

RESULTS 9M17

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indra

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1. INTRODUCTION & KEY FIGURES

- Revenues up by +8.5% in 9M17 as a result of TecnoCom's contribution and the acceleration in Indra's organic growth in 3Q17 (+7%) associated with the positive evolution in Air Traffic and Elections.
- Order intake increased by +13% in 9M17 backed by TecnoCom's consolidation and the positive organic evolution of Indra's IT business (+4%).
- EBIT increased by +19% in 9M17, which implies a 5.8% EBIT margin (vs 5.3% in 9M16) thanks to the operational improvement both in IT and T&D.
- Free Cash Flow totaled +€44m in 9M17, mainly as a result of the positive cash generation in 3Q17 (+€75m) backed by the operational improvement in 9M17 and working capital in 3Q17.
- Net debt down to €680m in 9M17 (versus €745m in June 2017).
- Net profit increased by +76% to €85m in 9M17.

Indra

MAIN FIGURES	9M17* (€M)	9M16 (€M)	Variation (%) Reported / Local currency
Order Intake	2,351	2,080	13.0 / 12.5
Revenues	2,116	1,951	8.5 / 7.8
Backlog	3,694	3,215	14.9
Gross Operating Profit (EBITDA)	171	151	13.3
EBITDA Margin	8.1%	7.7%	0.4 pp
<i>EBITDA Margin ex restructuring costs from TecnoCom</i>	<i>8.5%</i>	<i>7.7%</i>	<i>0.8 pp</i>
Operating Profit (EBIT)	124	104	18.7
EBIT margin	5.8%	5.3%	0.5 pp
<i>EBIT margin ex restructuring costs from TecnoCom</i>	<i>6.2%</i>	<i>5.3%</i>	<i>0.9 pp</i>
Net Profit	85	48	75.7
Net Debt Position	680	666	2.0
Free Cash Flow	44	44	1.1
Basic EPS (€)	0.495	0.294	68.4

(*) Displayed data includes TecnoCom consolidation since April 18th, 2017

Indra ex TecnoCom

MAIN FIGURES	9M17 (€M)	9M16 (€M)	Variation (%) Reported / Local currency
Order Intake	2,169	2,080	4.3 / 3.8
Revenues	1,950	1,951	(0.1) / (0.7)
Backlog	3,362	3,215	4.6
Gross Operating Profit (EBITDA)	162	151	7.6
EBITDA Margin	8.3%	7.7%	0.6 pp
Operating Profit (EBIT)	119	104	14.1
EBIT margin	6.1%	5.3%	0.8 pp
Net Profit	82	48	69.6

MILESTONES

Revenues increased by +8.5% in local currency (+7.8% in reported terms) to €2,116m in 9M17 as a result of TecnoCom's contribution and the acceleration in Indra's organic growth in 3Q17 (+7% in l.c.)

- Excluding TecnoCom, revenues in 9M17 would have been flat (-1% in local currency), improving its relative performance by +3pp versus 1H17 (-4% in local currency).
- Excluding TecnoCom, revenues in 3Q17 would have increased by +7% in local currency (+5% in reported terms) backed by the positive evolution in Public Administrations (mainly Elections), Air Traffic and Telecom & Media.

Order intake increased by +13.0% in reported terms (+12.5% in local currency) in 9M17 thanks to TecnoCom's consolidation and the positive evolution of Indra's IT business

- Excluding TecnoCom's integration orders would have increased by +4% in 9M17 (both in local currency and reported terms), with all the IT verticals in positive territory.

EBITDA in 9M17 increased by +13% year-on-year to €171m

- EBITDA margin stands at 8.1% in 9M17 (or 8.5% excluding TecnoCom's restructuring costs), which compares to 7.7% in 9M16
- EBITDA margin excluding TecnoCom in 9M17 stands at 8.3%, which compares to 7.7% in 9M16

EBIT increased by +19% in 9M17, which implies an EBIT margin of 5.8% in 9M17 (vs 5.3% in 9M16) as a result of the operational improvement both in IT and T&D

- T&D EBIT margin up to 13.0% in 9M17 (vs 12.0% in 9M16)
- IT EBIT margin up to 1.4% in 9M17 (vs 0.3% in 9M16)
- Excluding TecnoCom's restructuring costs, EBIT margin would have reached 6.2% in 9M17
- Excluding TecnoCom, EBIT margin would have reached 6.1% in 9M17, increasing up to 7.0% in 3Q17

TecnoCom, which started to consolidate since April 18th 2017, had an impact in sales of €167m and of €4.7m in EBIT in the first nine months of the year

- TecnoCom's EBIT margin in 9M17 ex restructuring costs stands at 6.7%
- Completion of the operating synergies communicated at the time of the deal (€30.5m) is evolving faster than expected, and with lower associated restructuring costs

Free Cash Flow stands at +€44m in 9M17, mainly as a result of the strong evolution in 3Q17 (+€75m) backed by the operational improvement in the period and the positive performance of the working capital in 3Q17

- Operating Free Cash Flow prior to changes in Working Capital stands at €154m, which compares to €115m in 9M16 (+33%) as a result of the operational improvement and the falling cash outflows from problematic projects

Net Debt down to €680m, versus €745m registered in June 2017

- Net Debt/EBITDA LTM increased to 2.5x as a result of TecnoCom's acquisition. By the end of the year, we expect Net Debt to EBITDA ratio to come back to its levels prior TecnoCom's deal
- Net Debt would have totaled €460m excluding the impact of TecnoCom's integration, while Net Debt/EBITDA LTM would have declined to 1.9x

Net profit of the Group increased by +76% in 9M17 to €85m (vs €48m in 9M16). EPS also up +68% in the same period.

Indra confirms the previously communicated indications (which not include TecnoCom) surrounding the expected evolution for 2017 of revenues, EBIT margin and Free Cash Flow pre-Working Capital.

2. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INCOME STATEMENT

- 9M17 revenues reached €2,116m, which implied a growth of +8.5% in local currency (7.8% in reported terms), boosted by the contribution of Tecnomcom and the speeding up of Indra's organic growth in IT and Air Traffic Management in 3Q17. By segments, revenues in IT increased by +17% in local currency (+18% reported) backed by Tecnomcom's consolidation, strong performance from Elections and the four IT verticals showing positive revenue growth. In contrast, revenue in T&D (Transport & Traffic and Defense & Security) declined by -4% in 9M17 (local currency and reported terms), in line with 1H17 figures. Exchange rates had a positive impact of €13m in 9M17, showing a modest decline versus its impact in 1H17 (€20m).

Excluding the impact of Tecnomcom, sales would have totaled €1,950m (-1% in local currency; 0% reported), with a better relative performance of +3 pp (+4% in local currency) versus 1H17 thanks to the stronger contribution from Elections and Air Traffic Management businesses, as we already anticipated in our previous quarter's results release.

- In 3Q17, sales reached €737m (+20% local currency; +19% reported). Excluding Tecnomcom, revenues (€652m) would have increased by +5% in reported terms (+7% in local currency) boosted by the already mentioned positive effect from Elections (within the Public Administration & Healthcare vertical) and Air Traffic, plus the positive contribution from Telecom & Media) due to the elimination of the negative effect by the termination of a relevant BPO contract with Vodafone as of June 2016.
- Tecnomcom, which started to consolidate since April 18th 2017, had an impact in sales of €167m and of €4.7m in EBIT for 9M17. EBIT margin reached 2.8%, or 6.7% excluding the impact from the integration costs assigned to Tecnomcom (€6.4m). Estimated revenues for the first nine months of the year at comparable terms would have declined by -3.1%, while estimated EBIT margin for 9M17 in comparable terms (excluding the impacts associated with the integration) would have reached 6.0% vs 3.9% in 9M16. Completion of the operating synergies communicated at the time of the deal (€30.5m) is evolving faster than expected, and with lower associated restructuring costs.
- Order Intake grew +13.0% in reported terms (+12.5% in local currency), thanks to the Tecnomcom's acquisition and the positive evolution of Indra's orders. Excluding Tecnomcom, Order Intake would have increased by +4% (in local currency and reported terms), accelerating in 3Q17 (+23% local currency; +20% reported) thanks to the positive performance of the orders in all IT verticals.
- Other income reached €34m in 9M17, slightly higher than in 9M16 (€30m). This item is mainly composed of R&D capitalization (€22m) and subsidies (€6m).
- OPEX (Operating Expenses) increased by +8% in 9M17 in reported terms to €1,979m in 9M17 from €1,830m in 9M16. Excluding Tecnomcom, OPEX would have declined by -0.6%:
 - Materials consumed and other operating expenses increased by +8% as a result of Tecnomcom's consolidation and the higher associated revenues in 3Q17.
 - Personnel expenses increased +8% in 9M17 to €1,076m as a consequence of, among other aspects, Tecnomcom's integration. Excluding this impact, personnel expenses would have decreased by -3% in reported figures, which compares with the -7% fall in the average workforce in Indra (excluding Tecnomcom) during the period.
- EBITDA increased by +13% in 9M17 to €171m, which implies an EBITDA margin of 8.1% (vs 7.7% in 9M16). Excluding total restructuring costs (€8,3m), EBITDA margin would have reached 8.5% in the period.

- EBIT margin reached 5.8% in 9M17 (or 6.2% excluding total restructuring costs) vs 5.3% in 9M16, somehow negatively affected by TecnoCom's consolidation and its associated integration costs. Excluding TecnoCom, EBIT margin would have reached 6.1% in 9M17, accelerating its growth in 3Q17:
 - T&D EBIT margin (Transport & Traffic and Defence & Security verticals) was 13.0%, higher level than in 9M16 (12.0%) and also accelerated vs 1H17 (12.6%). Both Defence & Security and Transport & Traffic improved its profitability versus 9M16.
 - IT EBIT margin was 1.4% in 9M17 vs 0.3% in 9M16, also improving vs 1H17 (0.9%).

EBIT margin in 3Q17 accelerated to 6.3% (vs 5.5% in 3Q16) as a consequence of the operational improvement in IT, and despite the negative impact from TecnoCom's consolidation. Excluding TecnoCom, Indra's organic EBIT margin would have reached 7.0%.

- D&A reached €47m in 9M17, practically at the same level as in 9M16.
- Despite the pick-up in Net Debt levels, Financial Results improved to €-22m in 9M17 (vs €-30m in 9M16) as a consequence of the reduction in its average borrowing costs (down by -1.3pp to 2.2% in 9M17), and the positive impact of certain FX hedging and other financial results. In 3Q17, Financial Results amounted to €-8m, same level as in 3Q16.
- The profit or loss of the equity accounted investees decreased to €-0.1m.
- Tax expenses reached €16m in 9M17, or equivalent to a tax rate of 16%, which implies (as we anticipated in previous communications) a significant reduction in the tax rate versus 1H17 as a result of the benefits associated with the better usages of the tax credits in Brazil.
- Net profit of the Group went up +76% and totaled €85m in 9M17 vs €48m registered in 9M16. EPS grew +68% vs 9M16.

BALANCE SHEET AND CASH FLOW STATEMENT

- 9M17 Free Cash Flow was +€44m, showing a very positive performance in 3Q17 totaling +€75m (versus -€5m in 3Q16).
- Operating Cash Flow before net working capital variation reached €154m in 9M17 vs €115m in 9M16 as a result of the improvement in operating activity and a lower impact from the problematic projects on the company's cash generation.
- 9M17 Net Working Capital variation was negative (€-16m), as a result, among other things, of the increasing in the clients line (mainly associated with the contribution from TecnoCom) which has been partially offset by the positive performance of suppliers management.
- Net Working Capital has remained stable at €35m in 9M17 (vs €33m at December 2016) despite the impact from TecnoCom's consolidation (whose NWC amounts to €66m in 9M17, equivalent to 8 DoS). As a result of the above, Indra's Net Working Capital is equivalent to 4 days of LTM Sales (DoS) or -4 DoS excluding the impact from TecnoCom integration. In 3Q17, NWC has improved in 6 DoS backed by the positive evolution from Clients and Suppliers (4 DoS in 9M17 versus 10 DoS in 1H17).
- Other Operating Changes were €-31m in 9M17, similar level to 9M16 (€-32m). The vast majority of the cash outflow was due to the settlement of payments linked to the Public Administrations (Value Added Taxes, Social Security, Personal Income Tax withholding). In 9M16 the cash outflow related to the redundancy plan was included in this item, which was partially offset by the collection from the multiannual projects of the Defence & Security field signed with Spain's MoD (included in this item given its long term nature).
- 9M17 Taxes totaled €-27m compared to €-21m in 9M16, as a consequence of higher profit of the company versus the same period of last year and the anticipated payments to the Spanish tax authorities approved in the second half of last year.
- CAPEX reached €24m vs €21m in 9M16. Intangible investments (net of subsidies) reached €18m vs €15m in 9M16 due to the higher investment in the Air Traffic Management (ATM) segment. Tangible investments remains stable at €6m, similar level than 9M16.

- Net debt increased to €680m in 9M17 (vs €523m in December 2016), mainly as a consequence of the TecnoCom's acquisition payment (€185m) and the consolidation of TecnoCom's net debt. Thus, the Net Debt/EBITDA LTM ratio stands at 2.5x. Excluding TecnoCom's acquisition, this ratio would have been reduced to 1.9x, falling versus 2.3x in FY16.
- Gross debt borrowing costs were 2.3%, improving +1.3pp vs 9M16.
- Non-recourse factoring lines amounted to €187m, in line with figures reported in the last five quarters.

HUMAN RESOURCES

Final Workforce	9M17*	%	9M16	%	Variation (%) vs 9M16
Spain	24,621	62	18,967	50	30
America	11,460	29	15,831	42	(28)
Europe	1,798	5	1,582	4	14
Asia, Middle East & Africa	1,753	4	1,600	4	10
TOTAL	39,632	100	37,980	100	4

(*) Displayed data includes TecnoCom's workforce

Average Workforce	9M17*	%	9M16	%	Variation (%) vs 9M16
Spain	24,402	61	19,639	55	24
America	11,936	30	13,159	37	(9)
Europe	1,849	5	1,573	4	18
Asia, Middle East & Africa	1,712	4	1,636	5	5
TOTAL	39,899	100	36,007	100	11

(*) Displayed data includes TecnoCom's average workforce for the entire 2017 period

At the end of 9M17, total workforce amounted to 39,632 professionals which implies an increase of +4% compared to 9M16 (1,652 employees) mainly due to TecnoCom's integration (6,441 employees). Excluding this impact, total workforce would have been reduced by -13% vs 9M16 (4,789 fewer employees):

- Final workforce in Spain increased by +30% (5,654 more employees) mainly due to the integration of TecnoCom. Excluding TecnoCom, headcount in Spain would have increased by +2% (343 more employees)
- In America, including TecnoCom's headcount, total workforce went down by -28% (or 4,371 employees) mainly due to the declining in certain labor-intensive projects in Latin American subsidiaries (mainly in Brazil associated with a specific contract for Elections). Excluding the integration, total workforce would have decreased by -33% (5,248 fewer employees).
- Europe's headcount increased in 216 employees (+14% compared to 9M16) as a consequence of TecnoCom's consolidation. Although, if we exclude the impact of the acquisition, total workforce would have decreased by -2%.
- In Asia, Middle East & Africa (AMEA) workforce slightly increased by +10% (153 more employees) vs 9M16. TecnoCom had no impact in this region.

Average workforce in 9M17 increased by +11% compared to the same period of last year, largely due to the integration of TecnoCom. Excluding TecnoCom's impact, average workforce would have fallen by -7% vs 9M16 mainly due to the fall in America and Spain, where average workforce decreased by -16% and -3%, respectively.

3. ANALYSIS BY VERTICAL MARKETS

3.1 Transport & Defence

T&D	9M17	9M16	Variation (%)		3Q17*	3Q16	Variation (%)	
	(€M)	(€M)	Reported	Local currency	(€M)	(€M)	Reported	Local currency
Order Intake	745	898	(17)	(17)	233	243	(4)	(4)
Revenues	811	847	(4)	(4)	258	273	(5)	(5)
- Defence & Security	408	401	2	2	128	139	(8)	(8)
- Transport & Traffic	403	446	(10)	(10)	131	134	(3)	(2)
Book-to-bill	0.92	1.06	(13)		0.90	0.89	1	
Backlog / Revs LTM	1.88	1.89	(0)					

9M17 revenues went down by -4% both in local and reported terms as a consequence of the drop in Transport & Traffic (-10% in local currency and reported terms), despite the positive performance of Defence & Security (+2% both in local and reported terms).

3Q17 revenues dropped by -5% both in local currency and reported terms due to the punctual slowdown in Defence & Security, and despite the improvement in Transport & Traffic. Within this vertical, ATM accelerated its growth (mainly in Spain and Europe), while revenues in Transport stabilized its drop to similar levels as in previous quarters. The decline in the Transport area is a consequence of the strategic review of the business, the lower level of activity associated with relevant implementation projects, and the delays in certain tender offers in some countries that are dependent on oil prices.

9M17 Order Intake went down by -17% both in local and reported figures affected by the seasonality of the strong Order Intake reported in 1H16 in the business of Radars and Security in AMEA and the lower Order Intake in Transport. Book-to-bill ratio was 0.92x vs 1.06x in 9M16. Backlog/Revenues LTM reported a slight decrease compared to 9M16 (1.88x vs 1.89x).

Defence & Security

- 9M17 revenues in Defence & Security grew +2% both in local currency and reported terms, backed by, among other aspects, the positive performance in Airborne Surveillance Systems.
- In 3Q17, sales decreased -8% both in local and reported terms. This slowdown is in line with the expectations of the company, mainly due to the concentration of the Eurofighter production during the first half of 2017.
- By regions, activity in Spain (c.40% of total sales) remained its pace of growth (c.+18% in 9M17) backed by the underway 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) and other contracts related to Airborne Surveillance Systems. On the contrary, there was a slowdown in Latam due to a punctual project finished in Ecuador last year.

Transport & Traffic

- Revenues in Transport & Traffic dropped by -10% both in local currency and reported terms.
- By segments, Air Traffic Management (c.50% of the vertical's revenues) delivered once again a positive performance both in the domestic market (AENA-Enaire) and in the international market (chiefly in Europe). The Transport division was still affected by the completion of certain international projects, the lower activity in some relevant implementation projects and/or regions (AMEA), delays in the tender of some contracts in countries that are dependent on oil prices, as well as by the strategic review of the business.
- 3Q17 revenues declined by -2% in local currency (-3% in reported figures), but showed a better performance vs previous quarters backed by the acceleration in the ATM segment and the stabilization of the decline in Transport (better relative performance in certain Railway and Ticketing projects in AMEA).
- Region wise, Spain and Europe showed a better relative performance, whilst AMEA and America suffered as a consequence of the lower activity levels in both regions.
- Despite the positive performance of the Order Intake in ATM, the whole vertical went down -13% in local currency due to, among others things, the seasonality of certain contracts within the Transport division.
- In the ATM division, the current pipeline together with the favorable Order Intake performance, allow us to anticipate a positive performance for the year. Regarding the Transport division, the execution of certain relevant contracts will determine, along with the repositioning process, the performance of its main figures in the forthcoming quarters.

3.2 IT

IT	9M17* (€M)	9M16 (€M)	Variation (%)		3Q17* (€M)	3Q16 (€M)	Variation (%)	
			Reported	Local currency			Reported	Local currency
Order Intake	1,607	1,183	36	35	458	238	92	97
Revenues	1,305	1,104	18	17	478	345	38	40
- Energy & Industry	341	293	16	16	117	91	28	30
- Financial Services	437	352	24	23	146	112	30	31
- Telecom & Media	171	161	6	5	61	49	24	26
- PPAA & Healthcare	355	298	19	19	155	93	66	69
Book-to-bill	1.23	1.07	15		0.96	0.69	39	
Backlog / Revs LTM	0.76	0.59	29					

(*) Displayed data includes TecnoCom consolidation since April 18th, 2017

9M17 sales grew +17% in local currency (+18% in reported terms), accelerating in 3Q17 (+40% in local currency; +38% in reported terms) as a consequence of the positive contribution from the Elections business and the consolidation of TecnoCom (full impact in 3Q17, while in 2Q17 its impact was lower as it started to consolidate since the 18th of April).

Excluding the impact of TecnoCom's acquisition, sales would have grown +2% in local currency (+3% in reported terms), accelerating in 3Q17 (+16% in local currency; +14% in reported figures), backed by the higher contribution from the Elections business. Excluding this impact, sales would have decreased slightly vs 9M16.

Revenues in Digital solutions (Minsait) reached €222m (-7% vs 9M16, but with positive growth in 3Q17), which accounts for c. 15% of the total IT revenues. The sales decline is due to the Elections business seasonality, as it included in 1H16 the contribution from cybersecurity and biometrics solutions from a relevant contract in Latam.

Order Intake in the IT business went up +35% in local currency (+36% in reported terms), resulting in a Book-to-Bill ratio of 1.23x vs 1.07x in 9M16. Excluding the impact of TecnoCom, Order Intake would have grown +20% in local currency (+20% in reported terms) as a consequence of the Election's business seasonality.

Backlog / Revenues LTM improved to 0.76x vs 0.59x in 9M16.

Energy & Industry

- Sales in the Energy & Industry vertical went up by +16% in local currency and reported figures, mainly as a consequence of the impact of TecnoCom.
- Excluding this impact, sales would have remained at similar level to 9M16. It's worth mentioning the positive performance in Outsourcing and BPO (mostly in Utilities), mainly in the Energy segment (c. 70% of total sales). The Industry segment showed a worse relative performance as a result of the slowdown in the level of activity in Hotels, Airlines and Services & Infrastructures, due to delays in the tendering process in some relevant contracts in Latam.
- Region wise, it is worth highlighting the double digit growth in Europe and AMEA, both in Energy and Industry segments. In Spain, the level of activity was affected by, among other aspects, the sector's consolidation in recent years, although it was partially offset by the sales growth in the international market.
- Order Intake grew +26% in local currency (+27% in reported terms) vs 9M16. Excluding TecnoCom, Order Intake would have grown +14% in local currency (+15% in reported terms), accelerating in 3Q17, fuelled by the Solutions and Outsourcing fields.

Financial Services

- Financial Services went up by +23% in local currency (or +24% in reported terms), mainly as a consequence of the impact of Tecnocom. Its main activity is concentrated in the Banking segment (c.90% of the vertical's revenues) vs Insurance segment (c.10% of the vertical's revenues).
- The Banking sector showed a better relative performance vs the Insurance sector, mainly, as a consequence of the impact of Tecnocom and the repositioning on the digitalization process among the main clients in the Banking sector.
- Excluding the impact of Tecnocom, sales would have decreased -1% in local currency (flat in reported terms) supported by the positive performance in Outsourcing and Consultancy.

In 3Q17, sales decreased (mostly in America) as a consequence of the repositioning in Brazil, which is focused on the transition from public to private clients (where the company is achieving references in relevant projects) and the punctual impact of the finalization of some projects with the public sector.

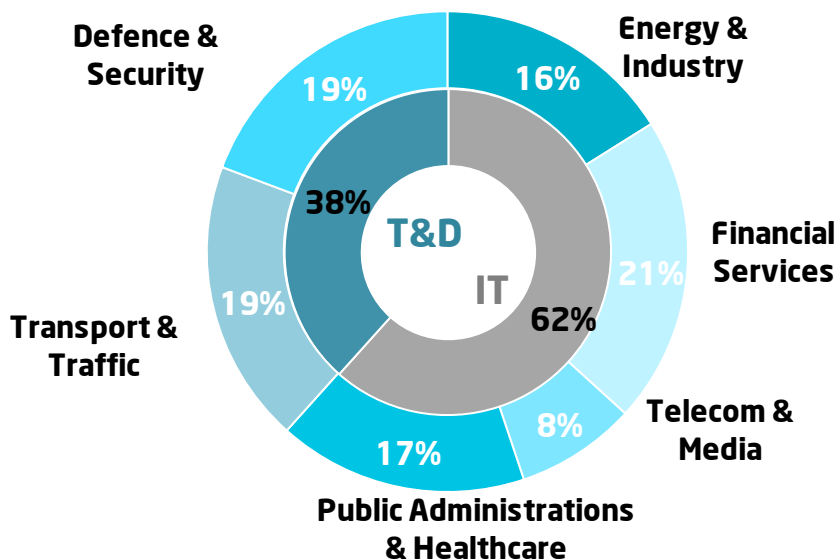
- Order Intake grew +27% in local currency (+28% in reported figures). Ex Tecnocom, Order Intake would have remained at similar levels to 9M16 (both in Spain and Latam) despite some delays in relevant clients and the punctual impact of a key BPO project in Brazil in 2Q16.

Telecom & Media

- Telecom & Media grew +5% in local currency (+6% in reported terms), mainly as a consequence of the impact of Tecnocom.
- Excluding Tecnocom, revenues would have decreased -9% in local currency (-7% in reported terms) as a consequence of, among other aspects, the worse relative performance of Spain (due to the cancellation of the BPO contract with Vodafone) and of Latam. On the contrary, in 3Q17, sales ex Tecnocom registered positive growth backed by the positive performance in Outsourcing (mainly in Spain and Europe) and the elimination of the negative effect of the BPO contract mentioned before.
- The Telecom segment registered better relative performance vs Media as a consequence of the impact of Tecnocom (with limited exposure to Media). However, excluding this impact, Telecom segment would have registered a worse relative performance.
- Order intake grew +25% in local currency (+26% reported) vs 9M16. Ex Tecnocom, Order Intake would have increased +9% in local currency (+10% in reported terms), accelerating in 3Q17, mainly fuelled by the recovery in Spain.
- The demanding sector dynamics remains. Telco operators keep focused on efficiency and cost control. Thus the sector remains highly competitive and pricing pressure dynamics persist.

Public Administrations & Healthcare

- 9M17 sales in Public Administrations & Healthcare grew +19% both in local currency and reported figures as a consequence of, among other aspects, the impact of Tecnom's acquisition and the Elections business.
- Excluding the impact of the acquisition of Tecnom, sales would have increased +14% in local currency (+15% in reported terms). However, excluding the Elections business sales would have remained at similar level to 9M16.
- The Elections business had a very positive performance in 3Q17 due to the execution of some Election's projects in America and AMEA. In this sense, the accumulated Order Intake anticipates the sustainability of the activity in coming quarters.
- By region, of note is the positive performance in AMEA as a consequence of the Elections business. The seasonal effect of the Elections business (concentrated in the second half of the year) will continue to contribute positively to the growth of the vertical in 2017.



4. ANALYSIS BY REGION

Revenues by Region	9M17*		9M16		Variation (%)		3Q17*	3Q16	Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency			(€M)	(€M)
Spain	985	47	863	44	14	14	328	263	25	25
America	467	22	481	25	(3)	(6)	163	159	3	6
Europe	359	17	352	18	2	2	106	118	(10)	(10)
Asia, Middle East & Africa	306	14	255	13	20	20	140	79	77	80
TOTAL	2,116	100	1,951	100	8	8	737	619	19	20

(* Displayed data includes TecnoCom consolidation since April 18th, 2017)

Region wise, it should be noted the growth posted in Asia, Middle East & Africa (+20%; 14% of total sales) thanks to the positive performance of the Elections business, and in Spain, on the back of the integration of TecnoCom, country with the largest revenues share of total sales (+14%; 47% of total sales). Besides, Europe remains growing in 9M17 (+2% in local currency; 17% of total sales) despite the decline registered in 3Q17. On the contrary, America is the only region that posted decline in revenues (-6% in local currency; 22% of total revenues), although showed positive growth in 3Q17 (+6% in local currency).

Excluding the impact of TecnoCom, whose main activity is focused in Spain and Latam (and only in the IT business), sales would have decreased by -2% in Spain and -11% in America in 9M17.

Spain

- 9M17 revenues went up +14%, where both divisions T&D (c. 30% of total revenues in the region) and IT (c. 70% of total revenues) posted growth. Excluding TecnoCom (whose sales only belong to the IT business) sales would have decreased by -2% in 9M17, being all the decline in the IT business.
- Within T&D, Defence & Security remained the lead performer (double digit growth) backed by the underway 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).
- Within IT, it's worth noting the growth posted by Financial Services (TecnoCom's Financial Services vertical represents approximately half of its total sales) and Energy & Industry in 9M17, thanks to the contribution from TecnoCom. Excluding the impact of TecnoCom, Financial Services would have been the vertical with the best relative performance (slightly decline). In 3Q17, Telecom & Media was the lead performer, as it was not affected by the cancellation of the BPO project with Vodafone.
- Order Intake in 9M17 grew by +7%. Excluding TecnoCom, Order Intake would have decreased by -8%. Of note is the double digit growth posted by the IT segment in 3Q17.

America

- 9M17 revenues in America went down by -6% in local currency (-3% in reported terms). Excluding Tecnom, sales would have decreased by -11% in local currency (-8% in reported figures) mainly due to the decline in the T&D segment (both in Defence & Security and Transport & Traffic), as well as in IT due to the impact of the Election's project executed in The Dominican Republic last year. Excluding this impact, revenues would have decreased -5% in reported terms.
- In 3Q17, sales increased +6% in local currency (+3% reported), thanks to the contribution from Tecnom. Excluding this impact, sales would have decreased -2% in local currency, showing a better relative performance vs previous quarters (-15% in local currency in 1H17).
- The activity in America is concentrated in the IT segment (c.80% of total sales in the region). Sales drop was more pronounced in the T&D segment (difficult comparison vs 9M16 due to a project in the Defence & Security vertical), as well as the lower activity in the Transport division.
- Within the IT segment, the lead performer was Financial Services followed by Energy & Industry and Telecom & Media in 9M17. However, PPAA & Healthcare declined in 9M17, the latter due to the difficult comparison of the Elections business vs 9M16 (excluding the Elections business sales would have posted a slightly increase). In 3Q17 the Elections business contributes positively compared to 3Q16.
- By country, revenues went up in Argentina (Elections business) and Mexico (positive performance in Financial Services), while sales declined in Brazil (the repositioning of the company continues towards private vs public clients), The Dominican Republic (Elections business in 9M16) and Ecuador (project in Defence & Security executed in 2016).
- Order Intake went up by +14% in local currency (+17% in reported terms), driven by the Energy & Industry (Outsourcing contract in Brazil). Excluding Tecnom, Order Intake would have increased +10% in local terms (+12% in reported terms).

Europe

- Revenues in 9M17 went up +2% both in local and reported terms, posting growth in both segments: T&D and IT. The contribution from Tecnom almost had no impact in the overall sales of the region.
- 3Q17 sales decreased -10% in local currency and reported terms, with a slowdown in the pace of growth due to the deceleration mentioned in previous quarters in Airborne Surveillance Systems (Eurofighter).
- T&D concentrates the vast majority of the activity in the region (c.75% of revenues). The growth posted in Transport & Traffic (backed by the Air Traffic Management business) offset the slight decline posted in Defence & Security (largest vertical in the region).
- The IT segment (c. 25% of total revenues in the region) also posted positive growth. By verticals, it is worth mentioning the growth posted in Financial Services and Energy & Industry thanks to the positive performance in Italy, country which concentrates the vast majority of IT in Europe.
- Order Intake grew +15% in local currency and reported terms, thanks to the ATM business and the digital contracts signed with the Public Administration in Italy.

Asia, Middle East & Africa (AMEA)

- Revenues in Asia, Middle East & Africa (AMEA) in 9M17 grew by +20% in local currency (+20% in reported terms). The integration of TecnoCom had no impact on sales as it hasn't any presence in the region. Revenues in the T&D business (which accounted for c. 2/3 of total revenues in the region) registered double digit fall, while IT (c. 1/3 of total revenues in the region) posted double digit growth.
- In 3Q17 revenues increased by +80% in local currency (+77% in reported terms), being the region with the better performance in the third quarter. Sales were boosted by the IT segment, thanks to the Elections business contribution.
- Within the T&D segment, both Transport & Traffic (largest vertical in the region) and Defence & Security went down, being more pronounced in the Transport division as a consequence of the lower activity in certain projects, and the public spending slowdown in some countries that are dependent on oil and commodity prices.
- 9M17 Order Intake in AMEA grew by +28% in local currency (+27% in reported terms). The strong Order Intake associated with the Election's project offset the double digit decline in the T&D segment.

5. OTHER EVENTS OVER THE PERIOD

The Company made public through Relevant Event the termination of the Liquidity Contract signed on 31 July 2014 with BEKA FINANCE S.V., S.A. (currently named GVC Gaesco Valores Beka, S.V.S.A.) in order to replace it by a new contract with the same entity that complies with the requirements set out in Circular 1/2017, of 26 April issued by the Spanish Stock Exchange Commission on liquidity contracts, which entered into force on 11 July.

Following the appointment of two new Directors at the last General Shareholders Meeting held on 29 June 2017, the Company made public through Relevant Event on 27 July the new composition of its Committees and the appointment of Mr. Alberto Terol as new lead independent director.

6. EVENTS FOLLOWING THE CLOSE OF THE PERIOD

ANNEX 1: CONSOLIDATED INCOME STATEMENT

	9M17*	9M16	Variation		3Q17*	3Q16	Variation	
	€M	€M	€M	%	€M	€M	€M	%
Revenues	2,115.8	1,950.7	165.1	8	736.7	618.7	118.0	19
Other income	34.1	30.3	3.8	13	11.8	10.8	1.0	9
Materials consumed and other operating expenses	(903.1)	(834.7)	(68.4)	8	(332.7)	(271.7)	(61.0)	22
Personnel expenses	(1,075.6)	(994.4)	(81.2)	8	(352.7)	(307.1)	(45.6)	15
Other results	(0.7)	(1.3)	0.6	NA	(0.3)	(0.5)	0.2	NA
Gross Operating Profit (EBITDA)	170.6	150.6	20.0	13	62.8	50.2	12.6	25
Depreciations	(46.9)	(46.4)	(0.5)	1	(16.6)	(16.1)	(0.5)	3
Net Operating Profit (EBIT)	123.7	104.2	19.5	19	46.2	34.1	12.1	35
EBIT Margin	5.8%	5.3%	0.5 pp	NA	6.3%	5.5%	0.8 pp	NA
Financial Result	(21.8)	(30.4)	8.6	(28)	(7.8)	(8.4)	0.6	(7)
Profit/(loss) of equity-accounted investees	(0.1)	1.5	(1.6)	NA	0.1	0.2	(0.1)	NA
Earnings Before Taxes	101.8	75.3	26.5	35	38.5	25.9	12.6	49
Income tax expenses	(15.9)	(27.3)	11.4	(42)	8.6	(8.2)	16.8	(205)
Profit for the period	85.8	47.9	37.9	79	47.1	17.7	29.4	166
Attributable to minority interests	(1.3)	0.2	(1.5)	NA	(0.5)	(0.3)	(0.2)	NA
Net Profit	84.5	48.1	36.4	76	46.6	17.4	29.2	168

(*) Displayed data includes Tecnomcom consolidation since April 18th, 2017

Earnings per Share (according to IFRS)	9M17*	9M16	Variation (%)
Basic EPS (€)	0.495	0.294	68
Diluted EPS (€)	0.454	0.290	57

	9M17*	9M16
Total number of shares	176,654,402	164,132,539
Weighted treasury stock	534,920	342,077
Total shares considered	170,717,194	163,790,462
Total diluted shares considered	198,879,880	181,285,214
Treasury stock in the end of the period	763,749	257,744

(*) Displayed data includes Tecnomcom consolidation since April 18th, 2017

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 with a conversion price of 13.79€ since 28/04/2017, first trading day of the new shares after the Capital Increase associated with the Tecnomcom's acquisition) 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

9M17*

M€	T&D	IT	Eliminations	Total
Total Sales	811	1,305	-	2,116
Inter-segment sales	-	-	-	-
External Sales	811	1,305	-	2,116
Contribution Margin	168	164	-	332
Contribution Margin (%)	20.7%	12.6%	-	15.7%
EBIT	106	18	-	124
EBIT Margin (%)	13.0%	1.4%	-	5.8%

3Q17*

T&D	IT	Eliminations	Total
258	478	-	737
-	-	-	-
258	478	-	737
56	64	-	120
21.6%	13.4%	-	16.3%
36	10	-	46
14.0%	2.1%	-	6.3%

9M16

	T&D	IT	Eliminations	Total
Total Sales	847	1,112	(9)	1,951
Inter-segment sales	0	9	(9)	-
External Sales	847	1,104	-	1,951
Contribution Margin	155	110	-	265
Contribution Margin (%)	18.3%	10.0%	-	13.6%
EBIT	101	3	-	104
EBIT Margin (%)	12.0%	0.3%	-	5.3%

3Q16

T&D	IT	Eliminations	Total
273	348	(2)	619
(0)	2	(2)	-
273	345	-	619
55	27	-	81
20.1%	7.7%	-	13.1%
38	(4)	-	34
14.1%	-1.2%	-	5.5%

(*) Displayed data includes Tecocom consolidation since April 18th, 2017

Figures not audited

ANNEX 3: CONSOLIDATED BALANCE SHEET

	9M17*	2016	Variation
	€M	€M	€M
Property, plant and equipment	106.7	103.4	3.3
Intangible assets	291.2	284.9	6.3
Investments in associates and other investments	195.2	184.9	10.3
Goodwill	757.1	471.9	285.2
Deferred tax assets	160.6	178.4	(17.8)
Non-current assets	1,510.8	1,223.6	287.2
Non-current assets held for sale	28.5	31.2	(2.7)
Operating current assets	1,407.7	1,271.8	135.9
Other current assets	166.6	131.5	35.1
Cash and cash equivalents	638.5	673.9	(35.4)
Current assets	2,241.2	2,108.5	132.7
TOTAL ASSETS	3,752.0	3,332.0	420.0
Share Capital and Reserves	591.6	368.3	223.3
Treasury stock	(10.0)	(3.4)	(6.6)
Equity attributable to parent company	581.6	364.9	216.7
Minority interests	16.9	13.0	3.9
TOTAL EQUITY	598.5	378.0	220.5
Provisions for liabilities and charges	99.6	99.2	0.4
Long term borrowings	1,191.6	1,136.0	55.6
Other financial liabilities	0.6	9.4	(8.8)
Deferred tax liabilities	4.6	12.4	(7.8)
Other non-current liabilities	92.3	89.4	2.9
Non-current liabilities	1,388.8	1,346.4	42.4
Liabilities related to non-current assets held for sale	0.0	0.0	0.0
Current borrowings	126.7	60.7	66.0
Operating current liabilities	1,372.4	1,238.4	134.0
Other current liabilities	265.7	308.6	(42.9)
Current liabilities	1,764.8	1,607.7	157.1
TOTAL EQUITY AND LIABILITIES	3,752.0	3,332.0	420.0
Current borrowings	(126.7)	(60.7)	(66.0)
Long term borrowings	(1,191.6)	(1,136.0)	(55.6)
Gross financial debt	(1,318.3)	(1,196.7)	(121.6)
Cash and cash equivalents	638.5	673.9	(35.4)
Net Debt	(679.9)	(522.8)	(157.1)

(*) Displayed data includes TecnoCom consolidation since April 18th, 2017

Figures not audited

ANNEX 4: CONSOLIDATED CASH FLOW STATEMENT

	9M17*	9M16	Variation	3Q17*	3Q16	Variation
	€M	€M	€M	€M	€M	€M
Profit Before Taxes	101.8	75.3	26.5	38.5	25.9	12.6
Adjusted for:						
- Depreciations	46.9	46.4	0.5	16.6	16.1	0.5
- Provisions, capital grants and others	(16.8)	(36.3)	19.5	(5.0)	(17.7)	12.7
- Share of profit / (losses) of associates and other investments	0.1	(1.5)	1.6	(0.1)	(0.2)	0.1
- Net financial results	21.8	30.4	(8.6)	7.8	8.4	(0.6)
Dividends received	0.1	1.0	(0.9)	0.1	0.0	0.1
Operating cash-flow prior to changes in working capital	153.8	115.4	38.4	57.9	32.5	25.4
Receivables, net	(34.6)	40.6	(75.2)	27.7	15.1	12.6
Inventories, net	(20.8)	(6.6)	(14.2)	(5.1)	2.3	(7.4)
Payables, net	39.8	(17.5)	57.3	24.5	(22.6)	47.1
Change in working capital	(15.6)	16.5	(32.1)	47.1	(5.2)	52.3
Other operating changes	(31.5)	(32.1)	0.6	(11.8)	(8.8)	(3.0)
Tangible, net	(6.2)	(5.7)	(0.5)	(3.6)	(1.6)	(2.0)
Intangible, net	(18.3)	(14.9)	(3.4)	(5.8)	(10.3)	4.5
Capex	(24.5)	(20.6)	(3.9)	(9.4)	(12.0)	2.6
Net financial result	(10.9)	(15.0)	4.1	(2.7)	(3.5)	0.8
Income taxes paid	(27.3)	(20.6)	(6.7)	(6.0)	(7.7)	1.7
Free Cash Flow	44.1	43.6	0.5	75.1	(4.6)	79.7
Short term financial investment variation	0.6	(3.8)	4.4	0.6	(1.7)	2.3
Financial investments/divestments, net	(144.0)	(3.3)	(140.7)	(4.2)	(1.5)	(2.7)
Dividends of subsidiaries paid to minority interests	(0.1)	(0.9)	0.8	(0.7)	(0.5)	(0.2)
Dividends of the parent company	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders contribution	(5.2)	0.0	(5.2)	0.0	0.0	0.0
Change in treasury stock	(5.4)	0.9	(6.3)	(0.3)	2.0	(2.3)
Cash-flow provided/(used) by financing activ	(110.0)	36.5	(146.5)	70.5	(6.3)	76.8
Initial Net Debt	(522.8)					
Cash-flow provided/(used) in the period	(110.0)					
Foreign exchange differences and variation with no impact in cash	(47.1)					
Final Net Debt	(679.9)					

(*) Displayed data includes TecnoCom consolidation since April 18th, 2017

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 (ESMA), 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.

Net Operating Profit (EBIT):

Definition/Conciliation: It is defined in the consolidated income statement.

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 EBIT margin that is the result of the ratio between EBIT 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.

Gross Operating Profit (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 plus Depreciations and Amortizations for each euro of sales.

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

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 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 these 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 these 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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