RESULTS 2016

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CONTENTS

1. INTRODUCTION & KEY FIGURES

MILESTONES

Order Intake grew again in 4Q16 and increased +6% in local currency in 2016 (+4% in reported terms)

- Every quarter of 2016 showed growth in local currency.
- Book-to-Bill ratio (Order Intake/Sales) also increased versus last year (1.01x vs 0.93x in 2015).
- 2016 Order Intake in the IT business increased by +12%, backed by the double digit growth in Energy & Industry and Financial Services.

2016 revenues totaled €2,709m and decreased -3% in local currency and -5% in reported terms

- 4Q16 revenues were €759m, declining -3% both in local currency and reported terms.
- America recorded growth in 4Q16 (+1% in reported terms, which compares to a decline of -20% 9M16). Foreign Exchange contributed positively in 4Q16 (+€2m)
- It is worth noting the revenues growth in Defence & Security (+8% in local currency) and in Europe (+7% in local currency) in 2016.

EBITDA reached €229m vs €131m in 2015, implying a margin expansion throughout the year to 8.5% vs 4.6% in 2015.

EBIT margin reached 6.0% in 2016, improving substantially versus last year (recurrent EBIT margin 2015: 1.6%), due to higher Direct Margins in ongoing projects, efficiency plans put in place and fewer problematic projects

- EBIT reached €162m in 2016, despite having included €49m of new provisions booked related to problematic projects.
- Personnel expenses decreased -7%, in line with the average workforce reduction (3,011 fewer employees), and Material consumed and other operating expenses fell -12% in 2016.
- 4Q16 EBIT margin reached 7.6% compared to 6.0% recurrent EBIT margin posted in 4Q15.
- Contribution margin was 14.0% vs 9.2% in 2015.

It's worth highlighting the strong cash generation in 2016 (+184M€) thanks to the improvement in operating activity and net working capital, and despite the cash outflow caused by the redundancy plan and the problematic projects

- 2016 FCF would have reached €311m excluding the cash outflow related to the redundancy plan (€51m) and the problematic projects (€76m).
- 4Q16 FCF amounted to €140m, thanks to the improvement in operating activity and net working capital. Regarding net working capital, the inherent positive seasonality effects in the fourth quarter were more pronounced than usual.

Substantial reduction of Net Debt (down by -25%) vs December 2015, to €523m

- Net Debt/EBITDA LTM ratio decreased to 2.3x vs 5.4x in December 2015.
- Average cost of gross debt down to 2.8% vs 3.9% in 2015.

Net profit of the Group in 2016 totaled €70m compared to the losses registered in 2015, which amounted to €-641m

MAIN FIGURES	2016 (€M)	2015 (€M)	Variation (%) Reported / Local currency
Order Intake	2,744	2,651	3.5 / 5.9
Revenues	2,709	2,850	(4.9) / (2.8)
Backlog	3,129	3,193	(2.0)
Gross Operating Profit (EBITDA)	229	131	75.5
EBITDA Margin	8.5%	4.6%	3.9 pp
Recurrent Operating Profit (EBIT) (1)	162	45	257.5
Recurrent EBIT margin (1)	6.0%	1.6%	4.4 pp
Non recurrent costs	0	(687)	(100)
Net Operating Profit (EBIT)	162	(641)	NA
EBIT margin	6.0%	(22.5%)	28.5 pp
Net Profit	70	(641)	NA
Net Debt Position	523	700	(25.3)
Free Cash Flow	184	(50)	NA
Basic EPS (€)	0.427	(3.913)	NA

(1) Before non-recurring costs

2. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INCOME STATEMENT

- 2016 Revenues reached €2,709m, which implies a decline of -3% in local currency (-5% in reported figures). T&D verticals registered positive growth (+1% in local currency; flat in reported terms), while IT verticals declined -5% in local currency (-8% in reported figures) affected by the negative sector and region dynamics, and the seasonality of the Election business. In 4Q16 sales were down -3% in local currency (-3% in reported terms) as a consequence of, among other things, the slowdown in Transport & Traffic due to delays in some projects and specific issues that affected negatively the IT segment (mainly explained by less contribution of the Election business and the loss of a relevant BPO contract in Telecom & Media).
- Exchange rates had a negative impact of €61m in the year. This impact was mainly concentrated in 1H16 (€58m), neutral in 3Q16 and had a slight positive impact in 4Q16.
- Order intake grew +6% in local currency in 2016 (+4% in reported figures). The pace of recovery, initiated in previous quarters, has maintained in 4Q16 (+4% in local currency; +5% in reported figures), mainly in IT, while T&D slowed down due to the high level of order intake registered last year in 4Q associated with the contracts signed with Spain's Ministry of Defence (MoD).
- Other income totaled €63m, compared to €86m in 2015, 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 2015.
- OPEX (Operating Expenses) fell by -9%, to €2,543m in 2016, mainly due to the ongoing restructuring initiatives and a lower level of sales:
    - Materials consumed and other operating expenses were down by -12% to €1,199m as a result of lower level of sales, fewer subcontractors and savings linked to the ongoing cost optimization plan. In the fourth quarter, Materials consumed and other operating expenses declined by -3% vs 4Q15.
    - Personnel expenses reached €1,342m, declining -7% in 2016 as a result of the lower average workforce in the period (-8%). In 4Q16, personnel expenses declined only -3% vs 4Q15 due to the high level of completion of the headcount reduction plan in Spain at year end in 2015.
- Contribution margin in 2016 reached 14.0% vs 9.2% in 2015 (+4.8pp):
    - T&D contribution margin (Transport & Traffic and Defence & Security verticals) up by +4.3pp to 19.1% in 2016 (vs 14.8% in 2015) as a consequence of the operating improvement in Defence & Security and despite the underway restructuring in the Transport & Traffic vertical.
    - IT contribution margin (9.8%) was +4.8pp higher than in 2015 (5.0%) due to the losses registered last year in some projects (mainly in Brazil, Financial Services and Public Administrations & Healthcare verticals) and the optimization plans put in place throughout the year.
- EBITDA reached €229m in 2016 (despite the decline in sales) compared to €131m in 2015, equivalent to an EBITDA margin of 8.5% in 2016 vs 4.6% in 2015.
- D&A reached €68m compared to €85m in 2015 (-21%) due to lower recognition and amortization of the corresponding subsidies related to R&D projects. Excluding this impact, D&A would have been similar to that registered in 2015.
- Direct Margin in 2016 increased mainly thanks to the improvement of the problematic projects provisioned in 2015, efficiency plans put in place and higher profitability in ongoing projects. Below the Direct Margin, the optimization plan contributed also to the EBIT margin expansion. As a result, recurrent EBIT reached €162m in 2016, equivalent to an EBIT margin of 6.0% (vs 1.6% in 2015), despite having included €49m of new provisions booked related to additional problematic projects.

- The improvement in the recurrent EBIT margin in 4Q16 (7.6% vs 5.3% in 9M16), is explained by the higher level of sales registered in the fourth quarter vs previous quarters (as a result of the inherent seasonality of the business). It's worth noting that despite the lower level of sales in 4Q16 vs 4Q15, EBIT margin increased +1.6pp vs 4Q15 (6.0%) as a result of the different optimization plans and ongoing improvements put in place.
- Financial Result decreased to €-39m from €-64m in 2015 as a consequence of the reduction in gross average borrowing costs by -1.1pp to 2.8% (mainly due to lower share of Brazil's debt).
- Tax expenses reached €54m in 2016, equivalent to a tax rate of 43% as a result of, among other things, certain limits in the application of tax credits (mainly in Brazil), no taxation in Bahrain due to its fiscal legislation and closing of some subsidiaries.
- Net profit of the Group in 2016 totaled €70m vs losses of €-641m registered in 2015.

BALANCE SHEET AND CASH FLOW STATEMENT

- 2016 Free Cash Flow was €184m vs €-50m in 2015, mainly as a consequence of the improvement in operating profitability and net working capital. Excluding the impact of the redundancy plan (€51m) and the cash outflow caused by the problematic projects (€76m), FCF flow would have amounted to €311m.
- 4Q16 Free Cash Flow was €140m compared to €137m in 4Q15. Last year in 4Q15, cash generation mainly came from the improvement in net working capital, while in 4Q16 it was due to the improvement in operating activity and net working capital.
- Operating Cash Flow before net working capital variation reached €228m vs €-151m in 2015 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 €33m vs €232m in December 2015, which is equivalent to 5 days of LTM sales vs 30 DoS in FY15. This reduction was caused by: 1) lower level of sales; 2) higher collection from clients relative to the sales of the period; 3) proactive management of suppliers and 4) some billed receivables reclassifications from short-term to long-term. In 4Q16 net working capital decreased by €165m (21 DoS) vs 9M16 (NWC totaled €198m, equivalent to 26 DoS). The inherent seasonality of the net working capital in the fourth quarter was more pronounced in 2016 vs 2015, contributing significantly to its improvement. Additionally to this Working Capital improvement, has contributed some of the cash inflows collected in 4Q16 that were expected to happen in the first quarter of 2017, and the fact that some billed receivables were reclassified from short-term to long-term, with a net impact of €85m (equivalent to 11 DoS).
- Other Operating Changes were €-10.1m vs €+0.3m in 2015. Cash outflow from the redundancy plan was partially offset by the collection from the multiannual projects of the Defence & Security field signed with Spain's MoD (as they are long term, they are included in this line of other operating changes).
- Taxes totaled €-47m, vs €-7m in 2015, due to higher operating profit in Spain in 2016 vs 2015 and early taxes collection adopted recently by the Spanish Government.
- CAPEX reached €28m vs €37m in 2015 (excluding the subsidies it would have been similar to that registered last year, €39m in 2016 vs €43m in 2015). Breaking down by intangible and tangible investments:
    - Intangible investments (net of subsidies) were €19m vs €27m in 2015, mainly as a consequence of a higher level of subsidies applied this year vs 2015 (€11m in 2016 vs €6m in 2015. Excluding the subsidies, intangible investments would have been €30m in 2016 vs €33m in 2015).
    - Tangible investments reached €9m, similar to €10m registered last year.
- Net debt amounted to €523m (vs €700m in FY15), equivalent to 2.3x LTM recurrent EBITDA (vs 5.4x in December 2015). Gross debt borrowing costs were 2.8%, down -1.1pp vs 2015.
- Non-recourse factoring lines in 2016 amounted to €187m, the same figure as 2015 and 9M16.

HUMAN RESOURCES

Final Workforce	2016	%	2015	%	Variation (%) vs 2015
Spain	18,951	55	20,251	55	(6)
America	12,091	35	13,558	37	(11)
Europe	1,632	5	1,582	4	3
Asia, Middle East & Africa	1,620	5	1,669	5	(3)
TOTAL	**34,294**	**100**	**37,060**	**100**	**(7)**

Average Workforce	2016	%	2015	%	Variation (%) vs 2015
Spain	19,474	55	21,528	56	(10)
America	12,952	36	13,881	36	(7)
Europe	1,584	4	1,657	4	(4)
Asia, Middle East & Africa	1,637	5	1,593	4	3
TOTAL	**35,647**	**100**	**38,658**	**100**	**(8)**

At the end of 2016 total workforce amounted to 34,294 professionals, which implies a fall of -7% compared to 2015 (2,766 fewer employees):

- Final workforce in Spain decreased by -6% (1,300 fewer employees) mainly due to the redundancy plan.
- In America, headcount decreased by -11% (equivalent to 1,467 employees) as a consequence of the reduction in activity (mainly in Brazil), higher focus on private clients, and restructuring in the region.
- In Europe, workforce increased by +3% (50 more employees) vs 2015 as a result of higher needs in Italy (projects related to the IT segment) and Norway & UK (projects related to the ATM business).
- In Asia, Middle East & Africa (AMEA) decreased slightly by -3% (49 fewer employees) vs 2015.

Average workforce in 2016 decreased by -8% vs 2015, largely due to the efficiency plans executed in Spain and America, where average workforce decreased by -10% and -7%, respectively, compared to 2015.

3. ANALYSIS BY VERTICAL MARKETS

3.1 TRANSPORT & DEFENCE

T&D	2016 (€M)	2015 (€M)	Variation (%) Reported	Variation (%) Local currency	4Q16 (M€)	4Q15 (M€)	Variation (%) Reported	Variation (%) Local currency
Order Intake	1,241	1,259	(1)	(1)	343	428	(20)	(20)
Revenues	1,224	1,229	(0)	1	377	391	(3)	(3)
- Defence & Security	599	556	8	8	198	191	4	4
- Transport & Traffic	625	674	(7)	(6)	179	200	(10)	(10)
Book-to-bill	1.01	1.02	(1)		0.91	1.09	(17)	
Backlog / Revs LTM	1.88	1.87	1					

Revenues in T&D grew +1% in local currency (flat in reported terms) in 2016. In 4Q16, revenues drop by -3% (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 the demanding comparison due to the impact from the multiannual projects signed with the Spain's MoD in 4Q15.

Order Intake down by -1% in local currency and reported terms in 2016, with a Book-to-Bill ratio of 1.01x, similar level to that registered in 2015.

Backlog/Revenues LTM reported a slight increase compared to 2015 (1.88x vs 1.87x).

Defence & Security

- Revenues in Defence & Security grew +8% both in local currency and reported terms. It is worth highlighting the positive performance in the area of Airborne Surveillance Systems (mainly in Europe), Space (Spain) and Radars & Electronic Defence (chiefly in Spain and AMEA).
- Sales in 4Q16 continued its positive performance (+4%), in spite of having a demanding comparable in 4Q15 due to the execution of Spain's MoD multiannual projects (mainly in the Simulation filed, Armored Vehicles, Radars & Electronic Defence). It is worth noting the positive performance in Airborne Surveillance Systems in 4Q16.
- By region, of notice was the positive performance in Spain backed by the multiannual projects with Spain's MoD (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), as well as the consolidation of the pace of growth in Europe (chiefly in Airborne Surveillance Systems), America and AMEA (Radars & Electronic Defence, Security & C4ISR, which includes *Command, Control, Communications, Intelligence, Surveillance and Reconnaissance*).
- Current Indra's Backlog (ratio Backlog/Sales LTM above 2.0x), together with the accumulated pipeline (new Spanish and European programs) and the progressive framing of a common policy of Defence & Security in the European Union would likely lead to a sustainable growth for the coming years.

Transport & Traffic

- Revenues in Transport & Traffic dropped by -6% in local currency (-7% in reported terms). The positive performance in ATM (c. 45% of the vertical's revenues) couldn't offset the sharp drop in sales in the Infrastructure & Transport segment as a result of, among others, delays in the execution of some projects and in the starting phase of some sizeable projects in the Railway, Urban Traffic and Ticketing field in America and Spain.
- In 4Q16 sales declined -10% in local currency and 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). Of notice was the positive performance in the ATM business in Europe in 4Q16.
- By region, Spain and America registered the worst performance in 2016 caused by the slowdown in the execution of some projects in the Urban Traffic, Ticketing and Railway area. In 4Q16, it is worth noticing the positive performance in AMEA and Europe backed by advances in the execution of several projects in Railway & ATM.
- Despite the delays in tenders of some projects in countries dependent on oil and commodity prices, order intake closed the year in positive territory (+4% in reported terms) as a consequence of the significant recovery in the order intake in the second half of the year in Europe (mainly in ATM due to the starting phase II of the SESAR program) and AMEA (Urban Traffic & Ticketing). So, Book-to-Bill ratio reached 1.08x (vs 0.96x in 2015) and Backlog/LTM ratio stood at 1.74x (vs 1.58x in 2015). This, together with the current pipeline will likely lead to a recovery growth for the coming quarters.
- The negative performance in the Transport segment during the year has led to an in-deep review of the business to evaluate its portfolio and go-to-market strategy.

3.2 IT

IT	2016 (€M)	2015 (€M)	Variation (%) Reported	Variation (%) Local currency	4Q16 (M€)	4Q15 (M€)	Variation (%) Reported	Variation (%) Local currency
Order Intake	1,504	1,392	8	12	321	204	57	55
Revenues	1,485	1,621	(8)	(5)	381	391	(2)	(3)
- Energy & Industry	400	426	(6)	(3)	106	102	4	5
- Financial Services	476	488	(2)	1	124	112	10	9
- Telecom & Media	212	251	(15)	(11)	51	61	(17)	(18)
- PPAA & Healthcare	398	458	(13)	(11)	101	115	(12)	(14)
Book-to-bill	1.01	0.86	18		0.84	0.52	61	
Backlog / Revs LTM	0.55	0.55	1					

2016 sales in IT decreased -5% in local currency (-8% in reported terms), improving its performance slightly in 4Q16 (-3% in local currency; -2% in reported terms) as a result of the increase in operating activity in Utilities and Banking in America.

The fall in IT is explained by the negative exchange rates impact, sales repositioning in Brazil, 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 €313m (+2% in local currency), which accounts for 21% of the total IT revenues in 2016.

Order Intake in the IT business went up +12% in local currency (+8% in reported terms), mainly in the Energy & Industry and Financial Services verticals, resulting in a Book-to-Bill ratio of 1.01x vs 0.86x in 2015.

Backlog / Revenues LTM remained stable at 0.55x.

Energy & Industry

- 2016 revenues in the Energy & Industry vertical went down by -3% in local currency (-6% in reported figures). However, sales in 4Q16 posted a positive performance (+5% in local currency; +4% in reported terms) as a result of the positive dynamics in the Utilities segment (mainly in America).
- Sales in Energy (c. 70% of the vertical's sales) fell -5% in local currency (-8% in reported terms) due to the 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, Mexico and Argentina). Spain (c. 45% of the vertical's revenues) showed positive growth rates (c. +5%), mainly thanks to the implementation of both proprietary and third party solutions.
- Revenues in the Industry segment were flat thanks to the positive performance in the Outsourcing area, showing a better relative performance than Energy.
- By region, AMEA (-4%) and America (-17%) were negative affected by activity slowdown in countries dependent on commodity prices, FX headwinds and repositioning in Brazil. In 4Q16, sales boosted in America (+27%) as a consequence of, among others, higher levels of activity in the Utilities BPO segment.
- Order Intake grew +15% in local currency in 2016 (+12% in reported terms), maintained in the fourth quarter the acceleration experienced during the second half of the year, which was backed by the positive performance in Spain, America and Europe (mainly in Outsourcing and Utilities BPO segments).

Financial Services

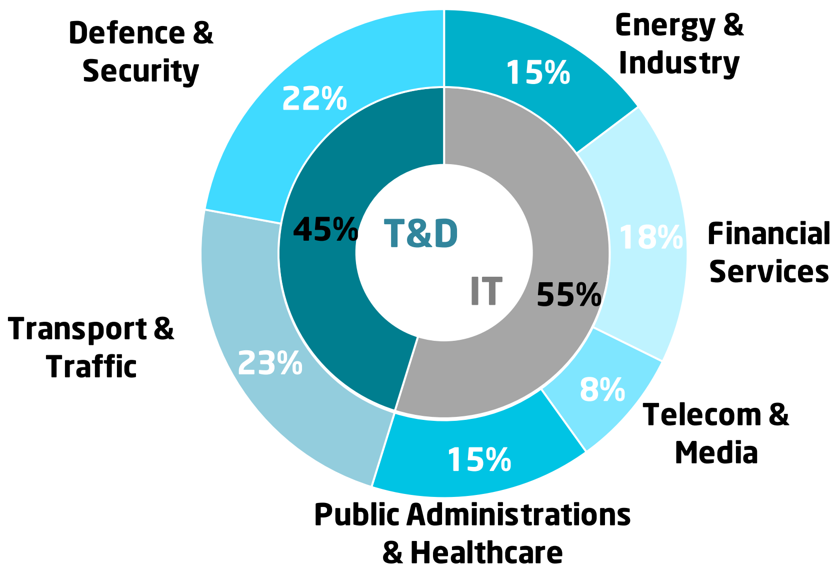
- Financial Services went up by +1% in local currency (or -2% in reported terms) in 2016, where most activity is concentrated in the Banking vs Insurance sector.
- Revenues in 4Q16 grew +9% in local currency (+10% in reported terms), highlighting the positive performance in America (mainly in the Banking segment in Brazil and Mexico).
- The activity in the vertical was influenced by the closing of the problematic projects in Brazil and repositioning in the region (prioritizing the efforts on customer loyalty and proprietary solutions for the private sector), which resulted in a decrease in sales in America (-8% in reported figures). However, during the second half of the year the business experienced better performance, both in terms of order intake (+19% reported in 2016) and revenues (>+10% in the second half of the year).
- 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).
- Despite the positive sector dynamics (basically in Spain) and better performance in America, a strong sales recovery in the coming quarters is not expected as a consequence of, among others, the completion of the problematic projects in Brazil and the repositioning in America towards private clients.

Telecom & Media

- 2016 revenues in Telecom & Media fell by -11% in local currency (-15% in reported terms) affected by the dynamics of the Telco sector, which remained focused on efficiency measures and cost controlling. Thus, the environment continued strongly competitive with challenging price trends.
- In 4Q16, Telecom & Media decreased by -18% in local currency (-17% in reported terms) caused by a worse performance in Spain (mainly due to the negative impact of the cancellation of the BPO project with Vodafone in Spain).
- Revenues in Media (c. 10% of the vertical's revenues) recorded negative growth in 2016 (c.-12% in reported terms).
- Order Intake performance (-6% in local currency; -12% in reported terms), together with the cancellation of the BPO project with Vodafone, won't likely lead to a recovery in activity in the forthcoming quarters.

Public Administrations & Healthcare

- 2016 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 4Q16, revenues in Public Administrations & Healthcare registered a fall of -14% in local currency (-12% in reported figures), affected by the demanding comparison of the Elections business (especially in America). Excluding the impact of the Elections business, revenues in 4Q16 would have increased by +3% as a result, among other things, of the positive evolution of America.
- Election business dropped -45% in 2016 (mainly in Spain and America). It is worth noting that due to the inherent casuistry of the Election business, the comparison with previous years is not always meaningful as this is a business very dependent on the electoral calendars. The calendar of Elections in 2017 might bring some growth in the coming quarters.
- Healthcare segment registered worse performance compared to Public Administrations (excluding the election business) in 2016. However, it has improved in 4Q16 thanks to specific projects in America.
- By region, 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 the problematic projects in Brazil and the stricter criteria applied to bidding procedures. In Spain contributed negatively again, as the challenging dynamics remain unchanged in the quarter.
- Order Intake performance in 2016 (+5% in local currency, +3% in reported figures) and the current pipeline will likely lead to a recovery in activity in the coming quarters.



4. ANALYSIS BY REGION

Revenues by Region	2016 (€M)	2016 (%)	2015 (€M)	2015 (%)	Variation (%) Reported	Variation (%) Local currency	4Q16 (€M)	4Q15 (€M)	Variation (%) Reported	Variation (%) Local currency
Spain	1,164	43	1,223	43	(5)	(5)	301	339	(11)	(11)
America	653	24	771	27	(15)	(8)	173	171	1	0
Europe	524	19	493	17	6	7	172	137	26	26
Asia, Middle East & Africa	368	14	363	13	1	2	112	134	(16)	(17)
TOTAL	**2,709**	**100**	**2,850**	**100**	**(5)**	**(3)**	**759**	**781**	**(3)**	**(3)**

By region, total sales decreased -3% in local currency (-5% in reported terms) as a result of the drop in those regions with the largest sales share of total revenues and where most activity is concentrated in the IT segment: Spain (-5% in local currency; 43% of total sales) and America (-8%; 24% of total sales). However, Europe (+7% in local currency; 19% of total sales) and AMEA (+2% in local currency; 14% of total sales) posted growth, regions where most activity is concentrated in the T&D segment.

Spain

- 2016 sales decreased -5% as a consequence of the double digit decline in Telecom & Media (cancellation of the projects with Vodafone), Public Administrations & Healthcare (worse comparison due to the election business vs last year) and Transport & Traffic (delays in some projects associated with the Public Administrations in Spain), which didn't offset the growth posted in Defence & Security (>+5%) and the positive performance in Energy & Industry and Financial Services.
- In 2016, Defence & Security was the lead performer thanks to the multiannual projects signed with Spain's MoD (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).
- 4Q16 sales fell (-11%) due to the high level of revenues recorded last year, where sales amounted to (€339m). Double digit decline in Defence & Security (last year in 4Q grew more than +50%), Transport & Traffic (delays in some projects and in 4Q15 posted double digit growth) and Telecom & Media (cancellation of the projects with Vodafone).
- Order Intake in 2016 fell -7% (-36% in 4Q16) as a consequence of the multiannual projects signed with Spain's MoD in 4Q15.

America

- 2016 revenues in America fell -8% in local currency (-15% in reported terms). The activity in America is concentrated in the IT segment (c.75% of total sales in the region). Both the IT and T&D segment as a whole declined. However, Financial Services and Telecom & Media within IT and Security & Defence within T&D posted growth in local currency.
- Advances in the completion of the problematic projects in Brazil (5 out of 7 projects have been completed, with the closure of one of the remaining already agreed) contributed to the higher profitability in the region, in line with the company expectations.
- By country, revenues went down in Brazil (repositioning) and Argentina (worse comparison because of the Election projects last year). Revenues declined slightly in Mexico and Colombia in local currency (strong negative impact of foreign exchange in Mexico). Although, Chile, Peru and The Dominican Republic (the last one due to the execution of an Election's project) posted growth.

- However, sales in 4Q16 experienced a better performance and were flat in local currency (+1% in reported terms). The double digit growth reached in Energy & Industry, Financial Services and Defence & Security (although this one has a limited sales share of total revenues in the region) offset the decline posted in Public Administrations & Healthcare, Telecom & Media and Transport & Traffic.
- Order Intake grew +10% in local currency in 2016 (flat in reported terms), highlighting the increase in private vs public client, in line with the strategy set by the company.

Europe

- 2016 sales up +7% in local currency (+6% in reported terms), registering growth in almost all verticals. Only the Telecom & Media vertical declined, whose sales share in the region is very limited.
- Defence & Security and Transport & Traffic are the verticals with the largest sales share in the region (c.75% of revenues).
- Sales posted a strong growth in 4Q16 (+26% in local currency and reported terms). Defence & Security (the leading vertical in the region) reported double digit growth in the quarter backed by a higher contribution by the Airborne Systems segment. Besides, Transport & Traffic posted double digit growth thanks to the positive performance of Air Traffic Management (ATM).
- Order Intake grew +22% in local currency and reported terms in 2016. The positive performance posted in Transport & Traffic (mainly in ATM) offset the decline posted in Defence & Security due to the gradual activity decline in the Eurofighter program. Additionally, of notice is the positive performance in the IT segment (c. 25% of total sales in the region), with double digit growth in Energy & Industry, Financial Services and Telecom & Media.

Asia, Middle East & Africa (AMEA)

- Sales in Asia, Middle East & Africa (AMEA) posted slightly growth in 2016 (+2 in local currency; +1% reported terms). Revenues in the T&D business (which accounted for c. 80% of total revenues in the region) grew thanks to Transport & Traffic (vertical with the largest sales share in the region). Positive performance in the IT segment, although its sales share is c.20% in the region.
- In 4Q16, sharp drop in sales (-17% in local currency) due to the decline in activity in projects of Defence & Security and Transport & Traffic as a consequence of the public spending slowdown in some countries that are dependent on oil and commodity prices.
- Order Intake in 2016 grew +30% in local currency (+29% in reported terms), being the region where order intake grew the most. 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 November 3rd 2016, 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 AMEA (Asia, Middle East and Africa) Geography, replacing Carlos Suárez.

Eduardo Bonet became 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.

2) On November 29th 2016, Indra released to the National Securities Market Commission (CNMV) in compliance with Royal Decree 1066/2007, of 27 July, on the rules for public tender offers for securities, the text of the prior announcement in connection with the public tender offer to acquire shares of Tecnocom, Telecomunicaciones y Energías, S.A. ("the Offer"), to be carried out by Indra Sistemas, S.A. Along with the prior announcement, Indra released to the National Securities Market Commission (CNMV) complementary information consisting of the investor presentation that was used in the Conference Call held on the same day and the press release which also was made public on the same date.

3) On December 7th 2016, Indra made public a complementary Relevant Fact with the purpose of clarifying and completing certain aspects of the Offer.

4) On December 21st 2016, Indra made public a Relevant Fact about its decision to temporarily suspend the execution of the Temporary Share Buy-back Programme.

5) On December 23rd 2016, Indra released to the National Securities Market Commission (CNMV) the request for authorization of the Offer in which the Company has ratified the terms and conditions of the Offer included in prior announcements.

6. EVENTS FOLLOWING THE CLOSE OF THE PERIOD

Regarding the Offer, the events following the close of the period were:

1) On January 13th 2017, Indra informed by a Relevant Fact that the Spanish National Markets and Competition Commission (CNMC) has resolved to authorize the economic concentration consisting in the acquisition of Tecnocom's control by Indra; thus, one of the conditions to which the Offer is subject is fulfilled.

2) On January 18th 2017, Indra made public a Relevant Fact to call a General Extraordinary Shareholders Meeting which has been held in first call on February 20th in which the necessary capital increase has been approved by a 99.46% in order to meet the exchange of shares of Tecnocom shareholders who attend the Offer.

ANNEX 1: CONSOLIDATED INCOME STATEMENT

	2016 M€	2015 M€	Variación M€	Variación %	4T16 M€	4T15 M€	Variación M€	Variación %
Ingresos ordinarios	**2,709.3**	**2,850.4**	**(141.1)**	**(5)**	**758.6**	**781.1**	**(22.5)**	**(3)**
Otros ingresos	62.9	86.4	(23.5)	(27)	32.6	22.0	10.6	48
Aprovisionamientos y otros gastos de explotación	(1,199.1)	(1,368.9)	169.8	(12)	(364.5)	(376.4)	11.9	(3)
Gastos de personal	(1,342.2)	(1,436.2)	94.0	(7)	(347.8)	(359.1)	11.3	(3)
Otros resultados	(1.5)	(1.1)	(0.4)	NA	(0.2)	(0.1)	(0.1)	NA
Resultado Bruto de Explotación (EBITDA)	**229.4**	**130.7**	**98.7**	**76**	**78.7**	**67.4**	**11.3**	**17**
Amortizaciones	(67.8)	(85.5)	17.7	(21)	(21.4)	(20.8)	(0.6)	3
Resultado Operativo recurrente (EBIT a/ costes no rec.)	**161.5**	**45.2**	**116.3**	**NA**	**57.3**	**46.6**	**10.7**	**NA**
Margen EBIT recurrente (a/ costes no rec.)	***6.0%***	***1.6%***	***4.4 pp***	**NA**	***7.6%***	***6.0%***	***1.6 pp***	**NA**
Costes no recurrentes	0.0	(686.6)	686.6	NA	0.0	(129.6)	129.6	NA
Resultado Operativo (EBIT)	**161.5**	**(641.5)**	**803.0**	**NA**	**57.3**	**(82.9)**	**140.2**	**NA**
Margen EBIT	***6.0%***	***(22.5%)***	***28.5 pp***	**NA**	***7.6%***	***(10.6%)***	***18.2 pp***	**NA**
Resultado Financiero	**(39.3)**	**(64.1)**	**24.8**	**(39)**	**(8.9)**	**(15.6)**	**6.7**	**(43)**
Resultado de entidades valoradas por el método de la participación	1.7	(0.4)	2.1	NA	0.2	(0.5)	0.7	NA
Resultado antes de impuestos	**123.9**	**(705.9)**	**829.8**	**NA**	**48.6**	**(99.0)**	**147.6**	**NA**
Impuesto de sociedades	(53.5)	64.1	(117.6)	NA	(26.2)	18.1	(44.3)	NA
Resultado del ejercicio	**70.4**	**(641.9)**	**712.3**	**NA**	**22.5**	**(80.9)**	**103.4**	**NA**
Resultado atribuible a socios externos	(0.4)	0.7	(1.1)	NA	(0.6)	0.5	(1.1)	NA
Resultado neto	**69.9**	**(641.2)**	**711.1**	**NA**	**21.8**	**(80.4)**	**102.2**	**NA**

Beneficio por acción (acorde con normas NIIF)	2016	2015	Variación (%)
BPA básico (€)	0.427	(3.913)	(111)
BPA diluido (€)	0.413	(3.504)	(112)

	2016	2015
Nº total de acciones	164,132,539	164,132,539
Autocartera ponderada	346,306	257,550
Total Acciones consideradas	163,786,233	163,874,989
Total Acciones diluidas consideradas	183,734,414	181,369,740
Autocartera al cierre del periodo	333,508	347,011

Figures not audited

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

Diluted EPS is calculated by dividing net profit (adjusted by the impact of the €250m convertible bond issued in October 2013 with a conversion price of €14.29 and the €250m convertible bond issued in October 2016 with a conversion price of €14.629, and taking into account the repayment of €95m of the convertible bond issued in 2013), by the average number of outstanding shares during the period less the average treasury shares of the period and adding the theoretical new shares to be issued once assuming full conversion of the bonds.

The average number of shares used in the calculation of the EPS and dilutive EPS for treasury shares, total number of shares and theoretical shares to be issued related to the convertible bonds, are calculated using daily balances.

ANNEX 2: INCOME STATEMENTS BY BUSINESSES

2016 M€	T&D	IT	Eliminations	Total
Total Sales	1,224	1,495	(10)	2,709
Inter-segment sales	0	10	(10)	-
External Sales	**1,224**	**1,485**	**-**	**2,709**
Contribution Margin	**233**	**145**	**-**	**378**
Contribution Margin (%)	***19.1%***	***9.8%***	***-***	***14.0%***

4Q16	T&D	IT	Eliminations	Total
Total Sales	377	383	(2)	759
Inter-segment sales	0	2	(2)	-
External Sales	**377**	**381**	**-**	**759**
Contribution Margin	**79**	**35**	**-**	**114**
Contribution Margin (%)	***20.8%***	***9.2%***	***-***	***15.0%***

2015	T&D	IT	Eliminations	Total
Total Sales	1,229	1,636	(15)	2,850
Inter-segment sales	0	15	(15)	-
External Sales	**1,229**	**1,621**	**-**	**2,850**
Contribution Margin	**182**	**81**	**-**	**263**
Contribution Margin (%)	***14.8%***	***5.0%***	***-***	***9.2%***

4Q15	T&D	IT	Eliminations	Total
Total Sales	391	395	(5)	781
Inter-segment sales	0	5	(5)	-
External Sales	**391**	**391**	**-**	**781**
Contribution Margin	**68**	**34**	**-**	**103**
Contribution Margin (%)	***17.5%***	***8.8%***	***-***	***13.2%***

Figures not audited

ANNEX 3: CONSOLIDATED BALANCE SHEET

	2016 M€	2015 M€	Variación M€
Inmovilizado material	103.4	136.9	(33.5)
Otros activos intangibles	284.9	289.2	(4.3)
Participadas y otros inmovilizados financieros	184.9	50.1	134.8
Fondo de Comercio	471.9	470.4	1.5
Activos por impuestos diferidos	178.4	200.0	(21.6)
Activos no corrientes	**1,223.6**	**1,146.7**	**76.9**
Activos no corrientes mantenidos para la venta	31.2	1.7	29.5
Activo circulante operativo	1,271.8	1,462.0	(190.2)
Otros activos corrientes	131.5	112.4	19.1
Efectivo y equivalentes	673.9	341.6	332.3
Activos corrientes	**2,108.5**	**1,917.6**	**190.9**
TOTAL ACTIVO	**3,332.0**	**3,064.3**	**267.7**
Capital y Reservas	368.3	297.1	71.2
Acciones propias	(3.4)	(3.1)	(0.3)
Patrimonio atrib. Sdad. Dominante	**364.9**	**294.0**	**70.9**
Socios externos	13.0	13.6	(0.6)
PATRIMONIO NETO	**378.0**	**307.6**	**70.4**
Provisiones para riesgos y gastos	99.2	103.4	(4.2)
Deuda financiera a largo plazo	1,136.0	961.9	174.1
Otros pasivos financieros	9.4	11.5	(2.1)
Pasivos por impuestos diferidos	12.4	3.3	9.1
Otros pasivos no corrientes	89.4	26.8	62.6
Pasivos no corrientes	**1,346.4**	**1,107.0**	**239.4**
Pasivos vinculados con activos no corrientes mantenidos para la venta	0.0	1.3	(1.3)
Deuda financiera a corto plazo	60.7	79.4	(18.7)
Pasivo Circulante Operativo	1,238.4	1,230.4	8.0
Otros pasivos corrientes	308.6	338.6	(30.0)
Pasivos corrientes	**1,607.7**	**1,649.7**	**(42.0)**
TOTAL PASIVO Y PATRIMONIO NETO	**3,332.0**	**3,064.3**	**267.7**

Deuda financiera a corto plazo	(60.7)	(79.4)	18.7
Deuda financiera a largo plazo	(1,136.0)	(961.9)	(174.1)
Deuda financiera bruta	(1,196.7)	(1,041.3)	(155.4)
Efectivo y equivalentes	673.9	341.6	332.3
Deuta neta	***(522.8)***	***(699.7)***	***176.9***

Figures not audited

ANNEX 4: CONSOLIDATED CASH FLOW STATEMENT

	2016 M€	2015 M€	Variación M€	4T16 M€	4T15 M€	Variación M€
Resultado antes de impuestos	**123.9**	**(705.9)**	**829.8**	**48.6**	**(99.0)**	**147.6**
Ajustes:						
- Amortizaciones	67.8	85.5	(17.7)	21.4	20.8	0.6
- Subvenciones, provisiones y otros	(2.9)	408.7	(411.6)	33.4	23.0	10.4
- Resultados de empresas asociadas y otras participadas	(1.7)	0.4	(2.1)	(0.2)	0.5	(0.7)
- Resultados financieros	39.3	58.6	(19.3)	8.9	15.9	(7.0)
Dividendos cobrados	**1.8**	**1.4**	**0.4**	**0.8**	**0.0**	**0.8**
Cash-flow operativo antes de variación de capital circulante	**228.3**	**(151.4)**	**379.7**	**112.9**	**(38.9)**	**151.8**
Clientes, neto	87.7	55.9	31.8	47.1	99.0	(51.9)
Existencias, neto	1.4	153.4	(152.0)	8.0	61.6	(53.6)
Proveedores, neto	(23.1)	(27.4)	4.3	(5.7)	27.2	(32.9)
Variación en el capital circulante operativo	**65.9**	**181.9**	**(116.0)**	**49.4**	**187.7**	**(138.3)**
Otras variaciones operativas	**(10.1)**	**0.3**	**(10.4)**	**22.0**	**0.4**	**21.6**
Inversión Material, neto	(9.0)	(10.1)	1.1	(3.4)	(0.2)	(3.2)
Inversión Inmaterial, neto	(18.9)	(26.7)	7.8	(4.0)	(8.1)	4.1
Capex	**(27.9)**	**(36.7)**	**8.8**	**(7.4)**	**(8.3)**	**0.9**
Aumentos (devoluciones) subvenciones	**0.0**	**4.0**	**(4.0)**	**0.0**	**(3.8)**	**3.8**
Resultado financiero	**(25.7)**	**(41.2)**	**15.5**	**(10.7)**	**(14.1)**	**3.4**
Impuestos sobre sociedades pagados	**(46.9)**	**(6.7)**	**(40.2)**	**(26.3)**	**14.2**	**(40.5)**
Flujo de caja libre	**183.6**	**(49.8)**	**233.4**	**139.9**	**137.4**	**2.5**
Variaciones de inversiones financieras a corto plazo	(2.4)	2.8	(5.2)	1.4	1.6	(0.2)
Inversiones/Desinversiones Financieras	(3.9)	(5.2)	1.3	(0.6)	(4.1)	3.5
Dividendos de las Sociedades a Socios externos	(0.9)	(0.5)	(0.4)	0.0	(0.3)	0.3
Dividendos de la Sociedad Dominante	0.0	0.0	0.0	0.0	0.0	0.0
Variación de acciones propias	(0.3)	(2.0)	1.7	(1.2)	0.3	(1.5)
Caja Generada / (Aplicada) en el ejercicio	**176.0**	**(54.8)**	**230.8**	**139.5**	**135.0**	**4.5**

Deuda neta inicial	**(699.7)**
Caja Generada / (Aplicada) en el ejercicio	176.0
Efectos de tipo de cambio y variación sin efecto en caja	0.9
Deuta neta final	***(522.8)***

Figures not audited

ANNEX 5: ALTERNATIVE PERFORMANCE MEASURES (APMS)

Due to the application of the Alternative Performance Measures (APM) published by the European Securities and Markets Authority (EMSA), Management of the Group considers that certain APMs provides useful financial information that should be considered to evaluate the performance of the Group by users. Additionally, Management uses these APMs for making financial, operating and strategic decisions, as well as to evaluate the Group performance. It should be noted that the amounts of the APMs have not been subject to any type of audit or review by the auditors of the Company.

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.

Likewise, the Group uses as an indicator the performance of the EBITDA margin that is the result of the ratio between EBITDA and the amount of sales for the same period. This indicator is interpreted as the operating profit of the Group for each euro of sales.

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

Recurrent EBITDA:

Definition/Conciliation: Represents the Gross Operating Profit (EBITDA) plus non-recurring costs which include provisions, impairments and project overruns, impairments of goodwill and intangible assets and the optimization of resources corresponding to changes in forecasts and expectations in projects that were reviewed in subsequent years.

Likewise, the Group uses as an indicator the performance of the recurrent EBITDA margin that is the result of the ratio between recurrent EBITDA and the amount of sales for the same period. This indicator is interpreted as the operating profit of the Group for each euro of sales excluding the non-recurring costs of the period.

Explanation: Metric that the Group uses to define its operating profitability excluding the non-recurring costs, and Investors use to the Company's valuation.

Coherence in the criteria applied: Since 2016, non-recurring costs are included in the Gross Operating Profit (EBITDA).

Recurrent EBIT:

Definition/Conciliation: Represents the Net Operating Profit (EBIT) excluding non-recurring costs which include provisions, impairments and project overruns, impairments of goodwill and intangible assets and the optimization of resources corresponding to changes in forecasts and expectations in projects that were reviewed in subsequent years.

Explanation: Metric that the Group uses to define its operating profitability excluding the non-recurring costs, and Investors use to the Company's valuation.

Likewise, the Group uses as an indicator the performance of the recurrent EBIT margin that is the result of the ratio between recurrent EBIT and the amount of sales for the same period. This indicator is interpreted as the net operating profit of the Group for each euro of sales excluding the non-recurring costs of the period.

Coherence in the criteria applied: Since 2016, non-recurring costs are included in the Gross Operating Profit (EBITDA).

Net Financial Debt:

Definition/Conciliation: Represents Cash and Cash equivalents less Non-current Loans and Borrowings and less Current Loans and Borrowings. Net Financial Debt is obtained by subtracting the balances corresponding to the headings of the Consolidated Balance Sheet, "Long and Current borrowings with Credit Institutions" and "Financial Liabilities for Issuance of Non-current and Other Marketable Securities", the amount of the heading "Cash and cash equivalents".

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

Likewise, the Group uses the ratio Net Financial Debt over EBITDA (or recurrent EBITDA) as an indicator of its leverage and repayment capacity of its financial debt. For that reason, the figure used to calculate the ratio for intermediate periods is made by taking into consideration the equivalent last twelve months EBITDA immediately preceding the calculation date of the ratio.

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

Free Cash Flow:

Definition/Conciliation: These are the funds generated by the Company excluding dividend payments, net financial investments/divestments and others, and the investment in treasury stock.

Explanation: It is the treasury made by the operations of the Group that is available to providers (shareholders and financial creditors) once the investment needs of the Group are already satisfied, and Investors use to the Company's valuation.

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

Contribution Margin:

Definition/Conciliation: It is the different between revenues and direct and indirect costs of the segments or businesses of the Group. Direct costs are those directly attributable to the sales recognized in a specific period of time and include the cost of the headcount or subcontractors used in the projects as well as any incurred costs related to the development and completion of the project; such as material costs, travel expenses of the project, among others. Indirect costs are those which, although are linked to a segment or businesses of the Group, are not directly attributable to billable projects or to revenues accounted for a specific period of time; such as, commercial costs, cost of making offers, the cost of Management of a specific segment, among others. Contribution Margin does not include overheads as this costs are not directly attributable to a particular segment or business.

Explanation: Contribution Margin measures the operating profitability of a segment or business of the Group excluding overheads as this costs are not directly attributable to a particular segment or business.

Likewise, in order to ease the comparison between segments with different relative weight in the total revenues of the Group, it is used the contribution margin ratio over revenues of a segment or business. This indicator is interpreted as the contribution margin for each euro of sales of a specific segment.

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

Order Intake:

Definition/Conciliation: It is the amount of contracts won over a period of time. Order Intake cannot be confused with revenues or the net amount of sales because the amount of a contract won in a specific period of time (and that computes as order intake in that period of time) can be executed over several years.

Explanation: As it is the amount of the contracts won over a period of time, Order Intake is an indicator of the future performance of the Group.

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

Backlog:

Definition/Conciliation: It is the amount of accumulated order intake less revenues executed, plus/minus forex adjustments and the renegotiation of the contracts, among others. It is the pending revenues figure until the completion of the project to complete the order intake figure.

Explanation: As it is the amount of the contracts won pending to be executed, Order Intake is an indicator of the future performance of the Group.

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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