
| Europe | 1,573 | 4 | 1,667 | 4 | (6) | 1,657 | 4 | (5) |
| Asia, Middle East & Africa | 1,636 | 5 | 1,573 | 4 | 4 | 1,593 | 4 | 3 |
| **TOTAL** | **36,007** | **100** | **38,870** | **100** | **(7)** | **38,658** | **100** | **(7)** |

At the end of 9M16 total workforce amounted to 37,980 professionals, a level similar to 9M15. Compared to FY15, final workforce increased +2% due to the need of 3,591professionals in America for a one-time Elections project in Brazil. Excluding this impact, final headcount would have been 34,389, a fall of -7%:

- Final workforce in Spain decreased by -12% vs 9M15 (2,529 fewer employees), of whom around 60% are related to the redundancy plan. In 9M16 final workforce declined by 1,284 employees (-6% vs the end of 2015), of which 40% were linked to the redundancy plan.
- In America, headcount increased by +20% vs 9M15 (equivalent to 2,644 employees) and +17% vs the end of 2015 (2,273 more employees), mainly due to the hiring of additional personnel for a one-time Elections project in Brazil. Excluding this impact, workforce would have decreased -7% compared to 9M15 and -10% vs FY15. It is worth highlighting that the said project in Brazil was completed in late October with the consequent reduction in the number of employees linked to the project.
- In Europe, workforce decreased by -4% vs 9M15 mainly as a consequence of lower personnel needs in Portugal and the restructuring of certain subsidiaries in the region. During the year, headcount remained unchanged.
- In Asia, Middle East & Africa (AMEA) workforce continued at levels similar to 9M15 and fell -4% if compared to the end of 2015.

Average workforce in 9M16 decreased by -7% vs 9M15, largely due to the efficiency plans underway in Spain and America, where average workforce decreased by -10% and -5%, respectively, compared to 9M15.

# 3. ANALYSIS BY VERTICAL MARKETS

| T&D | 9M16 (€M) | 9M15 (€M) | Variation (%) Reported | Variation (%) Local currency | 3Q16 (M€) | 3Q15 (M€) | Variation (%) Reported | Variation (%) Local currency |
|---|---|---|---|---|---|---|---|---|
| Order Intake | 898 | 832 | 8 | 9 | 243 | 217 | 12 | 12 |
| Revenues | 847 | 839 | 1 | 2 | 273 | 277 | (1) | (1) |
| - Defence & Security | 401 | 365 | 10 | 10 | 139 | 122 | 14 | 14 |
| - Transport & Traffic | 446 | 474 | (6) | (4) | 134 | 155 | (14) | (13) |
| Book-to-bill | 1.06 | 0.99 | 7 | | 0.89 | 0.78 | 14 | |
| Backlog / Revs LTM | 1.89 | 1.87 | 1 | | | | | |

Revenues in T&D grew +2% in local currency (+1% in reported terms), but dropped in 3Q16 (-1% in local currency and reported terms) as a consequence of the slowdown in some projects in Transport & Traffic that are currently in Indra's Backlog (mainly in Railway, Ticketing and Urban Traffic), and despite the relatively better performance in some key areas (Defence & Security and ATM) in the quarter.

Order Intake went up by +9% in local currency (+8% in reported terms), with a Book-to-Bill ratio of 1.06x, a higher level than in 9M15 (0.99x).

Backlog/Revenues LTM reported a slight increase compared to 9M15 (1.89x vs 1.87x).

## Defence & Security

- Revenues in Defence & Security grew +10% both in local currency and reported terms.
- 3Q16 showed a strong acceleration (+14%), especially in the area of Airborne Surveillance Systems (mainly in Spain and Europe) and Radars & Electronic Defence (chiefly in Spain and AMEA).
- The recovery phase in Spain continued to consolidate in 9M16 (c.+30% in 9M16) backed by the execution of Spain's MoD multiannual projects (electronic systems forming part of the integrated mast for the F110 frigate, electronic systems for the 8x8 armored vehicle and the simulator for the helicopter NH90). Also, they will serve as important reference projects for global markets in the future.
- The remaining areas recorded gains. It is worth highlighting growth in Radars & Electronic Defence, Space and Logistical Systems.
- By region, sales in Spain and America posted double digit growth, which offset the fall in Europe due to the lower share of the Eurofighter program.
- Current Indra's Backlog (ratio Backlog/Sales LTM equals to 2.2x in 9M16) and the improvement in Order Intake (+34% in local currency and reported terms), as well as the accumulated pipeline (new national and European programs), will continue to benefit revenues growth, although presumably at a lower pace than in 3Q16.

## Transport & Traffic

- 9M16 Revenues in Transport & Traffic dropped by -4% in local currency (-6% in reported terms).
- 3Q16 Sales declined -13% in local currency (-14% in reported terms) as a result of, among other things, the slowdown in some projects in Spain (mainly in the Railway and Urban Traffic area) and AMEA (chiefly in the Ticketing and Railway area).
- By region, Spain and America registered the worst performance caused by the slowdown in the execution of some projects in the Urban Traffic, Ticketing and Railway area. It is worth noticing the positive performance in AMEA backed by the advances in the execution of several projects in the Transport area.
- Despite the positive performance in most areas, Order Intake fell c.-10% in local currency due to a one-off project implemented in 1H15 in AMEA (projects in Riyadh, Kuwait, etc ) and delays in some countries dependent on oil and commodity prices. However, Order Intake grew +31% in local currency and reported figures in 3Q16 as a consequence of the positive performance in the ATM segment.

| IT | 9M16 (€M) | 9M15 (€M) | Variation (%) Reported | Variation (%) Local currency | 3Q16 (M€) | 3Q15 (M€) | Variation (%) Reported | Variation (%) Local currency |
|---|---|---|---|---|---|---|---|---|
| Order Intake | 1,183 | 1,187 | (0) | 5 | 238 | 219 | 9 | 6 |
| Revenues | 1,104 | 1,231 | (10) | (6) | 345 | 383 | (10) | (9) |
| - Energy & Industry | 293 | 323 | (9) | (5) | 91 | 97 | (6) | (4) |
| - Financial Services | 352 | 375 | (6) | (2) | 112 | 111 | 1 | 1 |
| - Telecom & Media | 161 | 189 | (15) | (8) | 49 | 58 | (15) | (14) |
| - PPAA & Healthcare | 298 | 343 | (13) | (11) | 93 | 117 | (20) | (19) |
| Book-to-bill | 1.07 | 0.96 | 11 | | 0.69 | 0.57 | 21 | |
| Backlog / Revs LTM | 0.59 | 0.64 | (9) | | | | | |

Sales in IT decreased -6% in local currency (-10% in reported terms), dropping slightly in the third quarter (-9% in local currency; -10% in reported figures) affected by, among other things, the Election business (especially in America) and the cancellation of a BPO project with Vodafone in Spain. Excluding both effects, IT sales would have posted similar figures as those registered in previous quarters.

The fall in IT is explained by the negative Exchange rates impact, the sales repositioning in Brazil, the stricter bidding policy, delays in some public tenders in Spain and lower levels of activity in countries dependent on oil prices.

Revenues in Digital solutions (Minsait) reached €240m (+7% vs 9M15). Minsait accounts for 22% of the total IT revenues in 9M16.

Order Intake in the IT business went up +5% in local currency (flat in reported terms) with a Book-to-Bill ratio of 1.07x vs 0.96x in 9M15.

Backlog / Revenues LTM went down to 0.59x vs 0.64x in 1H15.

## Energy & Industry

- Revenues in the Energy & Industry vertical went down by -5% in local currency (-9% in reported figures) due to the lack of dynamism in the sector as a consequence of lower oil prices, affecting the pace of new bidding processes.
- Sales in Energy (c. 70% of the vertical's sales) fell -8% in local currency (-12% in reported terms) due to their sharp decline in Latam as a consequence of repositioning in the area (chiefly Brazil) and lower levels of activity in oil exporting countries (mainly Brazil, Colombia and Argentina). Spain was the lead performer, posting a moderate fall.
- Revenues in the Industry segment were flat thanks to the positive performance in the BPO and Outsourcing segments. Therefore, the Industry segment performed better than Energy.
- By region, AMEA (-8%) and America (-28%) were further affected by activity slowdown in countries dependent on commodity prices, FX headwinds and the worsening macro conditions in Brazil.
- Order Intake grew +8% in local in 9M16 (+4% in reported terms), boosted by a strong quarter (c.50%), because of the positive performance showed in Spain, America and Europe (chiefly in Utilities).

## Financial Services

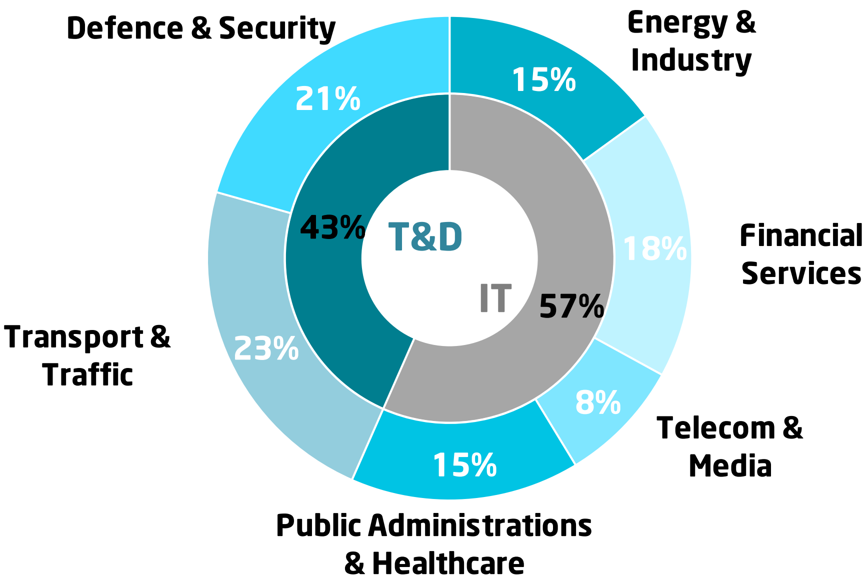
- Financial Services went down by -2% in local currency (or -6% in reported terms) in 9M16, where most activity is concentrated in the Banking sector vs Insurance sector.
- Revenues in 3Q16 grew +1% in local currency (+1% in reported terms). It is worth highlighting the relatively positive performance in America (almost flat growth) compared to previous quarters (sales declines of –c.25% in 1H16).
- Advances in the completion of some problematic projects in Brazil, along with the repositioning in the region (especially in the private sector and proprietary solutions), caused the fall in America (-18% in reported terms in 9M16). However, revenues in America in 3Q16 had a positive performance in local currency, confirming the gradual recovery as forecast in previous quarters thanks to the consolidation of Order Intake (+1% in 1H16) and its acceleration in 9M16 (+12%)
- The repositioning of leading Financial entities in Spain resulted in higher dynamism in new business opportunities in the Outsourcing, BPO and Cyber-security area (Digital Technologies).
- The completion of several projects in the Insurance segment affected its performance vs Banking sector.
- Sector dynamics, along with the positive performance of Order Intake for the second quarter in a row (+12% in local currency; +6% in reported terms in 9M16) will likely lead to a gradual recovery in the coming quarters.

## Telecom & Media

- 9M16 Revenues in Telecom & Media fell by -8% in local currency (-15% in reported terms).
- In 3Q16, Telecom & Media decreased by -14% in local currency (-15% in reported terms) caused by a relatively worse performance in Spain (mainly due to the negative impact of the cancellation of a BPO project with Vodafone in Spain).
- The company doesn't see any changes in the dynamics of Telco operators which remain focused on efficiency measures and cost control. Thus, the environment remains strongly competitive with challenging price trends.
- Revenues in Media (c. 10% of the vertical's revenues) recorded negative growth (c.-15% in reported terms).
- Order Intake in the first nine months of the year (-14% in local currency; -21% in reported terms) won't likely lead to a recovery in activity in the forthcoming quarters.

## Public Administrations & Healthcare

- 9M16 Sales in Public Administrations & Healthcare posted a fall of -11% in local currency (-13% in reported terms) as a consequence of repositioning in Latam and the negative impact of the Elections business.
- In 3Q16, revenues in Public Administrations & Healthcare registered a fall of -19% in local currency (-20% in reported figures) affected by some projects of the Elections business (especially in America). Excluding the impact of the Elections business, revenues in 3Q16 would have slightly decreased (-3%). It is worth highlighting the positive performance in Europe (mainly in Italy).
- Region wise, and excluding the impact of the Elections business (largely in Spain and America), it is worth highlighting the negative performance in America linked to the gradual completion of some problematic projects in Brazil and the stricter criteria applied to bidding procedures. In Spain, challenging dynamics remain unchanged in the quarter, which produced a negative impact on the area.
- Order Intake performance in 9M16 (+2% in local currency, -1% in reported figures) won't likely lead to a sizeable recovery in activity in the coming quarters.



# 4. ANALYSIS BY REGION

| Revenues by Region | 9M16 | | 9M15 | | Variation (%) | | 3Q16 | 3Q15 | Variation (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (€M) | (%) | (€M) | (%) | Reported | Local currency | (€M) | (€M) | Reported | Local currency |
| Spain | 863 | 44 | 884 | 43 | (2) | (2) | 263 | 265 | (1) | (1) |
| America | 481 | 25 | 600 | 29 | (20) | (10) | 159 | 195 | (19) | (16) |
| Europe | 352 | 18 | 356 | 17 | (1) | (1) | 118 | 116 | 1 | 1 |
| Asia, Middle East & Africa | 255 | 13 | 229 | 11 | 12 | 14 | 79 | 84 | (5) | (5) |
| **TOTAL** | **1,951** | **100** | **2,069** | **100** | **(6)** | **(3)** | **619** | **660** | **(6)** | **(5)** |

## Spain

- 3Q16 Revenues (-1%) continued on the path of improvement during the year (-2% in 2Q16 and -4% in 1Q16).
- Double digits falls inTelecom & Media, Public Administrations & Healthcare and Transport & Traffic (in the case of the last two verticals it was due to delays in some PPAA projects in Spain), didn't offset the strong growth recorded in Defence & Security (double digits) and the positive performance registered in Energy & Industry and Financial Services.
- Defence & Security was the lead performer due to the execution of specific long-term contracts with Spain's MoD (mainly electronic systems forming part of the integrated mast for the F110 frigate, electronic systems of the 8x8 armored vehicle and the simulator for the helicopter NH90, among others).
- Order Intake in 9M16 grew +3%. It should be noted that the strong growth reported in 1Q16 offset the fall registered both in 2Q16 and 3Q16.

## America

- Revenues in America fell -10% in local currency (-20% in reported terms) in 9M16.
- In 3Q16, sales declined -16% in local currency (-19% reported). Excluding the impact of the Elections business in the quarter, revenues would have decreased -8% in reported terms.
- IT is the company's main business in America (c.75% of total revenues in the region). 9M16 Revenues decreased in all IT verticals due to repositioning in the area and the company's focus on the turnaround of certain underperforming projects in Brazil.
- Advances in the completion of some problematic projects in Brazil (4 out of 7 projects have been completed) contributed to the higher profitability in the region. Most problematic projects in Brazil are expected to be completed by year end.
- Country wise, revenues went down in Brazil, Mexico (due to its dependence on oil prices) and Argentina (as a consequence of the worse comparison with the execution of Election projects last year). Although, Chile, Peru and The Dominican Republic (the last one due to the execution of an Elections project) posted growth. Colombia reported similar sales to last year.
- Order Intake grew +11% in local currency in 9M16 (-3% in reported terms) due to a sizeable contract in Financial Services and the award of several T&D business projects.

## Europe

- In 3Q16 Europe was the only region which reported growth (+1% in both local currency and reported terms). In 9M16, revenues posted a slight decline of -1% in local and reported figures.
- Defence & Security and Transport & Traffic are the verticals with the largest sales share in the region (c.75% of revenues). Defence & Security (the leading vertical in the region) reported growth in the quarter backed by a higher contribution of the Eurofighter program.
- It is worth highlighting the double digit growth of the IT business in 3Q16 due to the execution of a relevant contract in PPAA & Healthcare. Financial Services and Energy & Industry reported growth in the quarter stand-alone too.
- Order Intake grew +12% in local currency and reported terms in the first nine months of the year. Europe is the region with the highest growth rate in Order Intake. The positive performance in Transport & Traffic (mainly ATM) offset the fall in Defence & Security as a result of the gradual activity decline in the Eurofighter program.

## Asia, Middle East & Africa (AMEA)

- Revenues in Asia, Middle East & Africa (AMEA) posted double digit growth in 9M16 (+14 in local currency; +12% reported terms), although the growth rate in the quarter was negative (-5% in local currency) due to a drop in public spending in some oil exporting countries.
- Revenues in 9M16 were boosted by the positive performance in the T&D business (which accounted for c. 80% of total revenues in the region) mainly due to Transport & Traffic backed by advances in the execution of a ticketing project in Riyadh, among others.
- 3Q16 sales in Transport & Traffic (vertical with the largest sales share in the region) declined due to delays in some projects in oil exporting countries.
- Order Intake in 9M16 grew +3% in local currency (+1% in reported terms). The award of a sizeable contract in Defence & Security offset the delays in certain Transport & Traffic projects.

# 5. OTHER EVENTS OVER THE PERIOD

1) On September 28th 2016, Indra communicated to the Comisión Nacional del Mercado de Valores (CNMV) that the company had completed the prospection of the demand and fixed all the terms of the €250m convertible bonds, with 2023 maturity and yielding 1.25% annual coupon.

   The bonds are convertible and/or exchangeable for ordinary shares of Indra, with a conversion price of €14.629 (25% conversion premium).

   The bonds have been issued in October 7th 2016, after passing all the legal and administrative requirements.

2) Along with the issuance of convertible bonds, Indra communicated to the Comisión Nacional del Mercado de Valores (CNMV) the repurchase of the 2018 Bonds. The total principal amount of the 2018 Bonds to be repurchased will be €95m which represents approximately 38% of the 2018 Convertible Bonds.

   The repurchase price per Convertible Bond 2018 in the Repurchase will be 105% of its principal amount, which represents an aggregate consideration of approximately €100m for the Repurchase as a whole. In addition, Indra will pay the interest accrued until the settlement date of the Repurchase, which will occur on the Issue Date.

# 6. EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On November 3rd, the Board of Directors, previous report of the Executive Committee and the Appointment, Remuneration and Corporate Governance Committee unanimously resolved to pass the following resolutions:

**Markets**

In the Air Traffic Management Division, Gonzalo Gavín will co-lead the Department with Rafael Gallego. Gonzalo will be responsible for International Air Traffic and Indra Navia, while Rafael will be in charge of the management of the European programs.

In the Defense and Security Division, Carlos Suárez assumes full responsibility of the Department, as it was announced in an internal memo last January.

In the Transport Division, José Manuel Pérez Pujazón becomes responsible of the Department, replacing Eduardo Bonet.

**Regions**

Luis Permuy will be responsible of ASOMAF (Asia, Middle East and Africa) Geography, replacing Carlos Suárez.

Eduardo Bonet will be responsible of Europe Geography , replacing Rafael Gallego.

**Production**

David Heredero will join Indra in January 2017 as head of PMT/Product Management Technology Division, that will now report directly to the COO.

Hitesh Chaturvedi joins Indra as Executive Vice President of Production replacing Juan Tinao who is leaving Indra after 26 years of service to embark on a new phase in his career.

Rafael Guerrero, the current head of PMT/Product Management Technology, will take over responsibility for Defense and Security Operations Department in January 2017.

Milagros Cano, currently Human Resources Business Partner for Production and Spain, will head up the Resources Management Unit.

# ANNEX 1: CONSOLIDATED INCOME STATEMENT

| | 9M16 €M | 9M15 €M | Variation €M | Variation % | 3Q16 €M | 3Q15 €M | Variation €M | Variation % |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **1,950.7** | **2,069.3** | **(118.6)** | **(6)** | **618.7** | **660.1** | **(41.4)** | **(6)** |
| Other income | 30.3 | 64.4 | (34.1) | (53) | 10.8 | 16.7 | (5.9) | (35) |
| Materials consumed and other operating expenses | (834.7) | (992.5) | 157.8 | (16) | (271.7) | (318.4) | 46.7 | (15) |
| Personnel expenses | (994.4) | (1,077.1) | 82.7 | (8) | (307.1) | (315.1) | 8.0 | (3) |
| Other results | (1.3) | (0.9) | (0.4) | NA | (0.5) | (0.1) | (0.4) | NA |
| **Gross Operating Profit (recurrent EBITDA)** | **150.6** | **63.2** | **87.4** | **138** | **50.2** | **43.3** | **6.9** | **16** |
| Depreciations | (46.4) | (64.7) | 18.3 | (28) | (16.1) | (19.9) | 3.8 | (19) |
| **Recurrent Operating Profit (EBIT before non recurring costs)** | **104.2** | **(1.4)** | **105.6** | **NA** | **34.1** | **23.4** | **10.7** | **NA** |
| ***Recurrent EBIT margin (before non recurring costs)*** | ***5.3%*** | ***(0.1%)*** | ***5.4 pp*** | **NA** | ***5.5%*** | ***3.5%*** | ***2.0 pp*** | **NA** |
| Non recurring costs | 0.0 | (557.1) | 557.1 | NA | 0.0 | (166.8) | 166.8 | NA |
| **Net Operating Profit (EBIT)** | **104.2** | **(558.5)** | **662.7** | **NA** | **34.1** | **(143.4)** | **177.5** | **NA** |
| ***EBIT Margin*** | ***5.3%*** | ***(27.0%)*** | ***32.3 pp*** | **NA** | ***5.5%*** | ***(21.7%)*** | ***27.2 pp*** | **NA** |
| **Financial Result** | **(30.4)** | **(48.5)** | **18.1** | **(37)** | **(8.4)** | **(17.7)** | **9.3** | **(53)** |
| Profit/(loss) of equity-accounted investees | 1.5 | 0.1 | 1.4 | NA | 0.2 | 0.1 | 0.1 | NA |
| **Earnings Before Taxes** | **75.3** | **(606.9)** | **682.2** | **NA** | **25.9** | **(161.0)** | **186.9** | **NA** |
| Income tax expenses | (27.3) | 45.9 | (73.2) | NA | (8.2) | 36.5 | (44.7) | NA |
| **Profit for the period** | **47.9** | **(561.0)** | **608.9** | **NA** | **17.7** | **(124.5)** | **142.2** | **NA** |
| Attributable to minority interests | 0.2 | 0.2 | 0.0 | NA | (0.3) | (0.6) | 0.3 | NA |
| **Net Profit** | **48.1** | **(560.8)** | **608.9** | **NA** | **17.4** | **(125.1)** | **142.5** | **NA** |

| Earnings per Share (according to IFRS) | 9M16 | 9M15 | Variation (%) |
|---|---|---|---|
| Basic EPS (€) | 0.294 | (3.422) | (109) |
| Diluted EPS (€) | 0.290 | (3.069) | (109) |

| | 9M16 | 9M15 |
|---|---|---|
| Total number of shares | 164,132,539 | 164,132,539 |
| Weighted treasury stock | 342,077 | 246,549 |
| Total shares considered | 163,790,462 | 163,885,990 |
| Total diluted shares considered | 181,285,214 | 181,380,741 |
| Treasury stock in the end of the period | 257,744 | 364,999 |

Figures not audited

Basic EPS is calculated by dividing net profit by the average number of outstanding shares during the period less the average treasury shares of the period.

Diluted EPS is calculated by dividing net profit (adjusted by the impact of the €250m convertible bond issued 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.

# ANNEX 2: INCOME STATEMENTS BY BUSINESSES

**1.- T&D**

| | 9M16 €M | 9M15 €M | Variation €M | Variation % | 3Q16 €M | 3Q15 €M | Variation €M | Variation % |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | **847** | **839** | **8** | **1** | **273** | **277** | **(4)** | **(1)** |
| Contribution margin | 155 | 114 | 41 | 36 | 55 | 45 | 10 | 22 |
| ***Contribution margin/ Net revenues*** | ***18.3%*** | ***13.6%*** | ***4.7 pp*** | | ***20.1%*** | ***16.3%*** | ***3.8 pp*** | |

**2.- IT**

| | 9M16 €M | 9M15 €M | Variation €M | Variation % | 3Q16 €M | 3Q15 €M | Variation €M | Variation % |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | **1,104** | **1,231** | **(127)** | **(10)** | **345** | **383** | **(38)** | **(10)** |
| Contribution margin | 110 | 46 | 63 | 137 | 27 | 22 | 5 | 21 |
| ***Contribution margin/ Net revenues*** | ***10.0%*** | ***3.8%*** | ***6.2 pp*** | | ***7.7%*** | ***5.7%*** | ***2.0 pp*** | |

**3.- Total consolidated**

| | 9M16 €M | 9M15 €M | Variation €M | Variation % | 3Q16 €M | 3Q15 €M | Variation €M | Variation % |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | **1,951** | **2,069** | **(119)** | **(6)** | **619** | **660** | **(41)** | **(6)** |
| Contribution margin | 265 | 160 | 104 | 65 | 81 | 67 | 14 | 22 |
| ***Contribution margin/ Net revenues*** | ***13.6%*** | ***7.7%*** | ***5.9 pp*** | | ***13.1%*** | ***10.1%*** | ***3.0 pp*** | |
| Other non-distributable corporate expenses | (160) | (162) | 1 | (1) | (47) | (43) | (4) | 9 |
| **Recurrent Operating Profit (EBIT before non recurring costs)** | **104** | **(1)** | **106** | **NA** | **34** | **23** | **11** | **NA** |
| Non recurring costs | 0 | (557) | 557 | NA | 0 | (167) | 167 | NA |
| **Net Operating Profit (EBIT)** | **104** | **(559)** | **663** | **NA** | **34** | **(143)** | **178** | **NA** |

Figures not audited

# ANNEX 3: INCOME STATEMENTS BY SEGMENTS

### 1.- Solutions

| | 9M16 | 9M15 | Variation | | 3Q16 | 3Q15 | Variation | |
|---|---|---|---|---|---|---|---|---|
| | €M | €M | €M | % | €M | €M | €M | % |
| **Net sales** | **1,250** | **1,301** | **(51)** | **(4)** | **393** | **429** | **(35)** | **(8)** |
| Contribution margin | 179 | 93 | 86 | 92 | 56 | 30 | 26 | 87 |
| ***Contribution margin/ Net revenues*** | ***14.3%*** | ***7.2%*** | ***7.1 pp*** | | ***14.3%*** | ***7.0%*** | ***7.3 pp*** | |
| Results from associates | 2 | 0 | 2 | NA | 0 | 0 | 0 | NA |
| **Segment result** | **181** | **93** | **88** | **94** | **57** | **30** | **26** | **88** |

### 2.- Services

| | 9M16 | 9M15 | Variation | | 3Q16 | 3Q15 | Variation | |
|---|---|---|---|---|---|---|---|---|
| | €M | €M | €M | % | €M | €M | €M | % |
| **Net sales** | **701** | **769** | **(67)** | **(9)** | **225** | **232** | **(6)** | **(3)** |
| Contribution margin | 85 | 67 | 18 | 28 | 25 | 37 | (12) | (32) |
| ***Contribution margin/ Net revenues*** | ***12.2%*** | ***8.7%*** | ***3.5 pp*** | | ***11.1%*** | ***15.9%*** | ***(4.8) pp*** | |
| Results from associates | (0) | (0) | (0) | NA | (0) | (0) | (0) | NA |
| **Segment result** | **85** | **67** | **18** | **28** | **25** | **37** | **(12)** | **(32)** |

### 3.- Total consolidated

| | 9M16 | 9M15 | Variation | | 3Q16 | 3Q15 | Variation | |
|---|---|---|---|---|---|---|---|---|
| | €M | €M | €M | % | €M | €M | €M | % |
| **Net sales** | **1,951** | **2,069** | **(119)** | **(6)** | **619** | **660** | **(41)** | **(6)** |
| Contribution margin | 265 | 160 | 104 | 65 | 81 | 67 | 14 | 22 |
| ***Contribution margin/ Net revenues*** | ***13.6%*** | ***7.7%*** | ***5.9 pp*** | | ***13.1%*** | ***10.1%*** | ***3.0 pp*** | |
| Other non-distributable corporate expenses | (160) | (162) | 1 | (1) | (47) | (43) | (4) | 9 |
| **Recurrent Operating Profit (EBIT before non recurring costs)** | **104** | **(1)** | **106** | **NA** | **34** | **23** | **11** | **NA** |
| Non recurring costs | 0 | (557) | 557 | NA | 0 | (167) | 167 | NA |
| **Net Operating Profit (EBIT)** | **104** | **(559)** | **663** | **NA** | **34** | **(143)** | **178** | **NA** |

### SOLUTIONS

| Solutions | 9M16 (€M) | 9M15 (€M) | Variation (%) Reported | Variation (%) Local currency |
|---|---|---|---|---|
| Order Intake | 1,283 | 1,298 | (1) | 1 |
| Revenues | 1250 | 1301 | (4) | (2) |
| Book-to-bill | 1.03 | 1.00 | 3 | |
| Backlog/Sales LTM | 1.42 | 1.38 | 3 | |

### SERVICES

| Services | 9M16 (€M) | 9M15 (€M) | Variation (%) Reported | Variation (%) Local currency |
|---|---|---|---|---|
| Order Intake | 798 | 721 | 11 | 16 |
| Revenues | 701 | 769 | (9) | (4) |
| Book-to-bill | 1.14 | 0.94 | 21 | |
| Backlog/Sales LTM | 0.72 | 0.76 | (4) | |

Figures not audited

# ANNEX 4: CONSOLIDATED BALANCE SHEET

| | 9M16 €M | 2015 €M | Variation €M |
|---|---|---|---|
| Property, plant and equipment | 105.4 | 136.9 | (31.5) |
| Intangible assets | 285.7 | 289.2 | (3.5) |
| Investments in associates and other investments | 85.5 | 50.1 | 35.4 |
| Goodwill | 470.6 | 470.4 | 0.2 |
| Deferred tax assets | 177.9 | 200.0 | (22.1) |
| **Non-current assets** | **1,125.1** | **1,146.7** | **(21.6)** |
| Non-current assets held for sale | 30.4 | 1.7 | 28.7 |
| Operating current assets | 1,385.1 | 1,462.0 | (76.9) |
| Other current assets | 109.0 | 112.4 | (3.4) |
| Cash and cash equivalents | 378.5 | 341.6 | 36.9 |
| **Current assets** | **1,903.0** | **1,917.6** | **(14.6)** |
| **TOTAL ASSETS** | **3,028.1** | **3,064.3** | **(36.2)** |
| Share Capital and Reserves | 347.2 | 297.1 | 50.1 |
| Treasury stock | (3.1) | (3.1) | 0.0 |
| **Equity attributable to parent company** | **344.1** | **294.0** | **50.1** |
| Minority interests | 12.2 | 13.6 | (1.4) |
| **TOTAL EQUITY** | **356.3** | **307.6** | **48.7** |
| Provisions for liabilities and charges | 101.6 | 103.4 | (1.8) |
| Long term borrowings | 917.5 | 961.9 | (44.4) |
| Other financial liabilities | 4.7 | 11.5 | (6.8) |
| Deferred tax liabilities | 5.0 | 3.3 | 1.7 |
| Other non-current liabilities | 50.8 | 26.8 | 24.0 |
| **Non-current liabilities** | **1,079.6** | **1,107.0** | **(27.4)** |
| Liabilities related to non-current assets held for sale | 0.0 | 1.3 | (1.3) |
| Current borrowings | 127.4 | 79.4 | 48.0 |
| Operating current liabilities | 1,187.6 | 1,230.4 | (42.8) |
| Other current liabilities | 277.3 | 338.6 | (61.3) |
| **Current liabilities** | **1,592.2** | **1,649.7** | **(57.5)** |
| **TOTAL EQUITY AND LIABILITIES** | **3,028.1** | **3,064.3** | **(36.2)** |

| | | | |
|---|---|---|---|
| Current borrowings | (127.4) | (79.4) | (48.0) |
| Long term borrowings | (917.5) | (961.9) | 44.4 |
| Gross financial debt | (1,044.9) | (1,041.3) | (3.6) |
| Cash and cash equivalents | 378.5 | 341.6 | 37.0 |
| **Net Debt** | ***(666.4)*** | ***(699.7)*** | ***33.3*** |

Figures not audited

# ANNEX 5: CONSOLIDATED CASH FLOW STATEMENT

| | 9M16 €M | 9M15 €M | Variation €M | 3Q16 €M | 3Q15 €M | Variation €M |
|---|---|---|---|---|---|---|
| **Profit Before Taxes** | **75.3** | **(606.9)** | **682.2** | **25.9** | **(161.0)** | **186.9** |
| **Adjusted for:** | | | | | | |
| - Depreciations | 46.4 | 64.7 | (18.3) | 16.1 | 19.9 | (3.8) |
| - Provisions, capital grants and others | (36.3) | 385.7 | (422.0) | (17.7) | 126.9 | (144.6) |
| - Share of profit / (losses) of associates and other investments | (1.5) | (0.1) | (1.4) | (0.2) | (0.1) | (0.1) |
| - Net financial results | 30.4 | 42.7 | (12.3) | 8.4 | 15.5 | (7.1) |
| **Dividends received** | **1.0** | **1.4** | **(0.4)** | **0.0** | **0.4** | **(0.4)** |
| **Operating cash-flow prior to changes in working capital** | **115.4** | **(112.5)** | **227.9** | **32.5** | **1.6** | **30.9** |
| Recievables, net | 40.6 | (43.0) | 83.6 | 15.1 | 11.8 | 3.3 |
| Inventories, net | (6.6) | 91.8 | (98.4) | 2.3 | (10.7) | 13.0 |
| Payables, net | (17.5) | (54.6) | 37.1 | (22.6) | (8.3) | (14.3) |
| **Change in working capital** | **16.5** | **(5.8)** | **22.3** | **(5.2)** | **(7.2)** | **2.0** |
| **Other operating changes** | **(32.1)** | **(0.2)** | **(31.9)** | **(8.8)** | **0.4** | **(9.2)** |
| Tangible, net | (5.7) | (9.9) | 4.2 | (1.6) | (4.3) | 2.7 |
| Intangible, net | (14.9) | (18.6) | 3.7 | (10.3) | (5.8) | (4.5) |
| **Capex** | **(20.6)** | **(28.4)** | **7.8** | **(12.0)** | **(10.1)** | **(1.9)** |
| **Increases (repayments) in capital grants** | **0.0** | **7.8** | **(7.8)** | **0.0** | **2.6** | **(2.6)** |
| **Net financial result** | **(15.0)** | **(27.2)** | **12.2** | **(3.5)** | **(7.9)** | **4.4** |
| **Income taxes paid** | **(20.6)** | **(20.9)** | **0.3** | **(7.7)** | **(2.5)** | **(5.2)** |
| **Free Cash Flow** | **43.6** | **(187.3)** | **230.9** | **(4.6)** | **(23.1)** | **18.5** |
| Short term financial investment variation | (3.8) | 1.1 | (4.9) | (1.7) | 0.4 | (2.1) |
| Financial investments/divestments | (3.3) | (1.0) | (2.3) | (1.5) | (0.4) | (1.1) |
| Dividends of subsidiaries paid to minority interests | (0.9) | (0.3) | (0.6) | (0.5) | (0.3) | (0.2) |
| Dividends of the parent company | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in treasury stock | 0.9 | (2.4) | 3.3 | 2.0 | (1.2) | 3.2 |
| **Cash-flow provided/(used) by financing activ** | **36.5** | **(189.8)** | **226.3** | **(6.3)** | **(24.7)** | **18.4** |

| | |
|---|---|
| **Initial Net Debt** | **(699.7)** |
| Cash-flow provided/(used) in the period | 36.5 |
| Foreign exchange differences and variation with no impact in cash | (3.2) |
| **Final Net Debt** | ***(666.4)*** |

Figures not audited

# ANNEX 6: ALTERNATIVE PERFORMANCE MEASURES (APMS)

Due to the application of the Alternative Performance Measures (APM) published by the European Securities and Markets Authority (EMSA), which will be applied for the regulated information that will be published from July 3rd 2016 onwards, Management of the Group considers that certain APMs provides useful financial information that should be considered to evaluate the performance of the Group by users. Additionally, Management uses these APMs for making financial, operating and strategic decisions, as well as to evaluate the Group performance. In the following lines the Group shows the APMs that considers appropriate and useful for decision-making by users. Finally, these APMs give more reliability over the performance of the Group.

**EBITDA:**

**Definition/Conciliation:** Represents the Net Operating Profit (EBIT) plus Depreciations and Amortizations

**Explanation:** Metric that the Group uses to define its operating profitability and Investors use to the Company's valuation.

**Comparable to previous year:** Regarding this comparison, included in Annex I, it should be noted that the Non-recurrent Costs item is not considered in 2015. Non-recurrent Costs includes provisions, impairments and projects overruns, goodwill and intangible assets impairments, as well as efficiency improvement costs related to estimations and expectations changes is certain projects that were reviewed in 2Q15.

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

**NET DEBT:**

**Definition/Conciliation**: Represents the Cash and Cash equivalents less the Non-current Loans and Borrowings and less Current Loans and Borrowings.

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

**Comparable to previous year**: Included in Annex 4.

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

# 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.

This should be taken into account by all individuals or institutions to whom this report is addressed and that might have to take decisions or form or transmit opinions relating to securities issued by the Company and in particular, by the analysts and investors who consult this document.

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