



Alcobendas, 28 September 2016

SPANISH SECURITIES MARKET COMMISSION
(COMISIÓN NACIONAL DEL MERCADO DE VALORES)

Pursuant to the provisions of Article 17 of Regulation (EU) 596/2014 of 16 April 2014 on Market Abuse (Market Abuse Regulation) and Article 228 of the consolidated text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October Law 24/1988, Indra hereby notifies and announces the following

RELEVANT EVENT

Using the powers conferred by the General Shareholders' Meeting of Indra Sistemas S.A. ("**Indra**") held on 30 June 2016, the Board of Directors of Indra has resolved to carry out an issue of bonds convertible into and/or exchangeable for ordinary shares in Indra (the "**Bonds**"), excluding the preferred subscription rights of the shareholders (the "**Issue**").

Indra's Board of Directors has established the main characteristics of the Issue. However, some of the terms and conditions of the Bonds are pending and will be determined once the financial entities engaged for this purpose have completed the bookbuilding process.

Indra has engaged the services of a syndicate of underwriting banks led by BNP Paribas and Citigroup Global Markets Limited, as *Joint Bookrunners*, and a group of co-lead managers including Berenberg and Natixis, to carry out an accelerated bookbuilding process in order to obtain commitments from international qualified investors for the subscription of the Bonds.

The accelerated bookbuilding process in relation to the Issue will begin immediately after the publication of this announcement.

Indra intends to use a portion of the funds raised with the Issue, up to €100 million, to finance the repurchase of part of its outstanding €250,000,000 1.75 per cent. coupon Senior Unsecured Convertible Bonds due 17 October 2018 (the "**2018 Bonds**"), on the terms indicated herein, as well as for general corporate purposes, including extending the maturity

profile and reducing the average cost of its debt, enhancing its liquidity and diversifying its sources of funding.

New Issue of Bonds

The main terms and conditions of the Issue are as follows:

- a. The nominal amount of the Issue will be TWO HUNDRED AND FIFTY MILLION EUROS (€250,000,000), subject to an increase option of up to FIFTY MILLION EUROS (€50,000,000), exercisable at the discretion of Indra at the time of pricing;
- b. The Bonds will mature on the seventh anniversary of the Issue Date, as this term is defined below ("**Final Maturity Date**"). On the Final Maturity Date, those Bonds which have not been previously converted or exchanged, redeemed or purchased and cancelled, will be redeemed for their nominal value;
- c. The Issue will be targeted at international qualified investors;
- d. The Bonds will have a nominal value amount of one hundred thousand euros (€100,000) and will be issued at 100% of their nominal value. The Bonds will constitute a single series and will be in registered form, represented by bond certificates initially in the form of a single global certificate. A register of the names and addresses of the bondholders will be kept by a financial entity appointed for this purpose;
- e. The Bonds will accrue fixed interest, payable every six (6) months in arrears. The nominal annual interest rate, which will be set once the bookbuilding process has concluded, is expected to be between 0.5% and 1.25%;
- f. The Bonds will be voluntarily convertible into newly-issued shares or exchangeable for existing shares in Indra (as Indra may decide), when the bondholders exercise their conversion or exchange rights, at a conversion or exchange price which will, initially, be the result of adding together:

- a) the trading price of the shares in Indra, determined by the volume weighted average price of the trading volume of said shares on the Spanish Stock Exchanges during the period between the launch and the pricing today; and
- b) a conversion premium to be established as a result of the accelerated bookbuilding process. The conversion premium is expected to be between 25% and 30% of the trading price of the shares referred to in paragraph (a) above.

The bondholders will receive, as a result of exercising their conversion or exchange right, a number of ordinary shares in Indra which will be determined by dividing the principal amount of the Bonds to be converted or exchanged by the conversion price then applicable.

- g. In any event, Indra may redeem in advance all (but not part) of the Bonds for their principal amount plus the interest accrued, if: (a) on or after the date that falls 4 years and 21 days from the Issue Date (as this term is defined below), the market value of the underlying shares per Bond for a specified period of time exceeds 130,000 euros; or if (b) at any time, 15% or less of the principal amount of the Bonds initially issued remains outstanding.
- h. Bondholders will have the right to request to Indra the repurchase of the Bonds at their par value together with accrued and unpaid interest up to such date on the fifth anniversary of the Issue Date.
- i. The Issue is guaranteed by Indra's global assets and is not guaranteed by any security interest over assets or rights of Indra or personal guarantee from third parties.
- j. The legal nature of the Issue, the capacity of Indra as well as its corresponding corporate resolutions and the status of the Bonds, will be governed and interpreted in accordance with Spanish law. Except as indicated above, the terms and conditions of the Bonds, including the non-contractual obligations, will be governed and interpreted in accordance with English law.

- k. Indra will assume a 90-day lock-up undertaking, as from the date of the Subscription Agreement (as this term is defined below), by virtue of which it will undertake not to carry out the issue, offer or sale of shares and other securities convertible into and/or exchangeable for shares in Indra, subject to certain exceptions; and
- l. An application will be made for the Bonds to be admitted to trading on the multilateral trading system known as the "Freiverkehr" of the Frankfurt Stock Exchange.

Once the definitive terms and conditions of the Issue have been finalized at the conclusion of the bookbuilding process, Indra is expected to sign a subscription agreement for the Bonds with the entities belonging to the syndicate of underwriting banks (the "**Subscription Agreement**"), subject to English law.

The subscription and disbursement of the Bonds is expected to take place on 7 October 2016 (the "**Issue Date**"), provided that the applicable conditions established in the Subscription Agreement are fulfilled.

Repurchase of the 2018 Bonds

Concurrently with and independently from the Issue, Indra intends to use a portion of the proceeds of the new Issue, up to €100 million, to finance the repurchase of part of its outstanding 2018 Bonds (the "**Repurchase**"). The Repurchase will be conducted through a reverse bookbuilding (open to institutional investors only outside the United States of America), conducted by the *Joint Bookrunners* concurrently with the bookbuilding process of the Issue. Settlement and closing of the Repurchase is expected to occur on the Issue Date.

The Repurchase is not open to any persons located or resident in the United States of America, or in any other jurisdiction where participation in the Repurchase would be unlawful.

The repurchase price of the 2018 Bonds will be set upon the conclusion of the reverse bookbuilding process and it is expected that will range between 104% and 105% of the principal amount of the 2018 Bonds. In addition, Indra will pay accrued and unpaid interest

on the outstanding 2018 Bonds up to and excluding the settlement and closing date of the Repurchase. The repurchased 2018 Bonds (if any) will be cancelled by Indra in accordance with their terms and conditions.

The bookbuilding of the Issue and the reverse bookbuilding of the Repurchase are two independent processes. Indra reserves the right to proceed or not with the Issue of the Bonds in the event that it decides, at its discretion, not to proceed with the Repurchase. Existing holders of the 2018 Bonds placing indications of interest in the subscription of the new Bonds may, at Indra's discretion, have the benefit of a priority allocation in the Repurchase of the 2018 Bonds.

Yours faithfully,

Javier Lázaro

CFO

IMPORTANT INFORMATION

THIS DOCUMENT IS NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("U.S. SECURITIES ACT")). THIS DOCUMENT IS NOT AN OFFER TO SELL SECURITIES OR THE SOLICITATION OF ANY OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY OFFER OF SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SALE WOULD BE UNLAWFUL. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED IN THE UNITED STATES UNDER THE U.S. SECURITIES ACT, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT). THERE WILL BE NO PUBLIC OFFER OF THE SECURITIES IN THE UNITED STATES OR IN ANY OTHER JURISDICTION.

INVITATION AND DISTRIBUTION RESTRICTIONS IN RESPECT OF THE REPURCHASE.

THE DISTRIBUTION OF THIS DOCUMENT IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES ARE REQUIRED BY THE COMPANY AND THE JOINT BOOKRUNNERS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO BUY THE 2018 BONDS OR A SOLICITATION OF AN OFFER TO SELL ANY 2018 BONDS.

OFFERS OF 2018 BONDS PURSUANT TO THE REPURCHASE WILL NOT BE ACCEPTED FROM HOLDERS OF 2018 BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

UNITED STATES OF AMERICA

THE REPURCHASE IS NOT BEING MADE, AND WILL NOT BE MADE, DIRECTLY OR INDIRECTLY IN OR INTO, OR BY USE OF THE MAIL OF, OR BY ANY MEANS OR INSTRUMENTALITY OF INTERSTATE OR FOREIGN COMMERCE OF OR OF ANY FACILITIES OF A NATIONAL SECURITIES EXCHANGE OF, THE UNITED STATES. THIS INCLUDES, BUT IS NOT LIMITED TO, FACSIMILE TRANSMISSION, ELECTRONIC MAIL, TELEX, TELEPHONE AND THE INTERNET. THE 2018 BONDS MAY NOT BE TENDERED IN THE REPURCHASE BY ANY SUCH USE, MEANS, INSTRUMENTALITY OR FACILITY FROM OR WITHIN THE UNITED STATES OR BY PERSONS LOCATED OR RESIDENT IN THE UNITED STATES AS DEFINED IN REGULATIONS OF THE SECURITIES ACT. ACCORDINGLY, COPIES OF THIS DOCUMENT AND ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE REPURCHASE ARE NOT BEING, AND MUST NOT BE, DIRECTLY OR INDIRECTLY MAILED OR OTHERWISE TRANSMITTED, DISTRIBUTED OR FORWARDED (INCLUDING, WITHOUT LIMITATION, BY CUSTODIANS, NOMINEES OR TRUSTEES) IN OR INTO THE UNITED STATES. ANY PURPORTED TENDER OF 2018 BONDS IN THE REPURCHASE RESULTING DIRECTLY OR INDIRECTLY FROM A VIOLATION OF THESE RESTRICTIONS WILL BE INVALID AND ANY PURPORTED TENDER OF 2018 BONDS MADE BY A PERSON LOCATED IN THE UNITED STATES OR ANY AGENT, FIDUCIARY OR OTHER INTERMEDIARY ACTING ON A NON-DISCRETIONARY BASIS FOR A PRINCIPAL GIVING INSTRUCTIONS FROM WITHIN THE UNITED STATES WILL BE INVALID AND WILL NOT BE ACCEPTED.

EACH HOLDER OF 2018 BONDS PARTICIPATING IN THE REPURCHASE WILL REPRESENT THAT IT IS NOT LOCATED IN THE UNITED STATES AND IS NOT PARTICIPATING IN THE REPURCHASE FROM THE UNITED STATES OR IT IS ACTING ON A NON-DISCRETIONARY BASIS FOR A PRINCIPAL LOCATED OUTSIDE THE UNITED STATES THAT IS NOT GIVING AN ORDER TO PARTICIPATE IN THE REPURCHASE FROM THE UNITED STATES. FOR THE PURPOSES OF THIS AND THE ABOVE PARAGRAPH, "UNITED STATES" MEANS THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OF AMERICA AND THE DISTRICT OF COLUMBIA.

UNITED KINGDOM

THE COMMUNICATION OF THIS DOCUMENT BY THE COMPANY AND ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE REPURCHASE IS NOT BEING MADE, AND SUCH DOCUMENTS AND/OR MATERIALS HAVE NOT BEEN APPROVED, BY AN AUTHORISED PERSON FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA"). ACCORDINGLY, SUCH DOCUMENTS AND/OR MATERIALS ARE NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM.

THE COMMUNICATION OF SUCH DOCUMENTS AND/OR MATERIALS IS EXEMPT FROM THE RESTRICTION ON FINANCIAL PROMOTIONS UNDER SECTION 21 OF THE FSMA ON THE BASIS THAT IT IS ONLY DIRECTED AT AND MAY BE COMMUNICATED TO (1) THOSE PERSONS WHO ARE EXISTING MEMBERS OR CREDITORS OF THE COMPANY OR OTHER PERSONS WITHIN ARTICLE 43 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AND (2) TO ANY OTHER PERSONS TO WHOM THESE DOCUMENTS AND/OR MATERIALS MAY LAWFULLY BE COMMUNICATED.

THE REPUBLIC OF ITALY

NEITHER THIS DOCUMENT NOR ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE REPURCHASE HAVE BEEN OR WILL BE SUBMITTED TO THE CLEARANCE PROCEDURE OF THE *COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA* (CONSOB) PURSUANT TO ITALIAN LAWS AND REGULATIONS.

THE REPURCHASE IS BEING CARRIED OUT IN THE REPUBLIC OF ITALY AS AN EXEMPTED OFFER PURSUANT TO ARTICLE 101-BIS, PARAGRAPH 3-BIS OF THE LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED (THE “**FINANCIAL SERVICES ACT**”) AND ARTICLE 35-BIS, PARAGRAPH 3 OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED (THE “**ISSUERS' REGULATION**”).

ACCORDINGLY, THE REPURCHASE IS ONLY ADDRESSED TO HOLDERS OF 2018 BONDS LOCATED IN THE REPUBLIC OF ITALY WHO ARE “QUALIFIED INVESTORS” (*INVESTITORI QUALIFICATI*) AS DEFINED PURSUANT TO AND WITHIN THE MEANING OF ARTICLE 100 OF THE FINANCIAL SERVICES ACT AND ARTICLE 34-TER, PARAGRAPH 1, LETTER B) OF THE ISSUERS’ REGULATION.

A HOLDER OF 2018 BONDS LOCATED IN THE REPUBLIC OF ITALY CAN TENDER 2018 BONDS IN THE REPURCHASE THROUGH AUTHORISED PERSONS (SUCH AS INVESTMENT FIRMS, BANKS OR FINANCIAL INTERMEDIARIES PERMITTED TO CONDUCT SUCH ACTIVITIES IN THE REPUBLIC OF ITALY IN ACCORDANCE WITH THE FINANCIAL SERVICES ACT, CONSOB REGULATION NO. 16190 OF 29 OCTOBER 2007, AS AMENDED FROM TIME TO TIME, AND LEGISLATIVE DECREE NO. 385 OF SEPTEMBER 1, 1993, AS AMENDED) AND IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS OR WITH REQUIREMENTS IMPOSED BY CONSOB OR ANY OTHER ITALIAN AUTHORITY.

EACH INTERMEDIARY MUST COMPLY WITH THE APPLICABLE LAWS AND REGULATIONS CONCERNING INFORMATION DUTIES VIS-À-VIS ITS CLIENTS IN CONNECTION WITH THE 2018 BONDS OR THE REPURCHASE.

FRANCE

THE REPURCHASE IS NOT BEING MADE, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN FRANCE. NEITHER THIS DOCUMENT NOR ANY OTHER DOCUMENTS OR OFFERING MATERIALS RELATING TO THE REPURCHASE HAVE BEEN OR SHALL BE DISTRIBUTED TO THE PUBLIC IN FRANCE AND ONLY (I) PROVIDERS OF INVESTMENT

SERVICES RELATING TO PORTFOLIO MANAGEMENT FOR THE ACCOUNT OF THIRD PARTIES (*PERSONNES FOURNISSANT LE SERVICE D'INVESTISSEMENT DE GESTION DE PORTEFEUILLE POUR COMPTE DE TIERS*) AND/OR (II) QUALIFIED INVESTORS (*INVESTISSEURS QUALIFIÉS*) ACTING FOR THEIR OWN ACCOUNT, ALL AS DEFINED IN, AND IN ACCORDANCE WITH, ARTICLES L.411-1, L.411-2 AND D.411-1 OF THE FRENCH *AUTORITÉ DES MARCHÉS FINANCIERS CODE MONÉTAIRE ET FINANCIER*, ARE ELIGIBLE TO PARTICIPATE IN THE REPURCHASE. THIS DOCUMENT HAS NOT BEEN SUBMITTED TO THE CLEARANCE PROCEDURES (VISA) OF THE *AUTORITÉ DES MARCHÉS FINANCIERS*.

BELGIUM

NEITHER THIS DOCUMENT NOR ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE REPURCHASE HAVE BEEN SUBMITTED TO OR WILL BE SUBMITTED FOR APPROVAL OR RECOGNITION TO THE FINANCIAL SERVICES AND MARKETS AUTHORITY (*"AUTORITÉ DES SERVICES ET MARCHÉS FINANCIERS / AUTORITEIT FINANCIËLE DIENSTEN EN MARKTEN"*) AND, ACCORDINGLY, THE REPURCHASE MAY NOT BE MADE IN BELGIUM BY WAY OF A PUBLIC OFFERING, AS DEFINED IN ARTICLES 3 AND 6 OF THE BELGIAN LAW OF 1 APRIL 2007 ON PUBLIC TAKEOVER BIDS (THE **"BELGIAN TAKEOVER LAW"**) AS AMENDED OR REPLACED FROM TIME TO TIME. ACCORDINGLY, THE REPURCHASE MAY NOT BE ADVERTISED AND THE REPURCHASE WILL NOT BE EXTENDED, AND NEITHER THIS DOCUMENT NOR ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE REPURCHASE (INCLUDING ANY MEMORANDUM, INFORMATION CIRCULAR, BROCHURE OR ANY SIMILAR DOCUMENTS) HAS BEEN OR SHALL BE DISTRIBUTED OR MADE AVAILABLE, DIRECTLY OR INDIRECTLY, TO ANY PERSON IN BELGIUM OTHER THAN (I) TO "QUALIFIED INVESTORS" IN THE SENSE OF ARTICLE 10 OF THE BELGIAN LAW OF 16 JUNE 2006 ON THE PUBLIC OFFER OF PLACEMENT INSTRUMENTS AND THE ADMISSION TO TRADING OF PLACEMENT INSTRUMENTS ON REGULATED MARKETS, ACTING ON THEIR OWN ACCOUNT OR (II) IN ANY CIRCUMSTANCES SET OUT IN ARTICLE 6, §4 OF THE BELGIAN TAKEOVER LAW. THIS DOCUMENT HAS BEEN ISSUED ONLY FOR THE PERSONAL USE OF THE ABOVE QUALIFIED INVESTORS AND EXCLUSIVELY FOR THE PURPOSE OF THE REPURCHASE. ACCORDINGLY, THE INFORMATION CONTAINED IN THIS DOCUMENT MAY NOT BE USED FOR ANY OTHER PURPOSE OR DISCLOSED TO ANY OTHER PERSON IN BELGIUM.