

Alcobendas, 8 de julio de 2015

COMISION NACIONAL DEL MERCADO DE VALORES

De conformidad con lo previsto en el artículo 82 de la Ley del Mercado de Valores y normativa de desarrollo, por la presente Indra comunica y hace público el siguiente:

HECHO RELEVANTE

En el marco de la presentación a analistas e inversores del Plan Estratégico 2014-2018 que se celebrará hoy en la sede de la Compañía en Alcobendas a partir de las 10h00 am se harán públicos los siguientes hechos:

OBJETIVOS A MEDIO PLAZO

La Compañía fija los siguientes objetivos financieros para el año 2018, tomando como base las cifras alcanzadas en 2014:

1. Un crecimiento de las ventas entre el 2,5% y el 4,5% en tasa anual acumulada compuesta
2. Margen EBIT recurrente entre el 10% y el 11% para el año 2018
3. Una generación de cash flow libre (Free Cash Flow) en el año 2018 de alrededor de 200 millones de euros lo que representa aproximadamente un 6% de las ventas esperadas en dicho año
4. Un ratio de deuda financiera neta / EBITDA de alrededor de 1x en 2018

PLAN DE AHORRO DE COSTES

Para la consecución de dichos objetivos y entre otras medidas, la Compañía ha fijado un plan de ahorro de costes que se espera que pueda llegar a suponer entre 180 y 200 millones de euros anuales. Dicho plan se segmenta en cuatro actuaciones principales:

1. Reestructuración organizativa por un importe aproximado de ahorros de 120 millones de euros
2. Costes de producción y otros costes por un importe aproximado de ahorros de 30 millones de euros
3. Reducción de sobrecostes y pérdidas en proyectos por un importe aproximado de ahorros entre 20 y 40 millones de euros
4. Optimización del modelo de entrega por un importe aproximado de ahorros de 10 millones de euros

El resultado final de dicho plan podría variar ya que actualmente la Compañía ha iniciado el proceso de comunicación con la representación legal de los trabajadores en España y está además sujeto al resultado final de las negociaciones a mantener en los distintos países donde opera.

PROYECTOS ONEROSOS Y OTROS EFECTOS

De acuerdo con el procedimiento establecido, los responsables de los proyectos de Indra realizan estimaciones para verificar periódicamente la evolución del cumplimiento de las

principales hipótesis técnicas y económicas de los proyectos de su cartera. Dentro de ese análisis se presta especial atención a aquellos proyectos con una mayor probabilidad de desviación sobre el plan y por tanto de tener un impacto financiero negativo. Dicho proceso es supervisado por la dirección de Indra de acuerdo con las responsabilidades establecidas en el nuevo modelo de organización.

Teniendo en cuenta el umbral de tolerancia al riesgo que la Compañía considera que debe asumir en el análisis de las estimaciones, ha supervisado los proyectos al cierre del mes de mayo y se han puesto de manifiesto una serie de nuevos acontecimientos que implican cambios en las previsiones y expectativas sobre algunos proyectos, al existir dudas en la recuperabilidad de trabajos realizados, costes que exceden el importe de los ingresos previstos en el contrato e indemnizaciones por incumplimiento.

Lo anteriormente descrito conlleva la necesidad de registrar un resultado negativo por un importe aproximado de 260 millones de euros (cifras calculadas a 31 de mayo de 2015 y que podrán variar en el cierre de los estados financieros del primer semestre). Los proyectos en Latam, especialmente en Brasil, representan la mayoría (un 59%).

Como consecuencia de las nuevas estimaciones en dichos proyectos, de la actualización de las hipótesis de negocio y macroeconómicas y del plan estratégico 2014 - 2018, en la revisión del valor recuperable de los activos asociados a las unidades generadoras de efectivo de Brasil, Grupo Consultoría y Portugal y de las bases imponibles negativas capitalizadas, la Compañía ha decidido proceder a la corrección del valor de varios activos (ambos efectos principalmente en activos de Brasil, 87% del total) por un importe aproximado de 135 millones de euros.

Por tanto, la cifra total a 31 de mayo de 2015 ascendería aproximadamente a 395 millones de euros sin considerar los efectos fiscales positivos asociados. De este importe total, sólo tendrían impacto en caja 87 millones de euros aproximadamente, de los cuales alrededor de 35 millones de euros impactarían antes del 31 de diciembre de 2015 quedando el resto distribuidos en los próximos ocho ejercicios.

PRESENTACIONES DEL PLAN ESTRATEGICO

Se adjunta la documentación que se distribuirá en la presentación del Plan Estratégico 2014-2018 y que estará disponible tanto en la página web de la Compañía (www.indracompany.com) como en la de la CNMV (www.cnmv.es).

El evento se podrá seguir además de forma remota a través de un acceso electrónico situado en la página web de la Compañía (www.indracompany.com).

Todo lo cual ponemos en su conocimiento a los efectos oportunos.

Atentamente,

Juan Carlos Baena
Director General Económico Financiero

01

OUR VISION

Fernando Abril-Martorell



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Indra: we are a global technology company

€2.9Bn
Sales 2014



Balanced portfolio
between businesses,
products and projects



39,000 employees



R&D 6-8% of sales
+200 deals with
research centres and
universities



Projects in +140 countries



Leading clients
in key geographies and
industries



We deliver core business operations technology in various industries

Transport & Traffic

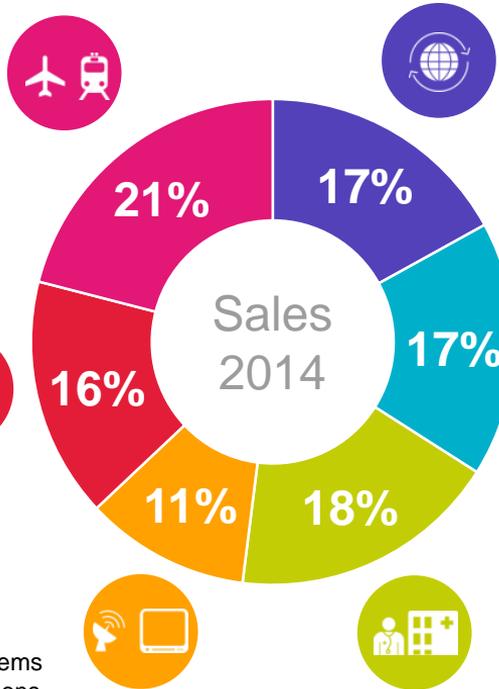
- Air Traffic Management systems and Communications, Navigation and Surveillance systems
- Railway & airport management systems
- Urban traffic systems, highways, tunnels and traffic control systems

Energy & Industry

- Energy: generation, distribution and commercial management solutions
- Industry management solution for hotels

Telecom & Media

- Operations and business support systems
- New media and digital television solutions



Defence & Security

- Air surveillance
- Military simulation
- Maritime surveillance
- Electronic Defence
- Satellite Communications

Financial Services

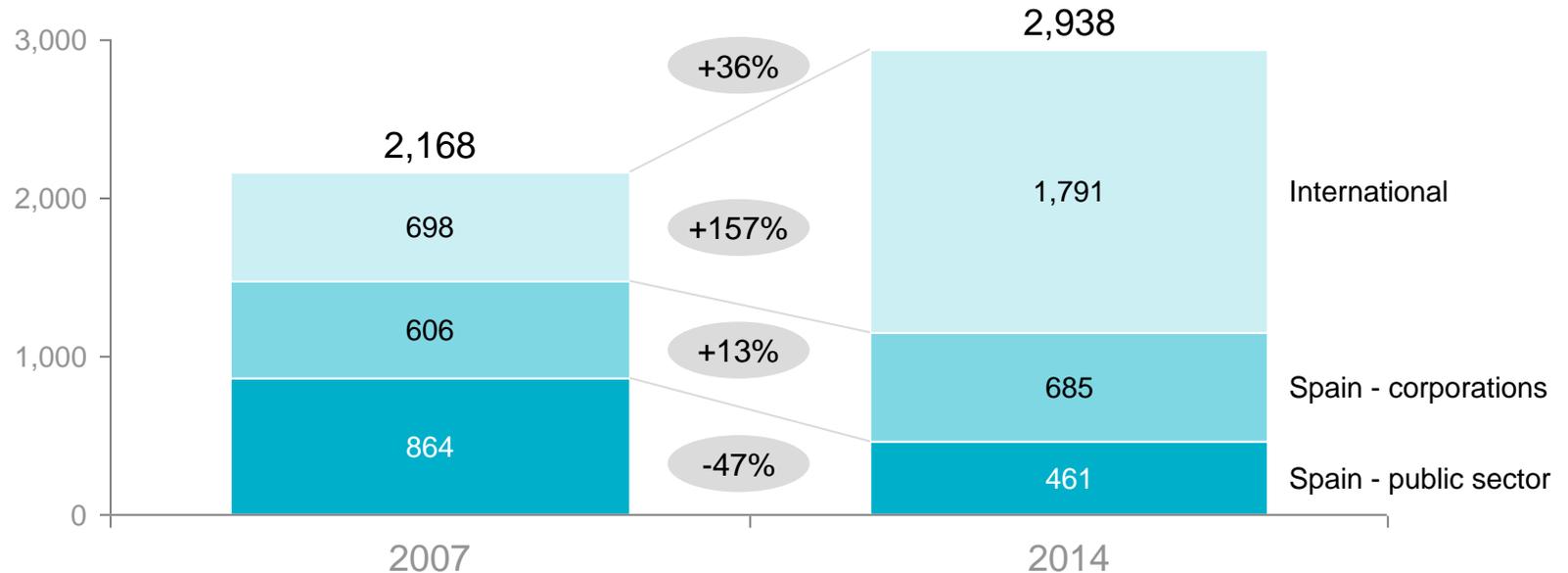
- Insurance and banking core systems
- Operations transformation and process efficiency services

Public Admin & Healthcare

- Healthcare management platform
- Educational and justice management systems
- Comprehensive offer on electoral processes

We have grown over the last years despite the crisis in Spain

Sales evolution by geography, 2007 – 2014 (€M)

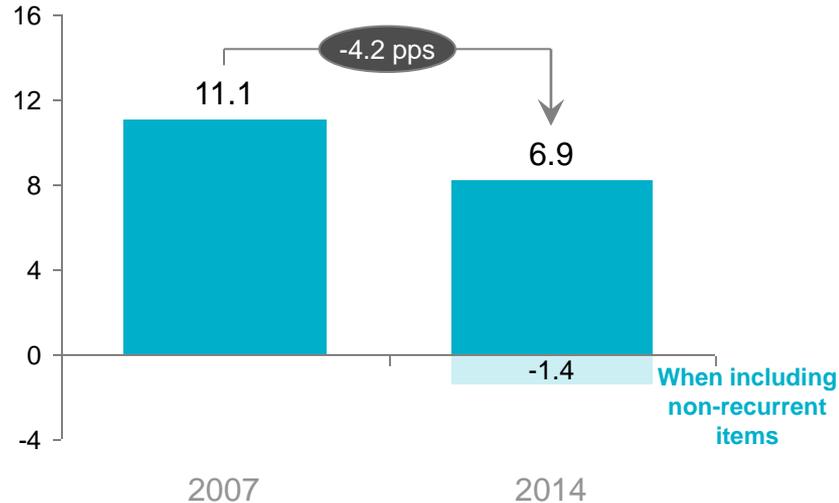


We overcame the Spanish crisis by internationalizing our business

However, our profitability performance worsened

Profitability decreased...

Recurrent EBIT margin (%)



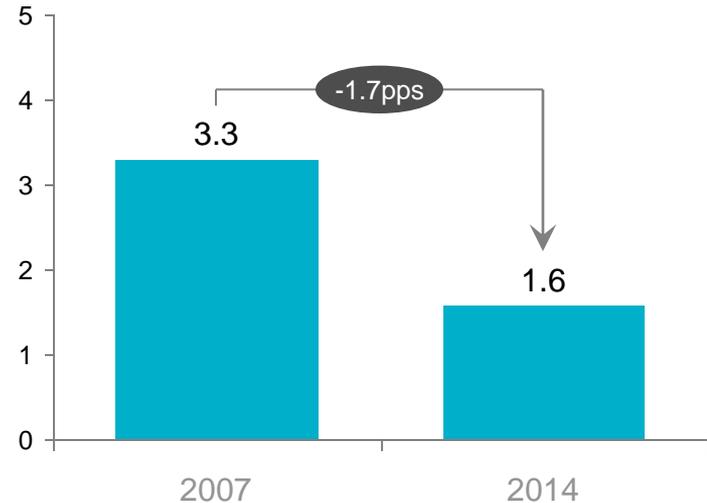
Recurrent EBIT (€M)

240

204

...and cash flow eroded

Free cash flow margin (%)



Free cash flow (€M)

72

47

We have a deep understanding of the main causes that impacted our profitability performance



Worst crisis in decades in Spain, our home market

- And worse global conditions than originally expected outside of Spain

Scenario worsened by new industry dynamics which have put pressure on pricing and margins

- Global players competing everywhere
- Pressure on client budgets
- Commoditization of traditional technology

In a context of aggressive growth and sales replacement, we...

- ...lost our focus on cost efficiency
- ...widened our portfolio and focused less on our value-added segments
- ...didn't quickly react to adjust our go-to-market strategy
- ...and ended up in an expensive delivery model

In a context of aggressive growth and sales replacement...

02 ...we widened our portfolio and focused less on our value-added segments

Broad and heterogeneous project portfolio

Growth driven by low value-added services

03 ... we didn't react quickly to adjust our go-to-market strategy

Wide footprint in many countries

Client fragmentation

04 ...we ended up in an expensive delivery model

Insufficient productivity improvement in our delivery model

01 ...we lost our focus on cost efficiency

Heavy corporate structure

Lack of adjustment of resources due to a low attrition rate

Product launch at a too early stage

Cost overruns in some contracts resulting from aggressive growth

Excessive working capital requirements

The negative impact of these factors has been increased by the unsatisfactory performance of the acquisition in Brazil

We have defined a set of strategic guidelines to achieve our growth and profitability ambition

Enabler for strategy implementation



06 Cultural change to be more focused on profitability

Growth accelerators



05 Growth in new businesses

Base for sustainable and profitable growth



02 Products and projects portfolio



03 Go-to-market strategy



04 Delivery model



Short term must-dos



01 Cost reduction to capture savings and increase Indra's competitiveness

Indra's uniqueness is a combination of four differential elements

- In-depth **know-how on key business processes**, especially linked to **real-time operational systems**
- Leading **proprietary product portfolio** linked to **core business processes**

- Unique culture of **adaptability to client needs and partnership**
- Focus on co-investing and **working with clients**



- **Different industries with different key drivers and cycles**
 - Defence, Security, Transport, Traffic
 - IT across industries
- **Products and projects**
 - Balanced risk and return profile

- **Solid know-how on core technologies and vertical industries**
- **Global experience with local implementation teams**

Our vision: advanced technology partner for core business operations everywhere

- ✓ Continue building a high value-added product portfolio focused on technology for core business operations
- ✓ Focus our go-to-market strategy as partners to our clients leveraging our vertical businesses know-how
- ✓ Continuously improve our operations efficiency and delivery model
- ✓ Take advantage of new offer in Digital to accelerate growth over our vertical segments
- ✓ Base our sustainable growth goals on a culture focused on profitability and our people

We expect to grow at 2.5%-4.5% to generate ~€200M of FCF in 2018

	2014	2018
Revenues (€M)	2,938	CAGR ¹ 2.5%-4.5%
Recurrent EBIT margin (€M) (% of revenues)	204 (6.9%)	10%- 11%
FCF (€M) (% of revenues)	47 (1.6%)	~200 (~6%)
Net Debt / EBITDA	2.5x	~1.0x

1. Organic growth. Constant exchange rates as of 2014 (average FX in 2014).



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02

DIAGNOSTIC AND OPERATING PLANS

Javier de Andrés

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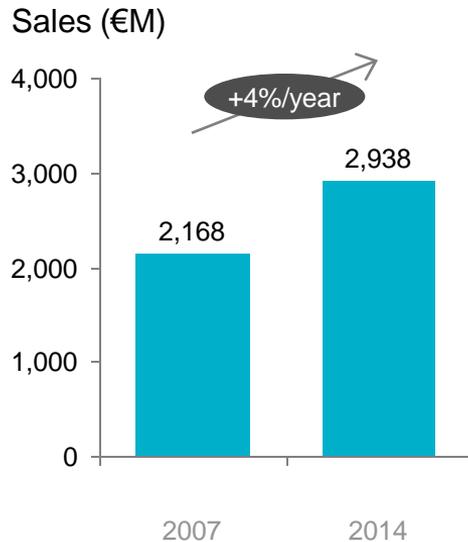
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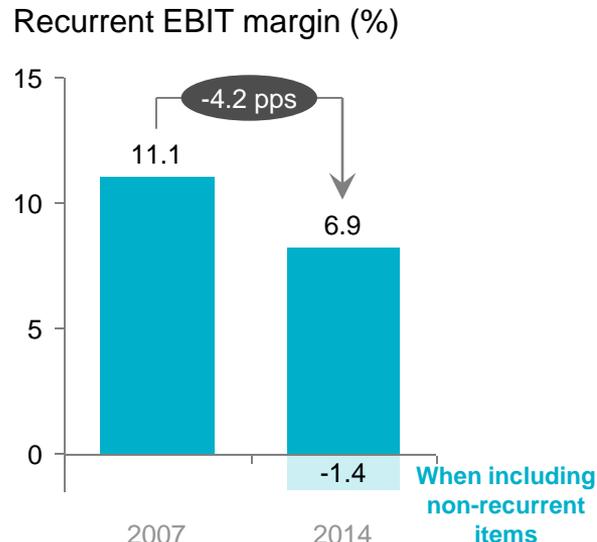
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Strong sales growth historically with a decrease in profitability

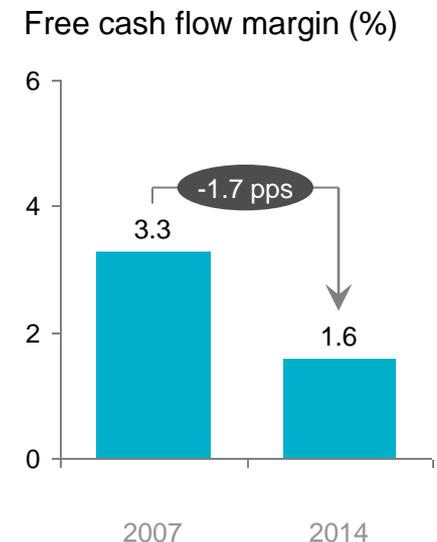
Sales grew...



...but profitability decreased...



...and cash flow eroded



Recurrent EBIT (€M)

240

204

Free cash flow (€M)

72

47

We have an in-depth understanding of the main causes that impacted our profitability performance



Complex macro
economic environment
& new industry
dynamics

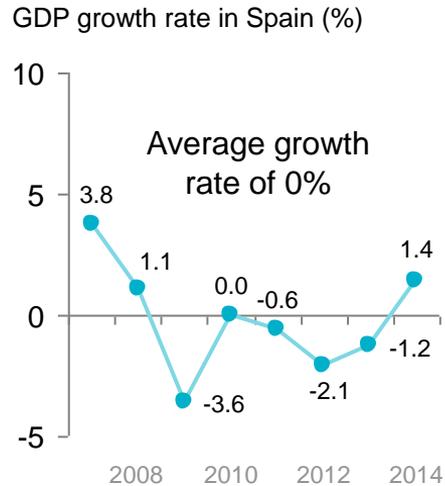


Issues derived
from our strong
focus on growing
outside of Spain

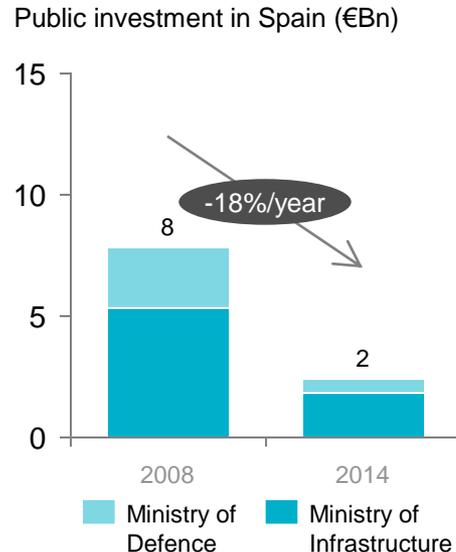


Worst crisis in decades in Spain, our home market

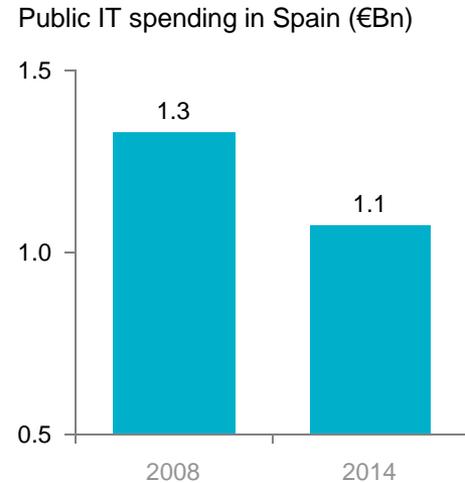
GDP growth negative or flat since the crisis began



Public investment falling significantly



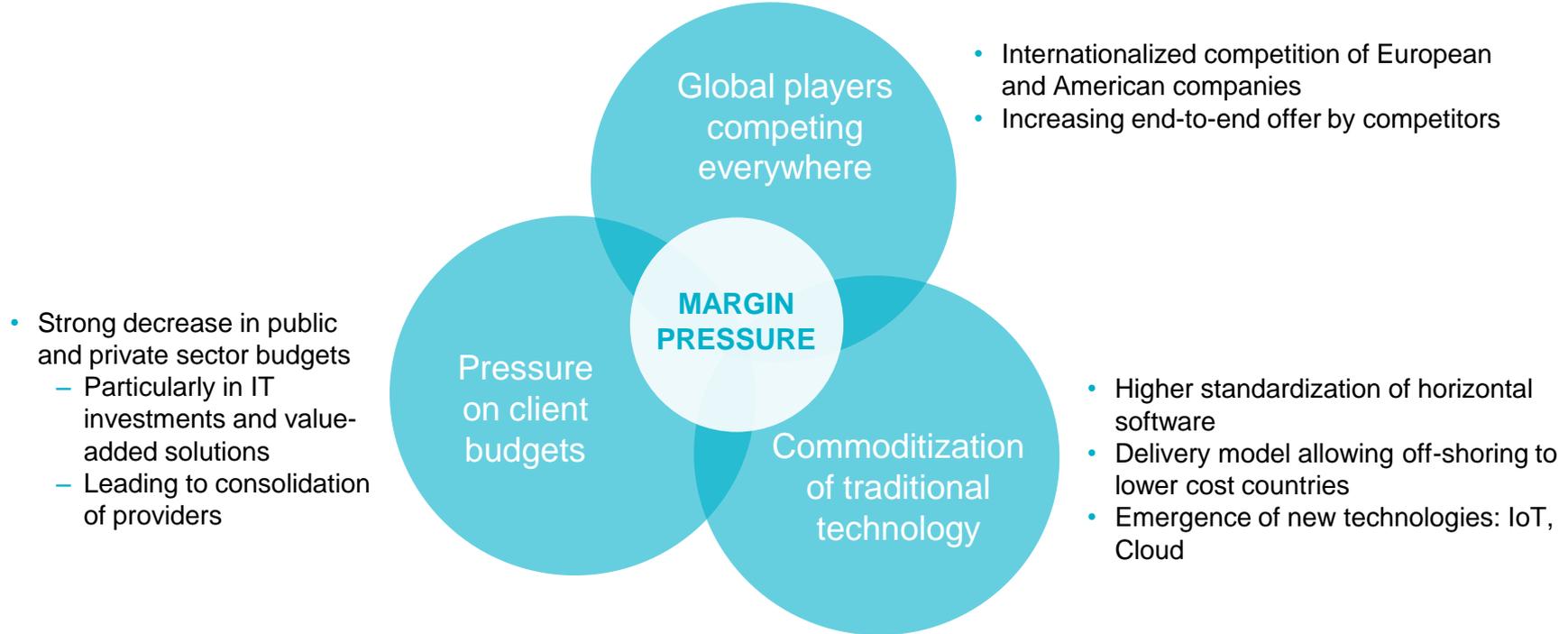
Public IT spending¹ also dropping



In 2007, ~70% of our sales were in Spain

1. IRIA 2014: IT spending in Public sector including hardware, software, services and personnel. Source: Instituto Nacional de Estadística (INE), Eurostat. IRIA 2014 Report

At the same time, new industry dynamics worsened pricing and margins



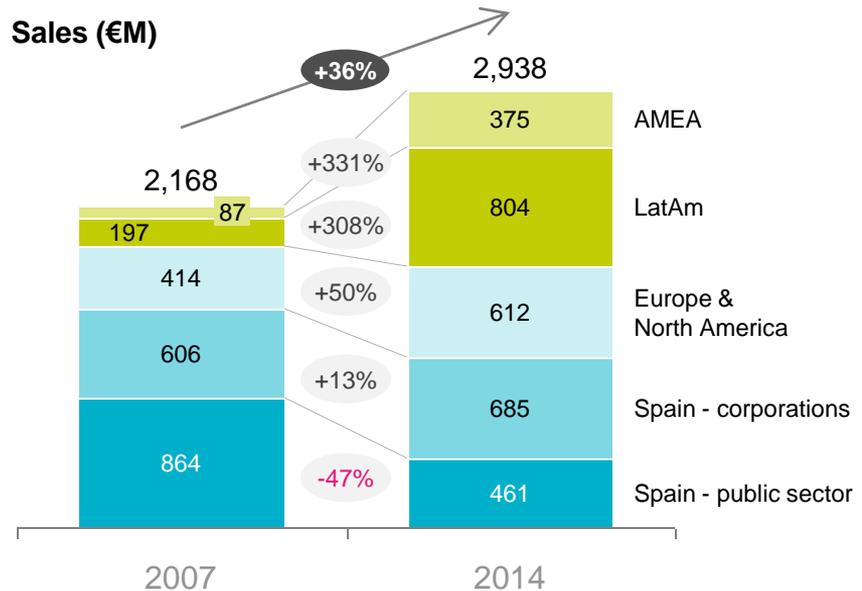
While focusing on sales growth, we could not react on time and with the flexibility required to face macro & industry changes



We focused on internationalization

Despite the crisis Indra has been able to increase sales...

...by internationalizing its business and focusing on LatAm



- **New affiliates in Asia, by leveraging new organic growth opportunities**
- **Focusing growth on LatAm due to existing cultural bridge and partnerships with Spanish multinationals**
 - High growth forecasts for the region but resulted in low profitability
- **Focusing on increasing sales through inorganic growth**
 - e.g. Park Air Systems (Indra Navia, Norway), Galileo (Italy)
- **Maintaining sales to the Spanish corporate sector after providers consolidation but increase of low value-added services share**
 - High pressure on prices and margins
- **€400M drop in sales to the Spanish public sector**

However, we have faced worse global conditions than originally expected



In a context of aggressive growth and sales replacement...

<p>02 ...we widened our portfolio and focused less on our value-added segments</p> <p>Broad and heterogeneous project portfolio</p> <p>Growth driven by low value-added services</p>	<p>03 ... we didn't react quickly to adjust our go-to-market strategy</p> <p>Wide footprint in many countries</p> <p>Client fragmentation</p>	<p>04 ...we ended up in an expensive delivery model</p> <p>Insufficient productivity improvement in our delivery model</p>						
<p>01 ...we lost our focus on cost efficiency</p> <table><tr><td>Heavy corporate structure</td><td>Lack of adjustment of resources due to a low attrition rate</td><td></td></tr><tr><td>Product launch at a too early stage</td><td>Cost overruns in some contracts resulting from aggressive growth</td><td>Excessive working capital requirements</td></tr></table>			Heavy corporate structure	Lack of adjustment of resources due to a low attrition rate		Product launch at a too early stage	Cost overruns in some contracts resulting from aggressive growth	Excessive working capital requirements
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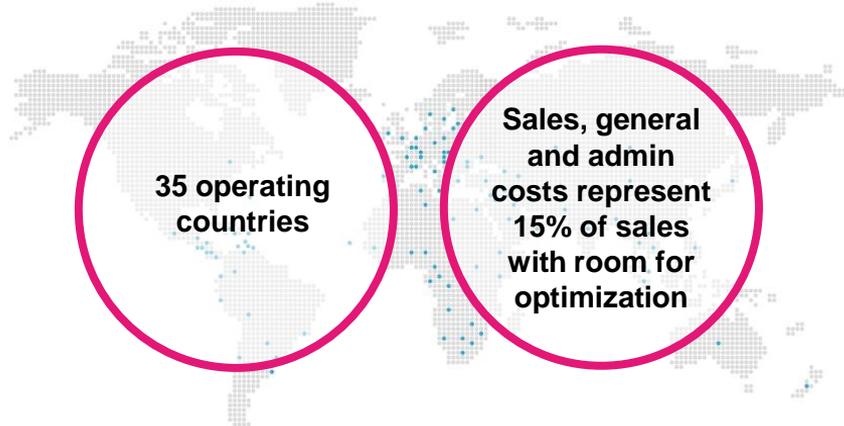
While targeting sales replacement and growth, we lost our focus on cost efficiency



Heavy corporate structure

Corporate structure highly focused on developing and serving new projects in new geographies, which increases our size and costs

- Non-optimized organizational structure

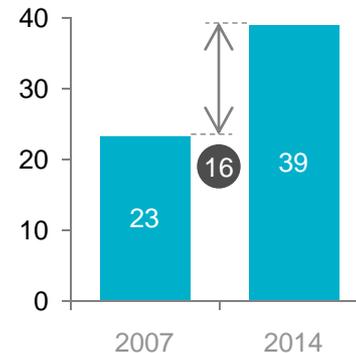


Lack of adjustment of resources due to a low attrition rate

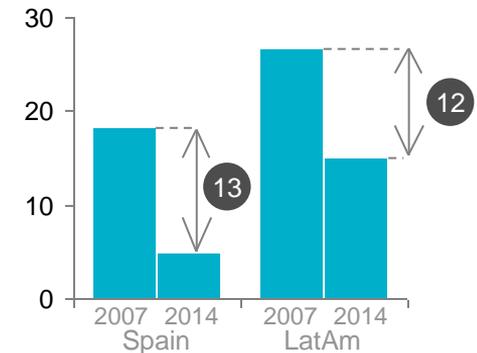
While increasing our geographical footprint and modifying our sales mix, our **employee base grew...**

...reducing flexibility and therefore increasing the **personnel cost base**

Number of employees (k)



Attrition rate (%)



A combination of factors led us to cost overruns and excessive working capital requirements



Products launched at an early development stage

Go-to-market pressure to acquire new clients and enter new geographies, thus increasing fragmentation

Too rigid delivery model

Cost overruns
(in EBIT pps)

+1.5 pps
2008 vs. 2014

Net working capital
(days)

+10%
2008 vs. 2014

We didn't optimally readjust our go-to-market strategy and portfolio



Wide footprint in many countries

As a consequence of the global growth phase, to replace sales in Spain, we didn't focus growth on priority countries

Commercial activity in over ~140 countries

35 operating countries, only 15 provide gross margins higher than €5M/year

Client fragmentation

Due to our commercial objectives, our client base became too fragmented

2007
~900 clients

2014
~1,500 clients

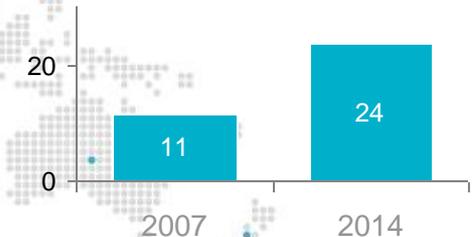
20 clients concentrating 40% of sales

Low value-added projects with lower margins

We pushed lower value-added services in order to maintain growth in international sales and new clients

- Increased share of application management services

Projects with low margins (% of sales)



The result was a broad and heterogeneous project portfolio



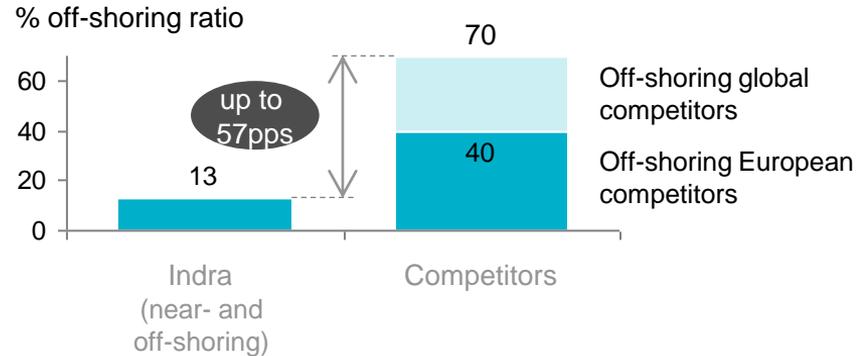
We ended up in an expensive delivery model

Room for improvement in our delivery model in terms of near and off-shoring

Given the higher reticence to accept off-shoring of our Spanish clients, we did not foster off-shoring as much as the industry did

- However, we have a big opportunity to increase our near- and off-shoring ratios

Off-shoring ratios



However, we are well positioned to achieve our ambition of higher profitability



Diagnostic completed and new strategic guidelines defined

- ✓ We have completed a diagnostic of the factors which have led the company to this situation
- ✓ Accordingly, we have defined a clear set of strategic guidelines for the following years (2015 – 2018)
 - Short-term must-dos and medium-term operating plans
- ✓ We will leverage our stronger position due to both investments executed and our international track-record

Better macro economic perspectives expected in the short and medium-term

- ✓ Spain, still our largest market, heading towards economic recovery
- ✓ Europe should be an attractive market to complement our activity
- ✓ LatAm, where we already have significant footprint, growing rapidly overall
- ✓ AMEA, where we already have an established footprint, has attractive perspectives

We have already started to implement our operating plans

Cost reduction to capture savings and increase Indra's competitiveness

01

Enabler for strategy implementation



06

Cultural change to be more focused on profitability

Growth accelerators



05

Growth in new businesses

Base for sustainable and profitable growth



02

Products and projects portfolio



03

Go-to-market strategy



04

Delivery model



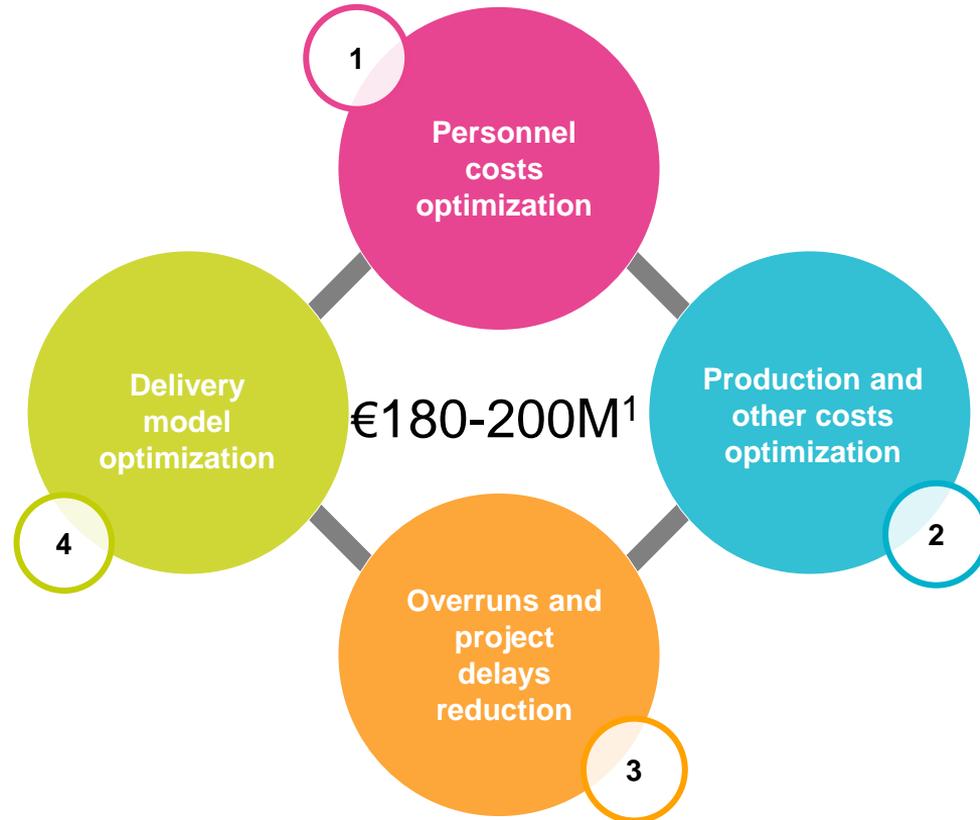
Short term must-dos



01

Cost reduction to capture savings and increase Indra's competitiveness

We developed a €180-200M cost reduction plan based on four levers to be implemented by the end of 2016



1. Impact subject to the result of negotiations.

The current situation has forced us to launch an organizational restructuring program

Personnel cost optimization is needed

- Restructuring opportunities in our corporate areas
- Room for optimization in offering and sales support areas
- Potential for streamlining production and personnel structure costs

We are launching an organizational restructuring program

Worldwide organizational restructuring plan to be implemented before end of 2016

- Focused on Spain and LatAm
- ~1,000 employee restructuring process already started in Brazil
- Process already started for Spanish restructuring

 €120M
in recurrent savings¹

We have already initiated the restructuring plan in LatAm and negotiations in Spain

1. Impact subject to the result of negotiations.

We are also optimizing our cost base: production and other related costs

Reduction and improved control of costs

Production processes

Standardized product setting

Materials

Traveling expenses

Other costs

- ✓ Improved **production processes**
 - From purchases to operations
 - Leverage product standardization and modularization to avoid excessive tailor made production
 - Global management of purchases and contracts to seek scale advantages and global consistency
 - Reduce time-to-market
- ✓ **Optimized cost base**
 - Renegotiation of main existing contracts
 - Suppliers concentration, global framework
- ✓ **Tools and processes to continuously monitor cash**

\$

€30M
in recurrent
savings

We are improving our project management processes & tools to minimize overruns and delays

More selective offering

- Stricter demand of project minimum requirements
- Higher restriction in commercial scoring
- Assessment of risk and price accordingly

Improved execution control

- Contract manager role to be incorporated at the first stages of the projects
- Improved alarm systems to identify issues and deviations in time to take decisions and correction plans
 - Improved control of costs & quality

\$

€20-40M
in recurrent
savings

Implementing these improved processes and tools will allow us to improve our recurrent operational performance

We have room for improvement in our global delivery model

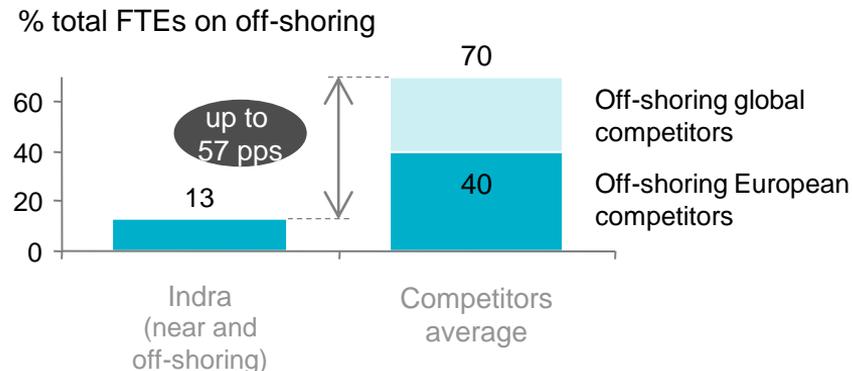
Indra has ~9,500 FTEs in our production factories based in Spain

- ✓ ~7,000 FTE in on-shore with the highest cost
- ✓ ~2,500 of them already in near-shore production factories...
- ✓ ...which provides Indra with a **competitive advantage** because of the highly skilled, cost-competitive pool of talent available in Spain...
- ✓ ...and better meets Spanish client's needs in national-shoring production

Opportunity to further increase near/off-shoring

Further increase near/off-shoring ratios to reduce the gap with our competitors

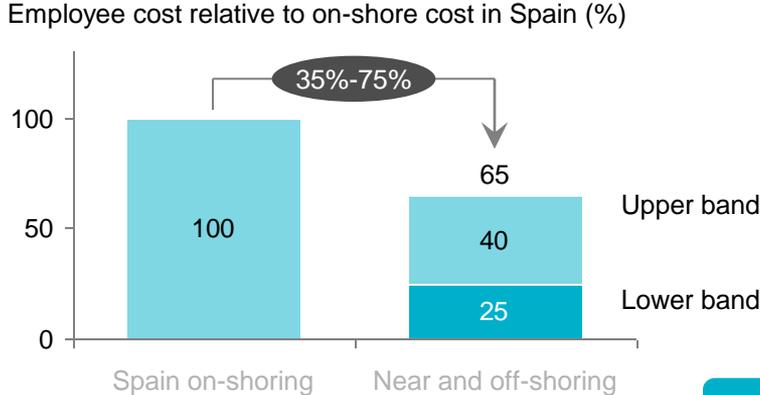
- Production model will evolve with our growth and sales mix



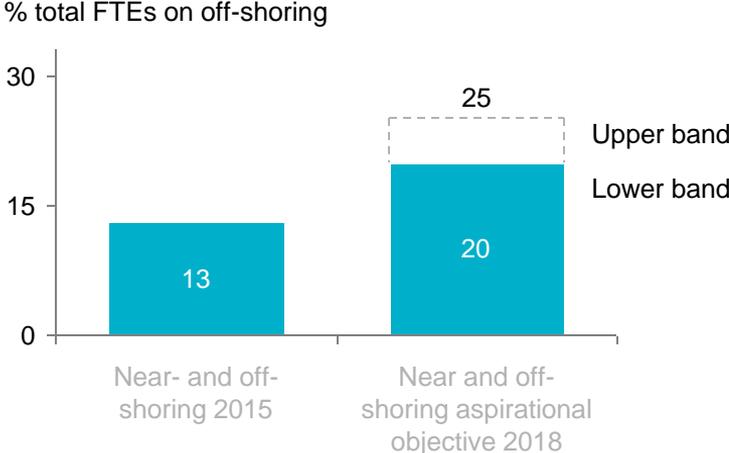
Note: FTE: Full-time employee.

We will intensify our strategy of near/off-shoring to capture cost efficiencies whilst growing

Opportunities to reduce costs by near/off-shoring

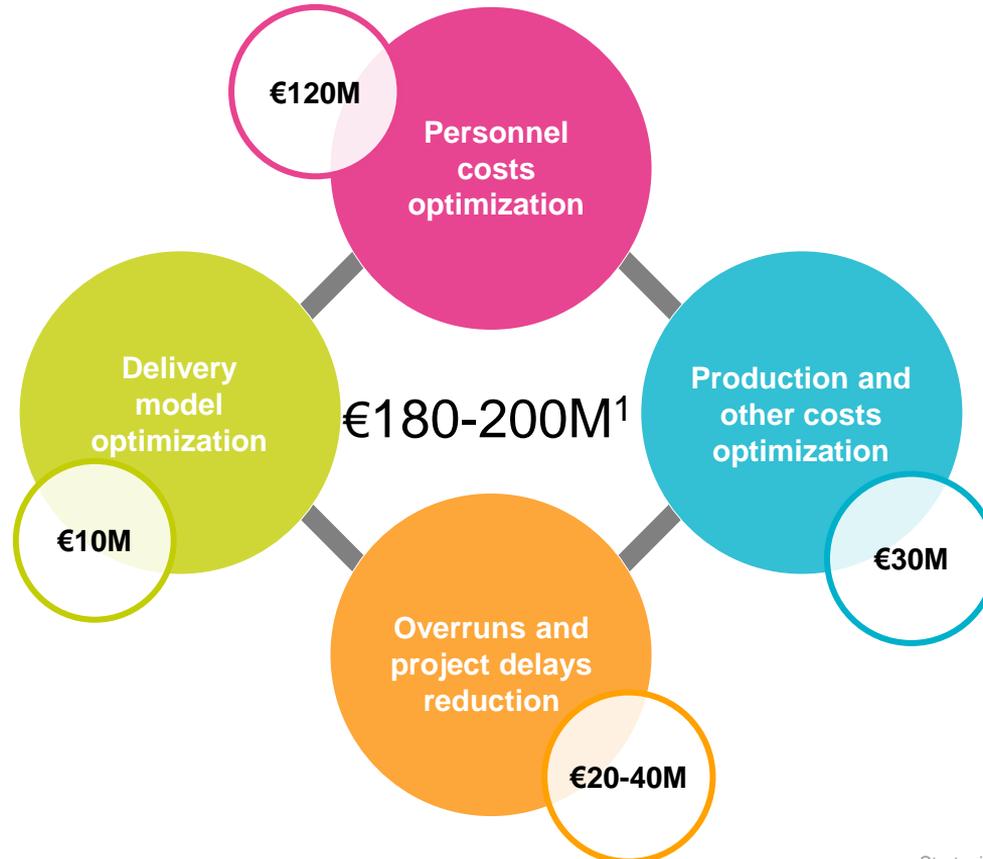


We will accelerate the deployment of competitive production centers, especially for new contracts



€10M
in recurrent savings

We developed a €180-200M cost reduction plan based on four levers to be implemented by the end of 2016



1. Impact subject to the result of negotiations.



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03

STRATEGIC GUIDELINES 2015-2018

Fernando Abril-Martorell



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Our strategic guidelines

Enabler for strategy implementation



06 Cultural change to be more focused on profitability

Growth accelerators



05 Growth in new businesses

Base for sustainable and profitable growth



02 Products and projects portfolio



03 Go-to-market strategy



04 Delivery model



Short term must-dos



01 Cost reduction to capture savings and increase Indra's competitiveness

We are refocusing our product and project portfolio based on four levers

02

Prioritize existing products portfolio by focusing on high value-added products



Prioritize existing portfolio by focusing on core business operation products

- Increase share of proprietary products and end-to-end projects

Push to develop value-added products focused on core business operations for our clients

- We already have a strong portfolio and want to keep evolving it

Increase standardization



Industrialize and standardize our offer to capture economies of scale and build expertise

- Reduce current portfolio of products and projects
- Standardize and modularize projects and products
- Take advantage of greater standardization in production processes

Demand minimum project requirements



Prioritize valuable projects for Indra based on a selective funnel procedure

Demand a minimum size / profitability for our projects to avoid fragmentation inefficiencies

Re-organize business portfolio

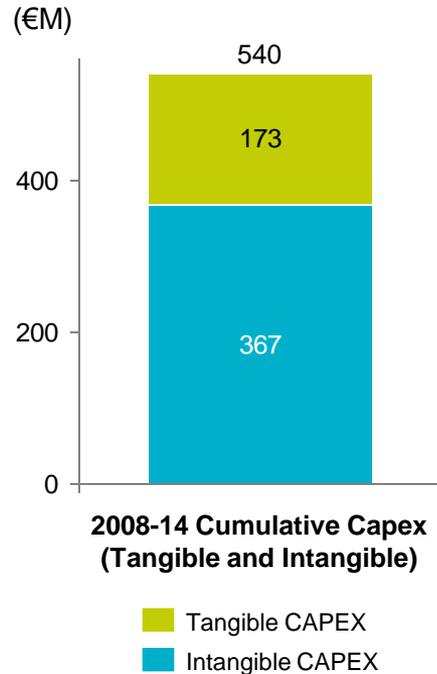


Complement business portfolio by including selective investments and divestments

- Based on cash flow generation

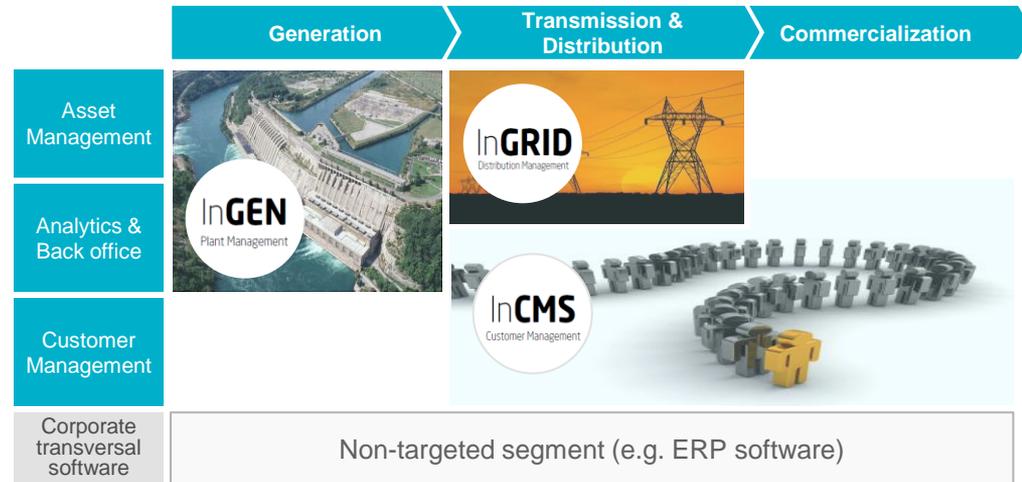
We are prioritizing successful proprietary products to keep investing in them

We continued investing during the economic crisis...

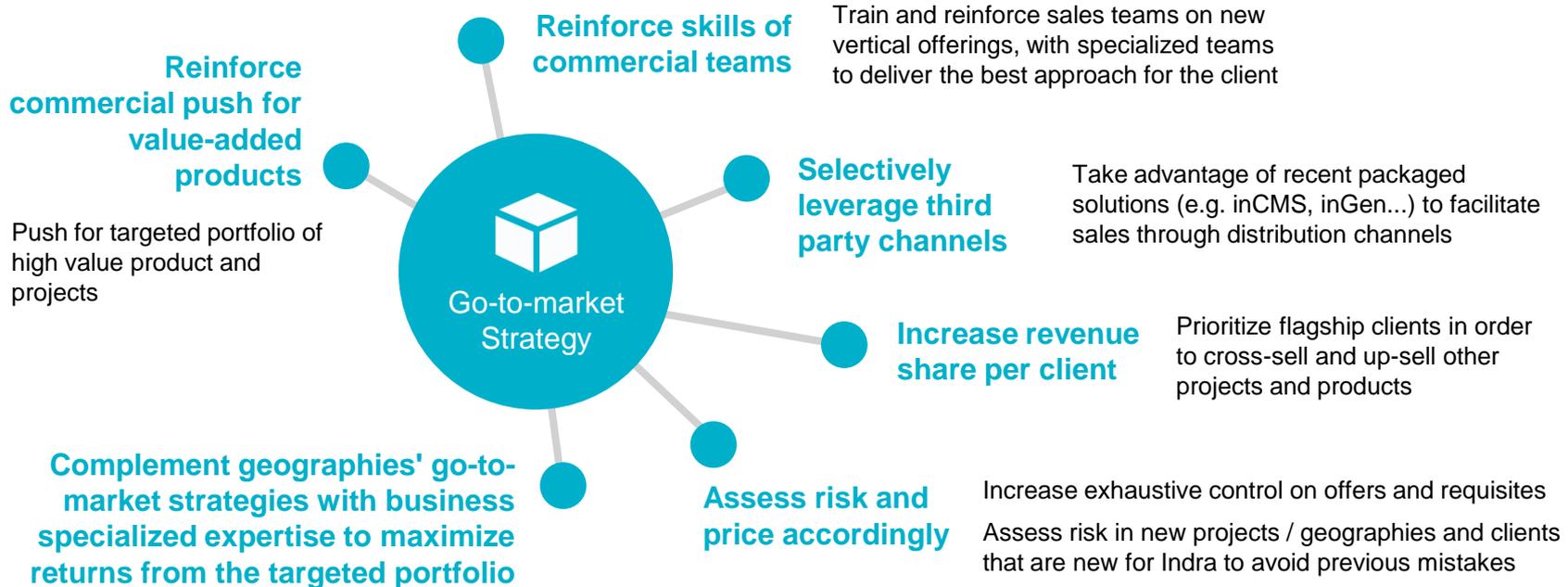


...and, as a result, we have obtained products that support core business operations across the whole value chain

Example of Energy Products



We have reviewed our go-to-market strategy to achieve our target projects and products portfolio



By re-balancing our business mix towards our own value-added products, we will increase both profitability and cross-selling activities

By leveraging the improved delivery model we will increase both profitability and customer references

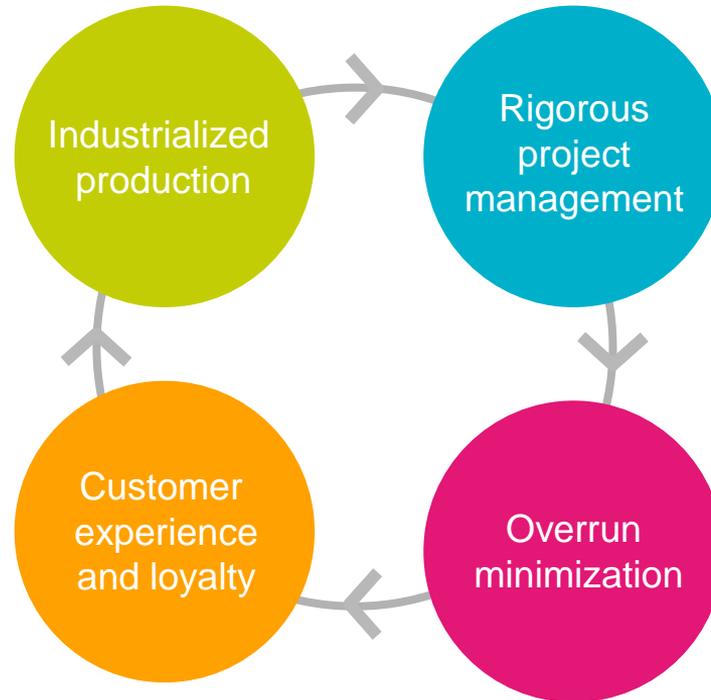
04

Standardized products that will be produced efficiently

- In terms of costs, timings and scope

Keep improving customer experience so as to increase

- Loyalty among our current client base
- Positive external references to trigger new sales



New high-end tools and processes for project management

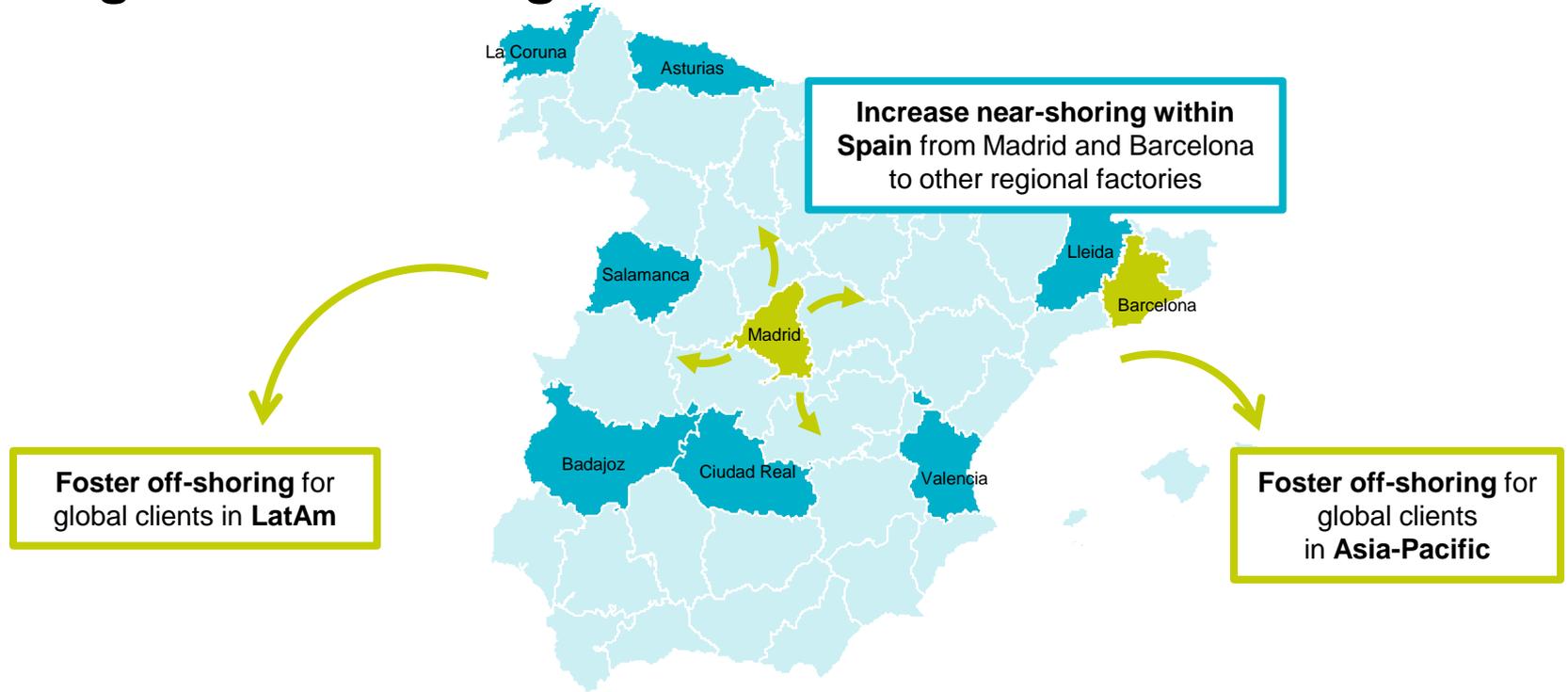
- Deployed across all our verticals

Indra will focus on minimizing errors and, as a result, overruns in projects

- Improving Indra's profitability

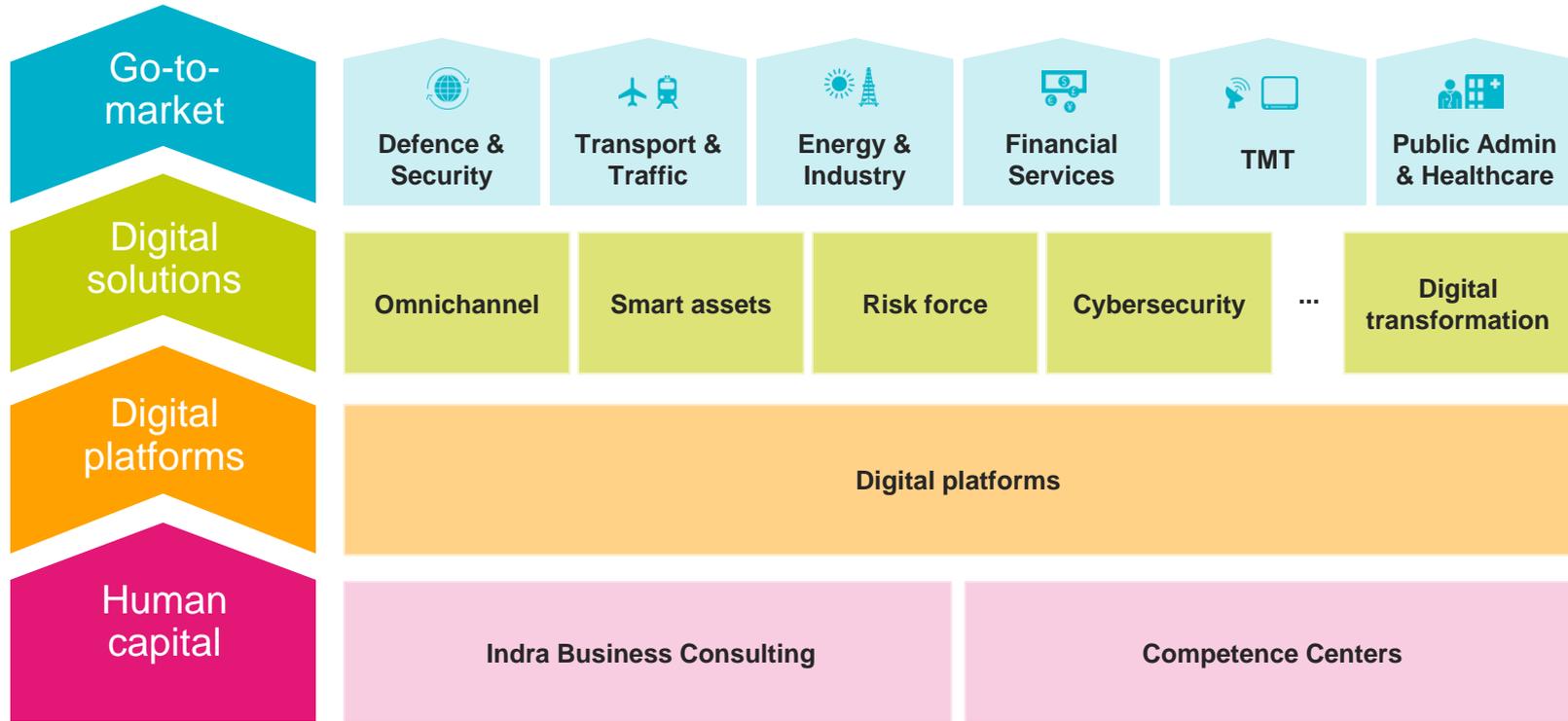
We will accelerate the deployment of our delivery model based on a right balance among on/near/off-shore

04



Near-shoring will not only optimize our production model, but it will also promote employment rates in Spanish regions

Through Indra Digital we complement our vertical offer with high value-added solutions and catalyze its evolution



We are driving cultural change to be more focused on profitability and cash

06

Cultural change to be more focused on profitability and cash

Individuals and teams are engaged for results

Result-oriented behaviors

- Based on accountability...
- ...and linking employee remuneration to profitability KPIs

Reinforce rigorous project management

Processes and tools

- Redefine offer approval processes
- Reinforce controlling to support performance measurement

People

People skilled and ready for new strategy

- Promote specialized vertical business know-how
- Reinforce trainings and people development

Organizational changes could be required to fit strategic guidelines

A cash flow target has already been set to define Indra's top management team variable compensation

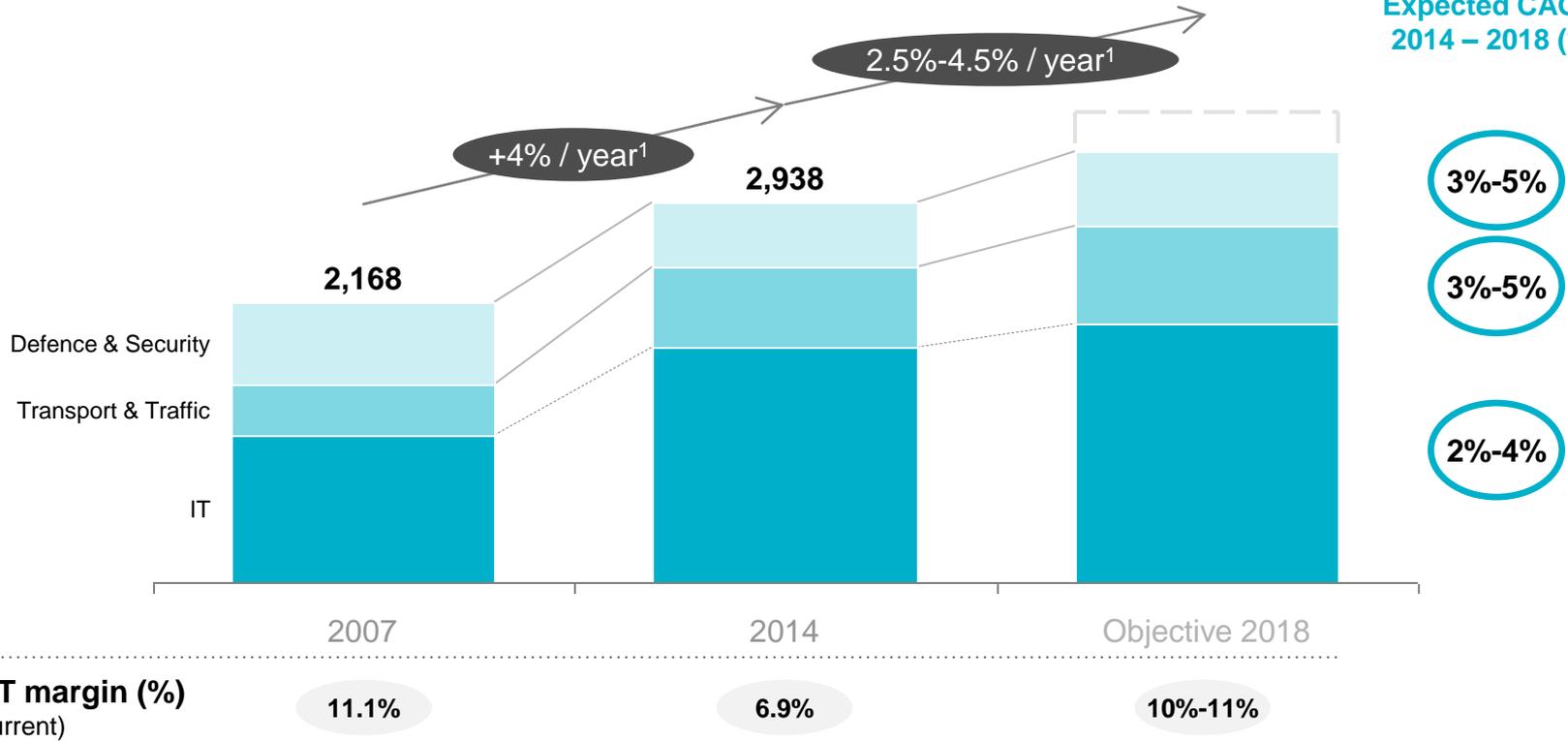
By implementing the cost reduction initiatives and the medium-term strategic guidelines, we will increase sales and profitability

	Rationale	Sales 2014 (€M)	Expected CAGR ¹ 2014 – 2018 (%)
Defence & Security	<ul style="list-style-type: none"> • Global and local investment recovery • Proprietary product portfolio and proven track-record to boost international sales • Strengthening of commercial partnerships • Optimization of production and purchasing processes 	509	3%-5%
Transport & Traffic	<ul style="list-style-type: none"> • Take advantage of Single European Sky through SESAR and iTEC • Push for Nation Wide projects • Maintain growth and leadership in CNS equipment 	620	3%-5%
IT verticals	<ul style="list-style-type: none"> • Product mix change towards higher value-added solutions and products • Improve client mix <ul style="list-style-type: none"> – More focus on private and global clients – More focus on national public clients in Public Admin • Leverage Indra Digital's offering • Take advantage of optimized delivery model 	1,809	2%-4%

1. Organic growth. Constant exchange rates as of 2014 (average FX in 2014).

By implementing our strategic guidelines, we expect to grow at 2.5% to 4.5% in sales and an EBIT margin of ~10%-11% in 2018

Expected CAGR¹
2014 – 2018 (%)



1. Organic growth. Constant exchange rates as of 2014 (average FX in 2014).



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04

DEFENCE AND SECURITY

Carlos Suárez

11

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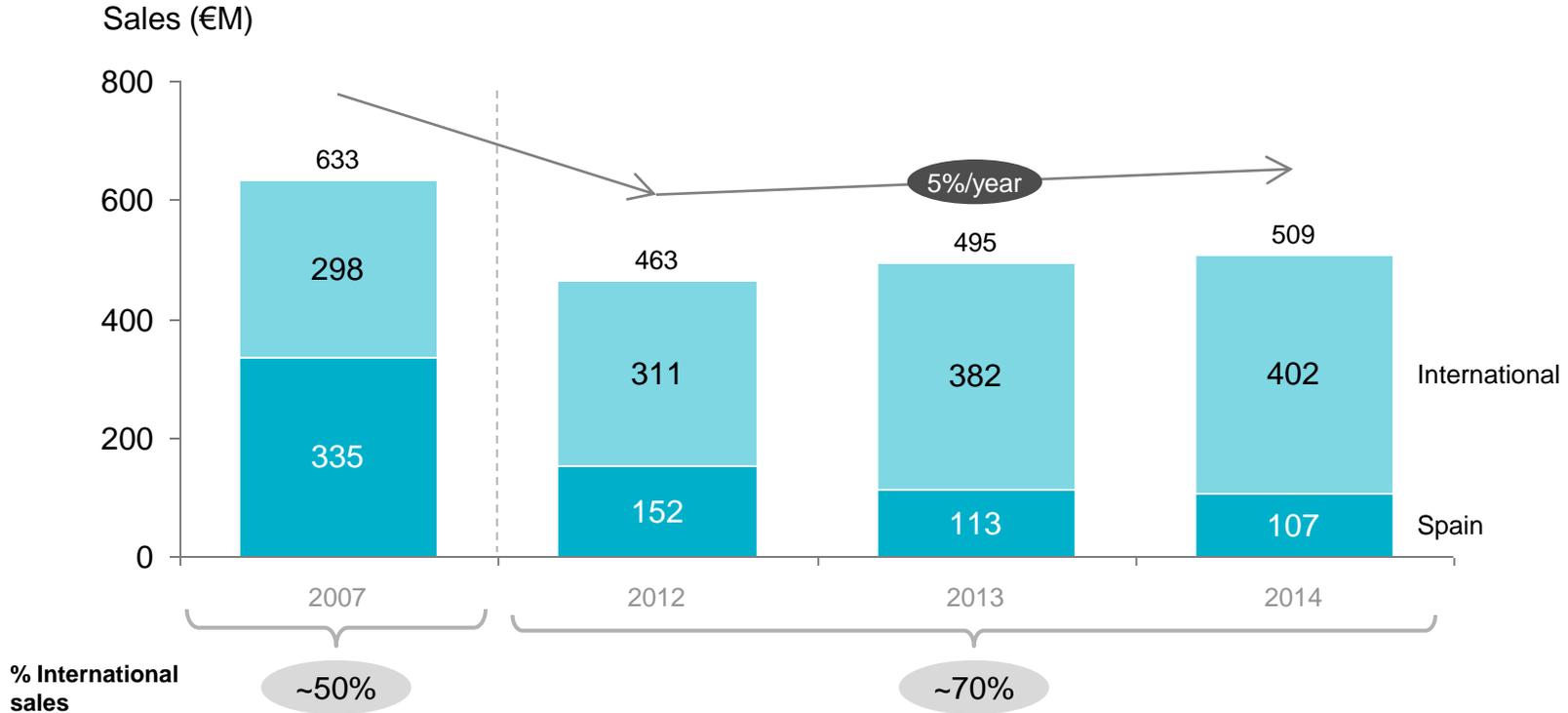
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Defence and Security: we recovered our sales by strongly internationalizing our offering



Defence and Security is a long maturity-cycle market based on proven capabilities and strong commitments

"Long development and delivery cycles"

Stable market with long investment and product development cycles while other technological cycles are shorter

Global competition but selected addressable markets according to national strategic considerations

Closeness to clients, track record and national references are key success factors

Eurofighter

1986-2022



NH90

1992-2024



A400M

2003-2024



Tiger Helicopter

1988-2016



F110 Frigate

2014-2026



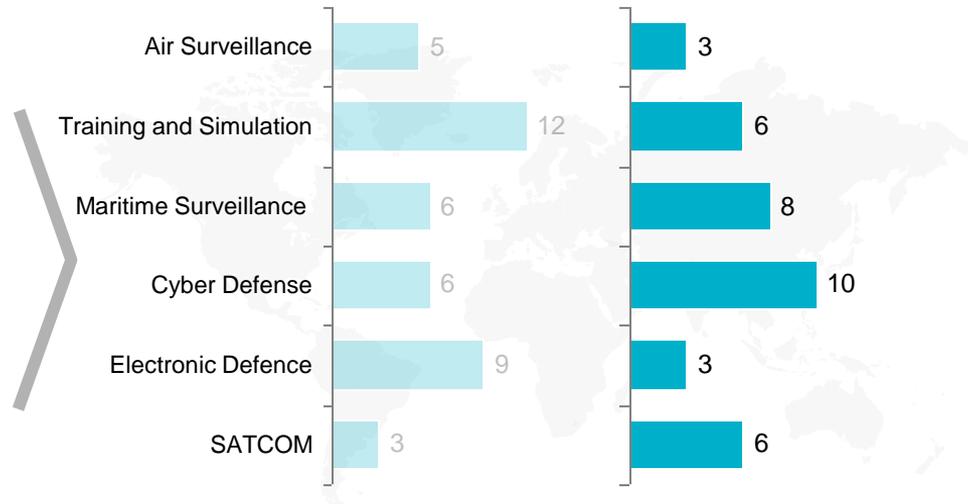
Defence and Security market gaining momentum, significant opportunities well-aligned with Indra's strengths

Indra is a specialist provider in selected market segments



Indra's accessible market size (2015 €Bn)

Expected market growth (% CAGR 2015-18)



Main accessible geographies for European players are Europe, AMEA and LatAm

Note: SATCOM: Satellite Communications. Source: Strategic Defence Intelligence, IHS Jane's.360, Visiongain, Indra Analysis.

We are a significant European player in the market segments of activity...



European competitor	Air Surveillance	Military Simulation	Maritime Surveillance	Electronic Defence	Satellite Communication
Indra	✓	✓	✓	✓	✓
A	✓	✓	✓	✓	✓
B	✓		✓	✓	✓
C			✓	✓	✓
D			✓	✓	✓
E		✓			

Indra's position in Europe

#2

#2

#2

#4

#4

Source: Strategic Defence Intelligence, IHS Jane's.360, Visiongain, Companies' websites. Indra Analysis.

...and have worldwide references that provide a proven track-record

Air Surveillance



Simulation



Air platforms



- Eurofighter • Chinook • Tigre • ec135
- A400M • F14 • SeaHawk
- F-18 • CN235 • BlackHack
- AV8B • Cougar • Wildcat

Maritime Surveillance



Satellite Communication



Naval SATCOM



- BPE • FFG • U212 • OPV
- BAC • S70 • U214
- BAM • S80 • T-209
- F100 • F122 • AWD
- F105 • K130 • ASW

Terrestrial SATCOM



Electronic Defence



Air platforms



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

Naval platforms



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

Terrestrial systems



3 drivers to boost our growth going forward



Global and local investment recovery: changing economic cycle will strengthen Indra's business

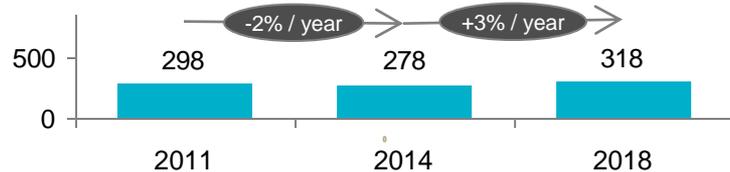


Global investment cycle recovery

Increased uncertainty and local conflicts foster investments in Defence and Security

- Asymmetric warfare scenarios, global terrorist and piracy threats
- Huge raise in cyber attacks
- Tension increasing in Eastern Europe with NATO countries raising their defence budgets
- ISIS activity in North Africa and Middle East
- Increasing migratory pressure towards Europe
- Drug smuggling circuits in LatAm

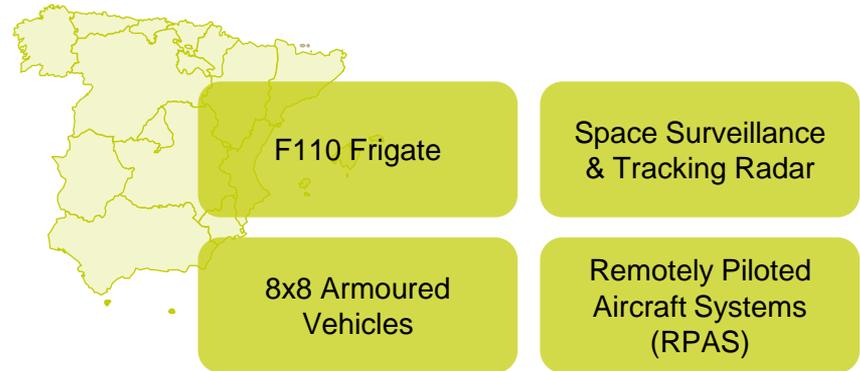
Top 89 countries in Defence spending (€Bn)¹



Spanish investment cycle recovery

Better Spanish perspectives implying increased investment in Defence

Major programs already budgeted in 2015 will help us develop new offerings



On top of these macro trends, Defence value is migrating from platforms to systems and data

We have a balanced portfolio between mature products and new offerings to take advantage of the new growth perspectives



Prime



Air Surveillance

- 3D radars
- Command and control
- Communications
- Air defence systems
- Military air traffic management systems
- Tactical deployable systems



Military Simulation

- Helicopters
- Military and commercial aircraft



Maritime Surveillance

- Maritime and border surveillance
- Control centers



Cyber Defence

- Analysis, detection and response
- Simulation and training systems

Systems provider



Electronic Defence

- Self protection systems for naval, airborne and land applications
- Naval radars
- Signal intelligence systems



Satellite Communications

- Naval platforms
- Land systems

We developed our competitive offering by leveraging national and European programs

Our complete product portfolio allows us to have an international presence: Lanza 3D Mobile Deployable Radar system example



We developed our offering nationally...

Innovative public procurement initiative in Spain



Our experience in radar systems and dual use applications



...and were able to export it

Export to new countries to add new references



Transfer the technology know-how to other businesses from the civil sphere (e.g. Air Traffic Management)



We will keep strengthening our network of commercial partners



Air platforms



Naval platforms



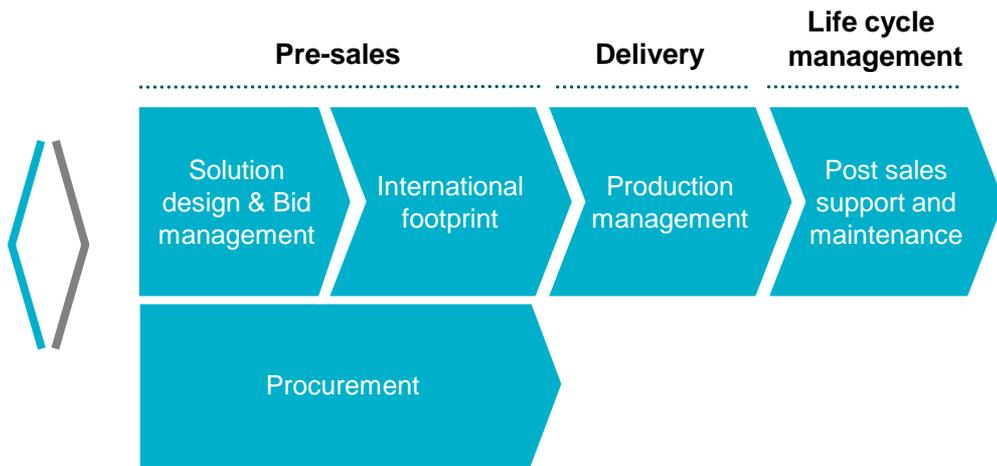
Terrestrial platforms



Our technological, manufacturing and commercial synergies among our vertical businesses give us a competitive advantage

	Defence & Security	Air traffic and Transport	IT
Radars	✓	✓	
Command & Control systems	✓	✓	✓
Navigation aids	✓	✓	
Communications	✓	✓	✓
Military simulation and training systems	✓	✓	
Signal processing	✓	✓	✓
Cyber & Analytics	✓	✓	✓

Shared engineering and manufacturing capabilities



Wrapping up: strategic guidelines aligned with overall strategy



Note: Instrument Landing System. SES: Single European Sky. GBAS: Ground-based augmentation System.
1. Organic growth. Constant exchange rates as of 2014 (average FX in 2014). Source: Indra.

02 Products and projects portfolio

- Leverage existing track-record and international footprint
- Focus investment on developing new offer in selected segments
 - Electronic Defence and Air Surveillance
 - Based on future European and NATO programs and new contracts with the Spanish Ministry of Defence
- Discontinue activity in low value-added segments
 - e.g. non-critical infrastructure protection

03 Go-to-market strategy

- Improve commercial channels in LatAm, Africa and Asia
 - Adding new local industrial partners
- Leverage competitive position in Spain
- Increase our contribution in future European programs
- Improve our network and partnerships with global platform manufacturers

04 Delivery Model

- Optimize manufacturing and supply chain
 - Leveraging economies of scale with our other vertical businesses – specifically Air Traffic and Transport - to optimize suppliers' base and production capabilities

05 Growth in new business

- Further develop our offering
 - e.g. Cyber Defence



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05

AIR TRAFFIC BUSINESS

Rafael Gallego



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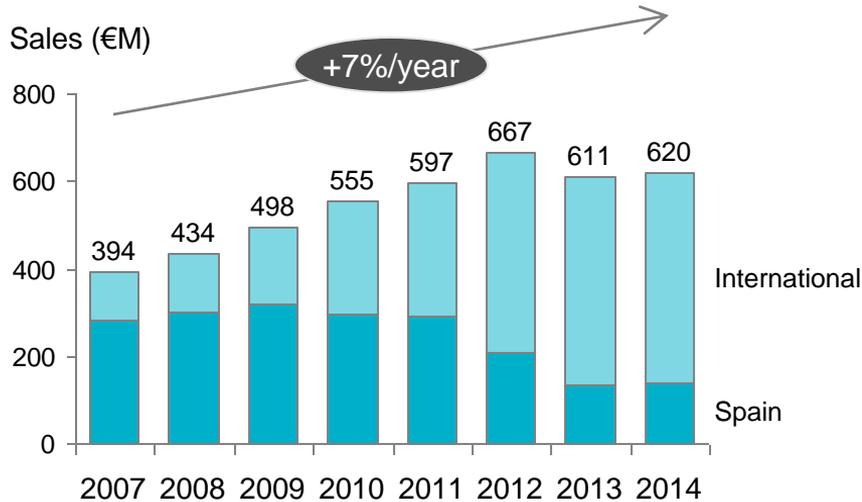
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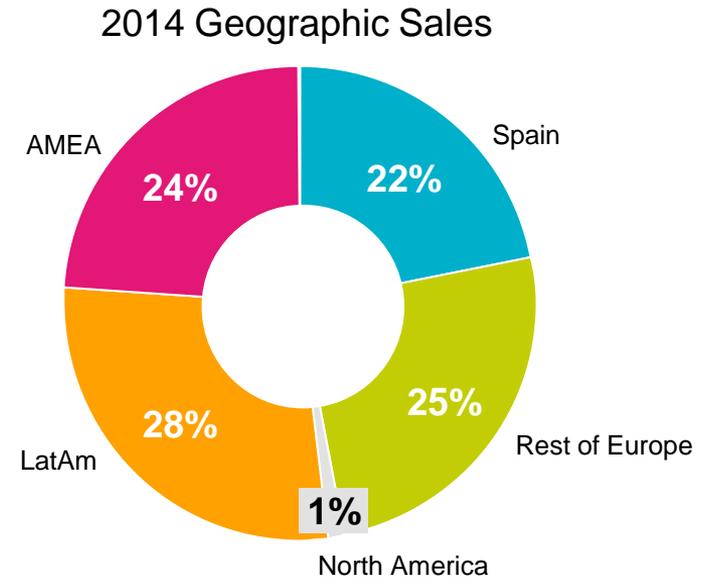
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Introduction to Indra's Traffic & Transport business

We have grown by ~7%/year since 2007 but decelerated in recent years

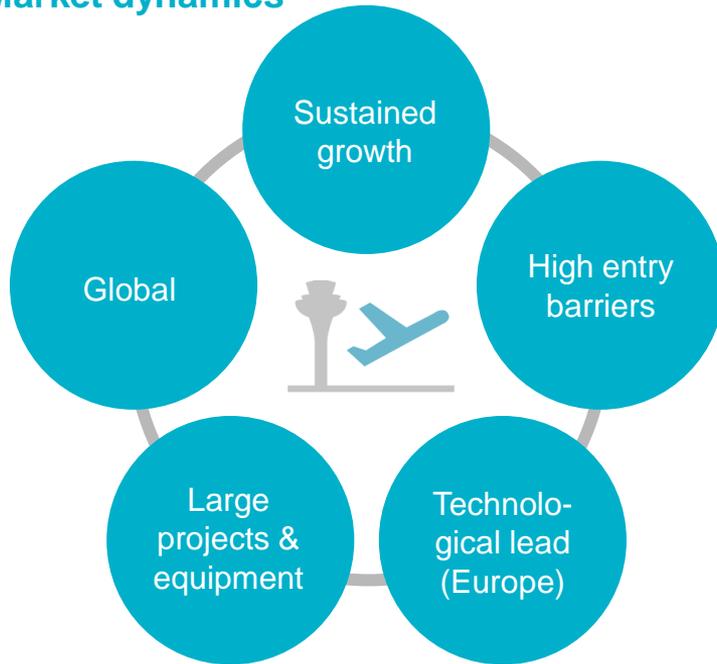


We have a highly balanced portfolio across geographies

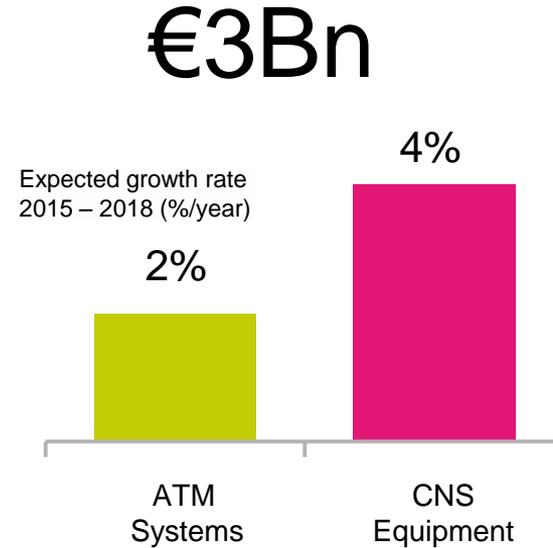


ATM is an attractive market due to its sustained growth and stability

Market dynamics

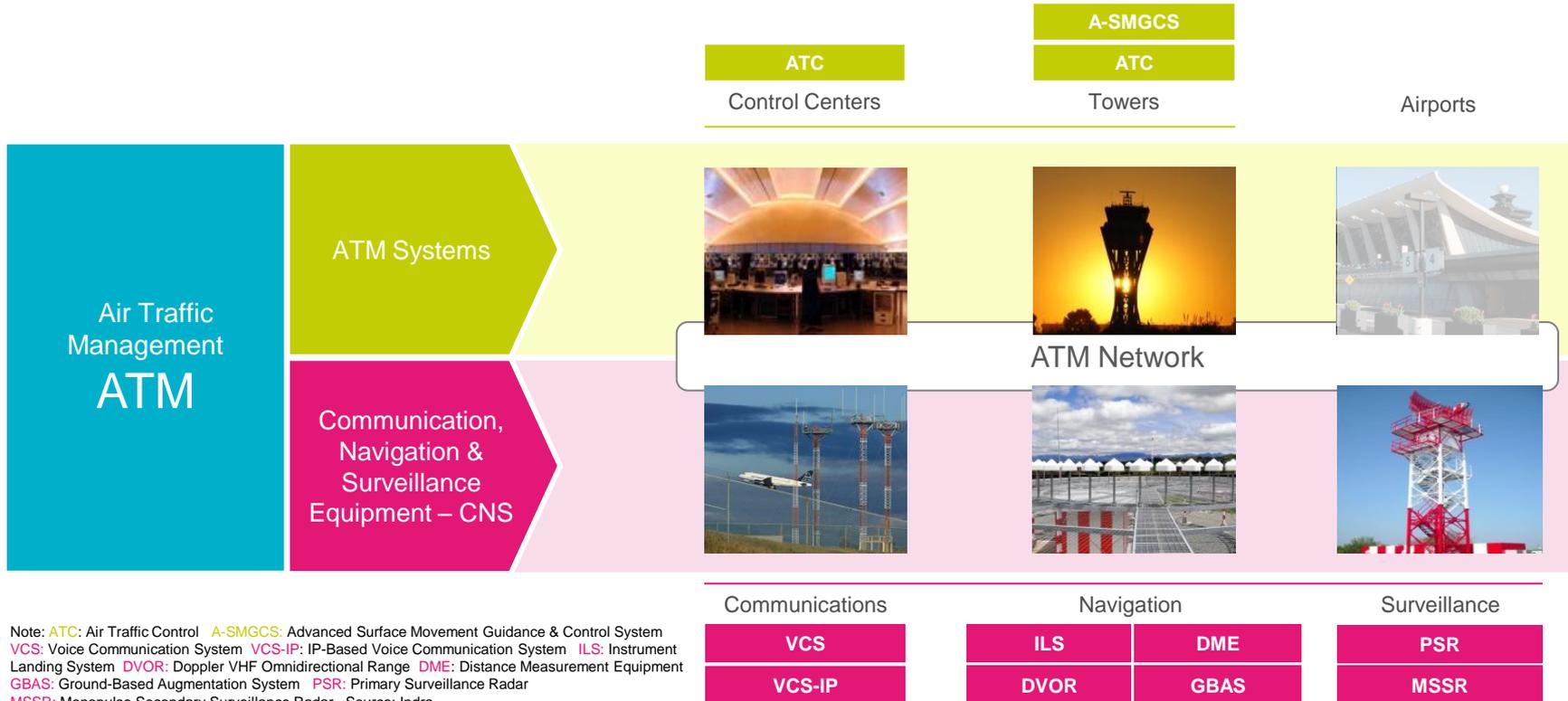


Global market size



Note: ATM: Air traffic management. CNS: Communication, Navigation & Surveillance.
Source: Markets&Markets, Infinity Reports, Indra.

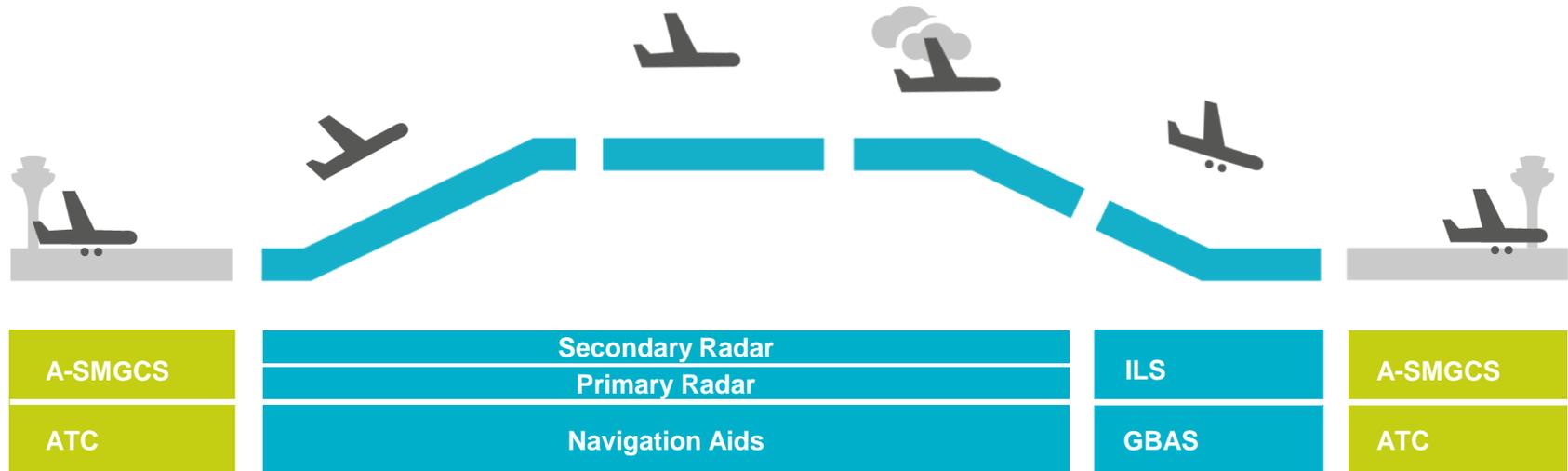
We have a complete product portfolio covering all segments...



Note: **ATC**: Air Traffic Control | **A-SMGCS**: Advanced Surface Movement Guidance & Control System
VCS: Voice Communication System | **VCS-IP**: IP-Based Voice Communication System | **ILS**: Instrument Landing System | **DVOR**: Doppler VHF Omnidirectional Range | **DME**: Distance Measurement Equipment
GBAS: Ground-Based Augmentation System | **PSR**: Primary Surveillance Radar
MSSR: Monopulse Secondary Surveillance Radar | Source: Indra.

...which means we have leading products for all phases of the flight

Illustrative example of Indra's products supporting a flight



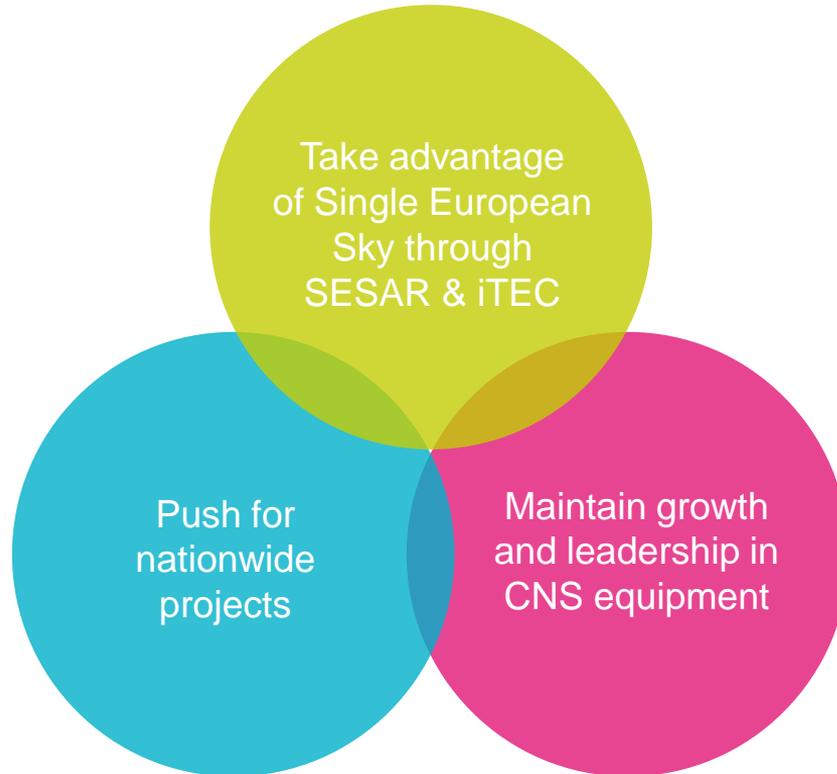
Note: ATC: Air Traffic Control. A-SMGCS: Advanced Surface Movement Guidance & Control System. ILS: Instrument Landing System. GBAS: Ground-Based Augmentation System. Source: Indra.

We are one of the top-5 players in the market

	Competitor	 Systems Integrator	 Control Centers	 Towers	 Communications	 Navigation	 Surveillance
Large Scale Integrators	Indra	✓	✓	✓	✓	✓	✓
	A	✓	✓	✓	✓	✓	✓
	B	✓	✓	✓	✓	✓	✓
	C	✓	✓	✓			✓
	D	✓	✓				
Specialists	E		✓	✓	✓		
	F	✓	✓	✓			

Source: Indra.

3 main drivers to grow in the Air Traffic Management market



We are one of the most relevant partners at SESAR... ...and will materialize this through iTEC deployment



Indra as one of the founding members of the Single European Sky R&D Joint Undertaking

Phase I



Indra as one of the three main industrial partners

Phase II
SESAR 2020



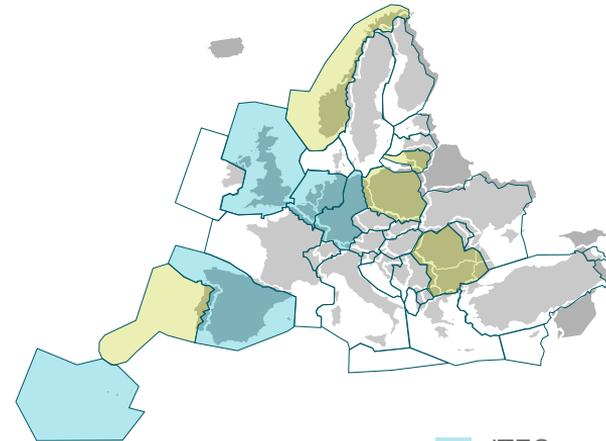
Expecting to start in 2016, Indra to keep a leading position

iTEC:

The system developed by Indra along with its air navigation service provider partners (DFS, NATS, ENAIRE, LVNL) to deploy the SESAR capabilities



The iTEC Alliance aiming to cover an important portion of the Single European Space



Light blue square: iTEC members

Light green square: potential new entrants

Note: SESAR: Single European Sky ATM Research. iTEC: interoperability Through European Collaboration. DFS: Deutsche Flugsicherung. NATS: National Air Traffic Services. LVNL: Luchtverkeersleiding Nederland. Source: Indra.

We will maintain growth and leadership in CNS equipment by boosting our flagship products



Surveillance	MSSR			<ul style="list-style-type: none">• Flagship and leader product globally (outside of US)• >175 installations worldwide• References in China, India, Australia, Indonesia, Turkey, Poland, Spain, Latin America...
	PSR			<ul style="list-style-type: none">• Competitive and latest technology product• Most-sold PSR in 2014 (outside of US)
Navigation	ILS			<ul style="list-style-type: none">• Flagship and leader product globally (outside of US)• Proven, reliable landing system that has guided aircraft to well over 100 millions safe landings• In more than 1,200 runways worldwide in the most demanding airports
	DVOR DME			<ul style="list-style-type: none">• DVOR: low cost and highly reliable equipment ready for the most severe conditions• DME: highly reliable distance measuring equipment

Note: MSSR: Monopulse Secondary Surveillance Radar. PSR: Primary Surveillance Radar. ILS: Instrument Landing System. DVOR: Doppler VHF Omnidirectional Range .
DME: Distance Measurement Equipment. Source: Indra.

We have the opportunity to pursue nationwide projects where we already have strong and successful references



Turkey

- We provided Turkey with **18 MSSRs and 5 PSRs** covering the country's whole air space



India

- We have provided the Indian Airport Authority with **9 MSSRs...**
 - Covering ~80% of the country's air space
- ...and have implemented **ATM systems in 38 airports** throughout the country



Australia

- We implemented **9 MSSRs** on the East coast of Australia, the **heaviest traffic area in the country**
- We are the supplier of the **Royal Australian Air Force**, with **3 deployable ATM systems**



China

- We have delivered **Chengdu & Xian Air Control Centers** and **20 MSSR**, covering a total surface of 4.2 M km²
 - Representing ~60% of China's air space

Note: MSSR: Monopulse Secondary Surveillance Radar. PSR: Primary Surveillance Radar. ATM: Air traffic management. Source: Indra.

Wrapping up: strategic guidelines aligned with overall strategy



Note: Instrument Landing System. SES: Single European Sky. GBAS: Ground-based augmentation system.
1. Organic growth. Constant exchange rates as of 2014 (average FX in 2014). Source: Indra.

02 Products and projects portfolio

- Maintain leadership in primary and secondary radar and ILS
- Proven track record in successful projects

03 Go-to-market strategy

- Focus our go-to-market strategy on nationwide projects
- Maintain our leader position in the European SES market
- Focus commercial efforts on AMEA

04 Delivery Model

- Optimize manufacturing and supply chain

05 Growth in new business

- Indra as one of the few providers of GBAS (satellite navigation)
- Development of *next generation* radar technology



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06

IT AND DIGITAL SOLUTIONS

Cristina Ruiz

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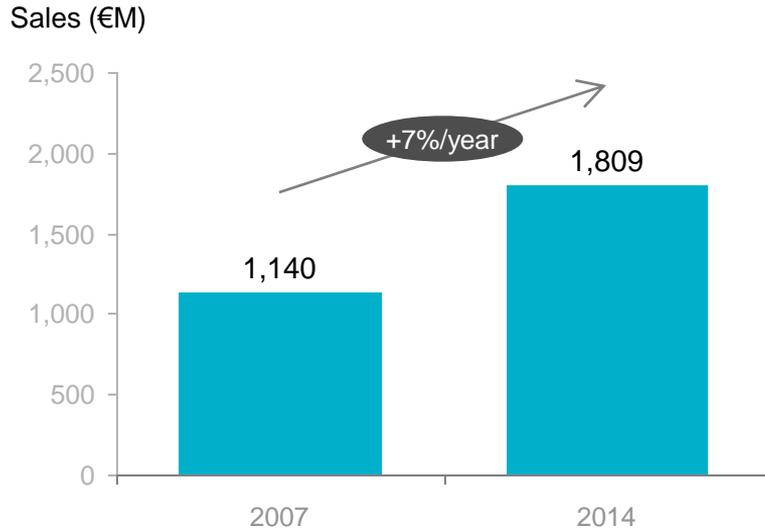
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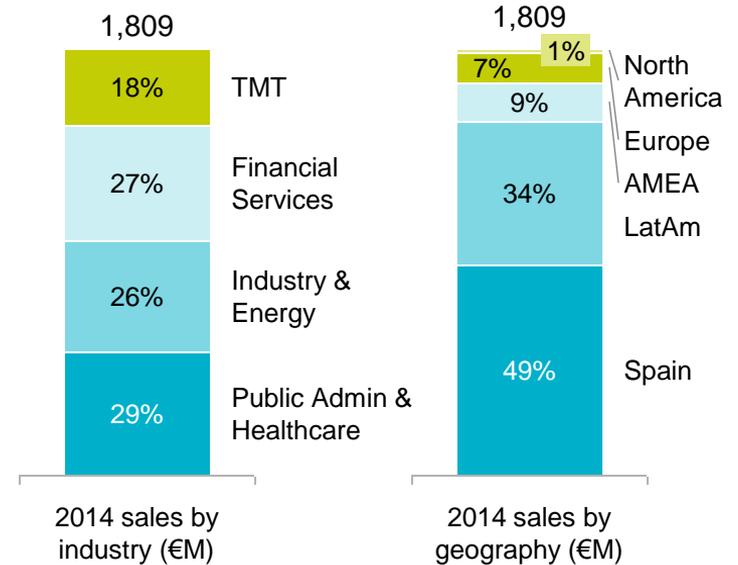
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Introduction to Indra's core IT businesses

We managed to grow despite the complex macro environment

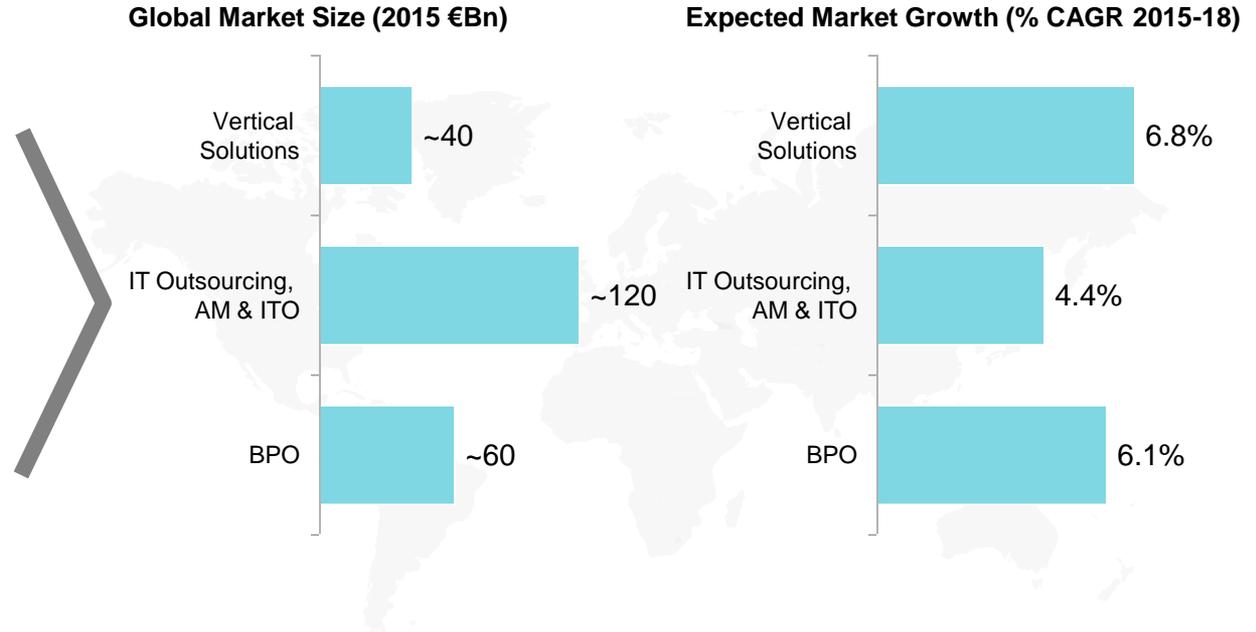


Balanced portfolio across industries & geographies



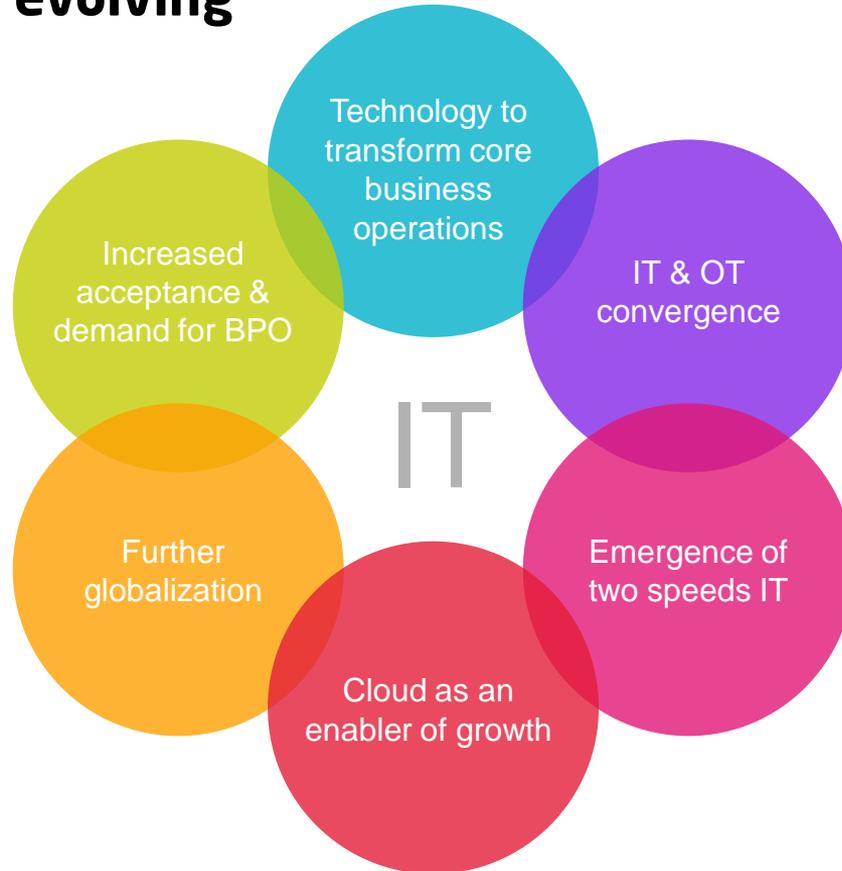
We have a presence in very attractive market segments

	Proprietary products	3rd party software
Product development	✓	
AM, ITO, & IT Outsourcing	✓	✓
BPO	✓	✓



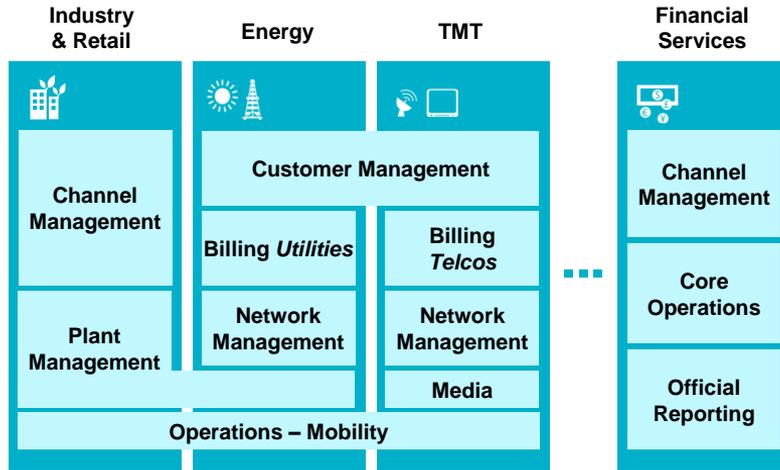
We will focus our strategy on boosting our portfolio of proprietary products

IT is constantly evolving



Our vision on IT value creation: core business operations with value-added digital solutions

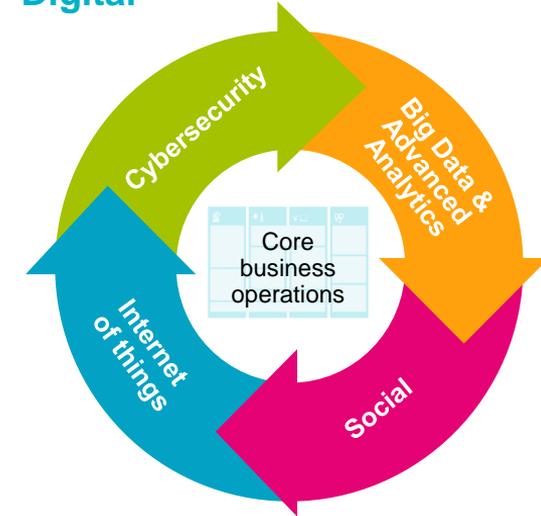
Core business operations



Key drivers

- Efficiency
- Reliability
- Industrialized delivery

Digital



Key drivers

- Proof of value
- Innovation – trial & error
- Agility

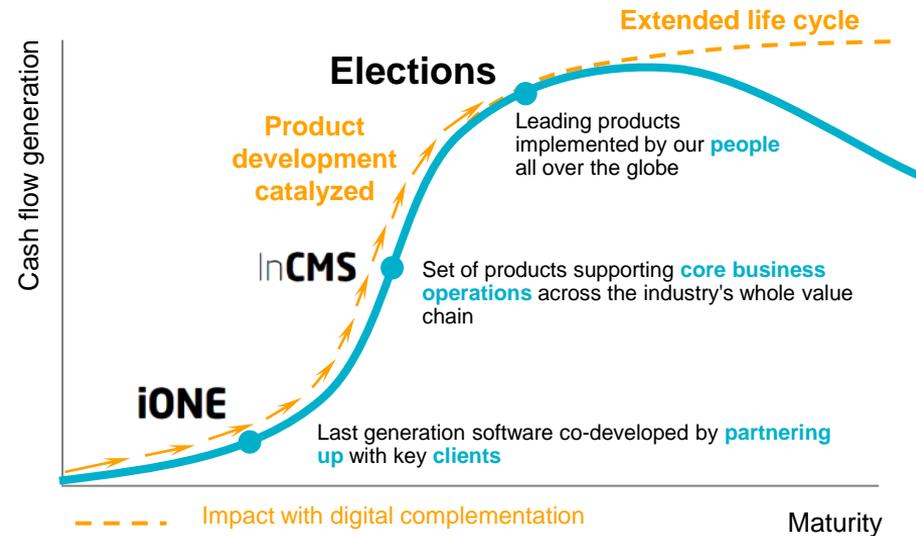
We have developed a unique portfolio of proprietary products for core business operations



Portfolio of proprietary products...

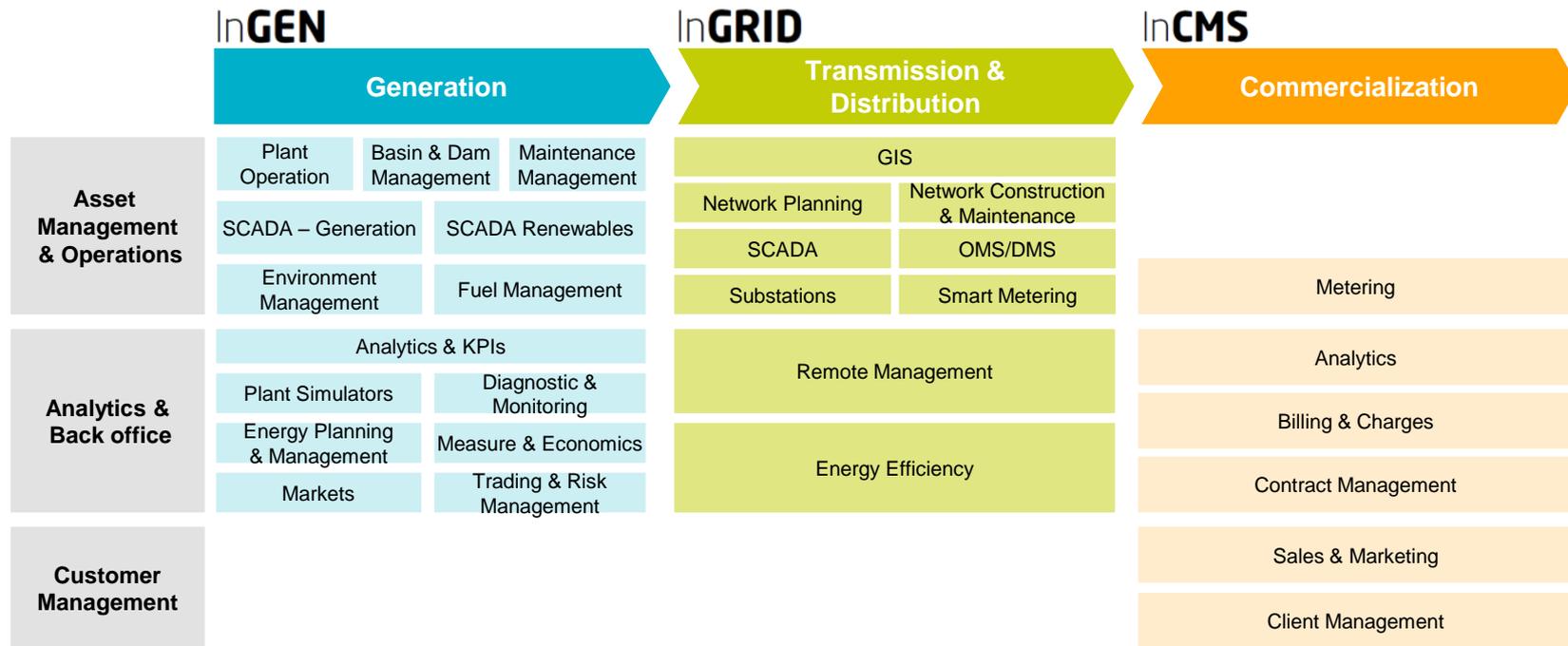
Energy & Industry	TMT	Financial Services	Public Admin & Healthcare
InCMS	Media TV	iONE	HEALTH NETWORK
TMS [®] HOTELS	OSS solutions	ITECBAN _{CORE}	AMARA
SUITAIR		netPlus [°]	Elections
InGEN			SEINSIR
InGRID			
InOIL			

...balanced across the maturity curve



By re-balancing our business mix towards our own value-added products, we will increase both profitability and cross-selling activities

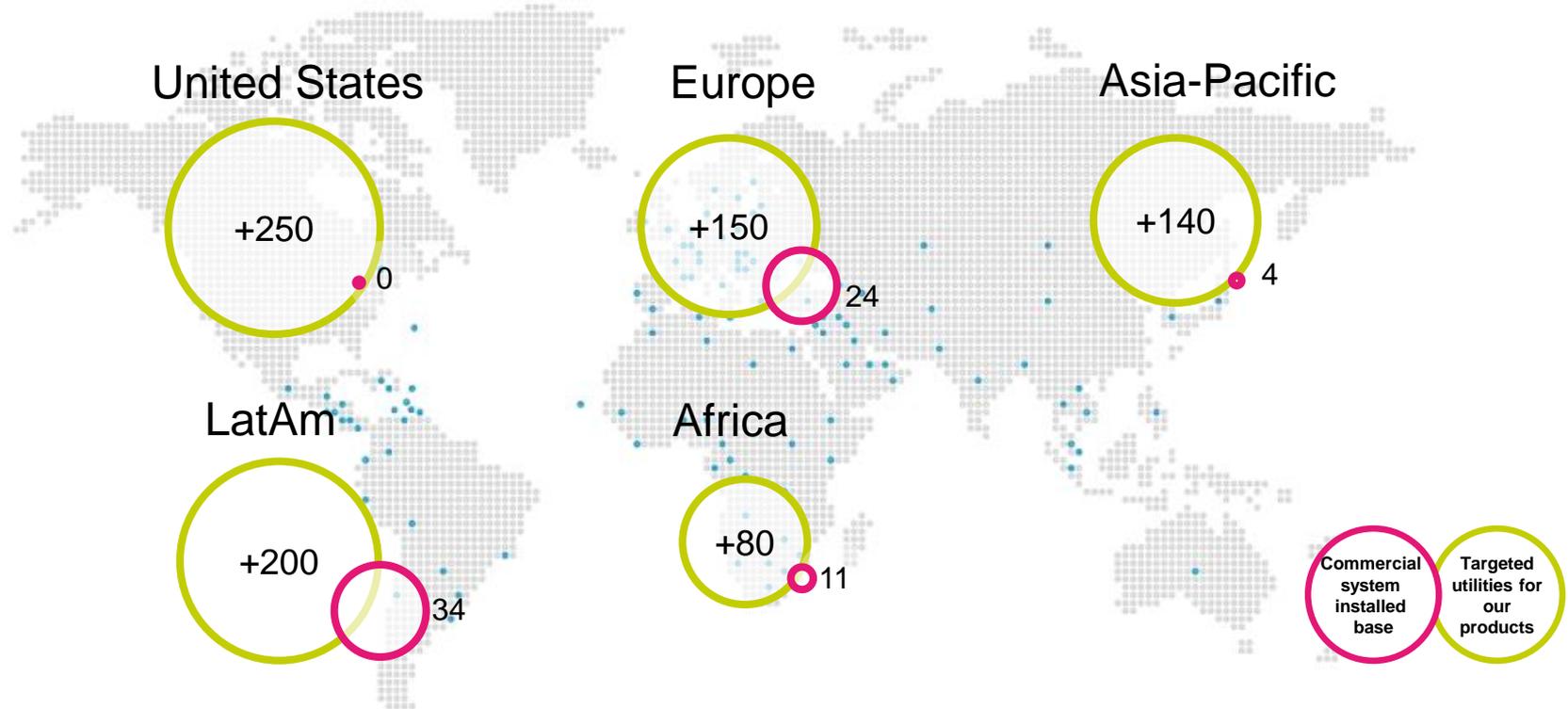
Energy: our set of products supports core business operations across the industry's whole value chain



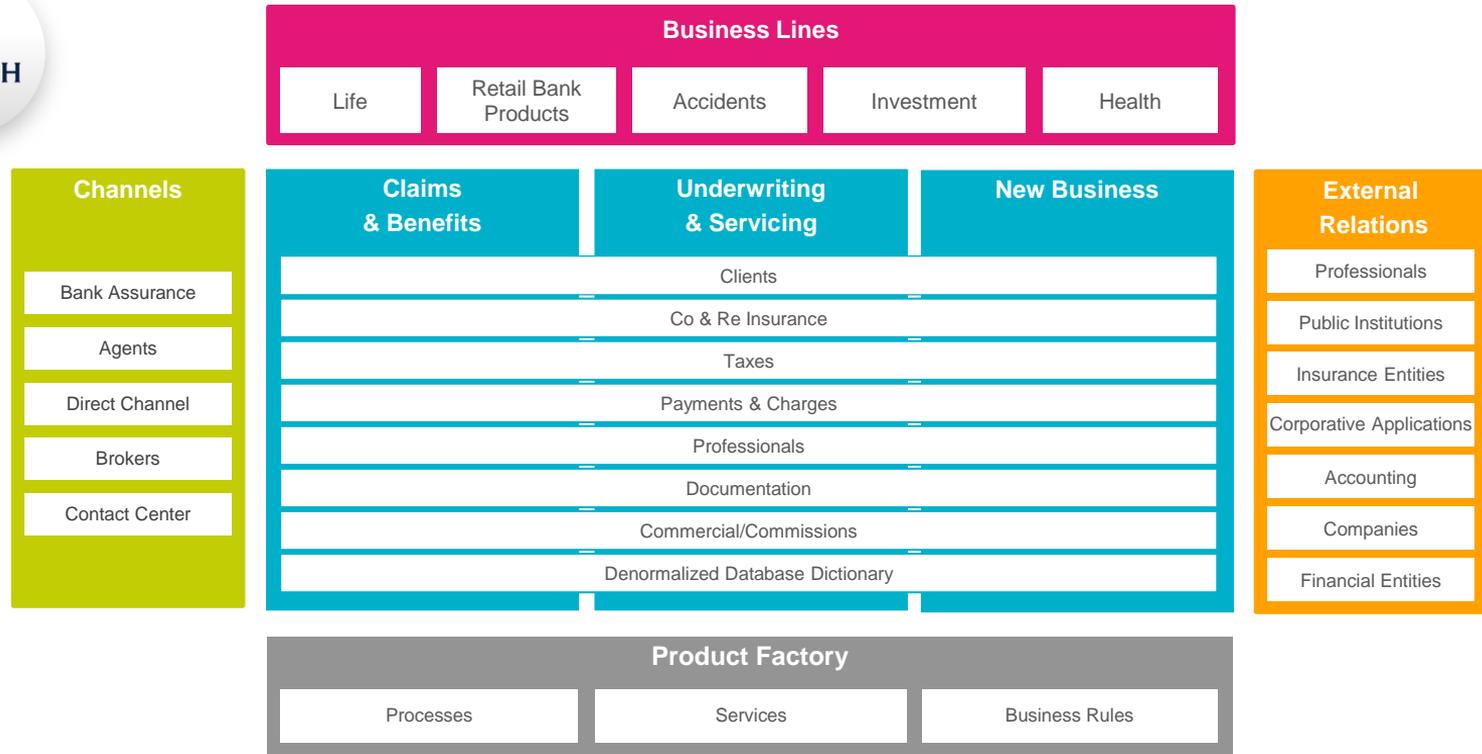
With our offer, we have helped +100 energy companies to deal with their key daily business operations

Energy: products already running for many clients... ...and still much white space to trigger new sales

+70 companies **already with our commercial system...** out of +850 potential targets



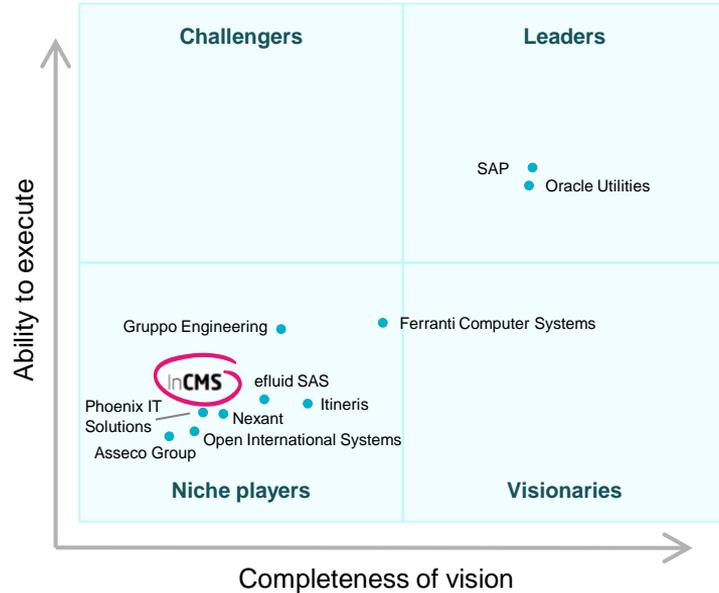
Financial services: iONE as an emerging solution for the life insurance industry which is operating in Tier-1 companies



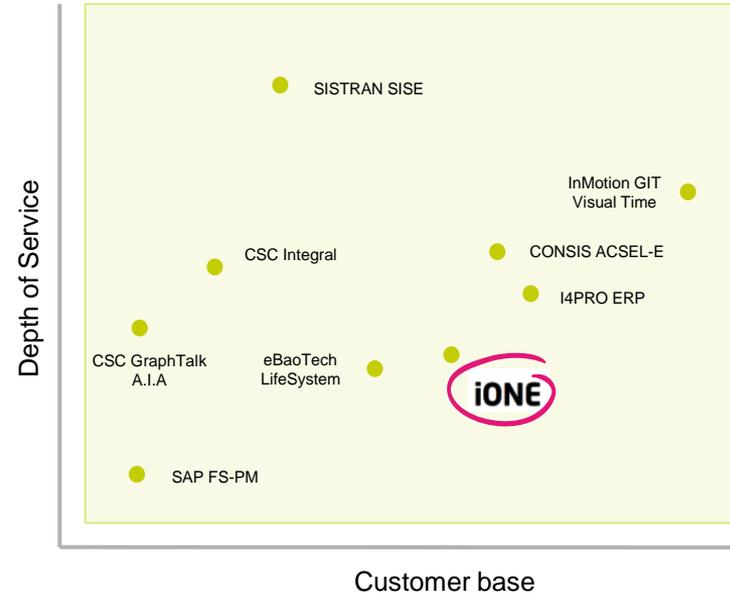


International recognition of our products

Gartner Magic Quadrant 2015 (representation)

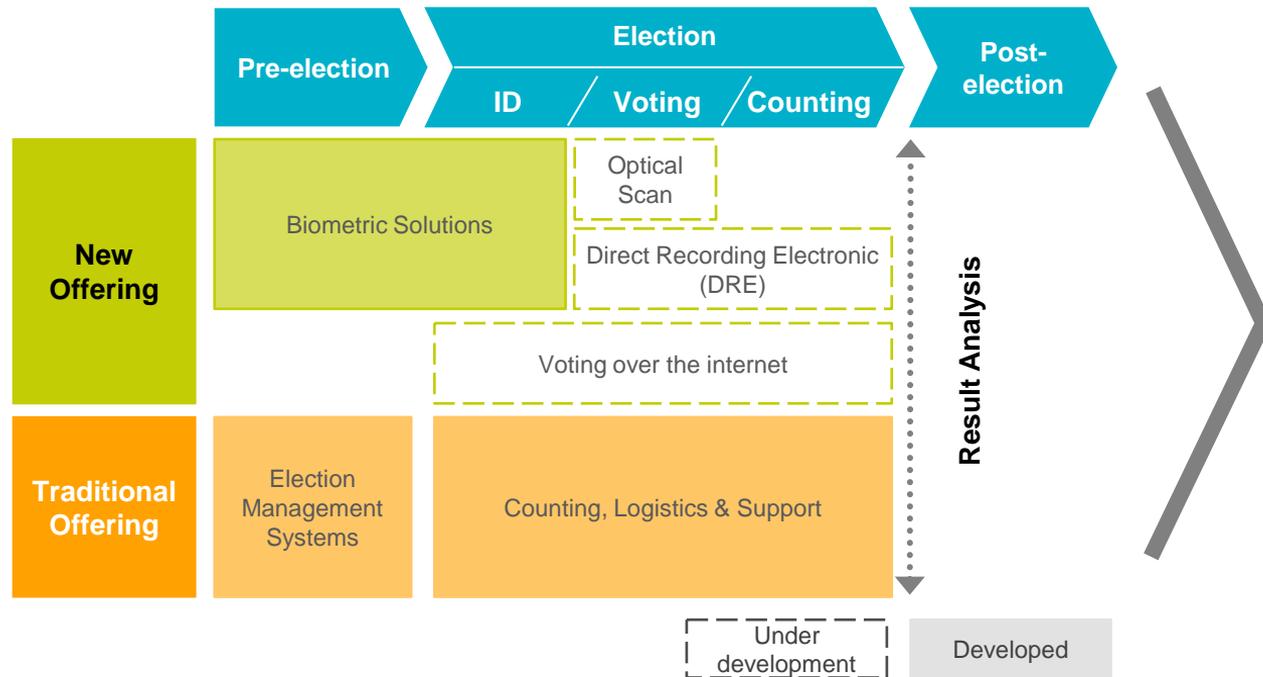


Celent ABCD Vendor View (representation)



Source: Gartner Magic Quadrant for Customer Information Systems – May 2015, Celent Latin American Policy Administration Systems award.

Elections: balance between traditional and new offerings to keep leading in the future



We have accompanied **+50 public institutions** in very **different environments**



Spain



UK



Argentina



Iraq



Colombia



France

Through Indra Digital we complement our vertical offer with high value-added solutions and catalyze its evolution



Individual go-to-market for each vertical industry

- Leveraging deep know-how of specific client needs and realities

Starting from the digital platform, we engineer digital solutions to close the gap between client needs and current technological assets

- We adapt our solutions to meet client requirements and maximize the value created for them

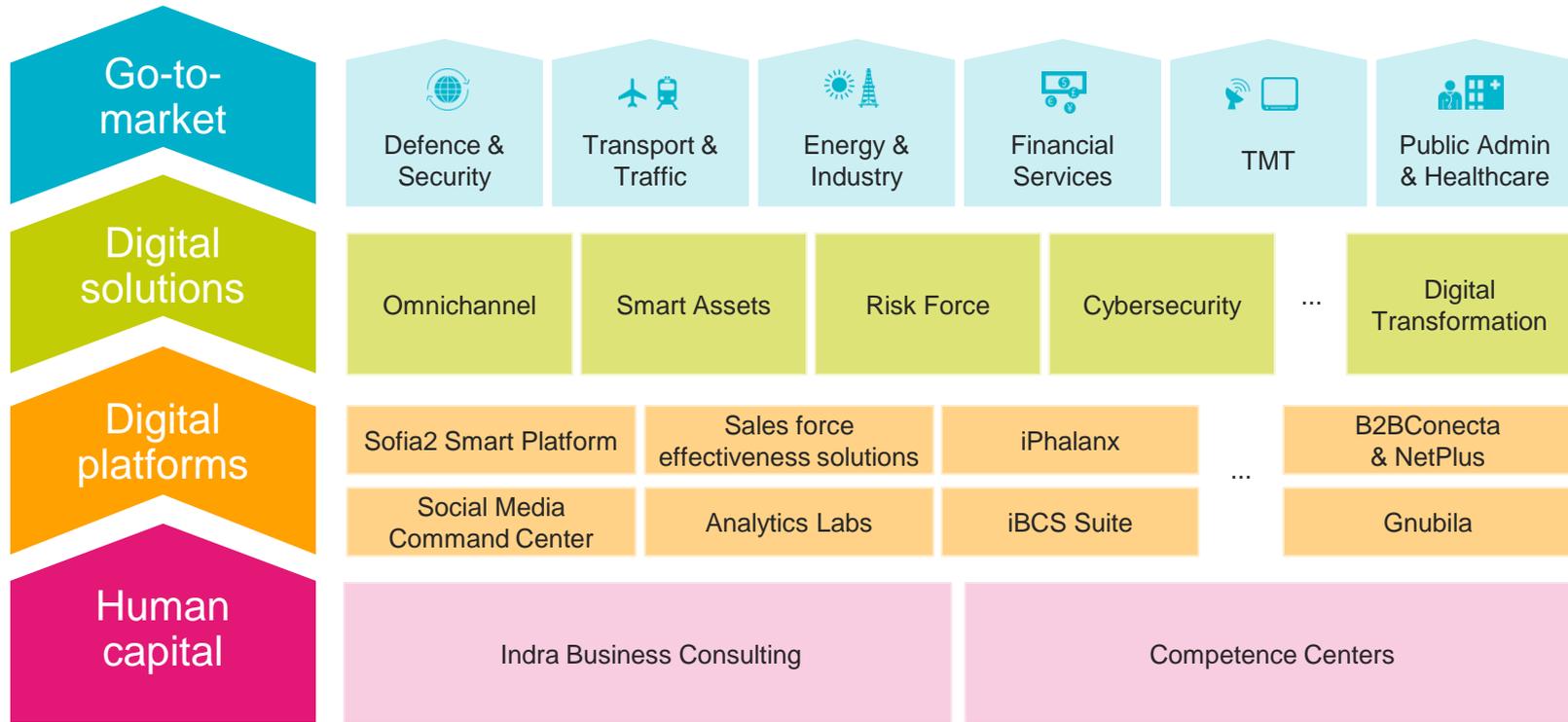
A comprehensive portfolio of developed and proven platforms define the starting point to solve client issues

- This allows us to be steps ahead of our competitors and closer to the final solution our client needs

Experienced and skilled people from innovative and creative backgrounds to think of issues that will need to be solved

- Indra Business Consulting and Competence Centers as main sources

Comprehensive portfolio of digital platforms to engineer digital solutions for our vertical clients





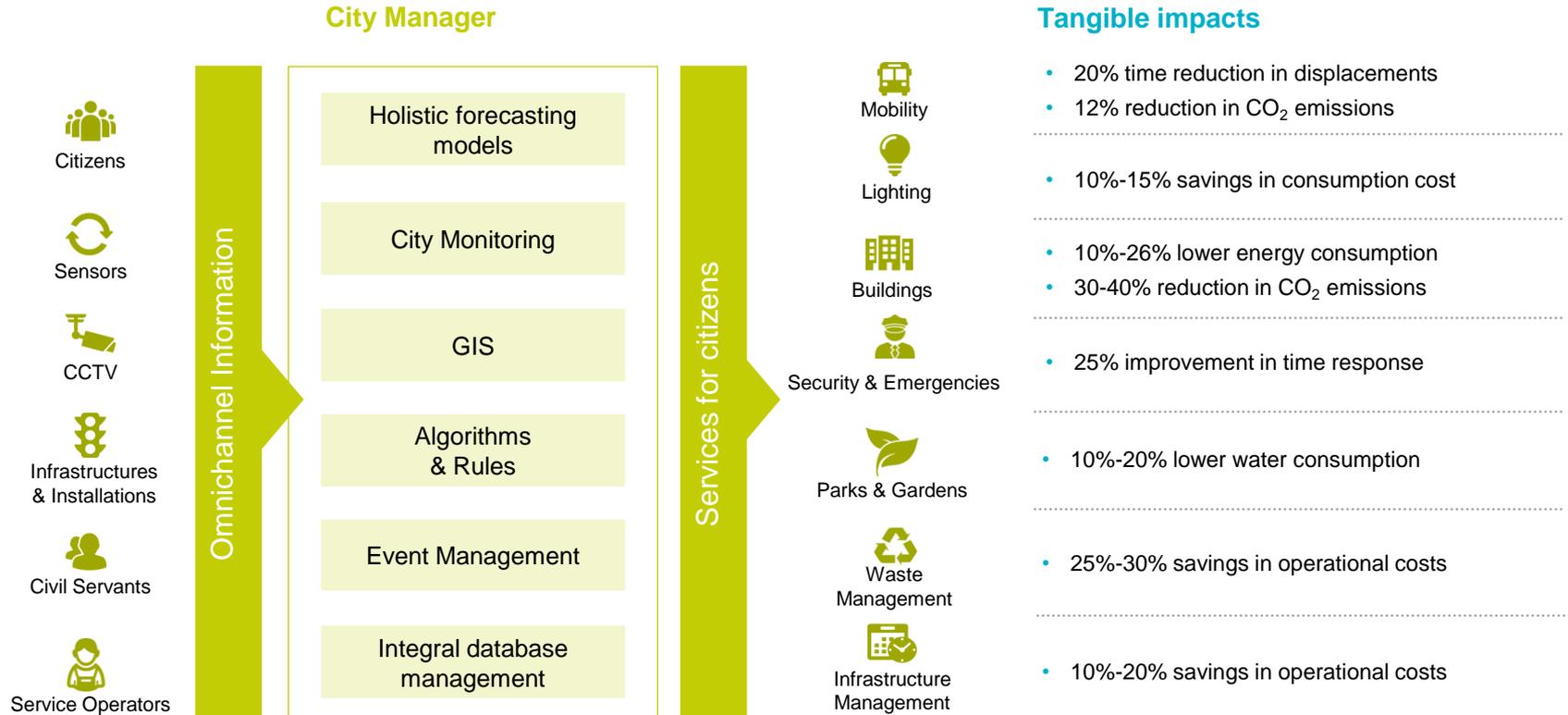
International recognition of our digital products

Gartner Magic Quadrant 2015 (representation)



Source: Gartner Magic Quadrant for Enterprise Application platforms as a service – March 2015,

Smart cities: solutions to generate a tangible impact on citizens



Wrapping up: strategic guidelines aligned with overall strategy



02 Products and projects portfolio

- Continue developing core business solutions, especially in Financial Services and Energy
- Abandon particular business segments with high pressure on margins

03 Go-to-market strategy

- Focus our marketing and sales strategy to boost our products which are already proven and developed
- Develop relationships with third party channels in order to push proprietary standardized products

04 Delivery Model

- Accelerate implementation of Global Delivery Model
 - Both with off-shoring and near-shoring
- Improve overall project monitoring to reduce overruns

05 Growth in new business

- Complement proprietary products with new businesses offering
- Indra Digital as our main accelerator, already in place
 - Growth in the double digits

1. Organic growth. Constant exchange rates as of 2014 (average FX in 2014). Source: Indra.



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07

FINANCIAL OVERVIEW

Juan Carlos Baena

The logo consists of the number '10' in a stylized, blue, sans-serif font. The '1' and '0' are filled with a pattern of thin, parallel lines, giving it a textured appearance. The '10' is positioned in the upper right quadrant of the slide, within a white rectangular area.

10

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Agenda

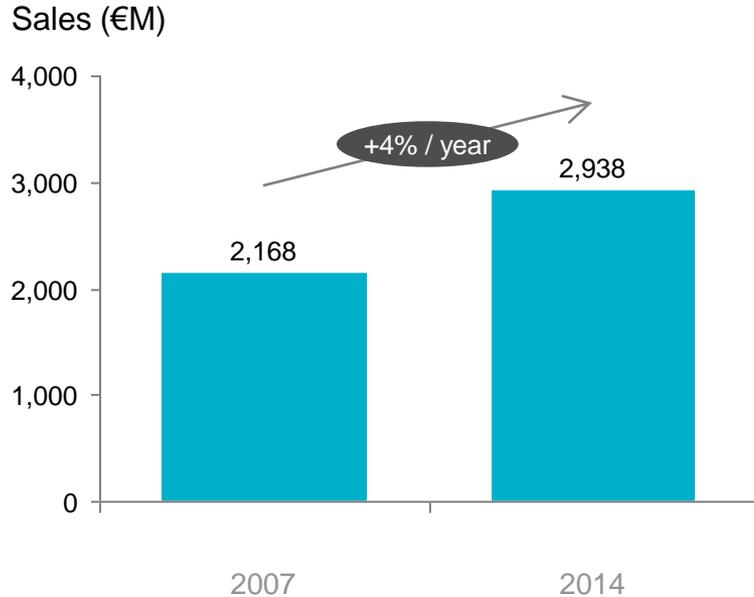


Agenda

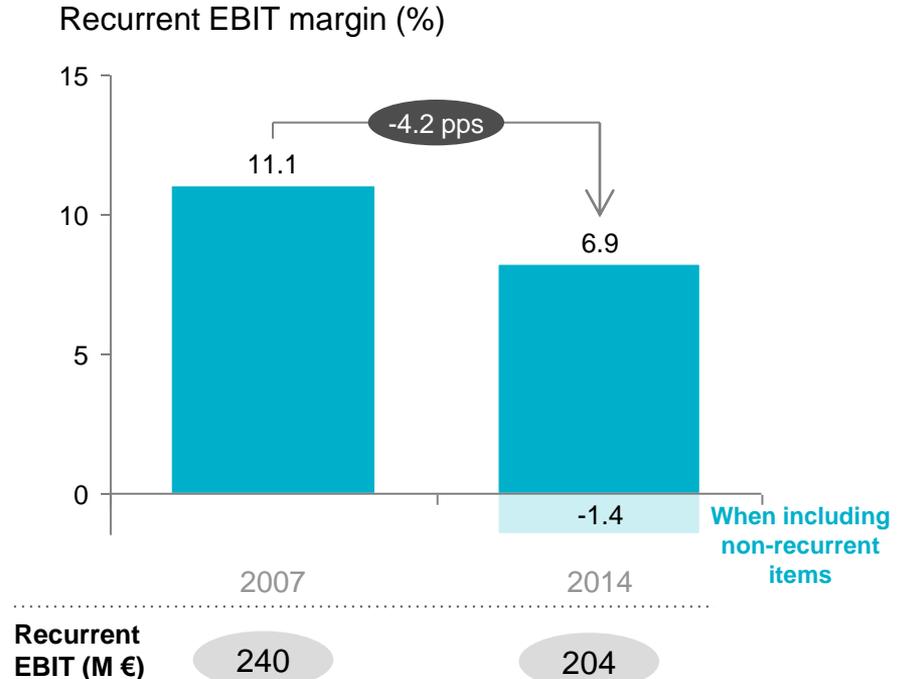


Strong sales growth historically with a decrease in profitability

From 2007 to 2014 sales grew...

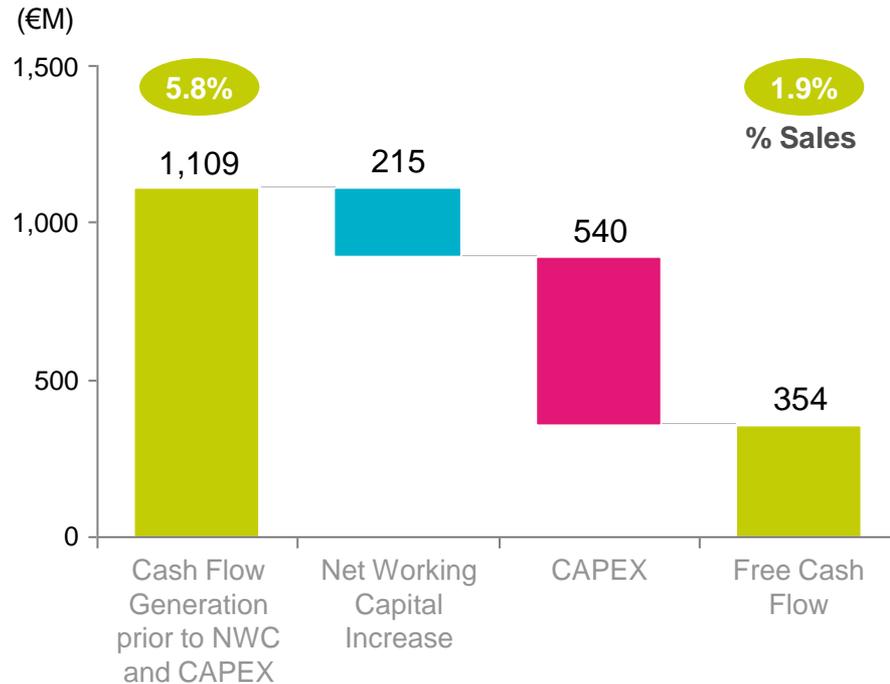


...but profitability decreased

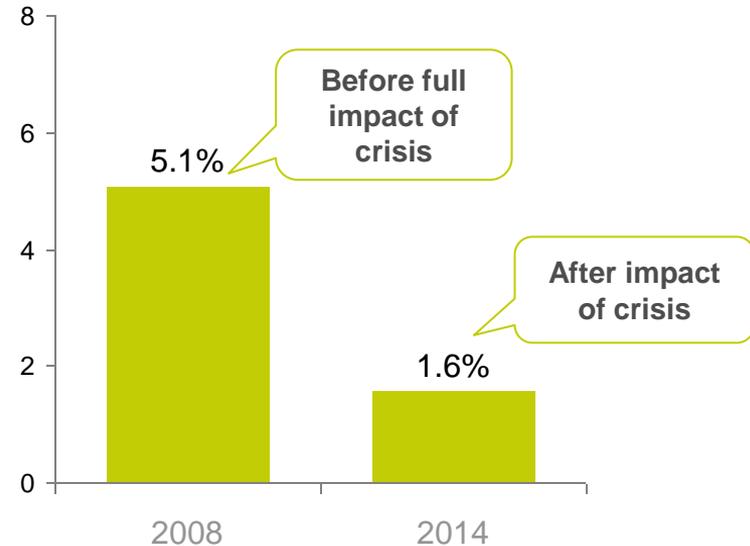


Low Free Cash Flow generation during the economic crisis

Accumulated Cash Flow 2008-14 (€M)

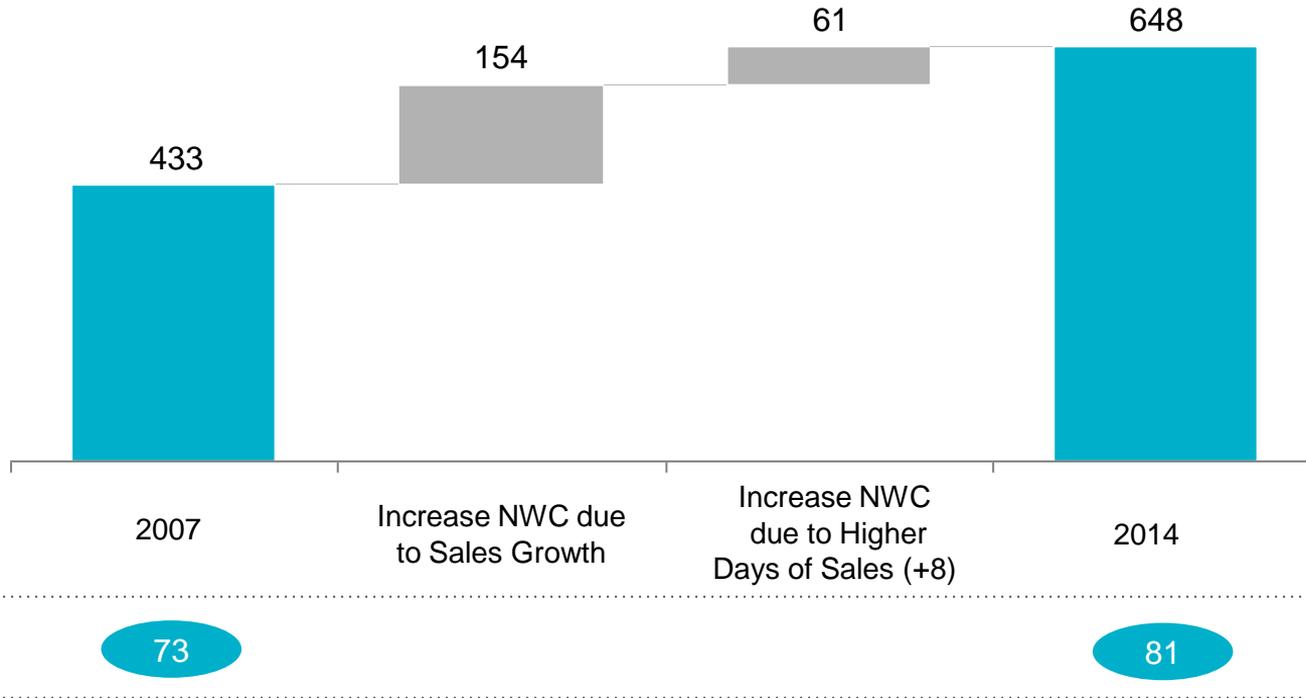


FCF / Sales (%)



Net Working Capital deterioration

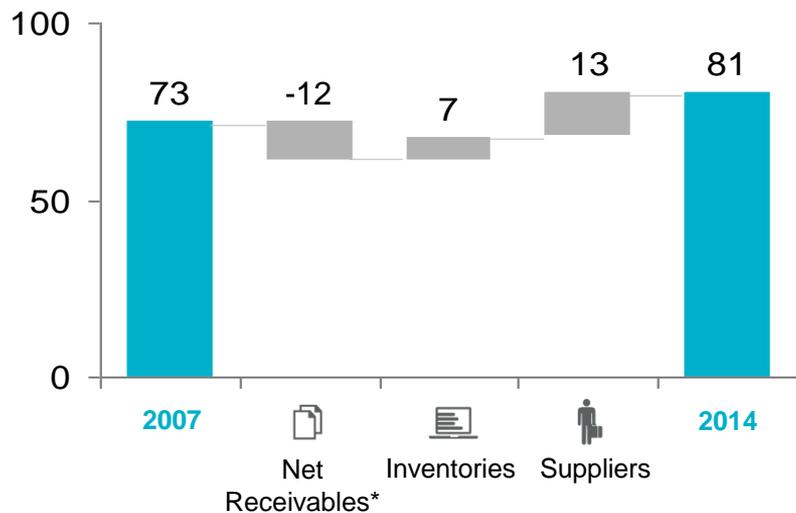
Net Working Capital¹ Evolution 2007-14 (€M)



1. NWC

Net Working Capital days of sales have increased due to inventories and suppliers evolution

Net Working Capital (Days of Sales)



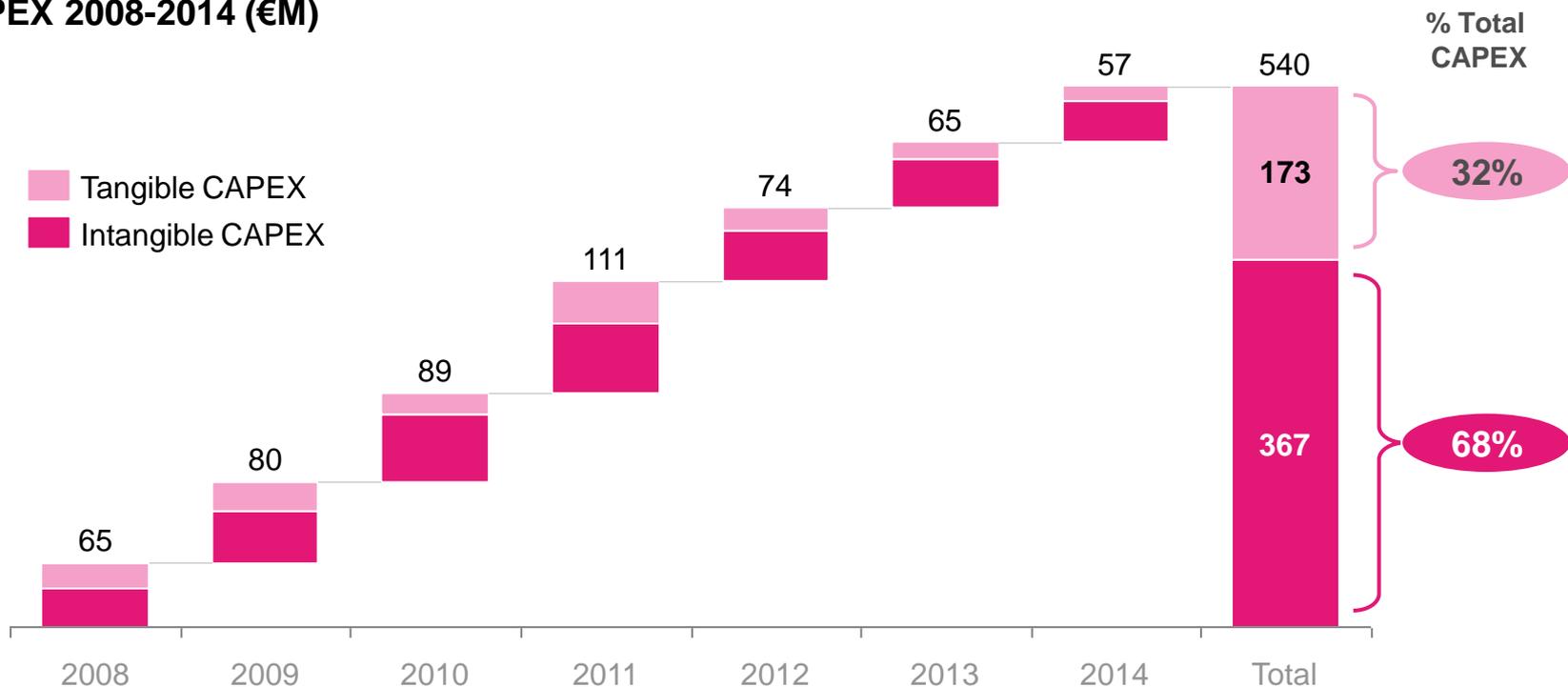
Net Working Capital Evolution (Days of Sales) 2007-14

	2007	2014	Effect on NWC
Net Receivables*	136	124	↓ Client reduction higher than unbilled revenues increase and reduction of down-payments
Inventories	22	29	↑ Increase, with a peak of 52 days in 2012 & 2013
Suppliers	-85	-72	↑ Reduction of purchases volume and shorter payment periods in Spain

*Net Receivables: Clients + Receivables, billable production – Down-payments

Accumulated CAPEX of €540 M, of which 68% are intangible

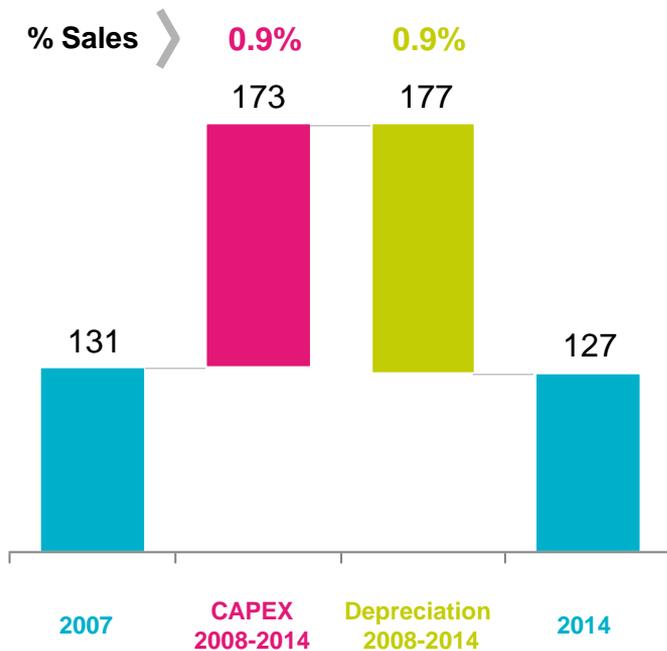
CAPEX 2008-2014 (€M)



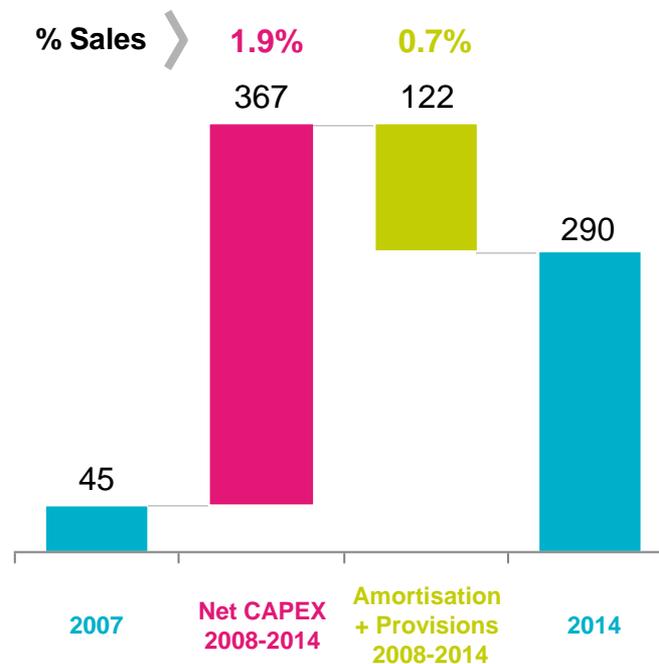
Tangible assets: Depreciation similar to CAPEX

Intangible assets: Amortisation will accelerate from now onwards

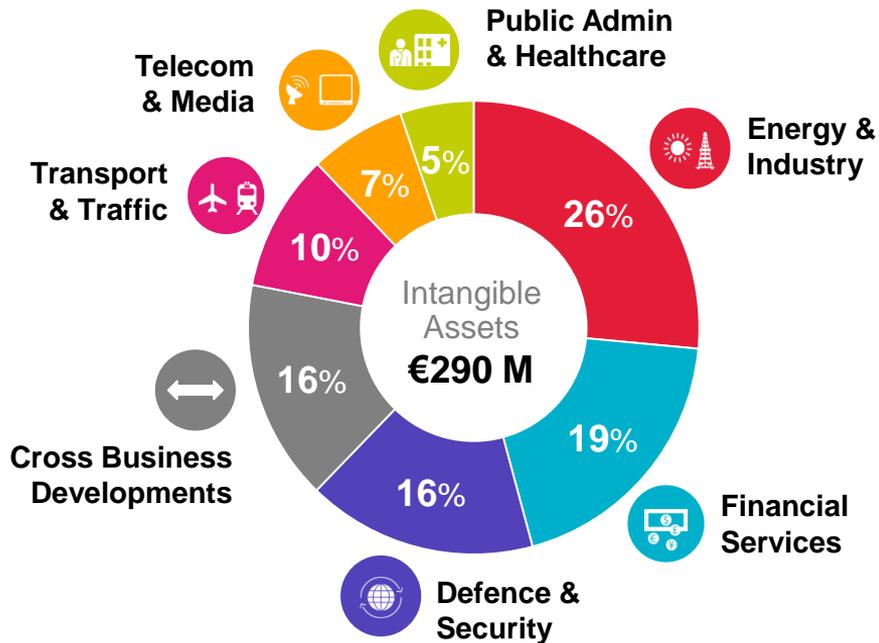
Tangible Assets Evolution 2007-2014 (€M)



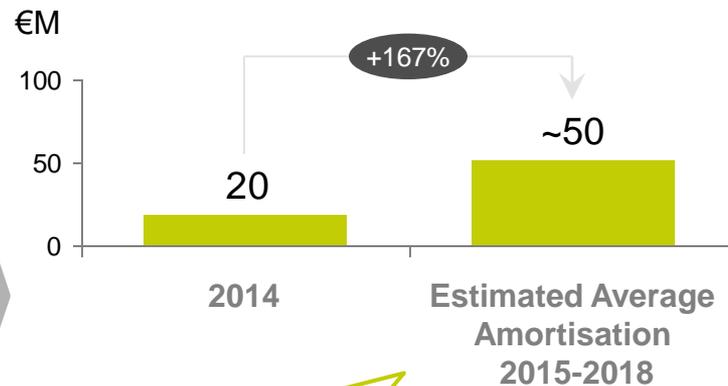
Intangible Assets Evolution 2007-2014 (€M)



Intangible CAPEX has developed the base of future portfolio and starts to be amortised once development phase is finished



Intangible Assets Amortisation

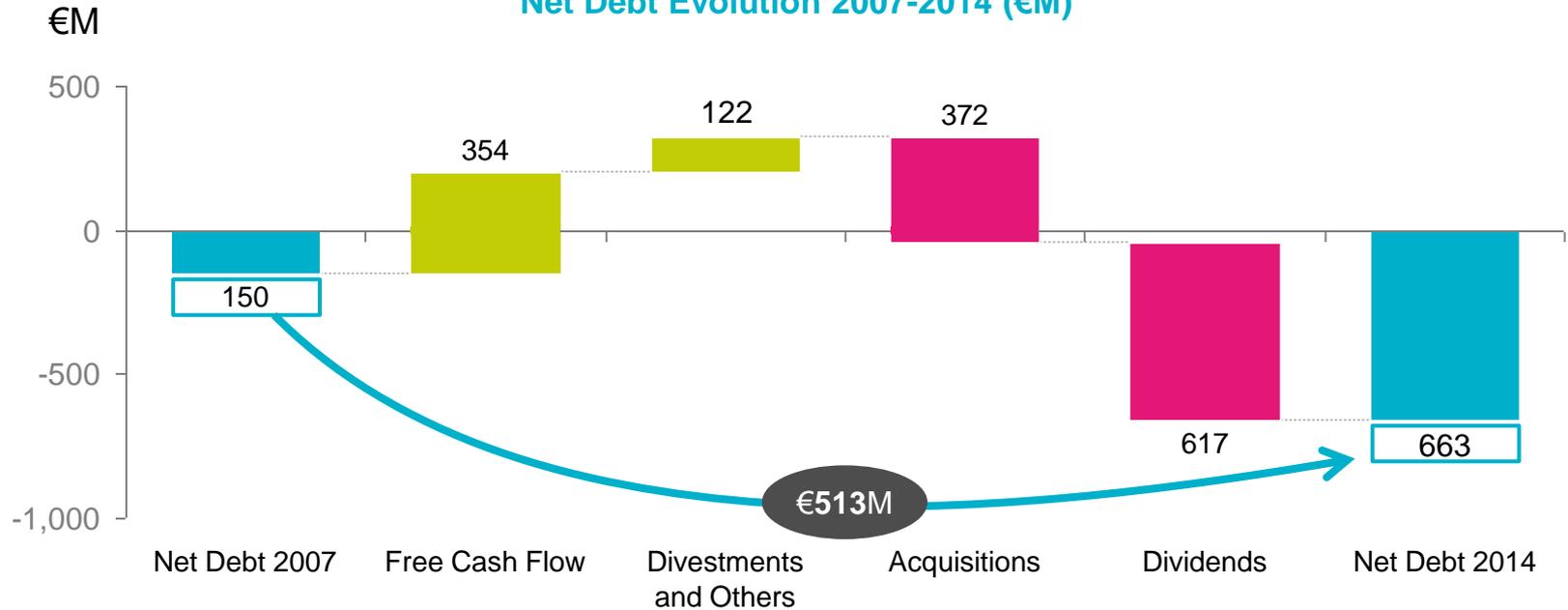


Amortisation Main Criteria

- > 4 to 10 years
 - Average 7 years
- > Amortisation begins after the development phase

Net Debt increased from 0.5x to 2.5x EBITDA

Net Debt Evolution 2007-2014 (€M)



Net Debt /
Recurrent EBITDA

0.5x

2.5x

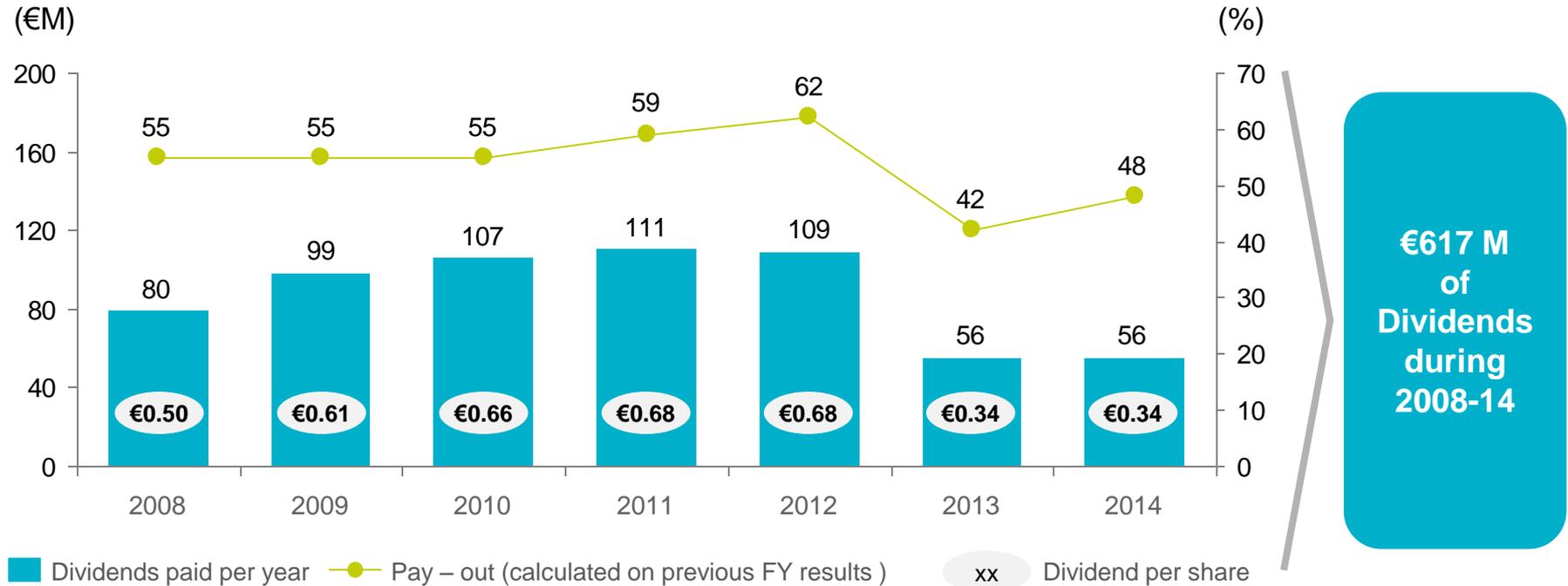
Indra made acquisitions to both increase its international presence and expand its portfolio

Main reasons for Indra's historical Acquisitions



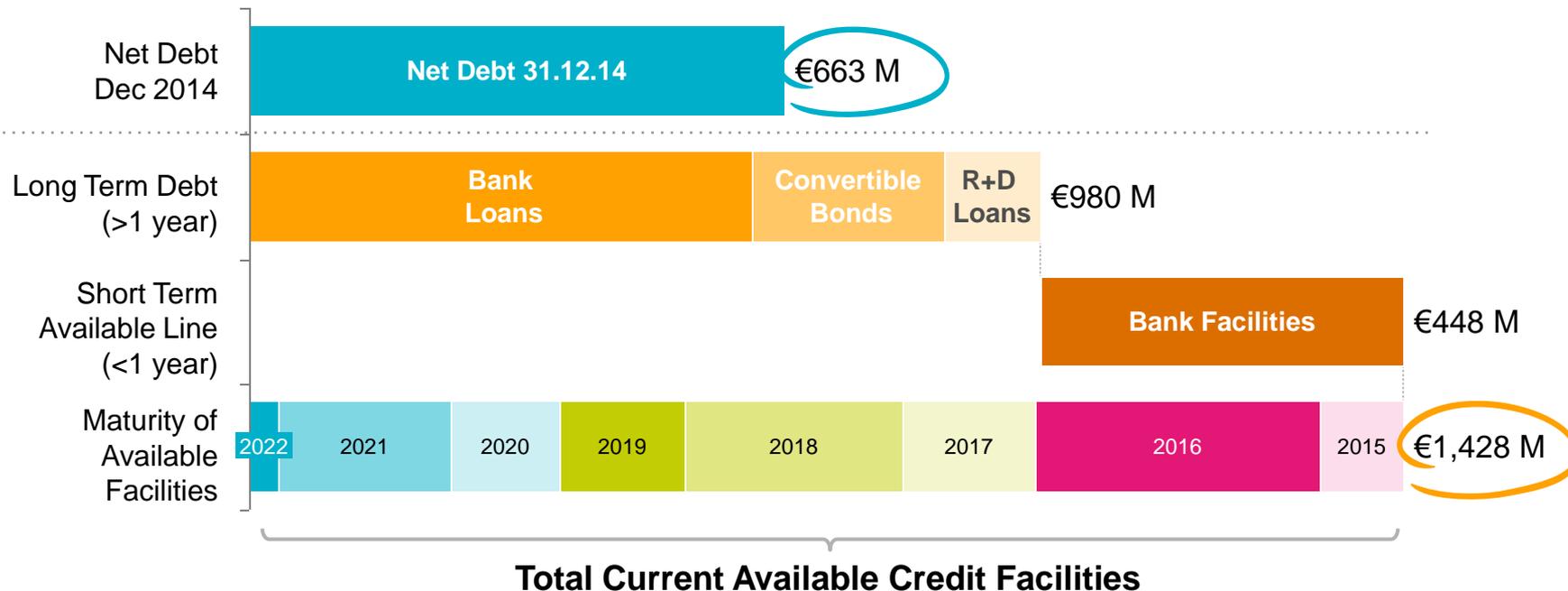
Dividend payment despite the crisis

Dividends 2008-2014

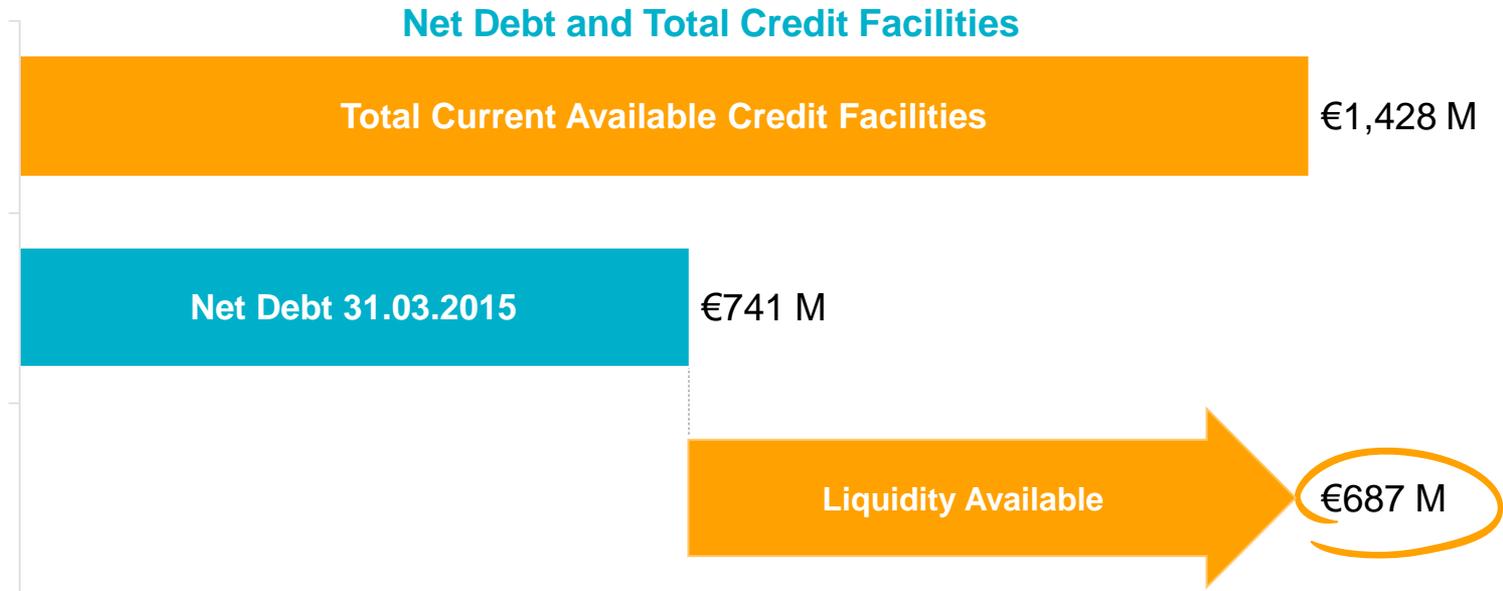


The resulting net debt is manageable in terms of volume and maturity

Net Debt and Total Credit Facilities



~€690 M of available liquidity despite the increase of net debt during the 1Q 2015



Indra has available credit to finance Operating Plans

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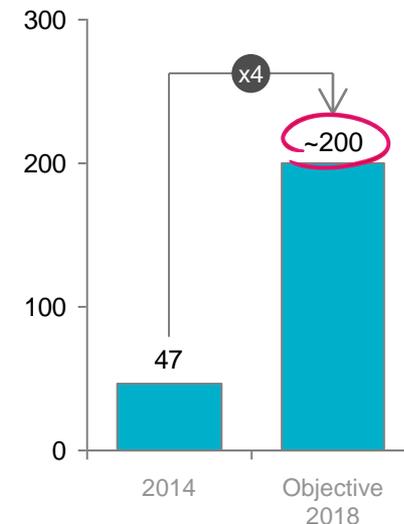


Going forward, we have a clear plan to increase Free Cash Flow generation

Drivers of Cash Flow Improvement	2014	Main Actions	Objective 2018
Increase of Revenues	2,938 (€M)	<ul style="list-style-type: none"> Prioritize existing portfolio Growth in new businesses 	CAGR 2.5%-4.5%*
Profitability Improvement	6.9% (% Recurrent EBIT)	<ul style="list-style-type: none"> Cost reduction Increase of Indra's competitiveness 	10%-11%
Control of Working Capital	<ul style="list-style-type: none"> Stability due to strong Control Plan 		
Stable CAPEX	<ul style="list-style-type: none"> CAPEX will continue stable, increasing in Digital, but with higher focus and less requirements in solutions already developed 		
Leverage of Taxes Carry-forwards	<ul style="list-style-type: none"> Potential tax payments reduction due to tax losses carry-forwards 		

Cash Objective

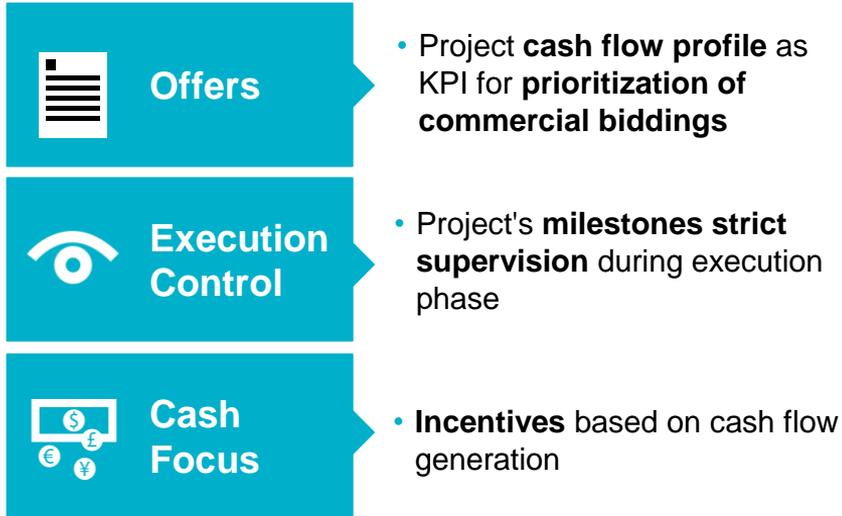
Free Cash Flow (€M)



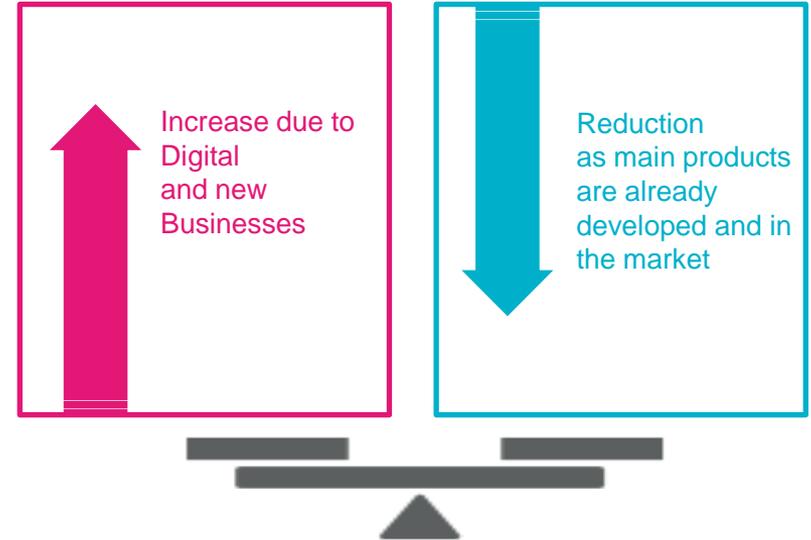
*Organic growth. Constant exchange rates as of 2014 (average FX in 2014)

Working Capital and CAPEX expected to maintain a stable path

Working Capital will be under a tighter control thanks to measures taken



Expected stable CAPEX requirements

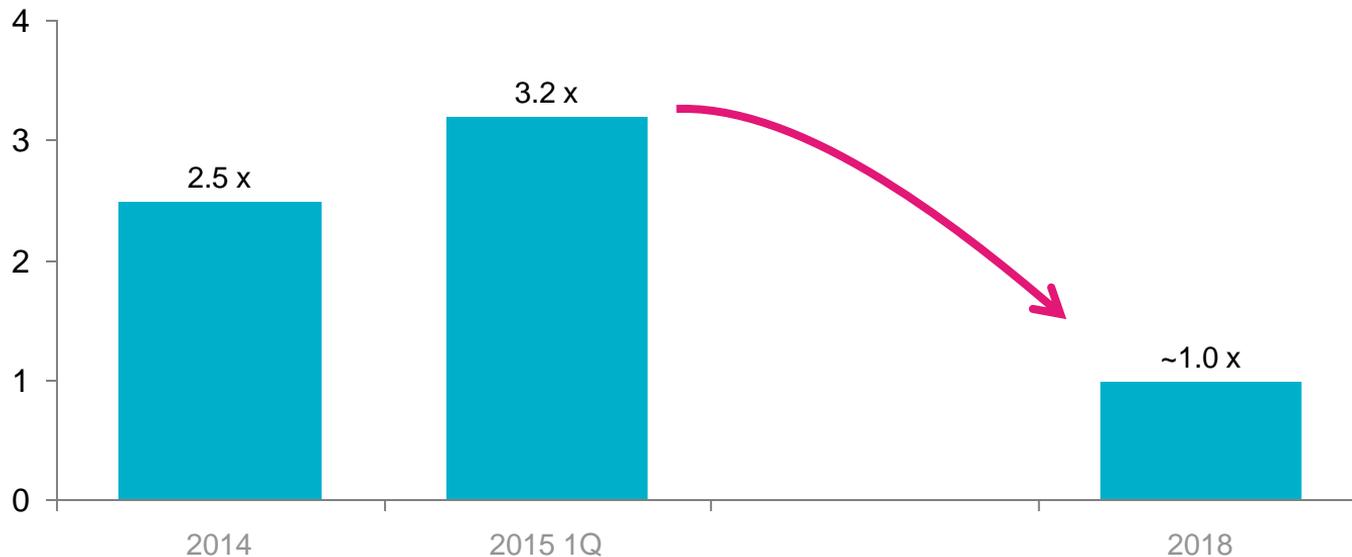


Working capital stability expected as improvements obtained from our Working Capital Plan will compensate commercial efforts

Due to higher Cash Flow Generation, net debt expected to be reduced after 2015

Expected Evolution of Net Debt / EBITDA 2014-2018

Net Debt / EBITDA



Dividend policy will be linked to cash flow generation

In summary, the strategic guidelines and current plans will improve profitability and cash generation

- ✓ **Growth of sales** supported by clear strategic guidelines and strong product portfolio
- ✓ **Increase of profitability** thanks to Operating Plans and migration to more value-added activities
- ✓ **Working Capital Control** with Optimized Delivery Model
- ✓ **Stability of CAPEX** as main R&D investments have already been done
- ✓ **Strict Financial policy**, linking dividend payments to cash flow generation

	2014		Objective 2018
Revenues	2,938 (€M)	>	CAGR 2.5%-4.5% *
Recurrent EBIT margin (% of revenues)	6.9%	>	10%-11%
FCF (€M) (% of revenues)	47 (1.6%)	>	~200 (~6%)
Net Debt / EBITDA	2.5 x	>	~1.0 x

*Organic growth. Constant exchange rates as of 2014 (average FX in 2014)



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